VIRGIN MONEY UK

**VIRGIN MONEY UK PLC**
**(Company)**

**LEI: 213800ZK9VGCYYR6O495**

**4 November 2021**

# Full Year 2021 Trading Update

Virgin Money UK PLC will be hosting a presentation for analysts and investors starting at 08:30 GMT today (19:30 AEDT). The presentation will be webcast live and is available at https://webcast.openbriefing.com/vmuk-fy21/.

The presentation is attached and is also available on the website at:

https://www.virginmoneyukplc.com/investor-relations/results-and-reporting/financial-results/.

A recording of the webcast will be made available on the website shortly after the meeting.

For further information, please contact:

| | |
|---|---|
| **Investors and Analysts** | |
| Richard Smith | 07483 399303 |
| Head of Investor Relations | richard.smith@virginmoneyukplc.com |
| | |
| **Company Secretary** | |
| Lorna McMillan | 07834 585 436 |
| Group Company Secretary | lorna.mcmillan@virginmoneyukplc.com |
| | |
| **Media Relations** | |
| Matt Magee | 07411 299477 |
| Head of Media Relations | matthew.magee@virginmoneyukplc.com |
| | |
| Simon Hall | 07855 257081 |
| Senior Media Relations Manager | simon.hall@virginmoney.com |

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

Virgin Money UK PLC is registered in England and Wales (company number: 09595911) and as a foreign company in Australia (ARBN 609 948 281) and has its registered office at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL

# VIRGIN MONEY UK PLC

## Full Year 2021
## Trading Update

# Basis of preparation

**BASIS OF PRESENTATION**

This investor presentation constitutes a trading update for Virgin Money UK PLC for the year ended 30 September 2021 and is unaudited. This investor presentation is not, nor is it intended to be, a preliminary statement of annual results. Due to the results presented in this presentation being unaudited and not having been agreed with the Company's auditors as would be required for a preliminary statement of annual results, further adjustment could arise from the finalisation of the audit which would be reflected in the audited financial statements when published, however Virgin Money UK PLC confirms that it is not aware of, nor has the company been notified of, any matter which may result in the need to make a change to the information in this update in connection with finalising the audit. This investor presentation relates to the trading update of the same date. The audited financial statements will be included in the Group's Annual Report and Accounts which is expected to be published on 24 November 2021.

This investor presentation provides an update on the Group's acceleration of its Digital First strategy, following the conclusion of its digital strategy review which was announced at the time of its H1 results.

Virgin Money UK PLC ('Virgin Money', 'VMUK' or 'the Company'), together with its subsidiary undertakings (which together comprise 'the Group'), operate under the Clydesdale Bank, Yorkshire Bank, and Virgin Money brands.

The information in this investor presentation is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the "Act"). Statutory accounts for the year ended 30 September 2020 have been delivered to the Registrar of Companies and contained an unqualified audit report under Section 495 of the Act, which did not draw attention to any matters by way of emphasis and did not contain any statements under Section 498 of the Act.

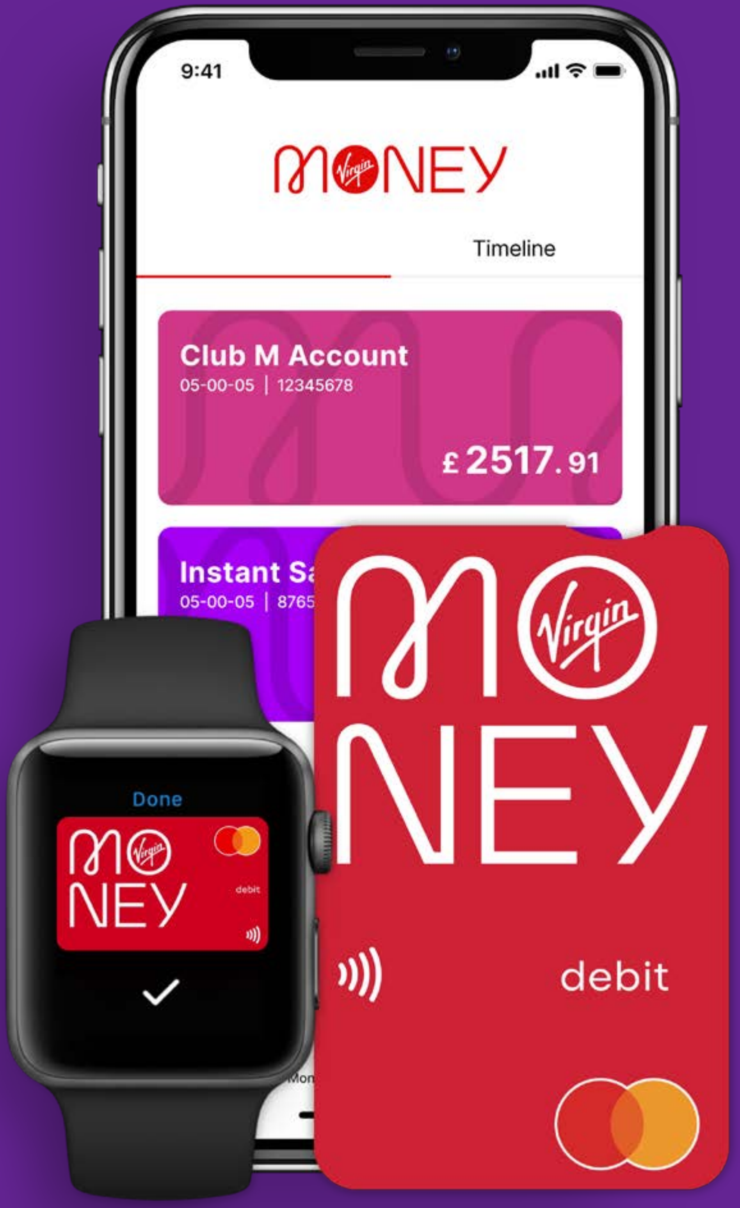
# Accelerating Digital

**DAVID DUFFY**

Chief Executive Officer

The figures, commentary and comparisons set out in this presentation are based on the anticipated FY21 results as set out in the announcement of 4 November 2021, which are unaudited and have yet to be agreed with Virgin Money's auditors and so could be subject to change.

