VIRGIN MONEY UK

Full Year 2020
Fixed Income Presentation

Virgin Money
makeover
MONEY

2020 Financial Results

ANDREW DOWNEY

Head of Investor Relations

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

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

(1) IFRS 9 transitional basis

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

Conservative IFRS 9 economic scenarios & weightings…

Increased conservatism in economics and weightings…

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

1. Updated IFRS9 models with conservative economic scenarios

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

2. Probability weightings prudently skewed to downside

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

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

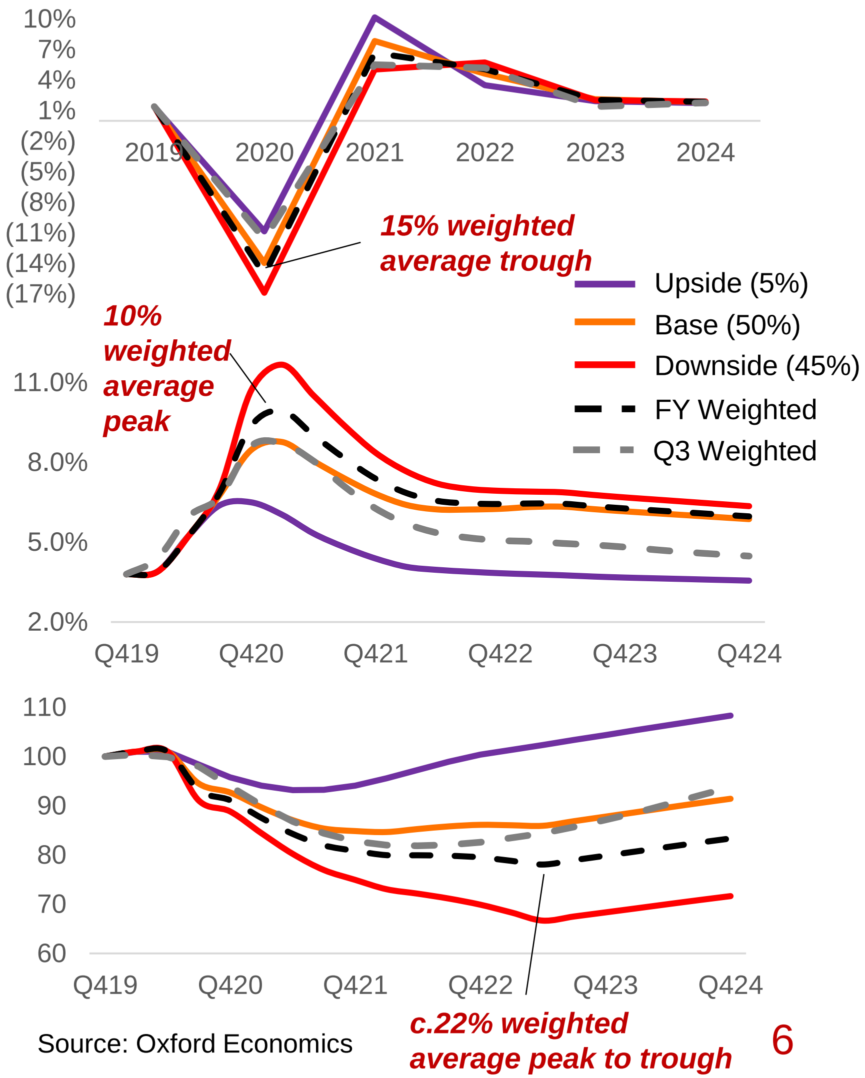
95% weighted to materially weaker economics

….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

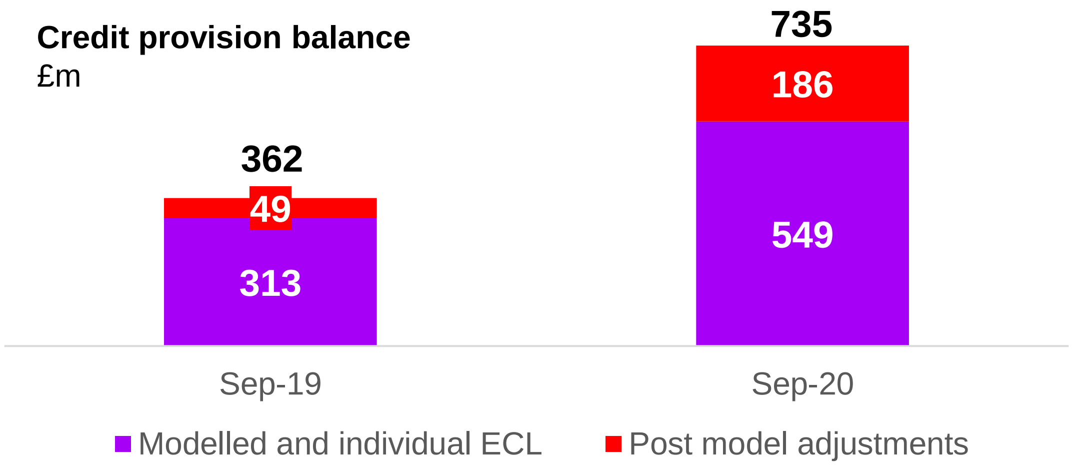
Conservative modelled ECL supplemented by PMAs

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



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

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(1)	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

