VIRGIN MONEY UK

Full Year Results 2023

Delivering our strategy

David Duffy

Chief Executive Officer

Delivered strong financial performance in FY23

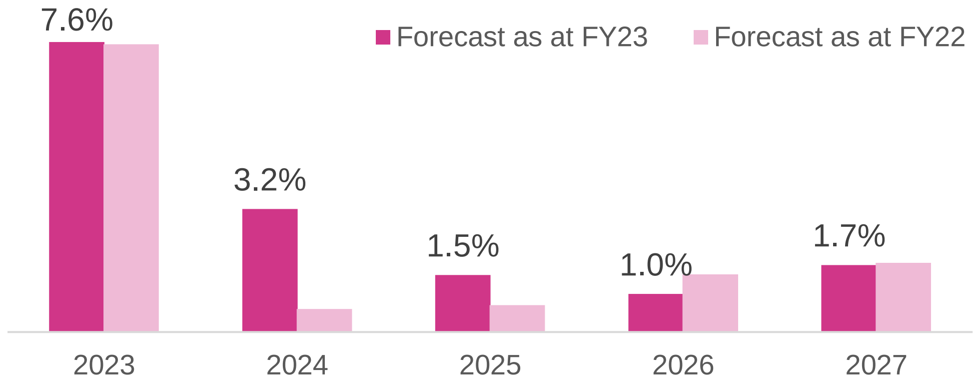
FY23 outcomes	Key FY23 achievements
NIM **1.91%** FY22: 1.85%	• Delivered 6bps expansion in NIM with positive outlook into FY24 of 1.90%-1.95% • Consistent deposit inflows, +2% yoy growth at good spreads • Delivered 9% growth across our target lending segments; robust mortgage trading
Cost: income **51.9%** FY22: 52.5%	• Pre-provision profit up 9%, despite inflation and investment • Delivered £130m of £175m annualised savings to date; now targeting £200m • Continued progress in digitising customer journeys (+7%pts)
Capital distributions announced **£272m** FY22: £267m	• Strong liquidity (LCR[1] 146%) and deposit franchise (72% insured) • Maintained low arrears[2]; strengthened provision coverage to 84bps (FY22: 62bps) • 14.7% CET1, committed to target range; 5.3p dividend, further £150m buyback announced

(1) 12-month average
(2) Excluding government lending schemes

Resilient UK outlook despite persistent inflation and higher rates

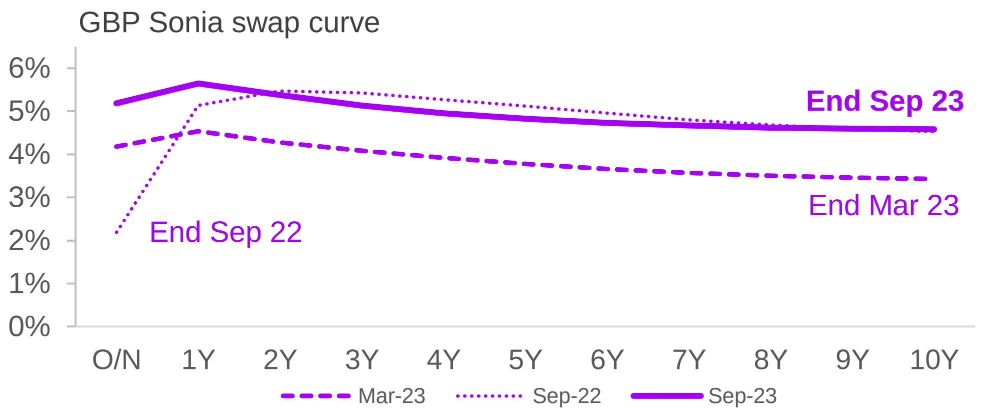
Slowing pace

CPI
Expected to moderate in 2024



Source: Oxford Economics Base Case, September 2023 and September 2022

Rates
Rate outlook remains elevated given inflation

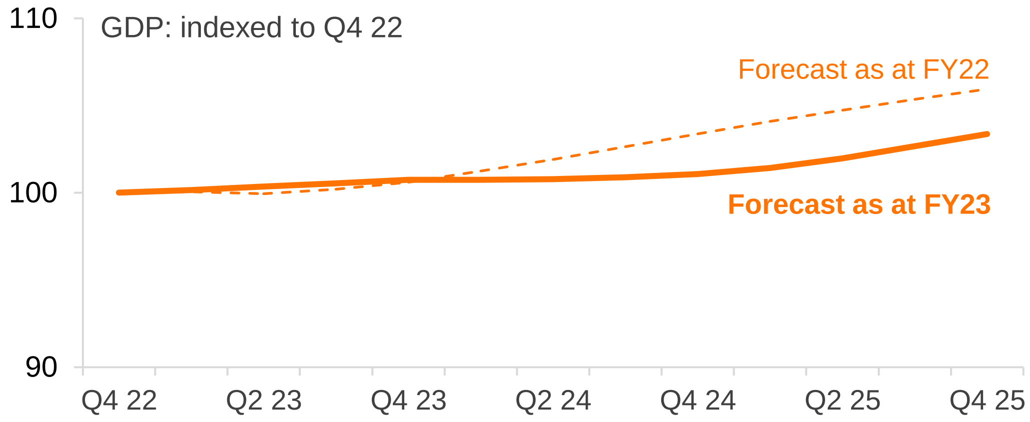


Source: Bloomberg

UK rate environment supportive

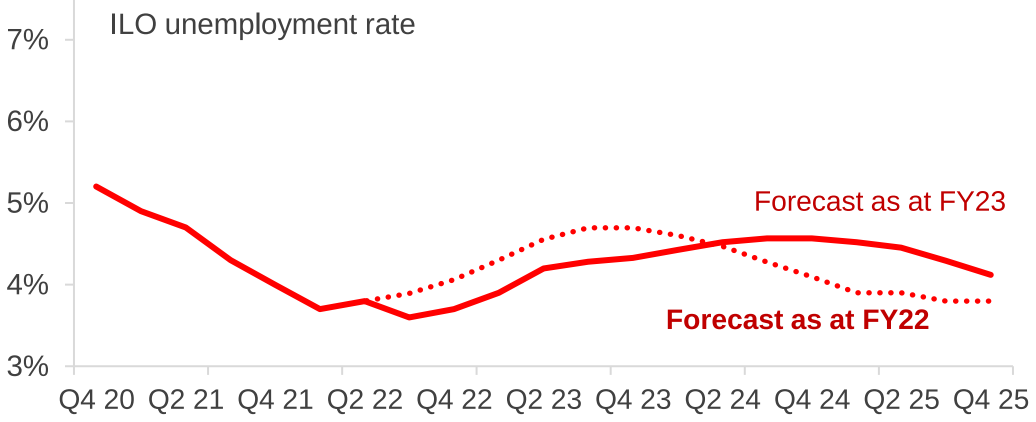
Muted outlook

GDP
Growth outlook remains lower for longer



Source: Oxford Economics Base Case, September 2023 and September 2022

Unemployment
Remaining low by historical standards



Source: Oxford Economics Base Case, September 2023 and September 2022

Resilient labour market

Strong commercial delivery in FY23

Business

- BCA volumes increased 18% driving net inflows for 22 months
- Business lending +11% (ex-GLS); benefitting from RM model
- Fintech-enabled Marketplace supporting digital growth

Mortgages

- Solid trading with market share broadly stable at 3.5%
- Average LTV of 53%; arrears (0.6%) below industry (0.8%)
- New platform release deferred; no impact to trading in FY24

Unsecured

- Cards market share increased to 8.5%; +540k new card sales
- 11% card balance growth, with VAA +21% as travel rebounds
- Total unsecured growth +6%, digital loan proposition in FY24

Insurance & Investments

- Relaunched Virgin Money investments with £3.5bn AUM
- Building momentum with >150k customers
- 375k travel insurance sold in FY23 with strong renewal rates

Current accounts

- Now c.440k PCA sales since FY19; further 110k in FY23
- Record c860k debit and credit cashback users
- Personal relationship deposits +4%; driven by PCA proposition

Digital channels

- Strong digital channel usage, reduced store footprint 30%
- Accelerated digitisation in H2; 50% of key journeys completed
- Initial launch of all-encompassing integrated app in FY24

Well placed to continue targeted growth into FY24

Stepping up digital investment in financial crime prevention

Short-term investment, offset by additional savings

Targeted new short-term investment programme

- c.£130m new financial crime prevention programme over 3 years with c.£40m in FY24, addressing:
  - Economic crime prevention
  - Cyber defence
  - Data capabilities

Increasing annualised savings from existing restructuring programme

- Taking action to increase annualised savings from existing restructuring programme from £175m to £200m:
- Existing savings programme — c.£175m
  - Further real estate consolidation
  - Outsourcing opportunities
  - Systems simplification

  c.£25m
- Continue to expect c.£275m of restructuring spend £213m incurred to date, majority of remainder in FY24

Taking action now, to mitigate future emerging risks

Evolving technology and backdrop

- Adapting to new and evolving financial crime related threats
- Growth in AI contributing to rising cyber threats
- c.80% of consumer fraud originated via social media platforms
- Emerging tech and cryptocurrency represent new AML risks
- Banks will bear full fraud losses and penalties

VMUK's response will enhance fraud and financial crime prevention

- New fraud platform; enhanced biometrics capabilities
- Upgraded financial crime platform
- Significantly strengthened capability and resilience
- Future proofing against new threats
- Driving lower fraud losses and protecting customers

Starting FY24 with good momentum across the business

Delivering our strategic priorities

With aligned key deliverables in the next 12 months

Driving improving FY24 financial outcomes

Discipline & Sustainability

- Achieve 13-13.5% CET1 range by FY24 via buybacks, growth & investment
- Expect to deliver c.8% statutory RoTE, and c.10% underlying RoTE[1]
- Build fraud & financial crime platforms including enhanced biometric detection

Pioneering Growth

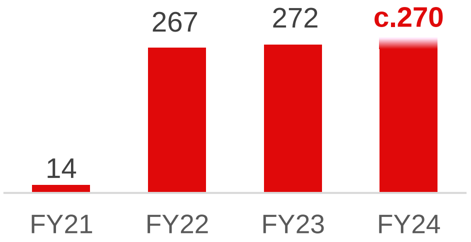
- 5-10% growth in target lending segments: Business and Unsecured
- >3% growth in active relationship customer accounts
- Proposition launches: Integrated app, Personal Loans, Pensions, new mortgages

Super Straightforward Efficiency

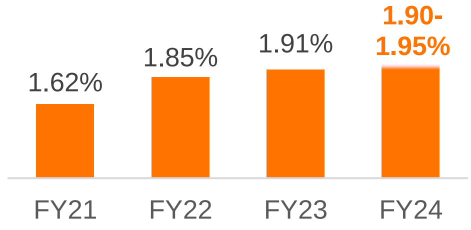
- Further £70m of higher gross cost savings targeted; 30% property reduction
- Targeting over half of journeys digitised end-to-end; doubled since FY21
- Digital only customer engagement rate to improve 10% to c.67%

Delighted Customers & Colleagues

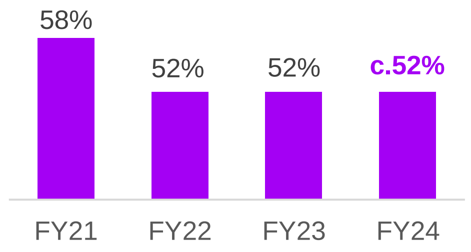
- Achieve full compliance with second phase of Consumer Duty
- Further improvement in CX: higher Smile scores and lower complaint rates
- Maintain colleague engagement at 80%; further progress on DE&I targets



Nominal shareholder distributions around FY23 level[2]



NIM of 1.90-1.95%



Broadly stable cost: income ratio[3]

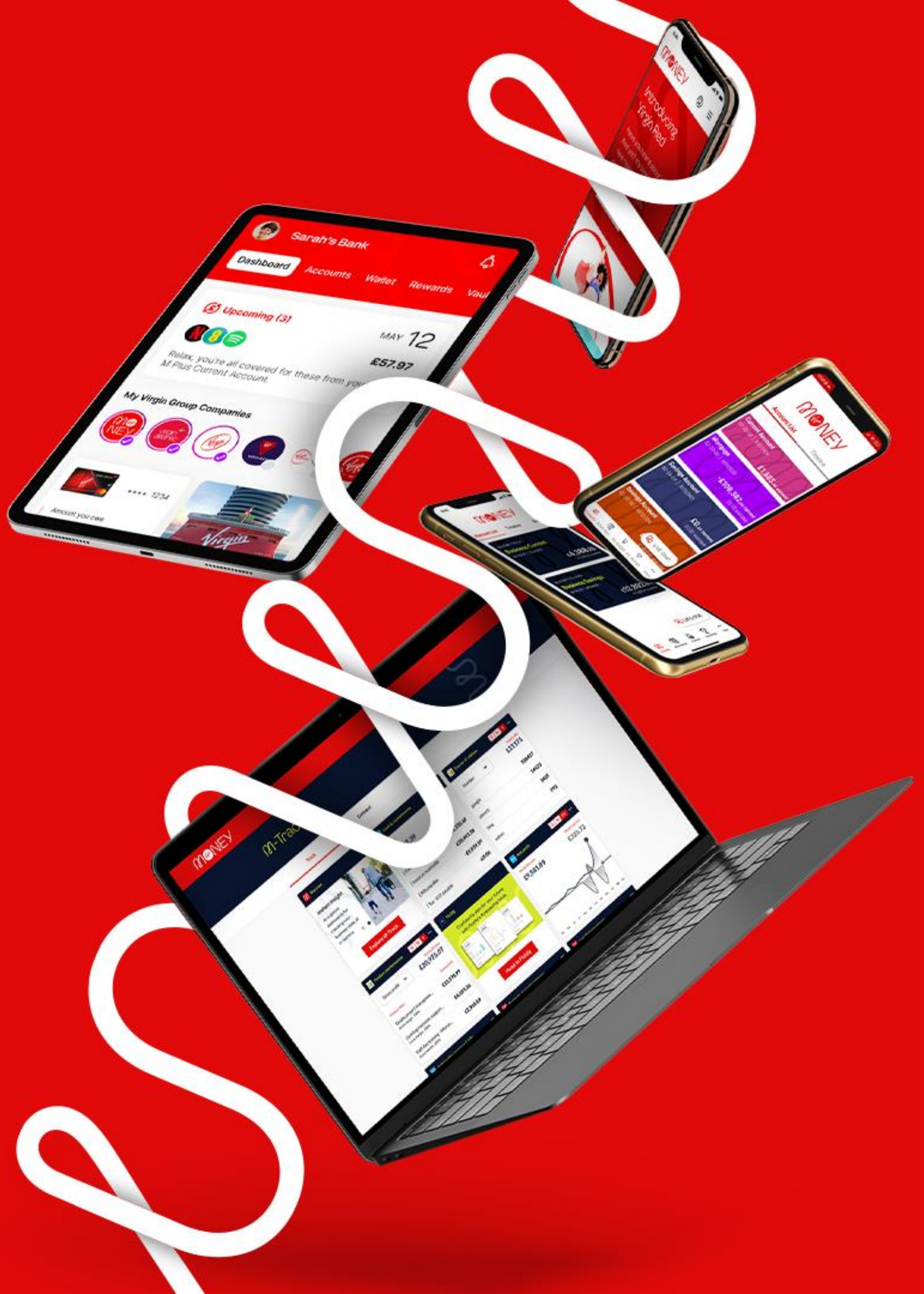
Next strategic update to be presented at Capital Markets Day in late 2024

(1) Excluding financial crime prevention programme from FY24 and cash flow hedge reserve
(2) Buybacks subject to Board and regulatory approval
(3) Excluding financial crime prevention programme from FY24

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

- Solid funding and liquidity position; 146% LCR[1]
- Defensive balance sheet, weighted to mortgages
- Robust provision coverage at 84bps, up 22bps yoy
- Resilient asset quality, stage 3 balances stable
- Strong CET1 ratio of 14.7% at FY23
- Distributing capital through dividends and buybacks[2]

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Digital transformation underway

- On track to deliver c.£200m of gross savings
- New digital propositions delivering customer growth
- 1.91% NIM supported by higher rates and mix
- CIR 6%pts lower vs. FY21, despite higher inflation
- Investing in financial crime prevention capabilities
- Further opportunities to drive automation

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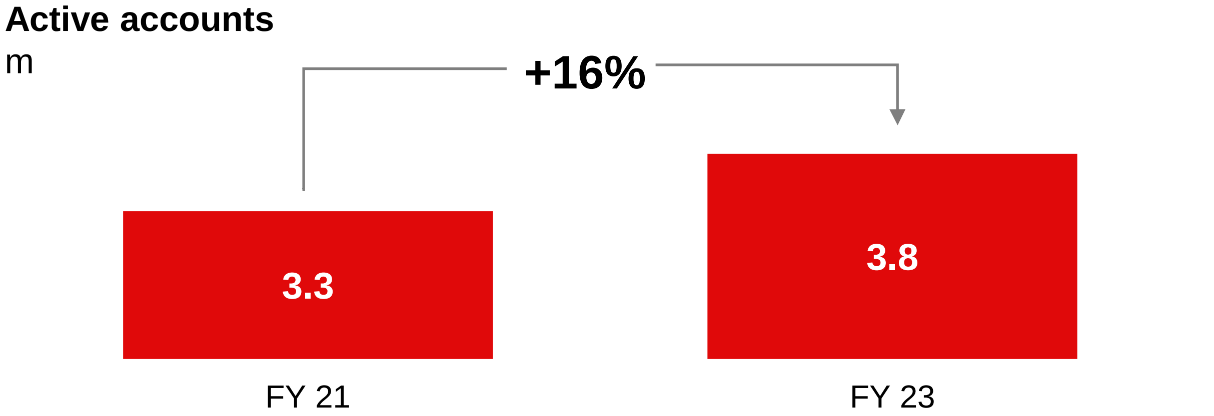
Accelerating profitable growth

- Increasing relationship customer numbers
- Continue targeted lending growth in key areas
- Further growth in relationship deposits
- Further capital generation and distributions
- Efficiencies will support <50% cost:income
- Committed to >10% RoTE in the medium-term

