Virgin Money UK PLC
(Company)

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5 May 2022

Interim Financial Results 2022 – Investor Presentation

Virgin Money UK PLC will be hosting a presentation today at 8:30 BST (17:30 AEST) for analysts and investors covering the interim results for the six months ended 31 March 2022 with a pre-recorded presentation followed by a live Q&A call. The meeting will be webcast live and the link is available at https://webcast.openbriefing.com/vmuk-interim22/

A recording of the webcast and conference call will be made available on our website shortly after the meeting at https://www.virginmoneyukplc.com/investor-relations/results-and-reporting/financial-results/

A copy of the presentation is also available via the above link and is attached.

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

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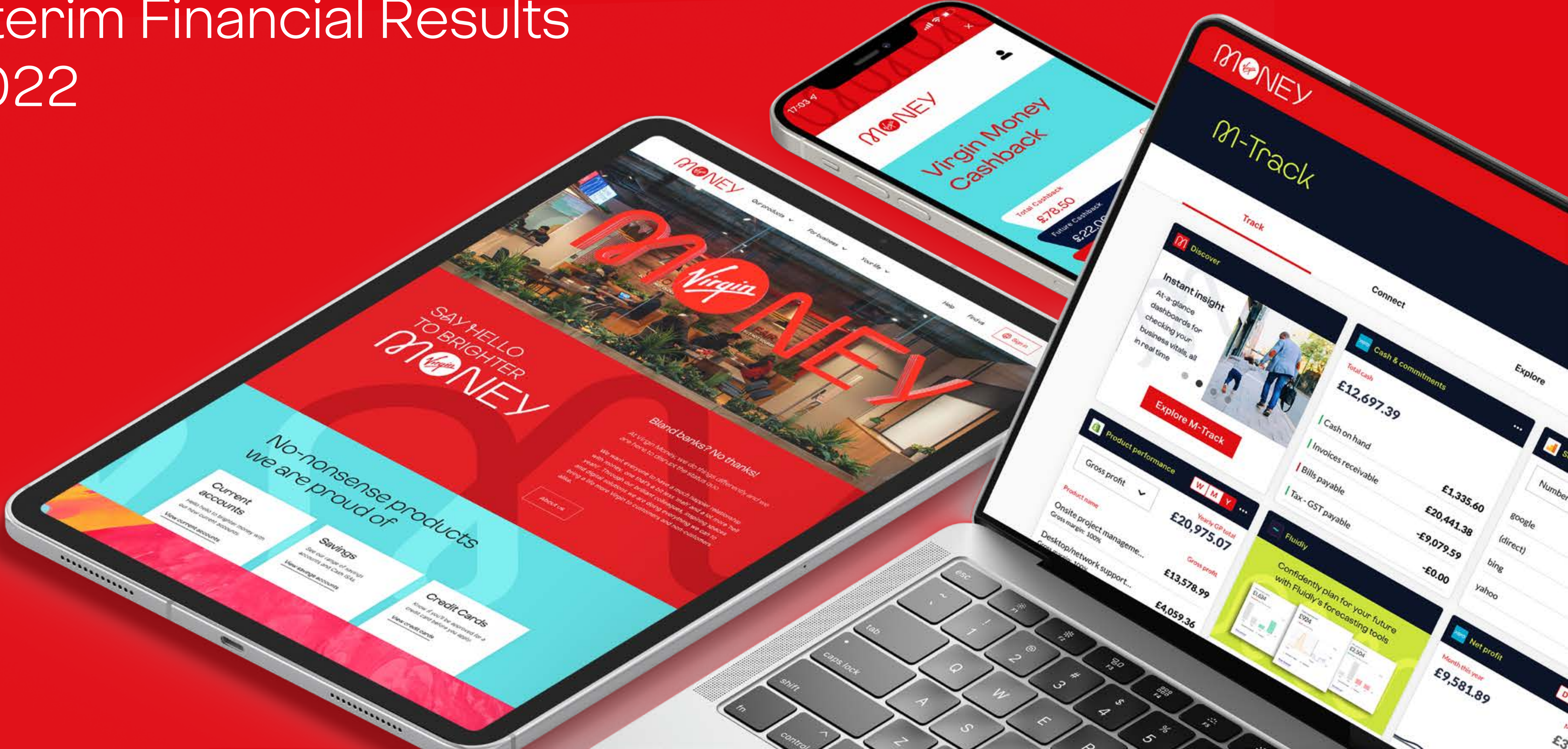
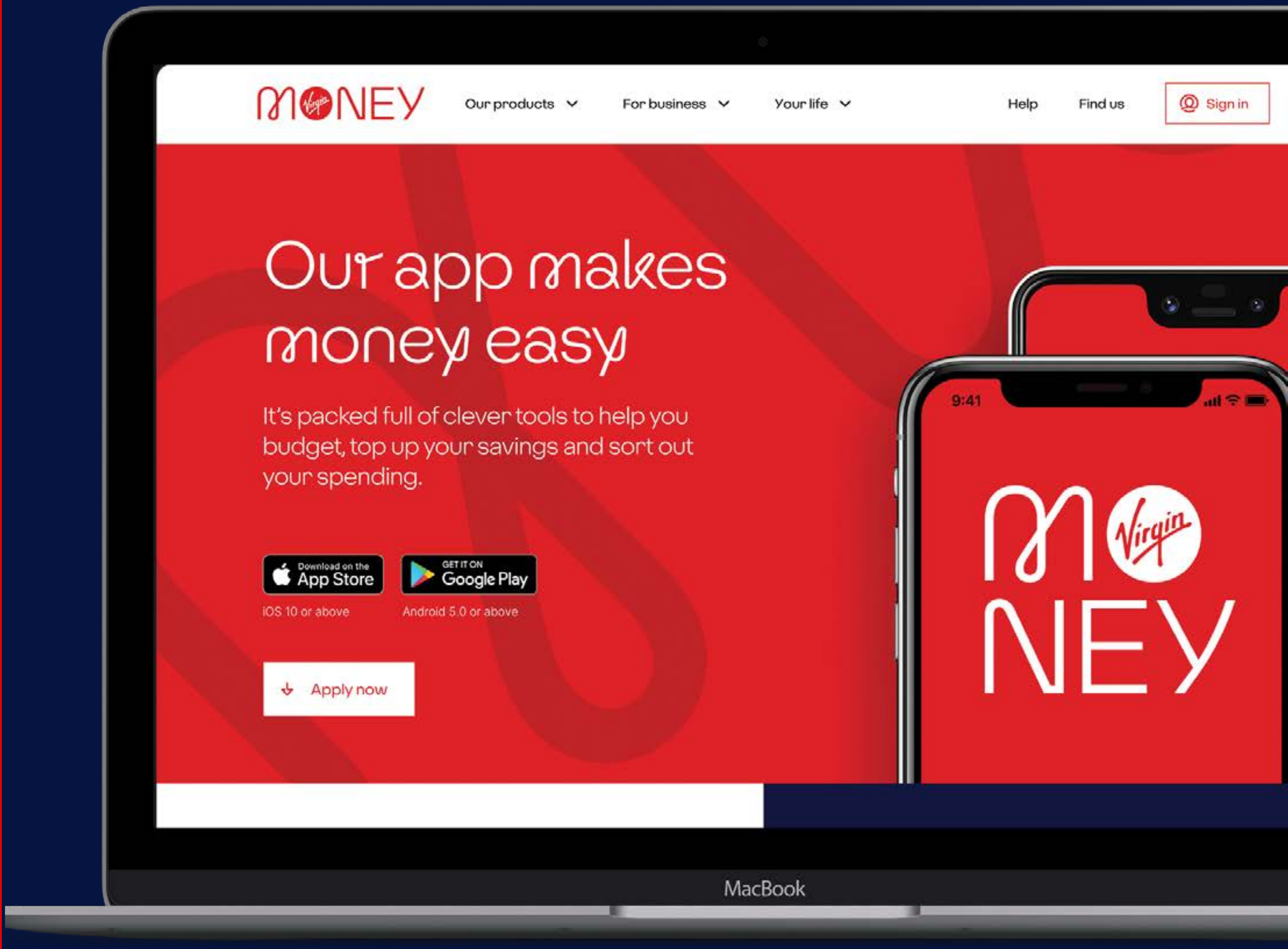
VIRGIN MONEY UK PLC

Interim Financial Results 2022





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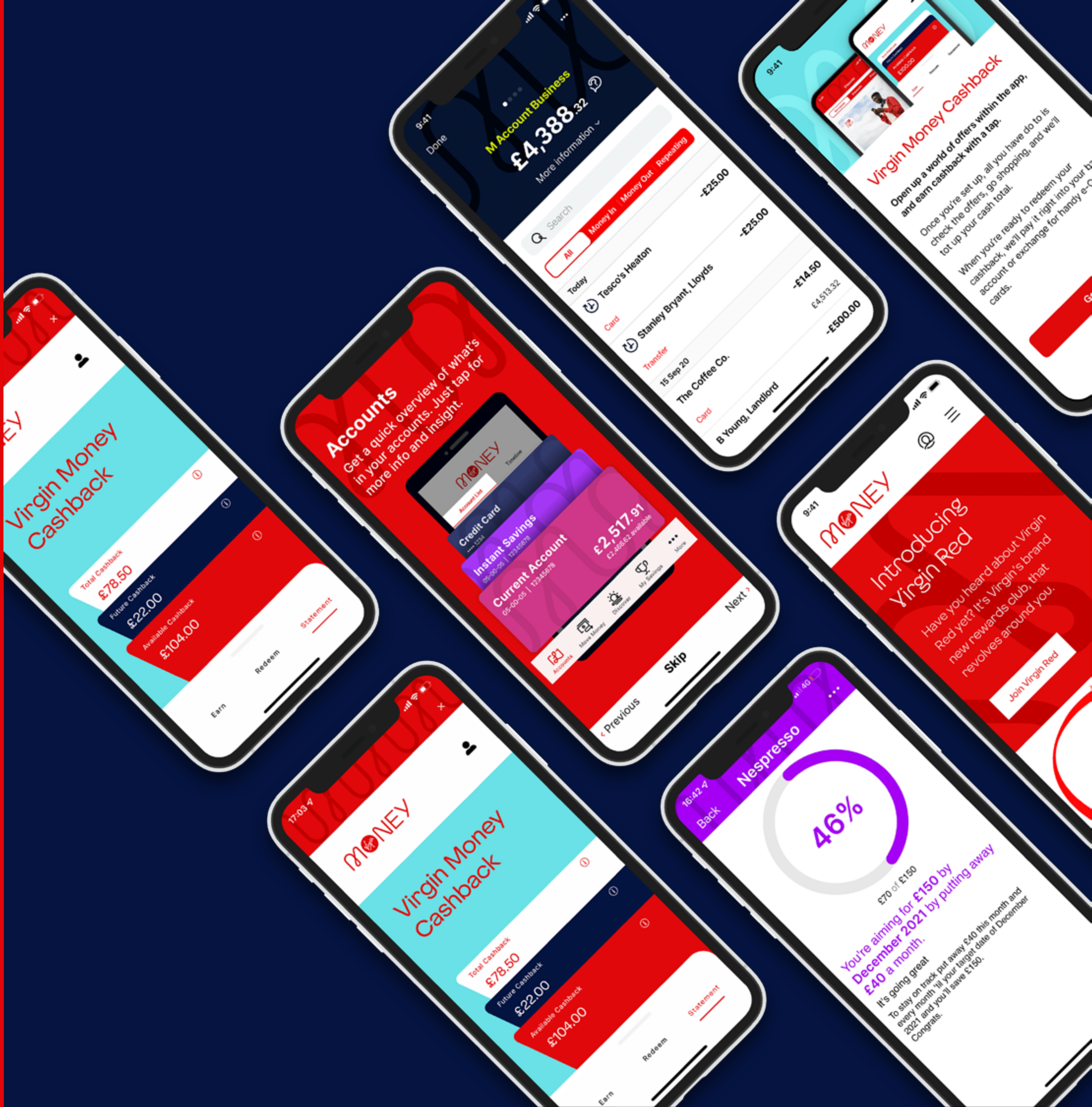
Digital Momentum

