VIRGIN MONEY UK

Full Year 2022 Results

Delivering our strategy

David Duffy

Chief Executive Officer

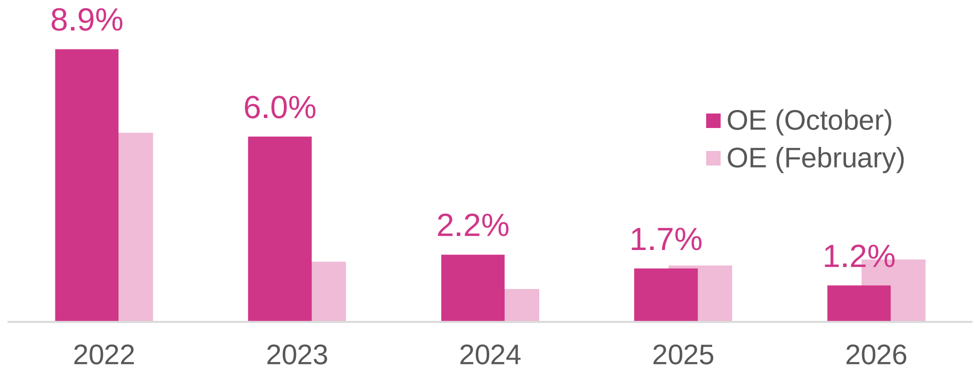
Delivering our strategy to drive profitable growth

	FY22 achievements (✓= key guidance met)	Delivering strong financial outcomes	Improved FY24 guidance
Digitising the bank	• Delivered £69m of £175m FY24 target cost savings ✓ • Digital transformation on track	Statutory ROTE **10.3%** FY21: 10.2%	Statutory ROTE **c.11%**
Showing earnings momentum	• Expanded FY22 NIM of 1.85% per upgraded guidance ✓ • Broadly stable costs delivered ✓		
Delivering profitable growth	• Unsecured & BAU Business +7%; mortgage growth in H2 ✓ • 13% YoY growth in relationship deposits	Cost: income **52%** FY21: 57%	Cost: income **<50%**
Balance sheet resilience	• 7bp cost of risk per upgraded guidance ✓ • Robust provision coverage of 62bps; arrears remain low		
Returning capital	• 15.0% CET1 ratio; Capital framework launched ✓ • 10p per share dividend; £125m buybacks launched	Capital distributions announced **£267m** FY21: £14m	Return CET1 to target range

Uncertain economic outlook with higher inflation and interest rates

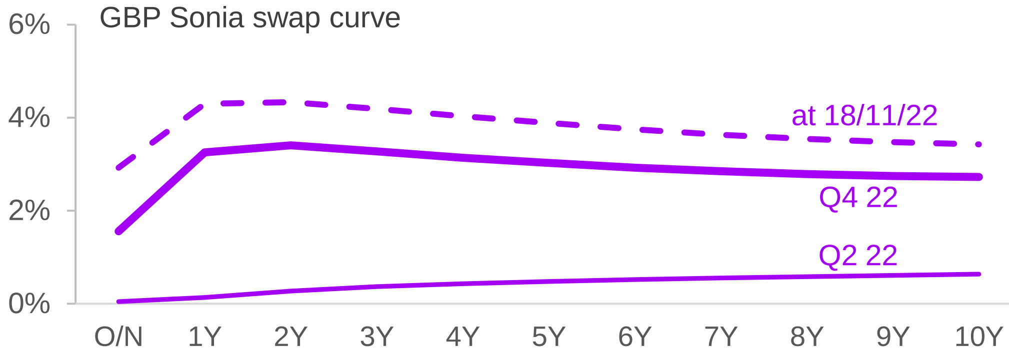
CPI
Sustained pick up in inflation

Higher prices



Source: Oxford Economics Base Case, October and February 2022

Rates
Significant yield curve shift supports income

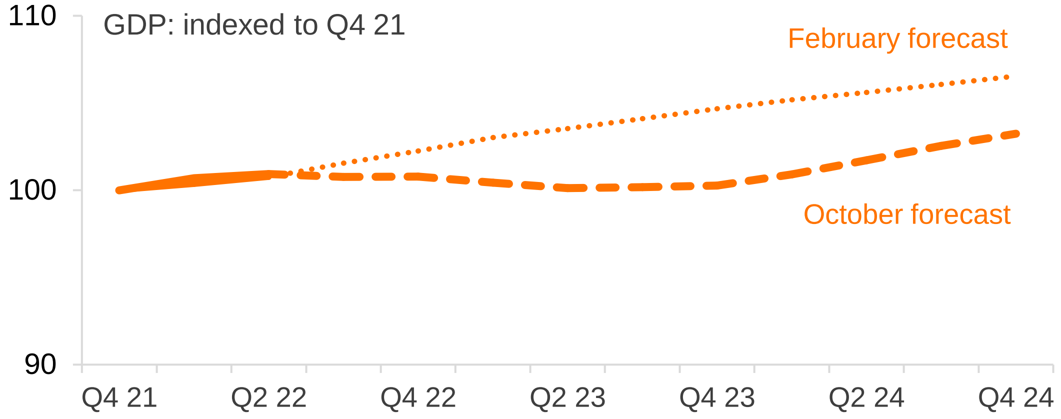


Source: Bloomberg; quarterly average unless stated (VMUK financial quarter)

Higher UK rate environment

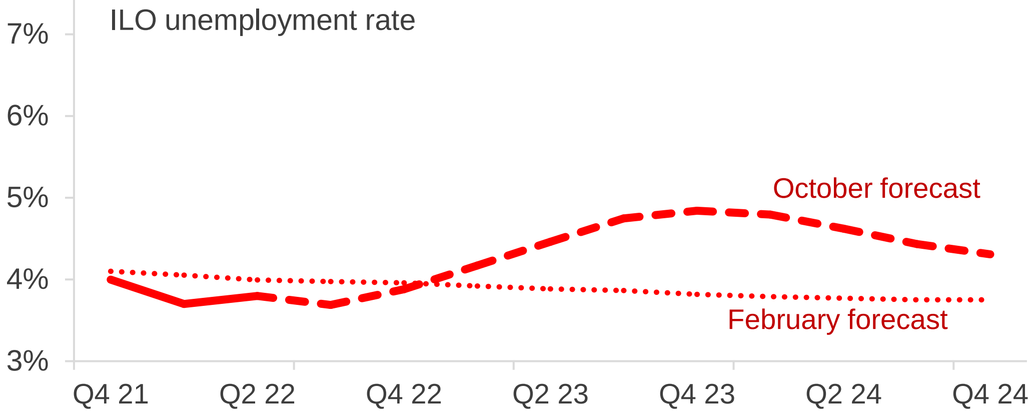
GDP
Further downgrades to the outlook

Recovery challenged



Source: Oxford Economics Base Case, October and February 2022

Unemployment
Predicted to increase, but remain low by historical standards



Source: Oxford Economics Base Case, October and February 2022

Resilient labour market

Growth in our target segments; returning to overall net asset growth

Unsecured: strong growth, continuing innovation

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

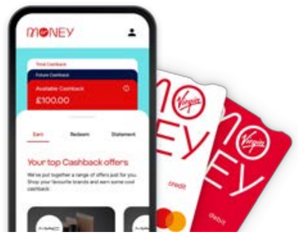
Mortgages: returned to growth

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

Business: momentum in BAU pipeline

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

Relationship Deposits: attractive PCA and BCA propositions



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

Momentum in net asset growth into FY23; moderating growth in BAU Business and Unsecured

Our Purpose will drive our strategic outcomes

Our Purpose

Making you happier about money

Our Strategic Ambition

To be the UK's best digital bank

Living A Life More Virgin

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

11%pt increase in colleague engagement

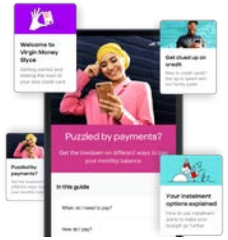
- **Organisation of the future**

Becoming Agile

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

£69m gross savings delivered

- **Improved cost-efficiency**



Purpose-led customer delivery

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

c.9% growth in relationship customer account numbers in FY22

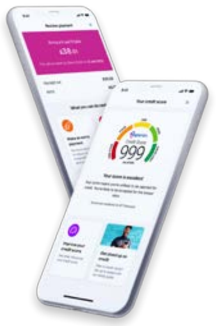
- **Stronger customer outcomes**

Targeting a stronger customer experience, from an efficient platform to drive profitable growth

Delivering further innovative propositions in FY23

Slyce: Innovation in BNPL

- Buy Now Pay Better; c.40k waitlist
- Fully credit scored; enables credit profile build
- Digital, regulated, simple and transparent



Mortgages: delivering straight-through processing

- End to end digitisation; better customer experience
- Partnering with Capita
- Paperless, automated, improved turnaround times

Insurance and Wealth: exciting new digital propositions

- New digital investment proposition with ESG focus
- Fully refreshed digital home and travel insurance
- Simple, online propositions with quotes in minutes

hood group

Wallet: driving customer acquisition and loyalty

- Initial version coming soon; enhanced through FY23
- Bringing together Virgin Group and Red rewards
- Putting VM at the heart of the Virgin ecosystem

Opportunities to drive other income and customer growth

Financial Results

Clifford Abrahams

Chief Financial Officer

Our strategy continues to deliver shareholder value over time

Our strategic pillars underpin our equity story

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

Our equity story delivers shareholder value over time

Balance sheet resilience

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

Digital transformation underway

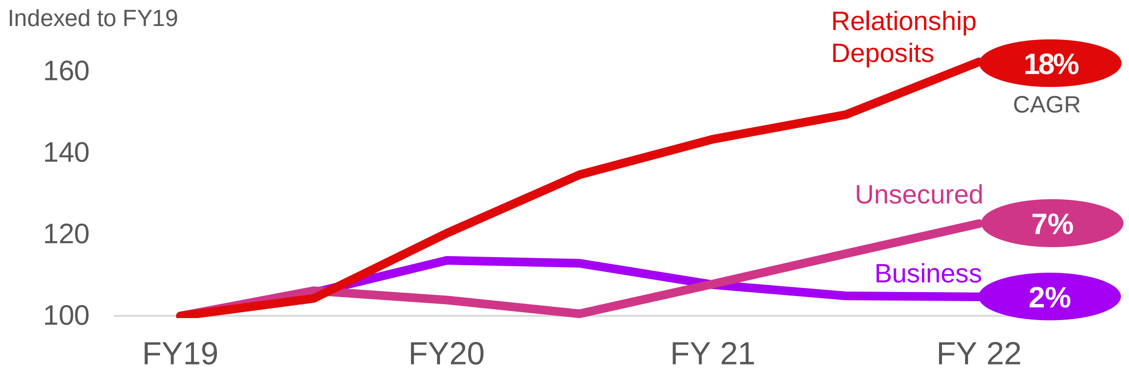
- On track to deliver £175m of gross savings
- Automating customer journeys, upgrading platform
- New digital propositions delivering customer growth
- 1.85% NIM supported by higher rates and mix shift
- Lowering cost:income ratio towards <50% target
- Delivered double digit returns in FY21 and FY22

Accelerating profitable growth

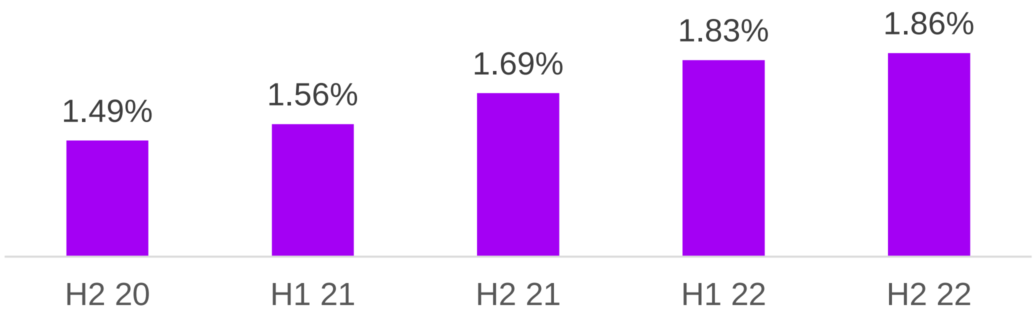
- Wallet will leverage brand potential
- New platforms to drive OOI and mortgage growth
- Continue profitable lending growth in target areas
- Further growth in relationship deposits
- Ongoing capital generation and distributions
- Driving further RoTE improvement; c.11% in FY24

Developing track record of improved financial performance

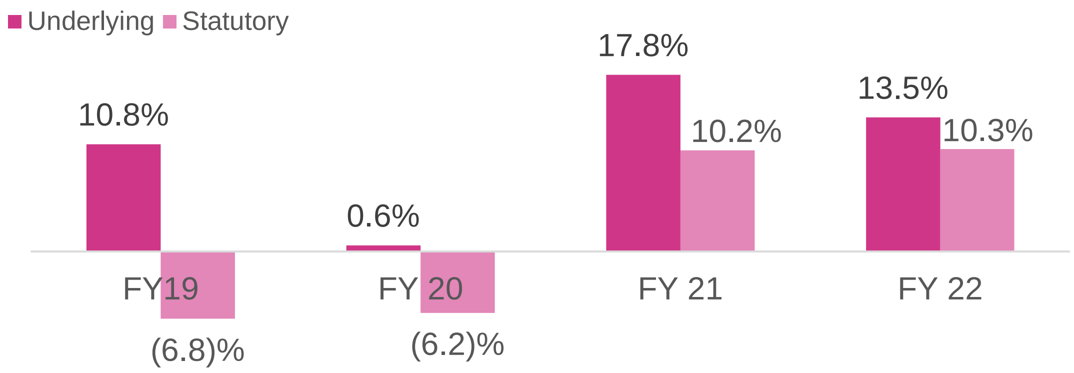
Growth in margin accretive products



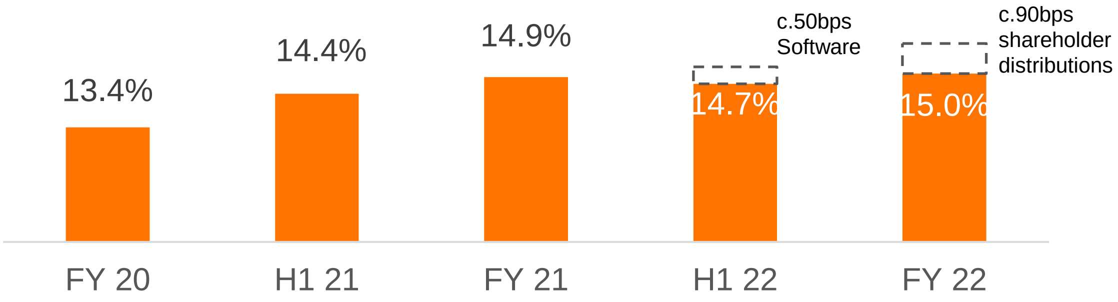
Mix improvement and rates delivering improved NIM



