VIRGIN MONEY UK

Fixed Income Factbook

November 2024

Virgin Money UK PLC (VMUK)– Summary

Group structure - key points:

- From 1 Oct 2024, wholly owned subsidiary of Nationwide Building Society ('Nationwide')
- Virgin Money will continue to operate as a separate legal entity within the Nationwide Group, with a separate Board and banking licence
- PRA intends to apply sub-consolidated prudential requirements to Virgin Money until 31 Dec 2028, meaning externally held own funds issued by Virgin Money will be eligible to meet consolidated capital requirements applicable to the Nationwide Group[4]
- BoE intends to treat outstanding externally held AT1, T2 and MREL issued by Virgin Money as eligible to meet consolidated MREL requirements of the Nationwide Group until 31 Dec 2028
- Following the acquisition by Nationwide, Virgin Money will no longer issue forward looking guidance

Asset Quality

£606m Total Credit Provisions

84bps Coverage Ratio

98% Stage 1+ 2 Balances <30DPD

1.6% Stage 3 balances as % of book

Capital & Leverage[1]

13.6% CET1 Ratio

>13.5%[3] Pro-forma CET1 ratio

28.9% MREL Ratio

5.1% UK Leverage Ratio

Liquidity & Funding

157%[2] Liquidity Coverage Ratio

103% Loan to Deposit Ratio

72% of Total Deposits Insured

138%[2] NSFR

Sustainable Impact

AA Leader MSCI

17.9 Low Risk Sustainalytics

51 Robust Moody's Analytics

47 S&P Global ESG Score

(1) IFRS 9 transitional basis (2) 12-month average (3) CET1 ratio as at Sept-24, adjusted for certain post-transaction adjustments (see slide 10) (4) Subject to applicable deductions

Financial performance in 12 months to Sep-24

Key outcomes	Key achievements
NIM **1.98%** 12m to Sep' 23: 1.91%	• Delivered 7bps expansion in NIM benefitting from EIR performance adjustments in credit cards • Consistent deposit inflows, +4% yoy growth, including growth in relationship deposits • Delivered 6% growth across our target lending segments of Business and Unsecured
Cost of Risk **24bps** 12m to Sep' 23 :42 bps	• Credit performance remains resilient; credit card arrears improved in 6 months to Sept-24 • Maintained stable provision coverage of 84bps (September 2023: 84bps) • Remain well positioned with 98% of loans in stage 1 or stage 2 not-past-due
CET1 ratio **13.6%** Sep' 23 : 14.7%	• Sept-24 CET1 ratio of 13.6% includes full recognition of £250m TMLA[1] fee, equivalent to c.0.9% • Committed to maintaining capital strength through profitable growth and support from parent • MREL ratio of 28.9% remains in excess of minimum regulatory requirement

(1) Trademark licence agreement between Virgin Money and Virgin Enterprises; fee is £250m plus irrecoverable VAT of £50m

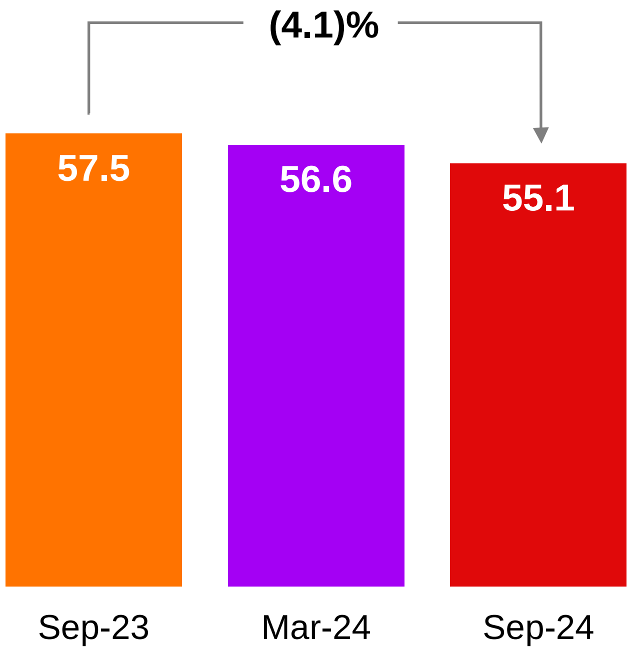
Stronger income and lower impairments drives PBT increase

P&L £m	12 months to 30 Sep 2024	12 months to 30 Sep 2023	Change FY24 vs. FY23	Commentary
Net interest income (excluding notable items)	1,778	1,716	4%	• Further detail on slide 7
Non-interest income (excluding notable items)	146	157	(7)%	
Total operating income (excluding notable items)	**1,924**	**1,873**	**3%**	
Notable items in income	(3)	(46)	(93)%	
Statutory total operating income	**1,921**	**1,827**	**5%**	
Operating and administrative expenses (ex. notable items)	(1,028)	(971)	(6)%	• Further detail on slide 8
Notable items in expenses	(158)	(202)	22%	
Statutory operating and administrative expenses	**(1,186)**	**(1,173)**	**(1)%**	
Statutory operating profit before impairment losses	**735**	**654**	12%	
Impairment losses on credit exposures	(177)	(309)	43%	• Further detail on slides 9
Statutory profit on ordinary activities before tax	**558**	**345**	**62%**	
Tax expense	(180)	(99)	(82)%	• ETR of 32% reflects £63m DTA de-recognition following re-assessment of future profits
Statutory profit after tax	**378**	**246**	**54%**	
Net Interest Margin (NIM)	1.98%	1.91%	7bps	• Further detail on slide 7
Adjusted cost: income ratio[1]	53.0%	51.9%	(1.1)% pts	• Further detail on slide 8
Cost of risk	24bps	42bps	18bps	• Further detail on slides 9
Statutory RoTE	6.7%	3.9%	2.8% pts	• Below c.8% guidance provided at FY23

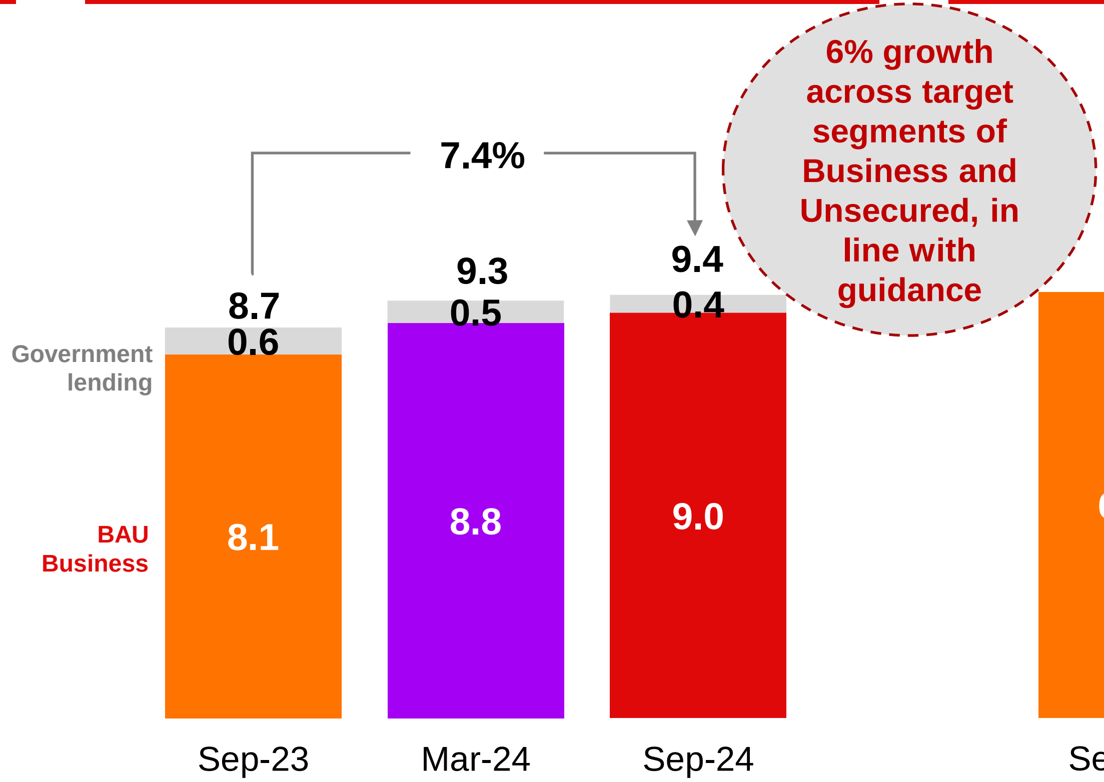
(1) Adjusted to exclude all notable items, c.£12m of costs from the Bank of England levy with effect from 1 March 2024 and c.£8m of interest income generated from the return of the Cash Ratio Deposit funds