DAVID DUFFY

Chief Executive Officer



VIRGIN MONEY UK

Building momentum with improved profitability

Balance sheet mix

- NIM of 1.83% for H1 22 vs 1.62% for FY21; improved FY22 guidance to 1.80% to 1.85%
- Relationship deposits +4% vs. FY21, cost of deposits reduced 12bps vs. FY21
- Stable lending balances with significantly above-market growth in credit cards

Cost-efficiency

- H1 22 costs of £456m broadly stable YoY as gross savings mitigate inflation
- Expect FY22 costs to be broadly stable on FY21, including reinvestment
- Substantial improvement in efficiency; underlying cost: income ratio down 9%pts YoY

Robust asset quality

- Modest impairment charge in H1 22 of £21m; 6bps cost of risk
- Asset quality remains robust; prudent provision coverage maintained at 66bps
- Updated PMAs include possible impact of affordability stress on existing customers

Updated capital framework

- CET1 target range 13%-13.5% long term; expect to operate above that for time being
- Dividend payout of 30% per annum; buybacks subject to ongoing assessment of surplus capital
- Interim dividend of 2.5p per share

Statutory ROTE

9.1%

Underlying profit before tax

£388m

Statutory profit before tax

£315m

Robust CET1 ratio[1]

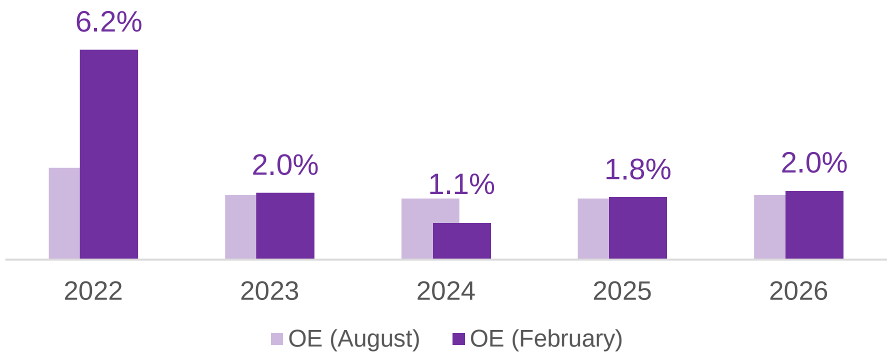
14.7%

[1] IFRS 9 transitional basis

Uncertain economic outlook given higher inflation

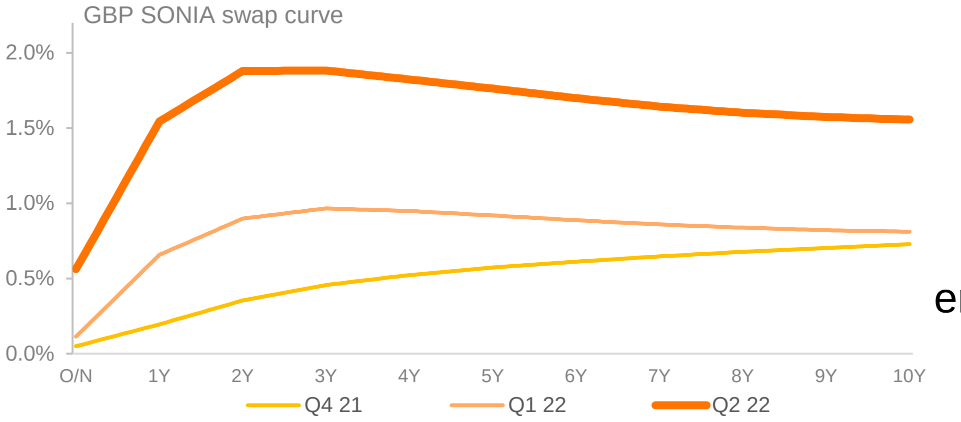
CPI: Pick up in inflation

Pick up in inflation



Source: Oxford Economics Base Case, August 2021 and February 2022

Rates: significant yield curve steepening

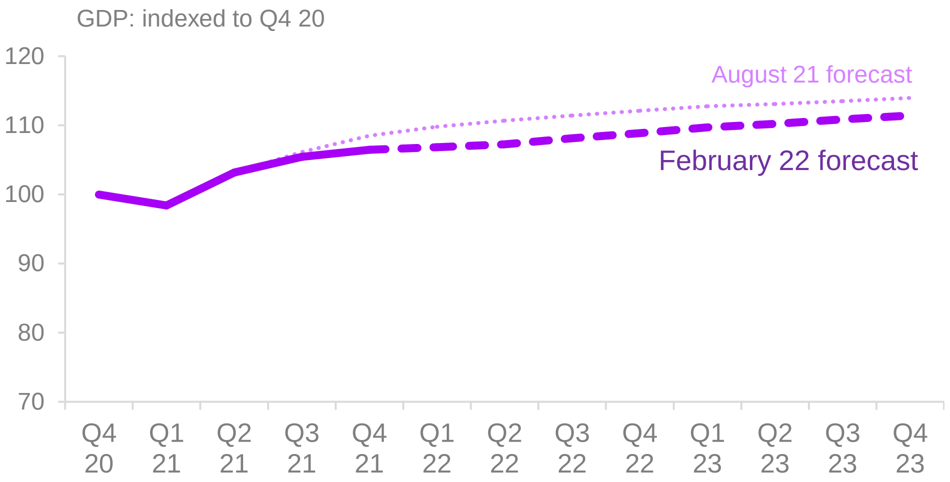


Source: Bloomberg; curves as at VMUK quarter end

Improved UK rate environment

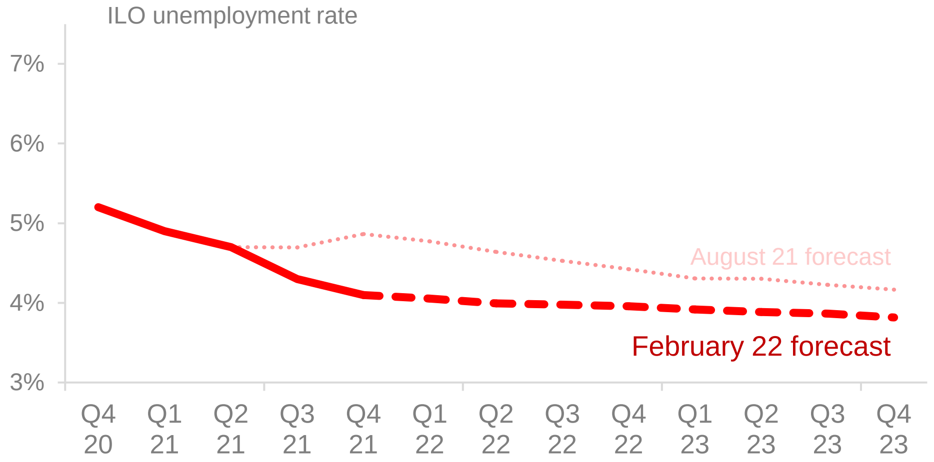
GDP: outlook is positive for continued growth

Recovery continuing



Source: Oxford Economics Base Case, August 2021 and February 2022

Unemployment: predicted to remain subdued



Source: Oxford Economics Base Case, August 2021 and February 2022

Stronger labour demand

Delivering growth in target segments

Personal Current Accounts

- PCA sales doubled QoQ; c.180k new PCA sales since launch of new PCA proposition
- c.120k customers signed up for new debit cashback following launch in late January

Unsecured lending

- Record quarter for new credit card accounts in Q2 (c.175k; previous record Q1 of c.130k)
- Delivering consistently above market growth; now have a c.8% market share of credit cards
- 350k customers now signed up for credit card cashback (FY21: 230k); instalment credit launched

Business Current Accounts

- 100% QoQ BCA sales growth after launch of digital fee-free product in November
- Ongoing optimisation of digital journey already delivering improved sales conversion

Business lending

- 20% QoQ growth in BAU Business drawdowns as lending pipeline builds into H2
- Growth in BAU book resumed in Q2, 1% growth in the quarter

Momentum in delivering our digital first strategy

Customer & propositions

- ✓ Voice/digital interactions now c.60/40% of customer contacts respectively (c.70%/30% at FY21)
- ✓ Automation of key customer journeys up to 42% (FY21: 27%) including deployment of digital tools
- ✓ Digital sales now 97% of all personal sales (ex mortgages); improved PCA digital adoption
- ✓ New chatbots have addressed c.650k queries since Jan launch (55% resolution), driving self-service higher

Colleagues & property

- ✓ A Life More Virgin operating model embedded with engagement score improving to 73% (FY21: 68%)
- ✓ Positive shifts in gender and ethnicity diversity reflecting greater flexibility on offer
- ✓ Branch numbers reduced from 162 to 132; continue to review versus customer demand
- ✓ Property footprint down over 20% since FY21

Digital

- ✓ Partnership with Microsoft to deliver full cloud architecture mobilised
- ✓ Progressing towards digital straight-through processing for mortgages
- ✓ Adoption of Agile approach to change is delivering new customer functionality faster
- ✓ Cost per release for Agile projects delivered at an average of c.20% lower unit cost in H122 vs. FY21

Exciting pipeline of new propositions being delivered in H2

Initial launch of our digital wallet development due towards the end of 2022

Initial launch building to a full digital wallet proposition over time…..