Statutory RoTE progression, delivering double digit returns



Robust capital accretion supporting returns



Strong increase in pre-provision profit driven by income growth

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

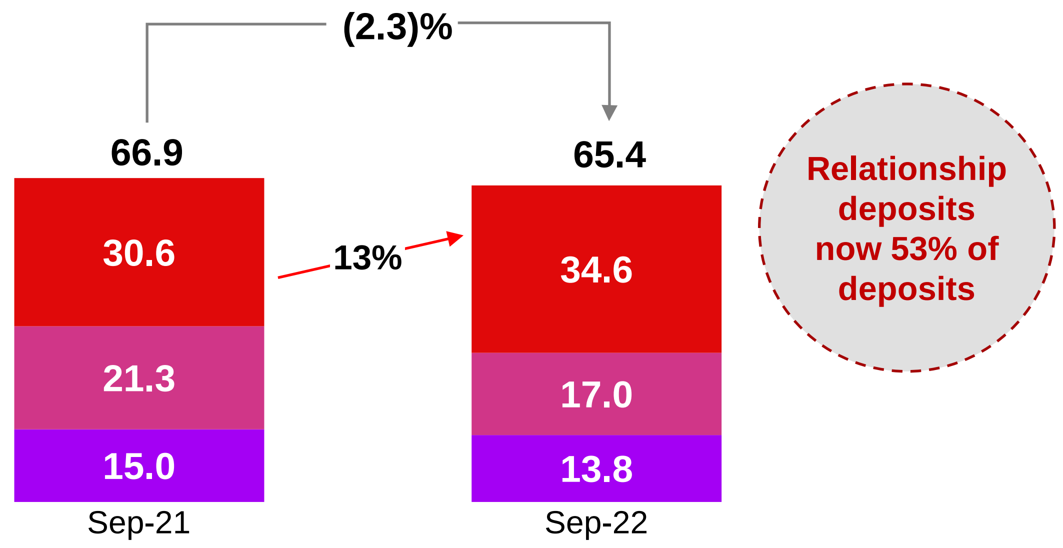
Substantially improved statutory profit

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

Continued relationship deposit growth, optimising cost of funds

Strong growth in relationship deposits

Customer deposit balances - £bn

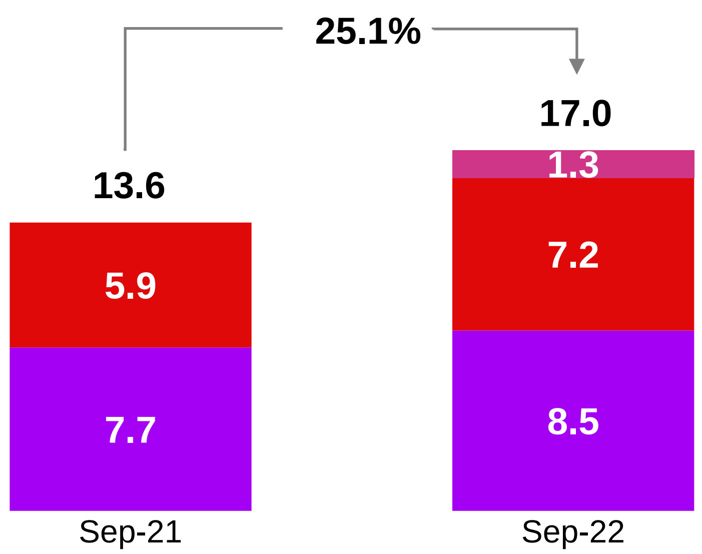


	Sep-21	Sep-22
Cost (bps)	53	53
LDR	108%	111%

■ Non-relationship term deposits ■ Non-linked savings ■ Relationship deposits

Maintained good access to wholesale markets

Wholesale funding balances - £bn



	Sep-21	Sep-22
Cost (bps)	130	183
TFS/TFSME (% of lending)	8%	10%

■ Debt Securities ■ TFS / TFSME ■ Due to other banks

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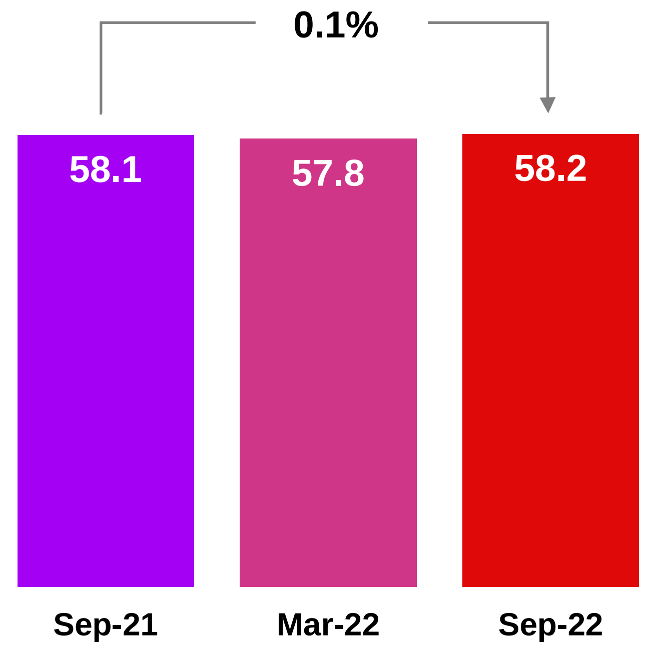
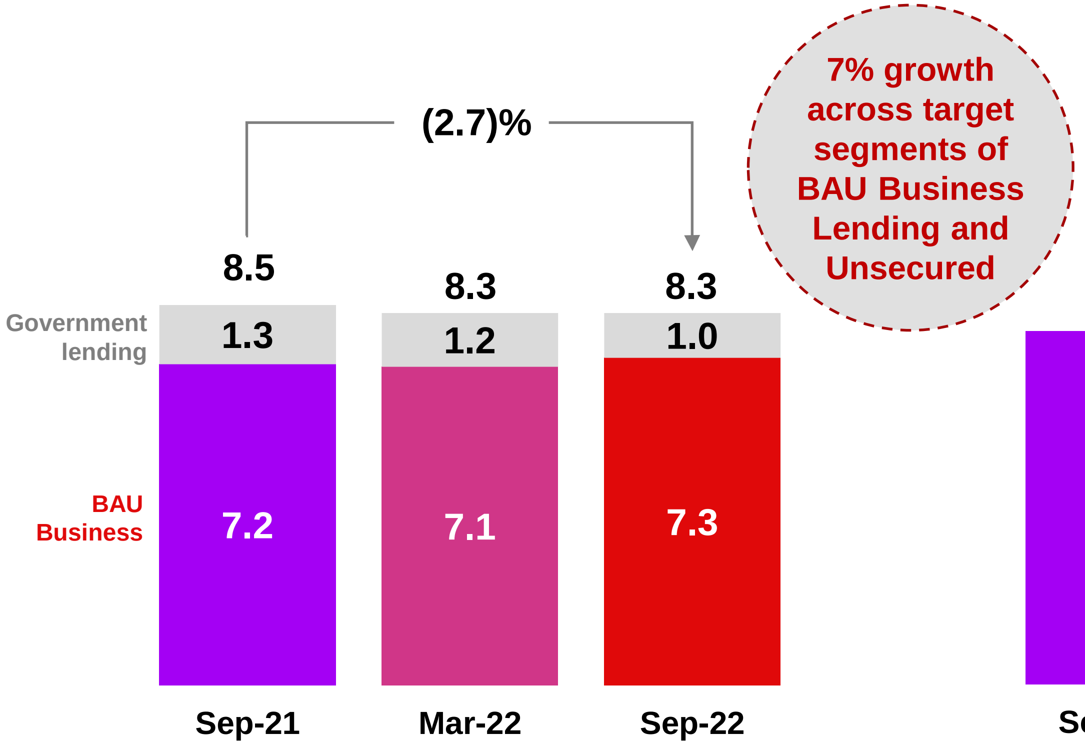
Delivering growth in target segments

Mortgages



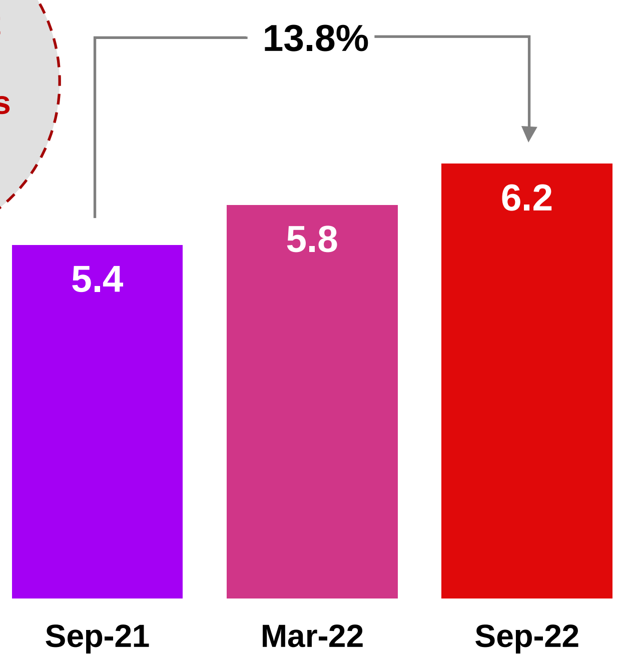
Continue to be selective in pricing focusing on margin and credit quality

Business



BAU growth of 2% in FY22 offsetting run-off of government schemes

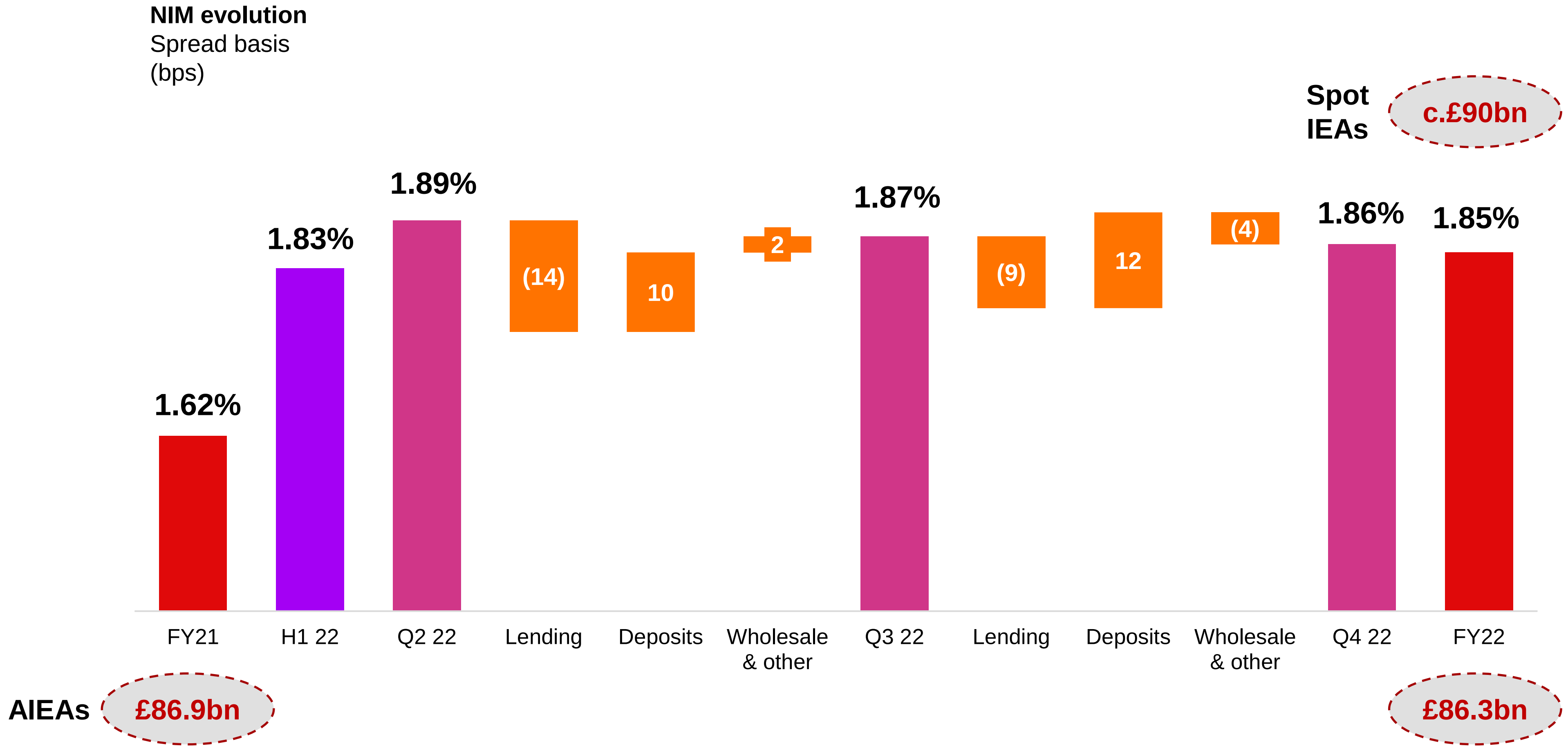
Unsecured



Growth in high quality Virgin Money credit card portfolio

NIM supported by rate gearing and hedge re-investment

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



Expect FY23 NIM to be 185-190 bps

FY23 NIM drivers

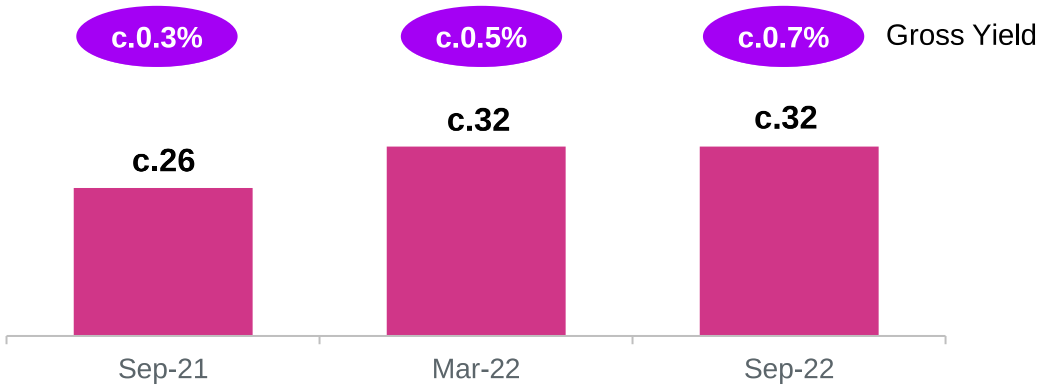
- ▲ Structural hedge refinancing at higher rates
- ▲ Deposit margins
- ▲ Higher margin lending growth
- ▼ Mortgage margins
- ▼ Wholesale funding costs and liquidity