(1) Business coverage ratio excludes Government-backed lending balances

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

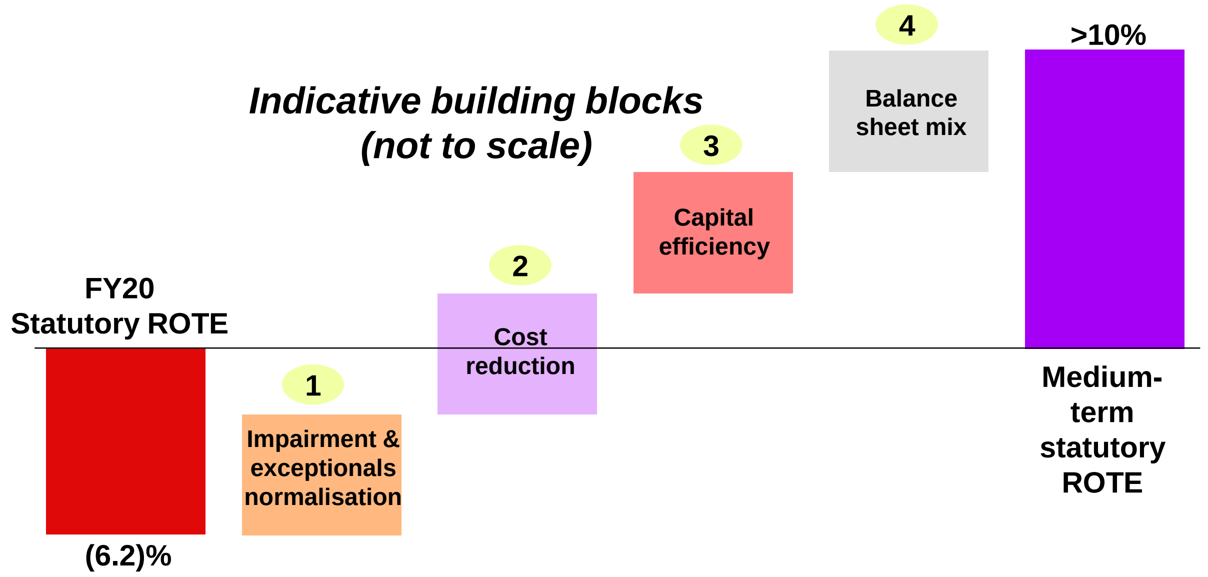
Opportunities

- 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

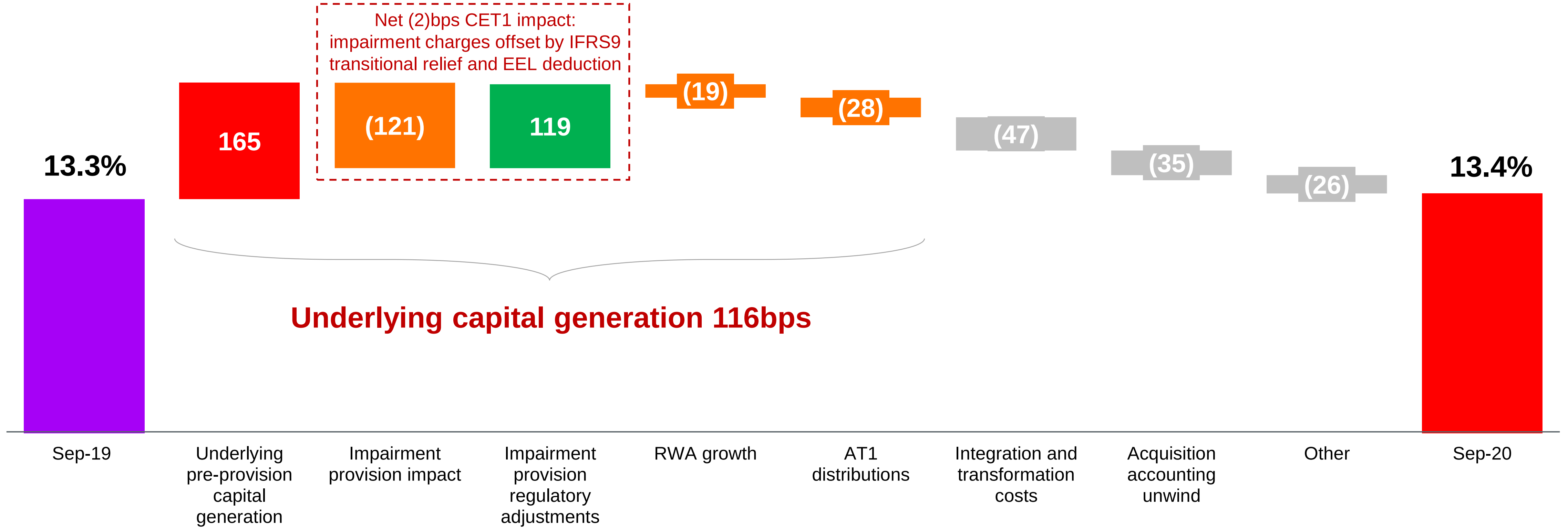
Capital, Funding & Liquidity

JUSTIN FOX

Group Treasurer

Capital generation offset by exceptional items

CET1 ratio evolution (bps)

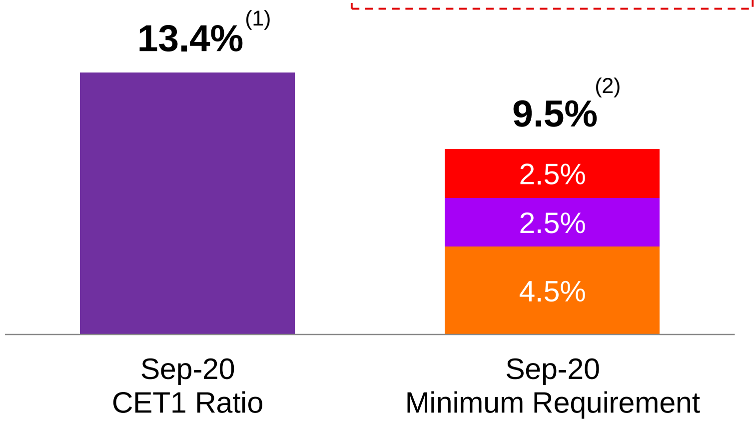


20.1%	**Total capital ratio**	20.2%
4.9%	**UK leverage ratio**	4.9%
26.6%	**MREL ratio**	28.4%

