VIRGIN MONEY UK

Full Year 2020
Financial Results


SAY HELLO
TO BRIGHTER
Virgin Money
makeover

Overview

DAVID DUFFY

Chief Executive Officer

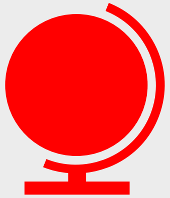
We are responding to the challenging environment

Challenging backdrop

COVID-19

Ongoing sector pressures

Uncertain macro



Brexit

Challenging UK income environment

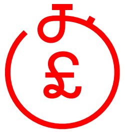
Our Purpose: **Making you happier about money**

Our strategic ambition: **To disrupt the status quo**

Re-prioritising as we adapt to the environment

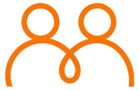
Priority

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



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

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



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

Supporting our Customers, Colleagues & Communities

Customers

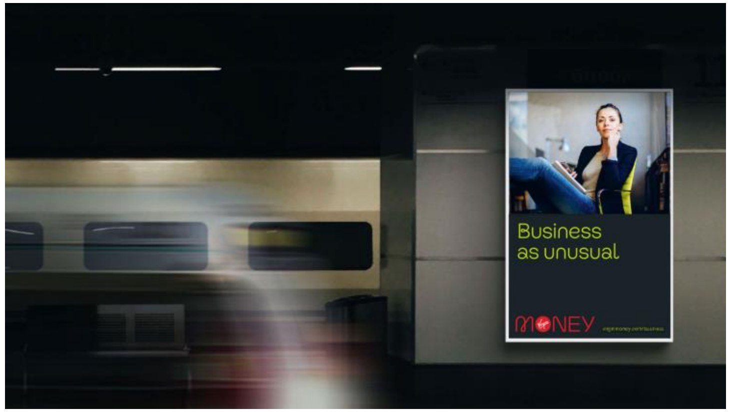
- c.67k Mortgages payment holidays
- c.58k Personal payment holidays
- c.30k Businesses supported with lending facilities; c.£1.2bn of Government-supported lending
- Leading support to overdraft borrowers
- Proactive advice for Businesses

Colleagues

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

Communities

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



Building the platform for the new Virgin Money in 2020

Integrating, transforming and simplifying our business

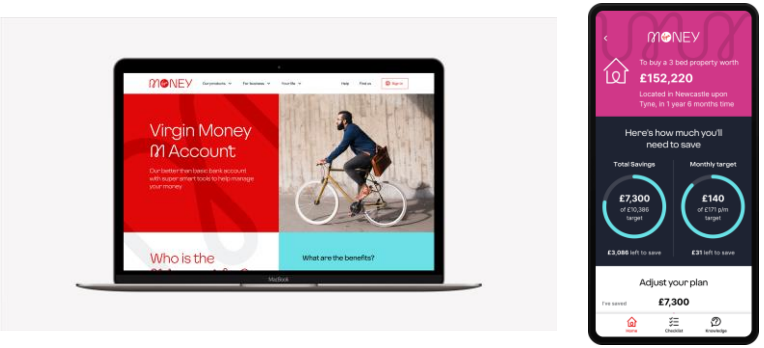
Continuing to re-brand and launch Virgin Money

Launching compelling Virgin branded customer products

SAY HELLO TO BRIGHTER MONEY

- ✓ Transforming our channels; increased digital adoption & sales across all Personal products
- ✓ Strengthened digital customer satisfaction
- ✓ c.60% higher digital chat volumes[1]

- ✓ Restarted re-branding activity, after COVID-19 pause; 37 stores already complete[2]
- ✓ Introduced “Money on your Mind?” service
- ✓ VM socially-distanced concert sponsorship, aligned to our Virgin music heritage



- ✓ Launched Virgin Money & M current accounts
- ✓ ‘Outstanding’ five star rated current account[3]
- ✓ Launched Virgin Home Buying Coach app
- ✓ VM branded Personal Loans now live
- ✓ Launched innovative Brighter Money Bundle

[1]Compared to October 2019 [2] At 13th November [3]As rated by Moneyfacts

Financial performance impacted by COVID-19 dynamics

Balance sheet mix

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

Efficiency

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

Asset quality

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

Balance sheet strength

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

Underlying pre-provision profit

£625m

Statutory loss after tax

£(141)m

Robust CET1 ratio

13.4%

[1] IFRS 9 transitional basis

Balance Sheet Update

ENDA JOHNSON

Interim Chief Financial Officer

Portfolio is defensively positioned with stable asset quality

Key points

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

Portfolio asset quality stable benefiting from support measures

Mortgages
£58.3bn,
81%

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

Business
£8.9bn,
12%

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

Personal
£5.2bn,
7%

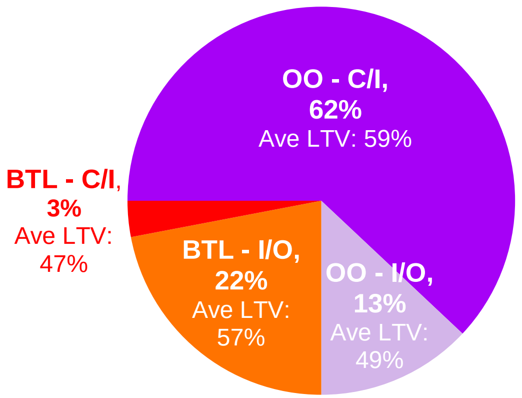
- Prime portfolios, rigorous underwriting standards
- £4.1bn cards; £1.1bn personal loans & overdrafts
- Focused on high-quality, more affluent customers
- Credit card arrears: 0.8% (industry: 1.6%[4])
- Personal loans: 0.4% >90 DPD (FY19: 0.6%)

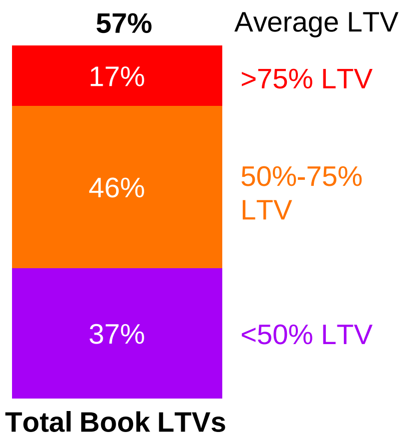
[1] 3m+ arrears; Source: UK Finance, 30-Sep
[2] Owner occupied approvals with LTI >4.5x and >85% LTV
[3] Excludes Government-scheme loans
[4] 2 cycles past due, Source: Industry comparators sourced from Verisk Financial | Argus. covering c.90-95% of the UK cards market and verified vs. UK Finance published figures Jan-Sept-20

[1] IFRS 9 transitional basis

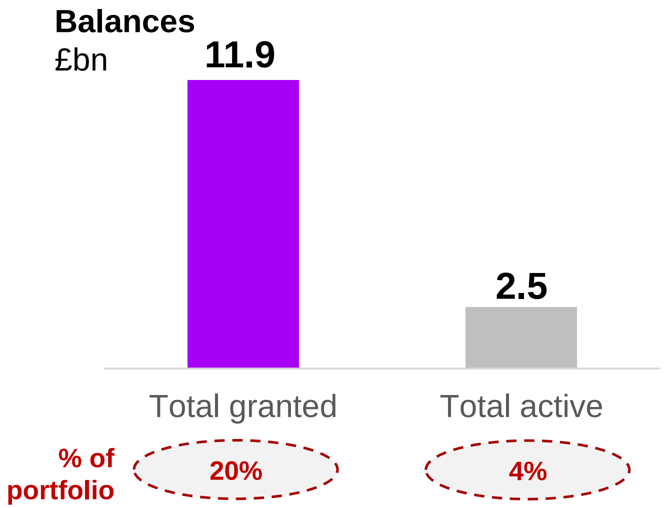
Mortgages: resilient asset quality to date

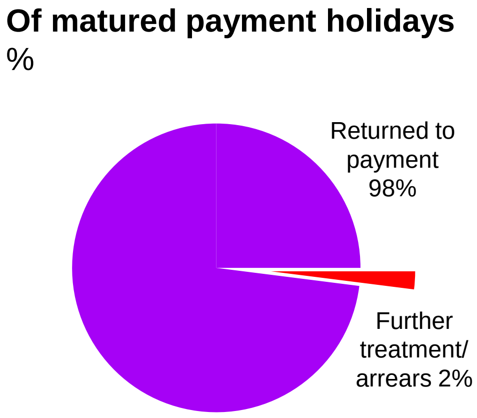
Low LTV mortgage book weighted towards owner-occupied





Payment holiday customers have largely returned to paying





A prime book, originated under the highest standards
- Consistent, post-MMR prudent underwriting; no sub-prime/self-cert
- Arrears lower than industry (0.4% vs 0.8[1]%)

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

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

Payment holidays: c.67k granted to date at 30-Sep

- Average LTV of all payment holiday customers 61% vs 57% for overall portfolio
- Only 2% of customers maturing from payment holiday are currently in arrears or require further treatment; average LTV of 52% for those in arrears/further treatment
- Coverage ratio for those in arrears/further treatment of c.300bps vs 23bps for overall book

[1] 3m+ arrears; Source: UK Finance 30-Sep

Business: key sectors performing in line with expectations

BAU

c.£7.8bn BAU book 78% in least and lower-impacted sectors		Key drivers of uncertainty into 2021
Least exposed £3.7bn 47%	• **Agriculture, Food & Drink:** Resilient performance; strong collateral • **Healthcare & social housing:** Some operational issues but resilient revenues and performance to date • **Utilities (incl. renewables):** Stable, strong PDs	• **Brexit:** Terms of UK exit remains an important driver for sectors like agriculture and food & drink • **COVID-19:** Operational implications on Healthcare
Lower-impacted £2.4bn 31%	• **Wholesalers, Professional practices:** Moved from least exposed due to higher Government-scheme lending requests • **Specialist hotels:** Professional equity backed, prime-location • **Other:** Diverse includes cost-flexible manufacturers & Transport	• **Hotel sector:** Easing of travel restrictions into 2021 remains uncertain • **Wholesale trade in goods & services:** Pace of return represents a key driver
More exposed £1.0bn 13%	• **Business services:** Higher levels of Government scheme lending; good access to borrowing & private equity over H2 • **Legacy property (historic CRE):** Remain smaller & well-collateralised; continued low arrears; only 3% of total portfolio	• **Pace of recovery:** Speed of recovery in business activity is the key revenue-driver • **Real-estate market:** Extent of structural changes impacting market
Higher impacted £0.7bn 9%	• **Retail:** Substantial Government support being provided; exposed to further lockdowns • **Legacy hospitality & Entertainment:** Operationally challenged, but significant government support at present	• **Lockdown exit:** sectors remain exposed to speed of recovery in activity levels and whether any further lockdowns are implemented
Govt. scheme lending £1.2bn	• **BBLS:** £0.8bn lent; 2/3rds to previously deposit-only customers • **CBILS/CLBILS:** £0.4bn c.89% to existing lending customers • As would expect, sector skew is to more exposed / higher impacted	• **Debt management:** Uncertain response once payments due: better placed SMEs may repay in full or begin payments, others may default • **Liabilities impact:** c.80% of loans remain on deposit, but may unwind as businesses potentially begin to use liquidity.

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

Credit Cards: asset quality & origination discipline maintained

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

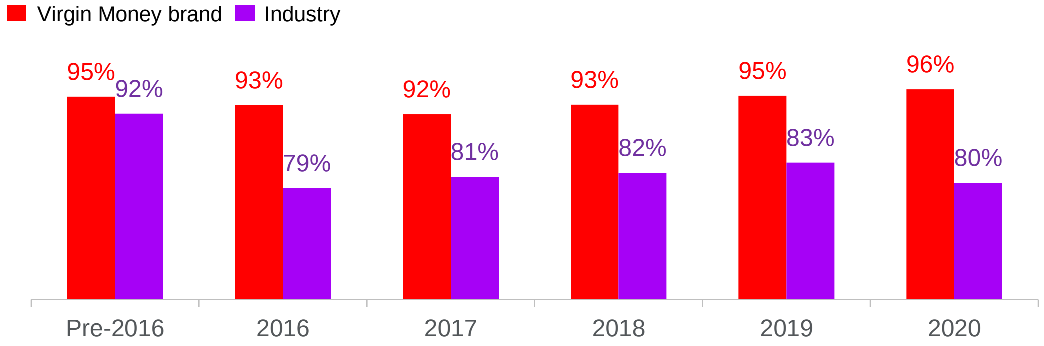
- Arrears declined to 0.8% vs industry[1] of 1.6% benefitting from support measures; BT arrears of 0.7%; non-BT arrears of 1.0%
- Upper-end of mass market customers; no credit impaired or CCJs; c.80% originated post-2015 with prudent underwriting
- Balance transfers now c.68% of cards portfolio; c.12%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

Credit cards customer profile	**VM[2]**	**Industry average[3]**
Average customer age	42	
Average income	£41k	
% homeowners	70%	
% self-employed	9%	
% debt to income	22%	31%
% persistent debt	3.5%	5%