Expect c.£2bn additional liquidity-related AIEAs through FY23

Structural hedge will drive higher income at existing rates

Structural hedge yield improving from higher rates

Hedge Notional - £bn



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

Group Interest Rate Sensitivity

Proforma rate sensitivity to parallel shift in all curves:

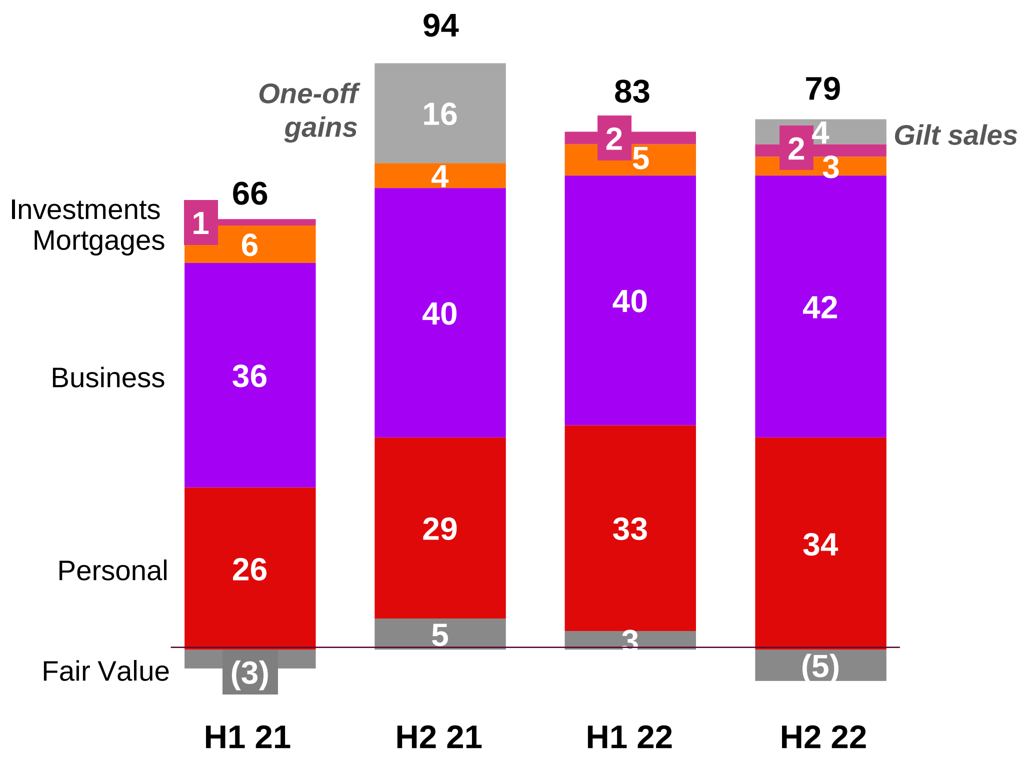
NII impact	Year 1	Year 2	Year 3
+25bps parallel	c.£20m	c.£20m	c.£35m
-25bps parallel	c.£5m	c.£(20)m	c.£(35)m

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

Other income supported by improving activity

Stronger performance in Personal and Business activity

Non-interest income - £m



Further opportunities to drive incremental other income

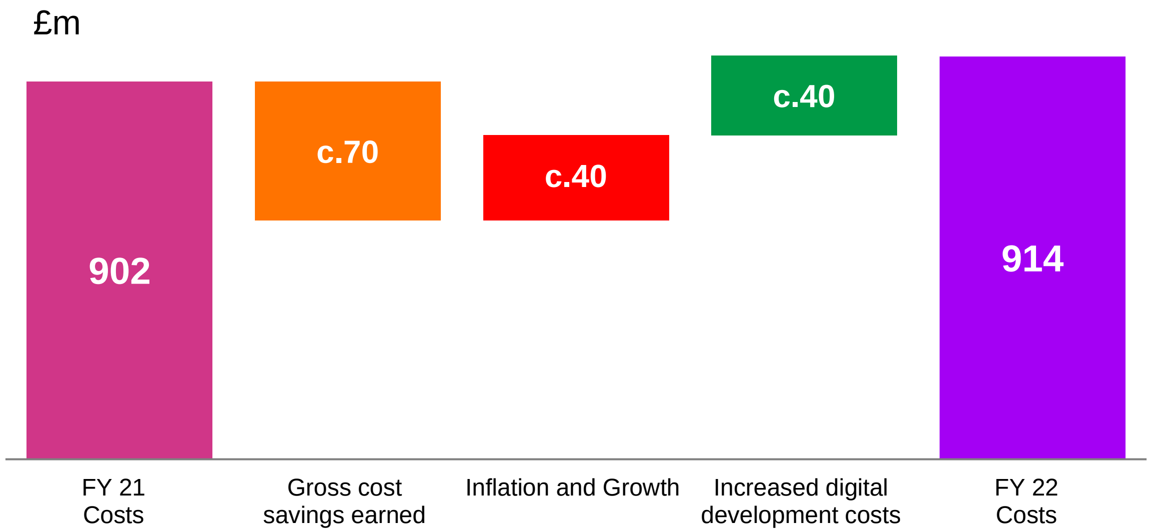
- Personal income improvement driven by spending recovery as restrictions eased and travel increased
- Business income benefitted from higher activity levels
- Expect growth in non-interest income reflecting impact of initiatives

Key initiatives

- Acceleration of wealth opportunity
- Refreshed digital insurance propositions
- Personal unsecured expansion and growth
- Growth of BCA and Business fee earning services
- Develop digital wallet with integrated payments and rewards

Costs broadly stable as savings offset growth, inflation & investment

Broadly stable costs in FY22



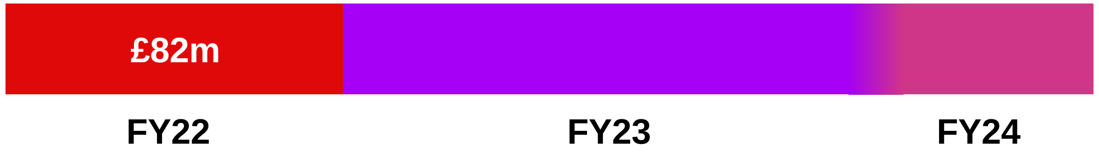
- Gross cost savings earned from new and existing initiatives in FY22
- Increased volumes, harmonisation of colleague terms and higher inflation (including COLA) increasing FY22 costs relative to FY21
- Increased digital development costs, as expected, reflected larger programme and prudent changes to accounting practices

Targeted gross cost savings on track

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

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

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

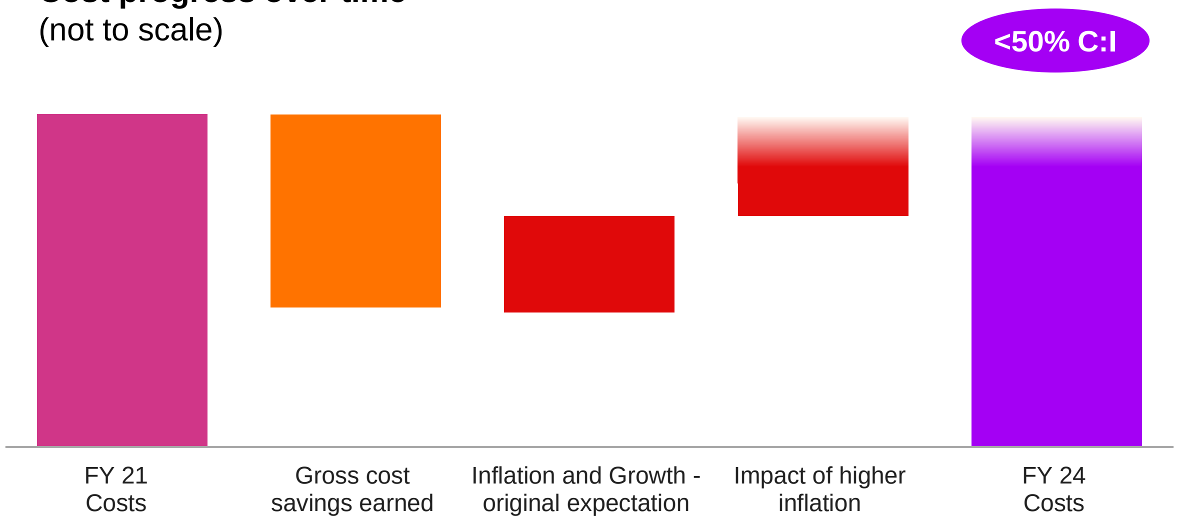


- Updated phasing of investment reflects delayed speed of change investment in response to customer behaviour
- Expect below the line cost to total c.£275m by FY24, with significant majority of remaining costs taken in FY23

On track to deliver <50% cost:income ratio target in FY24

Gross savings deliver headroom for re-investment and inflation

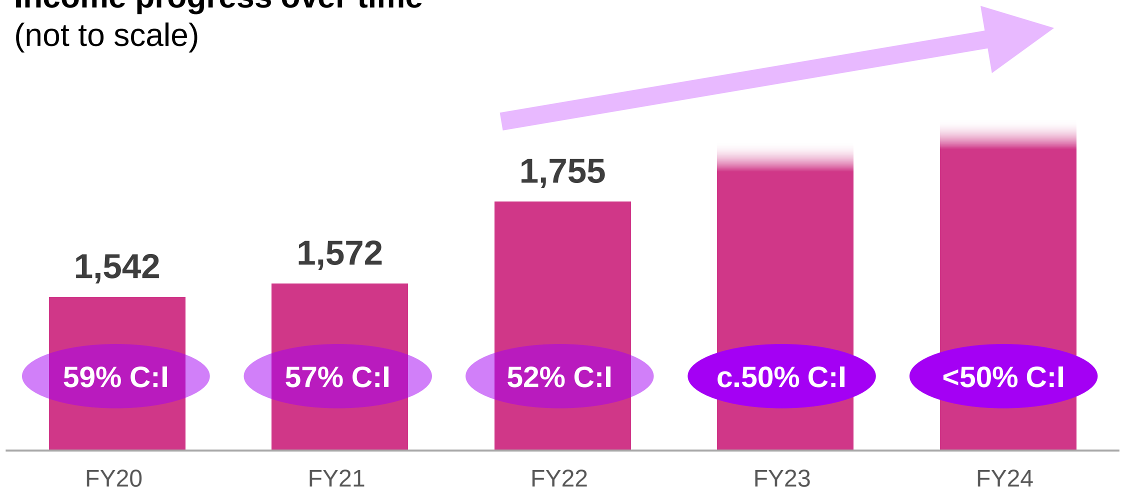
Cost progress over time
(not to scale)



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

Expect stronger income growth over time

Income progress over time
(not to scale)



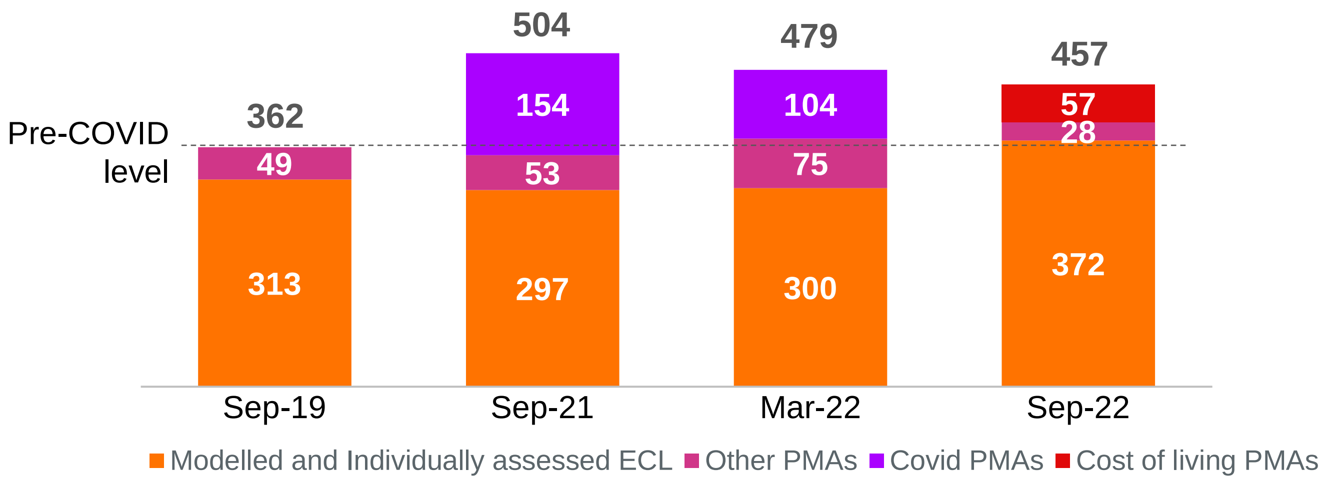
- Structural hedge drives gearing to higher interest rates
- Growth in customer lending, including higher yield Unsecured and BAU Business
- OOI initiatives to drive stronger non-interest income growth

Focused on delivering <50% cost:income ratio in FY24, with c.50% expected in FY23

