

Virgin Money UK PLC  
(Company)

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## 2020 Long-term Incentive Plan Financial Targets Update

At the time of publication of the Directors' Remuneration Report alongside the Virgin Money UK PLC 2020 Annual Report & Accounts, the material uncertainty in economic backdrop meant it was not possible to set quantitative 3-year targets. The VMUK PLC Remuneration Committee was therefore not in a position to propose the specific targets that underpin the financial elements of the 2020 Long-term Incentive Award (LTIP) but committed to updating shareholders on its approach and key metrics within six months.

Following that commitment, and after careful consideration in consultation with major shareholders, the Committee is pleased to provide an update on the performance measures and weightings that will apply. These remain broadly aligned with the measures and weightings applicable to the FY2019 LTIP Award and central to the delivery of the Group's long-term strategy. The measures, weightings and targets for the 2020 LTIP (with performance assessed at the end of FY2023) will be as follows.

Strategic Pillars	Measures	Weighting	Threshold	Target	Max
Pioneering Growth	Relationship Deposit Growth <sup>1</sup>	10.00%	4	5.5	7
Super Straightforward Efficiency	CIR <sup>2</sup>	10.00%	53	50	47
	Operating Cost Outcome (£m) <sup>2</sup>	10.00%	810	780	750
Disciplined and sustainable	ROTE <sup>3</sup>	25.00%	6.0	8.0	10.0
	Risk Scorecard	20%	Remuneration Committee assessment against qualitative and quantitative measures <sup>4</sup>		
Delighting Customers and Colleagues	ESG Scorecard	15.00%	Remuneration Committee assessment against qualitative and quantitative measures <sup>5</sup>		
	CMA Ranking	10.00%	Top 5	Top 3	Top 2
Total		100%			

<sup>1</sup> Compound Annual Growth Rate (CAGR) 2020 - 2023

<sup>2</sup> CIR and operating costs are on an underlying basis.

<sup>3</sup> RoTE calculated on a statutory basis.

<sup>4</sup> Performance will be assessed by the Committee based on several qualitative and quantitative inputs such as feedback from the Chair of the Board of the Risk Committee and achievement of the long-term objectives of the organisation. Specific focus will be on customer complaints, credit risk policy compliance, operational risk losses and cost of risk.

<sup>5</sup> Performance will be assessed by the Committee based on several qualitative and quantitative measures such as operational carbon emissions, senior leadership diversity and colleague engagement. Our aim is to develop a more sophisticated set of metrics over time.

The LTIPs are based on a broad framework of financial and non-financial targets to ensure a balanced range of considerations. The targets have been established based (where practical) on market consensus, at the time of proposal, in the absence of formal company targets for 2023.

The Remuneration Committee remains cognisant of the uncertain market conditions under which these awards are made and retains discretion in ensuring that the final outcome reflects the performance of the Group and considers all relevant factors. This includes taking any steps necessary to mitigate excessive windfall gains. Given the level of uncertainty in the economy over the short to medium term the Committee will make this assessment at the time of vesting, at which point the Committee will describe the factors considered and what discretion (if any) that was applied.

Announcement authorised for release by Lorna McMillan, Group Company Secretary.

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