Strengthened originations; defensive high-quality BT-led book

High quality origination: via prudent underwriting standards

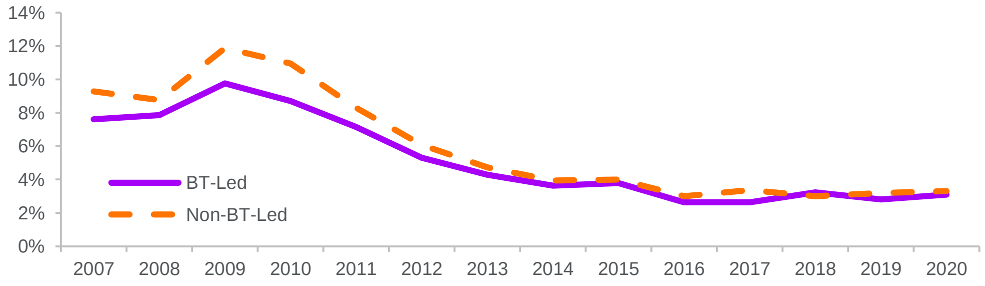
% accounts in higher quality segments (with <2.5% expected unit loss rate) by acquisition year



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

BTs perform better: balance transfer cards seen lower losses

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



Source: Industry data Verisk Financial | Argus. Jan-Sep 20

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

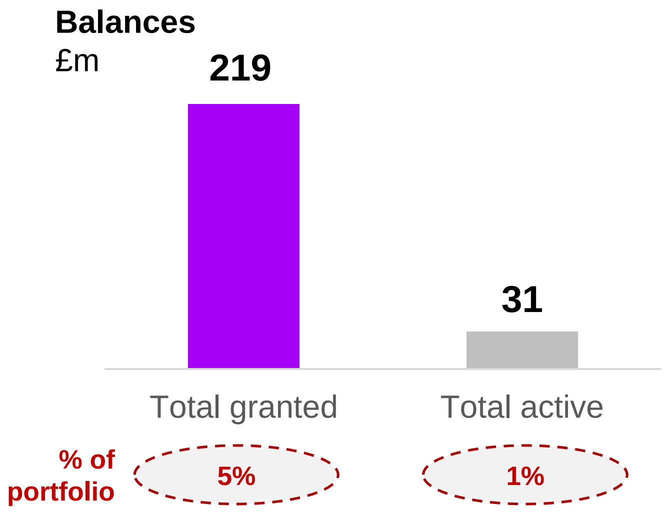
Personal: resilient quality supported by payment holidays

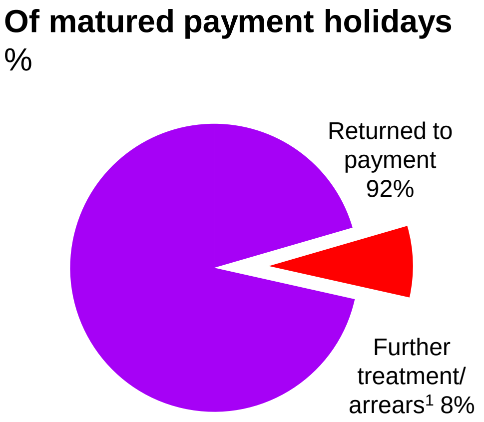
Cards: Early payment holiday experience demonstrates quality

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

Payment holidays: c.46k granted to date at 30-Sep

- Payment holiday coverage at 20% vs 5.4% overall book



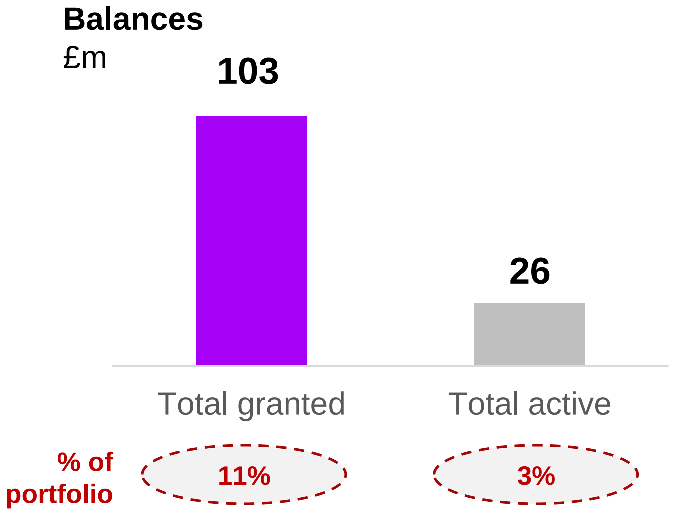


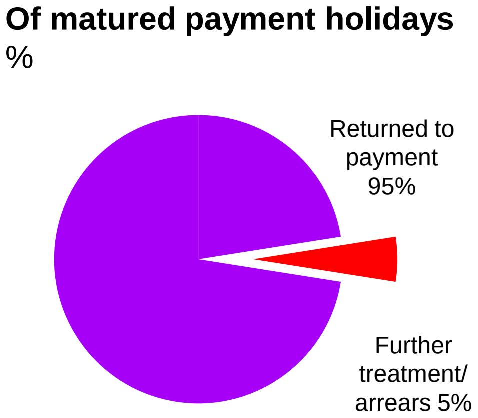
Personal: Encouraging early payment holiday exit levels

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

Payment holidays: c.12k granted to date at 30-Sep

- Payment holiday coverage at 19% vs 8.2% overall book[2]





[1] Excluding balances already on arrears

[2] Personal loans & overdrafts

Conservative IFRS 9 economic scenarios & weightings…

Increased conservatism in economics and weightings…

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

1. Updated IFRS9 models with conservative economic scenarios

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

2. Probability weightings prudently skewed to downside

Q3 Weightings		FY Weightings	
Recovery	30%	**Upside**	**5%**
Pandemic Shock	30%	**Base**	**50%**
Pandemic Sustained	40%	**Downside**	**45%**

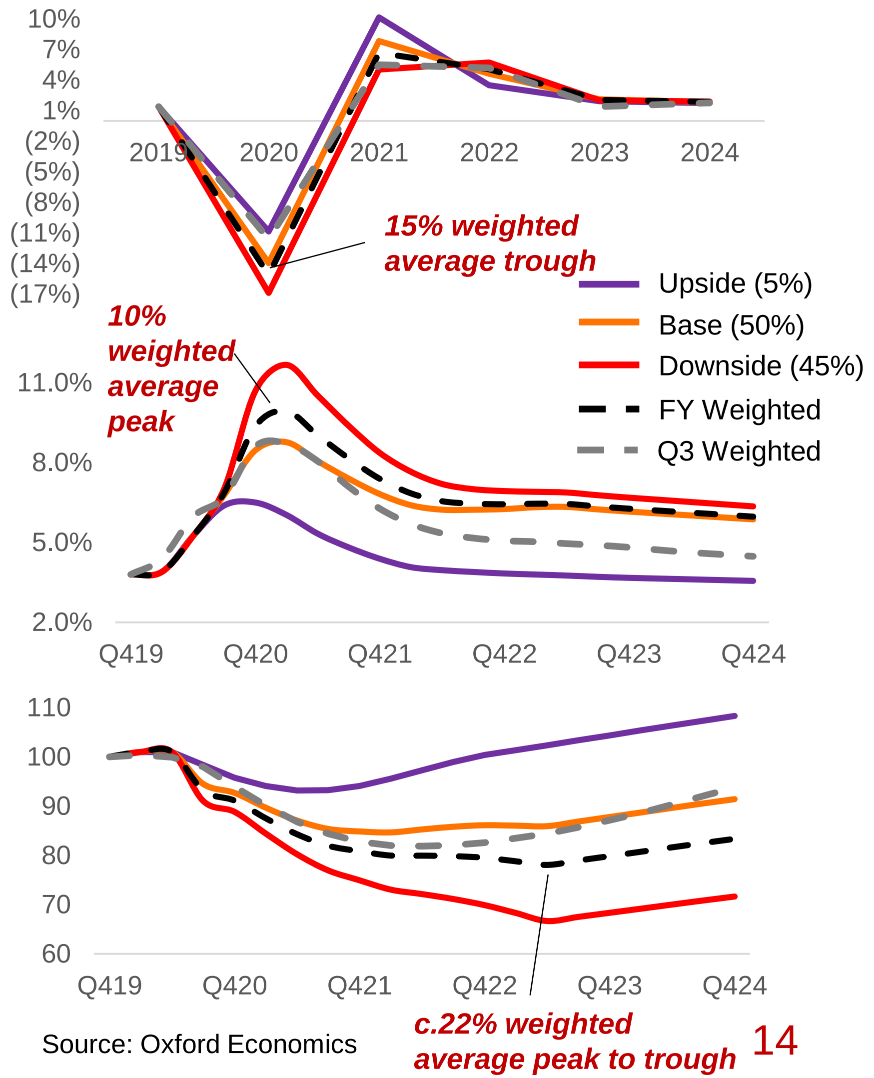
95% weighted to materially weaker economics

….drives prudent weighted average economic assumptions

GDP
Annual change %

Unemployment
% at quarter end

House price index
Index at quarter end



Source: Oxford Economics

…with further prudence applied via post-model adjustments

Conservative modelled ECL supplemented by PMAs

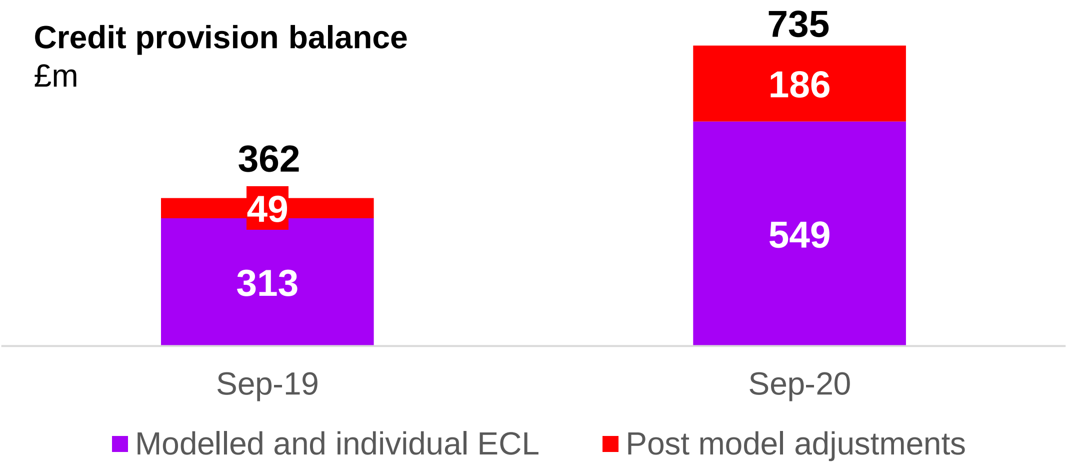
1. Conservative economic assumptions → 2. Downside probabilities → 3. Supplemented by expert judgment

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

Post model adjustments are used to incorporate risks not fully captured in models or inputs:

- Expert credit judgment on specific cohorts
- PMAs assessed for Mortgages £75m and Personal £111m; No PMAs held for Business
- Payment holiday implications drove a £43m increase on Mortgages & £23m on Personal
- Difficult-to-model elements like impact of roll-off of unprecedented Government support

Credit provision balance
£m

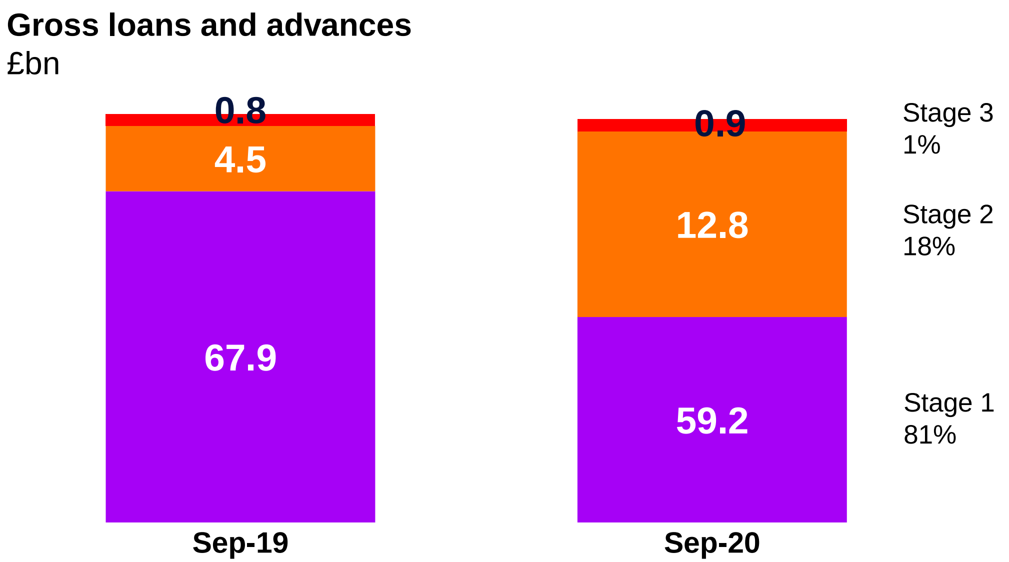


Risk appetite prudently tightened on new lending

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

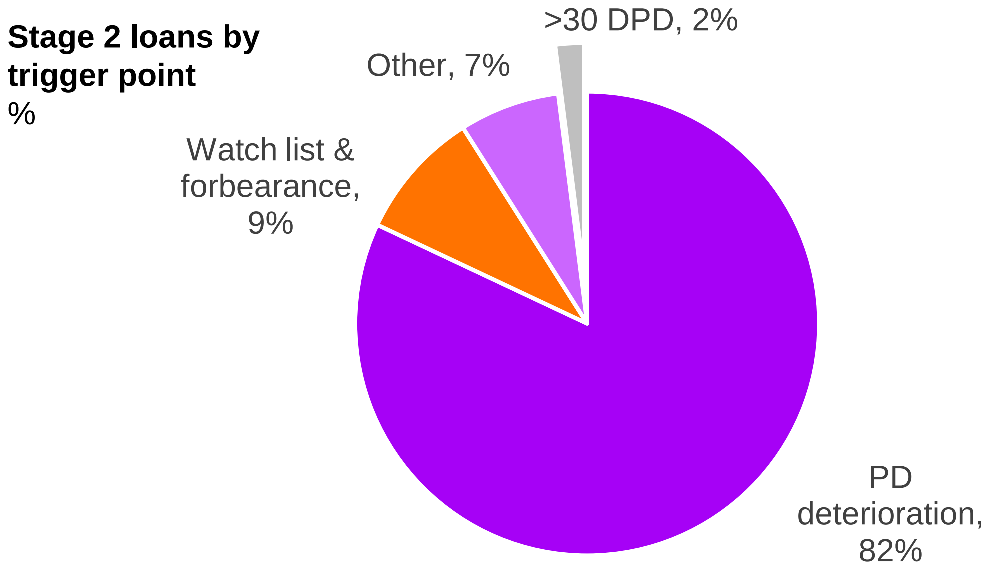
Economic modelling is main driver of stage 2 increases

