Delivering our strategy

David Duffy
Chief Executive Officer
Delivering our strategy to drive profitable growth

FY22 achievements (✓ key guidance met)

- Delivered £69m of £175m FY24 target cost savings ✓
- Digital transformation on track

- Expanded FY22 NIM of 1.85% per upgraded guidance ✓
- Broadly stable costs delivered ✓

- Unsecured & BAU Business +7%; mortgage growth in H2 ✓
- 13% YoY growth in relationship deposits

- 7bp cost of risk per upgraded guidance ✓
- Robust provision coverage of 62bps; arrears remain low

- 15.0% CET1 ratio; Capital framework launched ✓
- 10p per share dividend; £125m buybacks launched

Delivering strong financial outcomes

- Statutory ROTE: 10.3%
  - FY21: 10.2%

- Cost: income: 52%
  - FY21: 57%

- Capital distributions announced: £267m
  - FY21: £14m

Improved FY24 guidance

- Statutory ROTE: c.11%
- Cost: income: <50%

Return CET1 to target range
Uncertain economic outlook with higher inflation and interest rates

**CPI**
Sustained pick up in inflation

- 8.9% 2022
- 6.0% 2023
- 2.2% 2024
- 1.7% 2025
- 1.2% 2026

Source: Oxford Economics Base Case, October and February 2022

**GDP**
Further downgrades to the outlook

- Q4 21: 90
- Q2 22: 100
- Q4 22: 110

Source: Oxford Economics Base Case, October and February 2022

**Rates**
Significant yield curve shift supports income

- GBP Sonia swap curve
  - Q2 22
  - Q4 22
  - at 18/11/22

Source: Bloomberg; quarterly average unless stated (VMUK financial quarter)

**Unemployment**
Predicted to increase, but remain low by historical standards

- ILO unemployment rate
  - Q4 21: 3%
  - Q2 22: 4%
  - Q4 22: 5%

Source: Oxford Economics Base Case, October and February 2022
Growth in our target segments; returning to overall net asset growth

**Unsecured: strong growth, continuing innovation**

- Record Credit Card sales in FY22; +49% on FY21
- High quality growth; now have 8% cards market share
- Achieved within tighter underwriting parameters
- Launched Slyce waitlist; Buy now pay better, c.40k sign-ups

**Mortgages: returned to growth**

- Annualised book growth of 1.2% in H2 22
- Expanded reach in intermediary market
- Strong asset quality; low avg. LTV 53% and LTI 3.2x
- Preparing for launch of new digital platform in FY23

**Business: momentum in BAU pipeline**

- 14% YoY growth in BAU business drawdowns (to c.£2bn)
- Growth in BAU book resumed in H2 22 (c.5% annualised)
- Majority of businesses well-placed to absorb inflation
- Launched innovative M-Track and Marketplace propositions

**Relationship Deposits: attractive PCA and BCA propositions**

- 250k+ PCA sales since launch of new VM PCA
- 70% YoY growth in sales after launch of digital BCA
- c.650k cashback users across debit and credit cards
- RDs up 13% YoY; now 53% of deposits (FY19: 33%)

Momentum in net asset growth into FY23; moderating growth in BAU Business and Unsecured
Our Purpose will drive our strategic outcomes

Our Purpose
Making you happier about money

- Leading position on hybrid working
- c.50% reduction in property footprint in FY22
- Improved pay settlement, cost of living support

- Launched Agile change framework
- Agile tribes in place and delivering
- c.25% cheaper delivery of change

- Developed cost of living taskforce
- Sustainable Business Coach
- Mortgage Coach supporting First Time Buyers

Our Strategic Ambition
To be the UK’s best digital bank

- 11%pt increase in colleague engagement
- £69m gross savings delivered
- c.9% growth in relationship customer account numbers in FY22

- Organisation of the future
- Improved cost-efficiency
- Stronger customer outcomes

Targeting a stronger customer experience, from an efficient platform to drive profitable growth
Delivering further innovative propositions in FY23

**Slyce: Innovation in BNPL**
- Buy Now Pay Better; c.40k waitlist
- Fully credit scored; enables credit profile build
- Digital, regulated, simple and transparent

**Mortgages: delivering straight-through processing**
- End to end digitisation; better customer experience
- Partnering with Capita
- Paperless, automated, improved turnaround times

**Insurance and Wealth: exciting new digital propositions**
- New digital investment proposition with ESG focus
- Fully refreshed digital home and travel insurance
- Simple, online propositions with quotes in minutes

**Wallet: driving customer acquisition and loyalty**
- Initial version coming soon; enhanced through FY23
- Bringing together Virgin Group and Red rewards
- Putting VM at the heart of the Virgin ecosystem

**Opportunities to drive other income and customer growth**
Financial Results

Clifford Abrahams
Chief Financial Officer
Our strategy continues to deliver shareholder value over time

Our strategic pillars underpin our equity story

- Super Straight-forward Efficiency
- Delighted Customers & Colleagues
- Discipline & Sustainability
- Pioneering Growth

Our equity story delivers shareholder value over time

Balance sheet resilience
- Defensive balance sheet, prudent risk appetite
- Robust provision coverage at 62bps; > pre COVID
- Robust asset quality, limited signs of stress to date
- Successful inaugural stress test participation
- Strong CET1 ratio of 15.0% after distributions
- Clear, sustainable capital framework operating

Digital transformation underway
- On track to deliver £175m of gross savings
- Automating customer journeys, upgrading platform
- New digital propositions delivering customer growth
- 1.85% NIM supported by higher rates and mix shift
- Lowering cost:income ratio towards <50% target
- Delivered double digit returns in FY21 and FY22

Accelerating profitable growth
- Wallet will leverage brand potential
- New platforms to drive OOI and mortgage growth
- Continue profitable lending growth in target areas
- Further growth in relationship deposits
- Ongoing capital generation and distributions
- Driving further RoTE improvement; c.11% in FY24

Delighted Customers & Colleagues
- Wallet will leverage brand potential
- New platforms to drive OOI and mortgage growth
- Continue profitable lending growth in target areas
- Further growth in relationship deposits
- Ongoing capital generation and distributions
- Driving further RoTE improvement; c.11% in FY24

Pioneering Growth
- Wallet will leverage brand potential
- New platforms to drive OOI and mortgage growth
- Continue profitable lending growth in target areas
- Further growth in relationship deposits
- Ongoing capital generation and distributions
- Driving further RoTE improvement; c.11% in FY24
Developing track record of improved financial performance

**Growth in margin accretive products**

Indexed to FY19

- Relationship Deposits: 18% CAGR
- Unsecured: 7%
- Business: 2%

**Mix improvement and rates delivering improved NIM**

- H2 20: 1.49%
- H1 21: 1.56%
- H2 21: 1.69%
- H1 22: 1.83%
- H2 22: 1.86%

**Statutory RoTE progression, delivering double digit returns**

- FY19: 10.8%
- FY 20: (6.8)%
- FY 21: 17.8%
- FY 22: 13.5%

- FY 20: 13.4%
- H1 21: 14.4%
- FY 21: 14.9%
- H1 22: c.14.7%
- FY 22: c.15.0%

**Robust capital accretion supporting returns**

- CAGR: 7%
- Business Unsecured: 2%
- Statutory: 18%
- Underlying Statutory: 6.2%
**Strong increase in pre-provision profit driven by income growth**