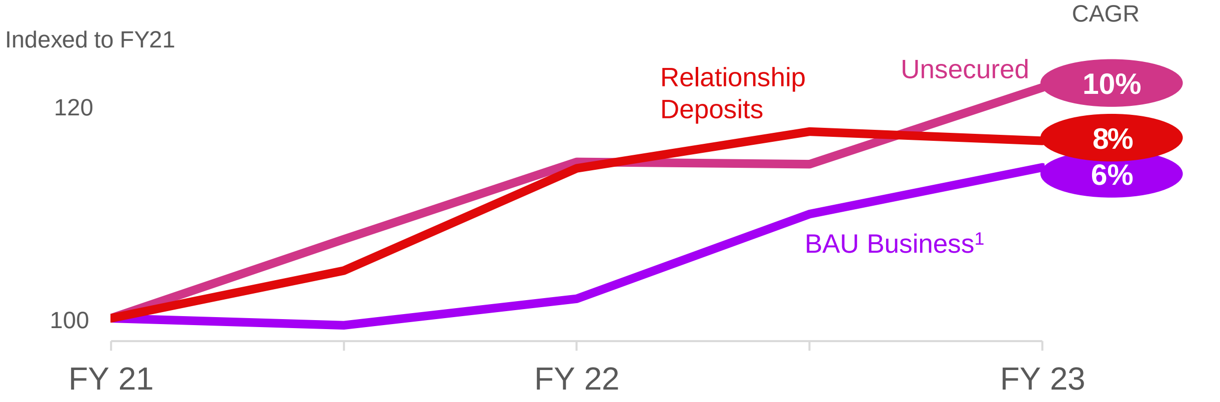
(1) 12-month average
(2) Buybacks subject to Board and regulatory approval

Strategic execution supporting improved financial performance

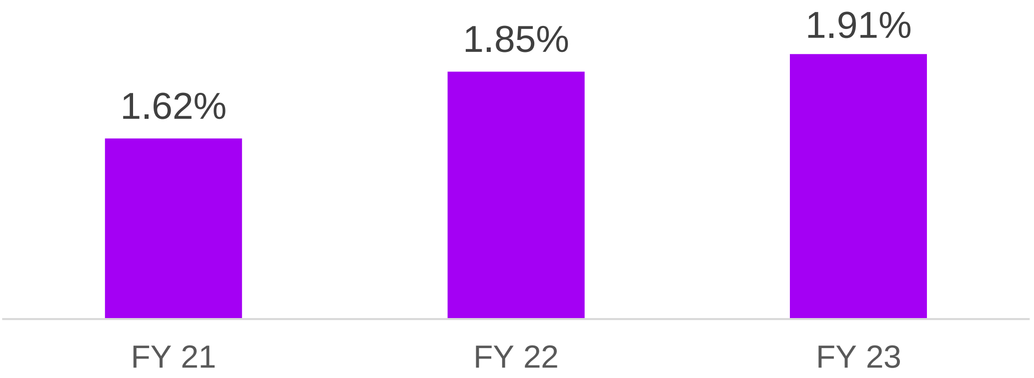
Growth in active relationship accounts



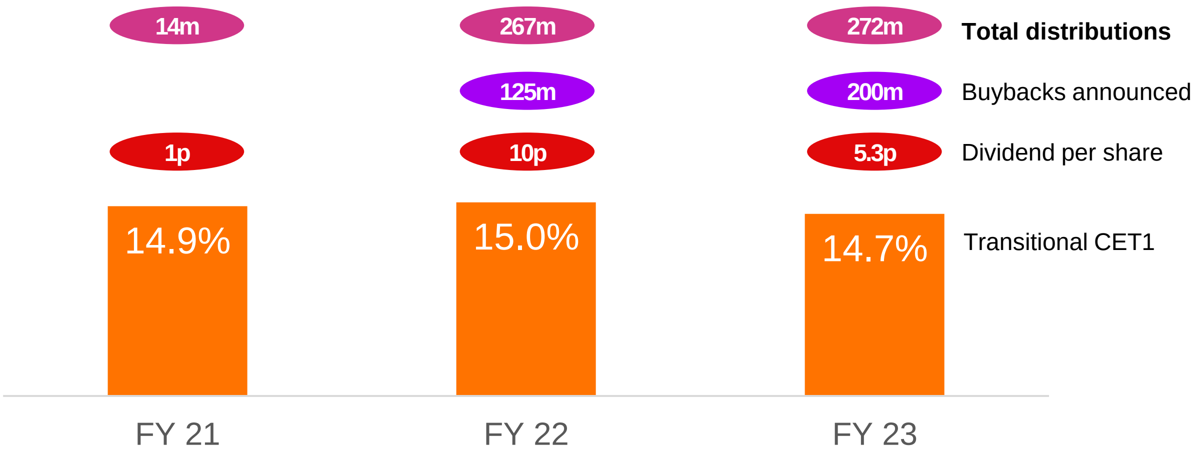
Growth in margin accretive products



Rates and targeted growth delivering improved NIM



Robust capital generation maintaining distributions



(1) Excludes government scheme lending

Strong increase in pre-provision profit driven by income growth

Underlying P&L	12 months to	12 months to	Change
£m	**30 Sep 2023**	**30 Sep 2022**	**FY23 vs. FY22**
Net interest income	1,716	1,592	8%
Non-interest income[1]	157	150	5%
Total operating income	**1,873**	**1,742**	**8%**
Total operating and administrative expenses	(971)	(914)	(6)%
Operating profit before impairment losses	**902**	**828**	**9%**
Impairment loss on credit exposures	(309)	(52)	nm
Underlying profit before tax	**593**	**776**	**(24)%**
Net Interest Margin (NIM)	1.91%	1.85%	6bps
Underlying cost: income ratio	51.9%	52.5%	0.6%pts
Cost of risk	42bps	7bps	(35)bps
Underlying RoTE	7.6%	13.3%	(5.7)%pts

(1) Reflects current and prior period restatement for fair value movements arising from hedge ineffectiveness, now presented within Adjusting items

Resilient statutory profit despite higher adjusting items

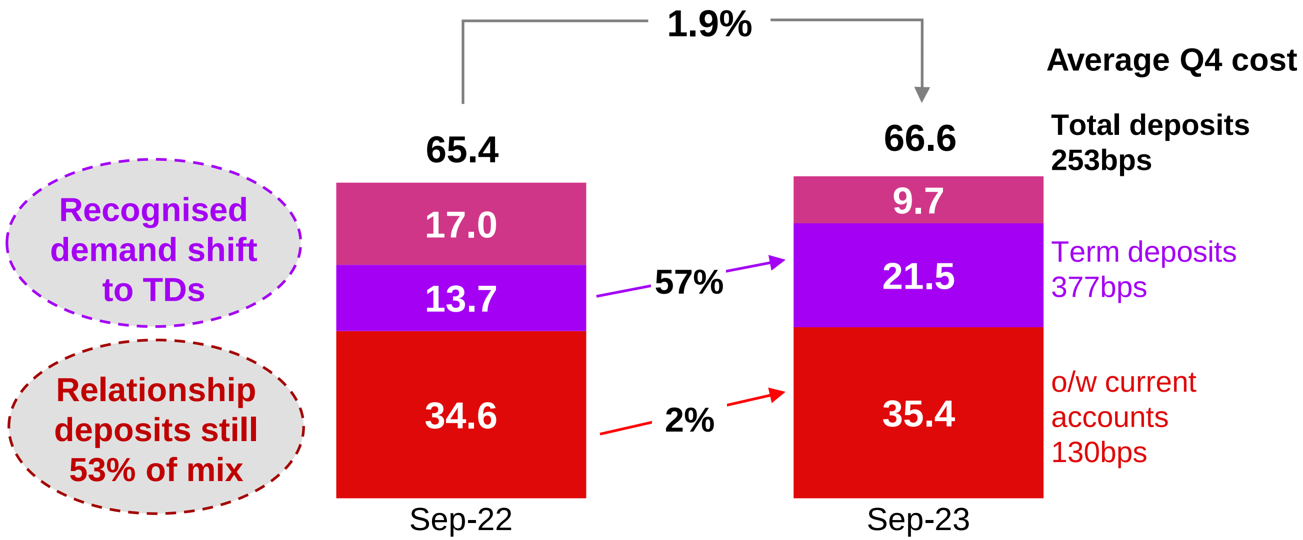
Statutory P&L	12 months to	12 months to	
£m	30 Sep 2023	30 Sep 2022	Comments
Underlying profit before tax	**593**	**776**	
Adjusting items			
- Restructuring charges	(131)	(82)	• On track for £275m FY22-24; expect majority of remaining c.£60m to be incurred in FY24
- Acquisition accounting unwinds	(29)	(35)	• Acceleration of IFRS 3 acquisition accounting adjustments; c.£15m remaining, expected to materially unwind in FY24
- Legacy conduct costs	(12)	(8)	• Ordinary course legal proceedings and legacy claims
- Hedge ineffectiveness	(16)	13	
- Other items	(60)	(69)	• Includes c.£45m of intangible asset charges given deferred implementation and re-design of new mortgage platform
Total adjusting items	**(248)**	**(181)**	
Statutory profit/(loss) before tax	**345**	**595**	
Tax (charge)/credit	(99)	(58)	• Expect effective tax rate in low 20%s for FY24[1]
Statutory profit/(loss) after tax	**246**	**537**	
Statutory Return on Tangible Equity (ROTE)	3.9%	10.3%	
Statutory Earnings Per Share (EPS)	14.0p	32.4p	
Dividend Per Share	5.3p	10.0p	• 30% pay-out ratio subject to one-off adjustment for impact of certain non-cash adjusting items; effective pay-out of 37%
Tangible Net Asset Value (TNAV) per share	359.8p	383.0p	• Includes lower CFHR and pension surplus (see slide 49)

(1) Prior to 2023 Autumn statement

Proactively absorbed deposit migration and optimising cost of funds

Absorbed deposit migration in FY23

Customer deposit balances - £bn



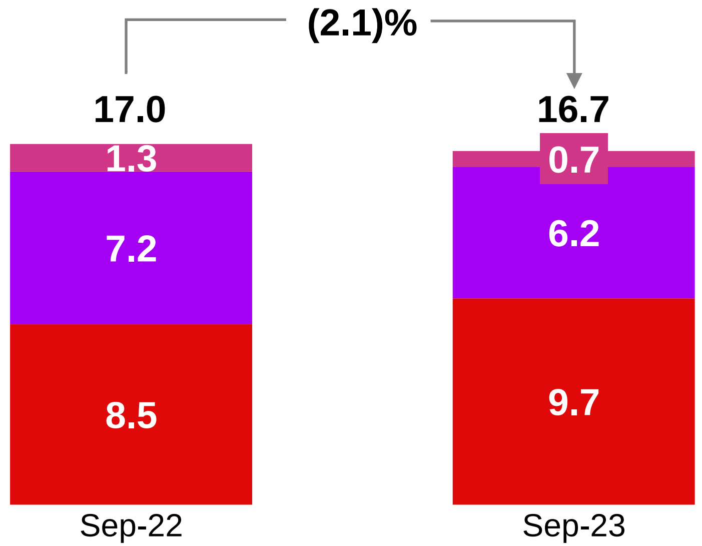
	Sep-22	Sep-23
Cost (bps)	53	186
LDR	111%	109%

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

Pro-actively managed customer demand for higher rate TDs early, supporting deposit growth

Continued strong access to wholesale markets

Wholesale funding balances - £bn



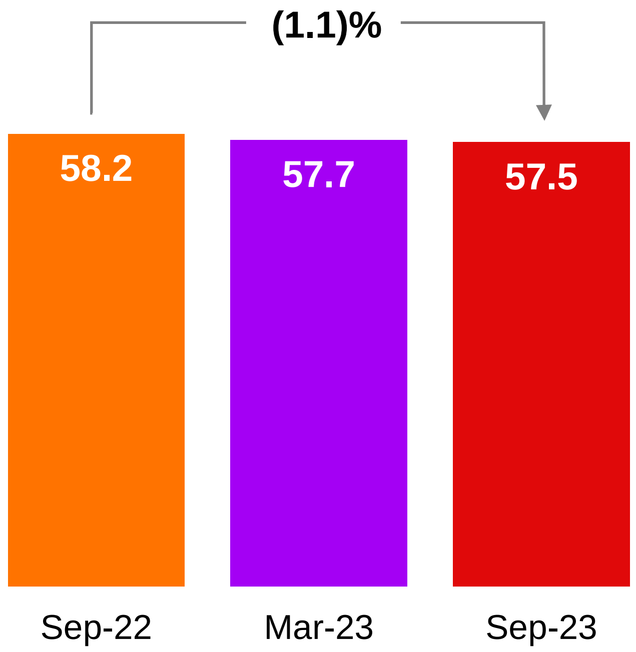
	Sep-22	Sep-23
Cost (bps)	183	496
TFS/TFSME (% of lending)	10%	9%

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

Successful wholesale issuance and deposit raising supporting TFSME repayment

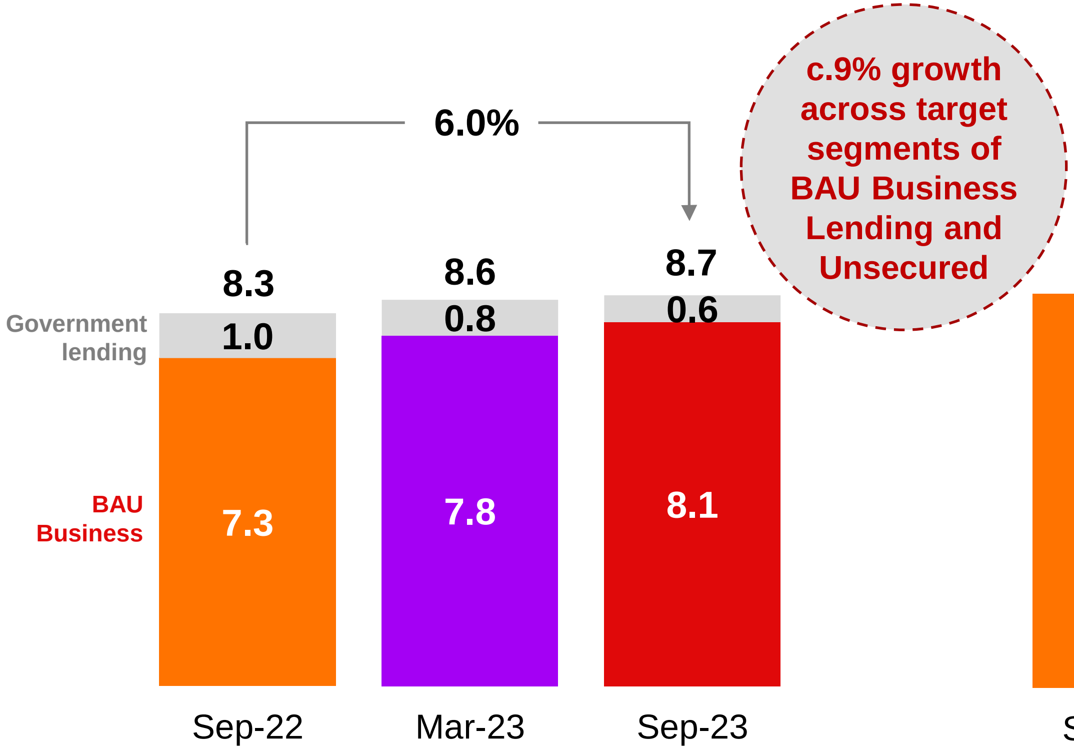
Delivering asset growth prudently in target segments

Mortgages



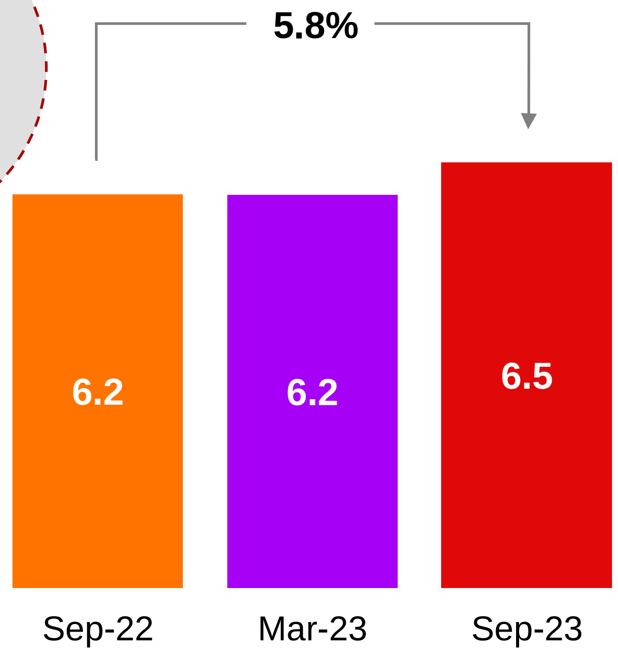
Focusing on protecting margin in a subdued market environment