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



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

Economic-related PD migration drove bulk of stage 2 increase



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

Increased coverage levels across all portfolios

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

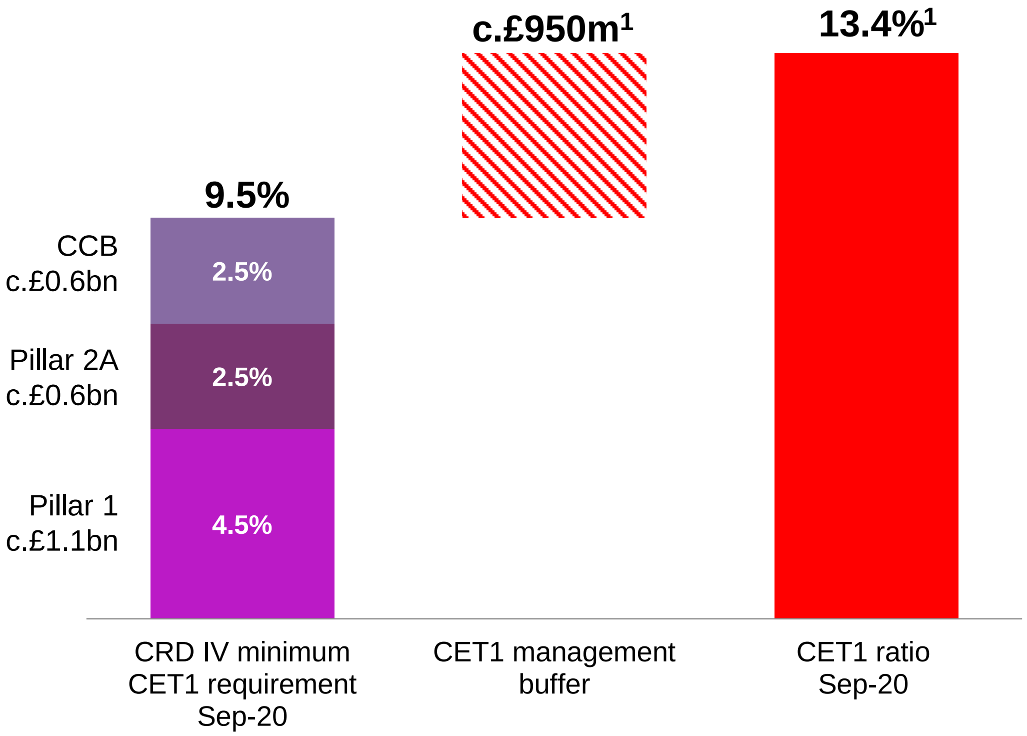
	Jun-20 ECL	Jun-20 Coverage Ratio	Sep-20 Gross Loans	Sep-20 ECL	Sep-20 Coverage Ratio	FY20 Cost of Risk
Mortgages	£81m	14bps	£58.6bn	£131m	23bps	16bps
Personal	£249m	490bps	£5.6bn	£301m	591bps	423bps
o/w cards	*£208m*	*509bps*	*£4.5bn*	*£222m*	*537bps*	*355bps*
o/w loans & overdrafts	*£41m*	*413bps*	*£1.1bn*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

- Conservative economics and weightings increases coverage across all portfolios to 102bps in total:
  - **Mortgages:** coverage increased to 23bps primarily driven by higher stage 2 balances as a function of conservative economics
  - **Personal:** coverage increased to 591bps primarily driven by provision overlay increases in loans and overdrafts
  - **Business:** increased to 391bps driven by further conservatism in model assumptions
- Cost of risk is expected to remain elevated due to challenging economic environment but expect FY21 to be lower than FY20 level, subject to no material further deterioration in the economic outlook

* Business coverage ratio excludes Government-backed lending balances

Capital levels remain robust – well positioned into 2021

Continue to hold a significant CET1 buffer vs reg. requirement



Resilient CET1 ratio including transitional relief

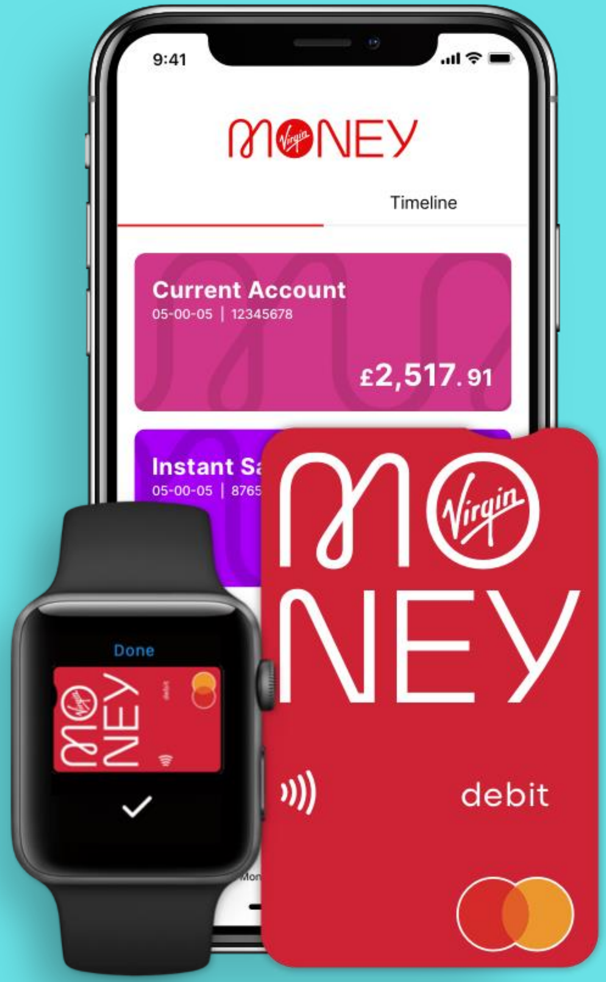
- Significant c£950m CET1 management buffer relative to CRDIV minimum requirement (also MDA)
- Stable transitional CET1 ratio of 13.4%; fully loaded CET1 ratio declined 70bps to 12.2% reflecting increased impairments
- Limited migration to stage 3 to date; not expected to commence until Government & other support measures roll off in 2021
- Difference between transitional and fully loaded CET1 ratios is expected to narrow somewhat in 2021 subject to economic conditions

[1] IFRS 9 transitional basis

Financial Results

ENDA JOHNSON

Interim Chief Financial Officer



Underlying profit impacted by significant impairment provision

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

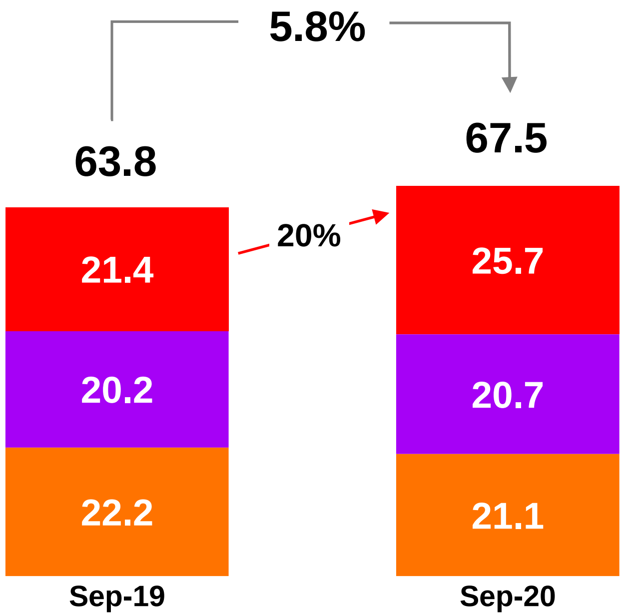
Substantial reduction in exceptional items with no PPI charge

Statutory P&L (pro forma basis)	12 months to	12 months to	
£m	30 Sep 2020	30 Sep 2019	Comments
Underlying profit before tax	**124**	**539**	
Exceptional items			
- Integration & transformation costs	(139)	(156)	• Delayed H1 restructuring activity restarted in Q4
- Acquisition accounting unwinds	(113)	(87)	• Includes impact of reclassified FV unwind noted at H1
- Legacy conduct costs	(26)	(433)	• 2020 charge reflects non-PPI other conduct matters
- Other items	(14)	(128)	• 2020 charge includes ASI JV and RBS switching costs
Total exceptional items	**(292)**	**(804)**	
Statutory loss before tax	**(168)**	**(265)**	
Statutory loss after tax	**(141)**	**(179)**	
Tangible Net Asset Value (TNAV) per share	244.2p	249.2p	

Strong funding position; COVID-related deposit growth

Growth in relationship deposits, mix well managed

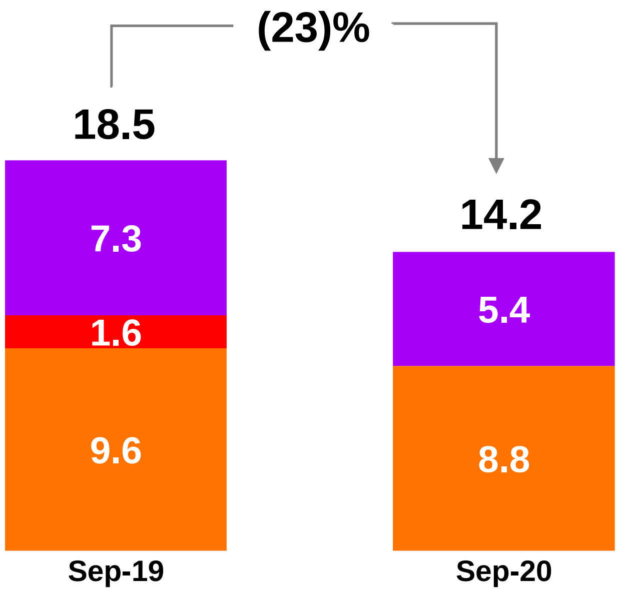
Customer deposit balances
£bn



	Sep-19	Sep-20
Cost (bps)	98	90
LDR	114%	107%

Retain funding flexibility and managing wholesale mix

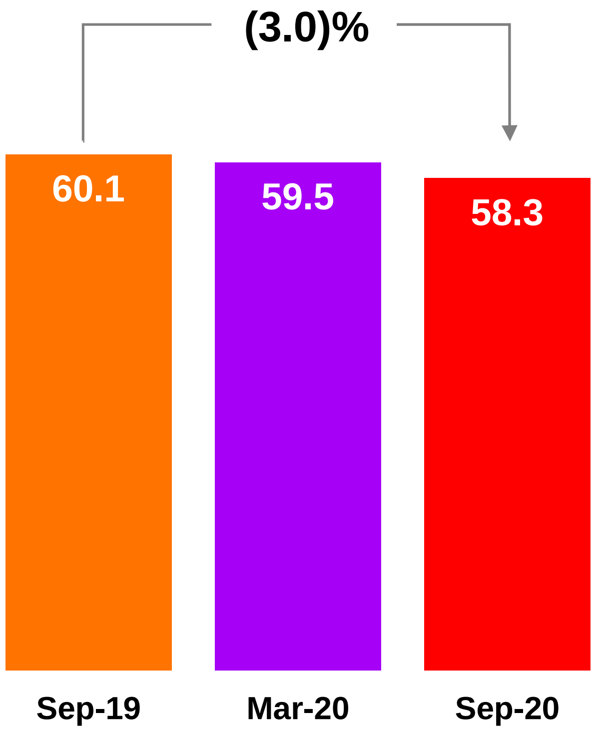
Wholesale funding balances
£bn



	Sep-19	Sep-20
Cost (bps)	148	142
TFS (% of lending)	10%	7%

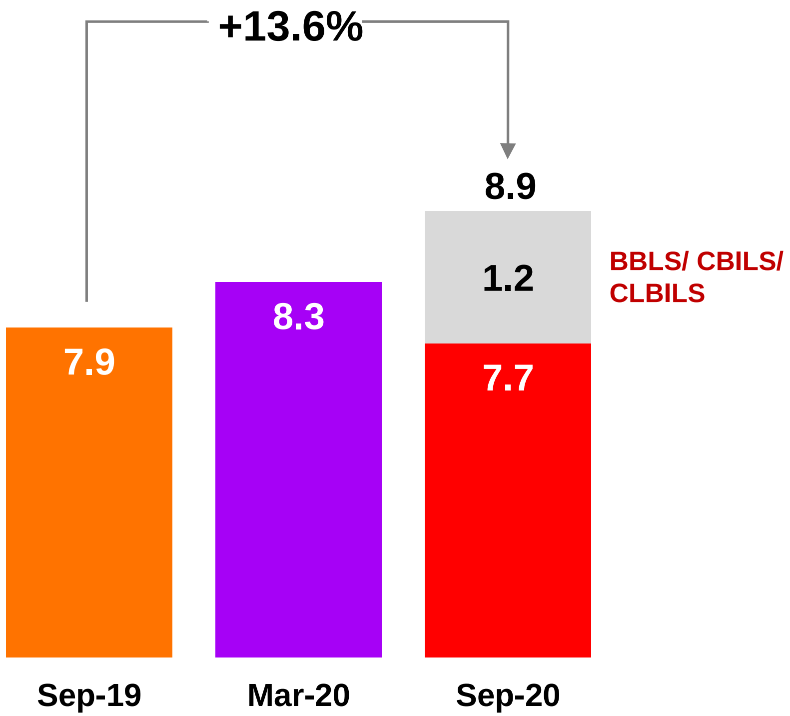
Lending balances reflect COVID-19 impacts