Well provisioned for uncertain economic outlook

Prudent ECL and PMAs drive above pre-Covid provisions

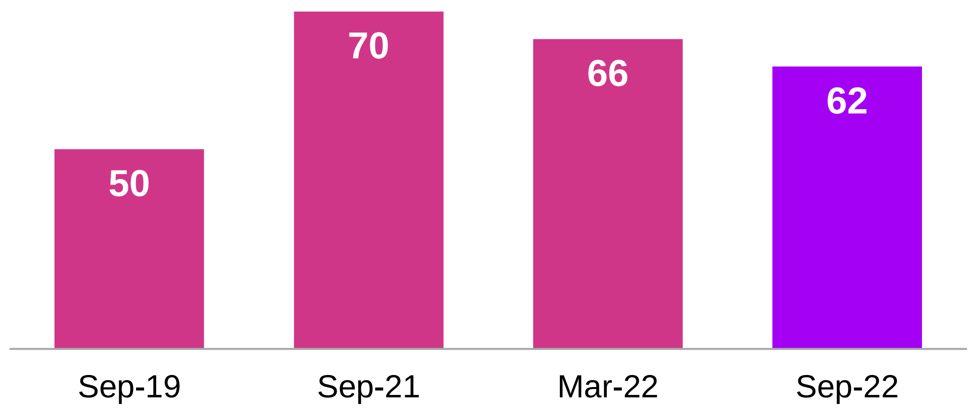
ECL - £m



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

Prudent above pre Covid-19 provision coverage maintained

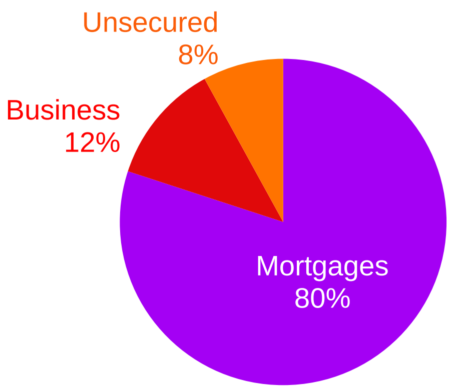
Coverage ratio - (bps)



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

Well positioned balance sheet with tightened underwriting

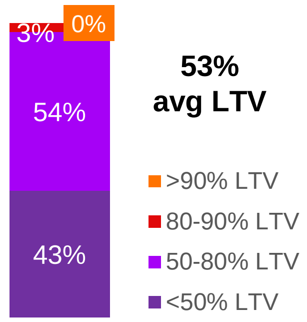
Portfolio: Defensively positioned book skewed to low-risk mortgages



- Consistent, prudent risk appetite
- Targeted approach to growth; low arrears
- Resilient performances in recent stresses

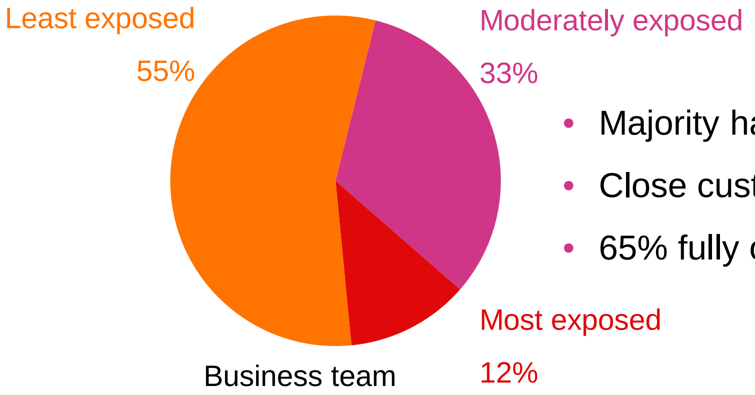
Mortgages: prudent underwriting reduces refinancing risk

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



Stock LTVs

Business: Key sectors able to manage inflation



Business team sectoral analysis[1]

- Majority have passed cost increases into prices
- Close customer monitoring; no issues yet
- 65% fully or partially secured

Unsecured: Affluent customer base

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

VMUK Credit Card Customer demographics[2]

Average age	42
Average income	£42k
% homeowners	71%
% self-employed	9%
% debt to income	24%
% persistent debt	3.4%[3]

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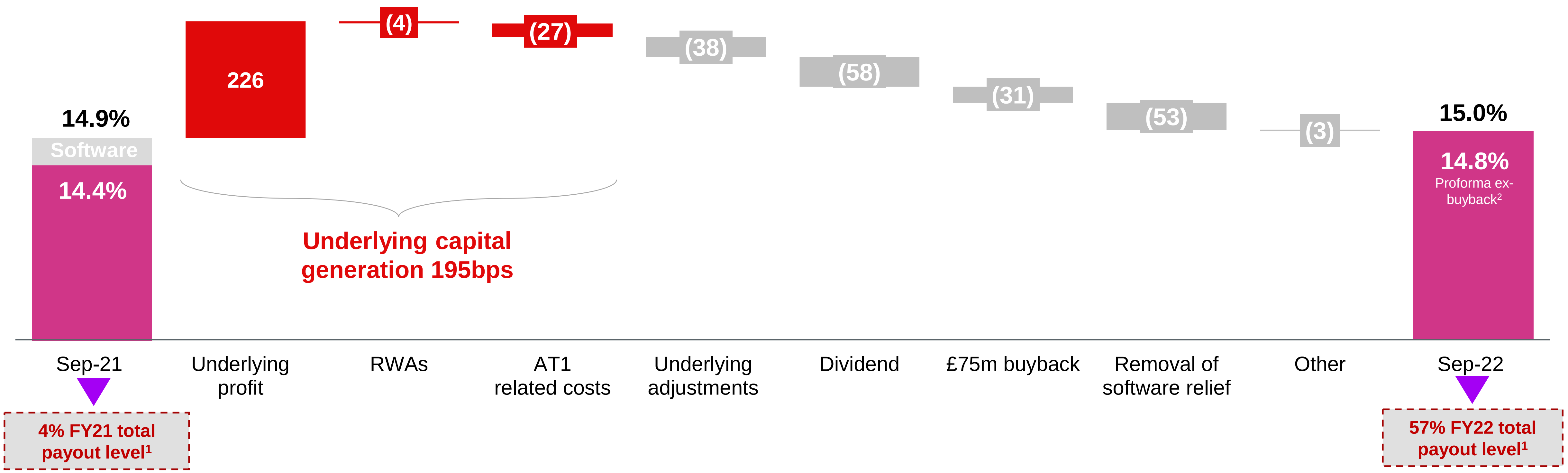
[1] Based on proprietary analysis by VMUK Business team, surveying 200 largest customers, accounting for over 1/3 of the book, see slide 43

[2] Customers originated through VM brand since 2015; data as at Sep-22
[3] Persistent debt reflects total combined portfolio; data as at Aug-22

Robust capital generation supports strong capital distributions

Transitional CET1 ratio evolution (bps)

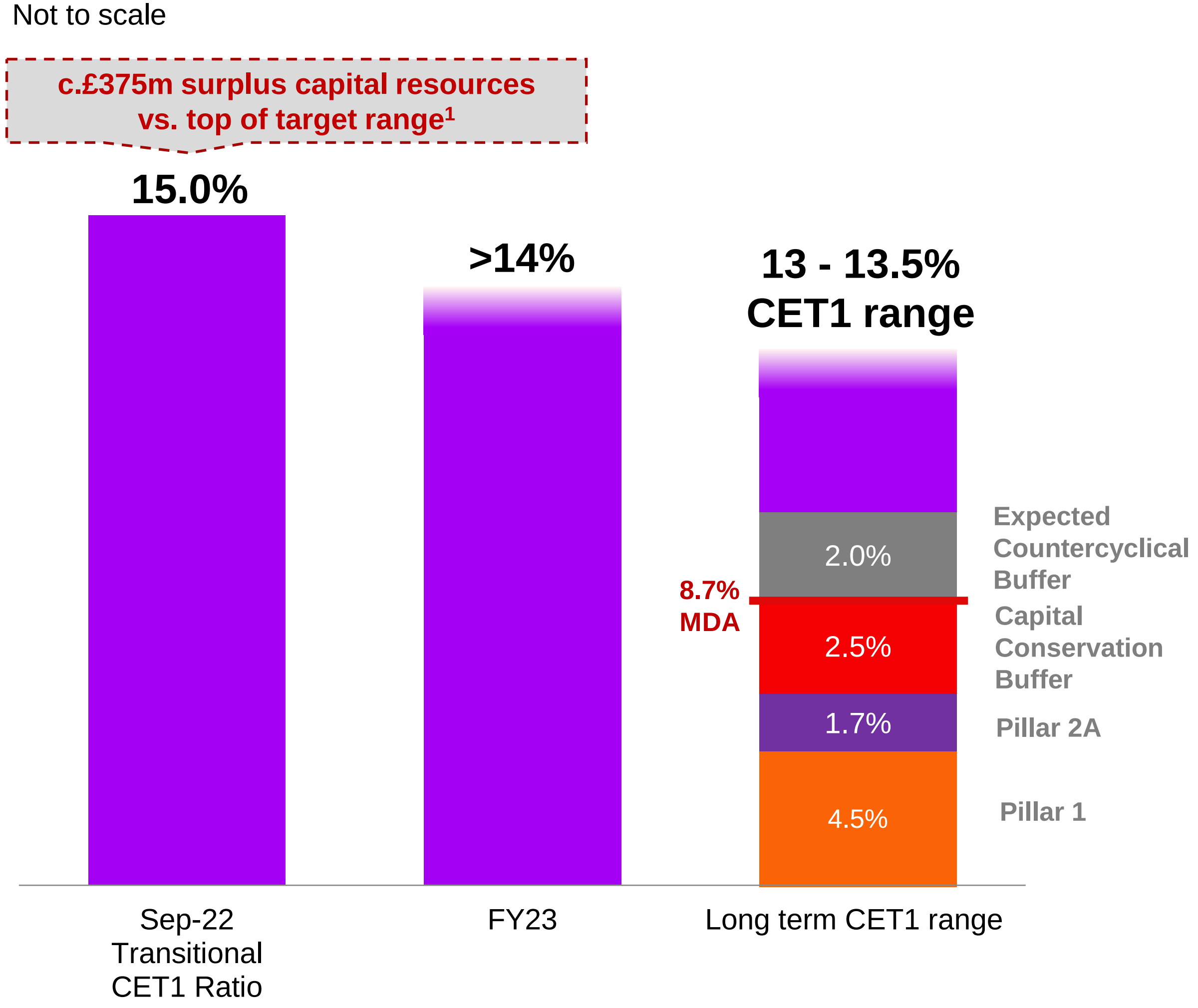


22.0%	**Total capital ratio**	22.0%
5.2%	**UK leverage ratio**	5.1%
31.9%	**MREL ratio**	32.1%

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

CET1 outlook – returning to target range by end FY24

Surplus capital resources available for growth and distribution



Capital framework supports ongoing distributions

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

[1] c.£375m is the surplus before deducting the additional £50m buyback announced at FY22

Medium-term outlook upgraded

FY23 outlook	
NIM[1]	FY23 NIM expected to be 185-190bps
Cost: Income ratio	Expected to be c.50%
Cost of risk	In FY23, expect cost of risk around through the cycle level of c.30-35bps
Restructuring costs	c.£275m across FY22-24, with significant majority of remainder in FY23
CET1	Maintain CET1 >14% through FY23 during period of heightened macroeconomic uncertainty
Capital distribution	30% dividend payout; buybacks subject to ongoing assessment of surplus capital, market conditions and regulatory approval

FY24 outlook (subject to no material change in the macro-economic outlook)	
Income	Mix-driven NIM expansion; OOI to grow from digital proposition enhancements
Costs	Cost: Income ratio to be <50%
Growth	Targeting growth in Unsecured and Business (non-govt) and maintaining mortgage market share over medium term
Gross savings	Gross cost savings of c.£175m by FY24 generate headroom to absorb inflation, growth and re-investment
CET1 and capital	Return to target CET1 range by end of FY24
RoTE	Expect c.11% Statutory RoTE in FY24, consistent with target of >10%

[1] Based on latest market-implied interest rate outlook post Autumn Statement, including BBR peaking at c.4.5% in FY23

The Digital Wallet opportunity

David Duffy
Chief Executive Officer

Digital Wallet gives access to a significant addressable market

Virgin Group Worldwide 47m customers

Virgin Group UK 18m customers

POINTS

Virgin Money Digital Wallet

Virgin Money Current Accounts c.1.7m active customer accounts

Virgin Money Cards c.1.9m active customer accounts

c.3m VM mortgage, deposits, insurance customers

c.3.6m active relationship customer accounts

Virgin Group Companies

VIRGIN MONEY UK

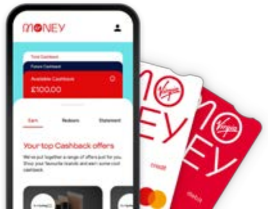
Delivering growth, at scale, through innovative digital experiences

Demonstrating growth in customers now

Digital current accounts, 1m+ users

Mortgage Coach
50k users

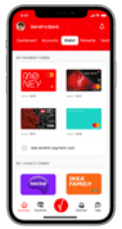
M-Track



Cashback
660k users

Innovations will deliver further growth

Slyce
40k waitlist



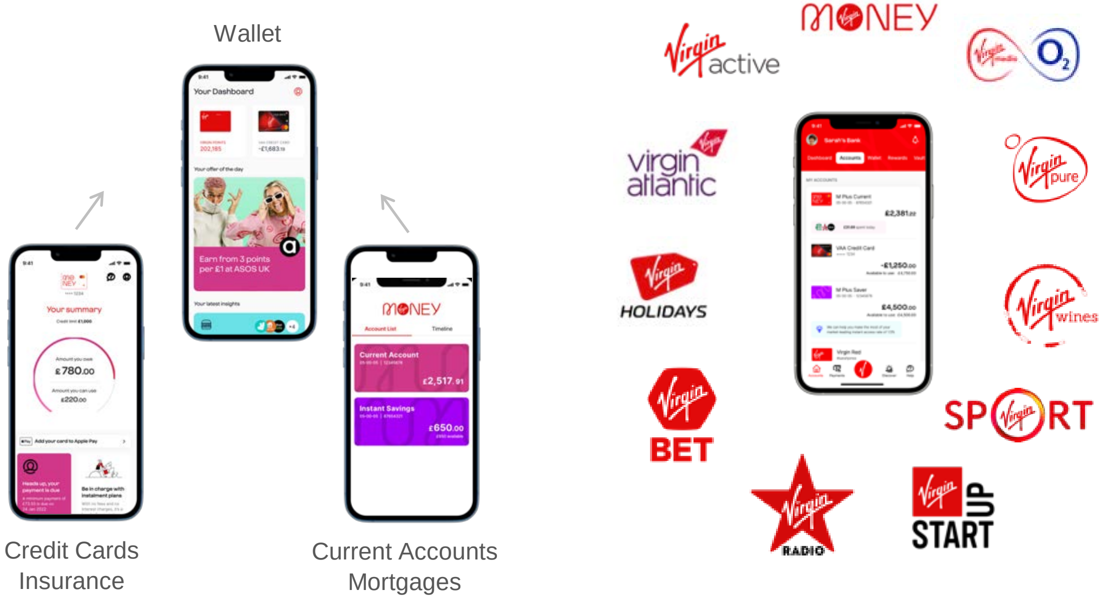
New digital wallet, coming soon

New leading mortgage platform

New investment and wealth propositions

Building to a strong future and bringing it all together in one app

Single Virgin Money experience integrating Group ecosystem, data, payments and rewards