VIRGIN MONEY UK



# Strong expected financial performance in FY21

**Balance sheet mix**

- NIM of 1.62% for FY21 vs 1.56% for FY20; exit rate of 1.70% for Q4
- Relationship deposits +19% YoY; FY21 cost of deposits reduced 37bps vs FY20
- Stable lending balances with significantly above-market growth in credit cards

**Efficiency**

- FY 21 costs down 2% to £902m
- Integration & Transformation substantially completed
- Accelerating digital to drive productivity and growth

**Asset quality**

- Improving economic forecasts led to £217m writeback of provisions across H2
- Asset quality remains resilient but strong provision coverage maintained at 70bps
- ECL release of £131m; (18)bps cost of risk for FY21

**Balance sheet strength**

- Capital remains robust: CET1 ratio improved to 14.9%[1]
- Strong TNAV progression; improved 46p to 290p during FY21
- Board intends to recommend dividend of 1p per share[2]

Statutory ROTE

**10.2%**

Underlying profit before tax

**£801m**

Statutory profit before tax

**£417m**

Robust CET1 ratio[1]

**14.9%**

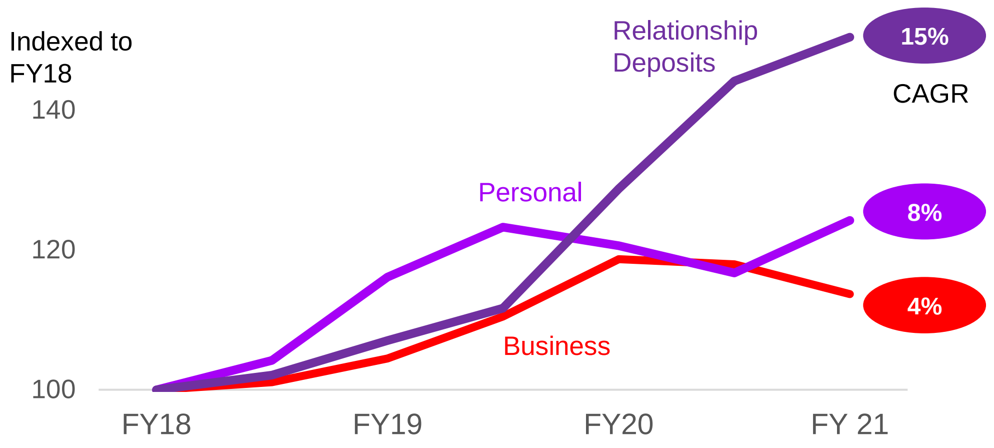




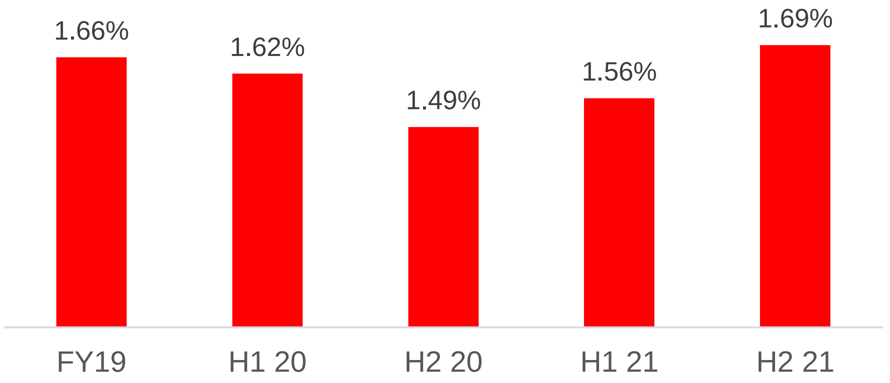
[1] IFRS 9 transitional basis; 14.4% CET1 ratio excluding the benefit from the change in treatment of software intangible assets
[2] Subject to finalisation of full year results and shareholder approval