Mortgages £58.3bn



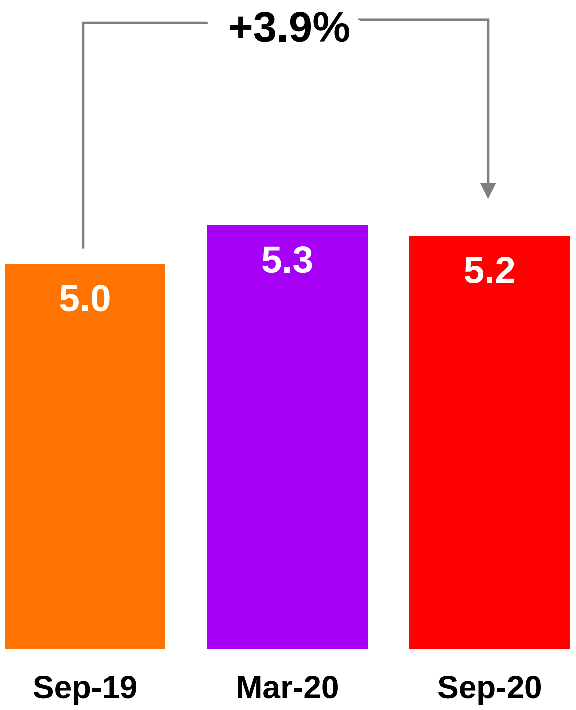
Continue to be selective in pricing focusing on margin over volumes

Business £8.9bn



YoY growth solely driven by Government-guaranteed lending in H2

Personal £5.2bn

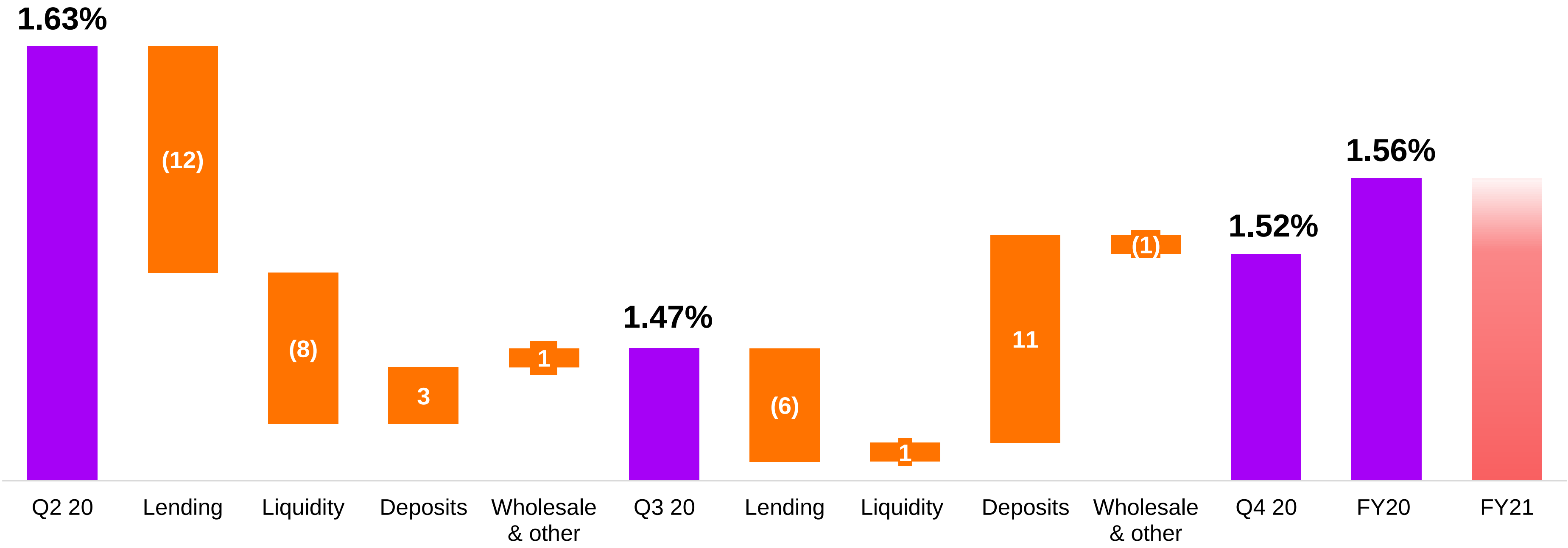


Resilient balances in high quality Virgin Money credit card portfolio

FY20 NIM in line with guidance; expect broadly stable in FY21

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

NIM evolution
(bps)

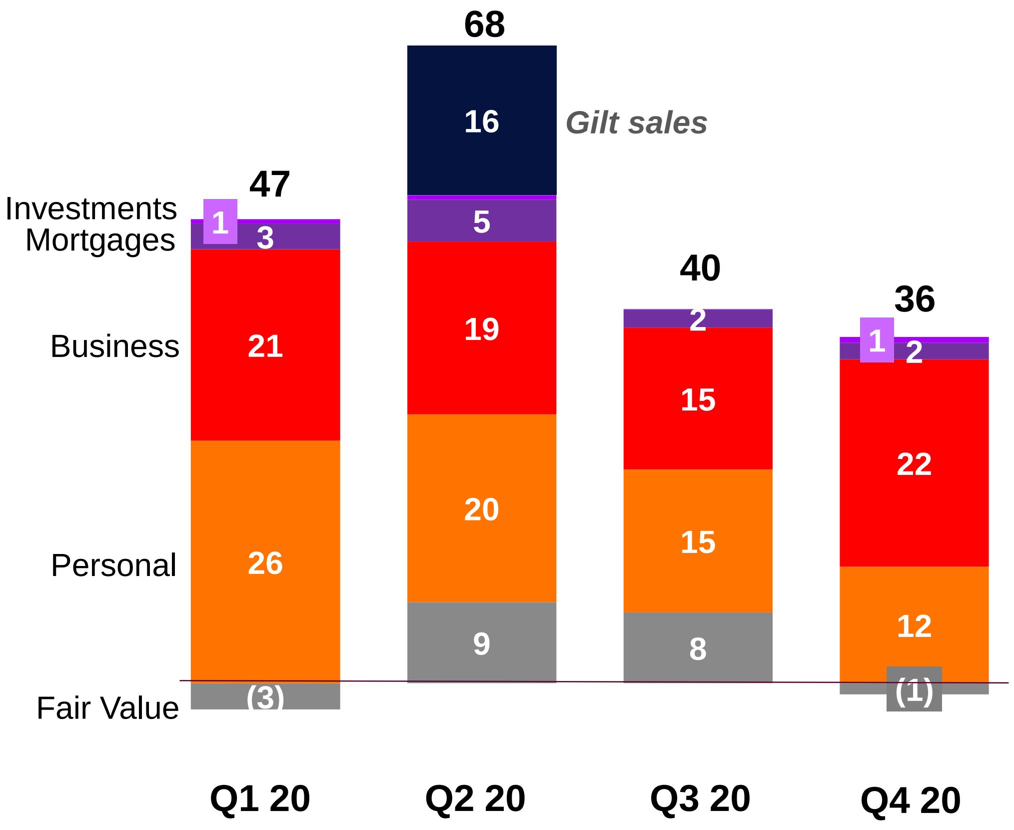


Broadly stable FY21 NIM vs FY20 level, based on current economic outlook and rate expectations

Subdued H2 non-interest income reflecting lower activity

Subdued H2 non-interest income with lower Personal fees…

Non-interest income
£m

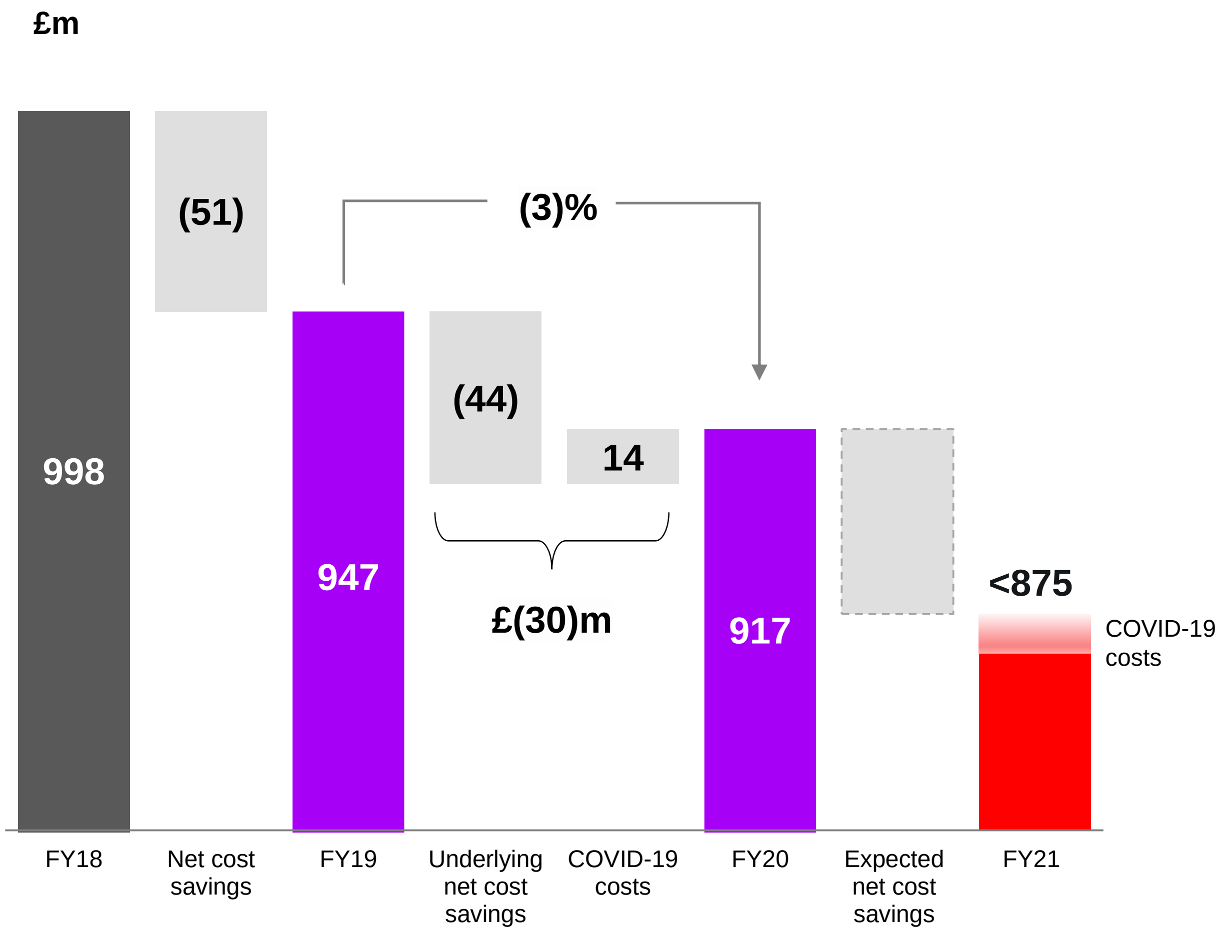


…expected to remain subdued in FY21

- Lower personal income driven by structural impact of 'high cost of credit review' and lower activity based credit card transaction fees
- Business fees declined in Q3 owing to lower activity levels, with Q4 boosted by a one-off £4m gain in relation to a growth finance business sale participation fee
- Mortgage income declined in H2 as lockdown impacted activity levels and associated insurance policy income
- H1 Sale of gilts at attractive market levels; proceeds reinvested into other high-quality liquid assets
- Rebased ASI JV income levels expected to build slowly in time
- Aligned to conservative economic assumptions, currently expect non-interest income to remain subdued in FY21