Strong capital with significant buffers above regulatory minimums

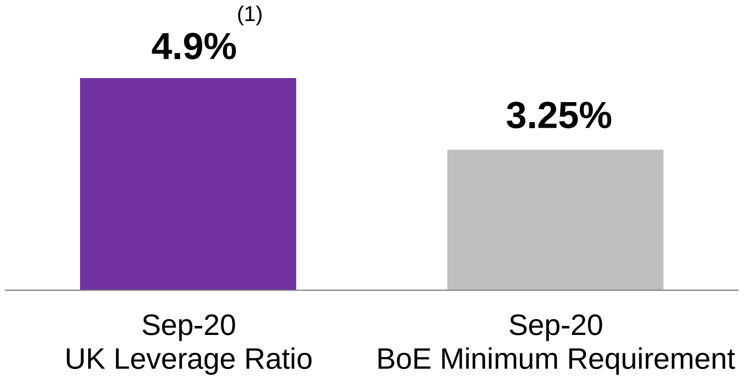
CET1

3.9% / c.£950m buffer



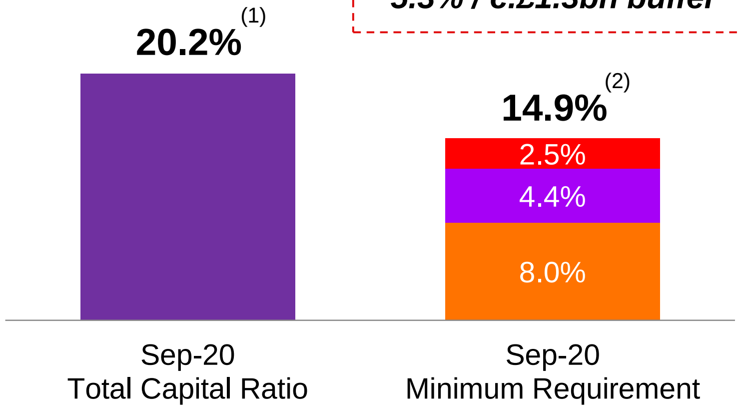
Leverage

1.65% / c.£1.4bn buffer



Total Capital

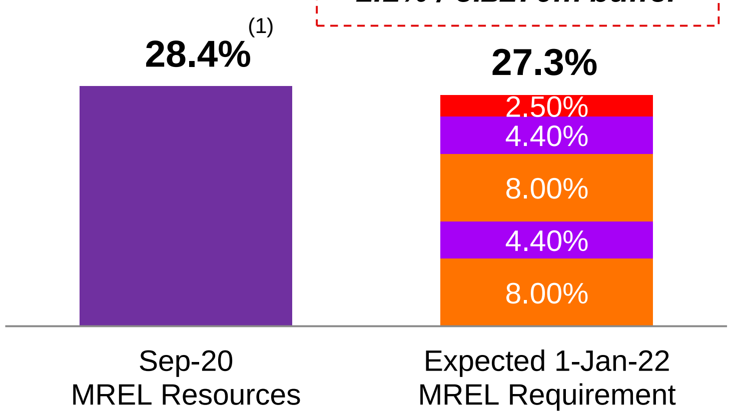
5.3% / c.£1.3bn buffer



MREL

1.1% / c.£270m buffer

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



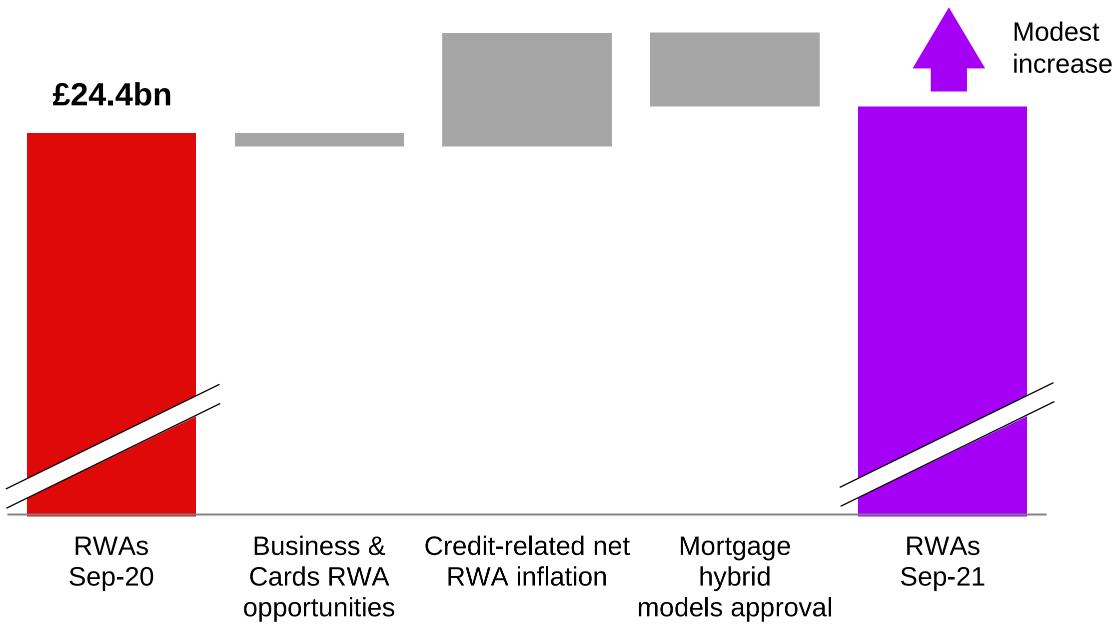
Pillar 1 | Pillar 2A | Capital Conservation Buffer