<table>
<thead>
<tr>
<th>Underlying P&amp;L</th>
<th>12 months to</th>
<th>12 months to</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 Sep 2022</td>
<td>30 Sep 2021</td>
<td>FY22 vs. FY21</td>
</tr>
<tr>
<td>£m</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>1,592</td>
<td>1,412</td>
<td>13%</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>163</td>
<td>160</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>1,755</strong></td>
<td><strong>1,572</strong></td>
<td><strong>12%</strong></td>
</tr>
<tr>
<td>Total operating and administrative expenses</td>
<td>(914)</td>
<td>(902)</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Operating profit before impairment losses</strong></td>
<td><strong>841</strong></td>
<td><strong>670</strong></td>
<td><strong>26%</strong></td>
</tr>
<tr>
<td>Impairment (loss)/ release on credit exposures</td>
<td>(52)</td>
<td>131</td>
<td>n.m.%</td>
</tr>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td><strong>789</strong></td>
<td><strong>801</strong></td>
<td>(1)%</td>
</tr>
<tr>
<td>Net Interest Margin (NIM)</td>
<td>1.85%</td>
<td>1.62%</td>
<td>23bps</td>
</tr>
<tr>
<td>Underlying cost: income ratio</td>
<td>52%</td>
<td>57%</td>
<td>(5)%pts</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>7bps</td>
<td>(18)bps</td>
<td>25bps</td>
</tr>
</tbody>
</table>
### Statutory P&L

<table>
<thead>
<tr>
<th></th>
<th>12 months to</th>
<th>12 months to</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£m</strong></td>
<td>30 Sep 2022</td>
<td>30 Sep 2021</td>
<td></td>
</tr>
<tr>
<td>Underlying profit before tax</td>
<td>789</td>
<td>801</td>
<td></td>
</tr>
<tr>
<td>Adjusting items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Restructuring charges</td>
<td>(82)</td>
<td>(146)</td>
<td>c.£275m FY22-FY24; expect majority of remaining in FY23</td>
</tr>
<tr>
<td>- Acquisition accounting unwinds</td>
<td>(35)</td>
<td>(88)</td>
<td>Expect c.£30m remaining over next three years</td>
</tr>
<tr>
<td>- Legacy conduct costs</td>
<td>(8)</td>
<td>(76)</td>
<td>Ordinary course legal proceedings and legacy claims</td>
</tr>
<tr>
<td>- Other items</td>
<td>(69)</td>
<td>(74)</td>
<td>Includes c.£60m for intangible asset changes</td>
</tr>
<tr>
<td>Total adjusting items</td>
<td>(194)</td>
<td>(384)</td>
<td></td>
</tr>
<tr>
<td>Statutory profit/(loss) before tax</td>
<td>595</td>
<td>417</td>
<td></td>
</tr>
<tr>
<td>Tax (charge)/credit</td>
<td>(58)</td>
<td>57</td>
<td>Includes revaluation of historical losses following tax rate changes and recognition of all historical losses</td>
</tr>
<tr>
<td>Statutory profit/(loss) after tax</td>
<td>537</td>
<td>474</td>
<td></td>
</tr>
<tr>
<td>Statutory Return on Tangible Equity (ROTE)</td>
<td>10.3%</td>
<td>10.2%</td>
<td></td>
</tr>
<tr>
<td>Statutory Earnings Per Share (EPS)</td>
<td>32.4p</td>
<td>27.3p</td>
<td></td>
</tr>
<tr>
<td>Dividend Per Share</td>
<td>10p</td>
<td>1p</td>
<td></td>
</tr>
<tr>
<td>Tangible Net Asset Value (TNAV) per share</td>
<td>383.0p</td>
<td>289.8p</td>
<td>Driven by retained earnings, positive reserve movements and initial share buyback</td>
</tr>
</tbody>
</table>
**Continued relationship deposit growth, optimising cost of funds**

**Strong growth in relationship deposits**

**Customer deposit balances - £bn**

<table>
<thead>
<tr>
<th>Sep-21</th>
<th>Sep-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>£bn</td>
<td>£bn</td>
</tr>
<tr>
<td>66.9</td>
<td>65.4</td>
</tr>
</tbody>
</table>

- 30.6 34.6
- 21.3 17.0
- 15.0 13.8

- (2.3)%
- 13%

- Relationship deposits now 53% of deposits

<table>
<thead>
<tr>
<th>Cost (bps)</th>
<th>LDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>108%</td>
</tr>
<tr>
<td>53</td>
<td>111%</td>
</tr>
</tbody>
</table>

**Maintained good access to wholesale markets**

**Wholesale funding balances - £bn**

<table>
<thead>
<tr>
<th>Sep-21</th>
<th>Sep-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>£bn</td>
<td>£bn</td>
</tr>
<tr>
<td>13.6</td>
<td>17.0</td>
</tr>
<tr>
<td>5.9</td>
<td>7.2</td>
</tr>
<tr>
<td>7.7</td>
<td>8.5</td>
</tr>
</tbody>
</table>

- 25.1%
- 17.0 1.3

<table>
<thead>
<tr>
<th>Cost (bps)</th>
<th>TFS/TFSME (% of lending)</th>
<th>Non-relationship term deposits</th>
<th>Non-linked savings</th>
<th>Relationship deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>130</td>
<td>8%</td>
<td>-1.3%</td>
<td>5%</td>
<td>92%</td>
</tr>
<tr>
<td>183</td>
<td>10%</td>
<td>-2.5%</td>
<td>6%</td>
<td>91%</td>
</tr>
</tbody>
</table>

- Cost (bps)
- LDR
- TFS/TFSME (% of lending)

*Due to other banks*
Delivering growth in target segments

Mortgages

- Sep-21: 58.1%
- Mar-22: 57.8%
- Sep-22: 58.2%

Business

- Sep-21: 8.5%
- Mar-22: 8.3%
- Sep-22: 8.3%

- BAU growth of 2% in FY22 offsetting run-off of government schemes
- Government lending: 1.3%
- BAU Business: 7.2%

Unsecured

- Sep-21: 5.4%
- Mar-22: 5.8%
- Sep-22: 6.2%

- 7% growth across target segments of BAU Business Lending and Unsecured
- BAU growth of 2% in FY22 offsetting run-off of government schemes

- 13.8% growth in high quality Virgin Money credit card portfolio

Continue to be selective in pricing focusing on margin and credit quality
NIM supported by rate gearing and hedge re-investment

Q4 22 margin stabilised as expected with benefits from higher rates coming through

FY23 NIM drivers

▲ Structural hedge refinancing at higher rates
▲ Deposit margins
▲ Higher margin lending growth
▼ Mortgage margins
▼ Wholesale funding costs and liquidity

Expect FY23 NIM to be 185-190 bps

<table>
<thead>
<tr>
<th>Spread basis (bps)</th>
<th>FY21</th>
<th>H1 22</th>
<th>Q2 22</th>
<th>Lending</th>
<th>Deposits</th>
<th>Wholesale &amp; other</th>
<th>Q3 22</th>
<th>Lending</th>
<th>Deposits</th>
<th>Wholesale &amp; other</th>
<th>Q4 22</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY22 margin</td>
<td>1.62%</td>
<td>1.83%</td>
<td>1.89%</td>
<td>1.87%</td>
<td>1.86%</td>
<td>1.85%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AIEAs