Delivered on cost reductions despite transformation pause

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

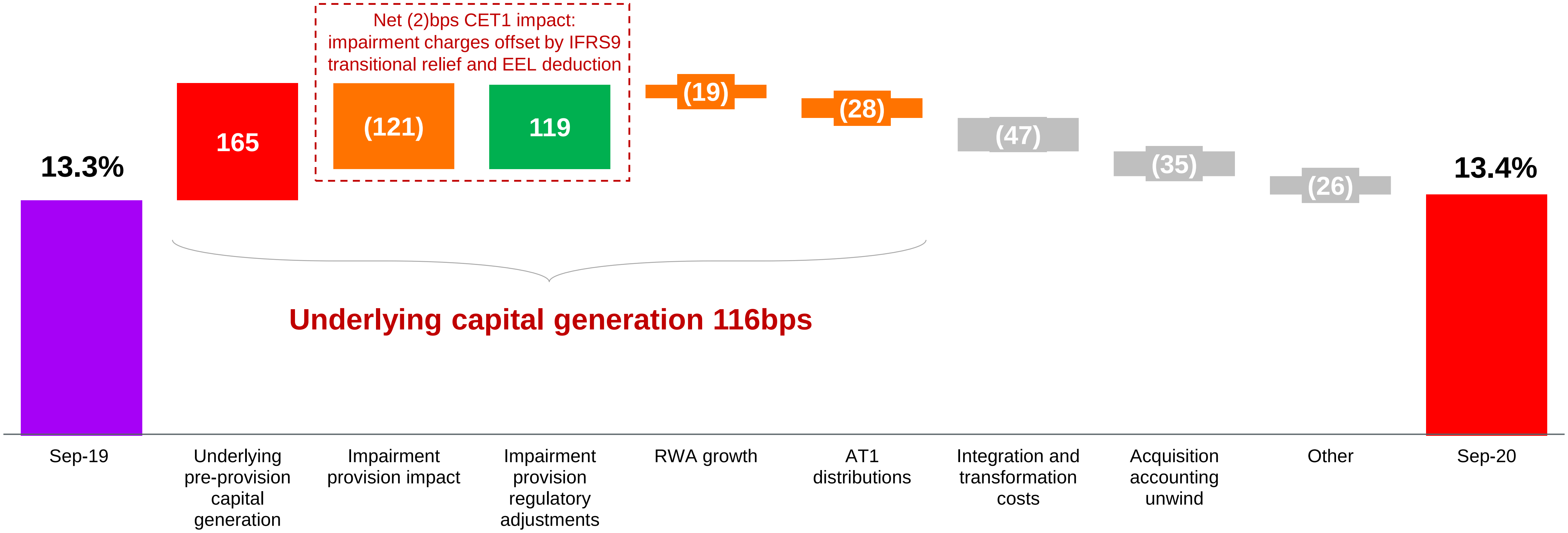


…with good progress on our efficiency initiatives

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

Capital generation offset by exceptional items

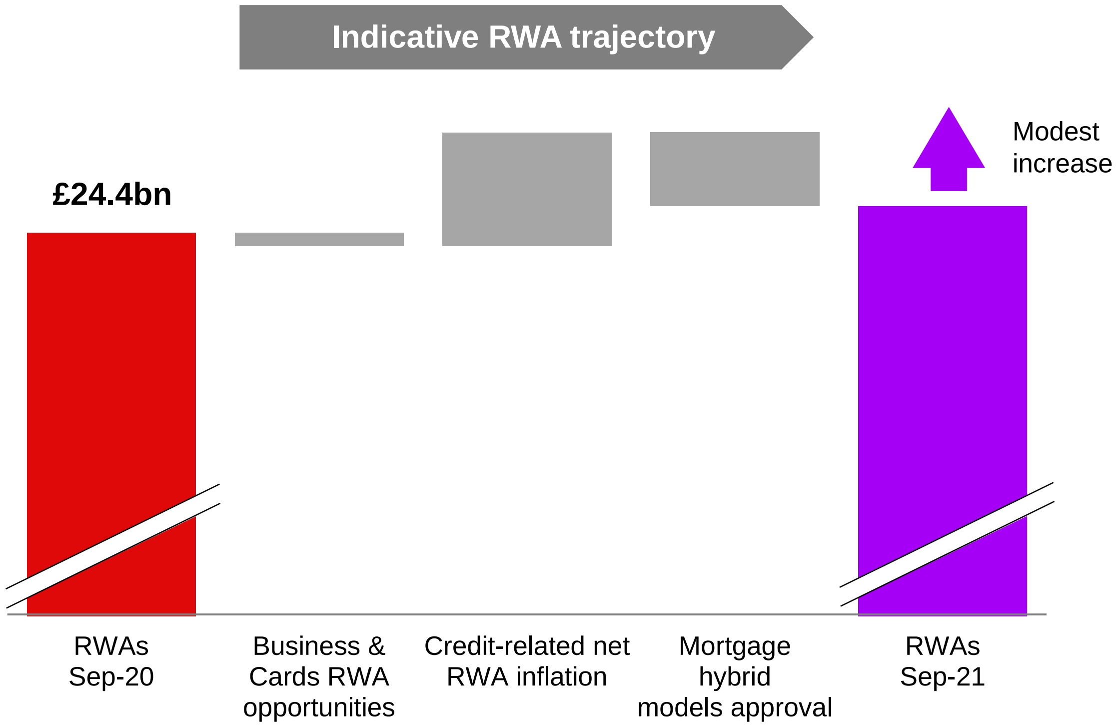
CET1 ratio evolution (bps)



20.1%	**Total capital ratio**	20.2%
4.9%	**UK leverage ratio**	4.9%
26.6%	**MREL ratio**	28.4%

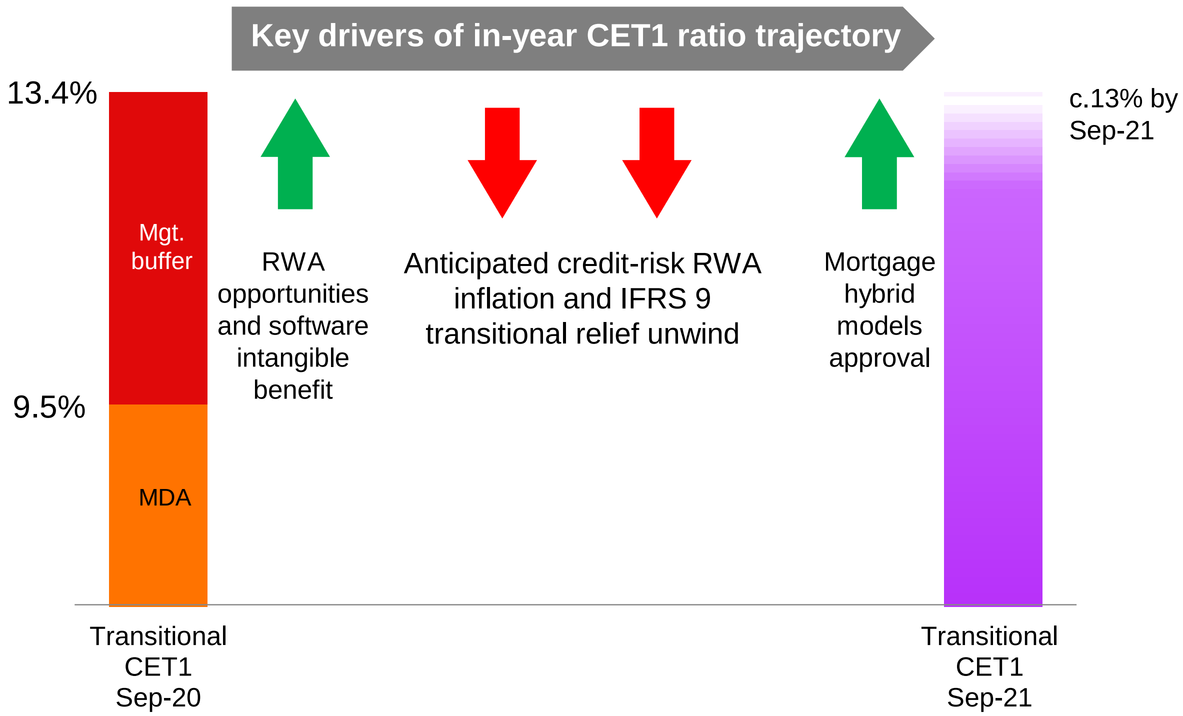
2021 RWA & capital position subject to economic developments

Credit RWA inflation partially mitigated by RWA opportunities



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

Expect to maintain significant CET1 buffer above MDA through FY21



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

Guidance and medium term outlook

FY 2021 guidance

NIM	Broadly stable vs FY20 level
Costs	<£875m inclusive of c.£10-15m of COVID-19 costs
Cost of risk	Lower than FY20 level

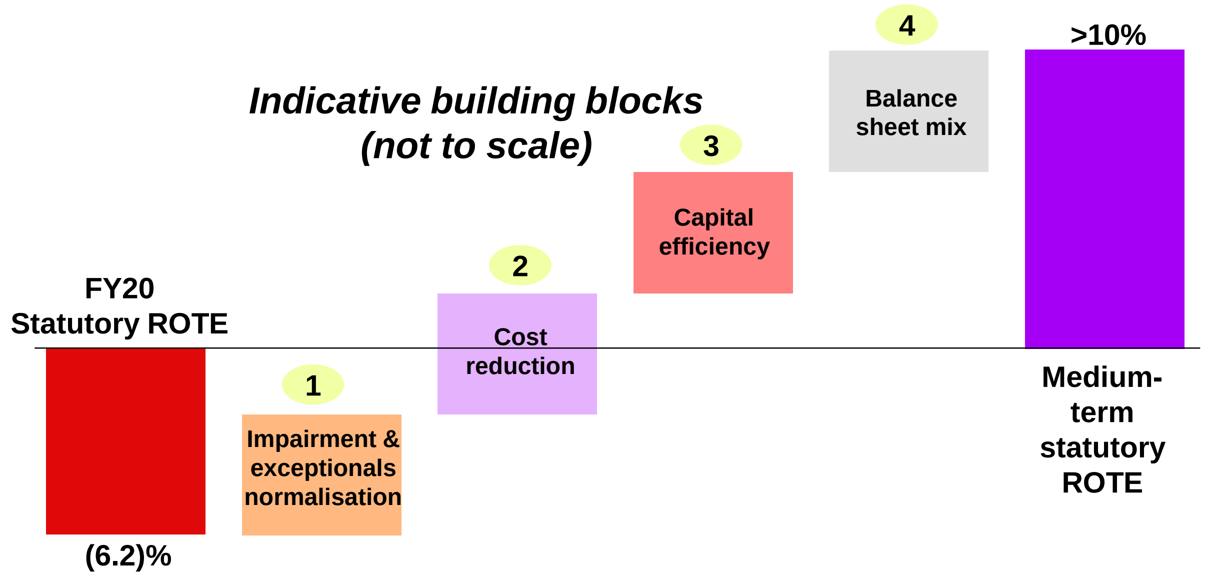
Opportunities

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

Risks

- Interest rate outlook
- Macroeconomic deterioration
- Brexit impacts

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



Note: assumes no significant further deterioration in expectations for the economic outlook or change in interest rates

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

Outlook

DAVID DUFFY

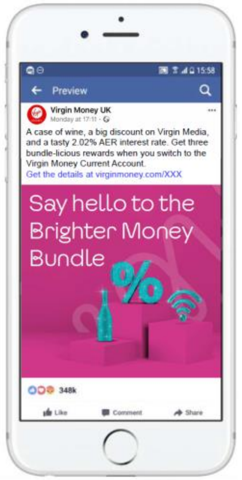
Chief Executive Officer

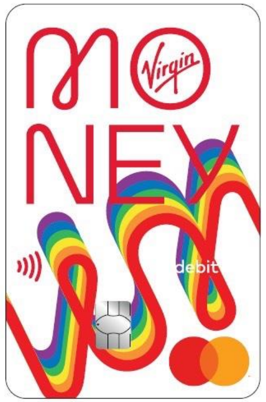
2021 will see a year of exciting launches and rebranding

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

Sep 2020 | *H1 FY21* | Mar 2021 | *H2 FY21* | Sep 2021

Ongoing customer support due to COVID-19

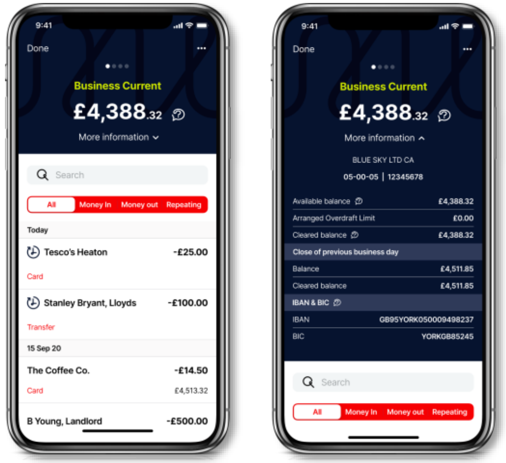




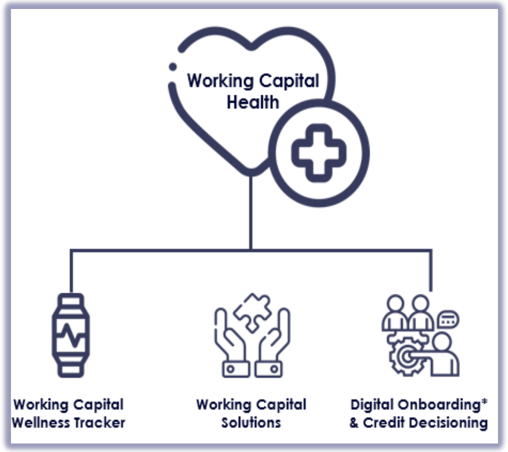
We intend to disrupt the UK business banking market