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

2021 RWA & capital position subject to economic developments

Credit RWA inflation partially mitigated by RWA opportunities

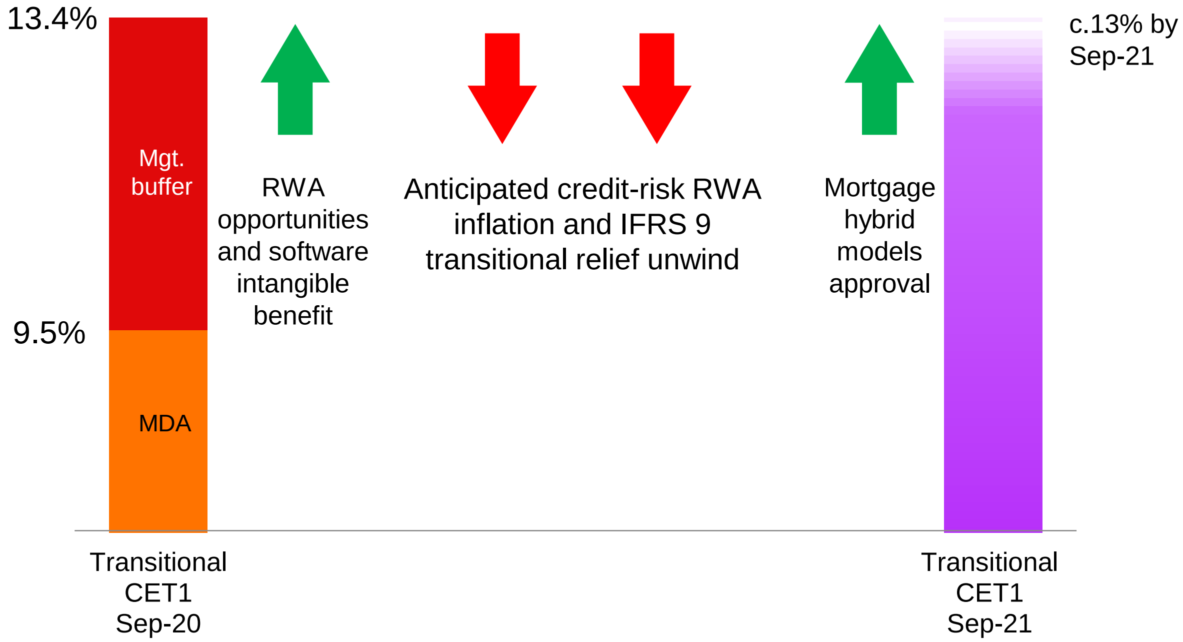
Indicative RWA trajectory



- 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

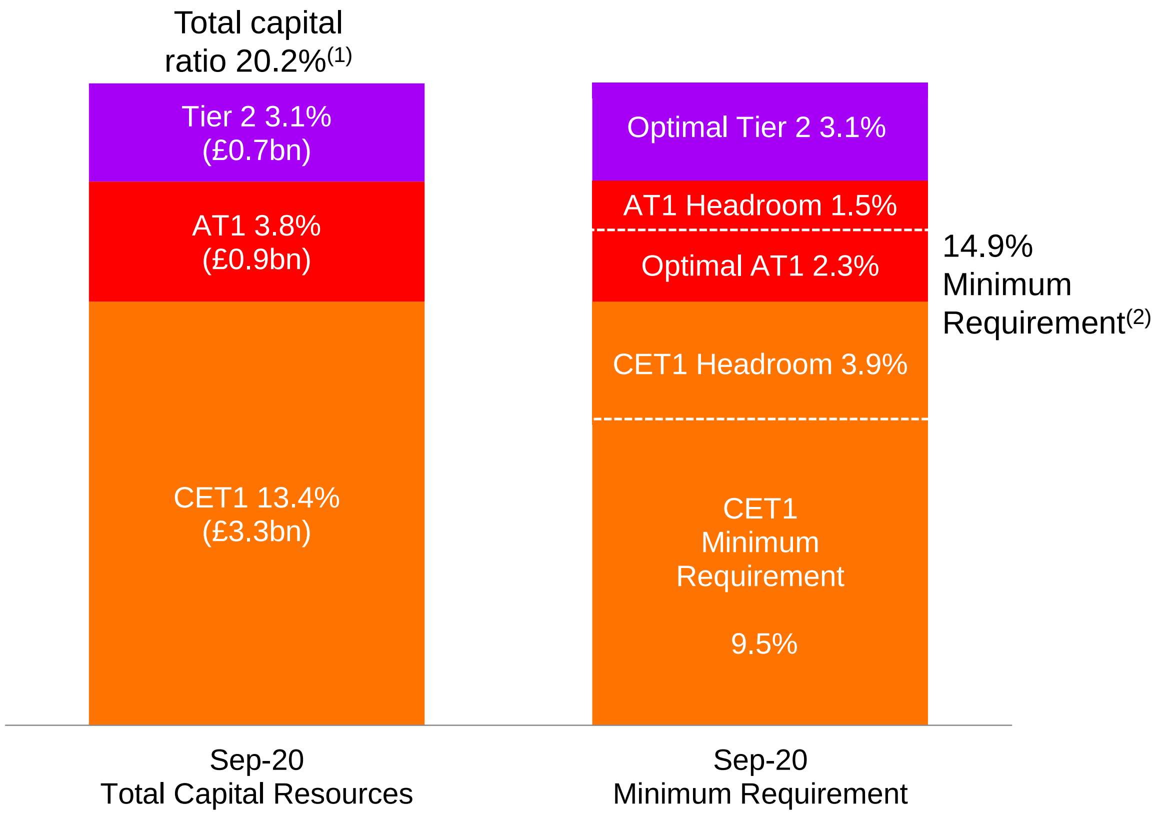
Key drivers of in-year CET1 ratio trajectory