£86.9bn

IEAs

£86.3bn

Expect c.£2bn additional liquidity-related AIEAs through FY23
Structural hedge will drive higher income at existing rates

- Increased gross yield during FY22 reflected re-investment of c.1/60th of hedge balance each month; H2 re-investment rate was c.2.7%; Q4 was c.3.0%
- Ongoing NII benefit as maturing balances will re-finance from less than 50bps in H1 23 to prevailing rates
- Gross yield does not reflect income from legacy hedge unwind; contribution was c.£120m in FY22 and will be c.£80m in FY23 (unwound by end FY25)

Group Interest Rate Sensitivity

<table>
<thead>
<tr>
<th>NII impact</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>+25bps parallel</td>
<td>c.£20m</td>
<td>c.£20m</td>
<td>c.£35m</td>
</tr>
<tr>
<td>-25bps parallel</td>
<td>c.£5m</td>
<td>c.(£20)m</td>
<td>c.(£35)m</td>
</tr>
</tbody>
</table>

- Updated sensitivity in year 1 is based on assumed commercial response at current base rate
- Assumes the balance sheet is constant; Y 2 & 3 impacts driven by hedge re-investment; asymmetry reflects difference in pass-through at +/-25bps
- Size of structural hedge is calibrated to an assumed level of deposit pass-through; actual level of pass-through could be different in practice
Other income supported by improving activity

Stronger performance in Personal and Business activity

Further opportunities to drive incremental other income

- Personal income improvement driven by spending recovery as restrictions eased and travel increased
- Business income benefitted from higher activity levels
- Expect growth in non-interest income reflecting impact of initiatives

Key initiatives
- Acceleration of wealth opportunity
- Refreshed digital insurance propositions
- Personal unsecured expansion and growth
- Growth of BCA and Business fee earning services
- Develop digital wallet with integrated payments and rewards
Costs broadly stable as savings offset growth, inflation & investment

**Broadly stable costs in FY22**

- £902 Costs
- £70 Gross cost savings earned
- £40 Inflation and Growth
- £40 Increased digital development costs
- £914 FY 22 Costs

**Targeted gross cost savings on track**

- £69m of annualised gross savings to date; targeting c.£175m

  - Gross savings from digitisation (c.35%), 3rd party procurement & sourcing (c.50%) and streamlining property & org design (c.15%)

**Restructuring cost phasing: expect c.£275m over 3 years**

- £82m
  - FY 22
  - FY 23
  - FY 24

- Updated phasing of investment reflects delayed speed of change investment in response to customer behaviour
- Expect below the line cost to total c.£275m by FY24, with significant majority of remaining costs taken in FY23

- Gross cost savings earned from new and existing initiatives in FY22
- Increased volumes, harmonisation of colleague terms and higher inflation (including COLA) increasing FY22 costs relative to FY21
- Increased digital development costs, as expected, reflected larger programme and prudent changes to accounting practices
On track to deliver <50% cost:income ratio target in FY24

Gross savings deliver headroom for re-investment and inflation

- Clear line of sight to delivery of £175m of annualised gross savings
- Headroom to absorb inflation and growth through FY24
- Targeting cost:income ratio of <50% by FY24

Expect stronger income growth over time

- Structural hedge drives gearing to higher interest rates
- Growth in customer lending, including higher yield Unsecured and BAU Business
- OOI initiatives to drive stronger non-interest income growth

Focused on delivering <50% cost:income ratio in FY24, with c.50% expected in FY23
Well provisioned for uncertain economic outlook

### Prudent ECL and PMAs drive above pre-Covid provisions

<table>
<thead>
<tr>
<th>ECL - £m</th>
<th>Sep-19</th>
<th>Sep-21</th>
<th>Mar-22</th>
<th>Sep-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-COVID level</td>
<td>362</td>
<td>504</td>
<td>479</td>
<td>457</td>
</tr>
<tr>
<td>Modelled and Individually assessed ECL</td>
<td>313</td>
<td>154</td>
<td>104</td>
<td>57</td>
</tr>
<tr>
<td>Other PMAs</td>
<td>49</td>
<td>53</td>
<td>75</td>
<td>28</td>
</tr>
<tr>
<td>Covid PMAs</td>
<td>362</td>
<td>300</td>
<td>479</td>
<td>457</td>
</tr>
<tr>
<td>Cost of living PMAs</td>
<td>154</td>
<td>104</td>
<td>75</td>
<td>28</td>
</tr>
</tbody>
</table>

- Worsening macro-economic forecasts drives c.£72m increase in modelled ECL from H1 22
- £154m of Covid-19 PMAs released during FY22
- For additional prudence, £57m total PMAs recognised to cover higher cost of living on retail portfolios and economic resilience for business

### Prudent above pre Covid-19 provision coverage maintained

<table>
<thead>
<tr>
<th>Coverage ratio - (bps)</th>
<th>Sep-19</th>
<th>Sep-21</th>
<th>Mar-22</th>
<th>Sep-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-COVID level</td>
<td>50</td>
<td>70</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Modelled and Individually assessed ECL</td>
<td>49</td>
<td>53</td>
<td>75</td>
<td>28</td>
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<td>Cost of living PMAs</td>
<td>154</td>
<td>104</td>
<td>75</td>
<td>28</td>
</tr>
</tbody>
</table>

- Robust coverage maintained, above pre-pandemic levels; asset quality across all portfolios remains robust
- 7bp cost of risk in FY22 reflects continued strong credit performance and release of Covid provisions
- In FY23 expect cost of risk around through the cycle level; of c.30-35bps
Well positioned balance sheet with tightened underwriting

Portfolio: Defensively positioned book skewed to low-risk mortgages
- Consistent, prudent risk appetite
- Targeted approach to growth; low arrears
- Resilient performances in recent stresses

Mortgages: prudent underwriting reduces refinancing risk
- Low-risk book; affordability stressed to SVR+3%
- Avg. LTI of 3.2x for OO and high ICR cover on BTL
- Low LTVs reflecting risk appetite and HPI

Business: Key sectors able to manage inflation
- Majority have passed cost increases into prices
- Close customer monitoring; no issues yet
- 65% fully or partially secured

Unsecured: Affluent customer base
- Further tightened underwriting since Covid-19
- Stress affordability of full credit line at 33.9% APR
- Spending remains skewed to discretionary items

Customer demographics
- Average age: 42
- Average income: £42k
- % homeowners: 71%
- % self-employed: 9%
- % debt to income: 24%
- % persistent debt: 3.4%

1 Based on proprietary analysis by VMUK Business team, surveying 200 largest customers, accounting for over 1/3 of the book, see slide 43
2 Customers originated through VM brand since 2015; data as at Sep-22
3 Persistent debt reflects total combined portfolio; data as at Aug-22
Robust capital generation supports strong capital distributions

<table>
<thead>
<tr>
<th>Sep-21</th>
<th>Underlying profit</th>
<th>RWAs</th>
<th>AT1 related costs</th>
<th>Underlying adjustments</th>
<th>Dividend</th>
<th>£75m buyback</th>
<th>Removal of software relief</th>
<th>Other</th>
<th>Sep-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22.0%</td>
</tr>
<tr>
<td>5.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.1%</td>
</tr>
<tr>
<td>31.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>32.1%</td>
</tr>
</tbody>
</table>