Delivering targeted lending growth

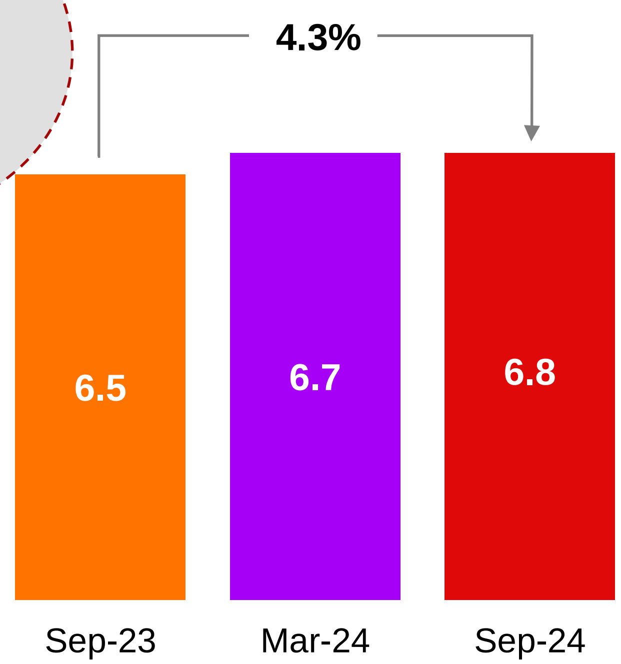
Mortgages	Business	Unsecured



Focusing on protecting margin in a subdued market environment



BAU growth of 11% in last 12 months offsetting run-off of government schemes

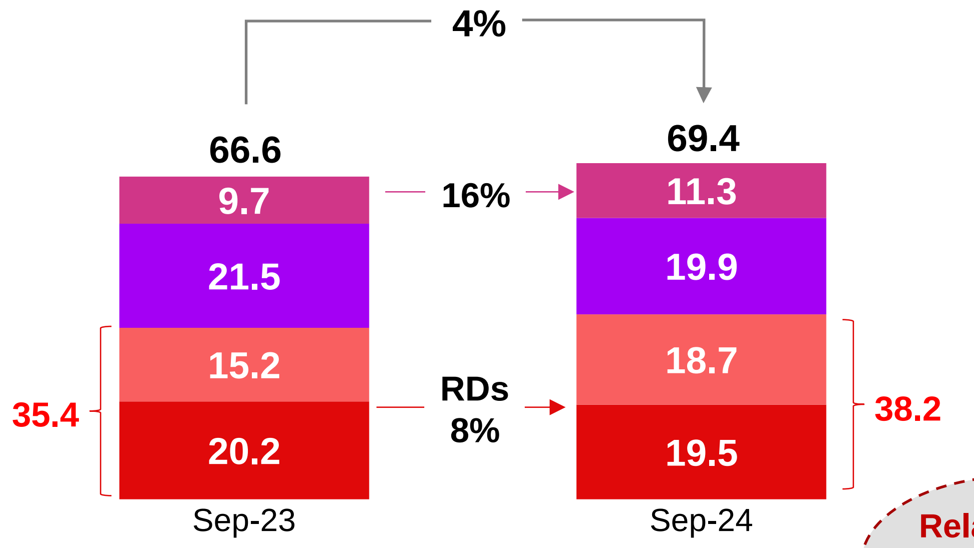


Steady unsecured growth reflects disciplined approach and driving improved profitability

Continued to attract new relationship deposit balances

Further growth in relationship deposit balances

Customer deposit balances - £bn



	Sep-23	Sep-24
Cost (bps)	186	306
LDR	109%	103%

Relationship deposits now 55% of mix

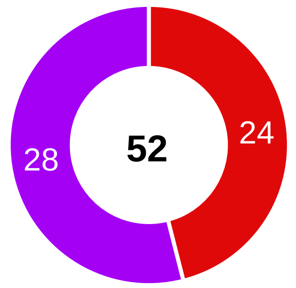
- RDs - Current account
- RDs - Linked savings
- Non-relationship term deposits
- Non-linked savings

Delivered growth in relationship deposits and prioritised non-linked savings for new funding

A resilient, granular, personal-focused deposit book

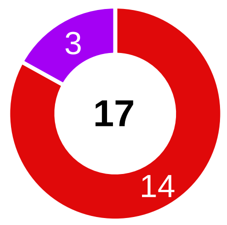
- High concentration of deposits from retail & small business customers
- 76% of total customer deposit base weighted to retail deposits
- 72% of total customer deposits insured under FSCS
- 82% of PCA customers with balances <£5k
- 68% of BCA customers with balances <£5k
- £2.8bn of total net deposit inflows in last 12m (prior 12m: £1.2bn)
- £2.95bn TFSME outstanding at Sep-24 (£3.25bn repaid in last 12m)

Personal deposits - £bn



- Relationship deposits
- Other savings

Business deposits - £bn

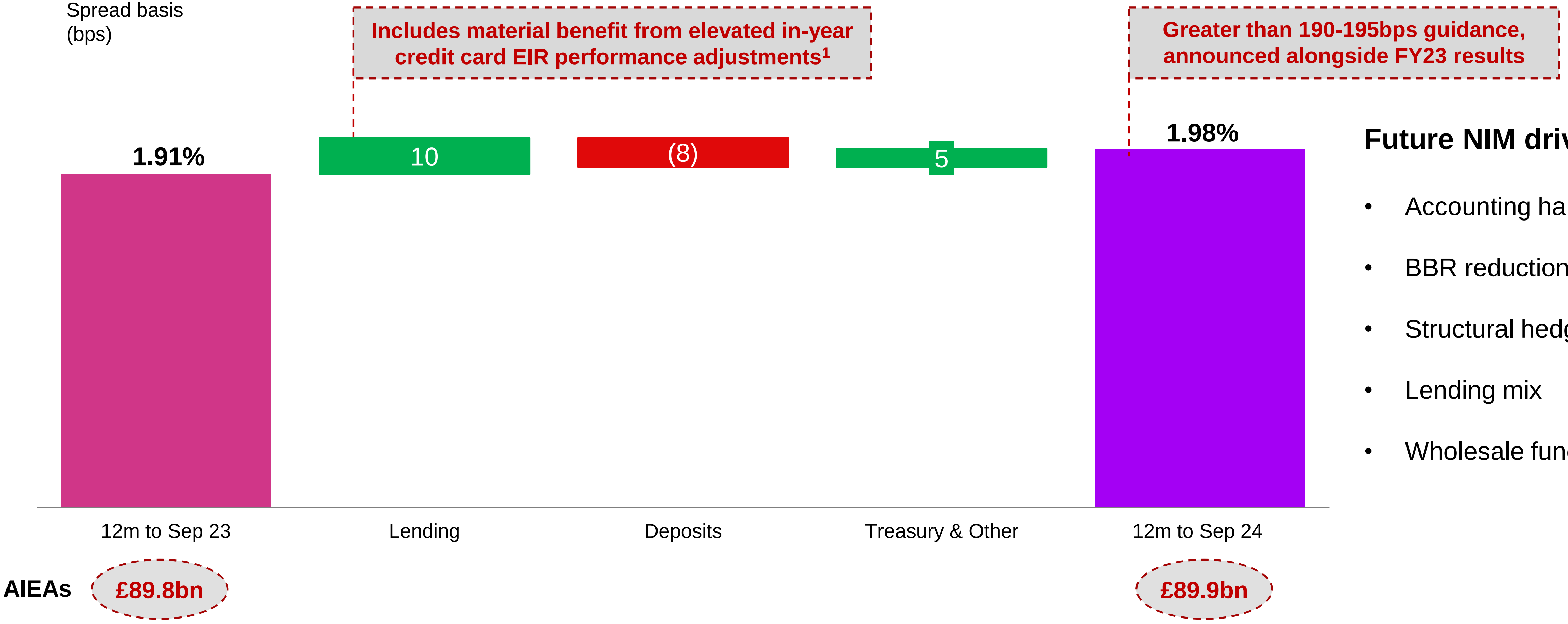


- Relationship deposits
- Other savings

NIM supported by elevated in-year credit cards EIR performance adjustments

NIM improvement primarily reflects elevated in-year credit cards EIR performance adjustments