Business



BAU growth of 11% in FY23 offsetting run-off of government schemes

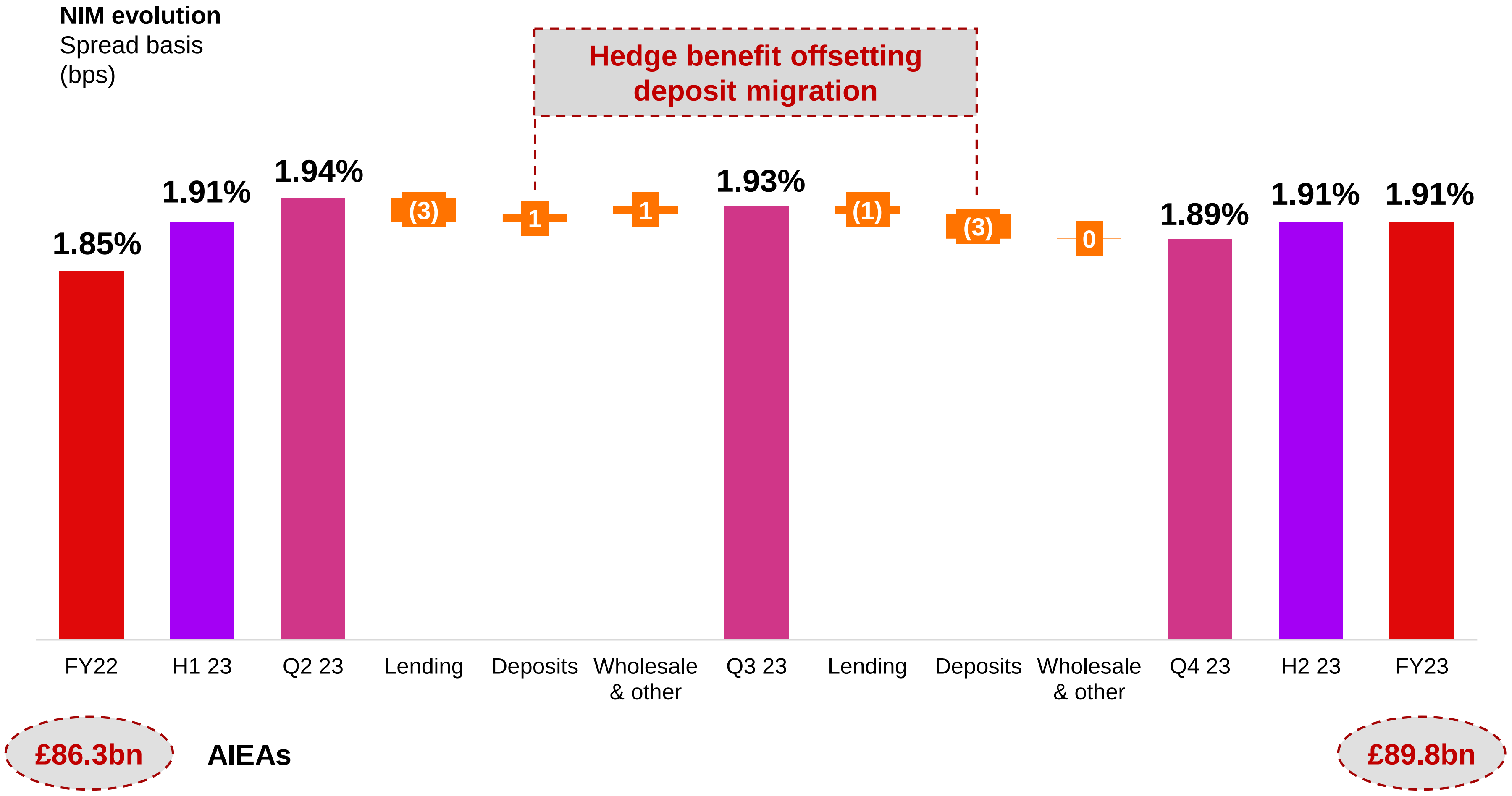
Unsecured



Steady unsecured growth reflects disciplined approach to driving improved profitability

NIM supported by mix and hedge re-investment

NIM stable as expected with benefits from hedge re-investment and mix



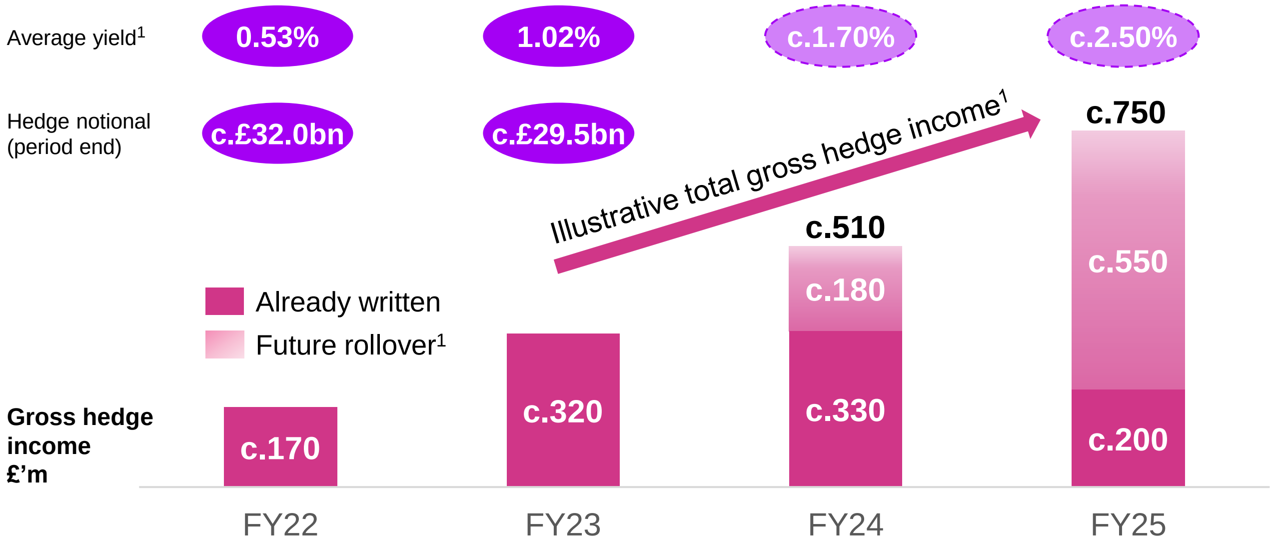
Expect FY24 NIM of 190-195bps

FY24 NIM drivers

- ▲ Structural hedge reinvestment
- ▲ Higher margin lending growth
- ▼ Deposit competition
- ▼ Mortgage margins

Hedge income will continue to drive net interest margin benefit

Gross income from structural hedge significantly higher in FY24



- Already locked in £330m gross hedge income in FY24. Significant further re-investment benefit given hedges maturing at c.1.4%, rolling to current rates >4%
- Modest reduction from c.£29.5bn included in FY24 NIM guidance; transacting swap to reduce hedge notional is NII neutral given SONIA is higher than longer term rates
- Legacy hedge unwind continues (not included above); contribution was c.£80m in FY23 and will be c.£30m in FY24 (and 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.£10m	c.£25m	c.£40m
-25bps parallel	c.£(10)m	c.£(25)m	c.£(40)m

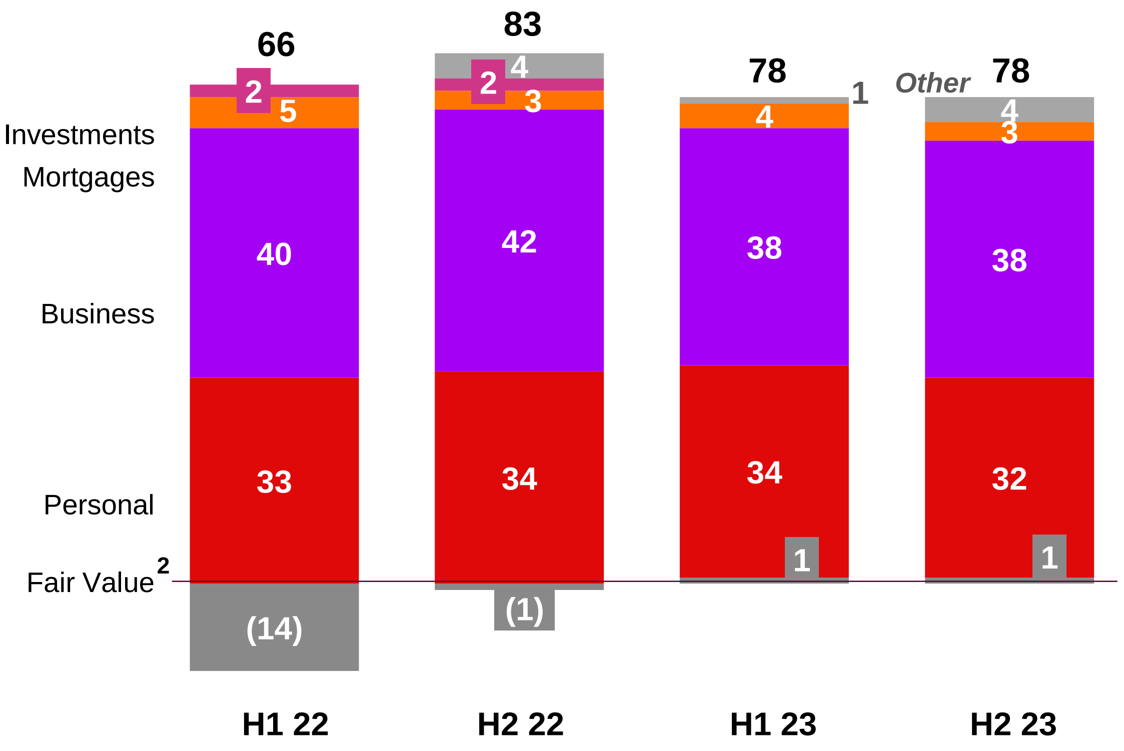
- Year 1 sensitivity is based on assumed commercial response at current base rate
- Assumes the balance sheet is constant; Y 2 & 3 impacts driven by hedge re-investment
- Size of structural hedge is calibrated to an assumed level of deposit pass-through; actual level of pass-through could be different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

(1) Using current yield curve; average yield and total gross hedge income assuming rollovers reinvested in structural hedge with stable notional at c.£29.5bn

Other income supported by resilient activity levels

Resilient activity levels despite higher cost of living

Non-interest income[1] - £m



Strategic initiatives to drive incremental other income

FY23 performance trends

- Lower Personal income in H2 reflects changes to packaged accounts and reduced associated fees, aligned with Consumer Duty regulations
- Lower Business income due to merchant services following change of strategic partner to Global Payments; expected to recover over time

Outlook

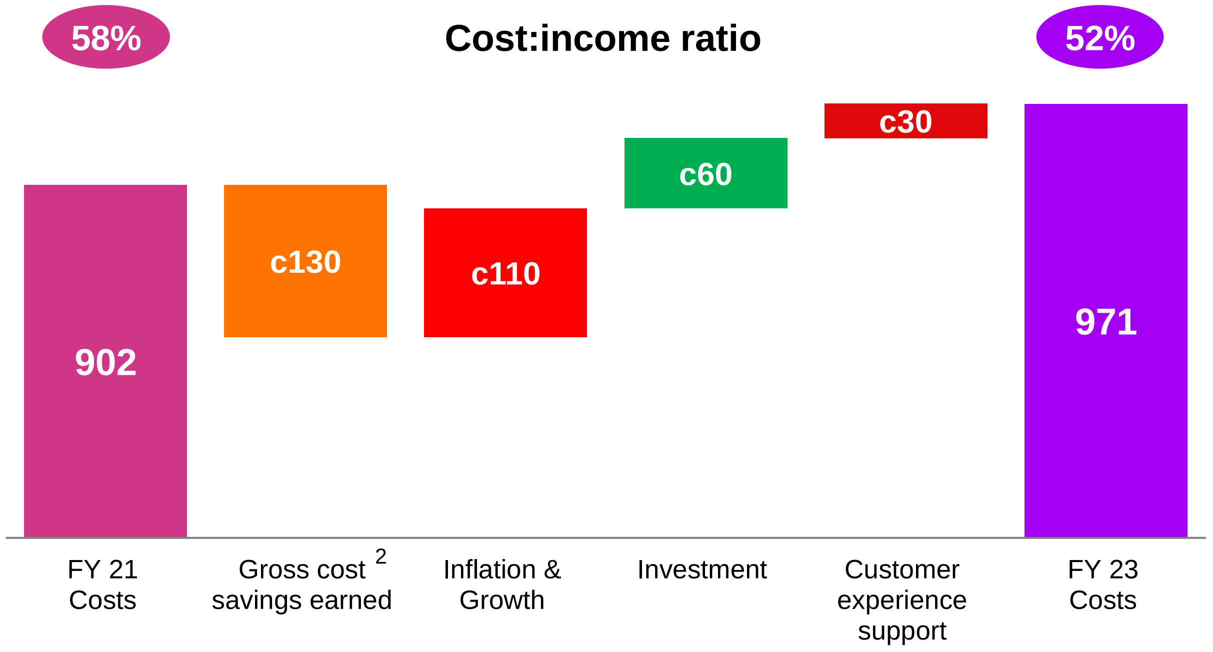
- Near term headwinds from merchant services and Consumer Duty, offset by key initiatives:
  - Unsecured diversification and growth in credit cards
  - Further growth of BCA and Business fee-earning services (including merchant services income recovery over time)
  - Virgin Money Investments proposition, now relaunched
  - Integrated pensions offering launched in FY24
  - Refreshed new digital insurance propositions; Home proposition to come

(1) Reflects current and prior period restatement for fair value movements arising from hedge ineffectiveness, which are now reflected below the line within adjusting items
(2) Remaining Fair Value movements reflect volatility from FX services and interest rate and commodity risk management derivatives offered to Business clients; this volatility has now been mitigated by additional risk management actions, resulting in lower impact in since H2 22

Efficiency gains supporting cost: income reduction since FY21

Gross savings supporting reduction in C:I, despite inflation

Underlying costs £m



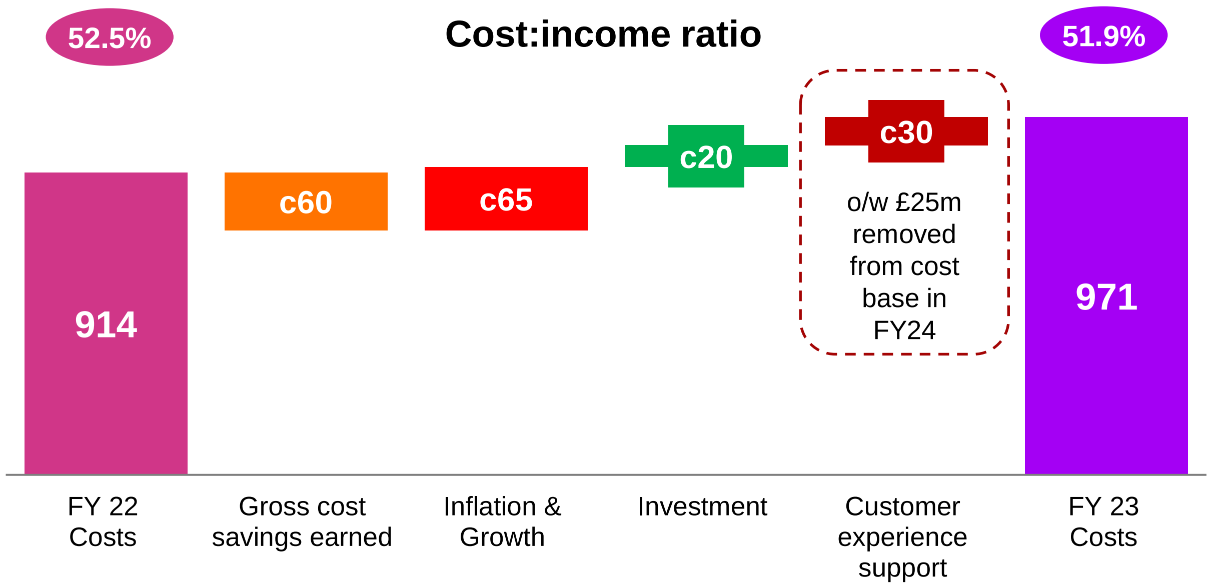
- Gross savings earned, primarily from restructuring activity, has more than offset double-digit inflation since FY21
- We continue to invest back into the business, incremental c.£60m in underlying costs since FY21
- Investment reflects costs associated with key regulatory projects and incremental digital development spend
- This year, incurred additional customer experience costs. Service now improved and majority of costs removed
- Expect underlying cost:income ratio[1] to remain broadly stable in FY24 before reducing in future years

(1) Excluding financial Crime prevention programme
(2) Includes earned savings from initiatives prior to £275m restructuring programme announced at FY21

Efficiency gains mitigated inflation and growth in FY23

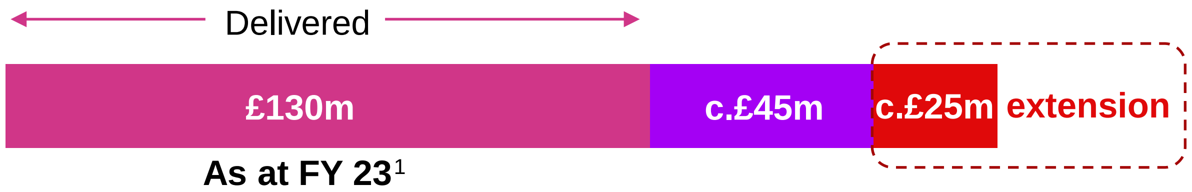
Gross savings offset by inflation, investment and CX support

Underlying costs £m



- Gross cost savings earned mitigating increased inflationary pressures
- Inflation and growth includes wage inflation partially mitigated by pension credit, and higher fraud losses
- Increased investment includes digital development, preparations for Consumer Duty, and other regulatory related investment
- Customer experience support required to underpin customer service; performance now substantially improved and 3rd party resources exited

Now targeting c.£200m of annualised gross cost savings



- Gross savings to date from digitisation (c.35%), 3rd party procurement & sourcing (c.25%) and streamlining property & org design (c.40%)
- Taking action to increase annualised targeted savings from c.£175m to c.£200m via:
  - Further strategic real estate consolidation
  - Outsourcing opportunities
  - Systems simplification
- No change to original c.£275m total restructuring spend
- c.£213m restructuring spend to date; expect majority of remaining c.£60m to be incurred in FY24

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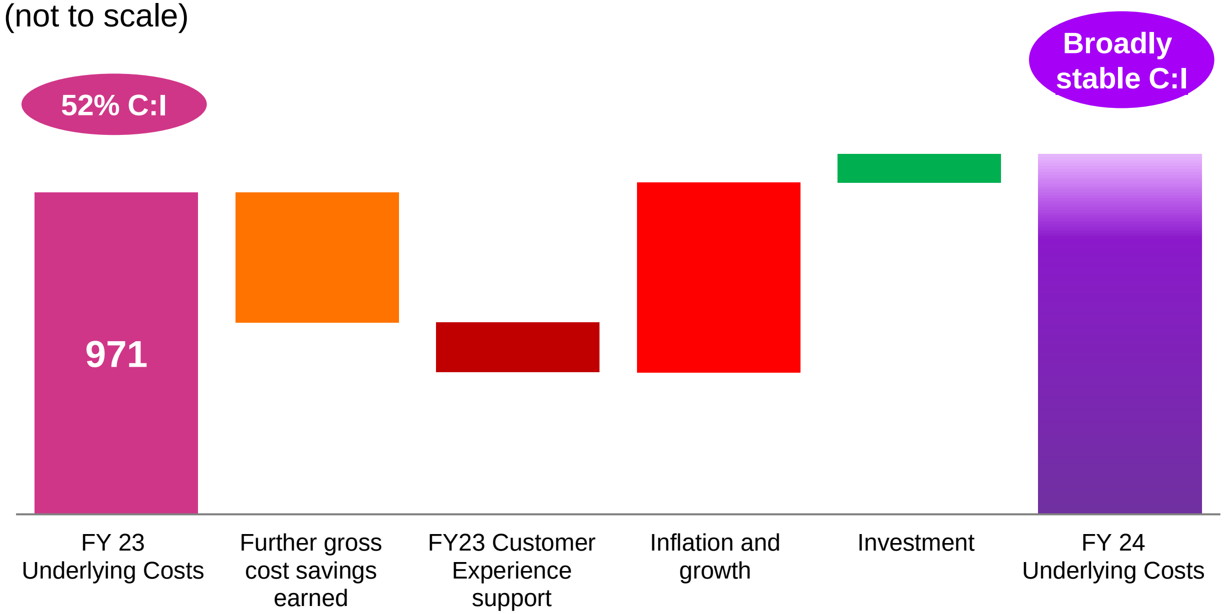
(1) Annualised cost savings from £275m restructuring programme announced at FY21