- Ability to earn and spend points
- Access to unique rewards
- Expanding reward programme

- Instalment capability
- Point of sale issuance
- Available to all UK consumers and exploring partnerships

Strong pipeline of propositions to drive growth in H2 22

Virgin Money Multiply

Tailored to Gen Z: subscription-based

Access to credit and credit score building

Regulated, simple and transparent

Business M-Track and Marketplace

Partnering with innovative fintechs

Offering new solutions for customers

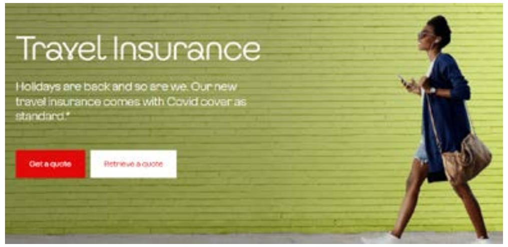
All digitally delivered

Insurance propositions

Leveraging new insurtech partnership

Refreshed Digital Travel insurance launched

New Home insurance & Red offers to follow



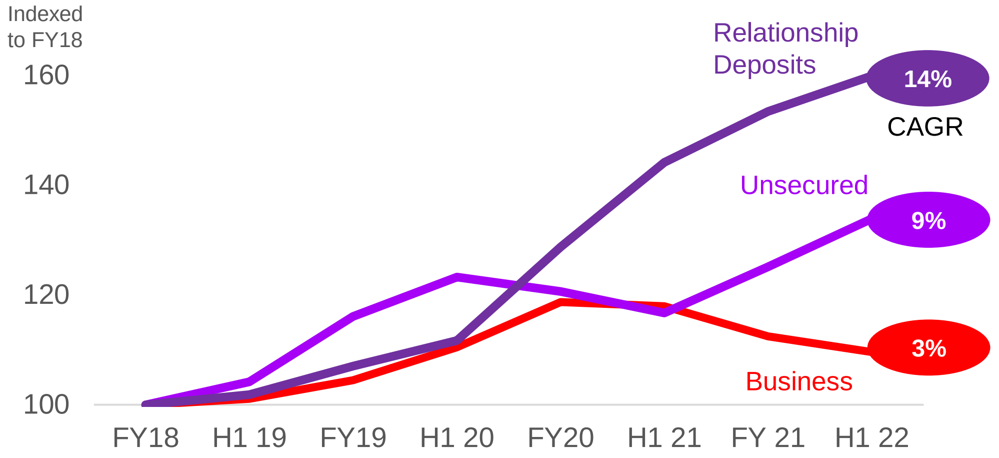
Financial Results

CLIFFORD ABRAHAMS

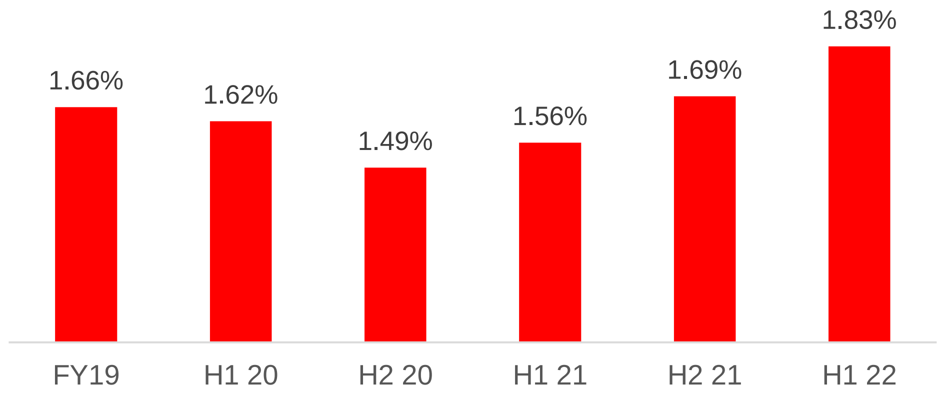
Chief Financial Officer

Improved financial performance driven by strategy

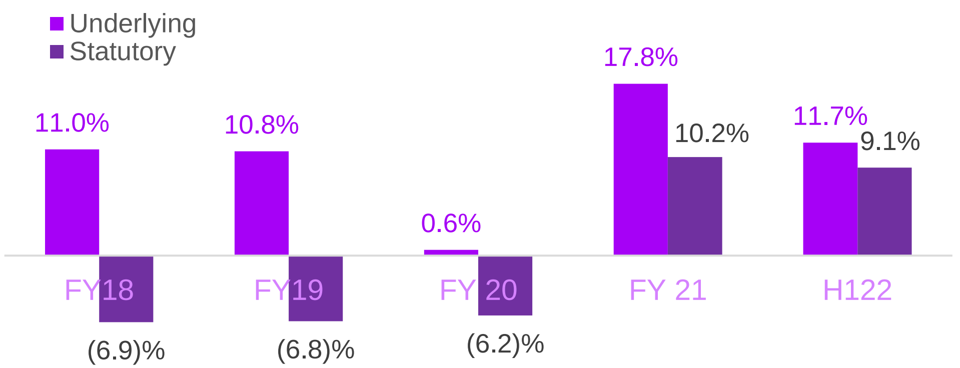
Growth in margin accretive products



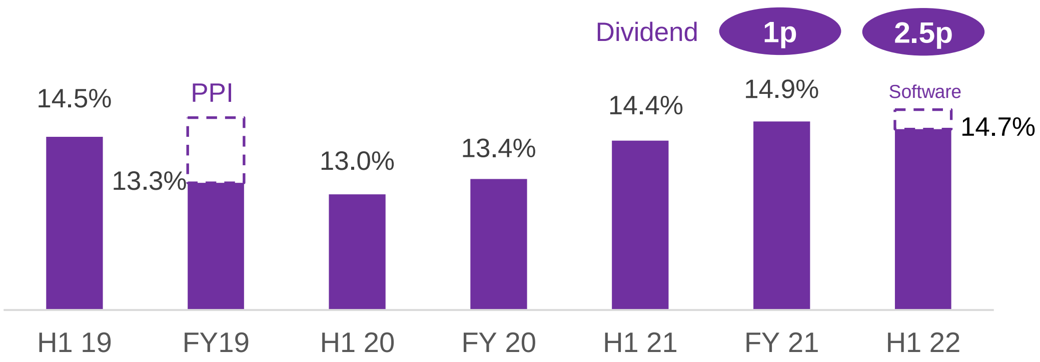
Supporting delivery of improved NIM



RoTE progression



Robust capital accretion[1]



[1] IFRS 9 transitional basis

Positive income momentum and strong asset quality

Underlying P&L	6 months to	6 months to	Change	6 months to	Change
£m	**31 Mar 2022**	**31 Mar 2021**	**Vs H1 21**	**30 Sept 2021**	**Vs H2 21**
Net interest income	782	677	16%	735	6%
Non-interest income	83	66	26%	94	(12)%
Total operating income	**865**	**743**	**16%**	**829**	**4%**
Total operating and administrative expenses	(456)	(460)	(1)%	(442)	3%
Operating profit before impairment losses	**409**	**283**	**45%**	**387**	**6%**
Impairment (losses)/credit on credit exposures	(21)	(38)	(45)%	169	n/a
Underlying profit before tax	**388**	**245**	**58%**	**556**	**(30)%**
Net Interest Margin (NIM)	1.83%	1.56%	27bps	1.69%	14bps
Underlying cost: income ratio	53%	62%	(9)%pts	53%	0%pts
Cost of risk	6bps	11bps	(5)bps	(18)bps	24bps
Underlying Return on Tangible Equity (ROTE)	11.7%	10.1%	1.6%pts	25.7%	(14.0)%pts

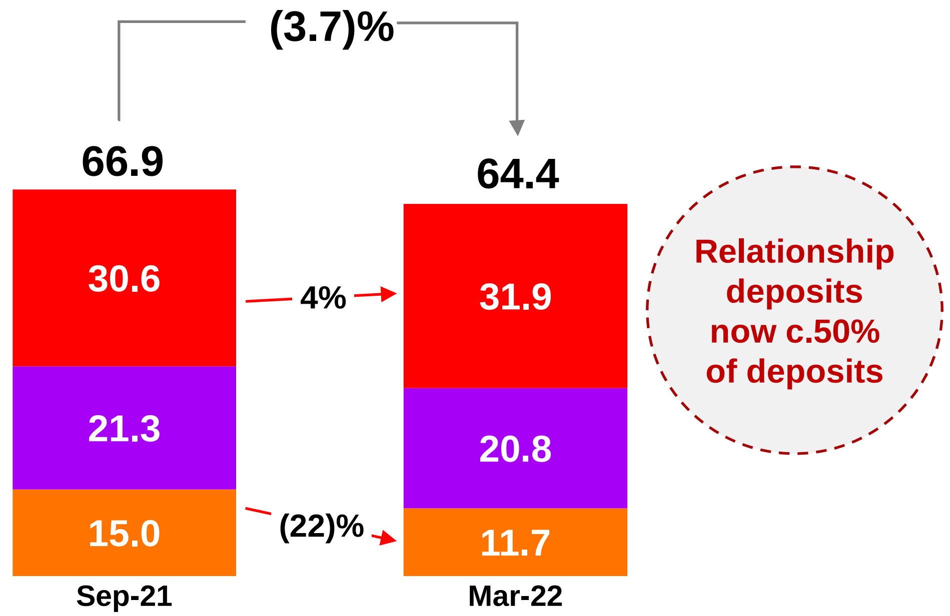
Improved statutory profitability

Statutory P&L	6 months to	6 months to	6 months to	
£m	31 Mar 2022	31 Mar 2021	30 Sept 2021	Comments
Underlying profit before tax	**388**	**245**	**556**	
Adjusting items				
- Restructuring charges	(46)	(49)	(97)	• Reflects phasing, continue to expect to spend around half of c.£275m in FY22
- Acquisition accounting unwinds	(14)	(47)	(41)	• Expect further c.£40m across H2 22 - FY24
- Legacy conduct costs	(5)	(71)	(5)	
- Other items	(8)	(6)	(68)	
Total adjusting items	**(73)**	**(173)**	**(211)**	
Statutory profit before tax	**315**	**72**	**345**	
Tax credit/(charge)	(77)	8	49	
Statutory profit after tax	**238**	**80**	**394**	
Statutory Return on Tangible Equity (ROTE)	9.1%	2.2%	17.9%	
Statutory Earnings Per Share (EPS)	13.7p	2.8p	24.5p	
Dividend Per Share	2.5p	-	1.0p	
Tangible Net Asset Value (TNAV) per share	313.2p	257.5p	289.8p	