NIM evolution
Spread basis
(bps)



Future NIM drivers

- Accounting harmonisation changes
- BBR reductions and pricing changes
- Structural hedge reinvestment rate
- Lending mix
- Wholesale funding profile

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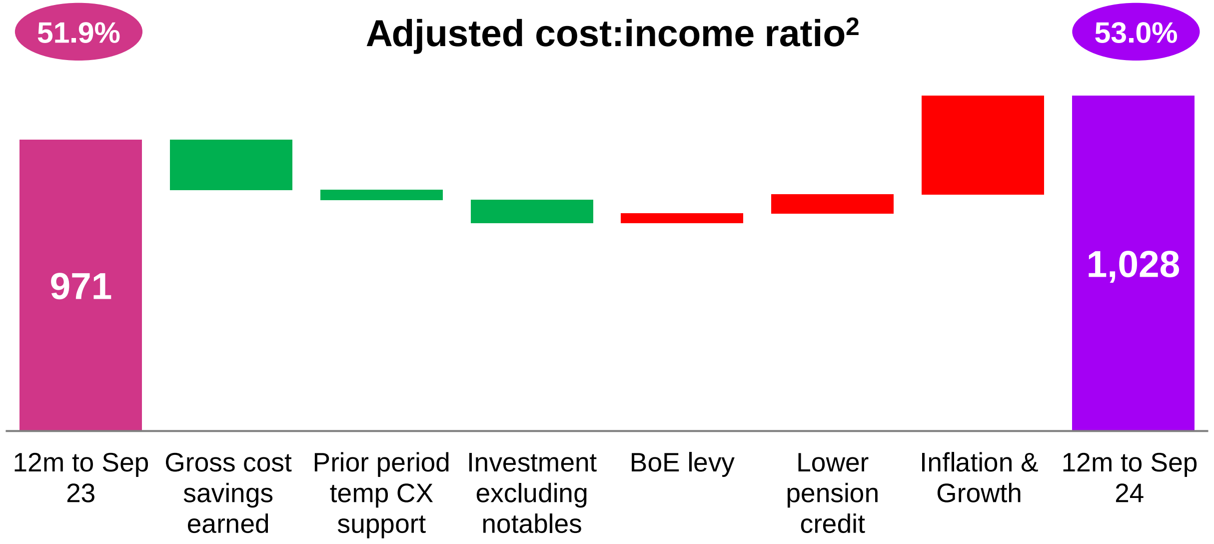
(1) EIR performance adjustments resulted in £194m contribution to NII in the 12-month period to September 2024, reflecting strong activity levels and updated assumptions

Cost performance reflects inflation and delayed cost savings

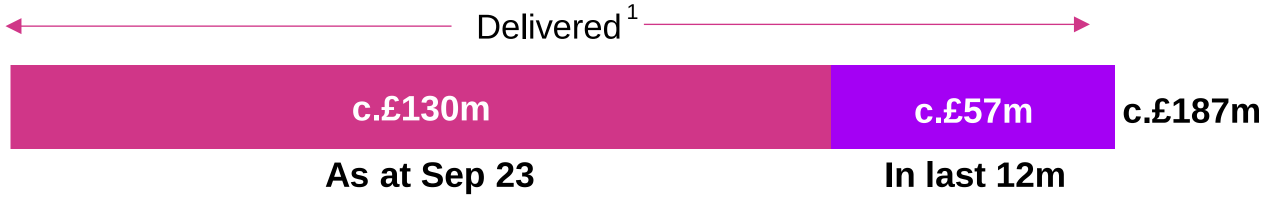
Gross savings offset by inflation, growth & new BoE levy

Adjusted costs £m
(ex. Notable items)



- Gross cost savings earned mitigating inflationary pressures; adjusted cost:income ratio 1.1%pts higher year-on-year
- Inflation and growth includes full year impact of wage increases, higher variable pay and FTE growth
- Prior period customer experience benefit includes reduction of 3rd party resources for remediation activity
- £37m investment in Financial crime prevention programme not included in chart above (presented as notable expenditure)

Delivered £187m of annualised gross cost savings



- Gross savings delivered from digitisation, 3rd party procurement & sourcing and streamlining property & org design, following 3-year programme
- Certain restructuring activities were paused at H1 following acquisition process, resulting in annualised savings delivered < c.£200m target
- Additional investment into the business expected in the coming months to support customer service and enhance resilience

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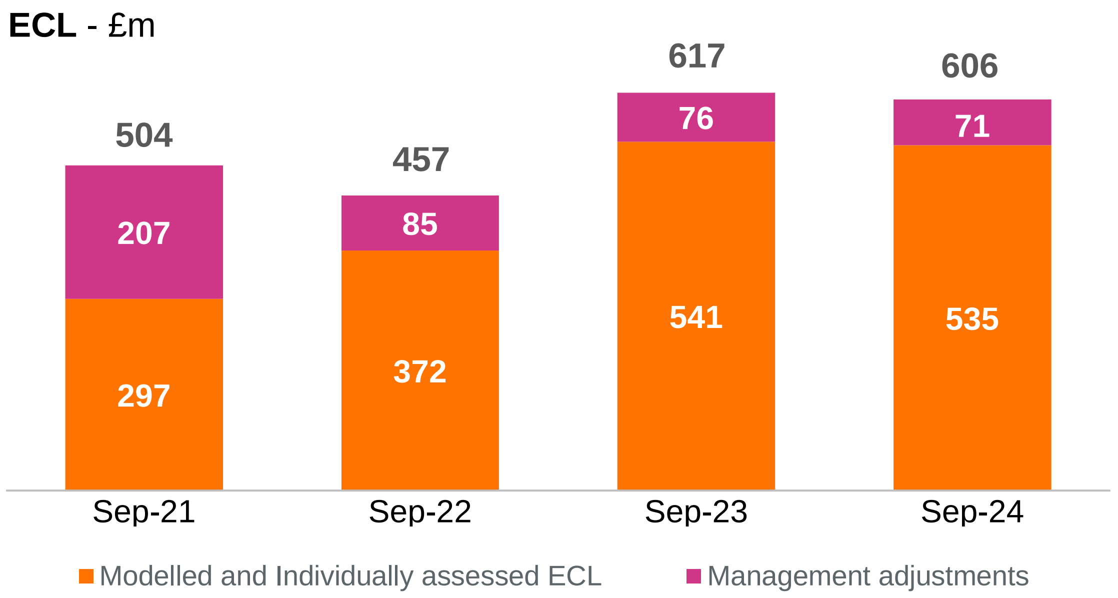
(1) Annualised cost savings from £275m restructuring programme announced at FY21 (2) Adjusted to exclude all notable items, c.£12m of costs from the Bank of England levy with effect from 1 March 2024 and c.£8m of interest income generated from the return of the Cash Ratio Deposit funds

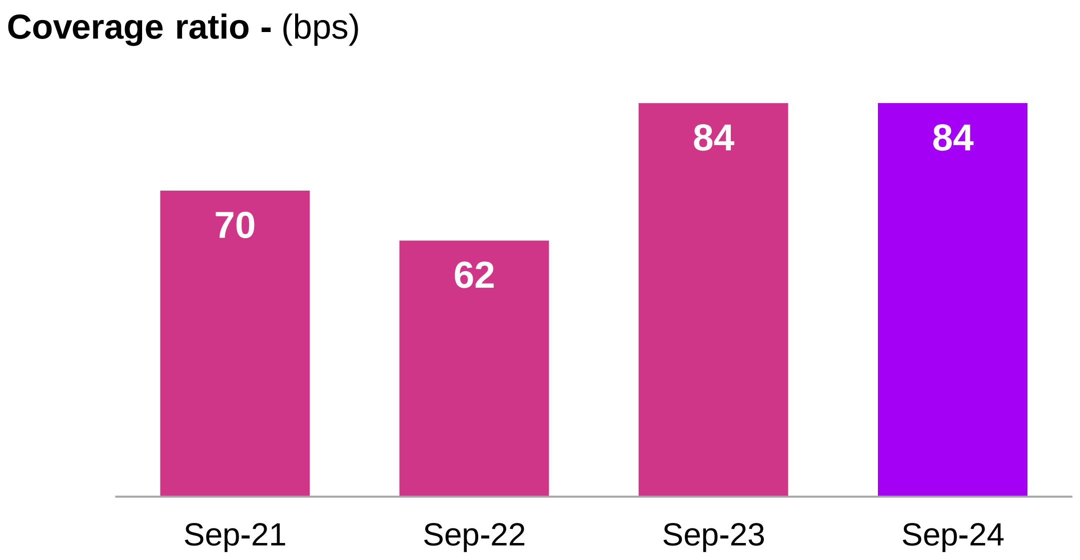
Remaining well-provided for the economic outlook