Stable underlying cost:income ratio expected in FY24

Stable cost:income supported by further efficiency gains

Underlying cost expectations in FY24, ex. Financial crime prevention programme (not to scale)



- Clear line of sight to delivery of c.£200m of annualised gross savings
- Majority of FY23 customer experience support costs will not recur in FY24, given service has stabilised
- Cost savings provides headroom to absorb inflation (including wages), targeted balance sheet growth and incremental regulatory investment
- Stable underlying cost:income ratio in FY24 (excluding financial crime prevention programme)

Investing in Financial crime prevention programme

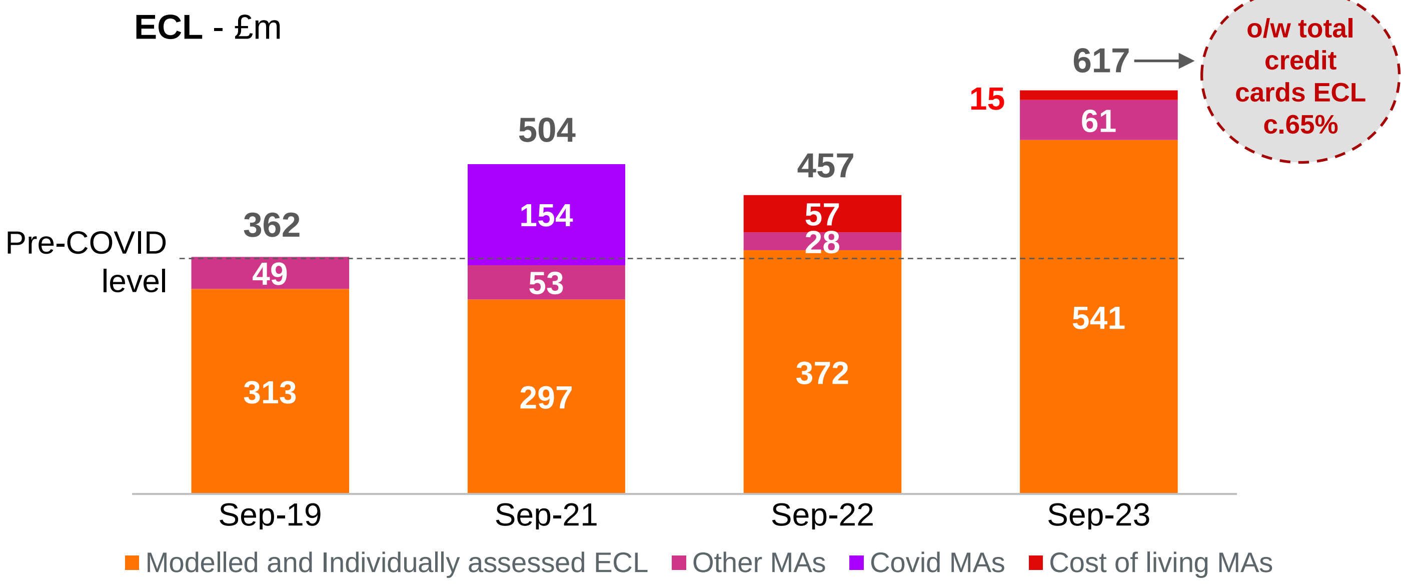
FY24 – FY26 Financial crime prevention programme

- Investing c.£130m across FY24-FY26 (c.£40m in FY24); no capitalisation
- Excluded from underlying performance; outside the normal course of business and non-recurring (for notable items, see Appendix 52)
- Ring-fenced spend to deliver clear outcomes (see Appendix 30 for further detail). Summary outcomes:
  - **Economic crime:** improved anti-fraud capability, AML and payments upgrades — c.£65m
  - **Cyber defence**: upgrading detection capabilities, mitigating future risk — c.£35m
  - **Data capabilities:** enrich data and analytical capabilities, including AI; BCBS 239 — c.£30m

Safeguarding the bank and our customers

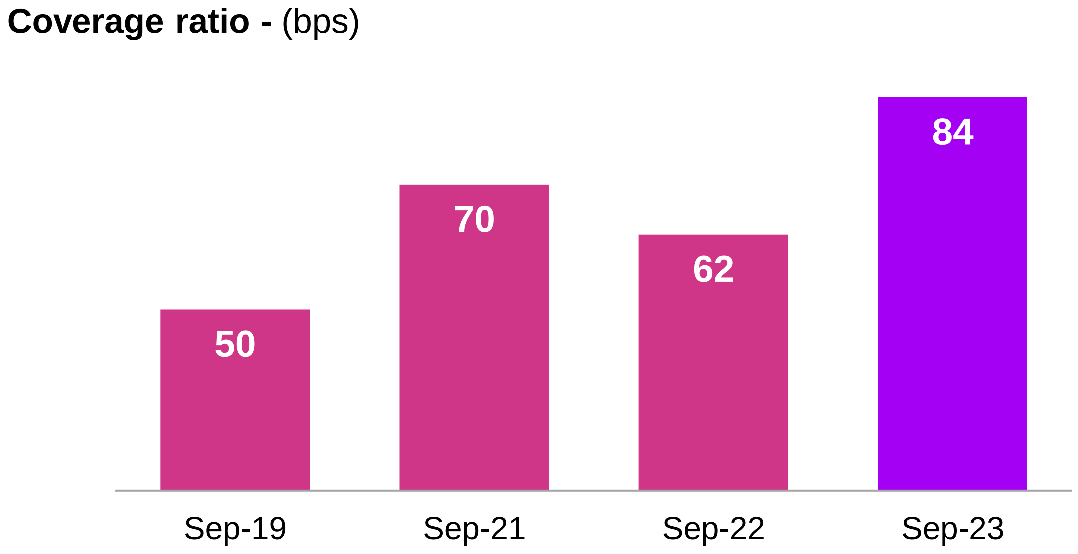
Higher provisions reflect conservative economic outlook

Updated ECL and MAs drive higher provisions



- Updated economics and credit bureau data drives c.£130m of provision build in credit cards (c.80% of total), anticipating continued increase in arrears
- % of cards in Stage 2 now 22% (FY22: 14%); 95% of credit cards in stage 2 remain 0 DPD; significant coverage against any further deterioration
- £15m of MAs maintained to cover cost of living / operating issues in business lending for additional prudence

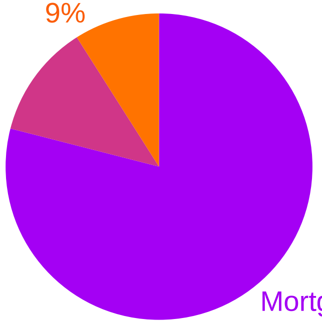
Provision coverage further strengthened



- Coverage increased to 84bps reflecting updated macroeconomic assumptions and credit bureau data; anticipating continued increase in arrears
- Overall arrears remain low, 96% of Stage 2 balances remain <30 DPD. Cards coverage now c.7% (FY21: c.4%), reflecting migration from Stage 1 into Stage 2
- FY23 cost of risk of 42bps reflects prudence in provision build, including macroeconomic outlook now expecting more subdued economy for longer

Well positioned balance sheet with tightened underwriting

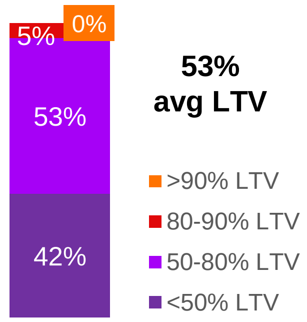
Group Portfolio: Defensively positioned, skewed to mortgages



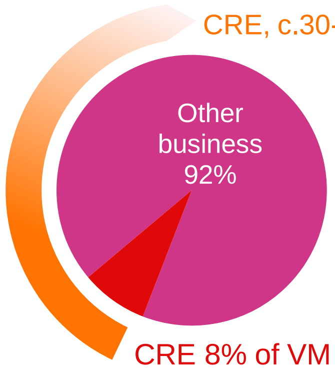
- Consistent underwriting supports credit quality
- Targeted approach to growth in current environment
- Resilient performances across recent stress tests

Mortgages: Underwriting criteria reduces refinancing risk

- Low-risk book; affordability stressed to give headroom
- Avg. LTI of <3x for OO and high ICR cover on BTL
- LTVs reflects risk appetite and HPI



Business: Lending to resilient sectors, with minimal CRE

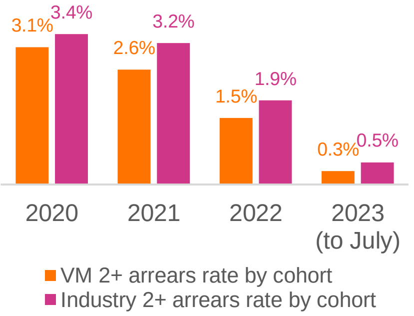


- Majority of lending to our specialist defensive sectors
- Key customers well placed to pass on cost increases
- <£0.6bn of CRE at average LTV of c.50%[1]

Unsecured: Further strengthened coverage

- Book remains skewed to affluent customers
- Arrears increasing given maturing portfolio and diversification
- Spending remains skewed to discretionary items
- Strong cards provision coverage, increased to c.7%

VM credit card arrears vs industry by year of origination

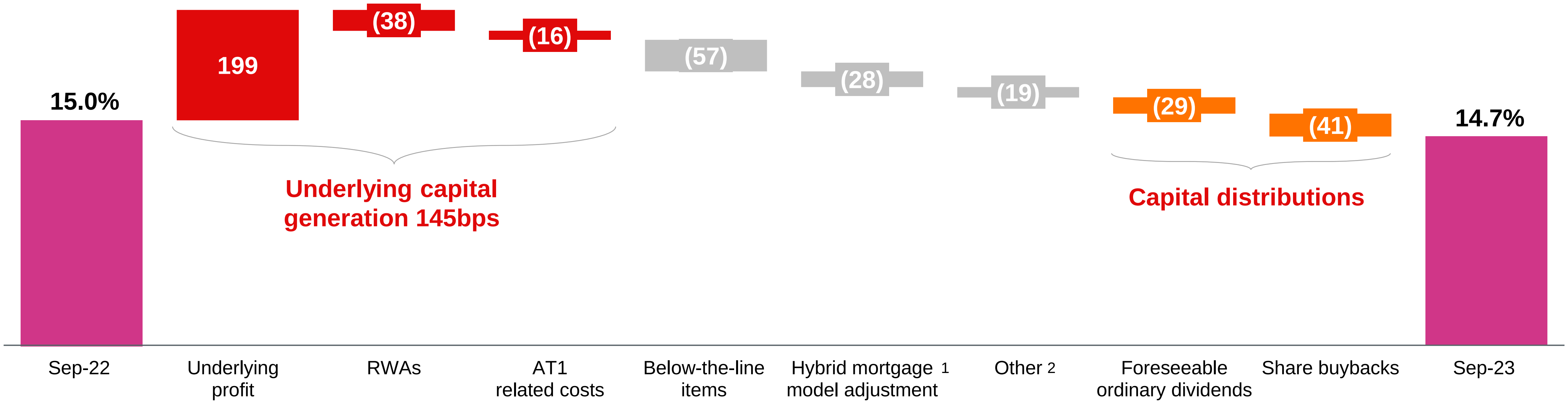


(1) excludes housing associations

Source: Industry data Argus Advisory to July 2023. Cohorts presented on calendar year basis. Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Improved capital generation continues to support distributions

Transitional CET1 ratio evolution (bps)



22.0%	**Total capital ratio**	21.2%
5.0%	**UK leverage ratio**	5.0%
32.1%	**MREL ratio**	31.9%

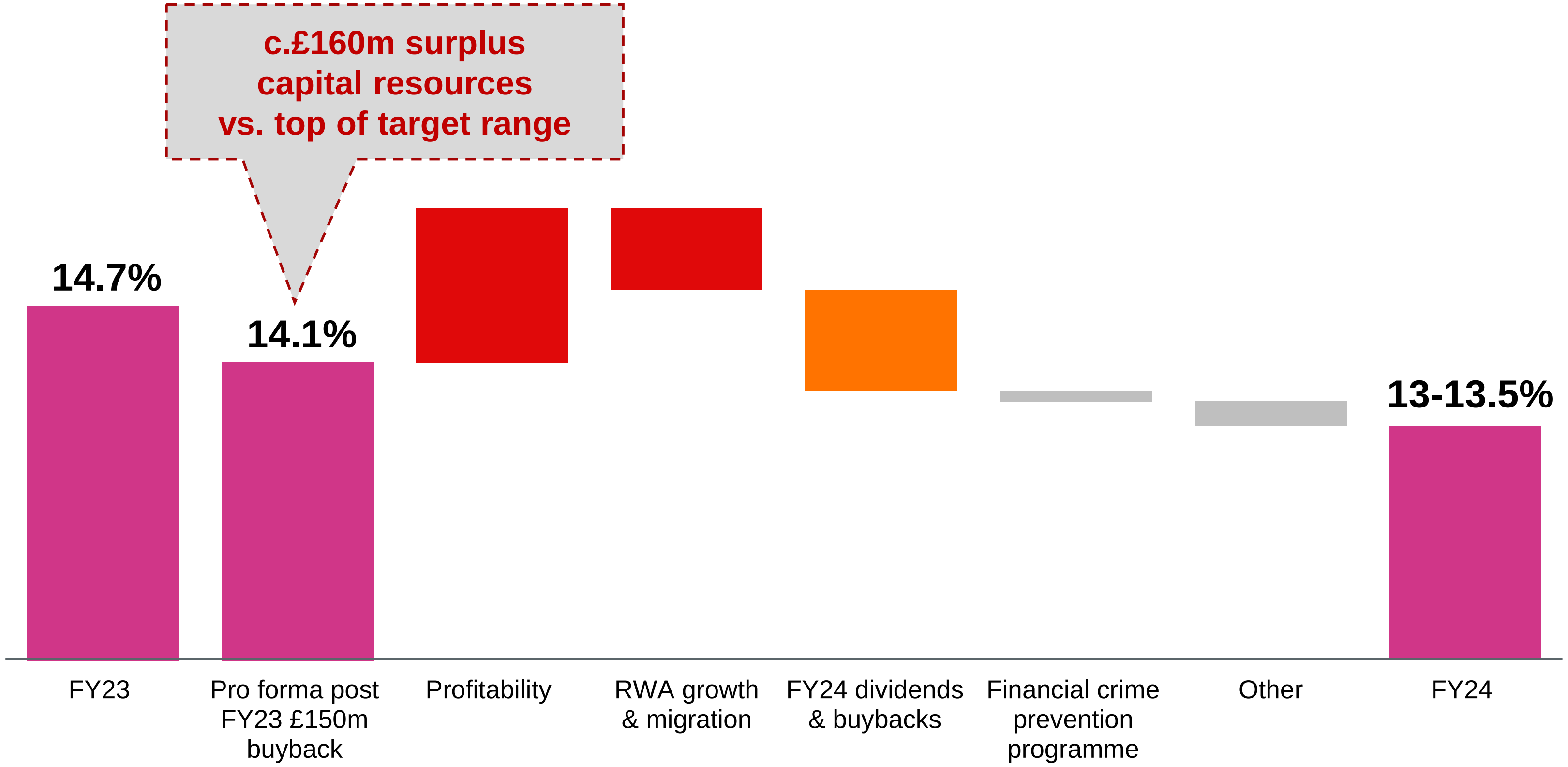
VIRGIN MONEY UK

(1) Hybrid model adjustment reflects latest view; final outcome remains subject to regulatory approval
(2) Mainly FVOCI reserve movements, reflecting change in value of liquidity holdings attributable to credit spreads

CET1 strength – returning to target range by end FY24

Surplus CET1 available for growth, investment and distribution

CET1 evolution, not to scale



Expect to be in target 13 – 13.5% CET1 range in FY24

Key FY24 capital drivers

- ▲ Profitability
- ▶ Pension surplus following latest triennial valuation; no impact on capital
- ▶ Basel 3.1 implementation delayed (1 July 2025); no material day 1 impact
- ▶ Mortgage hybrid impact already reflected in FY23
- ▼ £150m buyback: c.60bps CET1 in Q124
- ▼ RWA growth:
  - 5-10% growth in target Unsecured and Business lending
  - Modest mortgage RWA migration assuming weaker macros, including HPI reduction
- ▼ Further shareholder distributions in FY24 around FY23 nominal level (c.£270m)[1]
- ▼ Financial crime prevention programme: c.£40m in FY24 (pre-tax)
- ▼ Other includes IFRS 9 transitional relief

(1) Buybacks subject to Board and regulatory approval

Updated outlook

FY24 guidance	
NIM	FY24 NIM of 190-195bps
Underlying costs	Cost:income to remain broadly stable in FY24[1]
Cost of risk	Cost of risk to be in the range of 30-35bps
Investment	Expect majority of remaining c.£60m of the c.£275m restructuring costs to be incurred in FY24 Expect to spend c.£40m in financial crime prevention programme in FY24
CET1	CET1 in target range of 13 – 13.5%
RoTE	Underlying RoTE of c.10%[2] Statutory RoTE of c.8%
Capital distribution	FY24 distributions around FY23 nominal level; dividends (30% payout); buybacks subject to Board and regulatory approval