With our partners

globalpayments

accenture

Microsoft

Capita

hood group

Investing in our digital future; driving profitable growth

	Positive momentum into FY23 despite uncertain economic outlook	Improved FY24 guidance
Accelerating digital	• Further new propositions to complete the digital product set • Digital transformation to improve efficiency and customer experience	Statutory ROTE **c.11%**
Showing earnings momentum	• Further NIM expansion from higher rates and mix optimisation • Programme of cost reductions will continue to offset inflation	
Delivering profitable growth	• Expect net lending growth, moderated to reflect environment • Growing customer numbers; targeting affluent, digital customers	Cost: income **<50%**
Balance sheet resilience	• Prudent risk appetite maintained; targeting high quality growth • Significant support ready to assist any customers in need	
Returning capital	• Sustainable dividends at 30% payout ratio, building track record • Buybacks subject to ongoing Board assessment and approval	Return CET1 to target range

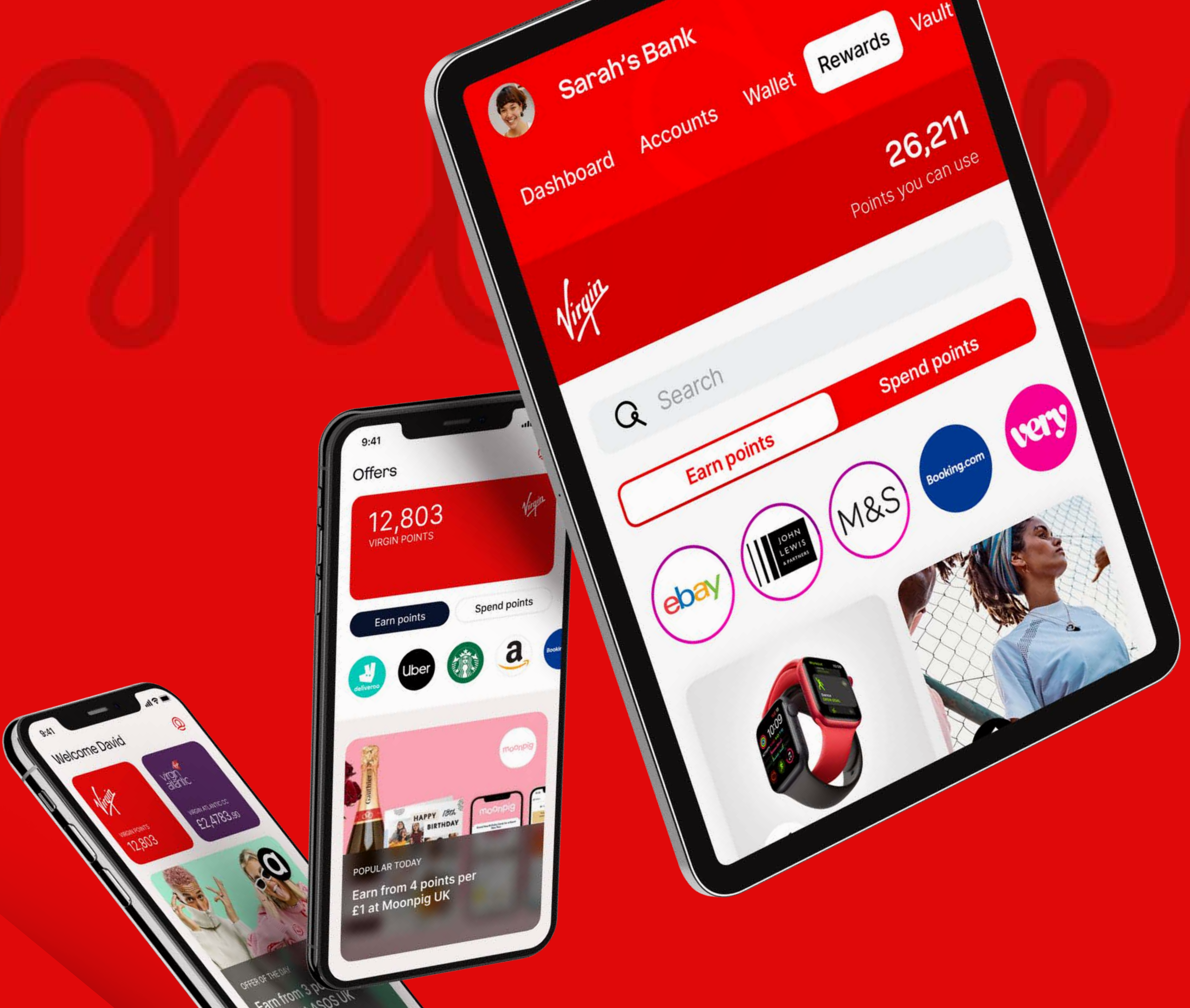
Q&A

David Duffy

Chief Executive Officer

Clifford Abrahams

Chief Financial Officer



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Appendix

Delivering on our strategy: a more digital, cost-efficient bank

Customer and propositions – digitisation and improvement

	FY21	By FY24	FY22 progress
Customer interactions	70% voice	80% digital	**c.50% voice**
Fully digitised key customer journeys	27%	100%	**43%**
PCA digital adoption	62%	>80%	**67%**
# non-digital accounts	1.3m	Low	**1.0m**
Mortgage application automation	Limited	100% digital	**Underway in FY23**
Service centres	6 Voice-led	Fewer, digitally-led	**5 service centres**

Colleagues and digital – productivity and agility

	FY21	By FY24	FY22 progress
Colleague interfaces	Multiple	Single sign on	**Underway**
Property footprint	c.900k sq ft	c.300k sq ft	**c.450k sq foot**
Branches	162[1]	Fewer, digitally-led	**131**
Data Centres	6	2	**1st exits FY24**
Infrastructure in Cloud	c.5%	c.75%	**Migration starts FY23**
IT delivery lead time	13 weeks	6 weeks	**11 weeks (new Agile projects)**

c.£69m of annualised gross cost savings delivered in FY22; will deliver c.£175m by FY24

Progress made in supporting a more sustainable future

Goals	Principles	2030 aspiration
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
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
Open doors	Work with customers, colleagues & communities to encourage sustainable practices & economic activity that creates shared prosperity	No VM customers pay a Poverty Premium Fully diverse top-quartile of the organisation
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

Highlights

- ✓ Achieved 12% reduction in Scope 1 and 2 emissions
- ✓ Expanded scope and enhanced financed emission calculations (82% of lending)
- ✓ Net Zero targets and roadmaps for priority business and mortgage sectors
- ✓ 94 of Top 100 Suppliers completed CDP questionnaire

- ✓ Sustainable Business Coach embedded in new borrowing >£2.5m
- ✓ Launched Agri E Fund with no fee for lending supported by carbon audit
- ✓ Greener Mortgage product extended and Green reward launched
- ✓ £224m lending to energy and environment customers

- ✓ Poverty Premium Turn2us benefits calculator identified more than £1.1m of support
- ✓ Cost of Living Hub launched and taskforce established
- ✓ Bespoke account opening for Ukrainian refugees and donation to DEC
- ✓ c.40% colleagues involved in our six employee-run diversity and inclusion networks

- ✓ TCFD disclosure enhancements
- ✓ Upgraded to 'Leader' status in MSCI ratings and 'Low Risk' in Sustainalytics
- ✓ Climate Risk elevated to principal risk; Climate policy developed
- ✓ Materiality assessment confirmed ESG priorities of our stakeholders

Good progress towards our net zero commitments

Progress against operational targets

	Actual 2022	2022 outcome (vs target)	Future goals
Scope 1 emissions	*Direct emissions from sources owned e.g. gas burned for fuel*		
Location-based (1)	3,395	**-17%** (target: -10%)	50% reduction by 2025
Market-based	748	**-77%** (target: -80%(4))	10% reduction in 2023
Scope 2 emissions	*Indirect emissions from purchased electricity*		
Location-based (2)	6,891	**-10%** (target: -10%)	50% reduction by 2025
Market-based	989	**+9%**	Targets under development
Scope 3 emissions	*Indirect emissions not controlled by VM e.g. in supply chain*		
Scope 3(3)	1,719	**-56%**	Targets under development

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

Net zero targets covering 82% of lending

	Intensity metric	Est. 2020 intensity	Est. 2030 intensity	2030 target reduction
Mortgages(5)				
Whole portfolio *(c.£58bn)*	$kgCO_2e$/m2 financed	39	22	**43%**
Business				
Agriculture *(c.£1bn)*	tCO_2e/£m customer revenue	712	503	**29%**
Resources (Oil & Gas) *(c.£0.1bn)*	tCO_2e/£m lending	1,520	736	**52%**
Transport – Shipping *(<£0.1bn)*	tCO_2e/£m lending	1,881	911	**52%**
Transport - Road *(<£0.1bn)*	gCO_2e/passenger km travelled	148	89	**40%**

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

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

Improved Credit and ESG Ratings

Credit Ratings		Senior Unsecured	Issuer Credit Rating	Short-term	Tier 2	AT1	Outlook	Latest update
Moody's	VMUK	Baa1 (was Baa2)	**Baa1** (was Baa2)	P-2	Baa2 (was Baa3)	Ba1 (was Ba2)	Stable	June 2022
Standard & Poor's	VMUK	BBB-	**BBB-**	A-3	BB	B	Stable	March 2022
Fitch	VMUK	BBB+	**BBB+**	F2	BBB-	BB	Stable	July 2022

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

ESG Ratings	Latest Score (↑ = FY22 move)	Scale	Rank	Latest update
Sustainalytics	**18.1** (was 25.7) ↓	**0-100** 0 as a best possible score	**Low Risk** (was Medium)	June 2022
MSCI	**AA** (was A) ↑	**AAA to CCC** AAA as a best possible score	**Leader** (was Average)	September 2022
Moody's ESG Solutions[2]	**50/100** (was 49/100) ↑	**100-0** 100 as a best possible score	**Robust** (was Limited)	February 2022

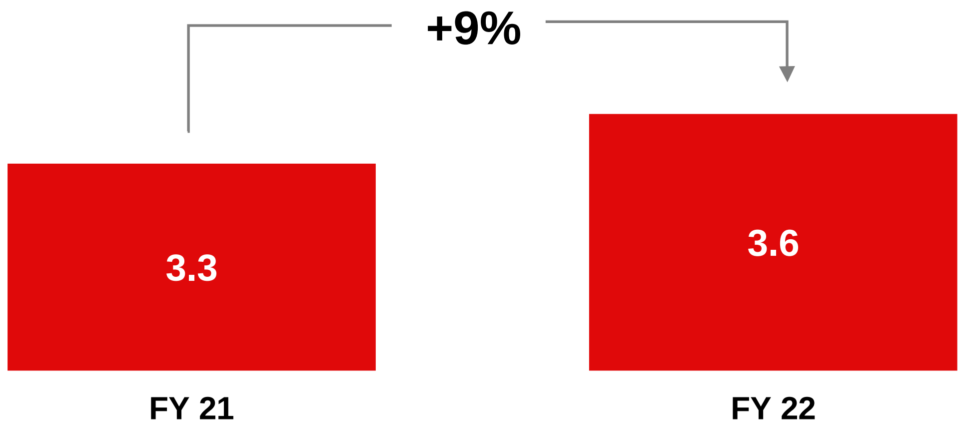
- Significant in-year improvement in all ESG Ratings reflecting significant recent focus, including enhanced disclosures

[1] Long-term bank deposit rating [2] Formerly Vigeo-Eris (V.E)

Growth in active relationship customer accounts

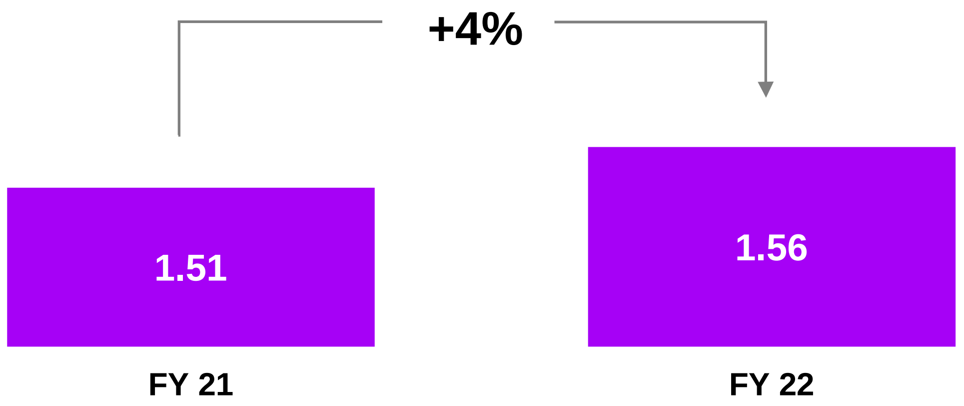
Total active relationship customer accounts[1]