- 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

Well established capital stack

Capital stack breakdown



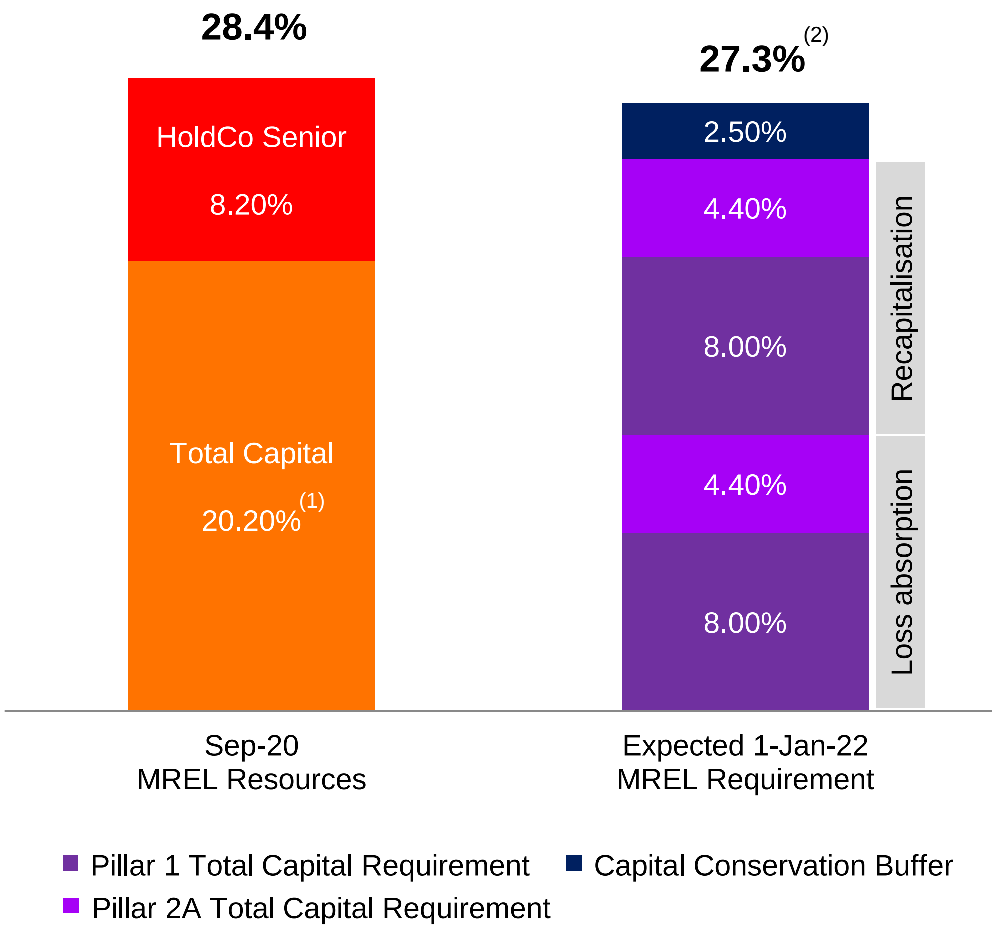
Aim to manage capital structure in an efficient manner

- 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

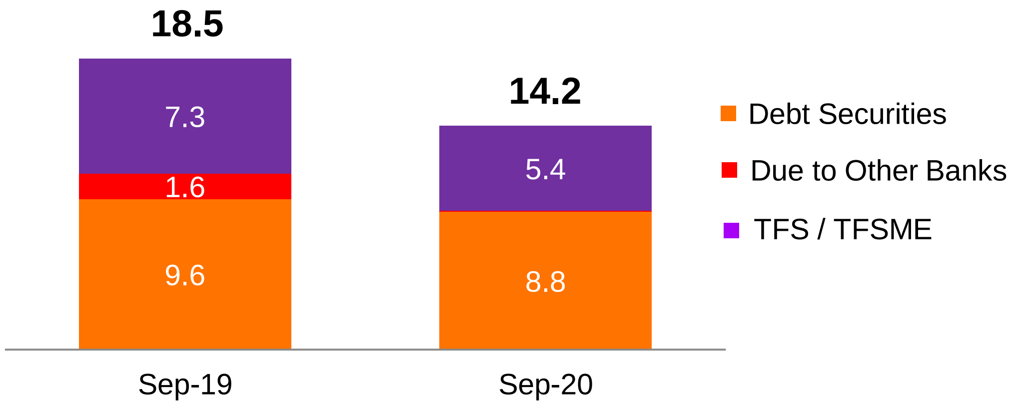
- MREL is subject to phased implementation and will be fully implemented from 1 Jan 2022; BoE expected to confirm end-state requirement in calendar Q4 2020
- Pillar 2A Total Capital requirement reduced to 4.4% in 2020 and is now set in nominal terms, providing stability should RWAs increase during periods 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
(2) Based on Sep-20 Pillar 2A Total Capital Requirement and Sep-20 CRD IV capital buffers