Lower ECL driven by updated economics and SICR review



- Lower ECL year-on-year reflects improved macroeconomic outlook and SICR[1] review on credit cards portfolio, offsetting changes to mix of customer lending
- 98% of loans in stage 1 or stage 2 remain 0 days past due; significant coverage against any further deterioration

Stable provision coverage

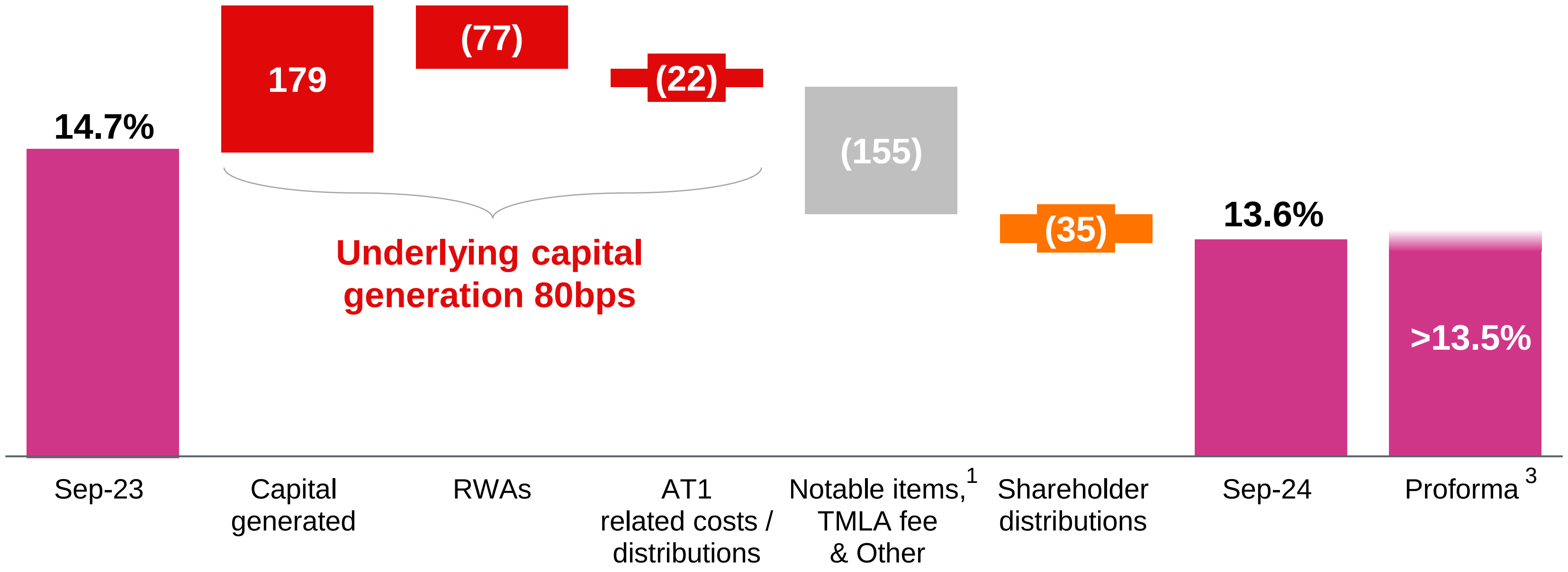


- Coverage stable YoY at 84bps; credit performance remains resilient
- Overall arrears remain low; credit card arrears improved in the six-month period to September 2024
- 12-month cost of risk of 24bps (lower than 30-35bps previously guided range)

VIRGIN MONEY UK (1) IFRS 9: significant increase in credit risk

Robust capital position

Transitional CET1 ratio evolution (bps)



21.2%	**Total capital ratio**	19.2%
5.0%	**UK leverage ratio**	5.1%
14.3%	**IFRS 9 Fully Loaded CET1 Ratio**	13.5%
£25,176m	**RWAs**	£26,594m

Key capital drivers

- Capital position at Sep-24 includes full recognition of £250m + VAT TMLA fee[2]
- Post-transaction harmonisation of EIR accounting policies reduces capital position
- £650m capital injection from Nationwide on 1 Oct 24 mitigates impact of accounting harmonisation on CET1 ratio
- Expect pro-forma[3] CET1 to remain greater than 13.5%
- Expect benefit to CET1 ratio from B3.1 implementation on day 1 (1 Jan 2026)

Distributable reserves

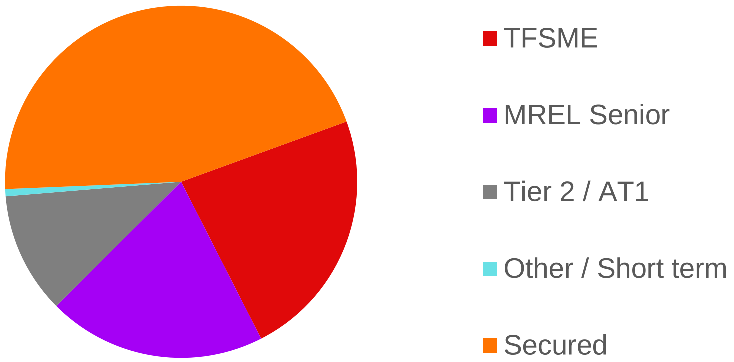
- Court process in late Nov 2024 to approve c.£1.5bn share premium account reduction for CB plc, transferring to Retained Earnings
- Provides greater headroom to pay external coupons reflecting prudent capital management

(1) ‘TMLA fee’ reflects exit fee for trademark licence agreement between Virgin Money and Virgin Enterprises; ‘Other’ includes movement in FVOCI and equity-based compensation reserves
(2) For accounting purposes, the TMLA fee of £250m plus VAT on the first instalment of £25m has been recognised in October 2024. The VAT payable on the second instalment will be recognised in October 2025
(3) Sept-24 CET1 ratio, adjusted for £650m capital injection from Nationwide on 1 October 24 and mortgage and credit card EIR accounting policy harmonisation adjustments made following completion of the transaction (as outlined in note 5.6 to the interim condensed financial statements)