# Improved financial performance driven by strategy

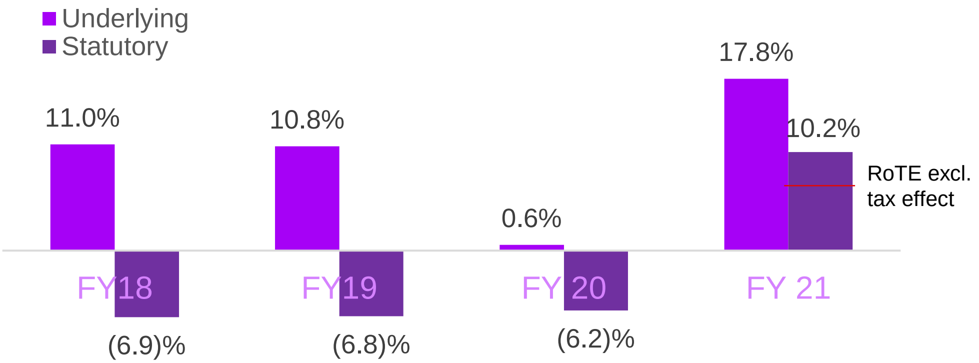
## Growth in margin accretive products



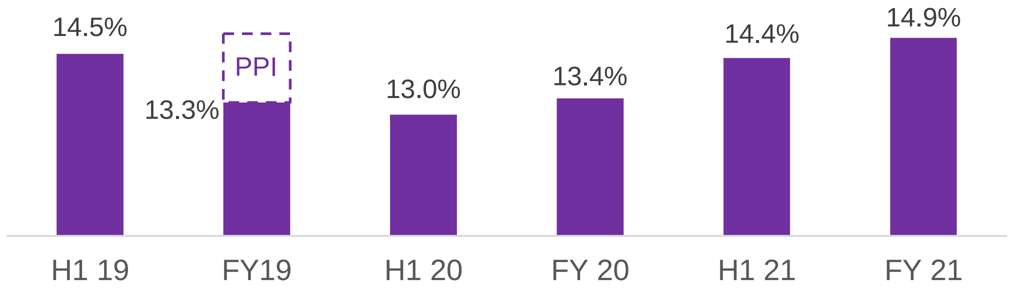

## Supporting delivery of improved NIM




## RoTE progression




## Robust capital accretion[1]

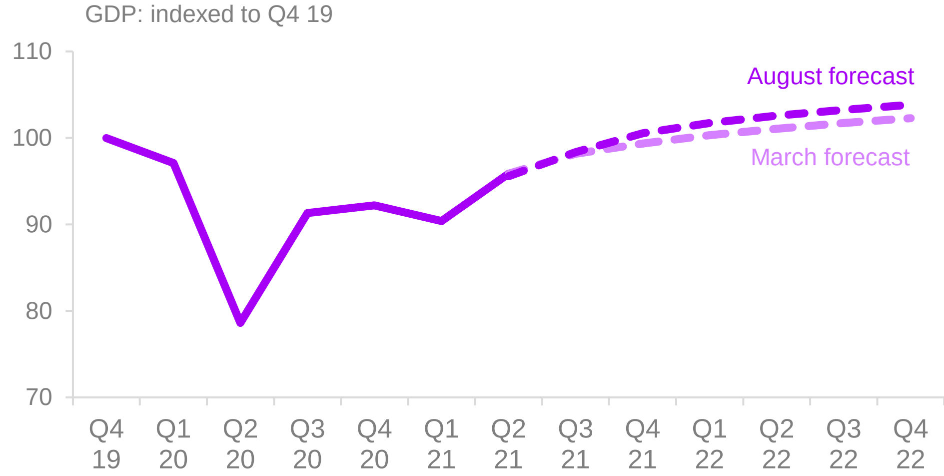



[1] IFRS 9 transitional basis

# Higher rate outlook and supportive macroeconomic backdrop

Gathering pace of recovery

## GDP: stronger than anticipated rebound




Source: Oxford Economics Base Case, March and August 2021

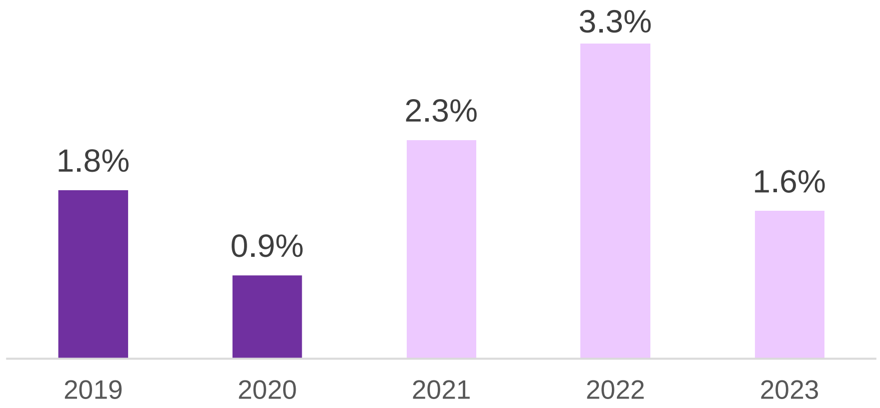
## Unemployment: lower than initially feared


Source: Oxford Economics Base Case, March and August 2021

Stronger labour demand

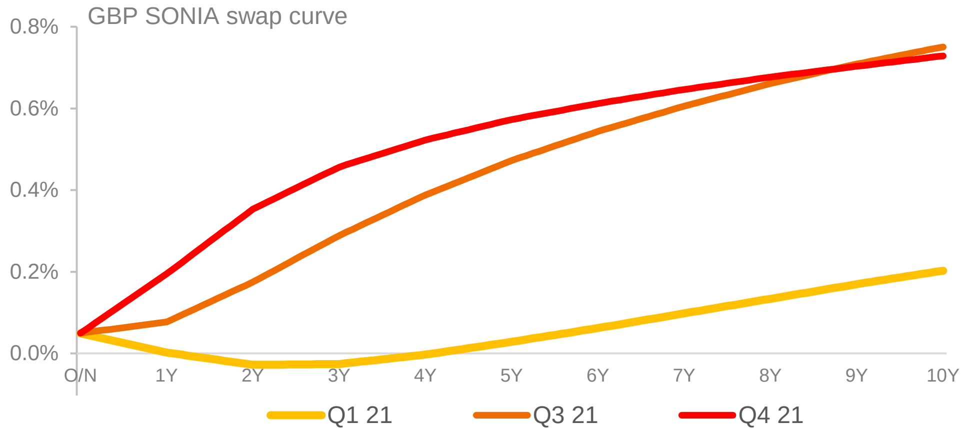
Temporary inflationary pressure

## CPI: inflation to peak in 2022




Source: Oxford Economics Base Case, October 2021

## Rates: significant yield curve steepening during this year




Source: Bloomberg

Improving UK rate environment

# Successfully delivered integration and rebranding

**Delivered integration and synergies**

- ✓ FSMA Part VII delivered
- ✓ c.20% reduction in staff
- ✓ 44% decrease in branch network to 131 stores[1]
- ✓ 38% reduction in main offices to 8 sites
- ✓ Significant progress on synergies
- ✓ 2.7m accounts rebranded
- ✓ c.2.5m customers using VM mobile apps
- ✓ Consolidated data warehouse contains over 3,000 differing data sets for over 8m customer accounts

**While rebranding and starting to digitise the bank**

- ✓ 3 legacy brands converged into 1
- ✓ Store network fully rebranded
- ✓ Vast majority of products now sold under VM brand, attracting more affluent customers
    - 95% growth in new PCA sales YOY
    - 100% new BCA sales VM branded
    - 100% credit card sales under VM/VAA brand
- ✓ Launch of national digital business bank
- ✓ Launched innovative branded services such as Money on your Mind and Brighter Money Bundles

[1] Including branch reductions announced 30 September 2021

# COVID has significantly accelerated digital trends in banking

| Digital acceleration | Customer digital demand | Competitive acceleration | Colleagues new needs |
|---|---|---|---|
| Years of change in 1 year; faster deployment | Demand digital ease, innovation and service | New entrants, Fintechs, Ring-fencing | Demand flexibility, WFH and technology |