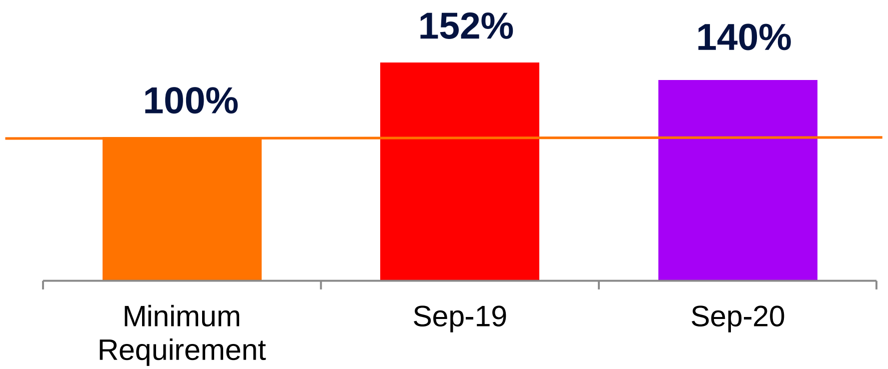
Strong funding & liquidity position

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

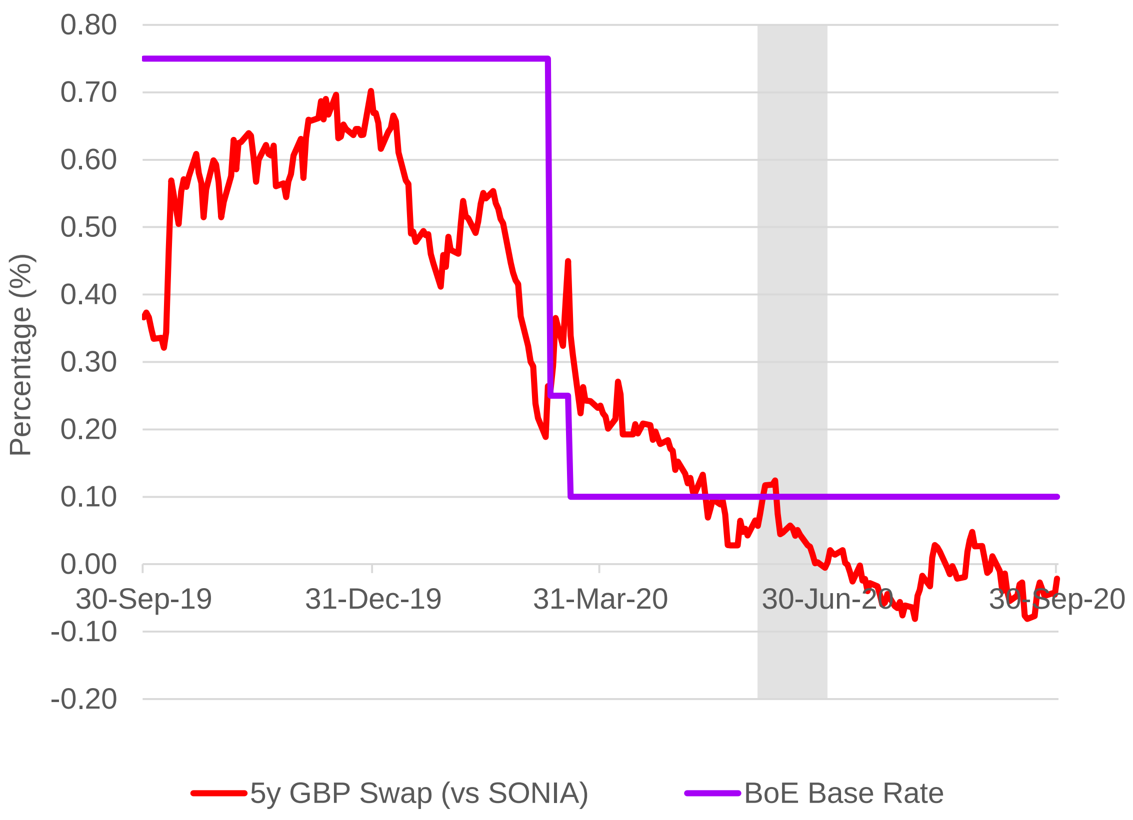
FY21 Issuance Plan

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

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

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

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

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

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.

Q&A


Say hello
to brighter
money.
Moneyfacts has rated our shiny new current account as 'outstanding'.
MONEY
We've had a
Virgin Money
makeover

Debt Investor Relations Contacts

Justin Fox
Group Treasurer
Virgin Money UK PLC
m: +44 7392 833 388
e: justin.fox@virginmoneyukplc.com

Andrew Downey
Head of Investor Relations
Virgin Money UK PLC
m: +44 7823 443 150
e: andrew.downey@virginmoneyukplc.com

Matthew Harrison
Head of Treasury Debt Capital Markets
Virgin Money UK PLC
m: +44 7484 937 900
e: matthew.harrison@CYBG.com

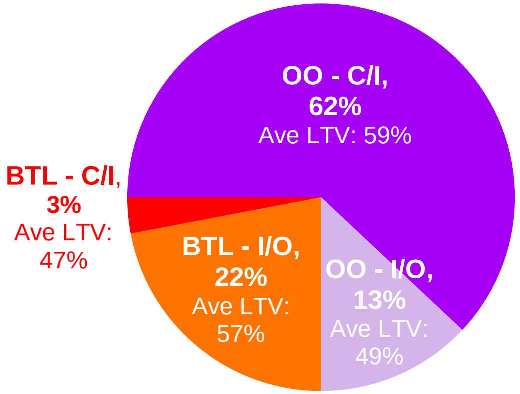
Stephen Hynes
Head of Structured Funding
Virgin Money UK PLC
m: +44 7900 160 635
e: stephen.hynes@CYBG.com

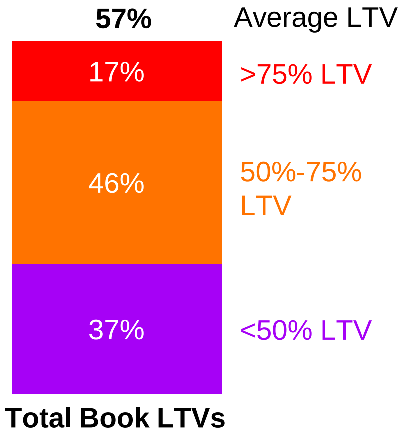
http://www.virginmoneyukplc.com/investor-relations/debt-investors/

Appendix

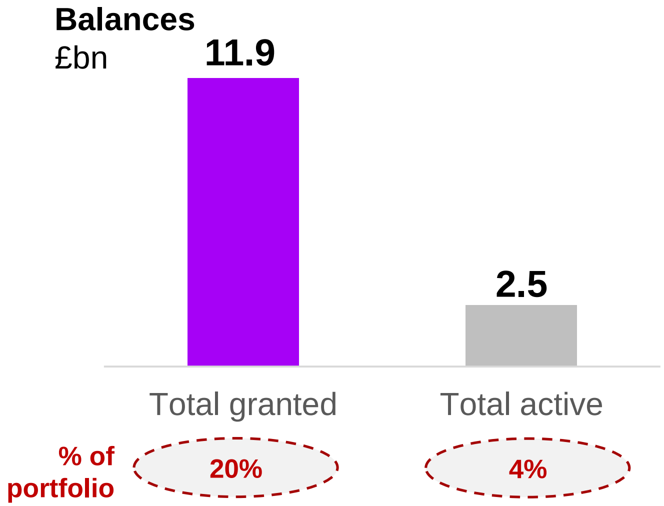
Mortgages: resilient asset quality to date

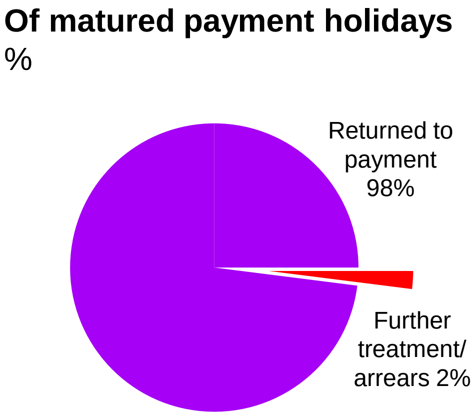
Low LTV mortgage book weighted towards owner-occupied