Continuing to optimise funding mix

Continued growth in relationship deposits

Customer deposit balances
£bn

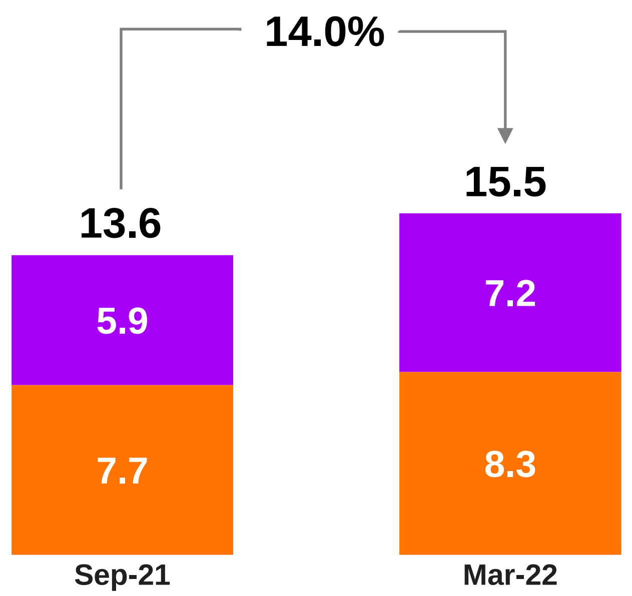


	Sep-21	Mar-22
Cost (bps)	45[1]	41
LDR	108%	112%

Term deposits · Non-linked savings · Relationship deposits

Retain funding flexibility and managing wholesale mix

Wholesale funding balances
£bn



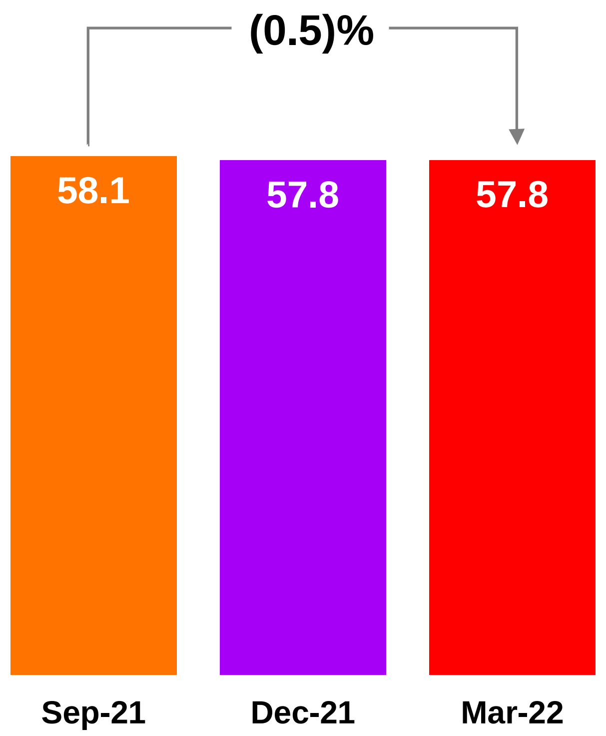
	Sep-21	Mar-22
Cost (bps)	132[1]	136
TFS/TFSME (% of lending)	8%	10%

Debt securities · TFS/TFSME

[1] H2 2021

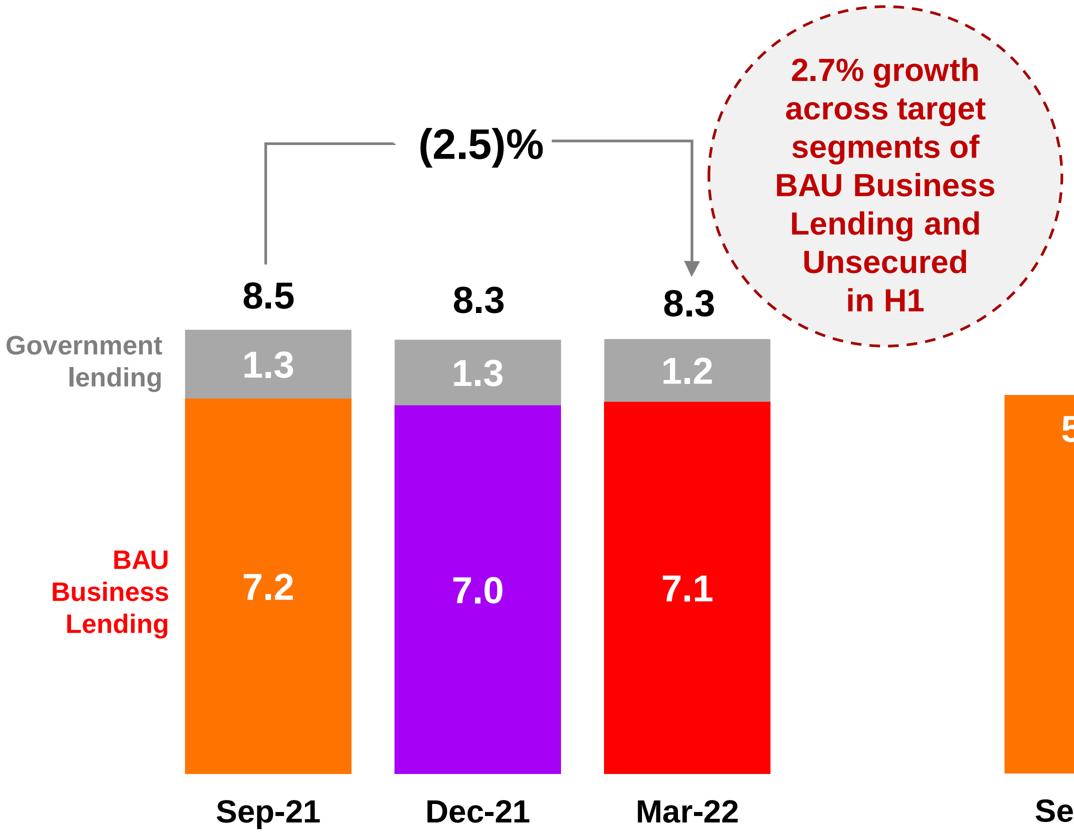
Strong growth in unsecured lending

Mortgages



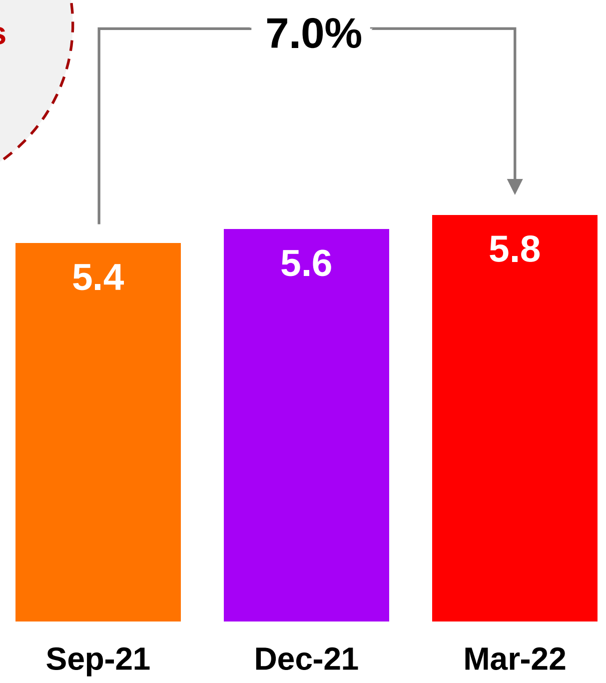
Continue to be selective in pricing focusing on margin over volumes

Business



BAU demand starting to return, pipeline building into H2

Unsecured

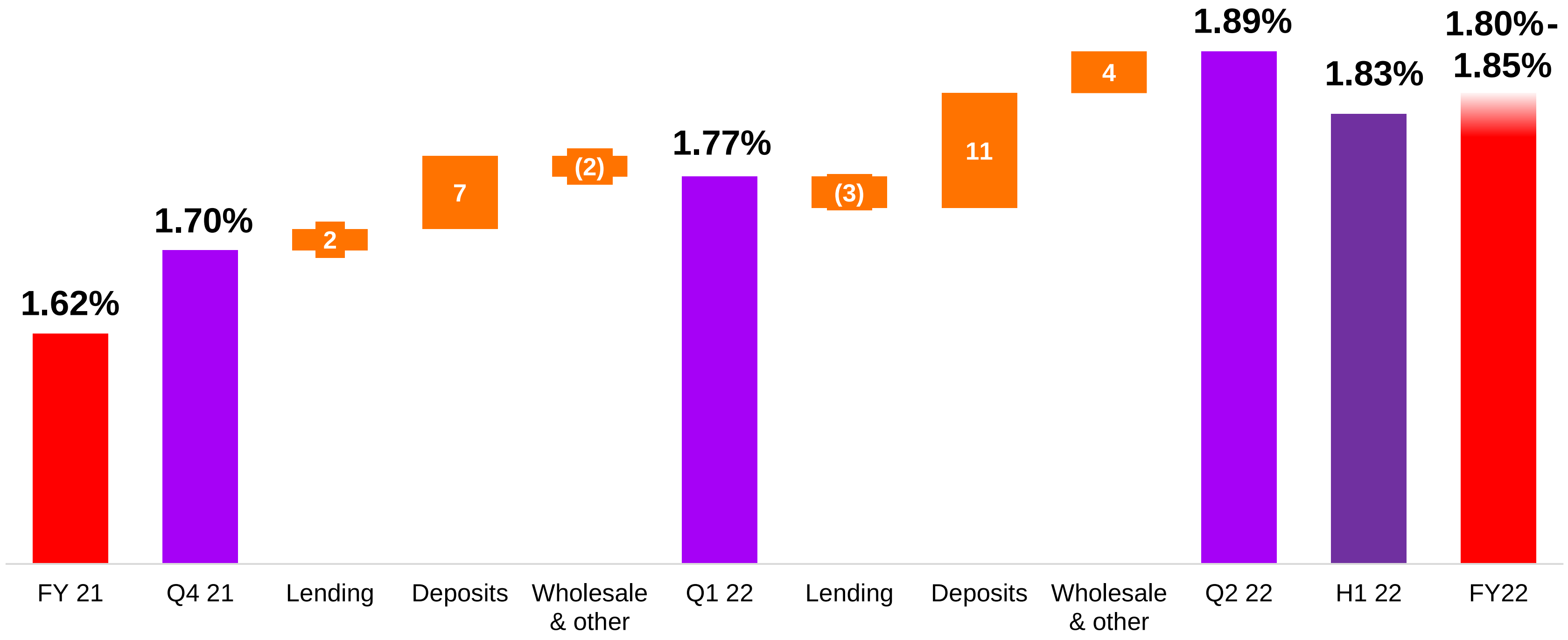


Strong growth in high quality credit card portfolio

Strong H1 22 NIM expansion; improved FY22 outlook

Significant margin expansion as base rate impact feeds through, enabling upgraded guidance for the FY

NIM evolution
Spread basis
(bps)