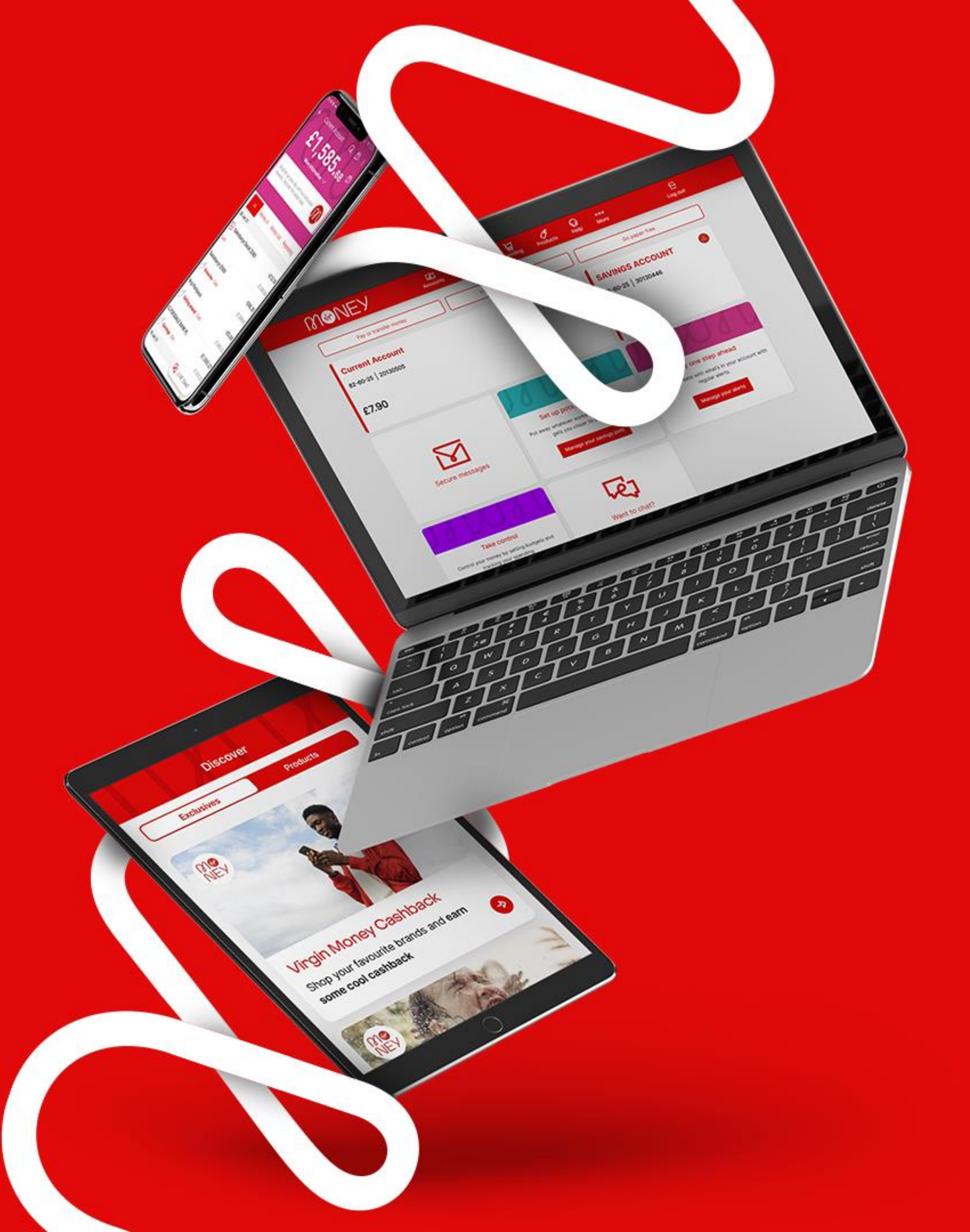
Medium term outlook	
Income	Volume growth and improving margin drives expansion
Underlying costs	Cost:income ratio to reduce below 50%
Growth	Targeting growth in Unsecured and Business; maintaining mortgage market share over medium term
Investment	Expect to spend c.£130m in financial crime prevention programme between FY24-26
CET1	Remain in target CET1 range
RoTE	Committed to generating sustainable double-digit statutory returns

(1) Excluding financial crime prevention programme from FY24
(2) Excluding financial crime prevention programme from FY24 and cash flow hedge reserve

Conclusion

David Duffy

Chief Executive Officer



3 year digital strategy on track to deliver a stronger VMUK

Between FY21 and FY24 Purpose-led digital strategy will have delivered

Discipline & Sustainability
- **Established Tier 1 bank:** 2 strong stress tests, robust funding, liquidity and coverage
- **Major capital return:** c.£800m capital distributions by FY24, return to target CET1 range

Pioneering Growth
- **NIM expansion:** over 30bps higher since FY21 with improving outlook
- **Target segments:** c.20% growth in Business / Unsecured and Relationship deposits

Super Straightforward Efficiency
- **Increased efficiency:** CIR improved 6ppts to 52%, journey digitisation doubled
- **Targeted savings:** Further annualised savings, 2/3s reduction in property footprint

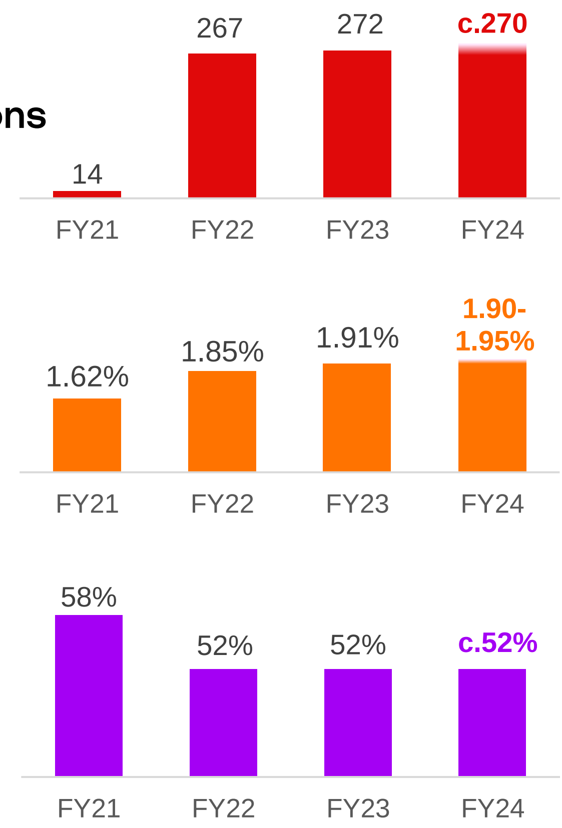
Delighted Customers & Colleagues
- **Integrated app:** single interface, with all products, digital wallet, Red rewards & cashback
- **Engaged colleagues:** New leadership and ALMV model driving record engagement

Strong financial momentum

Capital distributions

NIM

Cost: income



FY21 FY22 FY23 FY24

Q&A

David Duffy
Chief Executive Officer

Clifford Abrahams
Chief Financial Officer

Appendix

Financial crime prevention programme

	2024: Strengthen core defences (c.£40m)	2025-26: Further sophistication (c.£90m)	Key outcomes
Economic crime	• Build new fraud platform & enhanced detection models • Enhance biometrics, screening & controls • Deliver enhanced financial crime platform • Enhance data and analytics capability	• Launch and implement new fraud platform • Upgrade Voice Biometrics • Integration of new single customer risk assessment and Due Diligence system	• Improved economic crime risk management • Enhanced customer authentication • Effective and efficient Financial Crime prevention, detection and reporting capabilities • Lower fraud losses and improved CX
Cyber defence	• Improve threat surface monitoring • Increase detection capability • Build foundations for stronger security assurance	• Multi-factor authentication • New cyber services platform • >50% AI driven security response	• Future proof against emerging threats • Secure digital bank customers can trust
Data capabilities	• Establish data / BCBS governance forums • Enhance data lineage and governance • Deep dive diagnostic across material metrics	• Working towards full BCBS 239 compliance • Data & systems integration including data lineage • Enhance Bank data architecture	• Data architecture supporting risk management • Enhanced strategic decision making • Increasingly rich data and analytics capabilities

Robust funding and liquidity positions; defensive balance sheet

Resilient balance sheet: defensively positioned

- Strong CET1 ratio of 14.7%, MREL ratio of 31.9% vs. 26.6% requirement
- Robust provision coverage at 84bps, well provided for economic downturn
- Defensively positioned book, skewed to low-risk mortgages
- Prudent underwriting and skew to affluent customers in Unsecured
- Business lending weighted to sectors able to manage inflation risks

Deposit base: weighted to retail and insured

- 75% of customer deposit base weighted to retail deposits
- 72% of total deposits insured under FSCS
- 80% of PCA customers with balances <£5k
- 66% of BCA customers with balances <£5k
- £1.2bn of total net deposit inflows in FY23

Stable funding base

- NSFR[1] stable at 136% at FY23 (FY22: 134%), compared well to peers
- High concentration of deposits from retail & small business customers
- Short term (<1 year) % of total debt securities in issue only 19%
- £6.2bn TFSME outstanding at FY23 (£1.0bn was repaid to date)
- Funding plan includes TFSME re-financing well ahead of contractual maturity

Liquidity: LCR and HQLA

- LCR[1] increased to 146% at FY23 (FY22: 140%)
- c.£14bn HQLA is 75% cash / gilts & 25% AAA rated investment securities
- All investment securities are hedged for interest rate, inflation and FX risk
- All investment securities held at FVOCI – FV movements in CET1 resources
- Additional c.£7bn of secondary liquidity

Strong retail deposit base underpins robust funding and liquidity positions

(1) 12-month average

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

Customer and propositions – digitisation and improvement

	FY21	By FY24	FY23 progress
Customer interactions	70% voice	80% digital	**63% digital**
Fully digitised key customer journeys	27%	100%	**50%**
PCA digital adoption	62%	>80%	**70%**
# non-digital accounts	1.3m	Low	**0.5m**
Mortgage application automation	Limited	100% digital	**Deferred beyond FY24**
Service centres	6 Voice-led	Fewer, digitally-led	**5 service centres**

Colleagues and digital – productivity and agility

	FY21	By FY24	FY23 progress
Colleague interfaces	Multiple	Single sign on	**Underway**
Property footprint	c.900k sq ft	c.300k sq ft	**c.440k sq foot**
Branches	162	Fewer, digitally-led	**91[1]**
Data Centres	6	2	**1st exits FY24**
Infrastructure in Cloud	c.5%	c.75%	**Underway, focus on new services**
IT delivery lead time	13 weeks	6 weeks	**15 weeks (new Agile projects)**

Some digitisation activities slowed in H1 to focus on customer service; pace accelerated and cost savings on track

(1) Including store closures announced in August 2023

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 for own operational 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

FY23 Highlights

- ✓ Achieved 16% reduction[1] in Scope 1 and 2 emissions
- ✓ Set KPIs and revised targets to Net Zero by 2030 within our direct operations (Scope 1&2) and 2050 for our supplier base
- ✓ Disclosed priority Scope 3 category emissions targets and roadmaps ensuring compliance with NZBA and TCFD

- ✓ Updated net zero plans now cover c.85% of Group lending
- ✓ 11% reduction in measured financed emissions[2]
- ✓ Sustainable Business Coach enhancements implemented; successful application to Green Homes Finance Accelerator fund

- ✓ Turn2us benefits calculator used by c.50k people identifying >£4.5m of benefits[3]
- ✓ >£1.5m Macmillan Fundraising over our 3-year charity partnership
- ✓ Launch of BRAVER framework; refreshed DE&I strategy and targets

- ✓ FY23 TCFD compliant
- ✓ ESG Scorecard defined and tracked monthly at Environment Committee. KPIs established and embedded within business
- ✓ Enhanced ESG disclosures; retained MSCI Ratings Agency AA (Leader status), uplift in Moody's and retained Low Risk score with Sustainalytics

(1) Annualised comparison
(2) From FY22 on a like for like basis; includes data and methodology improvements
(3) As at end Sep '23

Credit and ESG Ratings

Credit Ratings		Senior Unsecured	Issuer Credit Rating	Short-term	Tier 2	AT1	Outlook	Latest update
Moody's	VMUK	Baa1	**Baa1**	P-2	Baa2	Ba1	Stable	August 2023
Standard & Poor's	VMUK	BBB-	**BBB-**	A-3	BB	B	Stable	March 2023
Fitch	VMUK	BBB+	**BBB+**	F2	BBB-	BB	Positive	June 2023

- Fitch Outlook upgrade reflects expected structural improvement in profitability, cost efficiencies, improving risk profile and robust asset quality

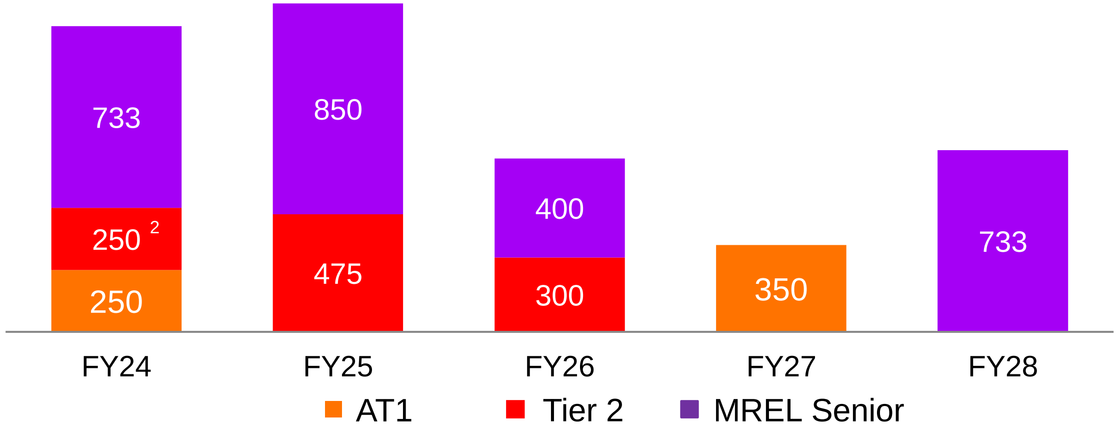
ESG Ratings	Latest Score (↑ = FY23 move)	Scale	Rank	Latest update
Sustainalytics	**18.5** (was 18.1) →	**0-100** 0 as a best possible score	**Low Risk** (2nd highest level)	July 2023
MSCI	**AA** →	**AAA to CCC** AAA as a best possible score	**Leader** (highest level)	April 2023
Moody's Analytics	**51/100** (was 50/100) ↑	**100-0** 100 as a best possible score	**Robust** (2nd highest level)	April 2023

- Enhanced disclosure, transparency and engagement reflected in strong ESG ratings

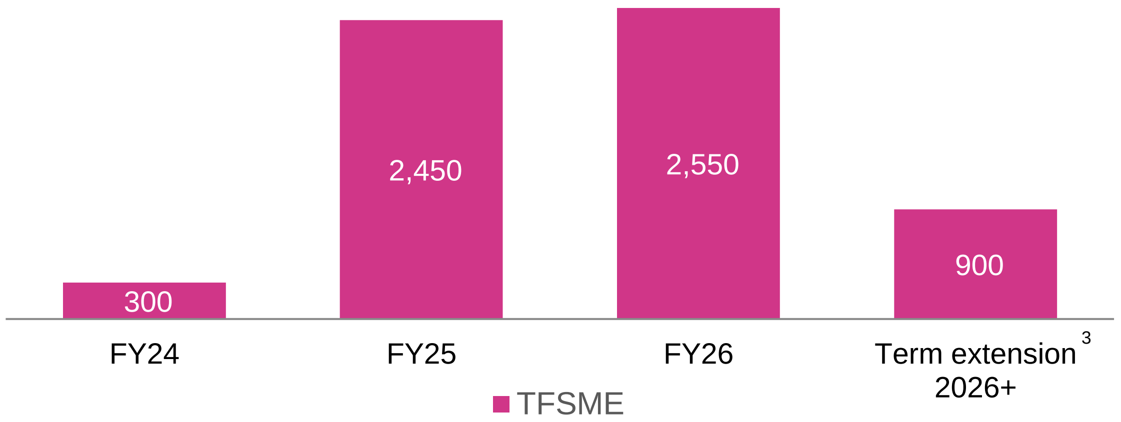
Strong, stable and diversified wholesale funding base

Consistency in maturity profile

Unsecured redemptions [1]
£m



TFSME contractual maturities (excludes any early repayments)
£m



Stable funding sources with reducing reliance on BoE funding

- Short term (<1 year) % of total debt securities in issue only 19%
- Well-established wholesale funding programmes and proven market access
- £1bn TFSME repaid to date (£6.2bn remains) - plan to continue to repay TFSME well ahead of contractual maturity
- The Group expects to issue £1.5bn - £2.0bn of secured issuance in FY24 subject to deposit flows and relative cost
- Capital and MREL issuance is expected to be broadly limited to maintaining the current surplus to regulatory requirements
- £250m AT1 first call June 2024

Strong funding & liquidity metrics

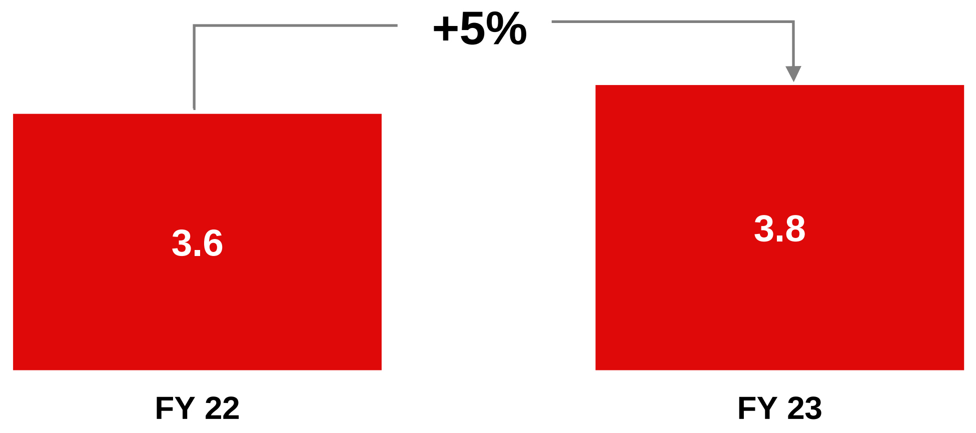
LCR	Loan-to-deposit ratio	NSFR
146%[4]	109%	136%[4]

(1) Unsecured debt securities redemption profile based on first call date. Spot GBP equivalent nominal amounts as at 30th September 2023
(2) Intention to redeem the £250m Tier 2 Note on its first call date of 14th December 2023 was announced on 16th October 2023 and was pre funded with £300m Senior MREL Note in August 2023
(3) Refers to TFSME tranches eligible for term extension to 6-10yrs in line with scheme rules on Government backed BBL lending (4) 12-month average