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

Credit Cards: asset quality & origination discipline maintained

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

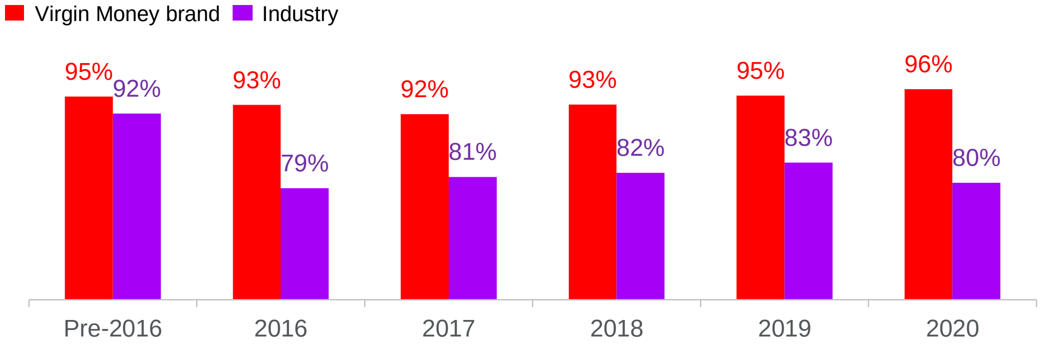
- Arrears declined to 0.8% vs industry[(1)] of 1.6% benefitting from support measures; BT arrears of 0.7%; non-BT arrears of 1.0%
- Upper-end of mass market customers; no credit impaired or CCJs; c.80% originated post-2015 with prudent underwriting
- Balance transfers now c.68% of cards portfolio; c.12% 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

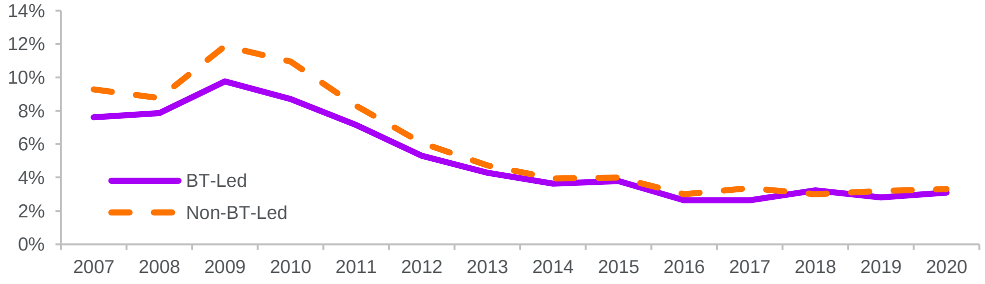
% accounts in higher quality segments (with <2.5% expected unit loss rate) by acquisition year



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

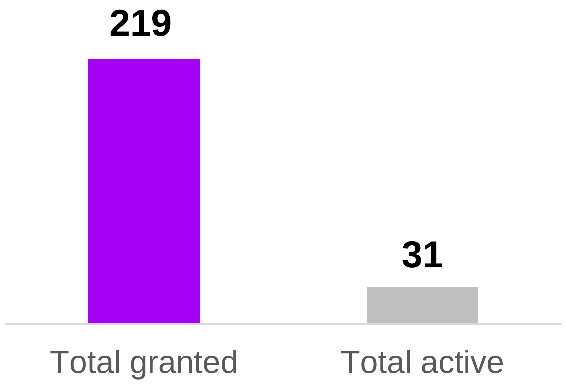
Cards: Early payment holiday experience demonstrates quality

- 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

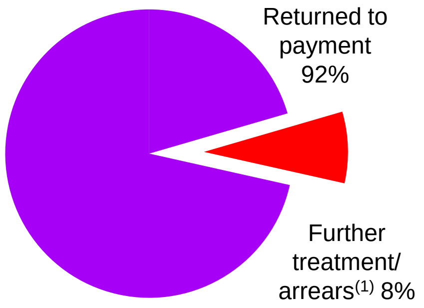
- Payment holiday coverage at 20% vs 5.4% overall book

Balances
£m



% of portfolio: 5% | 1%

Of matured payment holidays
%



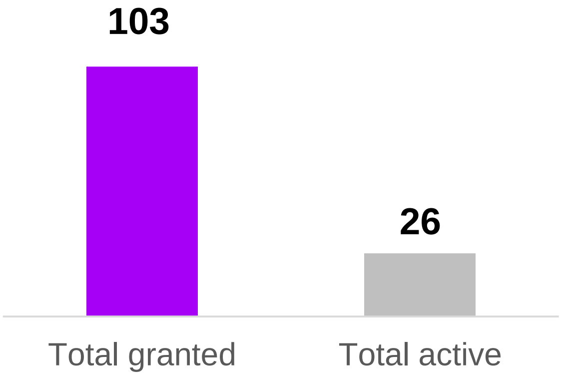
Personal: Encouraging early payment holiday exit levels

- 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

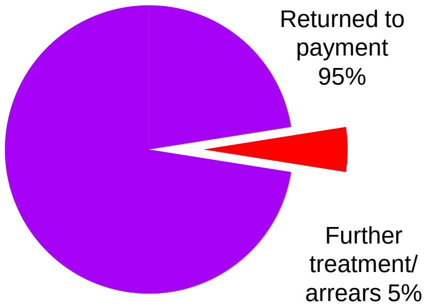
- Payment holiday coverage at 19% vs 8.2% overall book[2]