Stable and diversified wholesale funding base

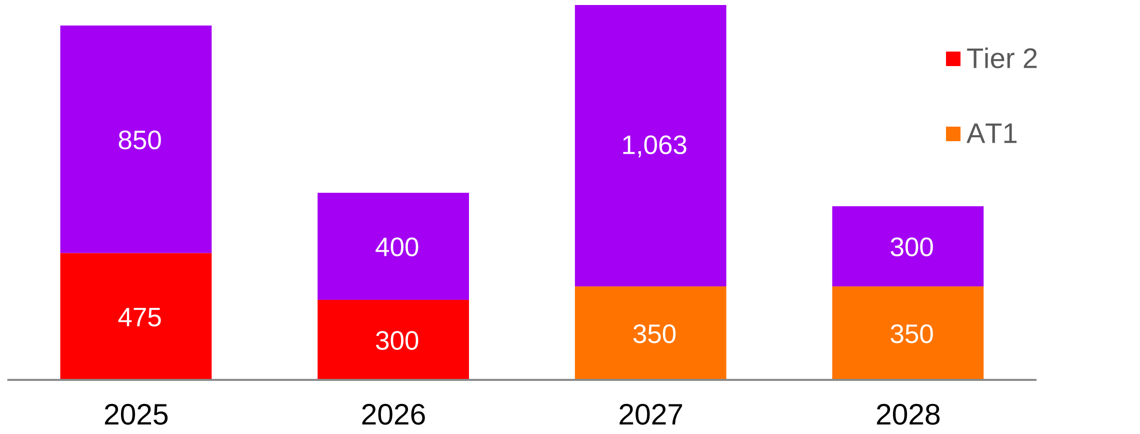
Balanced mix

September 2024 balance mix



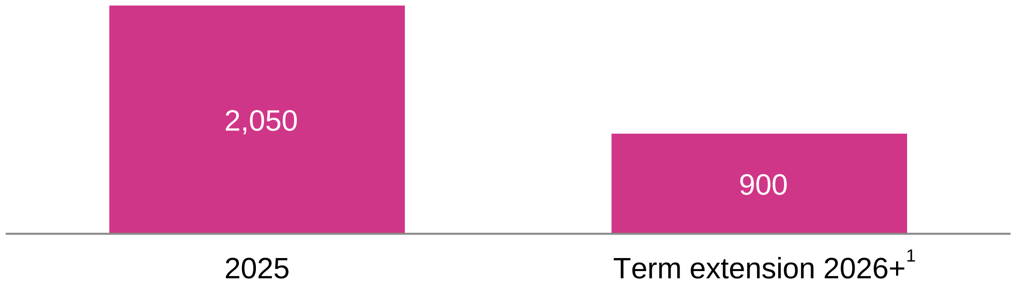
Consistency in maturity profile

Unsecured redemptions [2]
£m



Well placed to manage TFSME refinancing

TFSME contractual maturities (excludes any early repayments)
£m

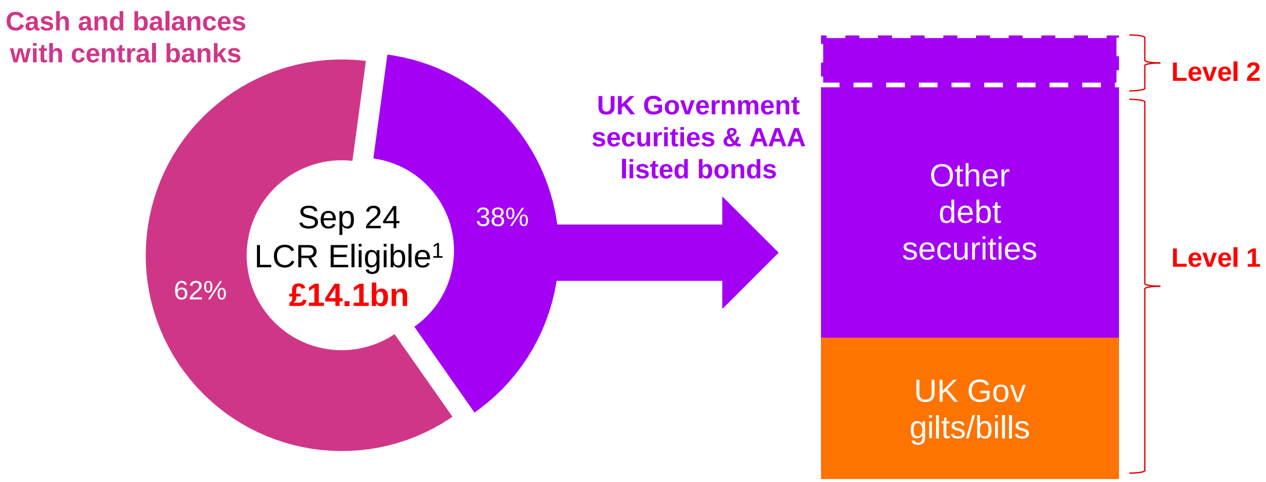


- Short term (<1 year) % of total debt securities in issue only 17%
- £3.25bn TFSME repaid in 12-months to September 2024, which was in excess of contractual maturities, resulting in £2.95bn outstanding

(1) Refers to TFSME tranches eligible for term extension to 6-10yrs in line with scheme rules on Government backed BBL lending (2) Unsecured debt securities redemption profile based on first call date. Spot GBP equivalent nominal amounts as at 30th September 2024

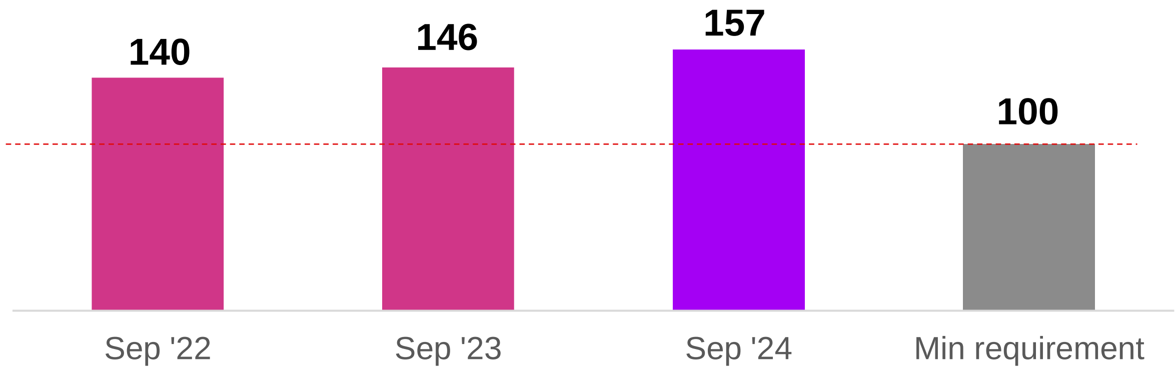
Prudent liquidity position

Comprised primarily of balances with BoE



LCR comfortably exceeding regulatory requirements

Liquidity Coverage Ratio[2] (%)



Readily available access to additional liquidity

- September 2024 LCR[2] of **157%** continues to comfortably exceed regulatory requirements and the Group's more prudent internal risk appetite metrics
- LCR eligible pool of **£14.1bn** primarily cash at the BoE (62%) with remainder UK Government gilts/bills and high-quality AAA rated listed securities
- Additional **c.£10bn** secondary liquidity drawing capacity via unencumbered pre-positioned collateral at the BoE; will increase as TFSME is repaid
- Further **c.£21bn** of unencumbered assets eligible and readily available but not currently pre-positioned at the BoE
- Liquid asset portfolio fully hedged from interest rate, inflation and FX risk
- Any movements in fair value recognised in CET1 via FVOCI reserve

Strong Funding & Liquidity metrics

LCR[2]	Loan-to-deposit ratio	NSFR[2]
157%	103%	138%

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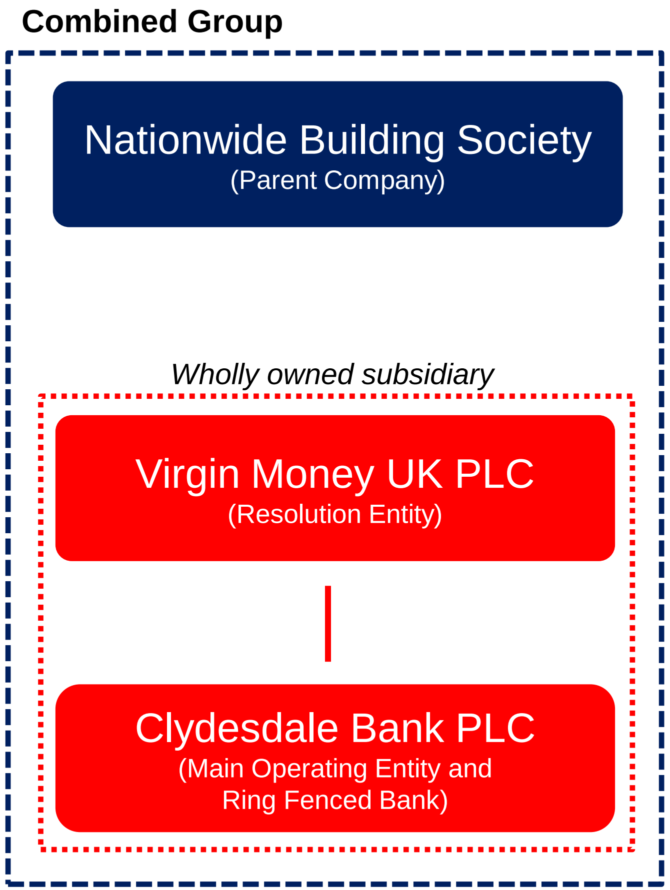
(1) Excludes encumbered assets (2) 12-month average