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

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



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



Introducing our innovative 'Working Capital Health' proposition in 2021

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

Strengthened our sustainability strategy to be a force for good

Disrupt the Status Quo ⟩ **To drive positive social and environmental impact through everything we do to disrupt the status quo**

	Goals	Principles	2030 Aspirations
Super Straightforward Efficiency	Put our (carbon) foot down	Reduce the negative impacts of our operations, suppliers and partners on society and the environment	Net zero operational and supplier carbon emissions
Pioneering Growth	Build a brighter future	Deliver products and services that help our customers make a positive impact on society and the environment	At least 50% reduction in our carbon emissions across everything we finance
Delighted Customers and Colleagues	Open doors	Work with customers, colleagues & communities to encourage sustainable practices & economic activity that creates shared prosperity	No VM customers paying a Poverty Premium Sponsor diverse talent at every level & achieve a fully diverse top-quartile of the organisation Help 20k charities to raise £2bn since VMG's inception
Discipline and Sustainability	Straight-up ESG	Align our strategic goals to ESG and embed them in all areas of the business with robust targets, tracking and disclosures	Variable remuneration linked to ESG progress

Initiatives

TCFD

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

PCAF

Future-Fit Business

FAIR BY DESIGN
Ending the extra costs of being poor

MACMILLAN CANCER SUPPORT

Making you happier about money

Delivering our strategy to create value

Delivering our strategy will create shareholder value…

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

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

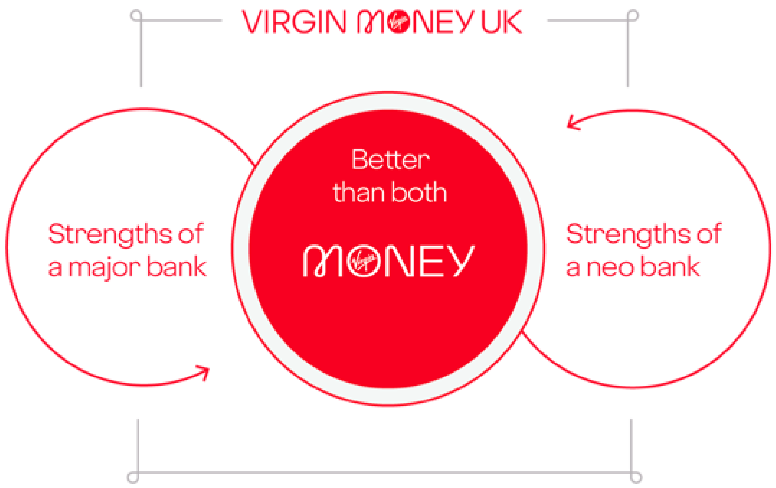
Discipline & Sustainability
Managing our risk profile while delivering an efficient capital base over time and delivering returns to investors

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

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

…delivering improved returns in the medium term

A differentiated business model…



…with clear drivers of returns improvement…

- Impairment and exceptional cost normalisation
- Cost reduction
- Capital efficiency
- Balance sheet mix optimisation

…to support our medium term ambition

Expect to deliver double digit statutory returns on tangible equity, assuming no significant further deterioration in expectations for the economic outlook or change in interest rates

Q&A

DAVID DUFFY

Chief Executive Officer

ENDA JOHNSON

Interim Chief Financial Officer

MARK THUNDERCLIFFE

Chief Risk Officer

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Appendix

We are delivering the disruptive force in banking

VIRGIN MONEY UK

Strengths of a major bank

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

Better than both

MONEY

Strengths of a neo bank

- ✓ Innovative brand & edge
- ✓ Customer lifestyle intelligence
- ✓ 'Pay & play' functionality
- ✓ Innovative digital platform
- ✓ Digital money-management tools
- ✓ Limited back-end legacy systems

IFRS 9 multiple economic scenarios

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

Source: Oxford Economics

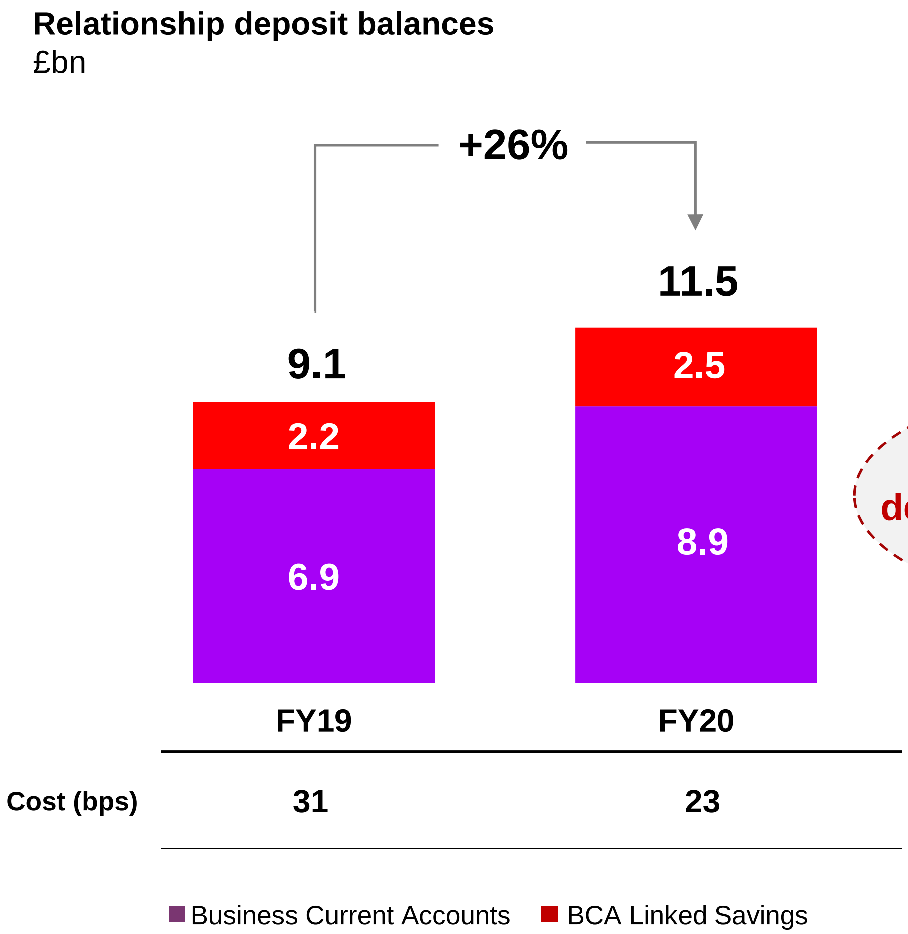
Balance sheet

£m

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

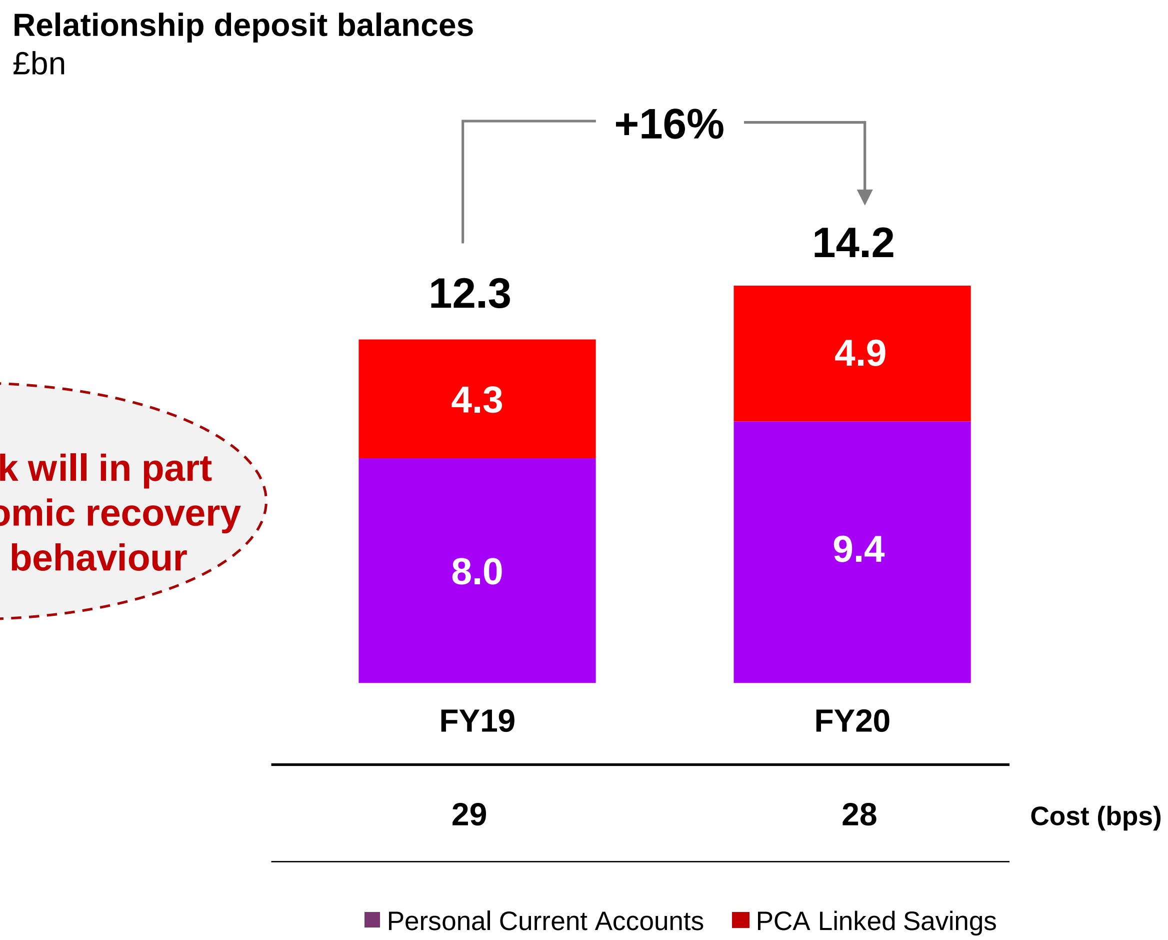
Relationship deposits - 2020

Businesses holding higher BCA balances for liquidity



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

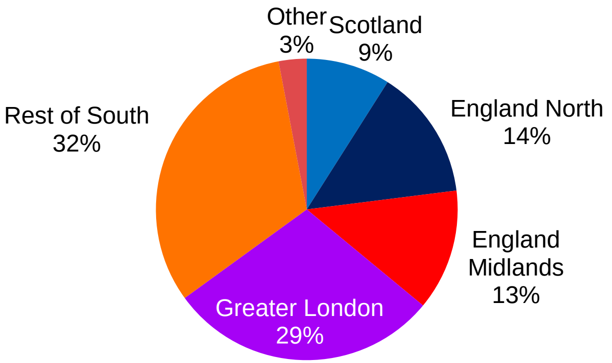
Strong PCA and linked savings balance growth under lockdown



Mortgage Lending – 2020

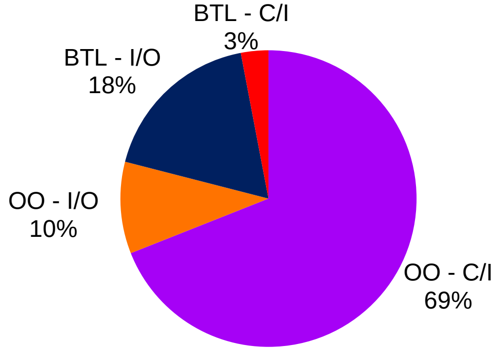
Mortgage lending location (1)

Stock of mortgage lending



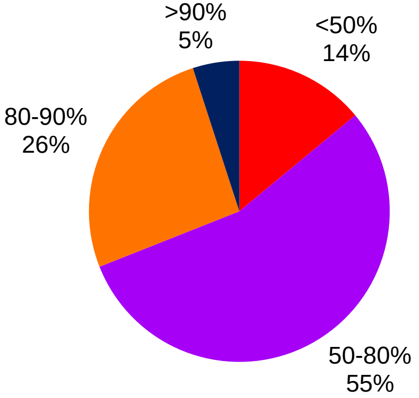
Repayment and borrower profile

Gross new mortgage lending



Loan-to-value of mortgage lending

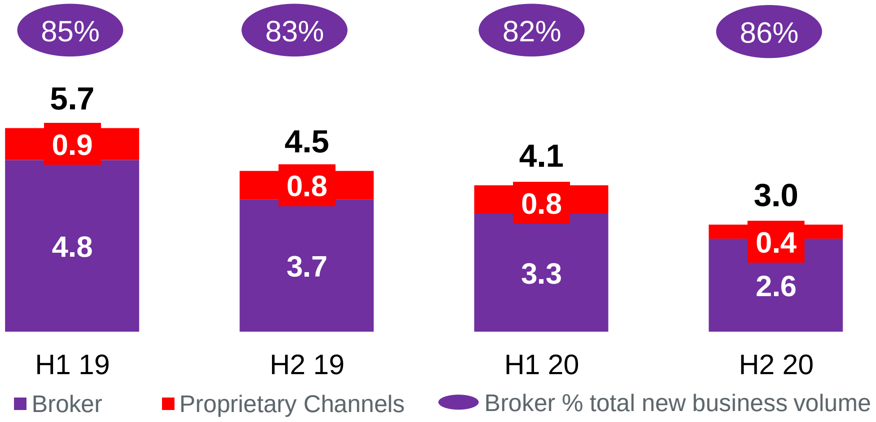
- 57.3% average LTV of stock mortgage portfolio
- 69.9% average LTV of gross new lending