Active accounts
m



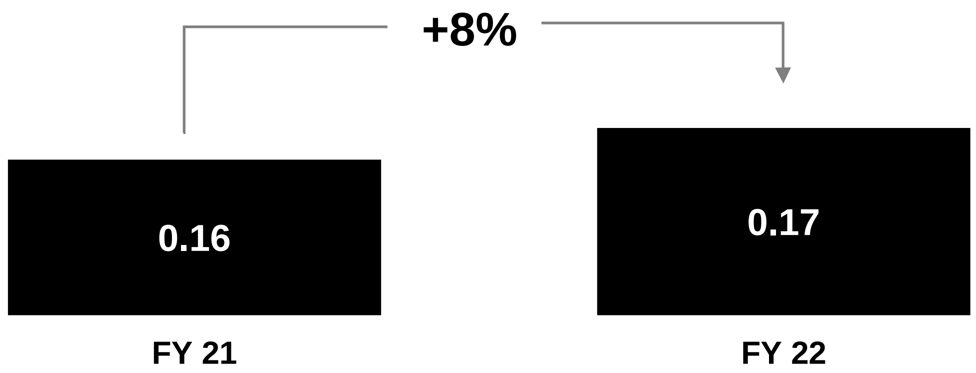
Personal Current Accounts

Active accounts (transaction in last 12m)
m



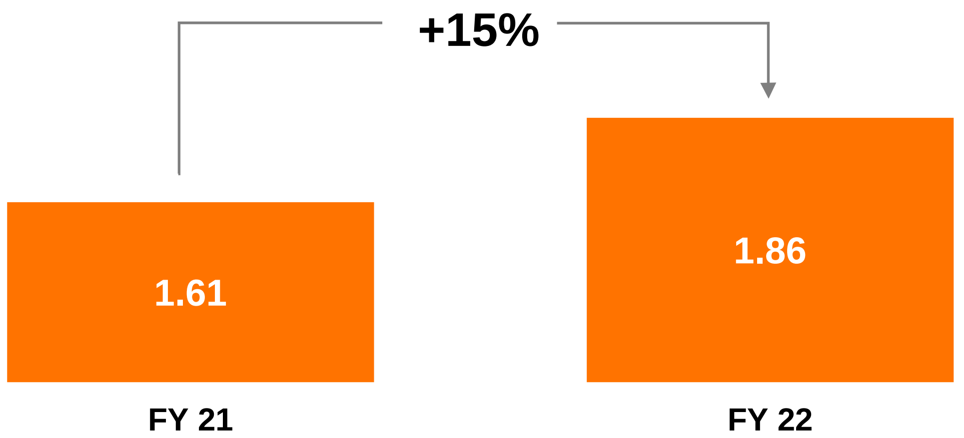
Business Current Accounts

Active accounts (transaction in last 12m)
m



Credit Cards

Active accounts (balances >£0)
m

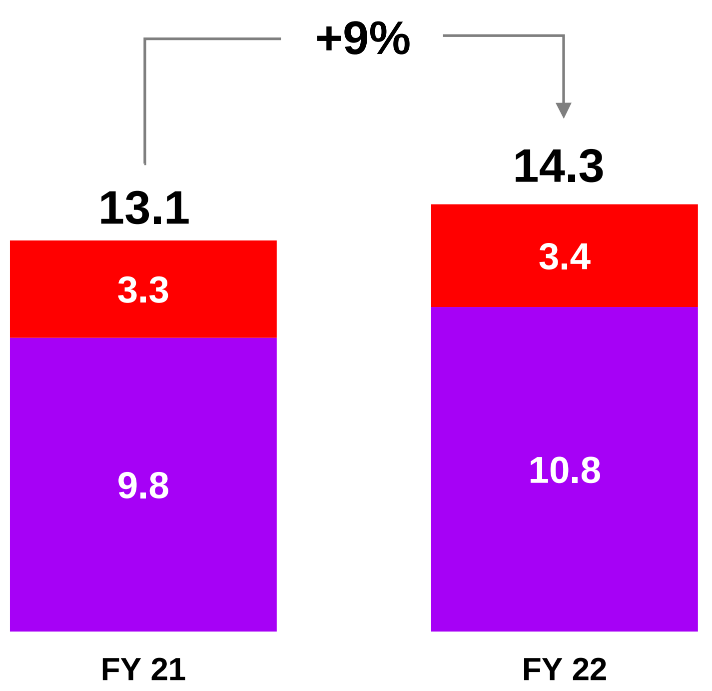


1 Defined as active PCA, BCA and Credit Card accounts
FY21 numbers as at 30/10/21 due to restrictions on availability of source data

Strong growth in Personal and Business relationship deposits

Business

Relationship deposit balances
£bn

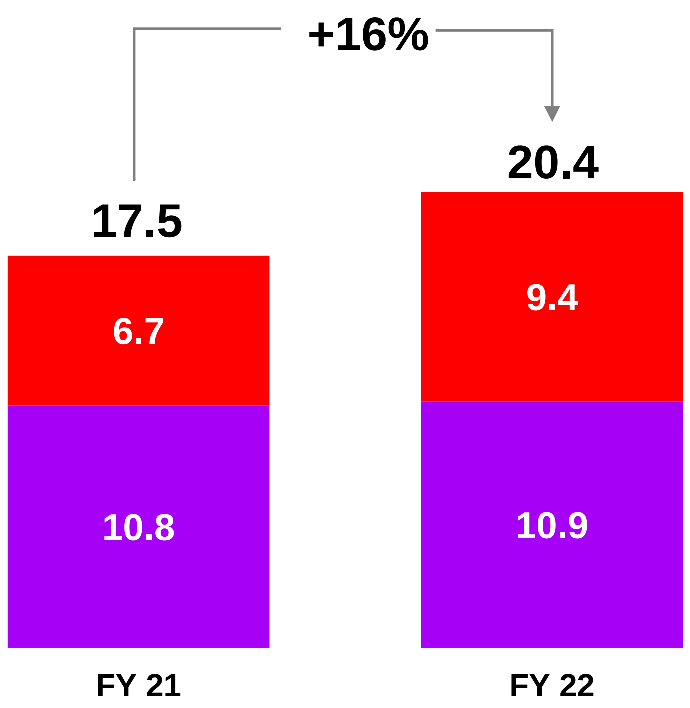


	FY 21	FY 22
Cost (bps)	**9**	**32**

■ Business Current Accounts ■ BCA Linked Savings

Personal

Relationship deposit balances
£bn



	FY 21	FY 22
Cost (bps)	**22**	**46**

■ Personal Current Accounts ■ PCA Linked Savings

Updated IFRS9 scenarios & weightings; prudent overlays applied

Conservative economic scenarios

Scenario	Measure[1]	2022	2023	2024	2025
Upside 10%	GDP	3.9%	2.8%	3.2%	3.4%
	Unemployment	3.8%	4.2%	4.0%	3.7%
	HPI	8.3%	(2.3)%	(1.8)%	5.7%
Base 55%	GDP	3.6%	0.3%	2.1%	2.7%
	Unemployment	3.9%	4.6%	4.4%	3.8%
	HPI	6.8%	(4.6)%	(3.0)%	4.4%
Downside 35%	GDP	2.6%	(5.6)%	0.8%	2.1%
	Unemployment	4.0%	6.0%	7.1%	7.3%
	HPI	3.5%	(13.3)%	(11.6)%	(2.7)%
Weighted average	GDP	3.3%	(1.5)%	1.7%	2.5%
	Unemployment	3.9%	5.0%	5.3%	5.0%
	HPI	5.8%	(7.4)%	(5.9)%	2.0%

Prudently applied post-model adjustments

	Mar-22 ECL	o/w PMA	Sep-22 ECL	o/w PMA	Change in PMAs
Mortgages	£66m	£42m	£56m	£34m	£(8)m
Unsecured	£221m	£44m	£284m	£32m	£(11)m
Business	£192m	£93m	£117m	£18m[2]	£(75)m
Total	**£479m**	**£179m**	**£457m**	**£85m**	**£(95)m**

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

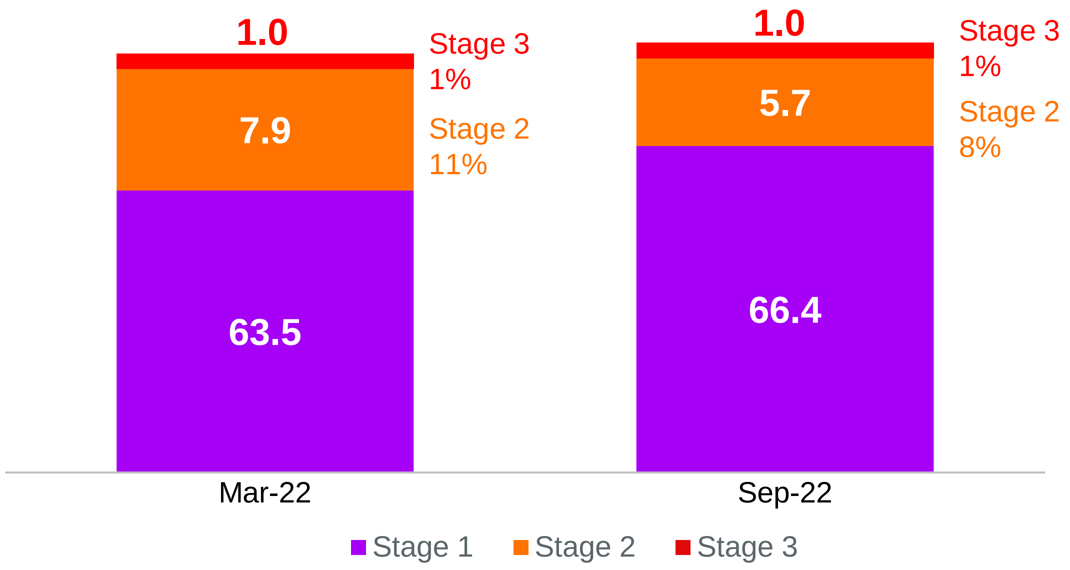
Source: Oxford Economics (September 2022) and company data

1 GDP (yoy %), Unemployment (average), HPI growth (Q4 to Q4); 2 Reflects net PMA position, including £12m negative PMA for LGD model changes

Stable asset quality and provision coverage

Stage 2 reduction; Stage 3 proportion unchanged

Gross loans and advances
£bn



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

Provision coverage remains strong

	Mar-22 Coverage Ratio	Sep-22 Gross Loans	Sep-22 ECL	Sep-22 Coverage Ratio	FY22 Cost of Risk
Mortgages	11bps	£58.4bn	£56m	9bps	(5)bps
Unsecured	404bps	£6.5bn	£284m	466bps	322bps
o/w cards	*422bps*	*£5.6bn*	*£246m*	*481bps*	*347bps*
o/w loans & overdrafts	*297bps*	*£0.9bn*	*£38m*	*388bps*	*161bps*
Business	258bps[1]	£8.2bn	£117m	159bps[1]	(112)bps
Total	**66bps**	**£73.1bn**	**£457m**	**62bps**	**7bps**

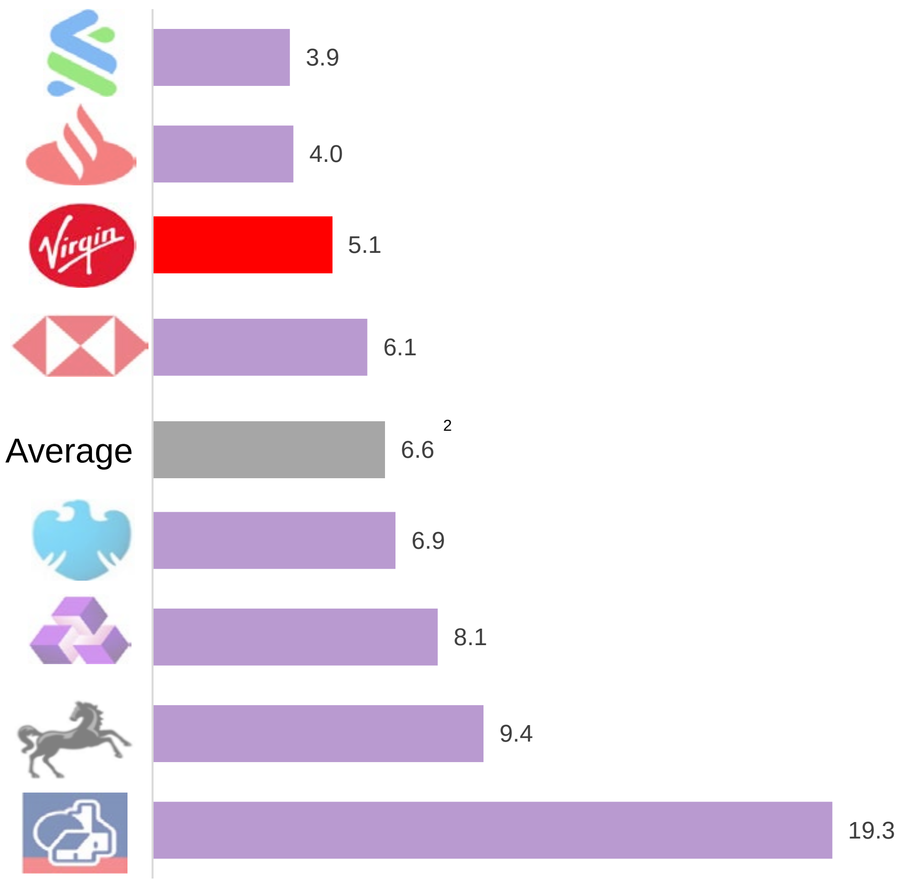
- Refreshed economics reflect updated economic outlook, driving higher modelled ECL
- Covid PMAs removed, impacting coverage; PMAs added for cost of living
- Low cost of risk in FY22 reflective of no material credit deterioration

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

Performed resiliently in 2021 BoE Solvency Stress Test

CET1 drawdown lower relative to most peers[1]

(%)



2021 SST BoE key variables

Measure	BoE SST 2021[4] %
UK GDP Growth	(9.0)
Unemployment	11.9
HPI growth	(33)

Mature Tier 1 bank performance

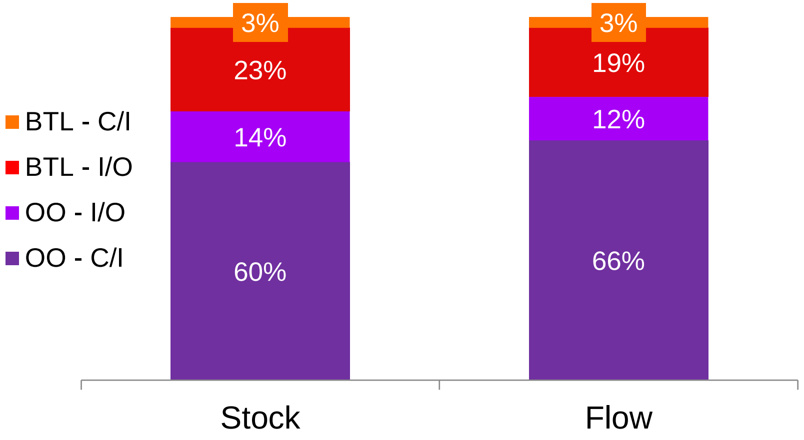
- Resilient performance with CET1 drawdown of 5.1%[1]: amongst the lowest relative to peers
- Would remain ahead of published reference rate of 6.1% on both transitional and non-transitional basis[3]
- Transitional CET1 remained above MDA throughout the stress period
- No additional capital actions required