Balances
£m



% of portfolio: 11% | 3%

Of matured payment holidays
%

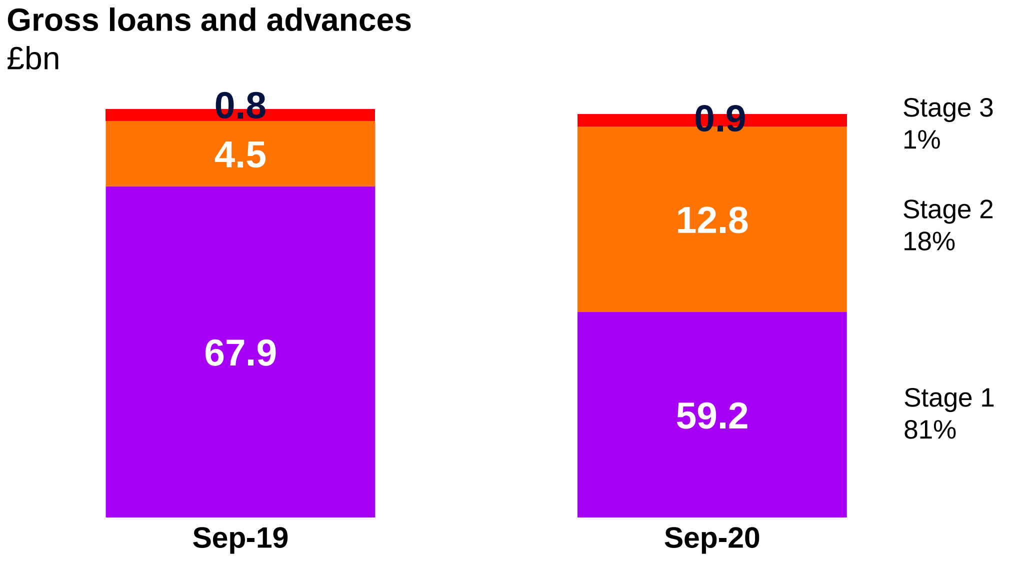


VIRGIN MONEY UK

(1) Excluding balances already on arrears
(2) Personal loans & overdrafts

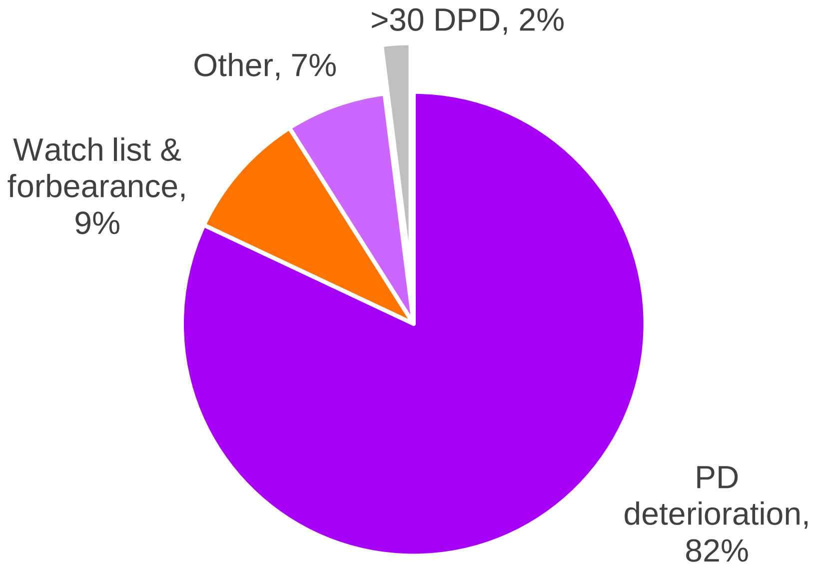
Economic modelling is main driver of stage 2 increases

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



- 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

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**

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%**

Disclaimer

This document has been prepared by Virgin Money UK PLC (the "Company") and is the responsibility of the Company. It was prepared for the purpose of, and comprises the written materials used in and/ or discussed at, the presentation(s) given to stakeholders concerning the full year financial results of the Company and its subsidiaries (which together comprise the "Group") for the twelve months ending 30 September 2020. This document is a marketing communication and should not be regarded as a research recommendation.

The information in this document may include forward looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects' 'outlooks', 'projects', 'forecasts', 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward looking statements, as well as those included in any other material discussed at the presentation, are subject to risks, uncertainties and assumptions about the Group and its securities, investments and the environment in which it operates, including, among other things, the development of its business and strategy, any acquisitions, combinations, disposals or other corporate activity undertaken by the Group (including but not limited to the integration of the business of Virgin Money Holdings (UK) plc and its subsidiaries into the Group), trends in its operating industry, changes to customer behaviours and covenant, macroeconomic and/or geopolitical factors, the repercussions of the outbreak of coronaviruses (including but not limited to the COVID-19 outbreak), changes to its board and/ or employee composition, exposures to terrorist activity, IT system failures, cyber-crime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of the Bank of England, the FCA and/or other regulatory and governmental bodies, inflation, deflation, interest rates, exchange rates, changes in the liquidity, capital, funding and/ or asset position and/or credit ratings of the Group, future capital expenditures and acquisitions, the repercussions of the UK's referendum vote to leave the European Union (EU), the UK's exit from the EU (including any change to the UK's currency), Eurozone instability, and any referendum on Scottish independence.

In light of these risks, uncertainties and assumptions, the events in the forward looking statements may not occur. Forward looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward looking statements. No member of the Group or their respective directors, officers, employees, agents, advisers or affiliates gives any assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/or discussed at the presentation. All forward looking statements should be viewed as hypothetical. No representation or warranty is made that any forward looking statement will come to pass. No member of the Group or their respective directors, officers, employees, agents, advisers or affiliates undertakes any obligation to update or revise any such forward looking statement following the publication of this document nor accepts any responsibility, liability or duty of care whatsoever for (whether in contract, tort or otherwise) or makes any representation or warranty, express or implied, as to the truth, fullness, fairness, merchantability, accuracy, sufficiency or completeness of, the information in this document or the materials used in and/ or discussed at, the presentation.

Certain industry, market and competitive position data contained in this presentation comes from official or third party sources. There is no guarantee of the accuracy or completeness of such data. While the Company reasonably believes that each of these publications, studies and surveys has been prepared by a reputable source, no member of the Group or their respective directors, officers, employees, agents, advisers or affiliates have independently verified the data. In addition, certain of the industry, market and competitive position data contained in this presentation comes from the Group's own internal research and estimates based on the knowledge and experience of the Group's management in the markets in which the Group operates. While the Company reasonably believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness, and are subject to change. Accordingly, undue reliance should not be placed on any of the industry, market or competitive position data contained in this presentation.

The information, statements and opinions contained in this document and the materials used in and/ or discussed at, the presentation, do not constitute or form part of, and should not be construed as, any public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

The distribution of this document in certain jurisdictions may be restricted by law. Recipients are required by the Group to inform themselves about and to observe any such restrictions. No liability to any person is accepted in relation to the distribution or possession of this document in any jurisdiction. The information, statements and opinions contained in this document and the materials used in and/ or discussed at, the presentation are subject to change.

Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

Making you happier about money