Gross new mortgage lending by LTV banding

Gross new mortgage lending volumes

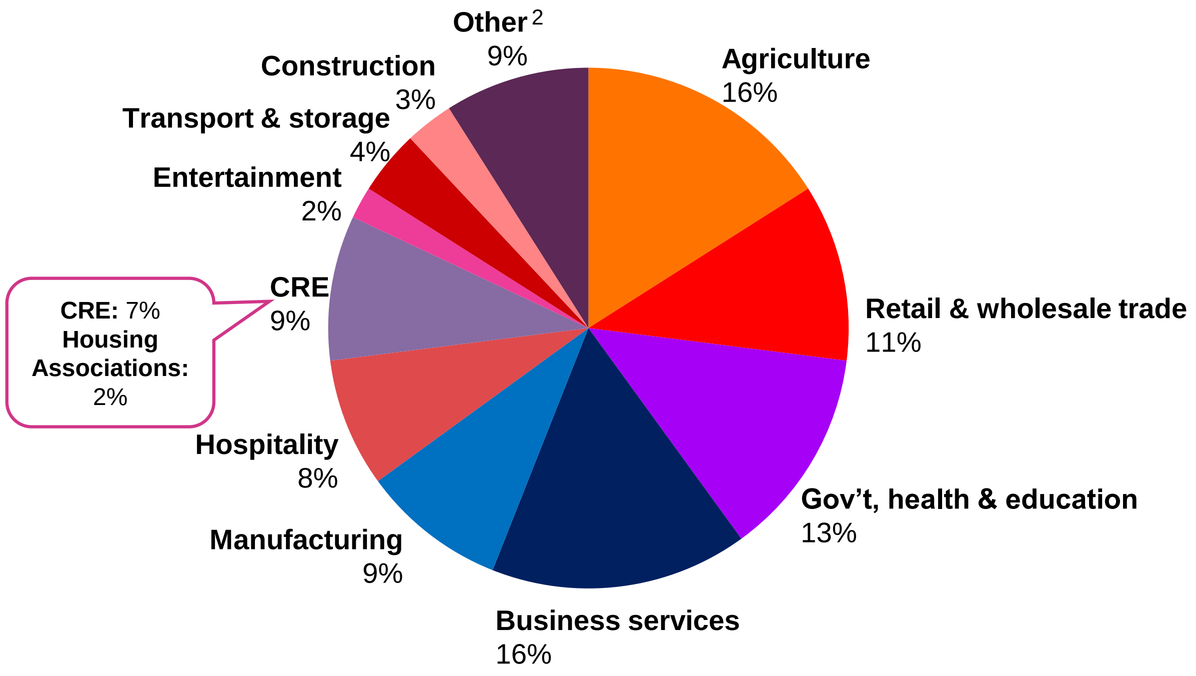
(£bn)



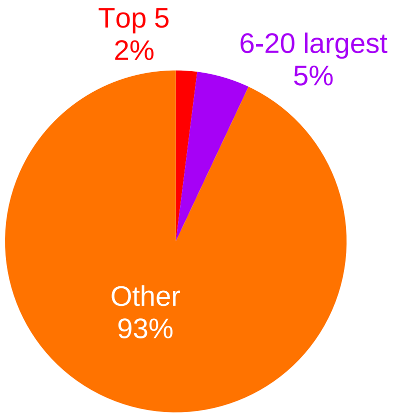
(1) Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements. Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred.

Business Lending – 2020

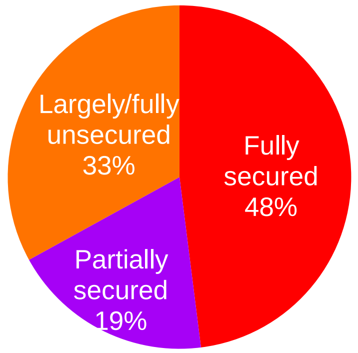
Business lending portfolio by industry sector[1]



Business lending portfolio



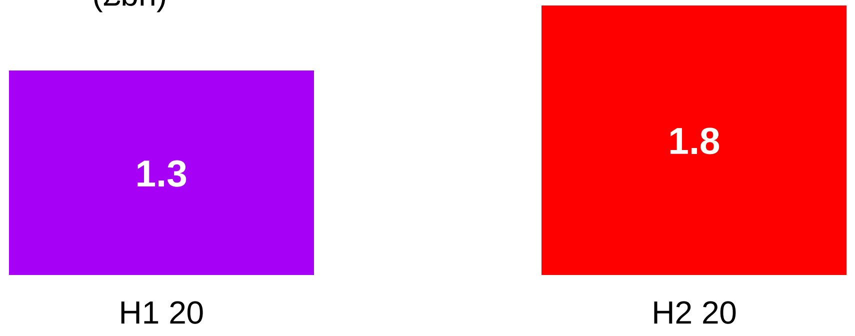
% of book by customer exposure



% of book by collateral cover[3]

Business banking drawdowns

(£bn)



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

Risk weighted assets

£m

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

ESG: Progress in FY20 and clear focus for FY21

FY20 Progress: Fast facts	FY20 Progress: Select examples		FY21 Focus: Select examples	FY21 Focus: Targets
• **1.70** GHG emissions intensity ratio[1], from 1.95 in 2019 • **Zero** waste sent to landfill • **100%** of our electricity generated from renewable sources [(2)] • **7%** reduction in scope 1 and 2 emissions	Made good progress in reducing our carbon emissions and building our net zero road map. We have a clear plan for a steady reduction in operational emissions (scope 1 and scope 2) over the next five years.	Put our (carbon) foot down	Over the next year we will be working to better understand our indirect (scope 3) emissions and build out a roadmap to reduce the emissions linked to our suppliers and partners.	• **5%** reduction in operational carbon emissions by 2021 from 2020 baseline • **>75%** of our top 100 suppliers to complete CDP Supply Survey in 2021
• **£150m** in renewables lending • **100** businesses took part in our Sustainability Benchmarking Tool pilot • Developed sensitive sector statement • First bank members of the Future-Fit Development Council	Worked with Future-Fit to build a benchmarking tool for businesses to measure their progress against UN SDGs. Began work to better understand the carbon intensity of our mortgage book, sourcing EPC data and engaging with external forums.	Build a brighter future	Our starting position is strong with low levels of lending to carbon-intensive sectors [(3)] but there remains work to do. We have begun engaging with customers, colleagues and industry forums (including PCAF) to build our plans.	• **5%** of business loan book comprised of sustainable leaders by FY22 • Short to medium term targets for our mortgage book are under development
• **50,000** people able to take control of their finances with an affordable loan from our Salary Finance partnership • **43%** women in senior leadership roles • **£104m** raised for UK charities through VMG in FY20	Launched the Virgin Money M Account, a basic bank account that's far from basic. Held our first financial inclusion event for colleagues to underline the importance of being an inclusive bank and help embed our vulnerable customer strategy.	Open doors	Partnering with Fair By Design to help identify customers paying a Poverty Premium and provide targeted solutions. We will run a pilot to mitigate energy-related premiums, the biggest driver of overspend for low income households.	• **Customer:** Solutions in place to identify and help at least 50% of Virgin Money customers facing a Poverty Premium by 2025 • **Colleague:** 40-60% senior gender diversity over medium term • **Community:** Reach £1 billion in fundraising by 2021 through VMG
• **ESG scorecard** included in the Long Term Incentive Plan (LTIP) • Leadership Team **Accountabilities** for ESG strategy established • **ESG targets** included in each functional and franchise balanced scorecard for FY21	Made good progress in embedding ESG into our decision making frameworks. Board Risk Committee oversight of climate change and wider ESG principles through the principal and emerging risk framework. ESG working Group established	Straight-up ESG	Embedding new ESG operating model and reporting, so our stakeholders can clearly understand how ESG informs our decision making. Working to enhance the way ESG is reflected in credit risk policies and disclosure of financial risks from climate change [(3)].	• **Long-term incentives** appropriately aligned to expanded ESG scorecard by 2022 • **Financial risk** from climate change determined and disclosed for physical and transitional risk sectors by 2022

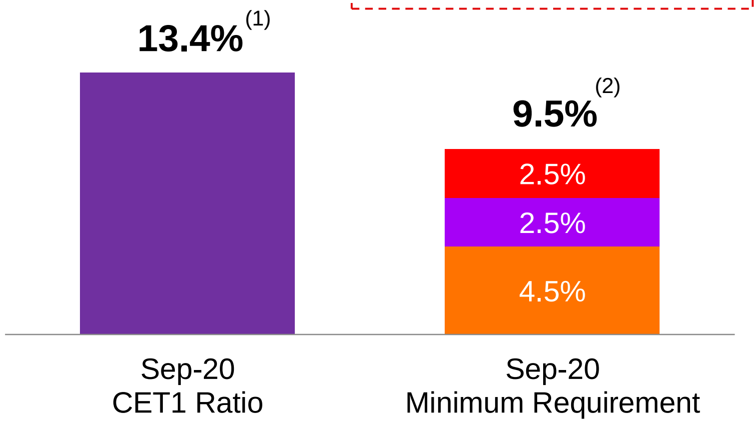
(1) Intensity ratio of Greenhouse Gas (GHG) Emissions per average Full Time Equivalent (FTE) for our operational emissions (scope 1 and 2 emissions).
(2) Where the Bank is responsible for the supply. (3) The Group has low levels of lending to carbon related assets at 0.1% (2019: 0.1%) of the Group's customer lending assets.