Appendix

Issuing entity structure

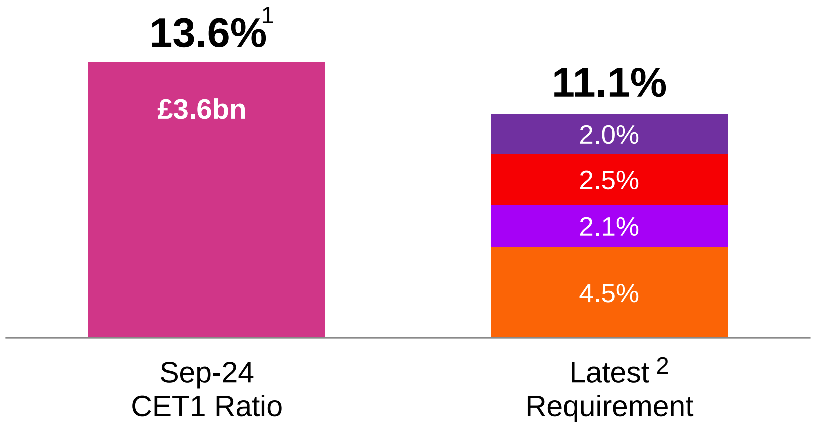


- Following the Acquisition, Virgin Money UK PLC (VMUK) became a wholly owned subsidiary of Nationwide Building Society (Nationwide)
- Virgin Money will continue to operate as a separate legal entity within the Combined Group, with a separate board of directors and separate banking licence
- The PRA has confirmed outstanding externally held own funds issued by Virgin Money will, subject to applicable deductions, be eligible to meet the consolidated capital requirements applicable to the Combined Group until 31 December 2028
- The BoE has confirmed that the outstanding externally held AT1, Tier 2 and MREL-eligible senior instruments issued by Virgin Money are eligible to meet the consolidated MREL requirements applicable to the Combined Group until 31 December 2028
- Going forward all new AT1, Tier 2 and MREL-eligible senior instruments will be issued by Nationwide. Down-streaming arrangements will be in place to ensure appropriate capital levels in VMUK and Clydesdale Bank PLC

Robust capital with buffers above regulatory minima

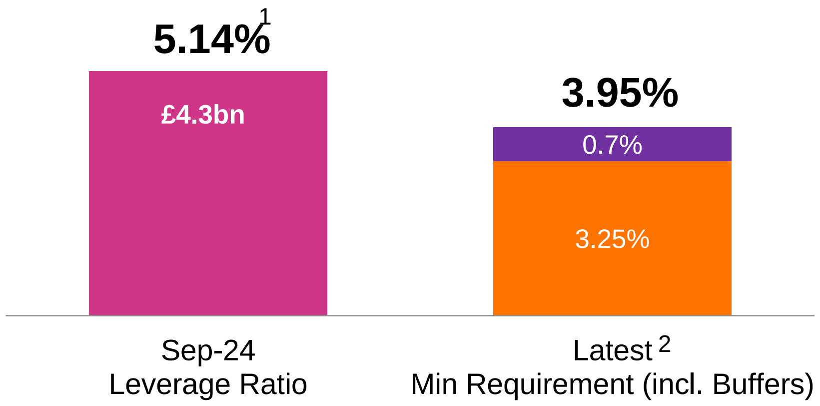
CET1

2.5% / c.£0.7bn buffer



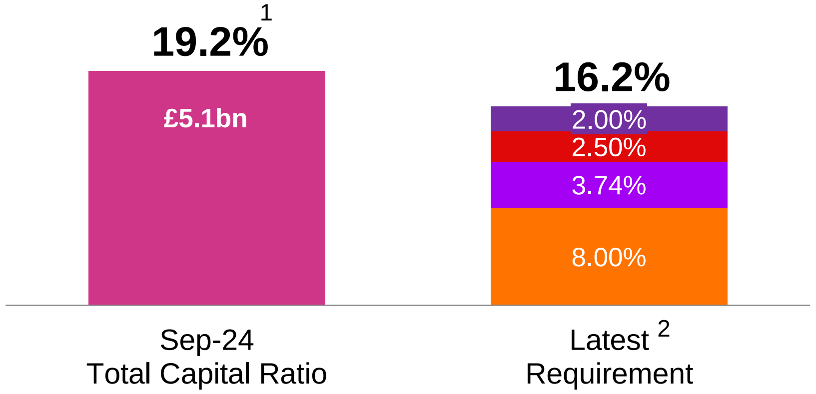
Leverage

1.19% / c.£1.0bn buffer



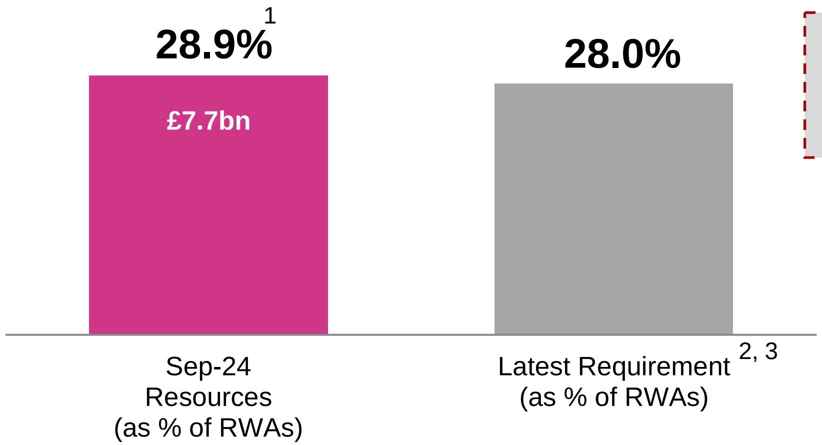
Total Capital

2.9% / c.£0.8bn buffer



MREL

0.9% / c.£0.2bn buffer



Pro-forma[4] remains above LAC requirement

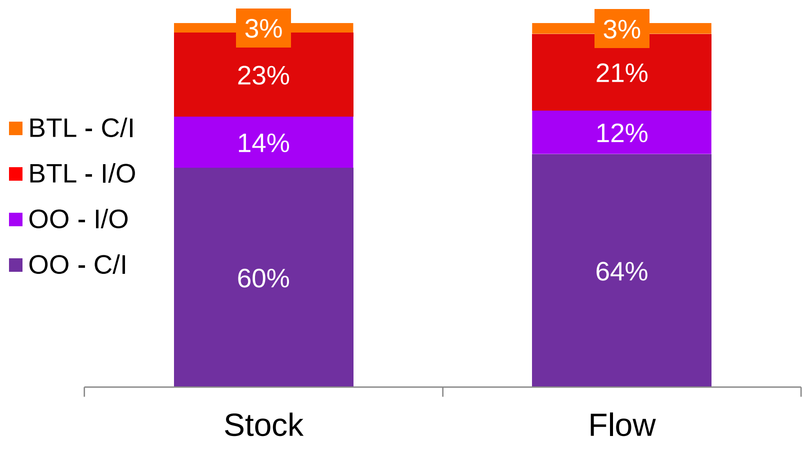
■ Pillar 1 ■ Pillar 2A ■ Capital Conservation Buffer ■ Countercyclical Buffer

(1) IFRS 9 transitional basis (2) Effective 2/10/24, following VMUK's normal annual SREP process (3) The Group's loss-absorbing capacity requirement is the sum of its MREL plus any applicable buffers (4) Sept-24 MREL position, adjusting for capital injection and accounting harmonisation adjustments per slide 10

Mortgages: Low LTV with robust affordability

Prime mortgage book weighted towards owner occupied

Repayment and borrower profile (12 months to Sep 24)

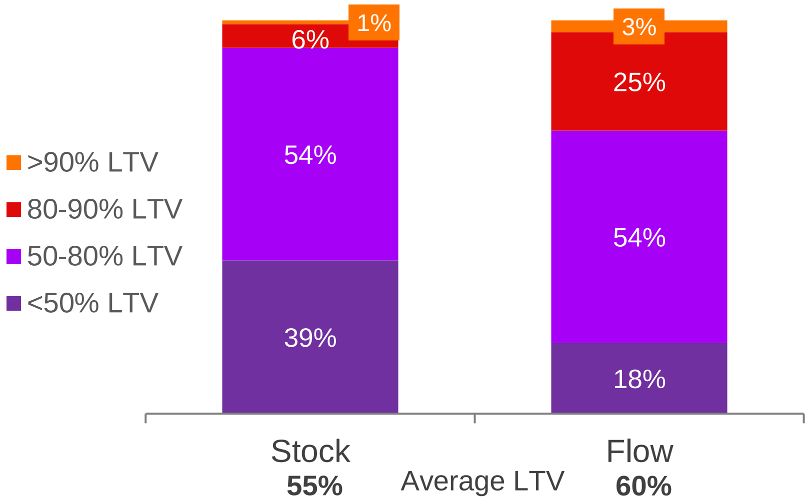


A prime book, originated under the highest standards

- Consistent, post-MMR prudent underwriting; prime-focused mortgage book
- Appropriate, tailored buffers for living costs in affordability assessment
- Majority of mortgage stock underwritten were stress tested at a higher interest rate at the point of origination
- c.23% of the mortgage book has a maturing fixed rate in period Oct 24 – Sep 25