**Total capital ratio**: 22.0%

**UK leverage ratio**: 5.1%

**MREL ratio**: 32.1%

---

(1) Dividends and buybacks announced (including additional £50m) / Statutory Profit After Tax and AT1 distributions

(2) After incorporating £50m buyback announced

---

Robust capital generation supports strong capital distributions

Transitional CET1 ratio evolution (bps)

- Underlying profit: 14.9%
- RWAs AT1 related costs: (4)
- Underlying adjustments: (27)
- Dividend: (38)
- £75m buyback: (58)
- Removal of software relief: (31)
- Other: (53)
- Proforma ex-buyback: 14.8%
- Total capital ratio: 22.0%
- UK leverage ratio: 5.1%
- MREL ratio: 32.1%

**Total capital ratio**: 22.0%

**UK leverage ratio**: 5.1%

**MREL ratio**: 32.1%
CET1 outlook – returning to target range by end FY24

**Surplus capital resources available for growth and distribution**

<table>
<thead>
<tr>
<th></th>
<th>FY23</th>
<th>Long term CET1 range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-22 Transitional CET1 Ratio</td>
<td>15.0%</td>
<td>&gt;14%</td>
</tr>
<tr>
<td>FY23</td>
<td>13 - 13.5% CET1 range</td>
<td>8.7% MDA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.0% Expected Countercyclical Buffer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.5% Capital Conservation Buffer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.7% Pillar 2A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.5% Pillar 1</td>
</tr>
</tbody>
</table>

Capital framework supports ongoing distributions

- 10p FY22 dividend in line with 30% pay-out level
- Announcing £50m additional buyback, total of £125m announced
- Maintain CET1 >14% through FY23 during period of heightened macroeconomic uncertainty
- Given the timing of ACS stress test, the Group does not expect to announce further buybacks until Q4 23
- Return to target CET1 range by end FY24, assuming no material change in the economic outlook
- Expect c.£1-£1.5bn of additional RWAs for hybrid model implementation during H1 23
- Further capital distributions remain subject to approval and potential RWA headwinds:
  - Awaiting PRA Basel 3.1 consultation paper
  - Potential RWA migration depending on macro environment

---

1 c.£375m is the surplus before deducting the additional £50m buyback announced at FY22
<table>
<thead>
<tr>
<th>Medium-term outlook upgraded</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY23 outlook</strong></td>
</tr>
<tr>
<td>NIM(^1)</td>
</tr>
<tr>
<td>FY23 NIM expected to be 185-190bps</td>
</tr>
<tr>
<td>Cost: Income ratio</td>
</tr>
<tr>
<td>Expected to be c.50%</td>
</tr>
<tr>
<td>Cost of risk</td>
</tr>
<tr>
<td>In FY23, expect cost of risk around through the cycle level of c.30-35bps</td>
</tr>
<tr>
<td>Restructuring costs</td>
</tr>
<tr>
<td>c.£275m across FY22-24, with significant majority of remainder in FY23</td>
</tr>
<tr>
<td>CET1</td>
</tr>
<tr>
<td>Maintain CET1 &gt;14% through FY23 during period of heightened macroeconomic uncertainty</td>
</tr>
<tr>
<td>Capital distribution</td>
</tr>
<tr>
<td>30% dividend payout; buybacks subject to ongoing assessment of surplus capital, market conditions and regulatory approval</td>
</tr>
</tbody>
</table>

\(^1\) Based on latest market-implied interest rate outlook post Autumn Statement, including BBR peaking at c.4.5% in FY23
The Digital Wallet opportunity

David Duffy
Chief Executive Officer
Digital Wallet gives access to a significant addressable market

Virgin Money Digital Wallet

Virgin Money Current Accounts c.1.7m active customer accounts

Virgin Money Cards c.1.9m active customer accounts

c.3m VM mortgage, deposits, insurance customers

c.3.6m active relationship customer accounts

Virgin Group UK 18m customers

Virgin Group Worldwide 47m customers

Virgin Group Companies

Virgin Money UK
Delivering growth, at scale, through innovative digital experiences

**Demonstrating growth in customers now**
- Digital current accounts, 1m+ users
- Mortgage Coach 50k users
- M-Track
- Cashback 660k users

**Innovations will deliver further growth**
- Slyce 40k waitlist
- New leading mortgage platform

**Building to a strong future and bringing it all together in one app**
- New digital wallet, coming soon
- New investment and wealth propositions

Single Virgin Money experience integrating Group ecosystem, data, payments and rewards
Investing in our digital future; driving profitable growth

Positive momentum into FY23 despite uncertain economic outlook

- Further new propositions to complete the digital product set
- Digital transformation to improve efficiency and customer experience

- Further NIM expansion from higher rates and mix optimisation
- Programme of cost reductions will continue to offset inflation

- Expect net lending growth, moderated to reflect environment
- Growing customer numbers; targeting affluent, digital customers

- Prudent risk appetite maintained; targeting high quality growth
- Significant support ready to assist any customers in need

- Sustainable dividends at 30% payout ratio, building track record
- Buybacks subject to ongoing Board assessment and approval

Improved FY24 guidance

- Statutory ROTE c.11%
- Cost: income <50%
- Return CET1 to target range
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e: gareth.mccrorie@virginmoneyukplc.com
Delivering on our strategy: a more digital, cost-efficient bank

### Customer and propositions – digitisation and improvement

<table>
<thead>
<tr>
<th>FY21</th>
<th>By FY24</th>
<th>FY22 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>70% voice</td>
<td>80% digital</td>
<td>c.50% voice</td>
</tr>
<tr>
<td>27%</td>
<td>100%</td>
<td>43%</td>
</tr>
<tr>
<td>62%</td>
<td>&gt;80%</td>
<td>67%</td>
</tr>
<tr>
<td>1.3m</td>
<td>Low</td>
<td>1.0m</td>
</tr>
<tr>
<td>Limited</td>
<td>100% digital</td>
<td>Underway in FY23</td>
</tr>
<tr>
<td>6 Voice-led</td>
<td>Fewer, digitally-led</td>
<td>5 service centres</td>
</tr>
</tbody>
</table>

### Colleagues and digital – productivity and agility

<table>
<thead>
<tr>
<th>FY21</th>
<th>By FY24</th>
<th>FY22 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple</td>
<td>Single sign on</td>
<td>Underway</td>
</tr>
<tr>
<td>c.900k sq ft</td>
<td>c.300k sq ft</td>
<td>c.450k sq foot</td>
</tr>
<tr>
<td>162¹</td>
<td>Fewer, digitally-led</td>
<td>131</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>1st exits FY24</td>
</tr>
<tr>
<td>13 weeks</td>
<td>6 weeks</td>
<td>11 weeks (new Agile projects)</td>
</tr>
</tbody>
</table>

c.£69m of annualised gross cost savings delivered in FY22; will deliver c.£175m by FY24
Progress made in supporting a more sustainable future

**Goals**  
- **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**  
- **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 aspiration**  
- **Net zero operational and supplier carbon emissions**
- **At least 50% reduction in our carbon emissions across everything we finance**
- **No VM customers pay a Poverty Premium**
- **Fully diverse top-quartile of the organisation**
- **Variable remuneration linked to ESG progress**