CHASE
Marcus: by Goldman Sachs
Klarna.
PayPal

CUMULATIVE EFFECT OVER TIME

Payments
Banking
Big Tech entrants
Telecomms

amazon
Google

INFLECTION POINT

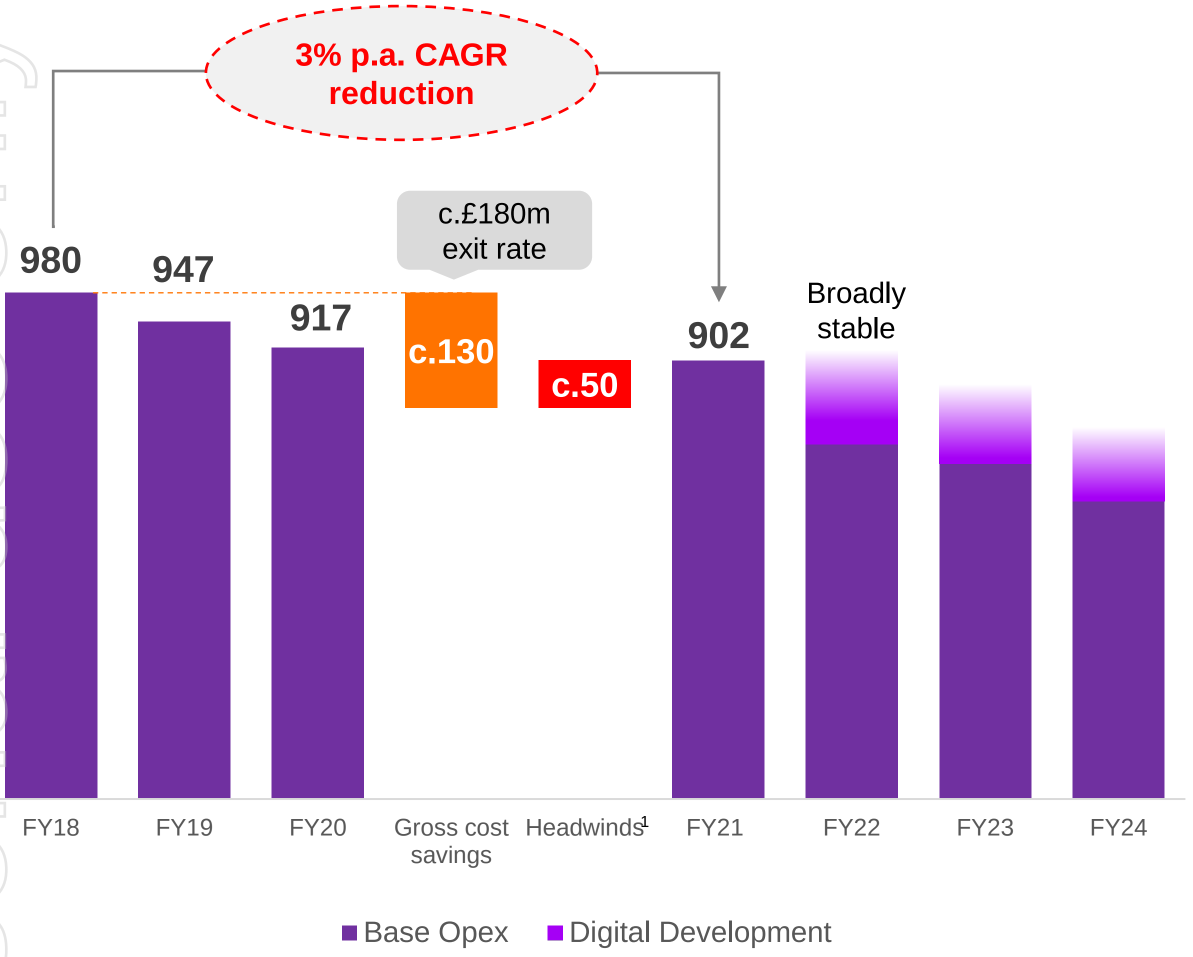
Hybrid banking

MONEY

**Winners:**
Integrated solutions with:
Strong brand
Best-in-class experience
Valuable proposition
Faster change delivery
Cloud based operating model
Strategic partnerships

**Losers:**
Low brand recognition
Slow pace of change
Product, not service-led
High-touch operating model

# Significant cost reduction with higher headwinds and investment




## Delivering cost reduction

- By FY21, delivered c.£180m exit run rate savings with c.£50m headwinds[1]
- FY22-24, targeting c.£175m gross savings from c.£275m restructuring
- Expect around half of savings to be reinvested, including absorbing the impact of inflation
- FY22 costs broadly stable, reducing thereafter

Cost: income <50%

10% ROTE by 2024

Return to sustainable dividend

1 Headwinds included embedded Covid-19 staff costs, Covid delays to change programmes, higher Tier 1 bank investment requirements, higher investment in digital growth and propositions, and higher inflation and 3rd party supplier costs

# What our investment will deliver

**Customer & propositions**

- ✓ Launch of national digital business bank underway
- ✓ Launch digital wallet with integrated Virgin Red loyalty scheme
- ✓ Launch PCA and BCA debit cashback
- ✓ Target accelerated growth of Investment JV with abrdn
- ✓ Innovative subscription-based unsecured credit model
- ✓ Straight-through mortgage processing with home coach app

→ Best-in-class propositions and experiences

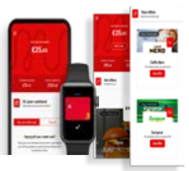
**Colleagues & property**

- ✓ Life More Virgin operating model: increased cloud-based remote working with digital tools for colleagues
- ✓ Rationalise property footprint including branches and offices
- ✓ Investment in colleague hubs for collaborative working

→ Efficient bank with motivated colleagues

**Digital**

- ✓ Strategic partnership with Microsoft delivering full cloud architecture
- ✓ Build single customer view with one digital gateway
- ✓ Automation of key customer journeys
- ✓ Investing in Digital First programme



→ Productivity and agility

# Digital First Bank investment will drive efficiency

## Customer and propositions - digitisation and improvement

| | From | By FY24 |
|---|---|---|
| **Customer interactions** | 70% voice | **80% digital** |
| **Fully digitised key customer journeys** | Limited | **100%** |
| **PCA digital adoption** | 62% | **>80%** |
| **# non-digital accounts** | 1.3m | **Low** |
| **Mortgage application automation** | Limited, paper-based | **100% digital** |
| **Service centres** | 6 Voice-led | **Fewer, digitally-led** |