FY22 NIM expected to be 1.80% to 1.85%

FY22 NIM drivers

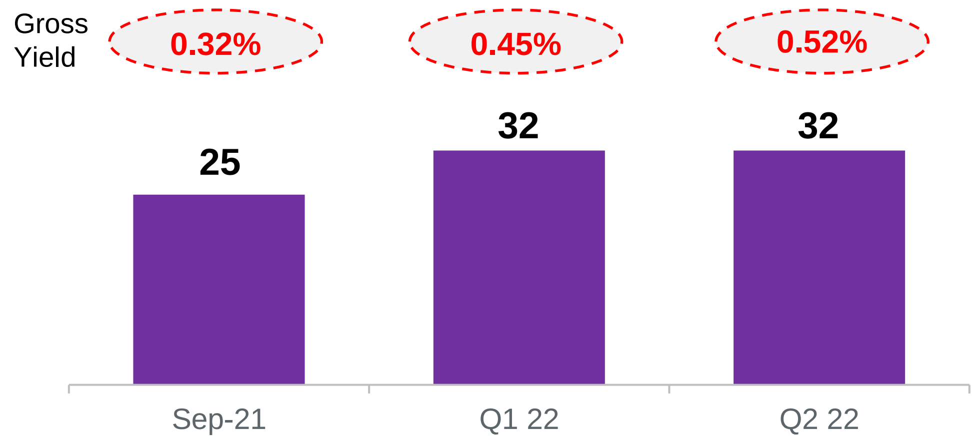
- ▼ Mortgage competition
- — Savings rate normalisation
- ▲ Higher rates
- ▲ Higher margin lending growth

3 further base rate rises assumed in H2 22

Structural hedge supportive to NIM; group positively geared to rising rates

Structural hedge - size and gross yield

Hedge Notional £bn



- Increase in gross yield reflects re-investment benefit of c.1/60th of total hedge balance each month at the prevailing 5Y swap rate
- Gross yield does not reflect income from the legacy hedge unwind
- Legacy hedge of c.£15bn at H122 will be fully unwound by FY25; contribution was c.£150m in FY21 and will be c.£120m in FY22
- Size of structural hedge subject to ongoing review of balance stability as market pricing and customer behaviour evolves

Group interest rate sensitivity

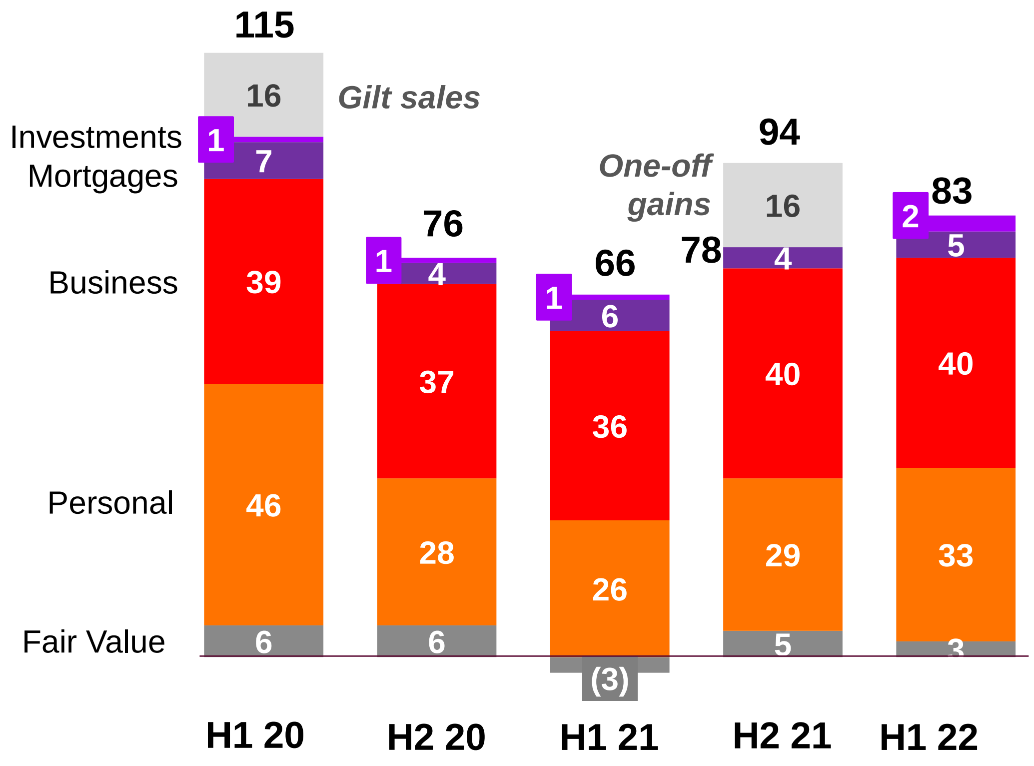
NII impact	Year 1	Year 2	Year 3
+25bps parallel	c.£10m	c.£20m	c.£35m
-25bps parallel	c.£(5)m	c.£(20)m	c.£(35)m

- The sensitivities assume an immediate 25bps parallel shift in interest rate curves, including the bank base rate and forward rate curve
- Assumes the balance sheet is constant; does not reflect new business margin implications
- Size of structural hedge is calibrated to an assumed level of deposit pass-through; actual level of pass-through could be different in practice
- Year 2 and 3 impacts driven by structural hedge re-investment

Stronger 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 strong recovery in consumer spending as restrictions eased
- Business income benefitting from higher account fees and activity
- Expect increase in non interest income as a proportion of total income reflecting activity recovery and initiatives

Key initiatives

- Improved digital insurance propositions
- Personal unsecured expansion and growth
- Build out of Business fee-earning services
- Launch digital wallet with integrated payments & loyalty
- Acceleration of abrdn JV/Wealth opportunity

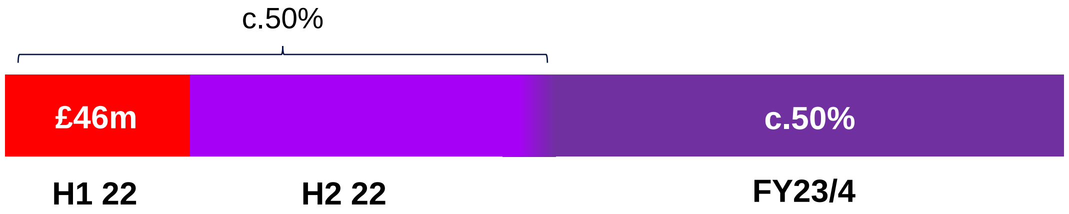
Investing for the future: accelerating our Digital First strategy

Targeted gross cost savings on track

£28m of annualised gross savings delivered to date

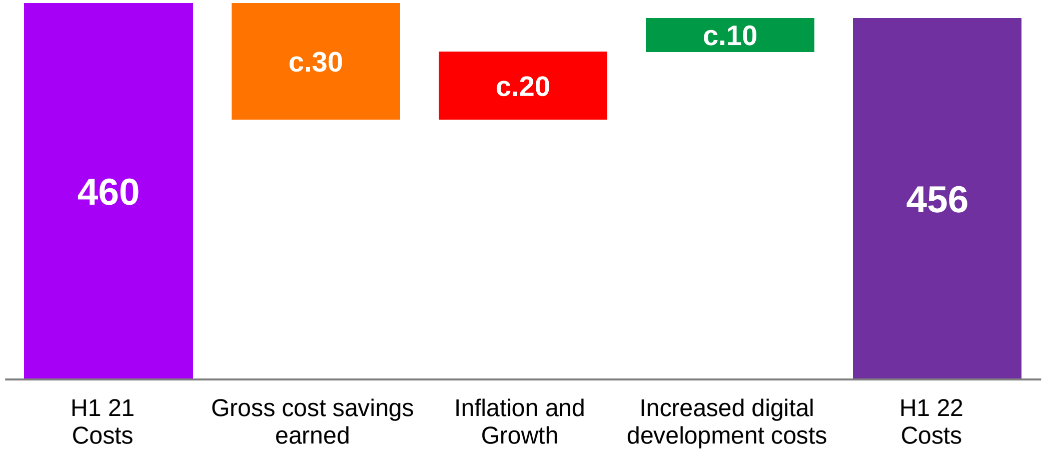
- Targeting gross cost savings of c.£175m over the next 3 years, with around half reinvested, inclusive of inflation

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



- Expect below the line cost of accelerating digital to total c.£275m by FY24, with around half taken in year 1

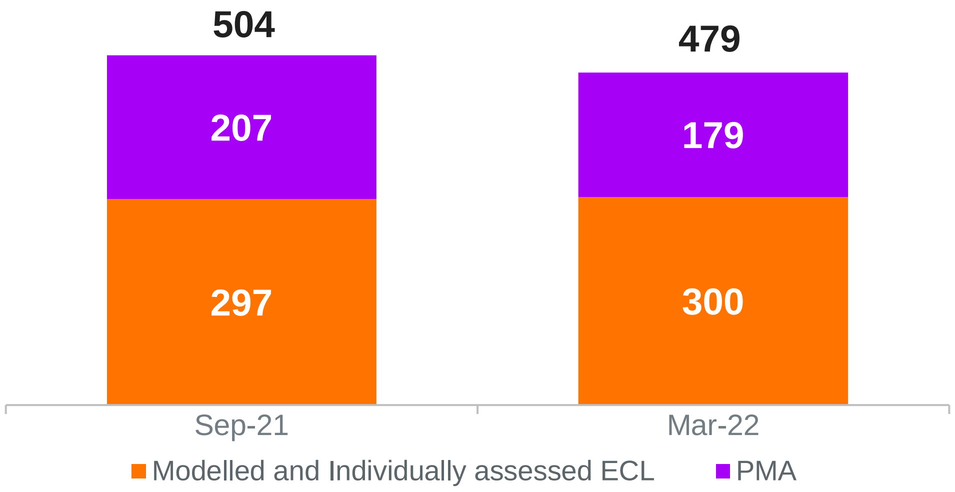
Costs expected to be broadly stable in FY22



- Continued gross cost savings earned from new and existing initiatives in FY22
- Increased card volumes, harmonisation of colleague terms and higher wage inflation increasing FY22 costs relative to FY21
- Increased digital development costs, as expected, reflect larger programme and prudent change to accounting practices
- Expect broadly stable costs for FY22 despite wage inflation, growth and digital investment

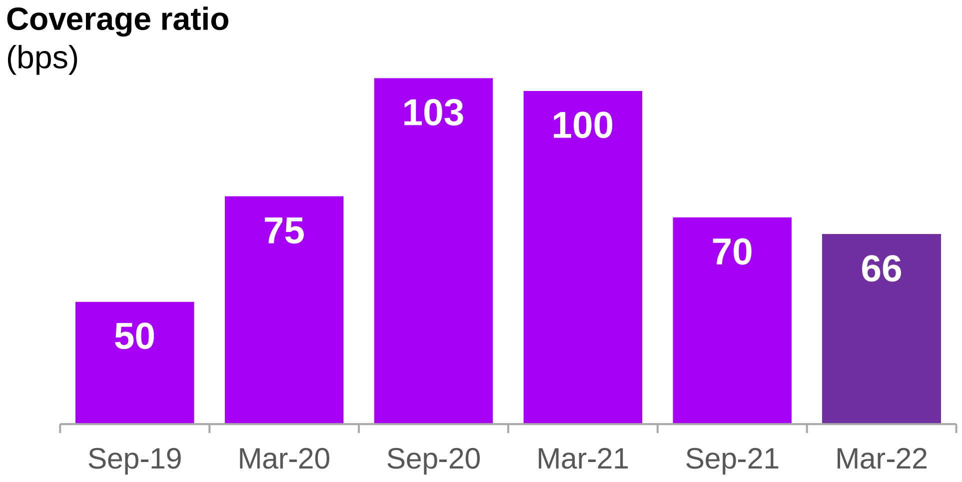
Robust asset quality and prudent provisioning