**Highlights**  
- Achieved 12% reduction in Scope 1 and 2 emissions
- Expanded scope and enhanced financed emission calculations (82% of lending)
- Net Zero targets and roadmaps for priority business and mortgage sectors
- 94 of Top 100 Suppliers completed CDP questionnaire
- Sustainable Business Coach embedded in new borrowing >£2.5m
- Launched Agri E Fund with no fee for lending supported by carbon audit
- Greener Mortgage product extended and Green reward launched
- £224m lending to energy and environment customers
- Poverty Premium Turn2us benefits calculator identified more than £1.1m of support
- Cost of Living Hub launched and taskforce established
- Bespoke account opening for Ukrainian refugees and donation to DEC
- c.40% colleagues involved in our six employee-run diversity and inclusion networks
- TCFD disclosure enhancements
- Upgraded to ‘Leader’ status in MSCI ratings and ‘Low Risk’ in Sustainalytics
- Climate Risk elevated to principal risk; Climate policy developed
- Materiality assessment confirmed ESG priorities of our stakeholders
### Good progress towards our net zero commitments

#### Progress against operational targets

<table>
<thead>
<tr>
<th>Scope 1 emissions</th>
<th>Actual 2022</th>
<th>2022 outcome (vs target)</th>
<th>Future goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location-based (1)</td>
<td>3,395</td>
<td>-17% (target: -10%)</td>
<td>50% reduction by 2025</td>
</tr>
<tr>
<td>Market-based</td>
<td>748</td>
<td>-77% (target: -80%)</td>
<td>10% reduction in 2023</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope 2 emissions</th>
<th>Intensity metric</th>
<th>Est. 2020 intensity</th>
<th>Est. 2030 intensity</th>
<th>2030 target reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location-based (2)</td>
<td>kgCO₂e/m² financed</td>
<td>39</td>
<td>22</td>
<td>43%</td>
</tr>
<tr>
<td>Market-based</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope 3 emissions</th>
<th>Intensity metric</th>
<th>Est. 2020 intensity</th>
<th>Est. 2030 intensity</th>
<th>2030 target reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 3(3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Significant progress against execution of Operational levers to meet 2030 net zero operational and supplier emissions
- 100% green gas and electricity now powers all buildings directly within our control
- Roadmap to deliver additional Scope 3 baselines and associated targets with a negative impact on the environment progressed in FY23

#### Net zero targets covering 82% of lending

<table>
<thead>
<tr>
<th>Scope</th>
<th>Intensity metric</th>
<th>Est. 2020 intensity</th>
<th>Est. 2030 intensity</th>
<th>2030 target reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages(5)</td>
<td>kgCO₂e/m² financed</td>
<td>39</td>
<td>22</td>
<td>43%</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture (c.£1bn)</td>
<td>tCO₂e/£m customer revenue</td>
<td>712</td>
<td>503</td>
<td>29%</td>
</tr>
<tr>
<td>Resources (Oil &amp; Gas) (c.£0.1bn)</td>
<td>tCO₂e/£m lending</td>
<td>1,520</td>
<td>736</td>
<td>52%</td>
</tr>
<tr>
<td>Transport – Shipping (~£0.1bn)</td>
<td>tCO₂e/£m lending</td>
<td>1,881</td>
<td>911</td>
<td>52%</td>
</tr>
<tr>
<td>Transport - Road (~£0.1bn)</td>
<td>gCO₂e/passenger km travelled</td>
<td>148</td>
<td>89</td>
<td>40%</td>
</tr>
</tbody>
</table>

- Inaugural Science-based targets set against key GHG-intensive Commercial portfolios in line with NZBA commitments
- Supported by key strategic levers to reduce in-line with external decarbonisation pathways, including the acceleration of greener lending
- Targets and transition plans against remaining sectors set in FY23, against ambition to halve emissions across everything we finance

---

(1) Generated from the gas and oil used in all buildings where the Group operates; emissions generated from Group-owned and leased vehicles used for business travel, and fugitive emissions arising from the use of air conditioning and chiller/refrigeration plant to service the Group’s property portfolio
(2) Generated from the use of electricity in all buildings from which the Group operates
(3) Related to business travel undertaken by all colleagues using rail, private vehicles, hired vehicles, contracted taxi services, air travel, waste, water and paper
(4) Target set against a 2020 baseline; all other 2022 targets reflect a Y-o-Y baseline
(5) Calculated on Mortgage loan level data as at 31 March 2022
Improved Credit and ESG Ratings

<table>
<thead>
<tr>
<th>Credit Ratings</th>
<th>Senior Unsecured</th>
<th>Issuer Credit Rating</th>
<th>Short-term</th>
<th>Tier 2</th>
<th>AT1</th>
<th>Outlook</th>
<th>Latest update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s VMUK</td>
<td>Baa1 (was Baa2)</td>
<td>Baa1 (was Baa2)</td>
<td>P-2</td>
<td>Baa2 (was Baa3)</td>
<td>Ba1 (was Ba2)</td>
<td>Stable</td>
<td>June 2022</td>
</tr>
<tr>
<td>Standard &amp; Poor’s VMUK</td>
<td>BBB- (was Baa2)</td>
<td>BBB- (was Baa2)</td>
<td>A-3</td>
<td>BB</td>
<td>B</td>
<td>Stable</td>
<td>March 2022</td>
</tr>
<tr>
<td>Fitch VMUK</td>
<td>BBB+</td>
<td>BBB+</td>
<td>F2</td>
<td>BBB-</td>
<td>BB</td>
<td>Stable</td>
<td>July 2022</td>
</tr>
</tbody>
</table>

- In-year upgrade from Moody’s reflecting strong capital, funding & liquidity position underpinned by robust asset quality

<table>
<thead>
<tr>
<th>ESG Ratings</th>
<th>Latest Score (Δ = FY22 move)</th>
<th>Scale</th>
<th>Rank</th>
<th>Latest update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainalytics</td>
<td>18.1 (was 25.7)</td>
<td>0-100</td>
<td>Low Risk (was Medium)</td>
<td>June 2022</td>
</tr>
<tr>
<td>MSCI</td>
<td>AA (was A)</td>
<td>AAA to CCC</td>
<td>Leader (was Average)</td>
<td>September 2022</td>
</tr>
<tr>
<td>Moody’s ESG Solutions²</td>
<td>50/100 (was 49/100)</td>
<td>100-0</td>
<td>Robust (was Limited)</td>
<td>February 2022</td>
</tr>
</tbody>
</table>

- Significant in-year improvement in all ESG Ratings reflecting significant recent focus, including enhanced disclosures

---

1 Long-term bank deposit rating  
2 Formerly Vigeo-Eris (V.E)
Growth in active relationship customer accounts

**Total active relationship customer accounts**

<table>
<thead>
<tr>
<th>Active accounts</th>
<th>FY 21</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>m</td>
<td>3.3</td>
<td>3.6</td>
</tr>
</tbody>
</table>

**Business Current Accounts**

<table>
<thead>
<tr>
<th>Active accounts (transaction in last 12m)</th>
<th>FY 21</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>m</td>
<td>0.16</td>
<td>0.17</td>
</tr>
</tbody>
</table>