Low LTV and geographically diversified

Loan-to-value of all mortgage lending (12 months to Sep 24)



Owner-occupied (74%)

- Average LTV is 54%; 1% is >90% LTV
- Average LTI; < 3x in 2024
- Arrears lower than industry (0.7% v 1.0%[1])

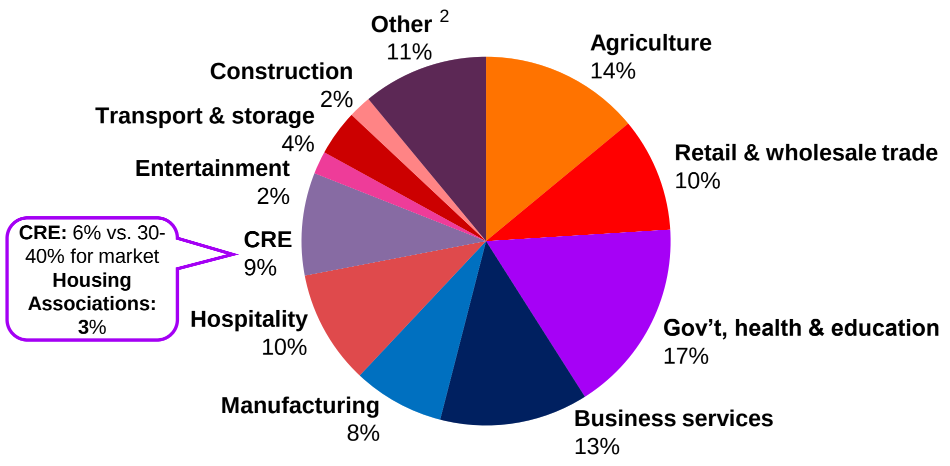
Buy-to-let (26%)

- Average LTV is 55%; max LTV of 80% for new lending
- Stressed rental income and borrower affordability requirements
- Arrears lower than industry (0.5% v 0.8%[1])

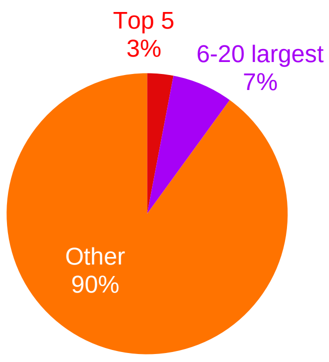
(1) Source: UK Finance (AP1) average 3m+ arrears by volume as at June 2024
(2) Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements. Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

Business lending: Diversified portfolio

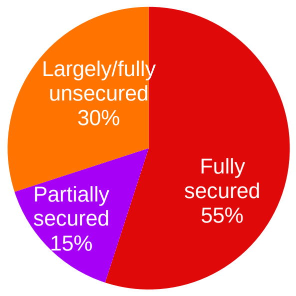
Business lending portfolio by industry sector[1]



Business lending portfolio

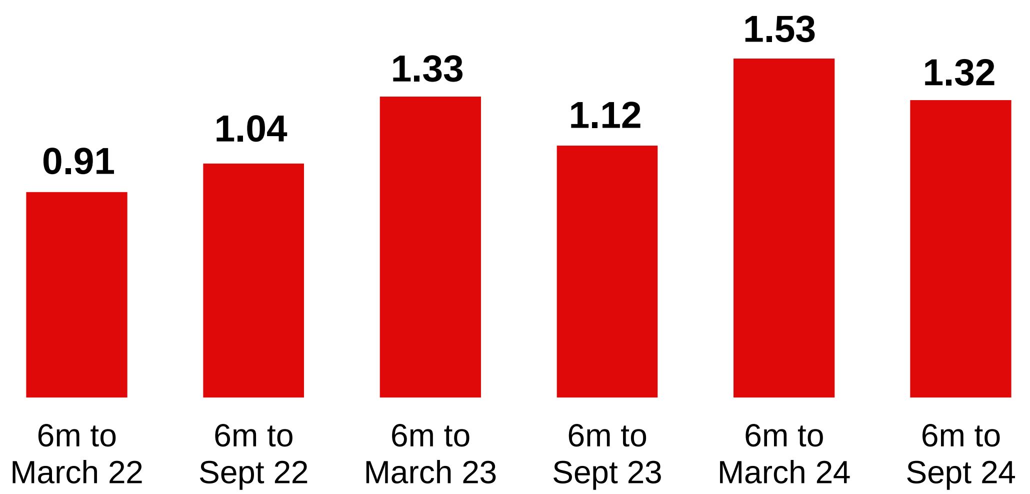


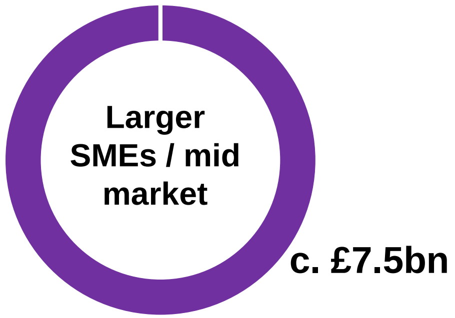
% of book by customer exposure



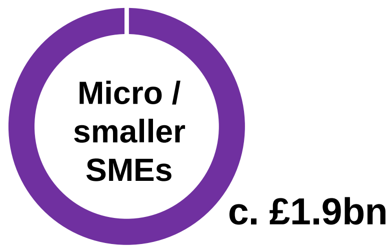
% of book by collateral cover[3]

Business banking drawdowns[4] (£bn)





- 8% of lending customers
- 80% of balances
- Turnover typically >£2m - £100m
- Average loan size c.£2m



- 92% of lending customers
- 20% of balances
- Turnover typically <£2m
- Average loan size c.£50k

(1) Sector allocations per ONS Standard Industrial Classification (SIC) codes (2) Other includes Utilities, Post & Telecommunications, Personal Services, Finance and other unassigned businesses (3) Excludes the HM Government backed Portfolio (4) Total funds advanced to customers from agreed lending facilities during the period

Unsecured: Performing resiliently

Lending remains robust, underpinned by affordability

Credit Cards: 2.2m active accounts

Strategy and Underwriting

- Underwriting approach anchored in stressed affordability, assuming a fully drawn line at the maximum APR of 29.9%
- Balance transfers c.2/3s of cards balances
- Diversified assets remain small, with c.1% of card balances reflecting products lent to customers with historic impaired credit, via appropriate pricing for risk

Portfolio Performance

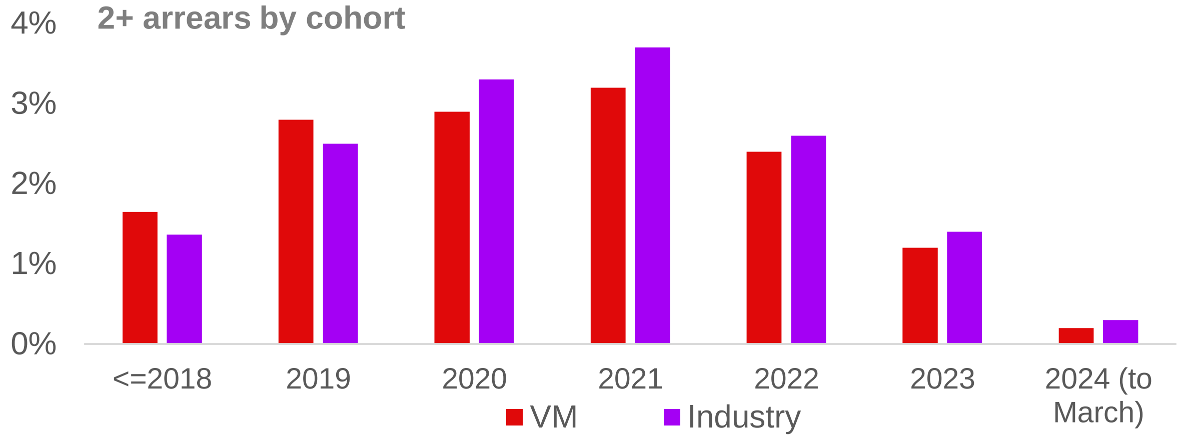
- VMUK arrears at 1.8% (FY23: 1.9%) vs industry[1] of 1.7%; VMUK BT arrears of 1.7%; non-BT arrears of 2.0%; diversified assets of c.5.6%
- Arrears peaked in February and have reduced in recent months; vintage performance continues to compare well to industry (see chart, right)