## Colleagues and digital - productivity and agility

| | From | By FY24 |
|---|---|---|
| **Colleague interfaces** | Multiple | **Single sign on** |
| **Property footprint** | c.900k sq ft | **c.300k sq ft** |
| **Branches** | 162[1] | **Fewer, digitally-led** |
| **Data Centres** | 6 | **2** |
| **Infrastructure in Cloud** | c.5% | **c.75%** |
| **IT delivery lead time** | 13 weeks | **6 weeks** |

**Investing to deliver improved efficiency with enhanced digital customer experience**

[1] At 30 September 2021

# New propositions target digital-driven growth in key segments

## Strong growth from established digital propositions

**Attracting new digital, affluent PCA customers**

- Strong FY21 growth; 95% sales uplift
- 94% digitally registered
- Virgin brand attracting higher affluence customers
- Taking market share nationally via digital

**Strong growth in higher affluence credit card segments**

- Strong FY21 growth +4% vs market -6%
- 100% digital origination
- Prime affluent book with strong credit quality
- Scale business with 7.4% market share

## New digital propositions to target key growth segments

**Business** — Differentiated digital business banking targeting best-in-class customer service with specialist RM support

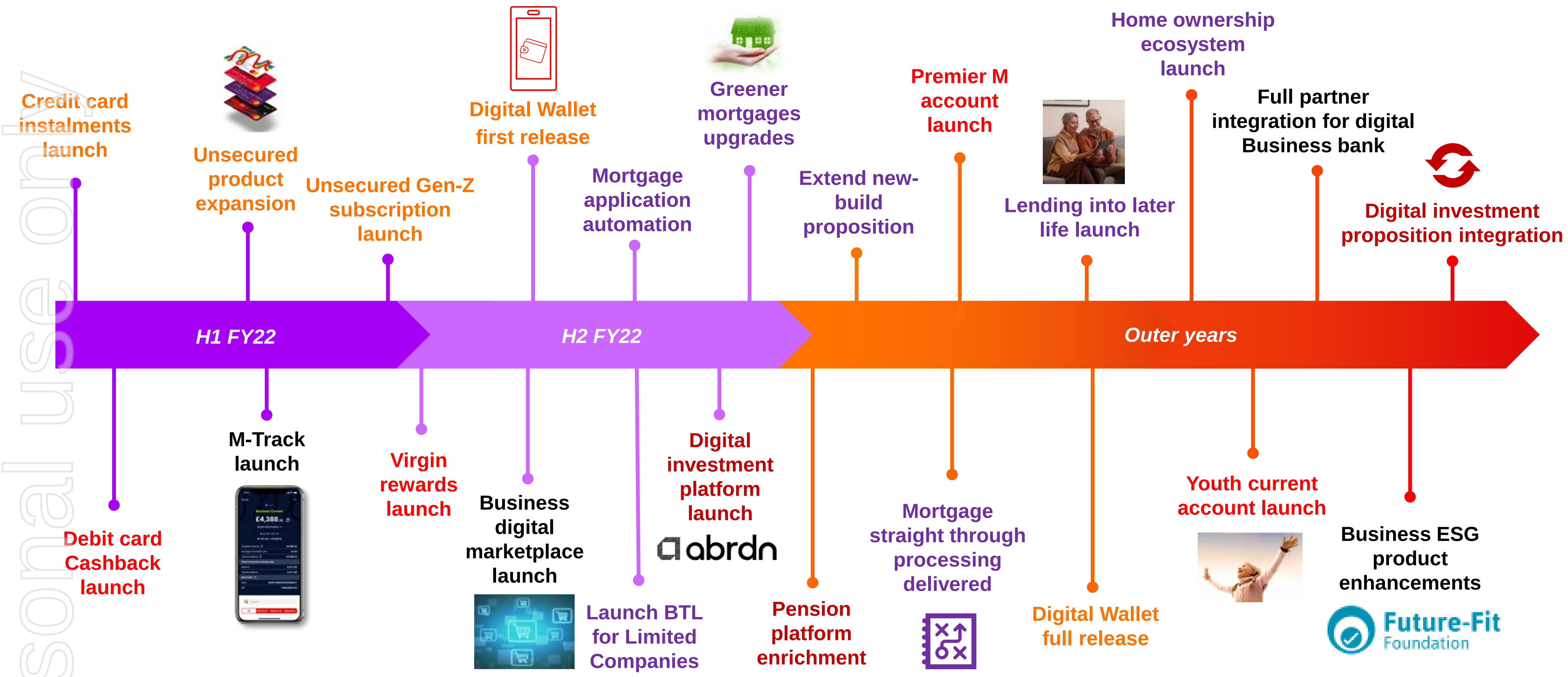
**Unsecured** — Successful digital model expanded to adjacent segments with integrated rewards and digital wallet

**Mortgages** — Fully digitised processing, targeting underserved segments; greener mortgages; home buying coach

**Investments** — Straightforward proposition, with refreshed digital acquisition and servicing pathways

**Delivering above market growth in Business and Unsecured; maintaining market share in Mortgages**

# Strong pipeline of propositions to drive growth



# Launching a Digital Wallet with Virgin Red loyalty opportunity

## Developing differentiated capabilities

- Collaborating with Global Payments to deliver digital wallet[1] with full BNPL capability and loyalty scheme
- Integrated brand experience and value proposition
- Best-in-class digital merchant services proposition with integrated customer data and insights
- Potential opportunity for customers to 'Earn and Burn' Virgin points
- Available to all UK consumers

## Compelling competitive attributes

- ✓ Developing valuable customer proposition
- ✓ Credit and debit loyalty / Virgin Money cashback
- ✓ Full functionality of all major competitors
- ✓ Fully integrated into digital business bank
- ✓ Differentiated rewards model as a currency
- ✓ Trusted brand with broader opportunity

MONEY

globalpayments

POINTS

**Expect further update in 2022**

[1] Digital wallets securely store virtual versions of debit and credit cards, allowing digital payment capability

# Financial Results

**CLIFFORD ABRAHAMS**

Chief Financial Officer

The figures, commentary and comparisons set out in this presentation are based on the anticipated FY21 results as set out in the announcement of 4 November 2021, which are unaudited and have yet to be agreed with Virgin Money's auditors and so could be subject to change.