Growth in active relationship customer accounts

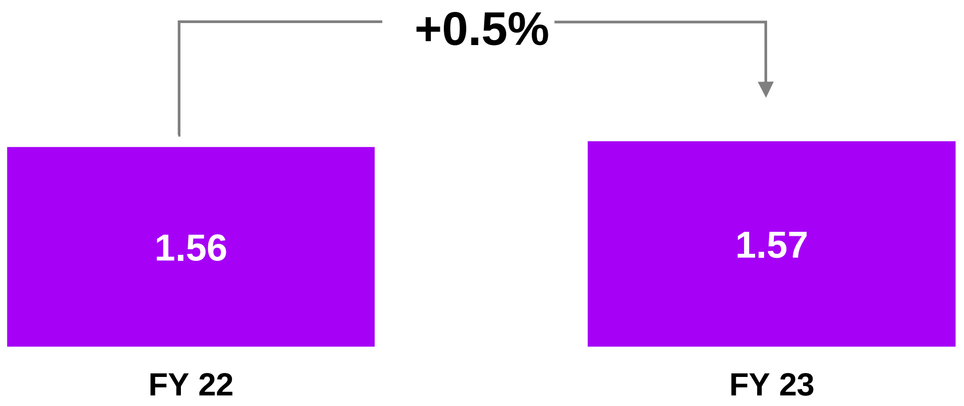
Total active relationship customer accounts[1]

Active accounts
m



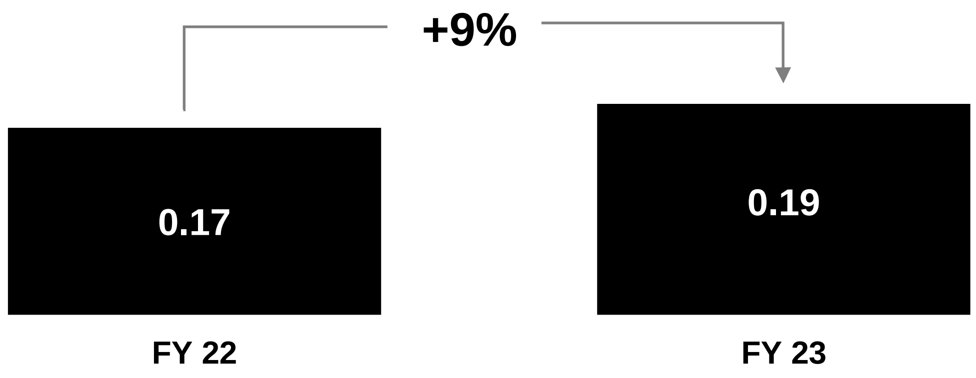
Personal Current Accounts

Active accounts (transaction in last 12m)
m



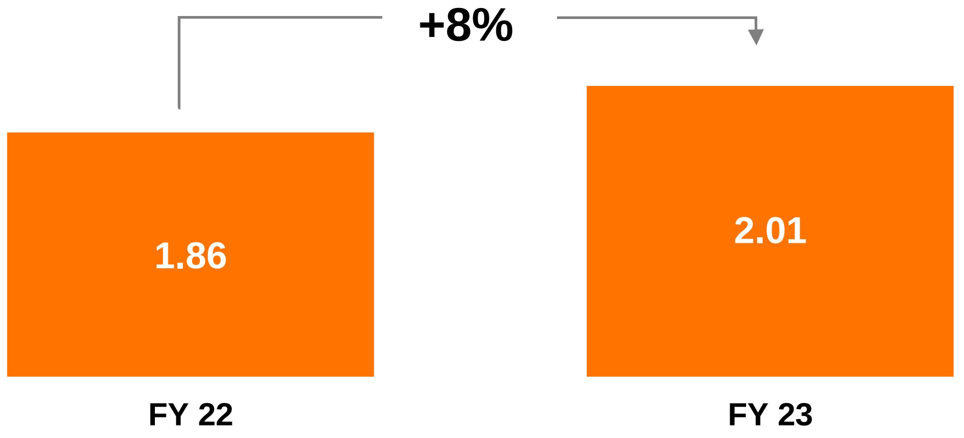
Business Current Accounts

Active accounts (transaction in last 12m)
m



Credit Cards

Active accounts (balances >£0)
m

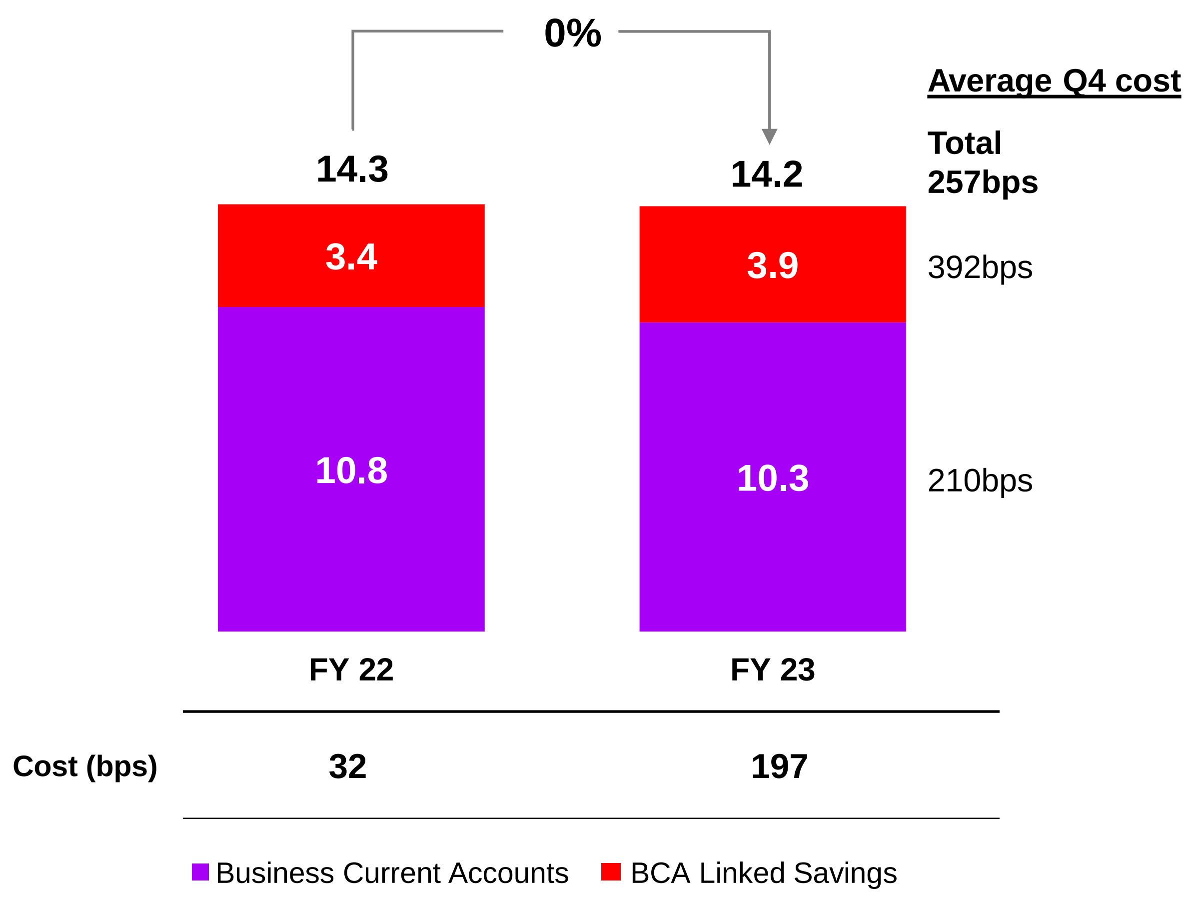


(1) Defined as active PCA, BCA and Credit Card accounts

Overall growth in relationship deposits

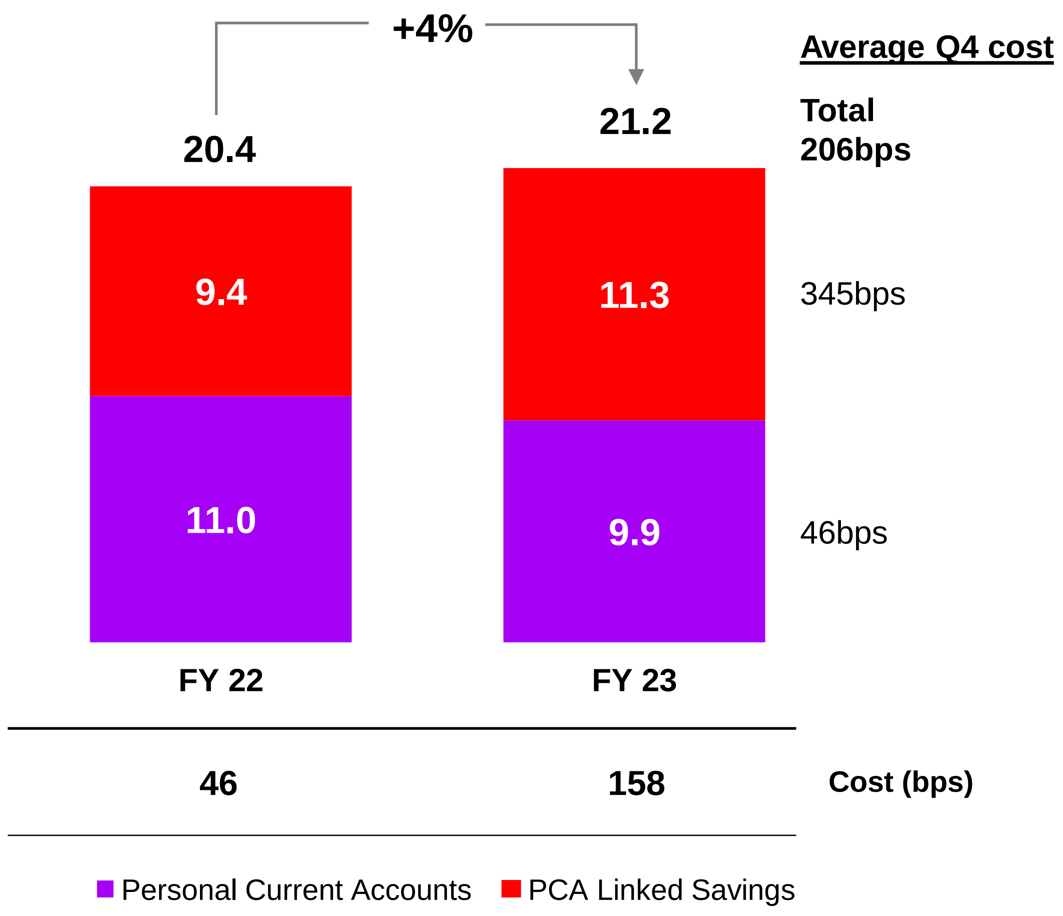
Business

Relationship deposit balances
£bn



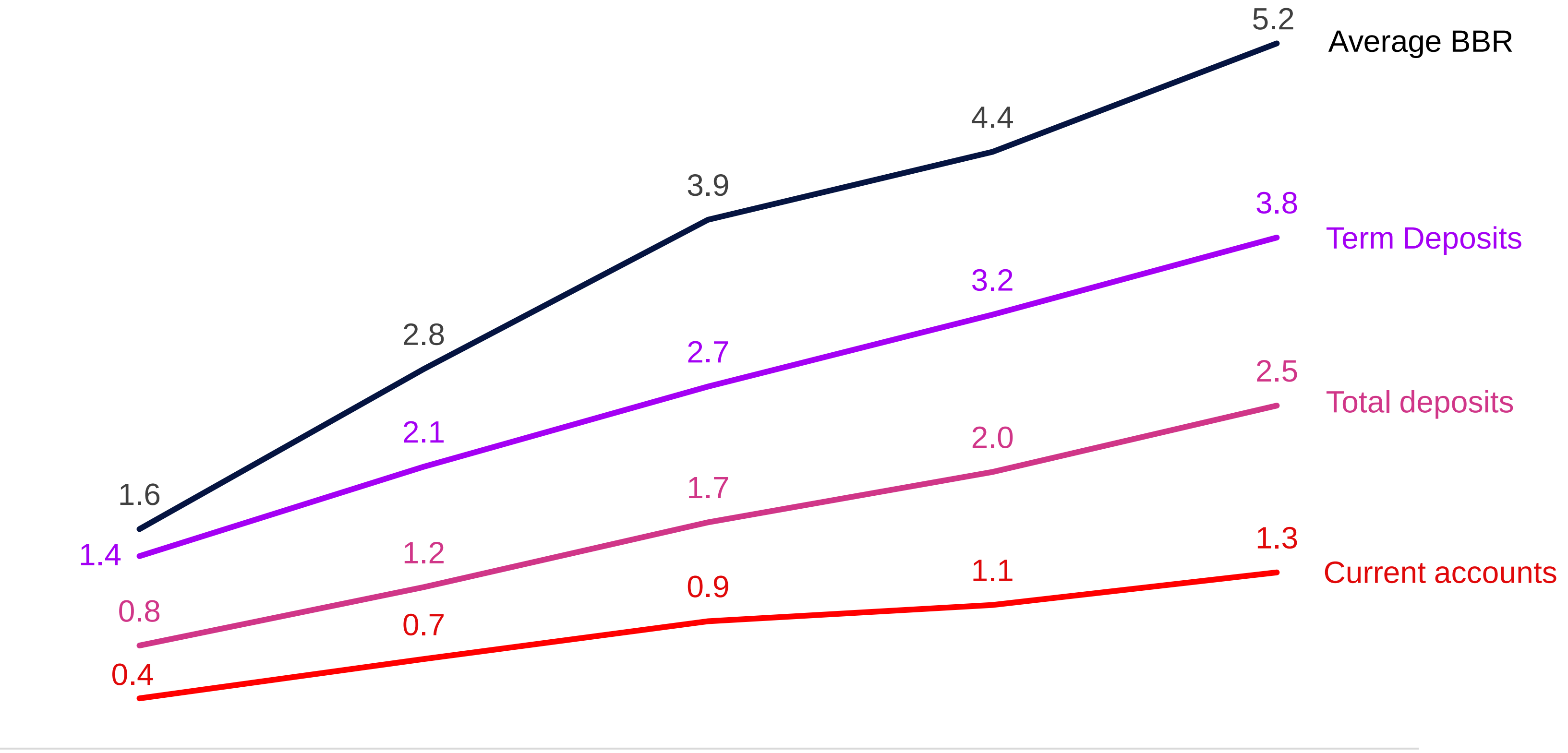
Personal

Relationship deposit balances
£bn



Already absorbed significant deposit migration in FY23

Average customer deposit rate and UK base rate %



	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Term Deposit mix	21%	25%	29%	31%	32%
Current account mix	33%	33%	31%	31%	30%

Resilient to further deposit migration

- Pro-actively managed deposit migration early in FY23; TD mix up from 21% to 32% YoY
- Current account mix has reduced modestly from 33% to 30% YoY
- Despite lower current account balances, relationship deposit mix has remained stable at 53%
- Vast majority of current accounts interest bearing; blended Q4 average pay rate of 1.3%
- Average cost of total deposits in Q4 was 2.5%, above other high street lenders

Updated IFRS9 scenarios & weightings; supplemented by overlays

Updated economic scenarios

Scenario	Measure[1]	2023	2024	2025	2026
Upside 10%	GDP	0.4%	3.0%	2.6%	3.0%
	Unemployment	4.2%	4.1%	3.9%	3.8%
	HPI	(1.3)%	(4.8)%	(0.9)%	6.6%
Base 55%	GDP	0.5%	0.4%	1.5%	2.3%
	Unemployment	4.2%	4.5%	4.3%	3.9%
	HPI	(2.7)%	(7.2)%	(2.9)%	4.6%
Downside 35%	GDP	(0.1)%	(3.3)%	0.7%	1.9%
	Unemployment	4.3%	5.7%	6.7%	7.0%
	HPI	(4.7)%	(12.7)%	(7.6)%	1.0%
Weighted average	GDP	0.3%	(0.6)%	1.3%	2.2%
	Unemployment	4.2%	4.9%	5.1%	5.0%
	HPI	(3.3)%	(8.9)%	(4.4)%	3.6%

Provision coverage supplemented by management adjustments

	Sep-22 ECL	o/w MA	Sep-23 ECL	o/w MA	Change in MAs
Mortgages	£56m	£34m	£57m	£32m	£(2)m
Unsecured	£284m	£32m	£429m	£29m	£(3)m
Business	£117m	£18m	£131m	£15m	£(3)m
Total	**£457m**	**£85m**	**£617m**	**£76m**	**£(8)m**

- Remain well positioned given uncertain economic environment
- Higher ECL results in further increase in coverage (now 84bps)
- Increase in Unsecured ECL reflective of higher modelled ECL in credit cards driven by updated economics and credit bureau data

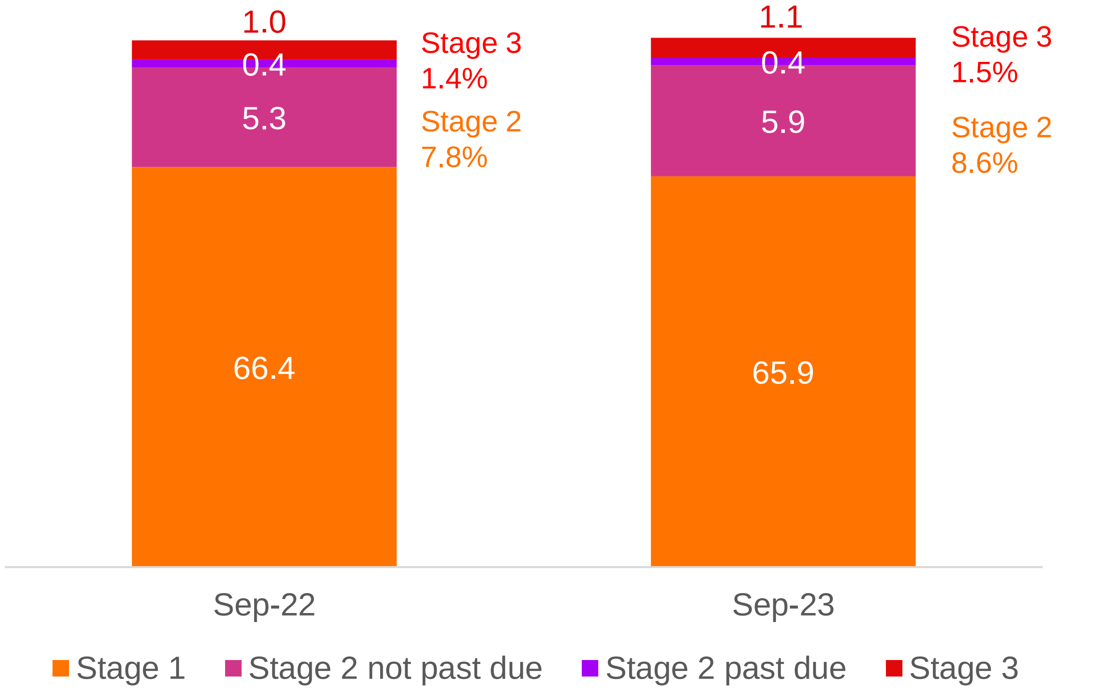
Source: Oxford Economics (September 2023) and company data