[1] Source: BoE, 2021 Solvency Stress Test results Annex; On a pre-strategic management actions, IFRS9 transitional basis [2] Aggregate view [3] The same reference rate of 6.1% applies on a transitional/non-transitional basis as VMUK does not have a systemic risk buffer, and there is no IFRS9 offset applied [4] Source: BoE, Key elements of the 2021 stress test, start-to-trough metrics

Mortgages: Low LTV, high quality portfolio

Prime mortgage book weighted towards owner occupied

Repayment and borrower profile



A prime book, originated under the highest standards

- Consistent, post-MMR prudent underwriting; no sub-prime/self-cert
- Appropriate, tailored buffers for living costs in affordability assessment
- 22% of the mortgage book has a maturing fixed rate in FY23
- Mortgages underwritten at SVR+3% allowing affordability headroom to higher rates

Owner-occupied (74%)

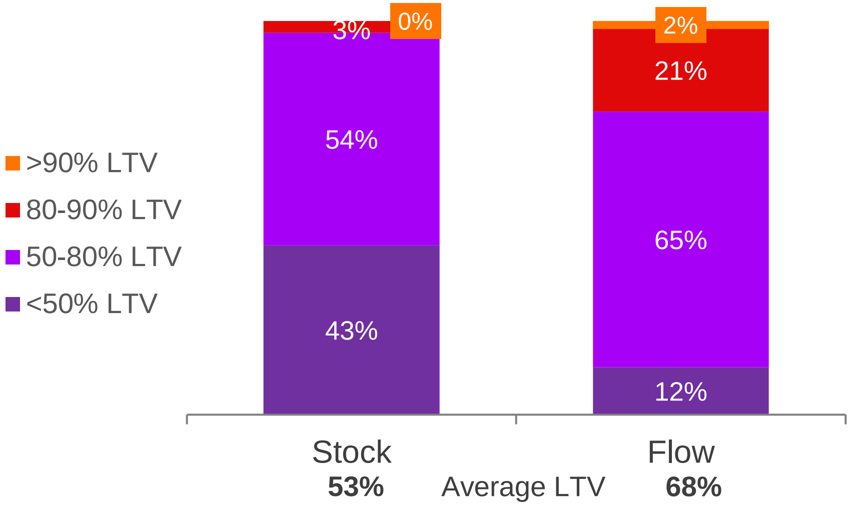
- Average LTV is 52.7%; 0.5% is >90% LTV
- Prudent average LTI; 3.2x in 2022
- Arrears lower than industry (0.6% v 0.8%[1])

Buy-to-let (26%)

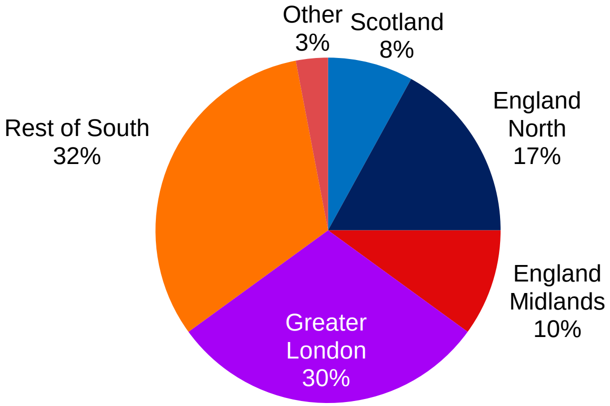
- Average LTV is 52.4%; max LTV of 80% for new lending
- Conservative rental and borrower income requirements
- Arrears lower than industry (0.3% v 0.4%[1])

Low LTV and geographically diversified

Loan-to-value of all mortgage lending



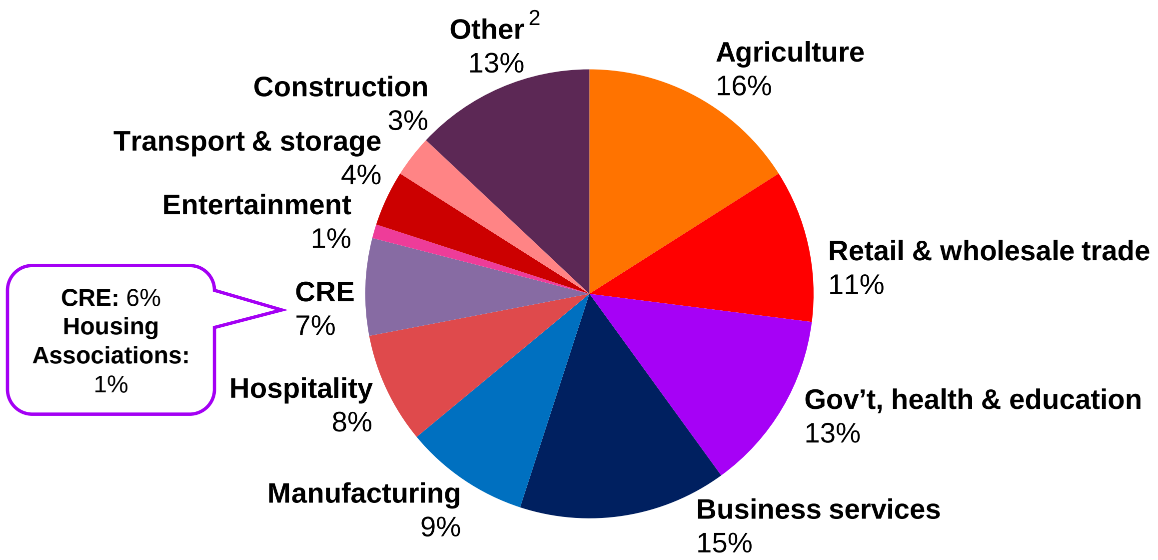
Mortgage stock lending location[2]



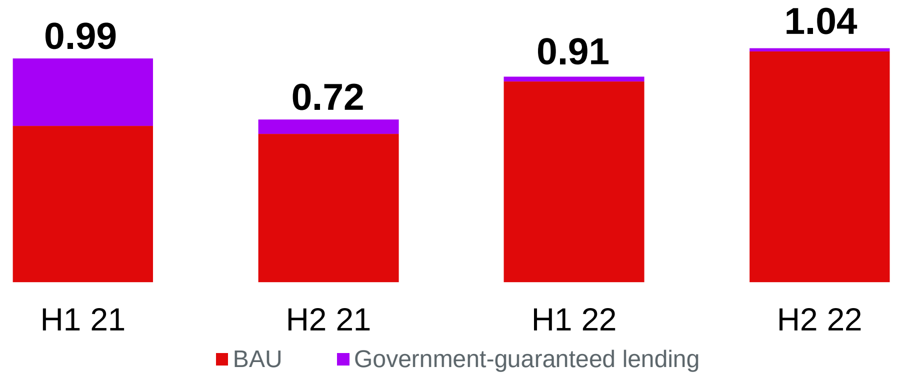
[1] Source: Sep '22 UK Finance, 3m+ arrears by volume
[2] Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements. Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

Business lending: Defensively positioned, granular book

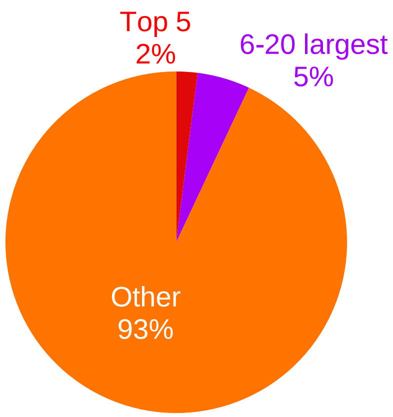
Business lending portfolio by industry sector[1]



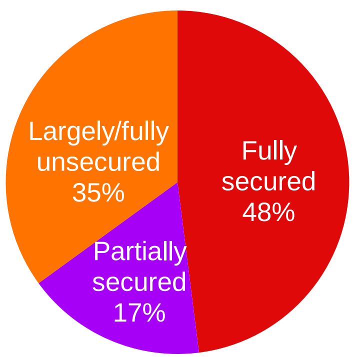
Business banking drawdowns[4] (£bn)



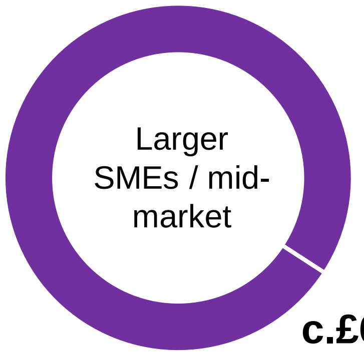
Business lending portfolio



% of book by customer exposure



% of book by collateral cover[3]



c.£6.9bn

- c.10% of lending customers
- c.83% of balances
- Turnover typically >£2m - £100m
- Average loan size c.£1m

c.£1.4bn

- c.90% of lending customers
- c.17% of balances
- Turnover typically <£2m
- Average loan size c.£30k

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

Business lending: Sectoral analysis suggests protection vs inflation

- Surveyed top 200 business borrowers (those with >£8m loans, total value of £3bn, so >1/3 of the portfolio)
- Analysis tested businesses resilience to inflation, and ability to protect profitability
- Vast majority of businesses are seeing input cost inflation
- c.90% confirmed they have put price increases through
- Key areas of future risk are labour costs and interest rates
- Import / export risks for our portfolios are limited
- Energy costs are less material, most businesses have fixed contracts in place
- Businesses remain well-collateralized reflecting prudent credit underwriting

Least Exposed c.£4.6bn, 55%	Moderate Exposure c.£2.7bn, 33%	Most exposed c.£1.0bn, 12%
Agriculture (£1.3bn) • **Dairy Cattle and Rest of Agri £0.5bn:** Increased output prices offsetting inflationary pressures; labour availability remains a challenge in dairy and horticulture sector • **Arable - £0.3bn:** Higher sale prices more than offsetting higher input costs	• **Mixed farming with Beef & Sheep - £0.4bn:** Increased costs not entirely offset by higher sale prices. Medium-term issues from changes to subsidy regime are affecting smaller farmers depending on degree of reliance on subsidy income	• **Pig & Poultry £0.1bn:** Sector seeing lower output prices with further challenges from inflation; some rebalancing of supply and demand now feeding into higher prices.
Healthcare (£1bn): Resilient revenues and performance to date, with strong collateral • **Self funded homes and specialist care** have greater capacity to pass on increased input costs	• **Council funded Care Homes** less able to pass on cost increases, but some Local Authorities have put through out of cycle increases. Homes with mix of private/funded places more able to manage price	• **Retail £0.4bn and Hospitality £0.3bn:** Consumer affordability pressure is reducing discretionary spend • **Entertainment £0.1bn:** Labour costs are significant proportion of input costs, also at risk from reducing discretionary spend • **Energy Intensive Manufacturing <£0.1bn:** Drinks manufacturing and any form of metal manufacturing which is more energy intensive. Minimal exposure however
• **Business Services, ex Professional Sectors (£0.8bn):** Diverse sector. • **CRE (£0.5bn):** Diverse tenant base, generally lean operating models. Legacy CRE lending is 3% of total portfolio and stable. Funding cost is a more material factor than inflation • **Hotels (£0.5bn):** UK customer base holding up, weaker sterling attracting tourists. Valuations and collateral strong • **Utilities (£0.4bn):** includes c.£200m lending to renewable energy providers, minimal impact • **Housing Associations (£0.2bn):** stable, low risk • **Other sectors (£1bn):** lower exposed include Finance, Forestry & Fishing, Professional Services, Education and Government	• **Wholesale (£0.5bn):** More capacity to pass on increased input costs although is downstream risk of customers failing to make payments. More exposed to import/export risk • **Construction (£0.2bn):** Availability of products, rising prices of raw materials and inability to pass on inflation where fixed price tender in place • **Other sectors (£1.2bn):** Assessed as more exposed are rest of Manufacturing, Resources and Transport & Storage	

Unsecured: asset quality and origination discipline

Affluent customers able to absorb higher living costs

Credit Cards:

- c.1.9m active accounts in total
- VMUK arrears at 1.3% (FY21: 1.1%) vs industry[1] of 1.6%; VMUK BT arrears of 1.3%; non-BT arrears of 1.6%
- Balance transfers c.2/3s (62% at 0%) of cards portfolio; c.16% balances maturing from promo periods in next 6 months
- Prudent risk appetite reflected in high acquisition cut-offs, focus on high resilience segments; affordability stressed on fully drawn line at 33.9% APR
- Diversification strategy has seen limited acquisition (1.2% FY22 card lending) of customers with historic impaired credit, via appropriate pricing for risk
- Appropriate, tailored buffers for current and expected living cost increases are factored into affordability assessments

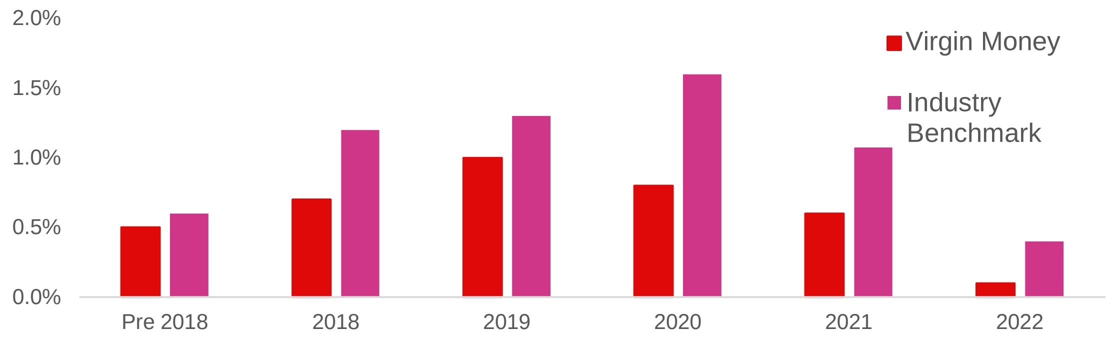
Personal Loans:

- c.100k direct customers, prime loan book
- FY22 new sales remained only to existing customers; limited appetite for potentially lower resilience segments i.e. self-employed & higher indebtedness
- Strong customer profiles (c.72% homeowners and low% self employed)
- Loan and overdraft 2+ arrears at 1.7% (FY21: 1.2%)

High quality, well-positioned cards book

Strong arrears performance: when benchmarked to industry

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



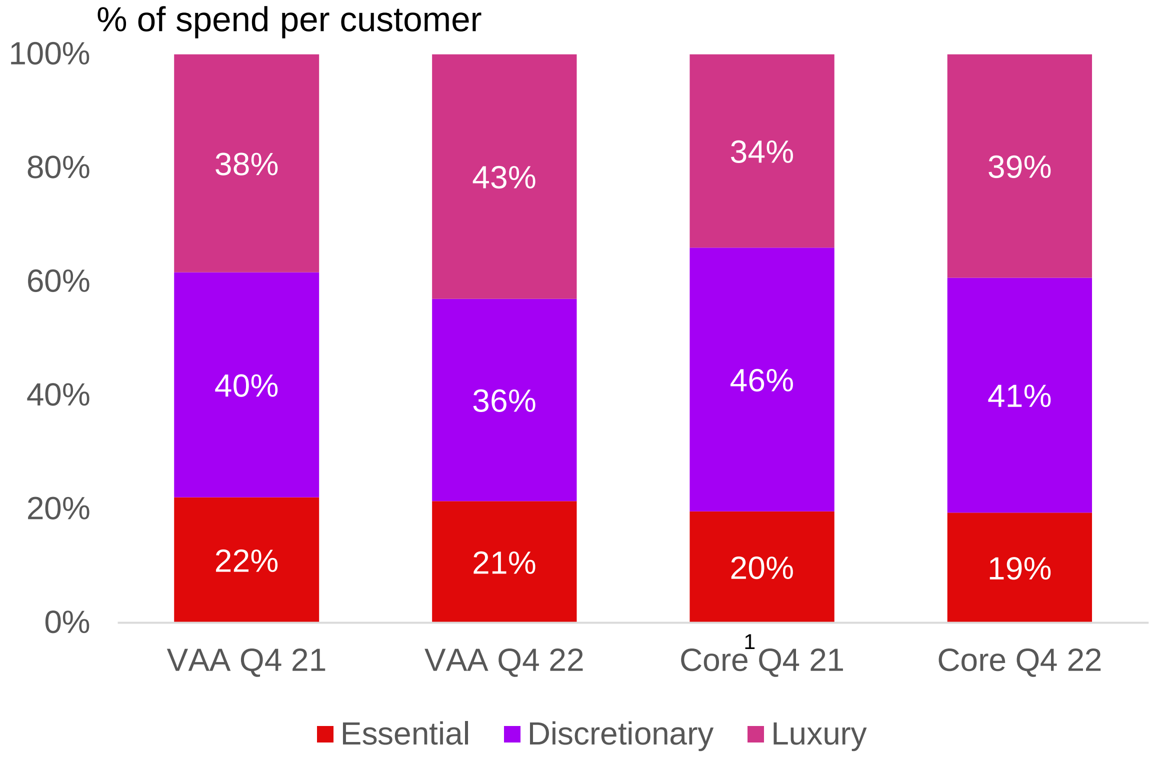
Source: Industry data Verisk Financial | Argus. Q2-22; Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Credit cards customer profile	VM[2]	Industry average[3]
Average customer age	42	
Average income	£42k	
% homeowners	71%	
% self-employed	9%	
% debt to income	24%	28%
% persistent debt	3.4%[4]	6.3%

[1] Arrears defined as 2+ cycles past due; Industry data Verisk Financial | Argus to Aug-22
[2] Customers originated through VM brand since 2015; data as at Sep-22
[3] Sources: TUC and Verisk Financial | Argus
[4] Persistent debt reflects total combined portfolio; data as at Aug-22

Unsecured: spending, payments & underwriting support resilience

Spend tracking reflects affluence of customer base



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

Pre-emptive tightening of underwriting supports credit quality

Portfolio performance characteristics provide confidence

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

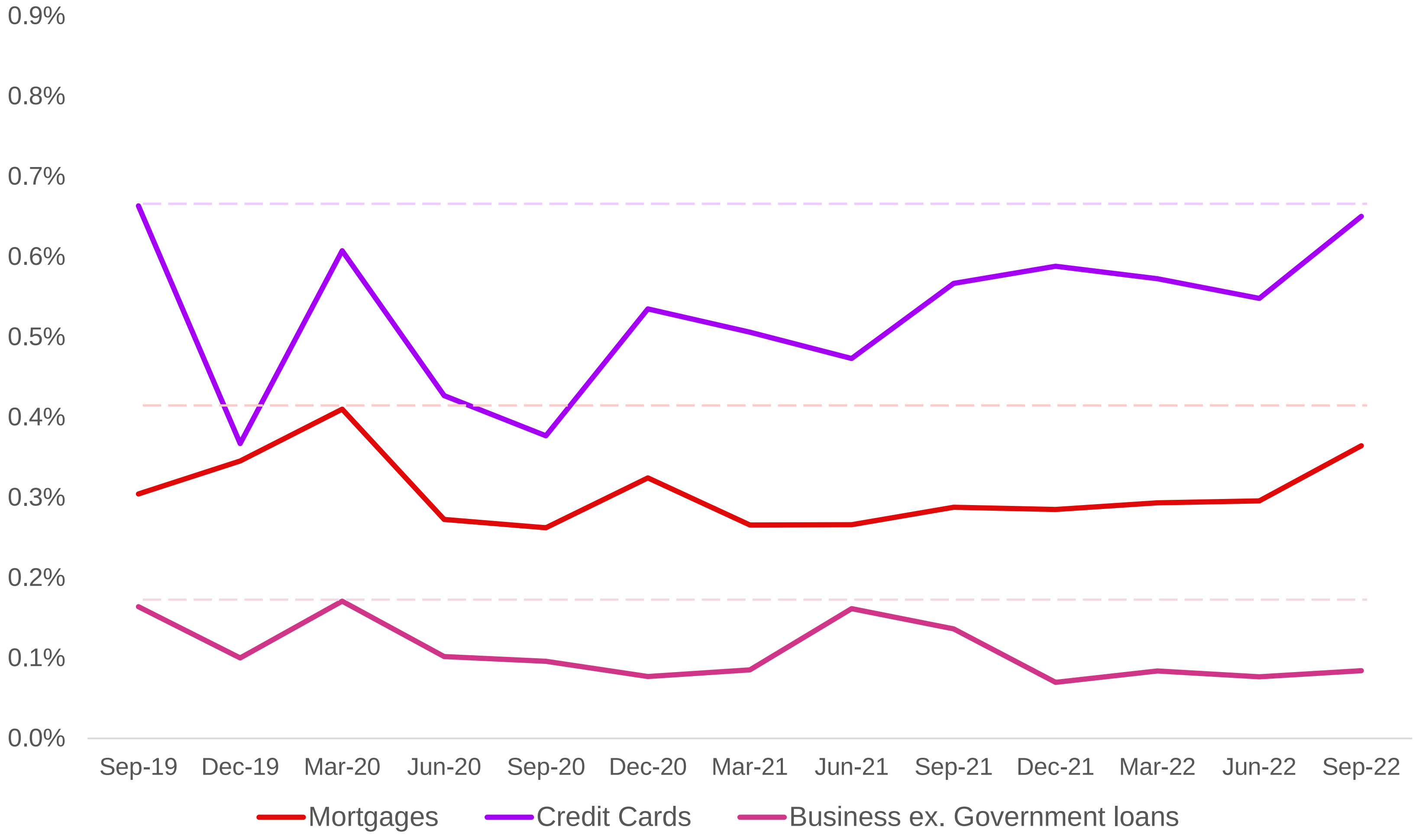
Prudent, proactive management of risk over time

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

[1] Core reflects analysis of seasoned customer accounts which are outside of initial promotional periods

Emerging arrears normalising from low levels

30-89 day arrears by portfolio

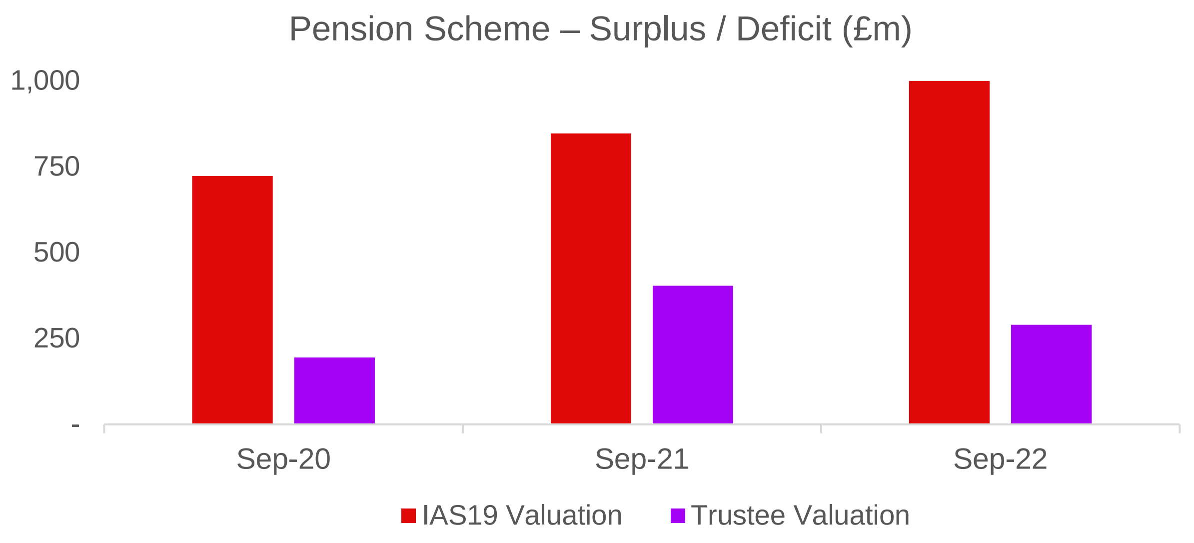


Emerging arrears show limited stress

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

Pension Scheme risk managed prudently

Strong funding position and reducing LDI portfolio



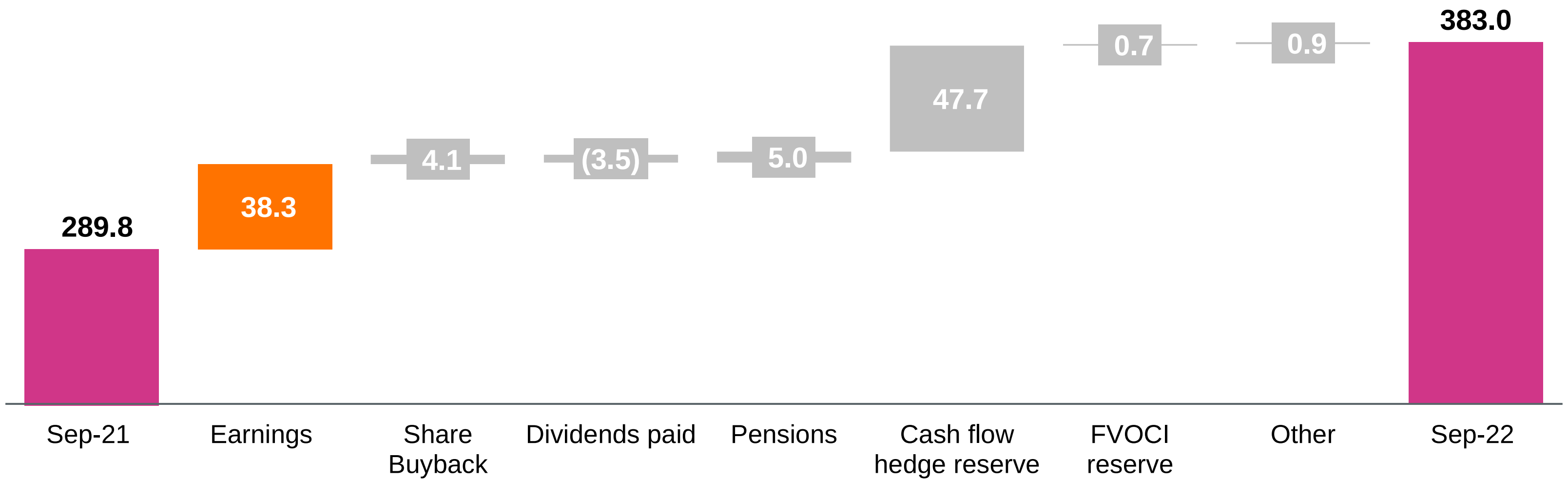
Date	End Q2 FY22	End Q3 FY22	End FY22
LDI portfolio value	£2,540m	£1,883m	£963m
% scheme assets	57%	53%	30%

Summary

- The Scheme's de-risking plan has delivered resilience to stress and improvements in Group and Trustee valuations and funding levels:
  - **IAS19** – the basis for the bank's P&L, balance sheet and capital reporting. A continued surplus provides a buffer against the requirement to hold capital against the Scheme
  - **Trustee** – a valuation completed on an actuarial basis for the next Triennial Valuation, due by end FY23 (effective date 30 September 2022)
- LDI scheme assets prudently reduced c.50% since Q2 2022 insulating from recent volatility
- At 30 September 2022 there was £613m of surplus collateral in the LDI portfolio, sufficient to cover +350bps in interest rates
- Trustee has also taken additional steps to reduce the LDI risk

TNAV accretion supported by Cash Flow Hedge movements

TNAV evolution YoY (pence per share)



	Sep-21	Sep-22	Change	
Tangible Equity	£4,185m	£5,407m	£1,222m	£689m due to Cashflow hedge
Ordinary shares in issue	1,445m	1,412m[1]	(33)m	Reflects impact of Buyback
TNAV per share	**289.8p**	**383.0p**	**93.2p**	

Strong accretion in TNAV per share

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

[1] As at 30/9/22; impact of Buybacks completed since have taken shares in issue to 1,397m at 21/11/22

Balance sheet

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

Risk weighted assets

£m

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

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Full Year 2022 Results