**Personal Current Accounts**

<table>
<thead>
<tr>
<th>Active accounts (transaction in last 12m)</th>
<th>FY 21</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>m</td>
<td>1.51</td>
<td>1.56</td>
</tr>
</tbody>
</table>

**Credit Cards**

<table>
<thead>
<tr>
<th>Active accounts (balances &gt;£0)</th>
<th>FY 21</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>m</td>
<td>1.61</td>
<td>1.86</td>
</tr>
</tbody>
</table>

1 Defined as active PCA, BCA and Credit Card accounts
FY21 numbers as at 30/10/21 due to restrictions on availability of source data
Strong growth in Personal and Business relationship deposits

### Business Relationship deposit balances

<table>
<thead>
<tr>
<th></th>
<th>£bn</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>13.1</td>
<td>9.8</td>
</tr>
<tr>
<td></td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>FY 22</td>
<td>14.3</td>
<td>10.8</td>
</tr>
<tr>
<td></td>
<td>3.4</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Cost (bps) | 9 | 32

- Business Current Accounts
- BCA Linked Savings

### Personal Relationship deposit balances

<table>
<thead>
<tr>
<th></th>
<th>£bn</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>17.5</td>
<td>10.8</td>
</tr>
<tr>
<td></td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>FY 22</td>
<td>20.4</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>9.4</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Cost (bps) | 22 | 46

- Personal Current Accounts
- PCA Linked Savings
Updated IFRS9 scenarios & weightings; prudent overlays applied

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Measure 1</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upside</td>
<td>GDP</td>
<td>3.9%</td>
<td>2.8%</td>
<td>3.2%</td>
<td>3.4%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>3.8%</td>
<td>4.2%</td>
<td>4.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td></td>
<td>HPI</td>
<td>8.3%</td>
<td>(2.3)%</td>
<td>(1.8)%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Base</td>
<td>GDP</td>
<td>3.6%</td>
<td>0.3%</td>
<td>2.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>3.9%</td>
<td>4.6%</td>
<td>4.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td>HPI</td>
<td>6.8%</td>
<td>(4.6)%</td>
<td>(3.0)%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Downside</td>
<td>GDP</td>
<td>2.6%</td>
<td>(5.6)%</td>
<td>0.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>4.0%</td>
<td>6.0%</td>
<td>7.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td></td>
<td>HPI</td>
<td>3.5%</td>
<td>(13.3)%</td>
<td>(11.6)%</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>Weighted average</td>
<td>GDP</td>
<td>3.3%</td>
<td>(1.5)%</td>
<td>1.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>3.9%</td>
<td>5.0%</td>
<td>5.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>HPI</td>
<td>5.8%</td>
<td>(7.4)%</td>
<td>(5.9)%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Measure 1</th>
<th>Mar-22 ECL</th>
<th>o/w PMA</th>
<th>Sep-22 ECL</th>
<th>o/w PMA</th>
<th>Change in PMAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>GDP</td>
<td>£66m</td>
<td>£42m</td>
<td>£56m</td>
<td>£34m</td>
<td>£(8)m</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>£221m</td>
<td>£44m</td>
<td>£284m</td>
<td>£32m</td>
<td>£(11)m</td>
</tr>
<tr>
<td></td>
<td>Business</td>
<td>£192m</td>
<td>£93m</td>
<td>£117m</td>
<td>£18m²</td>
<td>£(75)m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£479m</strong></td>
<td><strong>£179m</strong></td>
<td><strong>£457m</strong></td>
<td><strong>£85m</strong></td>
<td><strong>£(95)m</strong></td>
</tr>
</tbody>
</table>

- Remain prudently positioned given uncertain economic environment
- Maintained conservative coverage levels via PMAs
- Latest BoE forecasts sit between our base and downside scenarios
- 100% weighting to downside would lead to c.£80m increase in modelled ECL, in line with PMAs
- Reduction in Business reflects removal of Covid sector stress PMA

Source: Oxford Economics (September 2022) and company data

1 GDP (yoy %), Unemployment (average), HPI growth (Q4 to Q4)
2 Reflects net PMA position, including £12m negative PMA for LGD model changes
Stable asset quality and provision coverage

- Stage 2 reduction reflects the effect of releasing COVID-related PMAs relating to payment holidays, with customers moving back to stage 1
- Stage 3 remained stable at 1%

- Refreshed economics reflect updated economic outlook, driving higher modelled ECL
- Covid PMAs removed, impacting coverage; PMAs added for cost of living
- Low cost of risk in FY22 reflective of no material credit deterioration

Gross loans and advances
£bn

<table>
<thead>
<tr>
<th>Mar-22</th>
<th>Sep-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>1.0</td>
</tr>
<tr>
<td>Stage 2</td>
<td>7.9</td>
</tr>
<tr>
<td>Stage 3</td>
<td>63.5</td>
</tr>
</tbody>
</table>

Provision coverage remains strong

<table>
<thead>
<tr>
<th></th>
<th>Mar-22 Coverage Ratio</th>
<th>Sep-22 Gross Loans</th>
<th>Sep-22 ECL</th>
<th>Sep-22 Coverage Ratio</th>
<th>FY22 Cost of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>11bps</td>
<td>£58.4bn</td>
<td>£56m</td>
<td>9bps</td>
<td>(5)bps</td>
</tr>
<tr>
<td>Unsecured</td>
<td>404bps</td>
<td>£6.5bn</td>
<td>£284m</td>
<td>466bps</td>
<td>322bps</td>
</tr>
<tr>
<td>o/w cards</td>
<td>422bps</td>
<td>£5.6bn</td>
<td>£246m</td>
<td>481bps</td>
<td>347bps</td>
</tr>
<tr>
<td>o/w loans &amp; overdrafts</td>
<td>297bps</td>
<td>£0.9bn</td>
<td>£38m</td>
<td>388bps</td>
<td>161bps</td>
</tr>
<tr>
<td>Business</td>
<td>258bps¹</td>
<td>£8.2bn</td>
<td>£117m</td>
<td>159bps¹</td>
<td>(112)bps</td>
</tr>
<tr>
<td>Total</td>
<td>66bps</td>
<td>£73.1bn</td>
<td>£457m</td>
<td>62bps</td>
<td>7bps</td>
</tr>
</tbody>
</table>

¹ Government-guaranteed loan balances excluded for purposes of calculating the Business division coverage ratio
Performed resiliently in 2021 BoE Solvency Stress Test

CET1 drawdown lower relative to most peers

- Resilient performance with CET1 drawdown of 5.1%: amongst the lowest relative to peers
- Would remain ahead of published reference rate of 6.1% on both transitional and non-transitional basis
- Transitional CET1 remained above MDA throughout the stress period
- No additional capital actions required

2021 SST BoE key variables

<table>
<thead>
<tr>
<th>Measure</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK GDP Growth</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>11.9</td>
</tr>
<tr>
<td>HPI growth</td>
<td>(33)</td>
</tr>
</tbody>
</table>

Mature Tier 1 bank performance

- Resilient performance with CET1 drawdown of 5.1%: amongst the lowest relative to peers
- Would remain ahead of published reference rate of 6.1% on both transitional and non-transitional basis
- Transitional CET1 remained above MDA throughout the stress period
- No additional capital actions required

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
Mortgages: Low LTV, high quality portfolio