(1) GDP (yoy %), Unemployment (average), HPI growth (Q4 to Q4)

Resilient asset quality and improved provision coverage

Stage 2 increased; Stage 3 proportion unchanged

Gross loans and advances
£bn



- Stage 2 increase reflects stage migration in Unsecured, primarily reflective of refreshed MES and latest bureau data, i.e. not past due
- Stage 3 remained stable at 1.5%; of Stage 2 balances, 94% are 0 days past due (FY22: 93%) and 96% are <30 days past due (FY22: 96%)

Provision coverage remains strong

	Sep-22 Coverage Ratio	Sep-23 Gross Loans	Sep-23 ECL	Sep-23 Coverage Ratio	FY23 Cost of Risk
Mortgages	9bps	£57.8bn	£57m	10bps	0bps
Unsecured	466bps	£6.8bn	£429m	665bps	430bps
o/w cards	*481bps*	*£6.1bn*	*£392m*	*688bps*	*483bps*
o/w loans & overdrafts	*388bps*	*£0.7bn*	*£37m*	*488bps*	*86bps*
Business	159bps[1]	£8.7bn	£131m	160bps[1]	44bps
Total	**62bps**	**£73.3bn**	**£617m**	**84bps**	**42bps**

- Coverage strengthened to 84bps, primarily reflecting increased credit card provision, given migration from stage 1 to stage 2
- Updated macroeconomic assumptions and credit bureau data driving stage migration, in anticipation of higher arrears, and c.£130m credit card provision build in FY23
- Cost of risk 42bps in FY23; expect 30-35bps for FY24

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

Updated MES and bureau data driving Stage 2 migration in cards

Mortgages

	Gross Loans[1] (£bn)		ECL (£m)		Coverage	
	Sep-22	Sep-23	Sep-22	Sep-23	Sep-22	Sep-23
Total	58.5	57.8	56	57	0.09%	0.10%
Stage 1	54.8	54.5	10	13	0.02%	0.02%
Stage 2	3.1	2.7	32	27	1.02%	0.99%
Stage 3	0.6	0.6	14	17	2.28%	3.03%
% stage 2 NPD	*89.4%*	*88.9%*				

Credit cards

	Gross Loans[1] (£bn)		ECL (£m)		Coverage	
	Sep-22	Sep-23	Sep-22	Sep-23	Sep-22	Sep-23
Total	5.6	6.1	246	392	4.81%	6.88%
Stage 1	4.7	4.7	57	42	1.29%	0.98%
Stage 2	0.8	1.3	156	294	21.94%	23.16%
Stage 3	0.1	0.1	33	56	50.96%	54.15%
% stage 2 NPD	*93.4%*	*94.6%*				

% of cards in Stage 2: 22% (FY22: 14%)

Business[2]

	Gross Loans[1] (£bn)		ECL (£m)		Coverage	
	Sep-22	Sep-23	Sep-22	Sep-23	Sep-22	Sep-23
Total	8.2	8.7	117	131	1.59%	1.60%
Stage 1	6.3	6.3	12	30	0.22%	0.49%
Stage 2	1.5	2.0	55	51	3.75%	2.66%
Stage 3	0.4	0.4	50	50	19.96%	19.76%
% stage 2 NPD	*98.2%*	*98.5%*				

Total

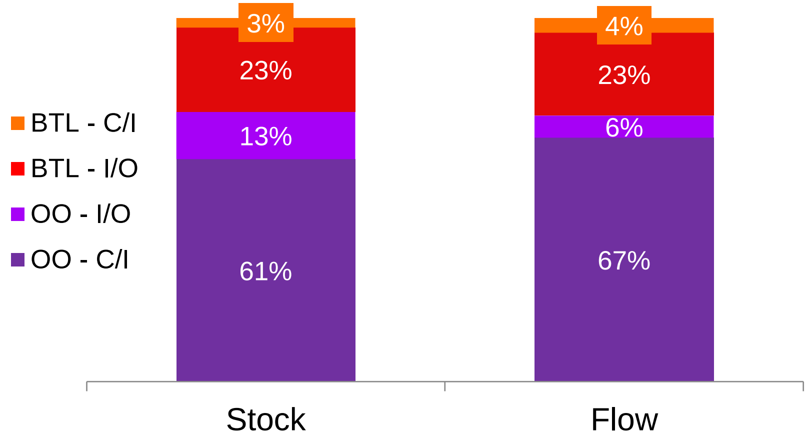
	Gross Loans[1] (£bn)		ECL (£m)		Coverage	
	Sep-22	Sep-23	Sep-22	Sep-23	Sep-22	Sep-23
Total	73.1	73.3	457	617	0.62%	0.84%
Stage 1	66.4	65.9	85	89	0.13%	0.13%
Stage 2	5.7	6.3	268	400	4.72%	6.33%
Stage 3	1.0	1.1	104	128	11.24%	13.93%
% stage 2 NPD	*92.8%*	*93.6%*				

(1) Excludes loans designated at fair value through profit or loss (FVTPL), balances due from customers on acceptances, accrued interest and deferred and unamortised fee income
(2) Government-guaranteed loan balances excluded for purposes of calculating the Business division coverage ratio

Mortgages: Low LTV, with robust affordability

Prime mortgage book weighted towards owner occupied

Repayment and borrower profile (FY23)



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 at SVR+3% allowing rate headroom
- c.10% of the mortgage book has a maturing fixed rate in H1 24

Owner-occupied (74%)

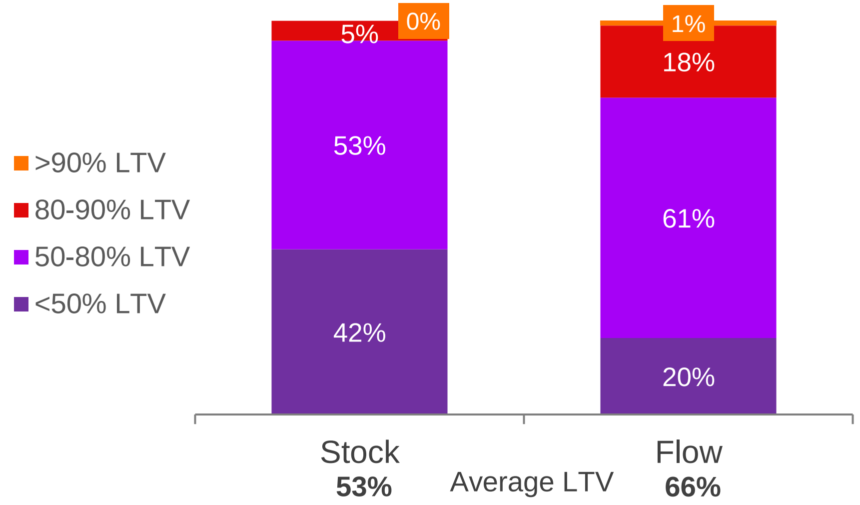
- Average LTV is 53%; 0.7% is >90% LTV
- Prudent average LTI; <3x in 2023
- Arrears lower than industry (0.7% v 0.9%[1])

Buy-to-let (26%)

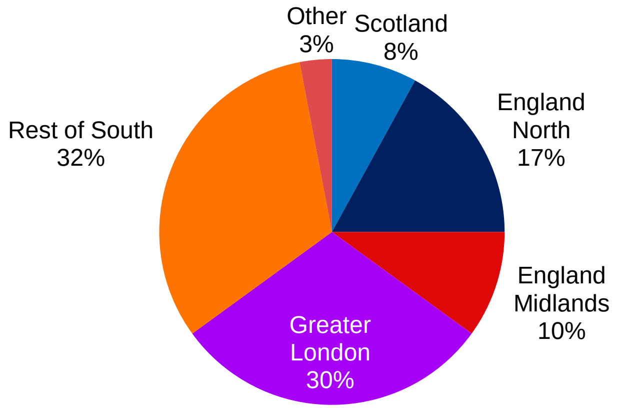
- Average LTV is 53%; max LTV of 80% for new lending
- Conservative rental income and borrower affordability requirements
- Arrears lower than industry (0.4% v 0.6%[1])

Low LTV and geographically diversified

Loan-to-value of all mortgage lending (FY23)



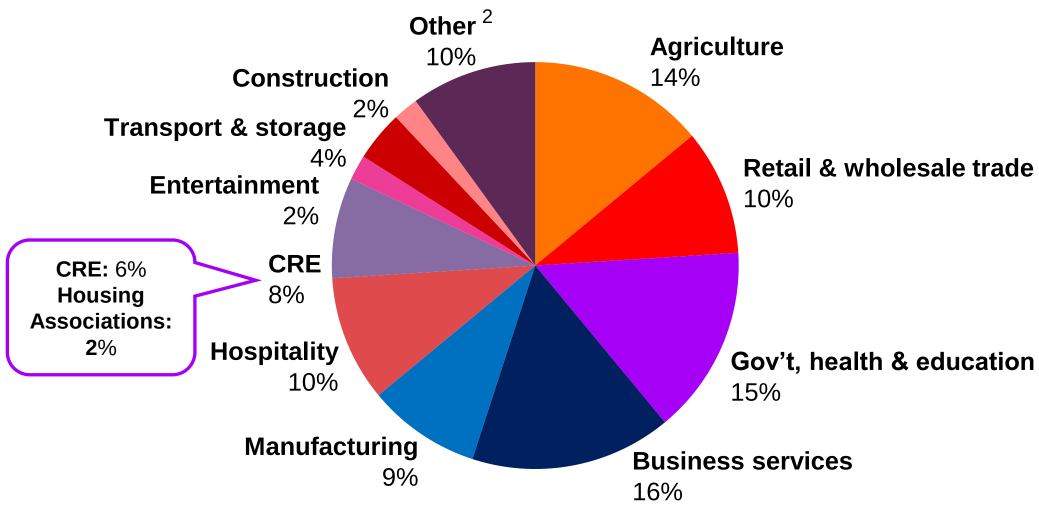
Mortgage stock lending location[2]



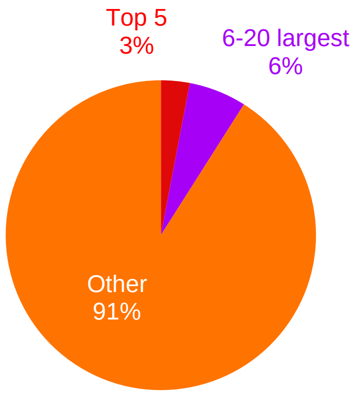
(1) Source: UK Finance (AP1) average 3m+ arrears by volume as at Sep-23
(2) Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements. Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

Business lending: Defensively positioned, granular book

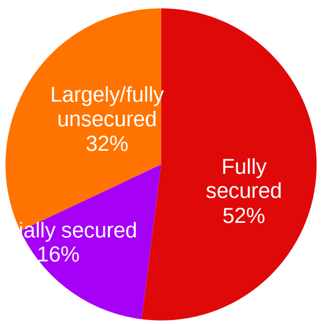
Business lending portfolio by industry sector[1]



Business lending portfolio

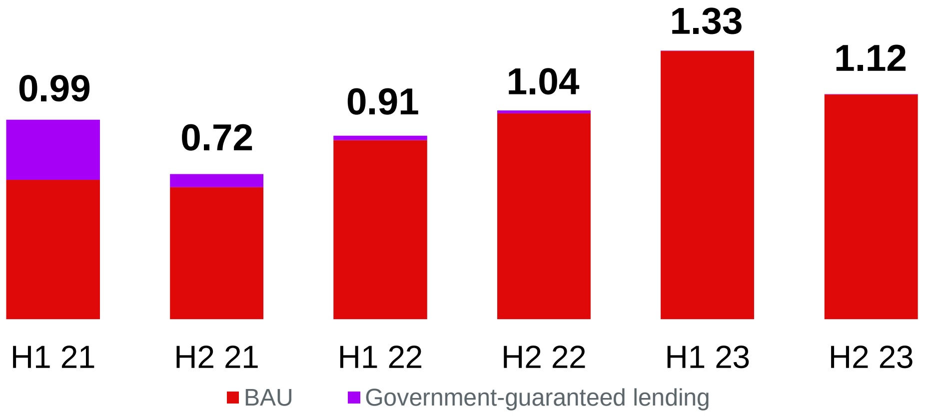


% of book by customer exposure



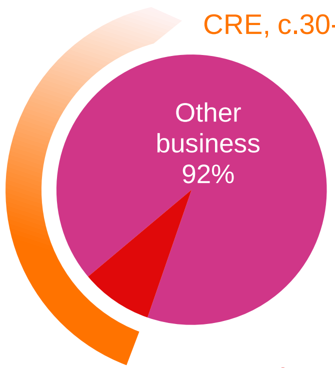
% of book by collateral cover[3]

Business banking drawdowns[4] (£bn)



Remain underweight Commercial Real Estate

CRE, c.30-40% of market business banking balances



- £0.7bn portfolio, 1% of Group loans, and c.1% market share
- Underweight vs UK sector; substantially de-risked post-GFC
- Average LTV of c.50%[5]; front book LTV typically below 65%
- c.30% of the portfolio (largest component) is Social Housing
- Remaining portfolio is diversified: Student Accommodation, Resi Investment, Office & Industrial, Supermarkets, Healthcare
- Current arrears rate is c.1%

CRE 8% of VM business loans; (1% of total loans, c.1% market share of UK CRE)

(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
(5) Excludes housing associations

Unsecured: Performing resiliently, affordability tightened further

Affordability stress builds in resilience to higher living costs

Credit Cards: c.2m active accounts

Strategy and Underwriting

- Prudent approach to underwriting anchored in stressed affordability, assuming a fully drawn line at the maximum APR of 29.9%.
- Tailored buffers applied to affordability assessment to account for cost of living
- Balance transfers c.2/3s (59% at 0%) of cards portfolio; c.18% balances maturing from promo periods in next 6 months
- Diversification strategy continuing with c.6% of new lending in FY23 to customers with historic impaired credit, via appropriate pricing for risk

Portfolio Performance (further detail on slide 47)

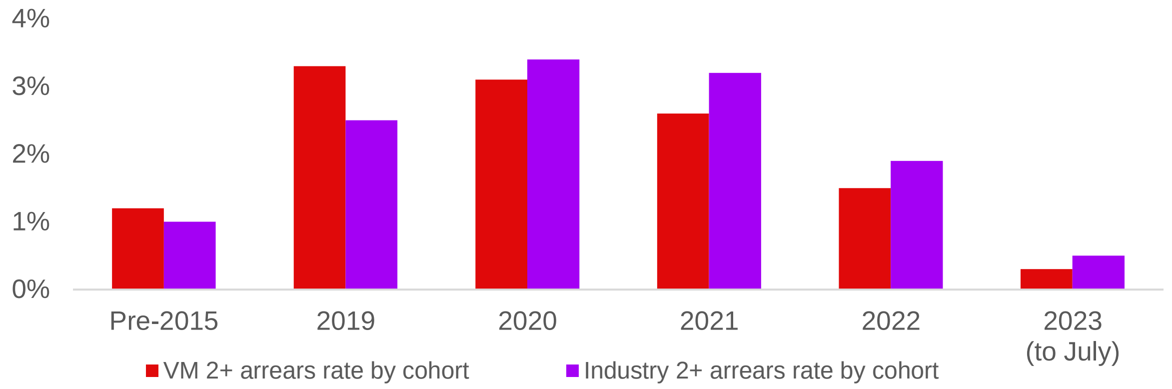
- VMUK arrears at 1.9% (FY22: 1.3%) vs industry[1] of 1.7%; VMUK BT arrears of 1.7%; non-BT arrears of 2.1%; expansion products of c.5%
- Arrears increasing and expected to trend higher; vintage performance continues to compare well to industry (see chart, right).
- Increase related to portfolio maturation, diversification strategy, and lower mature back book than industry – pre-2019 assets represent 30% of VM portfolio and over 65% for Industry

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

- Sales currently only to existing customers; limited appetite for potentially lower resilience segments i.e. self-employed and higher indebtedness
- Strong customer profiles (c.76% homeowners and <5% self employed)
- Loan and overdraft 2+ arrears at 1.9% (FY22: 1.7%)

Above market portfolio quality; focused on affluence

Robust arrears performance across vintages: when compared to industry



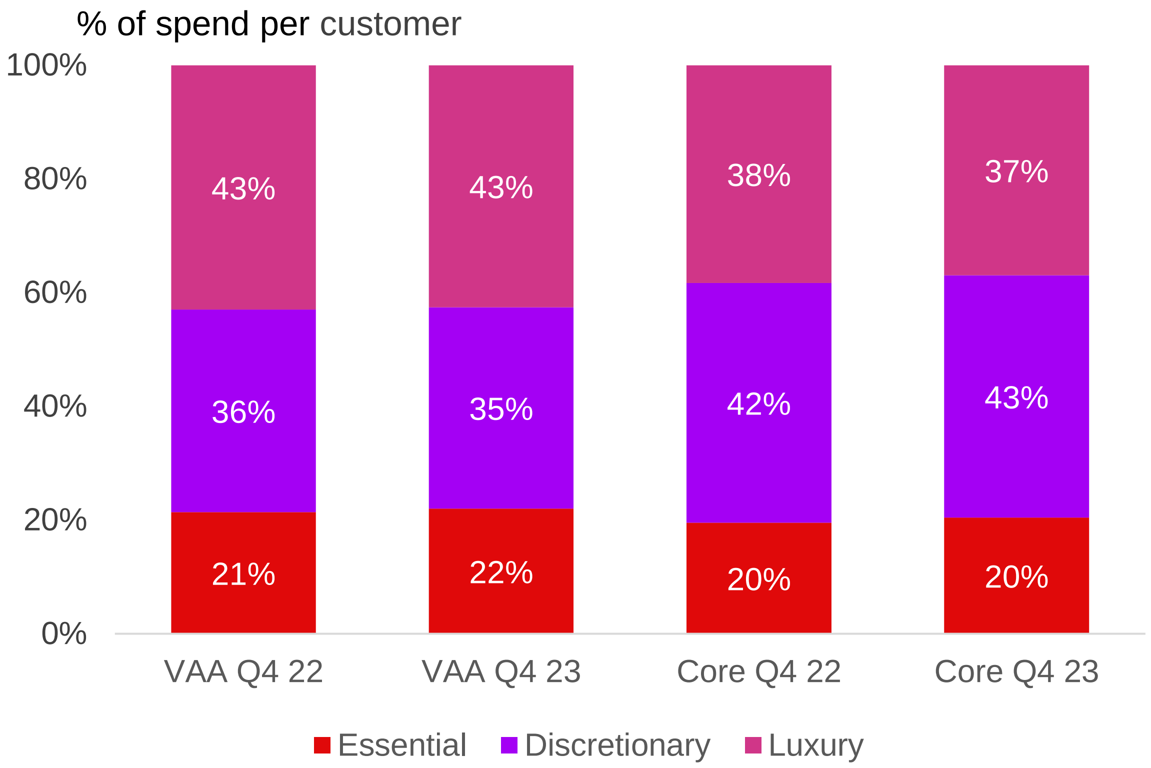
Source: Industry data Argus Advisory to July 2023. Cohorts presented on calendar year basis. Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Credit cards customer profile	VM[2]	Industry average[3]
Average customer age	42	
Average income	£42k	
% homeowners	70%	
% self-employed	10%	
% debt to income	24%	28%
% persistent debt	3.9%[4]	5.4%