Modest reduction in total provisions



- Updated macro-economic forecasts drives modest reduction in modelled ECL offset by mix change
- Asset quality remains robust, low Stage 3 balances reflecting prudent underwriting; unsecured portfolio focused on affluent customers
- Incorporated impact of higher energy prices into existing prudent underwriting criteria
- Pandemic related PMAs reduced by c.£50m; additional c.£25m PMA for possible impact of affordability stress on existing customers

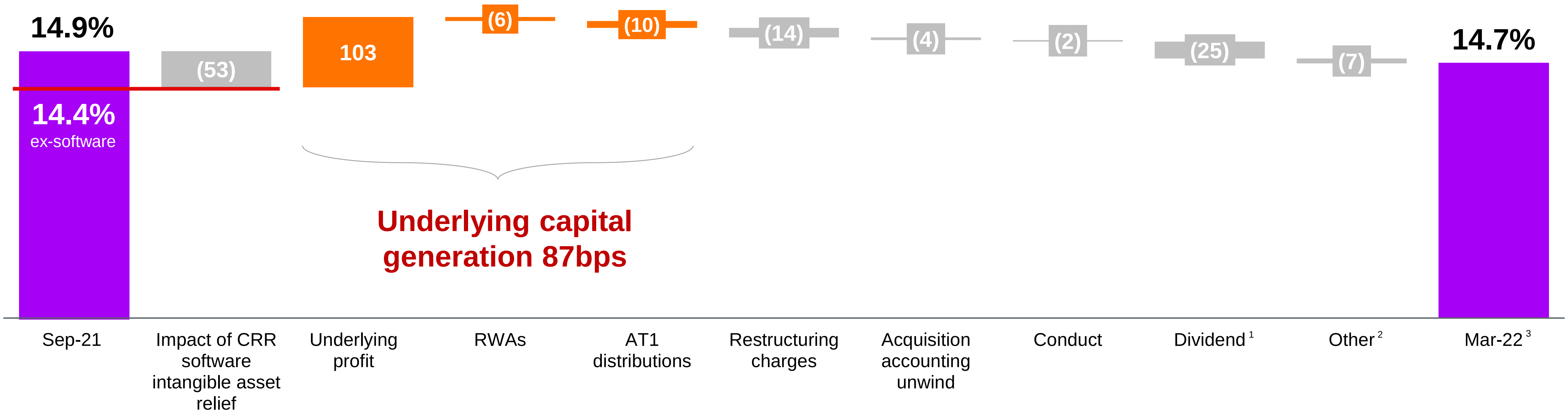
Maintaining provision coverage above pre-Covid levels



- Coverage remains prudent and significantly above pre-pandemic levels
- Cost of risk in H122 reflects continued strong credit performance; asset quality across all portfolios remains robust
- No significant signs of affordability stress from early warning indicators
- Expect cost of risk to increase in FY22 towards through the cycle level

Robust capital generation; now excluding software relief

CET1 ratio evolution (bps)

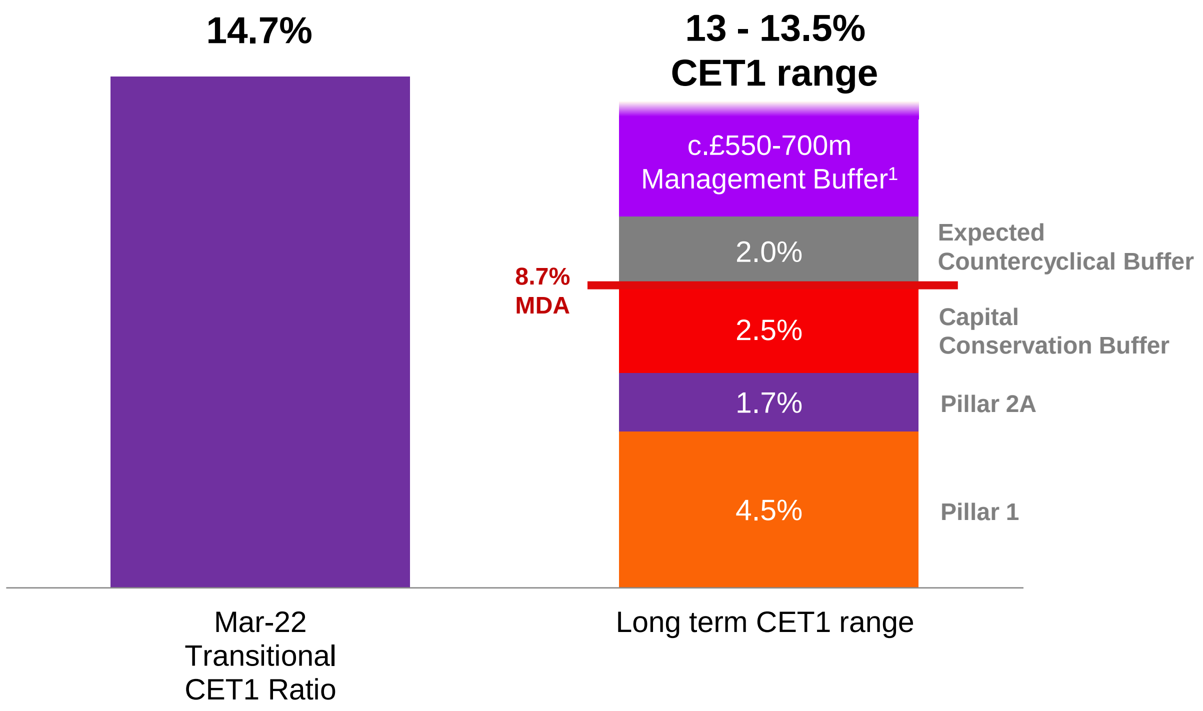


22.0%	**Total capital ratio**	21.8%
5.2%	**UK leverage ratio**	5.1%
31.9%	**MREL ratio**	31.7%

[1] Reflects accrual at 30% payout level
[2] Primarily AT1 redemption costs
[3] IFRS 9 transitional basis

Updated capital framework

Target CET1 range



Key elements of updated capital framework

- CET1 target range 13 - 13.5% long term
- Expect to operate above this target range for the time being due to current heightened macroeconomic uncertainty
- 30% full year dividend pay-out
- Interim dividend of 2.5p per share
- Interim dividends expected to represent around 1/3rd of the prior year's total dividend, beginning H1 2023
- Dividends to be supplemented by buybacks, subject to ongoing assessment of surplus capital, market conditions and regulatory approval

[1] Includes Pillar 2B

FY22 guidance upgraded

FY22 financial guidance (updated guidance in italics)

NIM	*FY22 NIM expected to be 180-185bps*
Costs	Underlying costs expected to be broadly stable in FY22
Cost of risk	Expect cost of risk to rise towards through the cycle range
Restructuring costs	Expect c.£275m across FY22-FY24, with around half in FY22
Capital Return	*FY22 30% dividend payout; buybacks subject to ongoing assessment of surplus capital, market conditions and regulatory approval*

Medium-term outlook (updated guidance in italics)

RoTE	Expect to deliver a statutory double digit return in FY24
Growth	Above market growth in Business & Unsecured; maintain mortgage share
Income	Mix-driven NIM expansion; OOI to rise as proportion of income
Gross savings	Gross cost savings of c.£175m by FY24; c.50% to be reinvested, including offsetting inflation
Costs	Cost: Income ratio to be <50%
CET1	*CET1 target range 13-13.5% long term; expect to operate above that for the time being*
Capital Return	*30% dividend pay-out supplemented by buybacks, subject to ongoing assessment of surplus capital, market conditions and regulatory approval*

Conclusion

DAVID DUFFY

Chief Executive Officer

Investing in our digital future to drive strong profitable growth

Strategic priorities	Building financial momentum in H1 22		FY24 targets
Pioneering Growth	**9.1% Stat RoTE**	• Gaining momentum in key segments	**10% RoTE**
Super Straightforward Efficiency	**Cost: Income 53%**	• Digital transformation on track	**Cost: Income <50%**
Delighted Customers & Colleagues	**2.5p dividend**	• Strong asset quality	**Return to sustainable dividend**
Discipline & Sustainability		• Return to regular dividend payments	
		• Exciting propositions to come in H2	

Q&A

DAVID DUFFY

Chief Executive Officer

CLIFFORD ABRAHAMS

Chief Financial Officer

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Appendix

Digital First Bank building momentum

Customer and propositions - digitisation and improvement

	FY21	By FY24	H1 22 progress
Customer interactions	70% voice	80% digital	**c.60% voice**
Fully digitised key customer journeys	27%	100%	**42%**
PCA digital adoption	62%	>80%	**64%**
# non-digital accounts	1.3m	Low	**1.2m**
Mortgage application automation	Limited	100% digital	**On-track to deliver in FY24**
Service centres	6 Voice-led	Fewer, digitally-led	**5 service centres**

Colleagues and digital - productivity and agility

	FY21	By FY24	H1 22 progress
Colleague interfaces	Multiple	Single sign on	**Underway**
Property footprint	c.900k sq ft	c.300k sq ft	**c.700 sq foot**
Branches	162[1]	Fewer, digitally-led	**132**
Data Centres	6	2	**1st exits end FY23**
Infrastructure in Cloud	c.5%	c.75%	**Migration starts FY23**
IT delivery lead time	13 weeks	6 weeks	**11 weeks (new Agile projects)**

Early progress in target areas, building pace of change

[1] At 30 September 2021

Strong pipeline of propositions to drive growth

H1 FY22

- Credit card instalments launch ✓
- Unsecured product expansion ✓
- New digital Travel Insurance ✓
- Debit card Cashback launch ✓
- M-Track launch ✓
- Virgin rewards launch; 20k Virgin points to switch PCA ✓

H2 FY22

- Multiply Gen-Z subscription launch
- Mortgage application automation
- Digital Wallet first release
- Business digital marketplace launch
- Digital investment platform launch (MONEY In partnership with abrdn)

Outer years

- Extend new-build proposition
- Digital Home Insurance launch
- Lending into later life launch
- Home ownership ecosystem launch
- Digital lending capability for SMEs
- Pension platform enrichment (MONEY In partnership with abrdn)
- Mortgage straight through processing delivered
- Digital Wallet full release
- Youth current account launch
- Business ESG product enhancements (Future-Fit Foundation)