Fixed income investor appendix

Strong capital with significant buffers above regulatory minimums

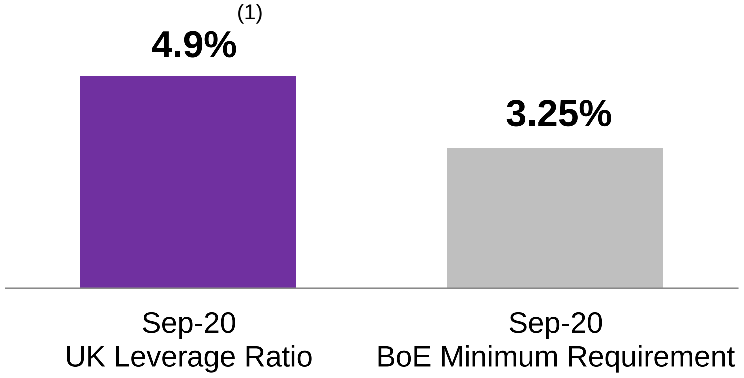
CET1

3.9% / c.£950m buffer



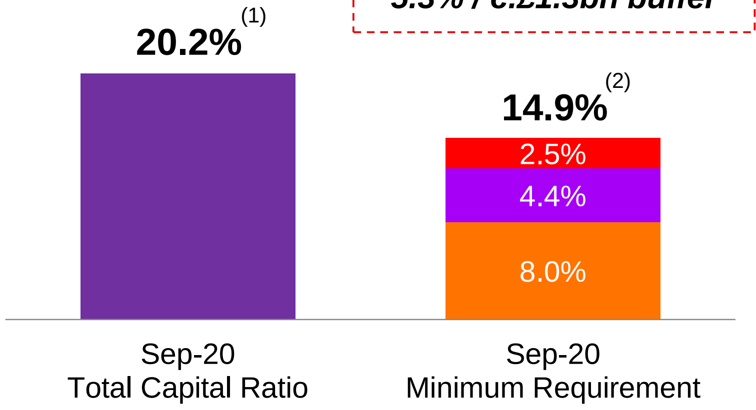
Leverage

1.65% / c.£1.4bn buffer



Total Capital

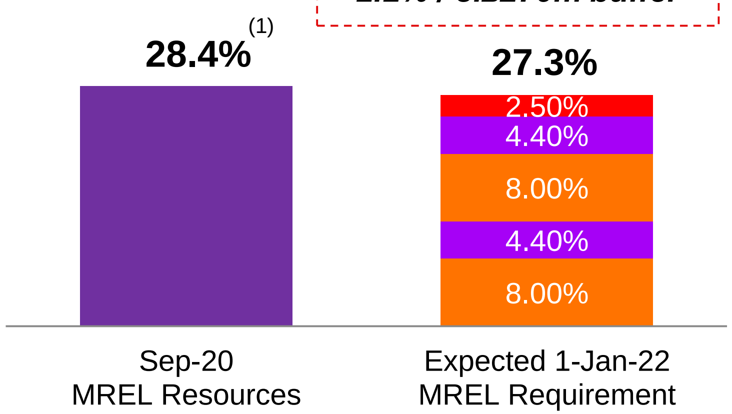
5.3% / c.£1.3bn buffer



MREL

1.1% / c.£270m buffer

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

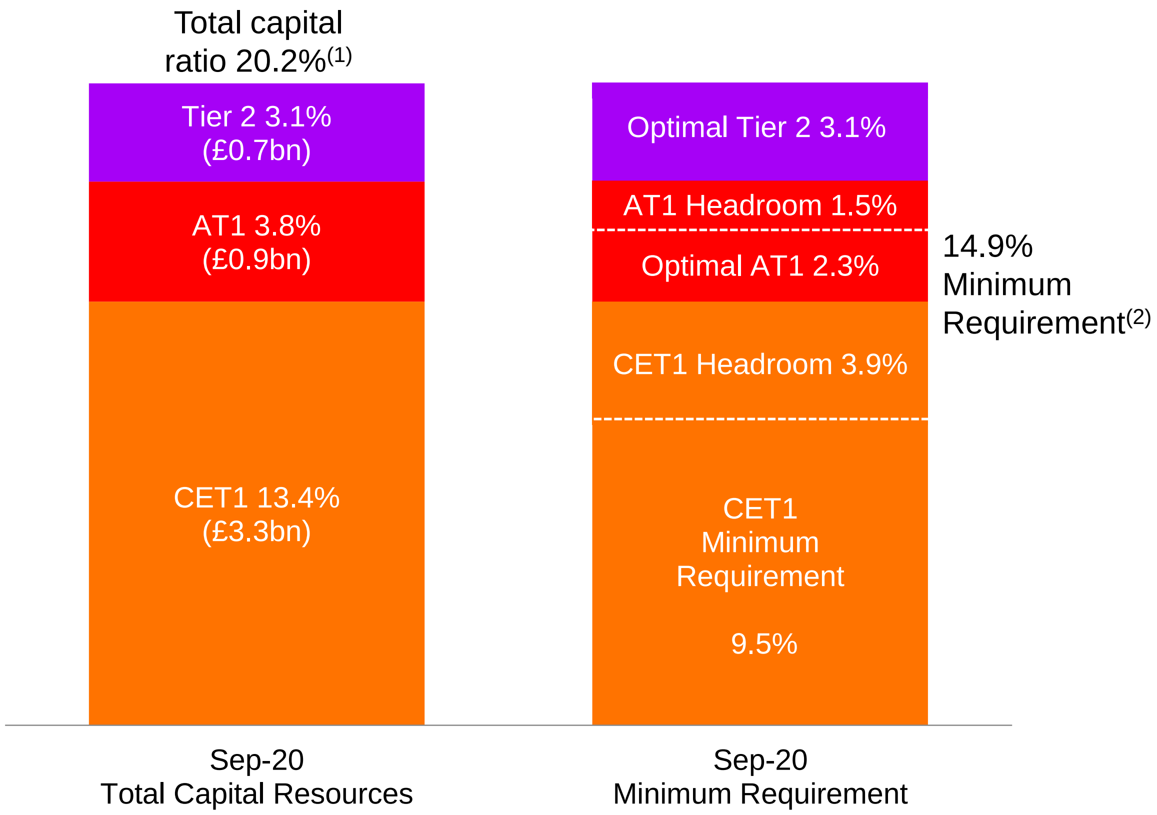


(1) IFRS 9 transitional basis
(2) CRD IV Minimum Requirement

■ Pillar 1 ■ Pillar 2A ■ Capital Conservation Buffer

Well established capital stack

Capital stack breakdown



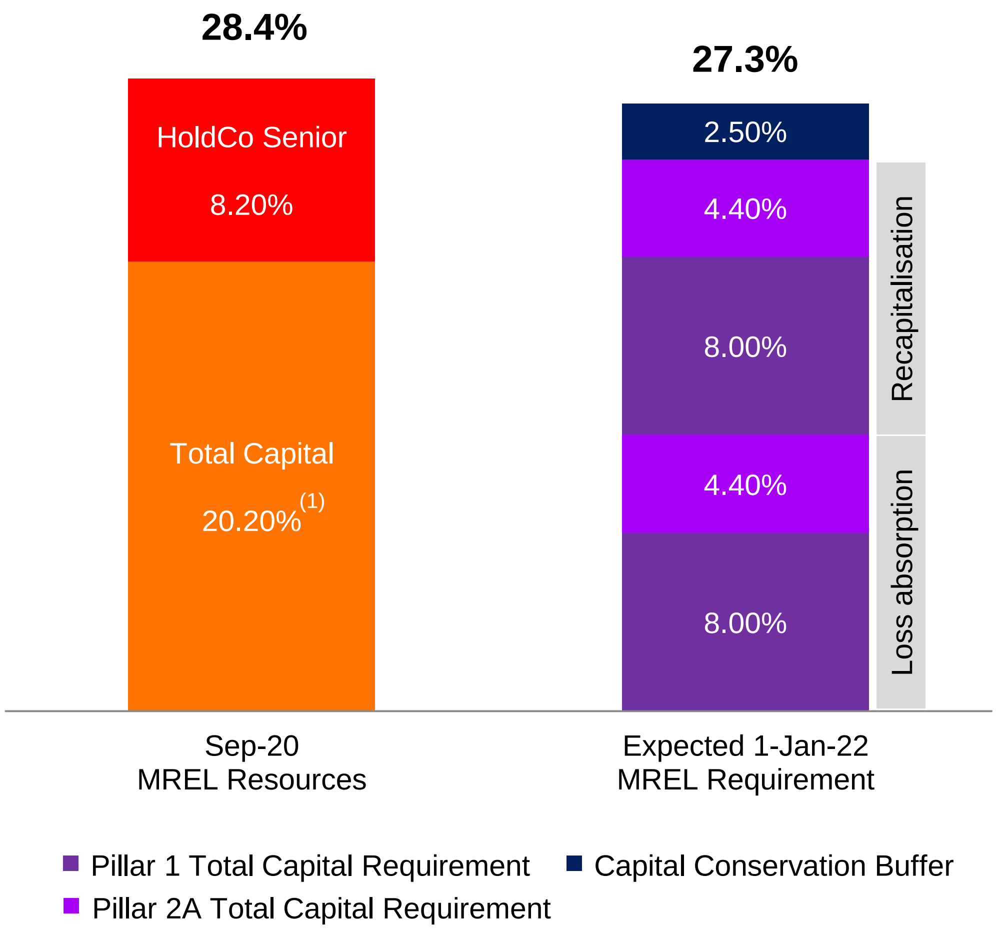
Aim to manage capital structure in an efficient manner

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

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

Well positioned for end-state MREL requirements

MREL in line with expected end-state requirement



FY21 issuance focused on building prudent management buffer

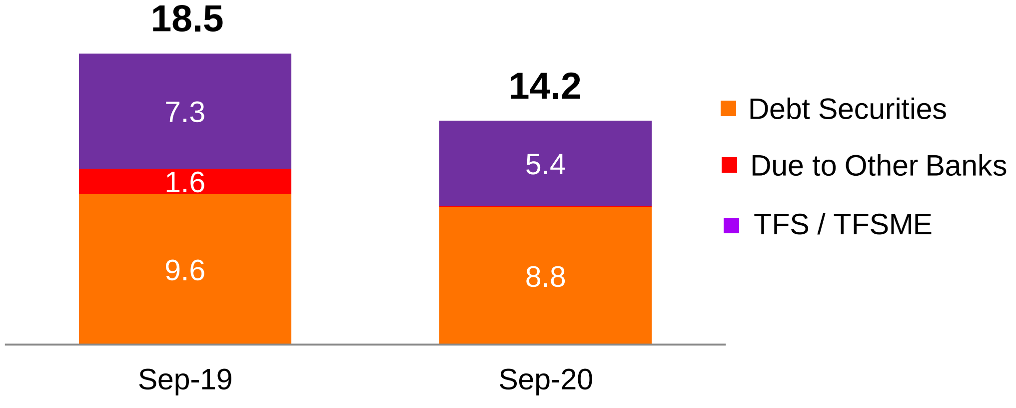
- MREL is subject to phased implementation and will be fully implemented from 1 Jan 2022; BoE expected to confirm end-state requirement in calendar Q4 2020
- Pillar 2A Total Capital requirement reduced to 4.4% in 2020 and is now set in nominal terms, providing stability should RWAs increase during periods of stress
- MREL ratio of 28.4% comfortably exceeds interim MREL requirement and is in line with expected end-state MREL requirement
- Future MREL issuance is focused on building a prudent management buffer over the expected end-state MREL minimum requirement
  - Planned issuance of £0.5-0.75bn of MREL-eligible senior unsecured debt in FY21

(1) IFRS 9 transitional basis

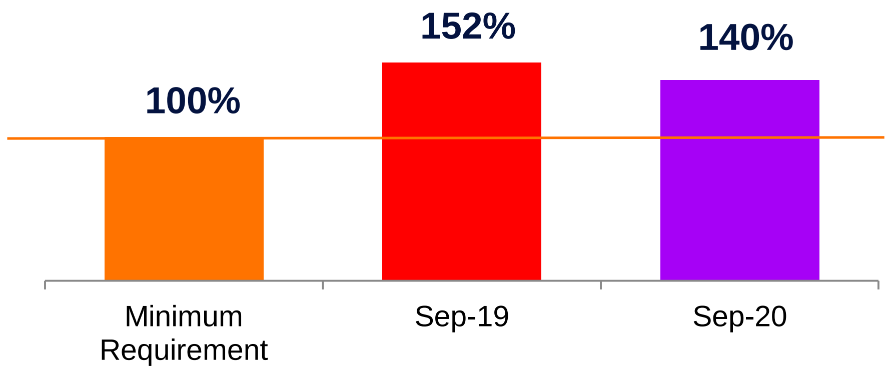
Strong funding & liquidity position

Significant excess liquidity…

Wholesale Funding
(£bn)



Liquidity Coverage Ratio



…modest 2021 Wholesale Funding requirement

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

FY21 Issuance Plan

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

VIRGIN MONEY UK (1) Bonds issued by supra-nationals and AAA-rated covered bonds

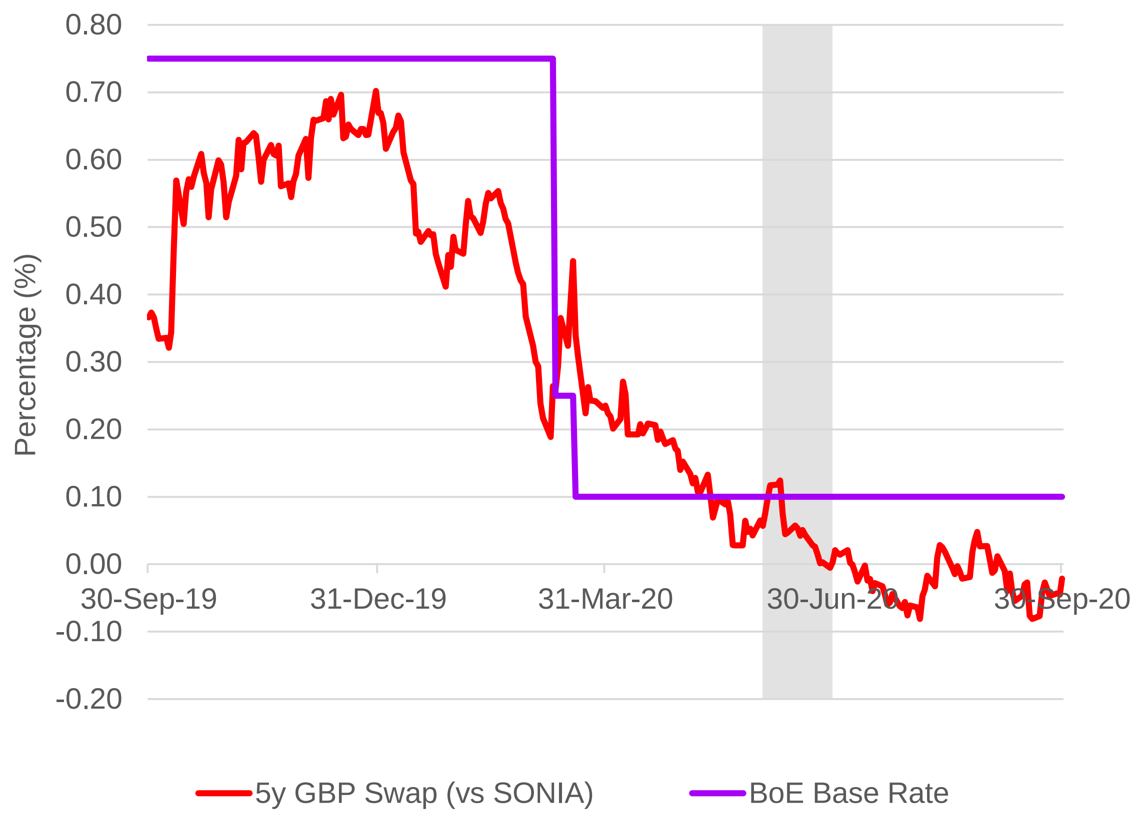
Credit & ESG Ratings

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

(1) Long-term bank deposit rating

Structural hedge fully unwound, locking in NII contributions

Following the reduction in BoE Base Rate…



…our structural hedge was fully unwound

- Historically, the Group had a Structural Hedge of c.£24bn, used to minimise volatility and stabilise earnings on income related to low & non-interest bearing liabilities and equity
- Structural products were hedged on a 5-year rolling basis, consistent with investment objectives to optimise and stabilise earnings as the BoE Base Rate goes up and down
- Following the reduction in BoE Base Rate, and noting future market rate expectations, the Group concluded that its 5-year structural hedge had generated maximum value.
- During Q3 2020 the Group's Structural Hedge was fully unwound, locking in expected NII contributions from the hedges over the next 5 years
- In the future, the Group anticipates a more dynamic approach to hedging these balances and based on the current rate outlook, expects no significant adverse impact on NII in FY21 and beyond compared to the 5-year rolling approach

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