# Strengthened profitability driven by ECL release

| Underlying expected P&L (unaudited) | 12 months to | 12 months to | Change |
|---|---|---|---|
| **£m** | **30 Sep 2021** | **30 Sep 2020** | **FY21 vs. FY20** |
| Net interest income | 1,412 | 1,351 | 5% |
| Non-interest income | 160 | 191 | (16)% |
| **Total operating income** | **1,572** | **1,542** | **2%** |
| Total operating and administrative expenses | (902) | (917) | 2% |
| **Operating profit before impairment losses** | **670** | **625** | **7%** |
| Impairment (loss)/ release on credit exposures | 131 | (501) | n.m.% |
| **Underlying profit before tax** | **801** | **124** | **546%** |
| Net Interest Margin (NIM) | 1.62% | 1.56% | 6bps |
| Cost of risk | (18)bps | 68bps | 86bps |
| Underlying cost-to-income ratio | 57% | 59% | 2%pts |
| Underlying Return on Tangible Equity (ROTE) | 17.8% | 0.6% | 17.2%pts |
| Underlying Earnings Per Share (EPS) | 47.9p | 1.4p | 46.5p |
| Ordinary dividend per share[1] | 1.0p | - | - |

[1] Subject to finalisation of full year results and shareholder approval

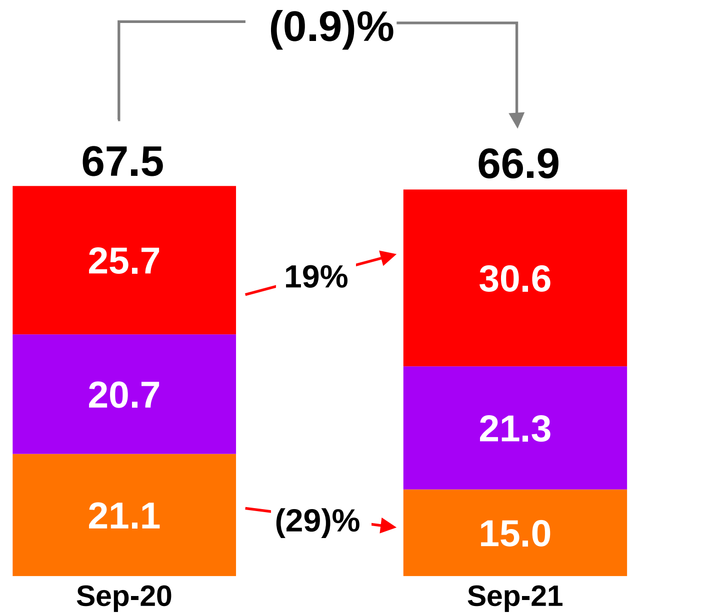
# Substantially improved statutory profitability

| Statutory expected P&L (unaudited) | 12 months to | 12 months to | |
|---|---|---|---|
| £m | 30 Sep 2021 | 30 Sep 2020 | Comments |
| **Underlying profit before tax** | **801** | **124** | |
| Exceptional items | | | |
| - Integration & transformation costs | (146) | (139) | • c.£100m for integration and transformation; c.£45m to accelerate digital strategy |
| - Acquisition accounting unwinds | (88) | (113) | • Expect c.£50m remaining over next three years with the majority in FY22 |
| - Legacy conduct costs | (76) | (26) | • £59m for PPI; remediation now complete |
| - Other items | (74) | (14) | • Includes c.£70m for intangible asset changes |
| **Total exceptional items** | **(384)** | **(292)** | |
| **Statutory profit/(loss) before tax** | **417** | **(168)** | |
| Tax credit | 57 | 27 | • Revaluation and recognition of historical losses following tax rate changes |
| **Statutory profit/(loss) after tax** | **474** | **(141)** | |
| | | | |
| Tangible Net Asset Value (TNAV) per share | 289.8p | 244.2p | |

# Delivering funding mix improvement and lower cost of funds

## Strong growth in relationship deposits

**Customer deposit balances**
£bn

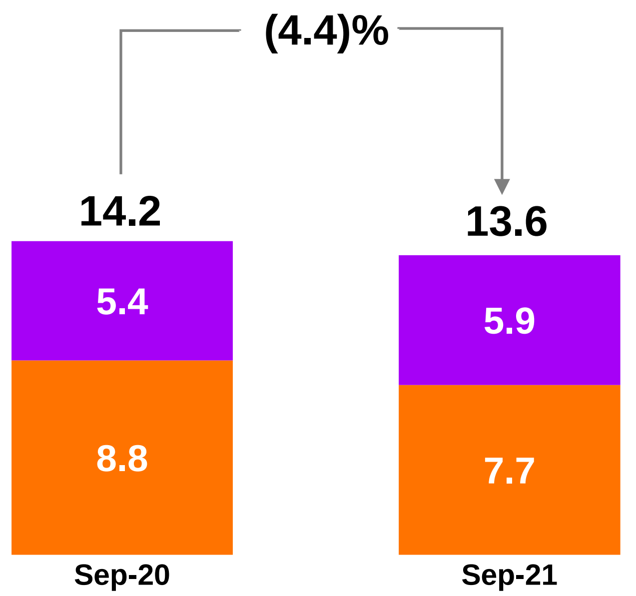



| | Sep-20 | Sep-21 |
|---|---|---|
| Cost (bps) | 90 | 53 |
| LDR | 107% | 108% |