Personal Loans: c.75k direct customers, prime loan book

- New to Bank sales were introduced in July '24, with no appetite for any level of adverse credit, eg CCJs and defaults
- Strong customer profiles (c.76% full time employed with average income £54k)
- Loan and overdraft 2+ arrears at 2.3% (September 2023: 1.9%)

Portfolio quality favourable to industry

Arrears performance across vintages: compared to industry



Source: Balance based arrears, Industry data Argus Advisory through Jan-March 2024. Cohorts presented on calendar year basis. Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Credit cards customer profile	VMUK[2]	Industry average[3]
Average customer age	43	
Average income	£43k	
% homeowners	70%	
% self-employed	10%	
% debt to income	24%	28%
% persistent debt	4.7%[4]	4.9%

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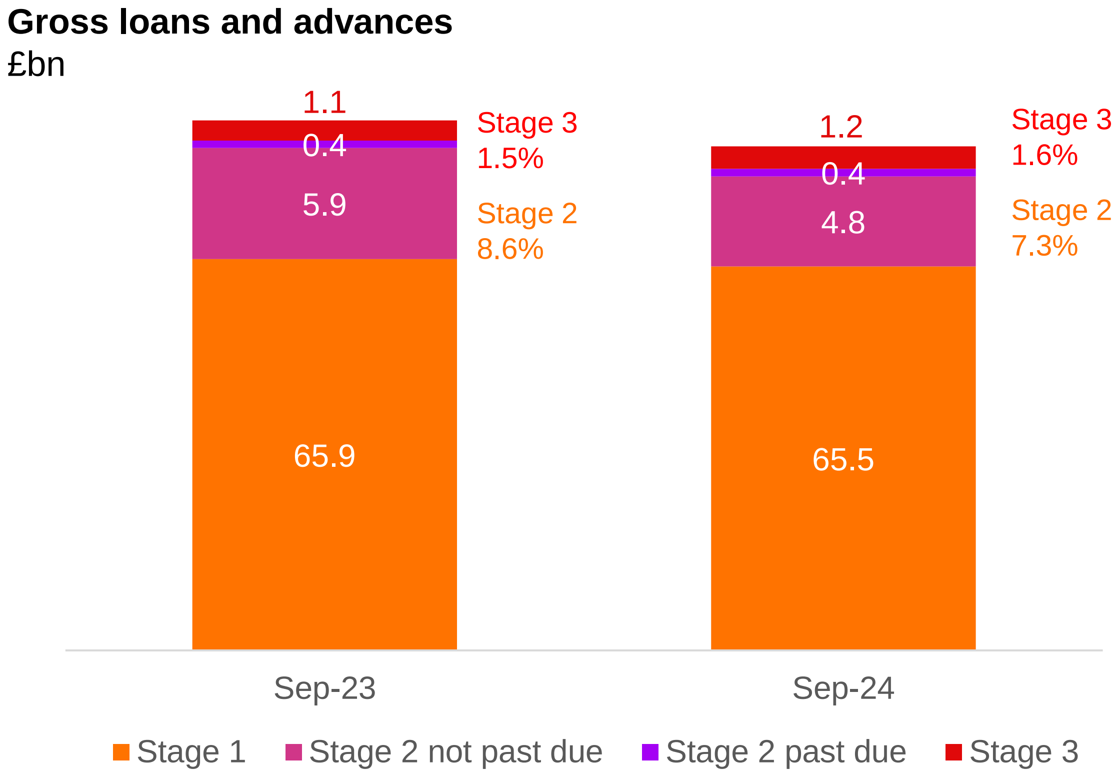
(1) Arrears defined as balances 2+ cycles past due; Industry data Argus Advisory to Jul-24 (2) Customers originated through VM brand since 2015; data as at Sep 24 (3) Sources: TUC and Argus Advisory (4) Persistent debt reflects total combined portfolio; data as at Jun-24; VM have begun further preventative persistent debt strategies on new lending business from October 2024

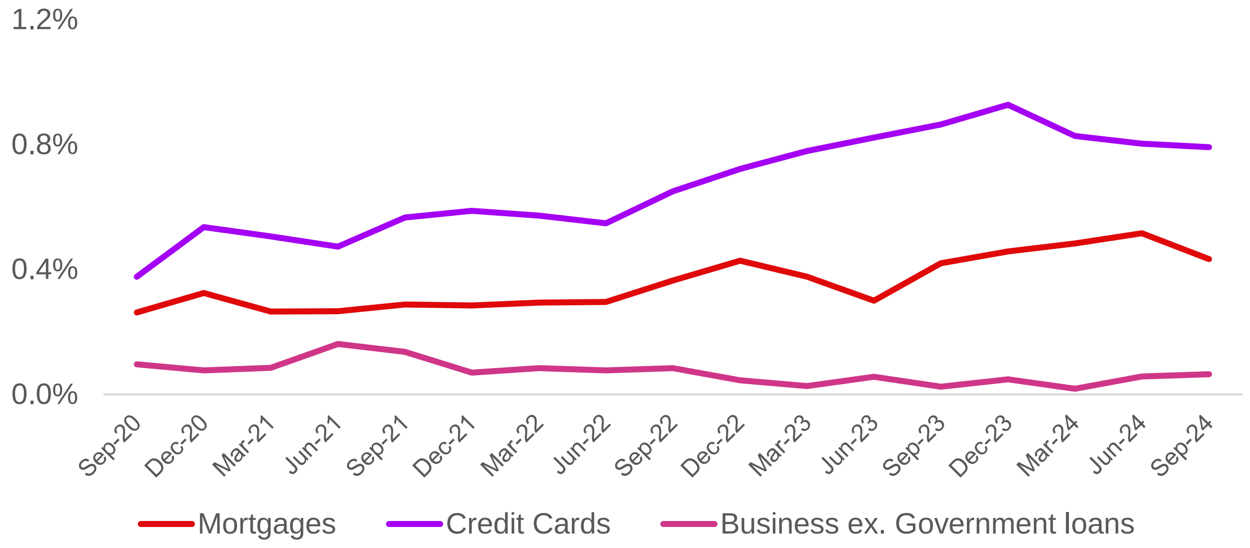
Improved staging; lower credit card emerging arrears

Stage 2 reduced; Stage 3 proportion broadly unchanged



- Stage 2 reduction reflects updated MES and SICR review of the Group's credit card portfolio
- Stage 3 remained broadly stable at 1.6%; of Stage 2 balances, 92% are not past due (FY23: 94%) and 94% are <30 DPD (FY23: 96%)

Emerging arrears - 30-89 day arrears by portfolio



- Overall arrears trends remain solid:
  - Credit Cards – emerging arrears now beginning to fall
  - Mortgages – low emerging arrears, reflecting strong quality of portfolio
  - Business – low emerging arrears reflecting portfolio quality in diversified sectors

Credit Ratings strengthened following the acquisition

Credit Ratings		Senior Unsecured	Issuer Credit Rating	Short-term	Tier 2	AT1	Outlook	Latest update
Moody's	VMUK	A3	**A3**	P-2	Baa1	Baa3	Stable	September 2024
	CB	(P)A1	**A1**[1]	P-1				
Standard & Poor's	VMUK	BBB	**BBB**	A-2	BBB-	BB-	Stable	October 2024
	CB		**A**	A-1				
Fitch	VMUK	A-	**A-**	F1	BBB	BBB-	Stable	October 2024
	CB		**A-**	F1				

ESG Ratings	Latest Score (▲ = L12M move)		Scale	Rank	Latest update
Sustainalytics	**17.9** (was 18.5)	↑	**0-100** 0 as a best possible score	**Low Risk** (2nd highest level)	May 2024
MSCI	**AA**	→	**AAA to CCC** AAA as a best possible score	**Leader** (highest level)	May 2024
S&P Global ESG	**47** (was 33)	↑	**100-0** 100 as a best possible score	**n/a**	September 2024
Moody's Analytics	**51/100**	→	**100-0** 100 as a best possible score	**Robust** (2nd highest level)	April 2024

(1) Long-term bank deposit rating

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