Note: timeline not linear / to scale

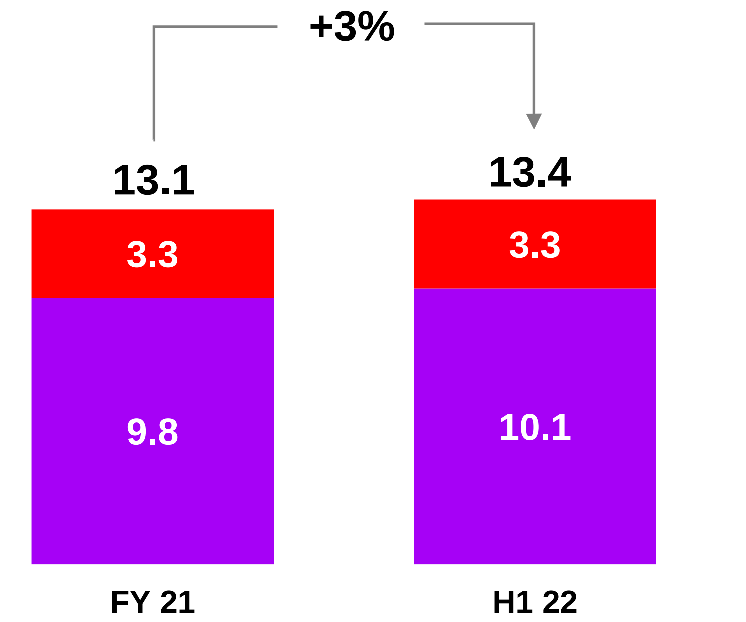
Progress made in supporting a more sustainable future

Goals	Principles	2030 aspiration	Highlights
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	✓ Our top 100 suppliers are participating in the Carbon Disclosure Project ✓ On track for 10% YoY energy consumption reduction via focus on energy efficient alternatives (LEDs, green gas) ✓ Rationalisation of property footprint; down c.20% since FY21
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	✓ Launched Sustainability-Linked Loans for businesses of all sizes (with no arrangement fee) ✓ Digital Sustainable Business Coach app launched in late 2021, includes new climate risk assessment ✓ On track to increase Greener mortgage lending by 50% YoY
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	✓ Launched new account opening process to give Ukrainian refugees access to bank accounts; donated £300k to the Disasters Emergency Committee's (DEC) Ukraine Humanitarian Appeal ✓ Continued focus on developing Poverty Premium measure in partnership with Smart Data Foundry; promoting Turn2Us Benefits Calculator to help over-65's claim entitlements, with over 1,000 calculations now completed ✓ Colleagues raised £200k for Macmillan in H1; VM Foundation made 45 new grants totalling c.£600k in H1
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	✓ Embedding Climate Risk throughout business processes, undertaken scenario analysis per BoE guidance ✓ ESG scorecard enhanced for 2021 LTIP ✓ Published ESG hub on corporate website

Relationship deposits – H1 22

Strong BCA balances supported by improved proposition

Relationship deposit balances
£bn

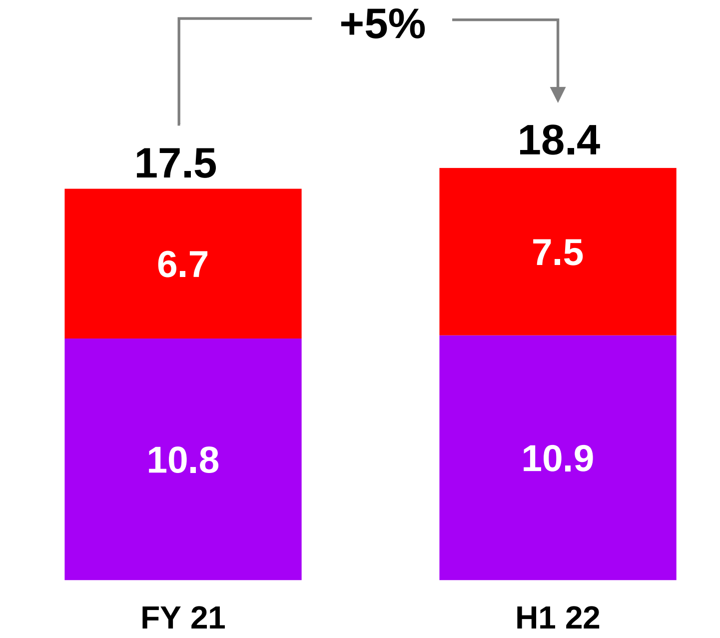


	FY 21	H1 22
Cost (bps)	8[1]	11

Business Current Accounts BCA Linked Savings

Continued momentum in PCA and linked savings balances

Relationship deposit balances
£bn



	FY 21	H1 22
Cost (bps)	24[1]	28

Personal Current Accounts PCA Linked Savings

[1] cost in H2 21

Updated IFRS9 scenarios & weightings; prudent overlays applied

Conservative economic scenarios

Scenario	Measure[1]	2022	2023	2024	2025
Upside 10%	GDP	5.0%	4.4%	2.4%	2.0%
	Unemployment	3.7%	3.6%	3.6%	3.7%
	HPI growth	9.7%	1.7%	2.5%	2.4%
Base 55%	GDP	3.8%	2.6%	1.9%	1.8%
	Unemployment	4.0%	3.9%	3.8%	3.7%
	HPI growth	5.4%	(0.9)%	0.2%	2.0%
Downside 35%	GDP	(0.3)%	(0.2)%	1.2%	1.6%
	Unemployment	5.6%	6.5%	6.6%	6.5%
	HPI growth	(5.5)%	(14.7)%	(16.5)%	(2.2)%
Weighted average	GDP	2.5%	1.8%	1.7%	1.7%
	Unemployment	4.5%	4.8%	4.7%	4.7%
	HPI growth	2.0%	(5.5)%	(5.4)%	0.6%

Prudently applied post-model adjustments

	Sep-21 ECL	o/w PMAs	Mar-22 ECL	o/w PMA	Change in PMAs
Mortgages	£87m	£54m	£66m	£42m	£(12)m
Unsecured	£194m	£35m	£221m	£44m	£9m
Business	£223m	£118m	£192m	£93m	£(25)m
Total	**£504m**	**£207m**	**£479m**	**£179m**	**£(28)m**

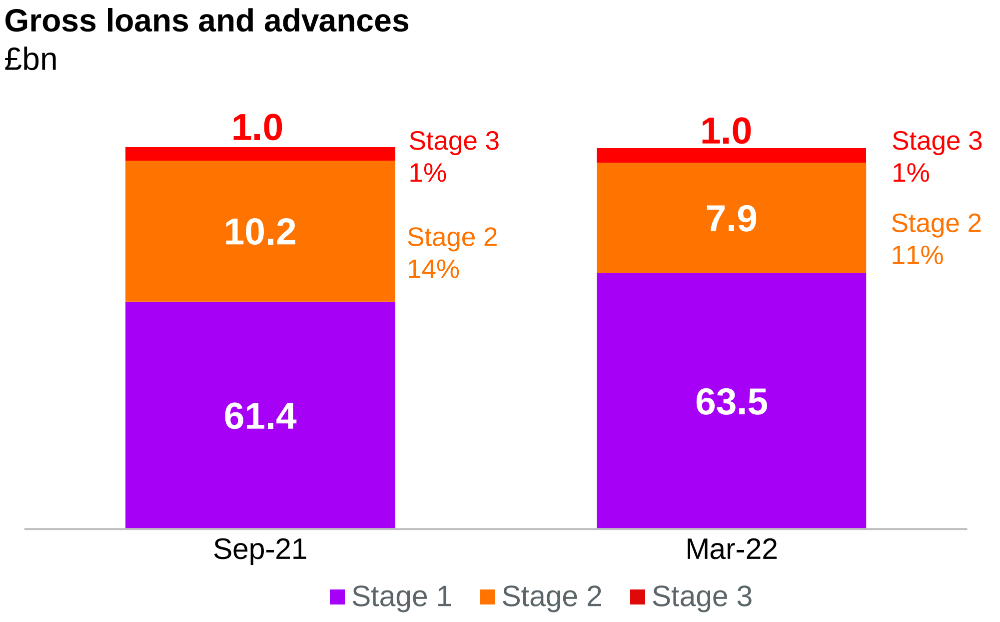
- Remain prudently positioned given uncertain economic environment
- Maintained conservative coverage levels via PMAs

Source: Oxford Economics and company data

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

Stable asset quality and provision coverage

Stage 2 reduction; Stage 3 proportion unchanged



- Mortgages drove c.£2bn of stage 2 reduction, reflecting combination of lower modelled ECL and reduction of PMAs
- Stage 3 remained stable at 1%

Provision coverage remains strong

	Sep-21 Coverage Ratio	Mar-22 Gross Loans	Mar-22 ECL	Mar-22 Coverage Ratio	H122 Cost of Risk
Mortgages	15bps	£58.1bn	£66m	11bps	(7)bps
Unsecured	380bps	£6.2bn	£221m	404bps	257bps
o/w cards	*379bps*	*£5.1bn*	*£199m*	*422bps*	*330bps*
o/w loans & overdrafts	*386bps*	*£1.1bn*	*£22m*	*297bps*	*(157)bps*
Business	306bps[1]	£8.1bn	£192m	258bps[1]	(64)bps
Total	**70bps**	**£72.4bn**	**£479m**	**66bps**	**6bps**

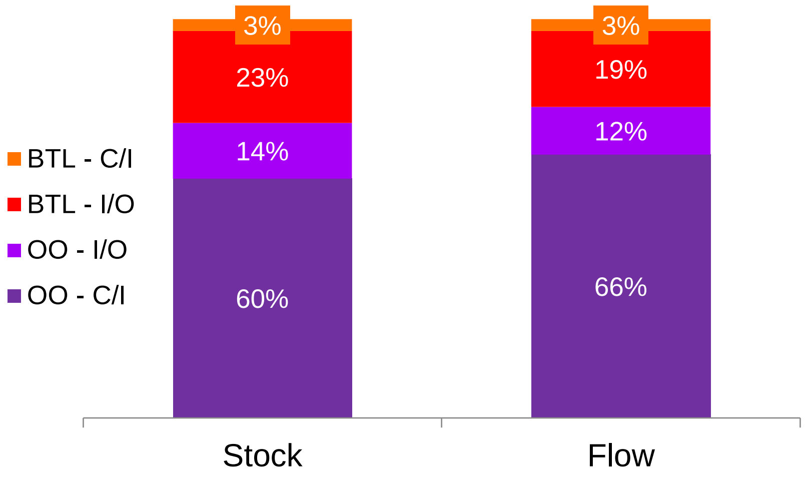
- Refreshed economics reflect improvement in the outlook
- PMAs reflecting economic uncertainty
- Low cost of risk in H1 as no credit deterioration