■ Term deposits ■ Non-linked savings ■ Relationship deposits

## Retain funding flexibility and managing wholesale mix

**Wholesale funding balances**
£bn

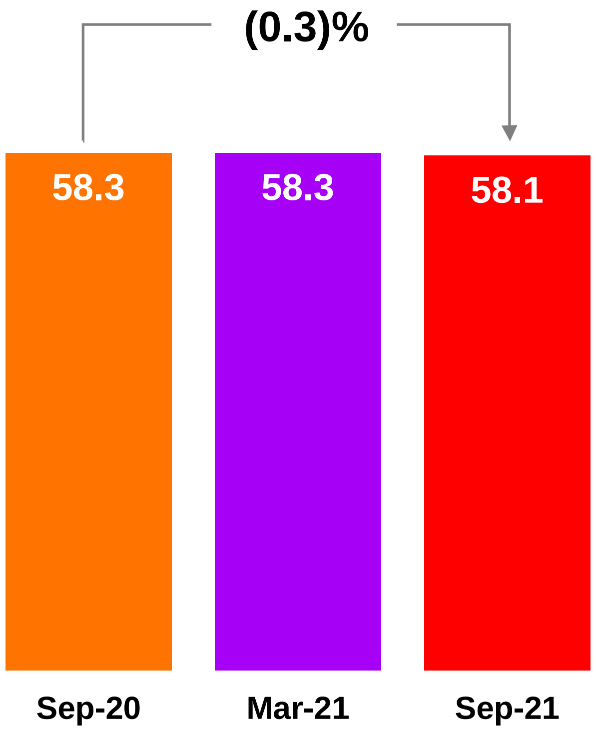



| | Sep-20 | Sep-21 |
|---|---|---|
| Cost (bps) | 142 | 130 |
| TFS/TFSME (% of lending) | 7% | 8% |

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

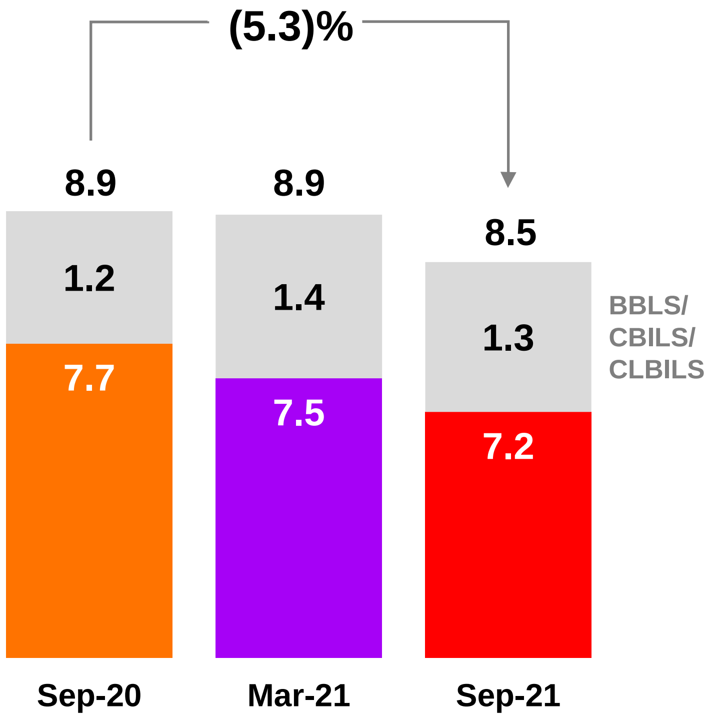
# Overall lending stable in FY21 with pick up in Personal