(1) Arrears defined as balances 2+ cycles past due; Industry data Argus Advisory to Jul-23
(2) Customers originated through VM brand since 2015; data as at Sep 23
(3) Sources: TUC and Argus Advisory
(4) Persistent debt reflects total combined portfolio; data as at Sep-23. Industry average as at Jul-23

Unsecured: spending, payments & underwriting support resilience

Spend tracking reflects affluence of customer base



- Consistent c.20% of cards spend across portfolios is on essentials
- 80% of spend on discretionary and luxury provides headroom for customer to reduce spending if required

Pre-emptive tightening of underwriting supports credit quality

Portfolio performance characteristics provide confidence

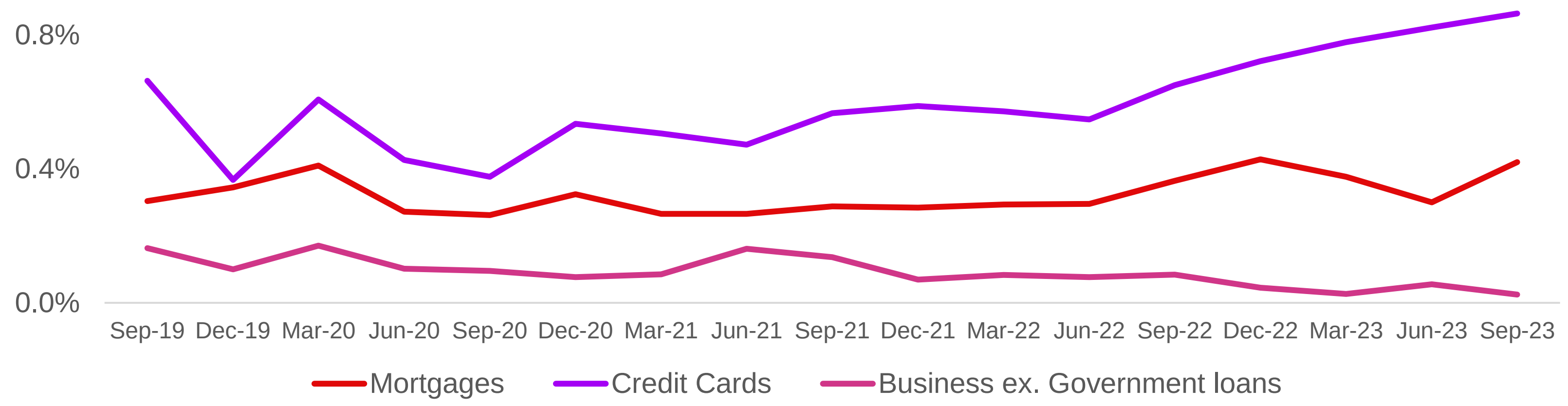
- Overall spend per active customer broadly stable YoY, despite inflation
- Customers continue to manage total outlays and adjusting behaviour
- Repayment rates stable; no signs of customers reducing repayments
- Performance as expected given affluent nature of customer base and significant affordability headroom built in through underwriting

Prudent, proactive management of risk over time

- Introduced risk based pricing at origination pre COVID
- Further tightening through 2022 and 2023 reflecting inflation, and squeeze on customer affordability
- Updated economic vulnerability segmentation to manage risk

Emerging arrears reflects maturation and diversification

Emerging arrears - 30-89 day arrears by portfolio

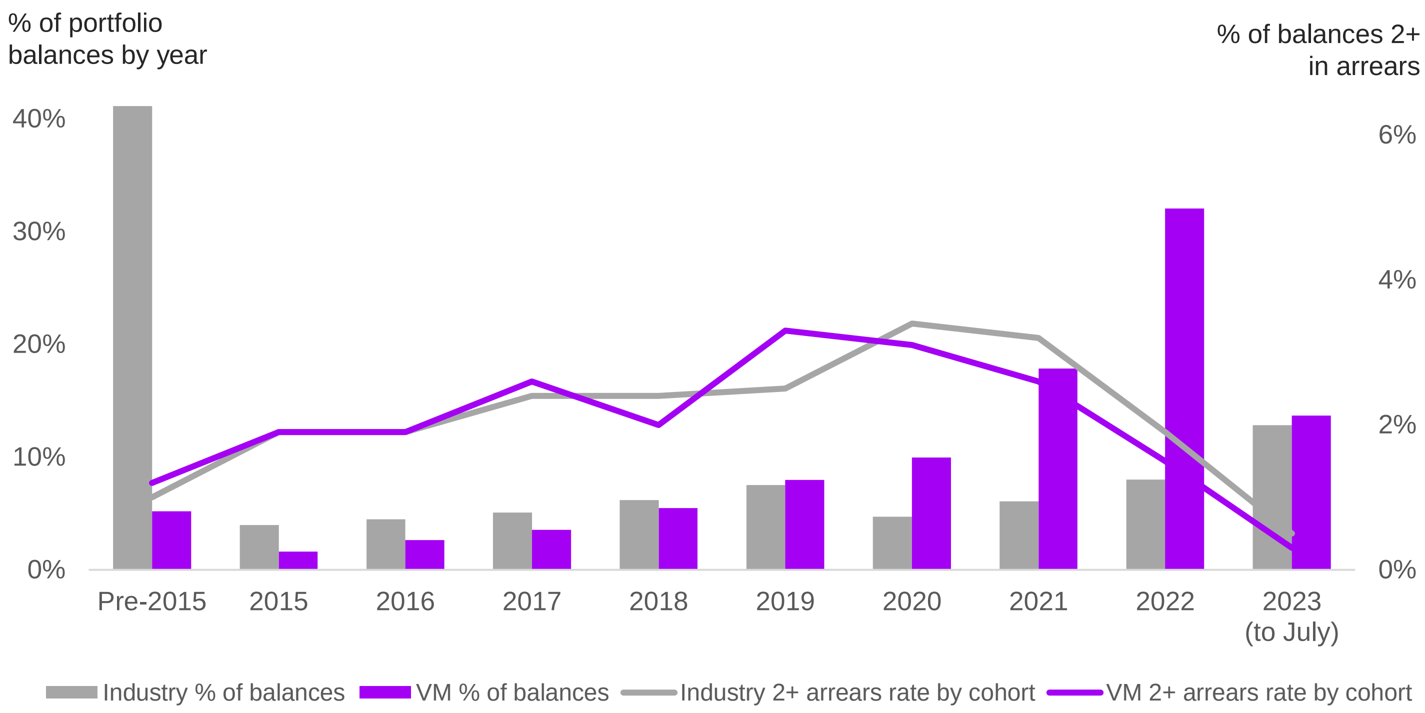


- Overall arrears remain low with increase in credit card arrears through FY23
- Arrears trends reflect:
  - Credit Cards – growth / portfolio maturity profile and diversification strategy; see next slide
  - Mortgages – low emerging arrears, reflecting strong quality of portfolio
  - Business – low emerging arrears reflecting quality of portfolio in defensive sectors

Credit card arrears increased given recent portfolio growth

VM growth in cards arrears reflects portfolio weighting to recent growth

VMUK vs industry: split of portfolio balances by year of origination, and arrears rate by calendar year of origination

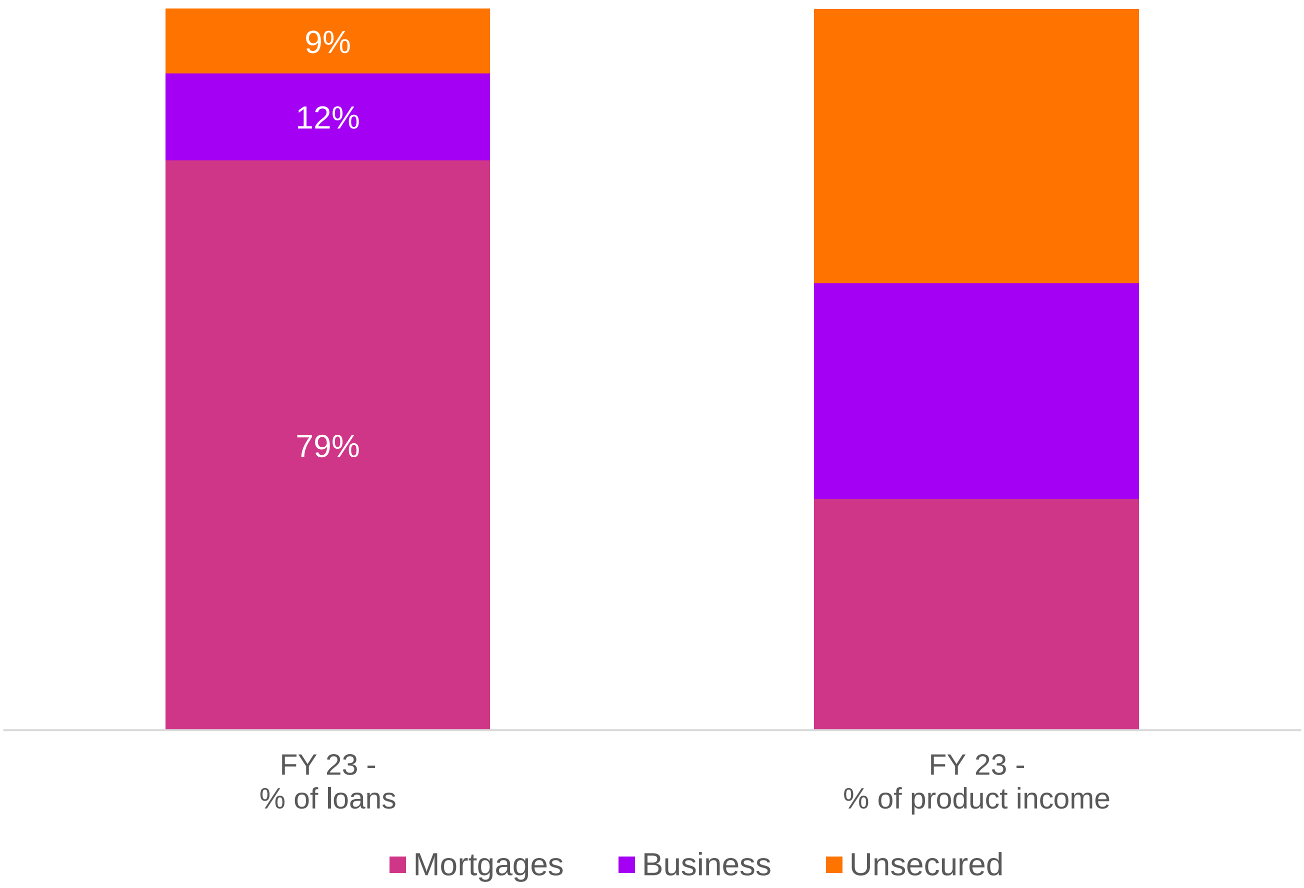


- VMUK has outgrown the industry post-Covid; market share increased from 6.7% at FY20 to 8.5%
- Despite this, VMUK arrears remain below industry average for recent cohorts
- Arrears begin to peak post-promotional periods; cohorts see highest arrears rates in 2nd to 4th years post origination
- c.50% of VMUK balances are in 2021 and 2022 cohorts with higher arrears rate of c.2% (VMUK overall 2+ arrears of 1.9%; industry 1.7%)
- VMUK has much lower percentage of older, seasoned balances; industry >40% balances pre-2015 at c.1% arrears (VMUK c.5% balances)
- VMUK's recent increase in overall arrears therefore reflects higher weighting of book towards recent originations and portfolio diversification
- Arrears rate on diversification balances (c.1% of the book) is c.5% vs 1.7% for BT book
- Provision coverage at c.7% reflects expectation of continued growth in arrears from recent lending

Source: Industry data Argus Advisory to July 2023. Cohorts presented on calendar year basis. Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Increasingly diversified income stream

Improving lending mix driving income growth

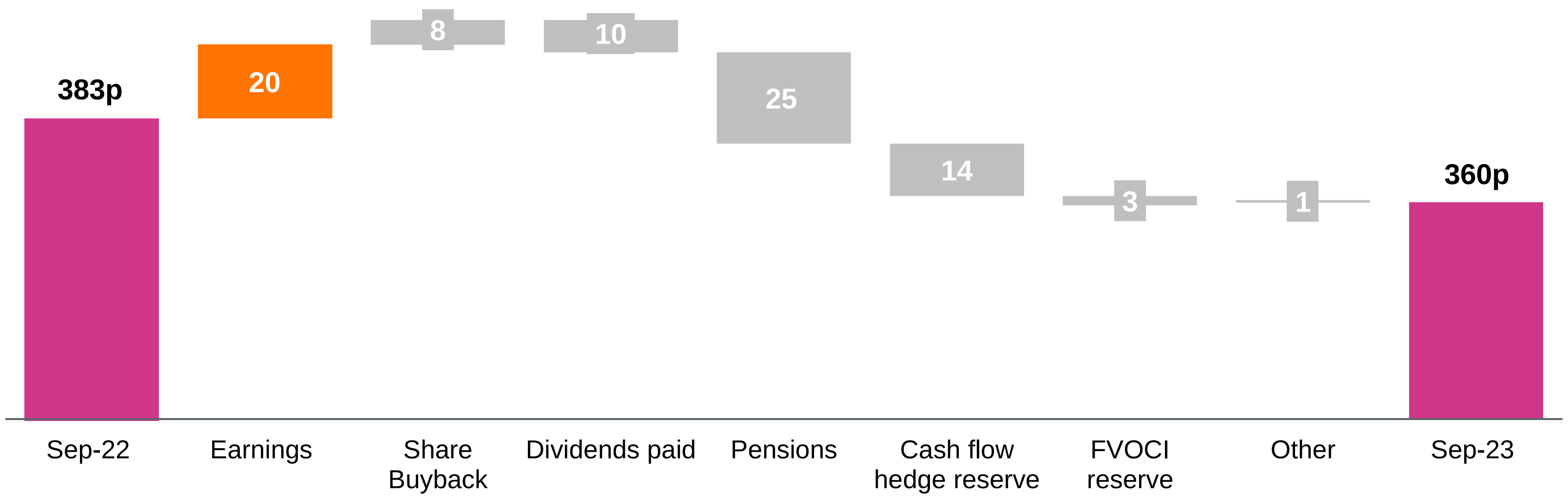


Diversifying income and lessening mortgage spread impact

- Strategy delivering stronger income mix shift through improving lending mix
- Diversification therefore limits impact of reductions and pressure on mortgage spreads
- Group also seeing mortgage front book to back book delta narrowing, with back book c.85bps in Q4

TNAV dilution driven by CFHR and pension movements

TNAV evolution YoY (pence per share)



	Sep-22	Sep-23	Change	
Tangible Equity	£5,407m	£4,840m	£(567)m	£(204)m due to CFH reserve
Ordinary shares in issue	1,412m	1,345m	(67)m	Reflects impact of buyback
TNAV per share	**383.0p**	**359.8p**	**(23.2)p**	

Underlying dilution in TNAV per share

- TNAV reduced as accretion from earnings and share buyback offset by lower cash flow hedge (CFH) reserve and lower pension surplus
- 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
- CHR remained volatile across FY23 however partially unwound to £495m (FY22: £699m), due to lower rates and run-off, leading to a 14.4p reduction in TNAV
- Expect average balances in the CFH reserve to be c.£420m in FY24 given current maturity & rate profile
- A reduction in surplus on the pension reserve (from c.£650m after-tax at FY22, to c.£330m) also reduced TNAV during the period (no impact on CET1)
- Reduction in pension surplus owing to inflation (higher liability) and reduction in value of gilts (lower assets). Overall, remain in IAS 19 and trustee surplus

Balance sheet

£m	at Sep 2023	at Sep 2022
Mortgages	57,497	58,155
Business	8,738	8,247
Unsecured	6,519	6,163
Total customer loans	**72,754**	**72,565**
Other financial assets	17,766	17,545
Other non-financial assets	1,266	1,797
Total assets	**91,786**	**91,907**
Customer deposits	66,609	65,360
Wholesale funding (excl. TFS / TFSME)	10,458	9,812
TFS / TFSME	6,200	7,200
Other liabilities	2,912	3,195
Total liabilities	**86,179**	**85,567**
Equity and reserves	5,607	6,340
Liabilities and equity	**91,786**	**91,907**

Risk weighted assets

£m

	at Sep 2023	at Sep 2022
Mortgages	9,072	9,155
Business	6,990	6,196
Unsecured	4,819	4,817
Other	1,038	914
Total credit risk	**21,919**	**21,082**
Credit valuation adjustment	278	258
Operational risk	2,833	2,623
Counterparty risk	146	185
Total RWAs	**25,176**	**24,148**
Total loans	**72,754**	**72,565**
Credit RWAs / total loans	**30%**	**29%**
Total RWAs / assets	**27%**	**26%**

Notable items in scope for FY24

FY23 illustration

Notable items in Statutory Income, (£m)	FY23
- Hedge ineffectiveness	(16)
- Acquisition accounting unwinds	(29)
- Other	(1)
Total notable items in Statutory Income	**(46)**

Notable items in Statutory Operating Expenses, (£m)	FY23
- Restructuring charges	(131)
- Financial crime prevention programme	-
- Legacy conduct costs	(12)
- Other items	(59)
Total notable items in Statutory Operating Expenses	**(202)**

- In FY24, VMUK will no longer report items below-the-line
- Adjusted performance metrics in FY24 will exclude ‘notable items’
- Examples of ‘notable items’ are shown in the table (FY23, for illustration)
- Notable items comprise components of our income statement which would be considered as outside the normal course of business and generally non-recurring in nature
- Financial crime prevention programme: c.£130m programme FY24-26, considered as notable item as delivering key, non- BAU upgrades in capability (defined on slide 30)

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