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

Mortgages: low LTV, high quality portfolio

Mortgage book weighted towards owner-occupied

Repayment and borrower profile



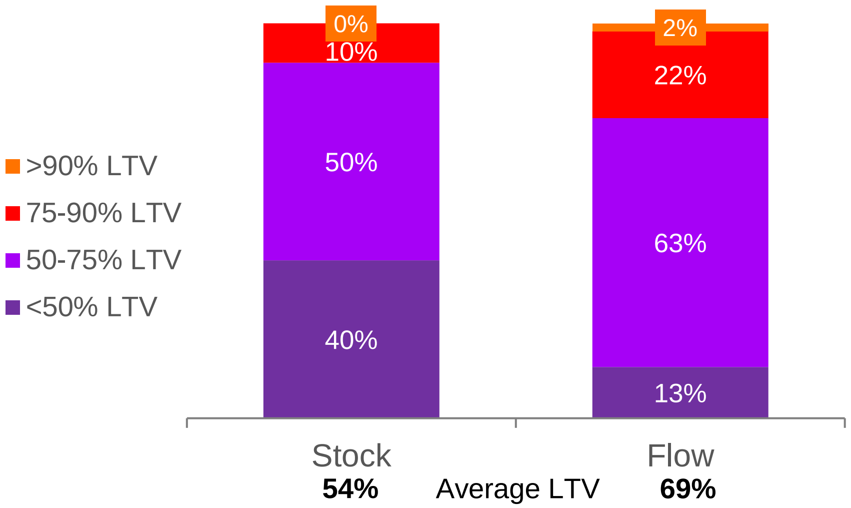
A prime book, originated under the highest standards
- Consistent, post-MMR prudent underwriting; no sub-prime/self-cert
- Appropriate, tailored buffers for living costs in affordability assessment
- Arrears lower than industry (0.4% vs 0.8[1]%)

Owner-occupied (74%)
- Average LTV is 54.5%; <0.5% is >90% LTV
- Prudent average LTI; 3.2x in H1 22

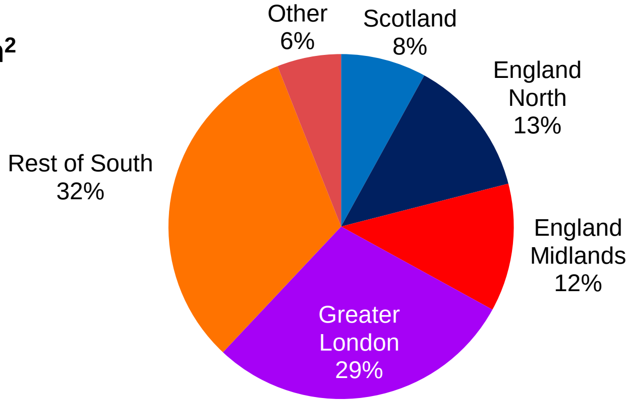
Buy-to-let (26%)
- Average LTV is 54.4%; max LTV of 80% for new lending
- Conservative rental and borrower income requirements

Low LTV and geographically diversified

Loan-to-value of mortgage lending



Mortgage stock lending location[2]

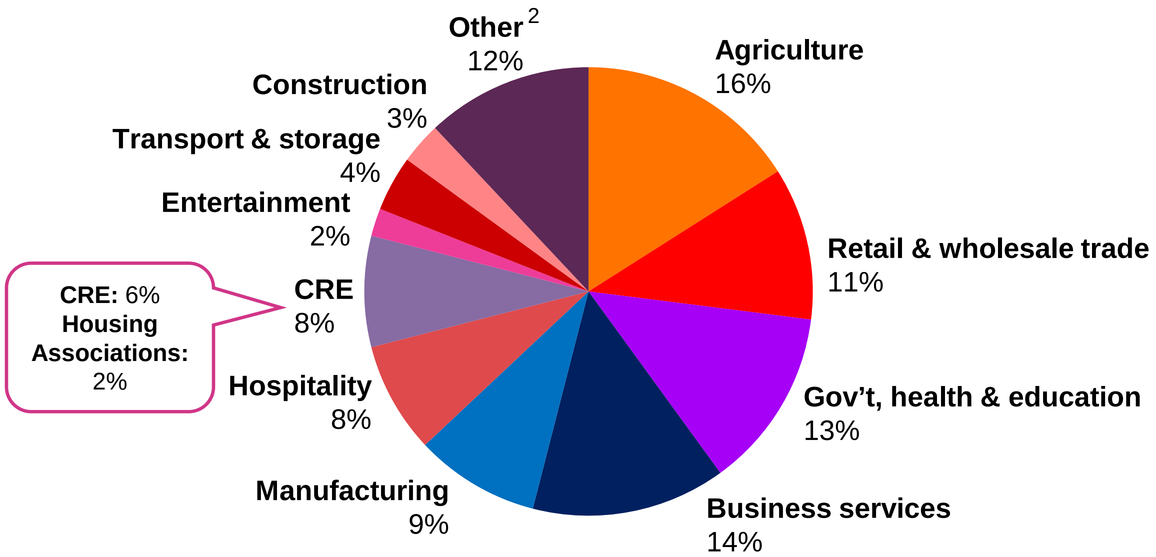


[1] 3m+ arrears; Source: UK Finance, as at Feb-22

[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.

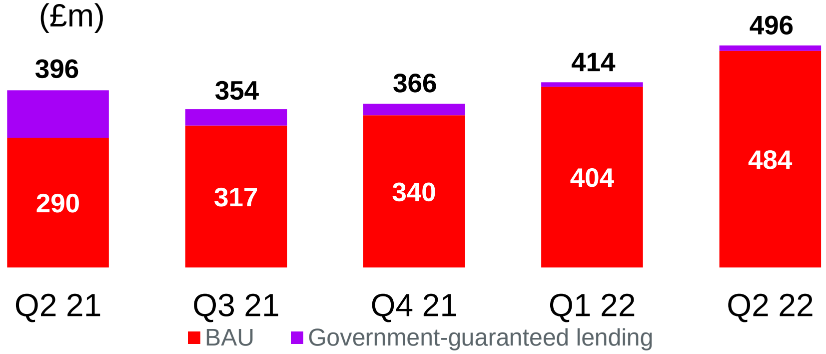
Business Lending: defensively positioned, granular book

Business lending portfolio by industry sector[1]

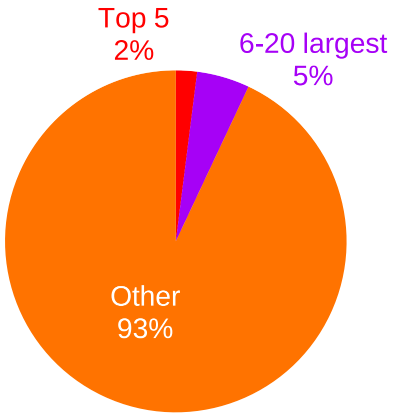


Business banking drawdowns[4]

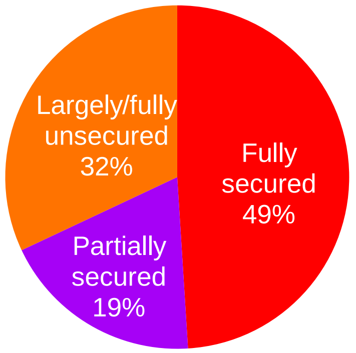
(£m)



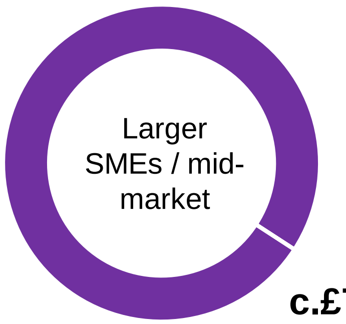
Business lending portfolio



% of book by customer exposure



% of book by collateral cover[3]



c.£7bn

- c.15% of lending customers
- c.85% of balances
- Turnover typically >£2m - £100m
- Average loan size c.£1m

c.£1.3bn

- c.85% of lending customers
- c.15% 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

Unsecured: asset quality & origination discipline maintained

Affluent customers able to absorb higher living costs

Credit Cards:

- c.2.5m accounts; c.95% of balances originated through VM brand
- VMUK arrears at 1.2% (FY21: 1.1%) vs industry[1] of 1.5%; VMUK BT arrears of 1.0%; non-BT arrears of 1.6%
- Balance transfers c.2/3s of cards portfolio; c.19% 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 (c.1% H1 22 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

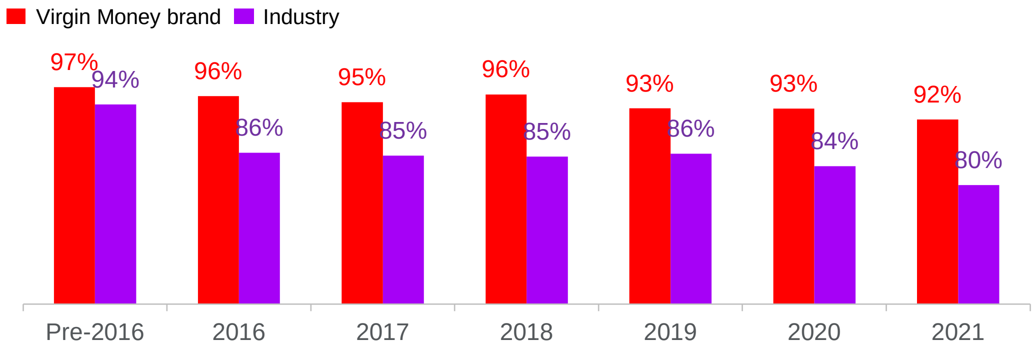
Personal Loans:

- c.110k direct customers, prime loan book
- Only sold to existing customers; limited appetite for potentially lower resilience segments i.e. self-employed & higher indebtedness
- Strong customer profiles (c.75% homeowners and low% self employed)
- Loan and overdraft 2+ arrears at 1.4% (FY21: 1.2%)

High quality cards book: well positioned for uncertainty

High quality origination: via prudent underwriting standards

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



Source: Industry data Verisk Financial | Argus. Dec 21; 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 Dec-21
[2] Customers originated through VM brand since 2015; data as at Mar-22
[3] Sources: TUC and Verisk Financial | Argus
[4] Persistent debt reflects total combined portfolio; data as at Jan-22

Balance sheet

£m

	at Mar 2022	at Sep 2021
Mortgages	57,798	58,104
Business	8,263	8,477
Unsecured	5,793	5,415
Total customer loans	**71,854**	**71,996**
Other financial assets	14,676	15,035
Other non-financial assets	2,079	2,069
Total assets	**88,609**	**89,100**
Customer deposits	64,386	66,870
Wholesale funding (excl. TFS / TFSME)	8,297	7,702
TFS / TFSME	7,200	5,894
Other liabilities	3,158	3,161
Total liabilities	**83,041**	**83,627**
Equity and reserves	5,568	5,473
Liabilities and equity	**88,609**	**89,100**

Risk weighted assets

£m

	at Mar 2022	at Sep 2021
Mortgages	10,023	10,010
Business	6,007	6,040
Unsecured	4,602	4,311
Other	901	1,182
Total credit risk	**21,533**	**21,543**
Credit valuation adjustment	61	103
Operational risk	2,481	2,481
Counterparty risk	109	105
Total RWAs	**24,184**	**24,232**
Total loans	**71,854**	**71,996**
Credit RWAs / total loans	**30%**	**30%**
Total RWAs / assets	**27%**	**27%**

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VIRGIN MONEY UK PLC

Interim Financial Results 2022