Prime mortgage book weighted towards owner occupied

Repayment and borrower profile

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
• 22% of the mortgage book has a maturing fixed rate in FY23
• Mortgages underwritten at SVR+3% allowing affordability headroom to higher rates

Owner-occupied (74%)  
• Average LTV is 52.7%; 0.5% is >90% LTV  
• Prudent average LTI; 3.2x in 2022  
• Arrears lower than industry (0.6% v 0.8%1)

Buy-to-let (26%)  
• Average LTV is 52.4%; max LTV of 80% for new lending  
• Conservative rental and borrower income requirements  
• Arrears lower than industry (0.3% v 0.4%1)

Low LTV and geographically diversified

Loan-to-value of all mortgage lending

Owner-occupied (74%)  
• Average LTV is 52.7%; 0.5% is >90% LTV  
• Prudent average LTI; 3.2x in 2022  
• Arrears lower than industry (0.6% v 0.8%1)

Buy-to-let (26%)  
• Average LTV is 52.4%; max LTV of 80% for new lending  
• Conservative rental and borrower income requirements  
• Arrears lower than industry (0.3% v 0.4%1)

Mortgage stock lending location2

1 Source: Sep ’22 UK Finance, 3m+ arrears by volume
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

- CRE: 6%
- Housing Associations: 1%
- Manufacturing: 9%
- Business services: 15%
- Gov’t, health & education: 13%
- Retail & wholesale trade: 11%
- Other: 2%
- Agriculture: 16%
- Hospitality: 8%
- Transport & storage: 4%
- Entertainment: 1%
- Construction: 3%

Business lending portfolio

- Total funds advanced to customers from agreed lending facilities during the period
- Top 5: 2%
- 6-20 largest: 5%
- Other: 93%
- Fully secured: 48%
- Largely/fully unsecured: 35%
- Partially secured: 17%

Business banking drawdowns (£bn)

- H1 21: 0.99
- H2 21: 0.72
- H1 22: 0.91
- H2 22: 1.04

- Government-guaranteed lending
- BAU

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

Micro / smaller SMEs
- c.£1.4bn
- c.90% of lending customers
- c.17% of balances
- Turnover typically <$2m
- Average loan size c.£30k

Larger SMEs / mid-market
- c.£6.9bn
- c.10% of lending customers
- c.83% of balances
- Turnover typically >£2m - £100m
- Average loan size c.£1m

• c.10% of lending customers
• c.83% of balances
• Turnover typically >£2m - £100m
• Average loan size c.£1m
Surveyed top 200 business borrowers (those with >£8m loans, total value of £3bn, so >1/3 of the portfolio)
Analysis tested businesses resilience to inflation, and ability to protect profitability

Vast majority of businesses are seeing input cost inflation
• c.90% confirmed they have put price increases through
• Key areas of future risk are labour costs and interest rates
• Import / export risks for our portfolios are limited

Energy costs are less material, most businesses have fixed contracts in place
Businesses remain well-collateralized reflecting prudent credit underwriting

Business lending: Sectoral analysis suggests protection vs inflation

**Least Exposed c.£4.6bn, 55%**
- **Agriculture (£1.3bn)**
  - Dairy Cattle and Rest of Agri £0.5bn: Increased output prices offsetting inflationary pressures; labour availability remains a challenge in dairy and horticulture sector
  - Arable - £0.3bn: Higher sale prices more than offsetting higher input costs
- **Healthcare (£1bn):**
  - Resilient revenues and performance to date, with strong collateral
  - Self funded homes and specialist care have greater capacity to pass on increased input costs

**Moderate Exposure c.£2.7bn, 33%**
- **Mixed farming with Beef & Sheep - £0.4bn: Incremental costs not entirely offset by higher sale prices. Medium-term issues from changes to subsidy regime are affecting smaller farmers depending on degree of reliance on subsidy income**
- **Council funded Care Homes** less able to pass on cost increases, but some Local Authorities have put through out of cycle increases. Homes with mix of private/funded places more able to manage price

**Most exposed c.£1.0bn, 12%**
- **Pig & Poultry £0.1bn: Sector seeing lower output prices with further challenges from inflation; some rebalancing of supply and demand now feeding into higher prices.**

**Retail £0.4bn and Hospitality £0.3bn: Consumer affordability pressure is reducing discretionary spend**
- **Entertainment £0.1bn: Labour costs are significant proportion of input costs, also at risk from reducing discretionary spend**
- **Energy Intensive Manufacturing <£0.1bn: Drinks manufacturing and any form of metal manufacturing which is more energy intensive. Minimal exposure however**

**Business Services, ex Professional Sectors (£0.8bn):** Diverse sector.
- **CRE (£0.5bn):** Diverse tenant base, generally lean operating models. Legacy CRE lending is 3% of total portfolio and stable. Funding cost is a more material factor than inflation
- **Hotels (£0.5bn):** UK customer base holding up, weaker sterling attracting tourists. Valuations and collateral strong
- **Utilities (£0.4bn):** includes c.£200m lending to renewable energy providers, minimal impact
- **Housing Associations (£0.2bn):** stable, low risk
- **Other sectors (£1bn):** lower exposed include Finance, Forestry & Fishing, Professional Services, Education and Government

**Wholesale (£0.5bn):** More capacity to pass on increased input costs although is downstream risk of customers failing to make payments. More exposed to import/export risk
- **Construction (£0.2bn):** Availability of products, rising prices of raw materials and inability to pass on inflation where fixed price tender in place
- **Other sectors (£1.2bn):** Assessed as more exposed are rest of Manufacturing, Resources and Transport & Storage
Unsecured: asset quality and origination discipline

Credit Cards:
- c.1.9m active accounts in total
- VMUK arrears at 1.3% (FY21: 1.1%) vs industry\(^1\) of 1.6%; VMUK BT arrears of 1.3%; non-BT arrears of 1.6%
- Balance transfers c.2/3s (62% at 0%) of cards portfolio; c.16% 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 (1.2% FY22 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.100k direct customers, prime loan book
- FY22 new sales remained only to existing customers; limited appetite for potentially lower resilience segments i.e. self-employed & higher indebtedness
- Strong customer profiles (c.72% homeowners and low% self employed)
- Loan and overdraft 2+ arrears at 1.7% (FY21: 1.2%)

High quality, well-positioned cards book

Strong arrears performance: when benchmarked to industry

Benchmarked delinquency by vintage (accounts 2+ in arrears), Q2-22

<table>
<thead>
<tr>
<th>Year</th>
<th>Virgin Money</th>
<th>Industry Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre 2018</td>
<td>0.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2018</td>
<td>0.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2019</td>
<td>1.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2020</td>
<td>1.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2021</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2022</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Industry data Verisk Financial | Argus. Q2-22; Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Credit cards customer profile

- Average customer age: 42
- Average income: £42k
- % homeowners: 71%
- % self-employed: 9%
- % debt to income: 24%
- % persistent debt: 3.4%\(^4\)

Industry average\(^4\)

- Average customer age: 42
- Average income: £42k
- % homeowners: 71%
- % self-employed: 9%
- % debt to income: 24%
- % persistent debt: 6.3%

\(^1\) Arrears defined as 2+ cycles past due; Industry data Verisk Financial | Argus to Aug-22
\(^2\) Customers originated through VM brand since 2015; data as at Sep-22
\(^3\) Sources: TUC and Verisk Financial | Argus
\(^4\) Persistent debt reflects total combined portfolio; data as at Aug-22
Unsecured: spending, payments & underwriting support resilience

Portfolio performance characteristics provide confidence

- Repayment rates stable; no signs of customers reducing repayments
- Retail Interest bearing balances broadly stable; additional retail spend is manageable
- Performance as expected given affluent nature of customer base and significant affordability headroom built in through underwriting

Prudent, proactive management of risk over time

- Introduced risk based pricing at origination pre COVID
- Credit criteria tightened significantly during COVID, only normalised Sep-21; vintages written under these criteria expected to perform strongly
- Further tightening through 2022 reflecting inflation, and squeeze on customer affordability
- Updated economic vulnerability segmentation to manage risk

Spend tracking reflects affluence of customer base

- Consistent c.20% of cards spend across portfolios is on essentials no signs of stress
- 80% of spend on discretionary and luxury provides headroom to reduce spending

Pre-emptive tightening of underwriting supports credit quality

- Introduced risk based pricing at origination pre COVID
- Credit criteria tightened significantly during COVID, only normalised Sep-21; vintages written under these criteria expected to perform strongly
- Further tightening through 2022 reflecting inflation, and squeeze on customer affordability
- Updated economic vulnerability segmentation to manage risk

---

1 Core reflects analysis of seasoned customer accounts which are outside of initial promotional periods
Emerging arrears normalising from low levels

30-89 day arrears by portfolio

- Arrears performance during the pandemic has reflected additional government support
- Increase in early arrears reflect normalisation to pre-COVID levels
  - Business – low emerging arrears reflecting quality of portfolio and government support
  - Credit Cards – small increase in early arrears, remain below pre-pandemic Sep-19
  - Mortgages – limited change in Q4; trending to pre-pandemic levels

Emerging arrears show limited stress
Pension Scheme risk managed prudently

Summary

- The Scheme’s de-risking plan has delivered resilience to stress and improvements in Group and Trustee valuations and funding levels:
  - **IAS19** – the basis for the bank’s P&L, balance sheet and capital reporting. A continued surplus provides a buffer against the requirement to hold capital against the Scheme
  - **Trustee** – a valuation completed on an actuarial basis for the next Triennial Valuation, due by end FY23 (effective date 30 September 2022)

- LDI scheme assets prudently reduced c.50% since Q2 2022 insulating from recent volatility
- At 30 September 2022 there was £613m of surplus collateral in the LDI portfolio, sufficient to cover +350bps in interest rates
- Trustee has also taken additional steps to reduce the LDI risk

![Pension Scheme – Surplus / Deficit (£m)](chart.png)

<table>
<thead>
<tr>
<th>Date</th>
<th>End Q2 FY22</th>
<th>End Q3 FY22</th>
<th>End FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDI portfolio value</td>
<td>£2,540m</td>
<td>£1,883m</td>
<td>£963m</td>
</tr>
<tr>
<td>% scheme assets</td>
<td>57%</td>
<td>53%</td>
<td>30%</td>
</tr>
</tbody>
</table>
TNAV accretion supported by Cash Flow Hedge movements

**TNAV evolution YoY (pence per share)**

<table>
<thead>
<tr>
<th>Sep-21</th>
<th>Sep-22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible Equity</td>
<td>£4,185m</td>
<td>£5,407m</td>
</tr>
<tr>
<td>Ordinary shares in issue</td>
<td>1,445m</td>
<td>1,412m</td>
</tr>
<tr>
<td>TNAV per share</td>
<td>289.8p</td>
<td>383.0p</td>
</tr>
</tbody>
</table>

**Strong accretion in TNAV per share**

- TNAV progression underpinned by earnings, share buyback and gains in cash flow hedge (CFH) reserve
- Group currently uses cash flow hedging as its main accounting strategy
- CFH currently net pay fixed reflecting structure of the balance sheet; high weighting to mortgages, lower structural hedge
- CFH reserve increased £689m YoY (primarily Q4)
- Gain in CFH reserve reflects mark to market movements, given recent volatility in swap rates
- CFH reserve fell c.£185m in October 2022, reflecting reduction in swap rates
- Expect average balances in the CFH reserve to decline to less than £250m in FY24 given current maturity and rate profile
- +/- c.£75m (pre-tax) impact in CFH reserve for every +/-25bps movement in swaps
### Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>at Sep 2022</th>
<th>at Sep 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgages</strong></td>
<td>58,155</td>
<td>58,104</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td>8,247</td>
<td>8,477</td>
</tr>
<tr>
<td><strong>Unsecured</strong></td>
<td>6,163</td>
<td>5,414</td>
</tr>
<tr>
<td><strong>Total customer loans</strong></td>
<td>72,565</td>
<td>71,996</td>
</tr>
<tr>
<td><strong>Other financial assets</strong></td>
<td>17,545</td>
<td>15,035</td>
</tr>
<tr>
<td><strong>Other non-financial assets</strong></td>
<td>1,797</td>
<td>2,069</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>91,907</td>
<td>89,100</td>
</tr>
<tr>
<td><strong>Customer deposits</strong></td>
<td>65,360</td>
<td>66,870</td>
</tr>
<tr>
<td><strong>Wholesale funding (excl. TFS / TFSME)</strong></td>
<td>9,812</td>
<td>7,700</td>
</tr>
<tr>
<td><strong>TFS / TFSME</strong></td>
<td>7,200</td>
<td>5,895</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td>3,195</td>
<td>3,161</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>85,567</td>
<td>83,626</td>
</tr>
<tr>
<td><strong>Equity and reserves</strong></td>
<td>6,340</td>
<td>5,473</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td>91,907</td>
<td>89,100</td>
</tr>
</tbody>
</table>
## Risk weighted assets

<table>
<thead>
<tr>
<th>£m</th>
<th>at Sep 2022</th>
<th>at Sep 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>9,155</td>
<td>10,010</td>
</tr>
<tr>
<td>Business</td>
<td>6,196</td>
<td>6,040</td>
</tr>
<tr>
<td>Unsecured</td>
<td>4,817</td>
<td>4,311</td>
</tr>
<tr>
<td>Other</td>
<td>914</td>
<td>1,182</td>
</tr>
<tr>
<td><strong>Total credit risk</strong></td>
<td><strong>21,082</strong></td>
<td><strong>21,543</strong></td>
</tr>
<tr>
<td>Credit valuation adjustment</td>
<td>258</td>
<td>103</td>
</tr>
<tr>
<td>Operational risk</td>
<td>2,623</td>
<td>2,481</td>
</tr>
<tr>
<td>Counterparty risk</td>
<td>185</td>
<td>105</td>
</tr>
<tr>
<td><strong>Total RWAs</strong></td>
<td><strong>24,148</strong></td>
<td><strong>24,232</strong></td>
</tr>
<tr>
<td><strong>Total loans</strong></td>
<td><strong>72,565</strong></td>
<td><strong>71,996</strong></td>
</tr>
<tr>
<td>Credit RWAs / total loans</td>
<td>29%</td>
<td>30%</td>
</tr>
<tr>
<td>Total RWAs / assets</td>
<td>26%</td>
<td>27%</td>
</tr>
</tbody>
</table>
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