## Mortgages £58.1bn



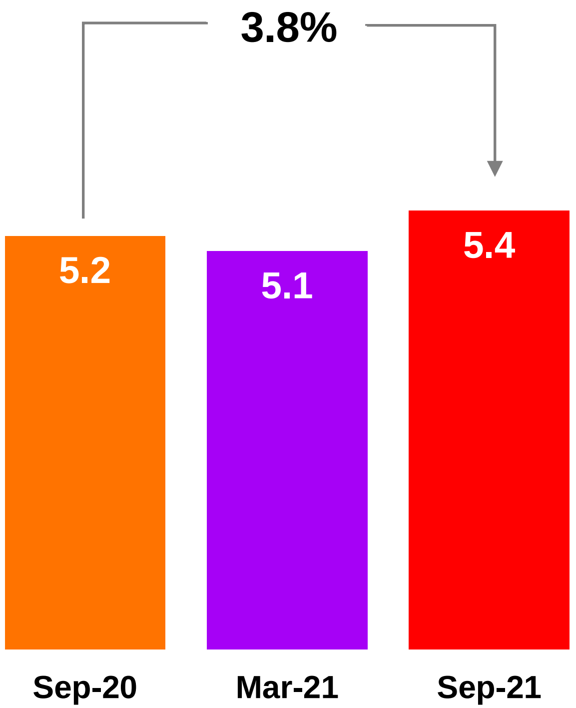

Continue to be selective in pricing focusing on margin over volumes

## Business £8.5bn




Lower demand reflecting pull-forward effect of government schemes

## Personal £5.4bn

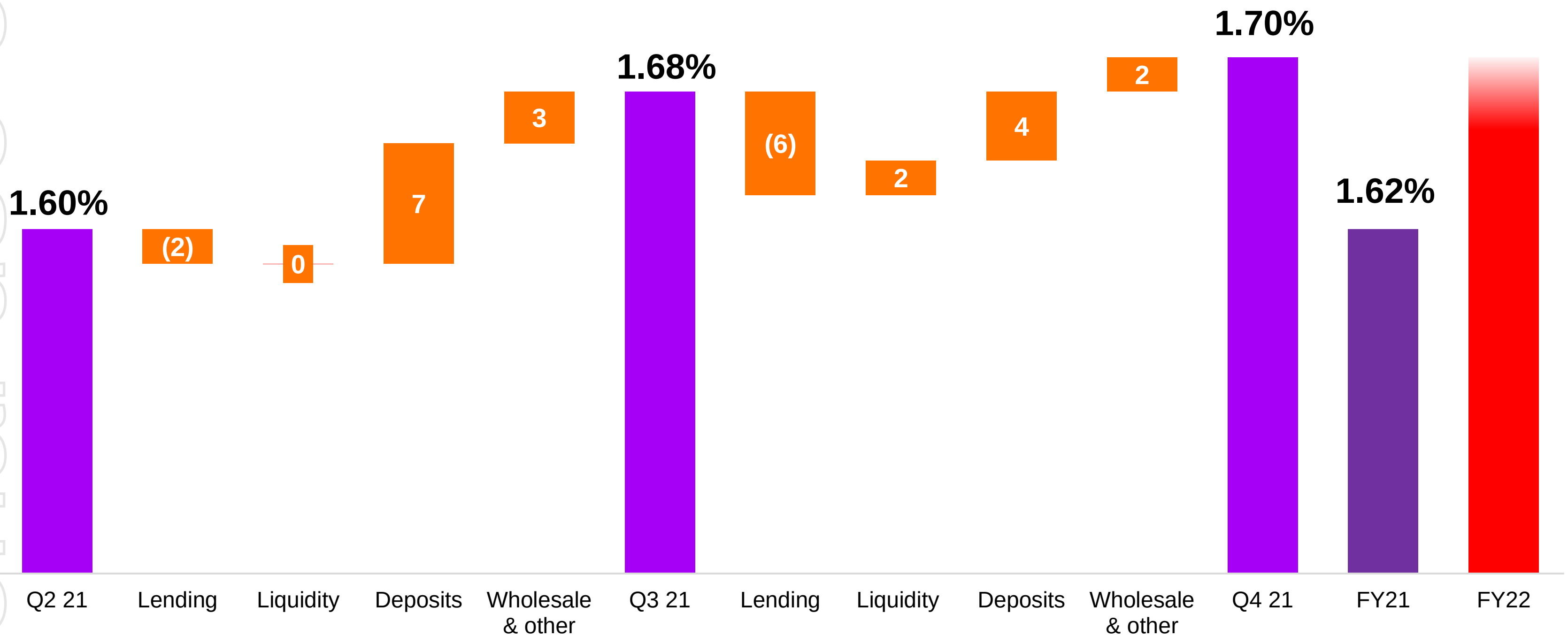



Resilience and growth in high quality Virgin Money credit card portfolio

# FY21 NIM in line with guidance; expect year on year improvement

## Q4 21 margin stabilised as expected with deposits offsetting asset spread pressures

**NIM evolution**
(bps)



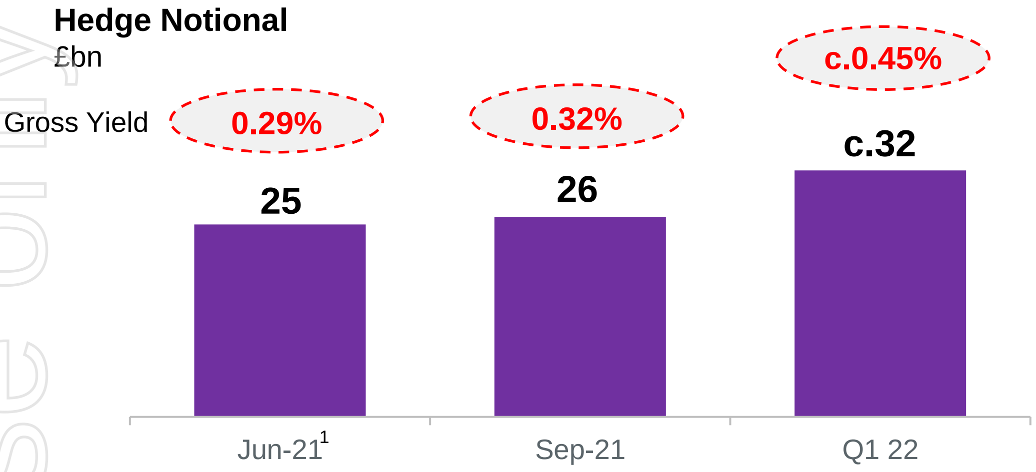

**Expect FY22 NIM of c.1.70%**

**FY22 NIM drivers**

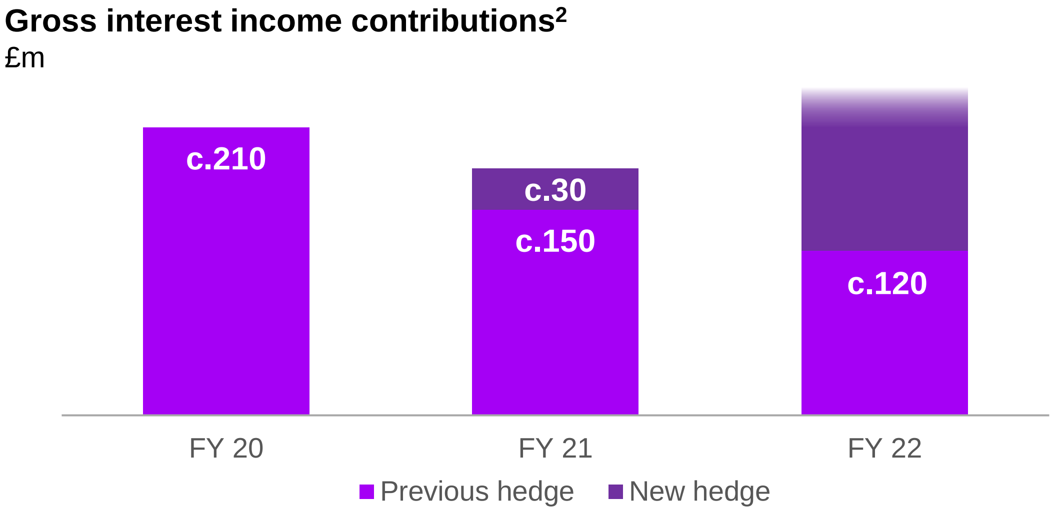
- ▲ Structural hedge – higher size and higher rates
- ▲ Further deposit repricing
- ▲ Higher margin lending growth
- ▶ Liquidity management
- ▼ Mortgage competition

# Expanding our structural hedge

## Increased size of the structural hedge




## Further increase in hedge capacity driving NII




### Proforma 1yr rate sensitivity to parallel shift, on larger hedge:

| NII impact | Sensitivity + 25 bps | Sensitivity - 25 bps |
|---|---|---|
| *Sep-21 actual* | c.£30m | c.£(25)m |
| *Pro-forma for Q1 22 hedge increase* | c.£20m | c.£(10)m |

- Lower sensitivity post hedge increase reflects additional value locked in and lower exposure to quantum and timing of BBR changes

### Further expansion – implemented during Q1 22

- Hedge increased by c.£6bn to c.£32bn following methodology review in H2 of rate sensitive balances and behavioural life of deposits
- Hedge benefits from rolling maturing balances at more elevated swap rates
- Expect gross contribution to be meaningfully higher in FY22 vs. FY21

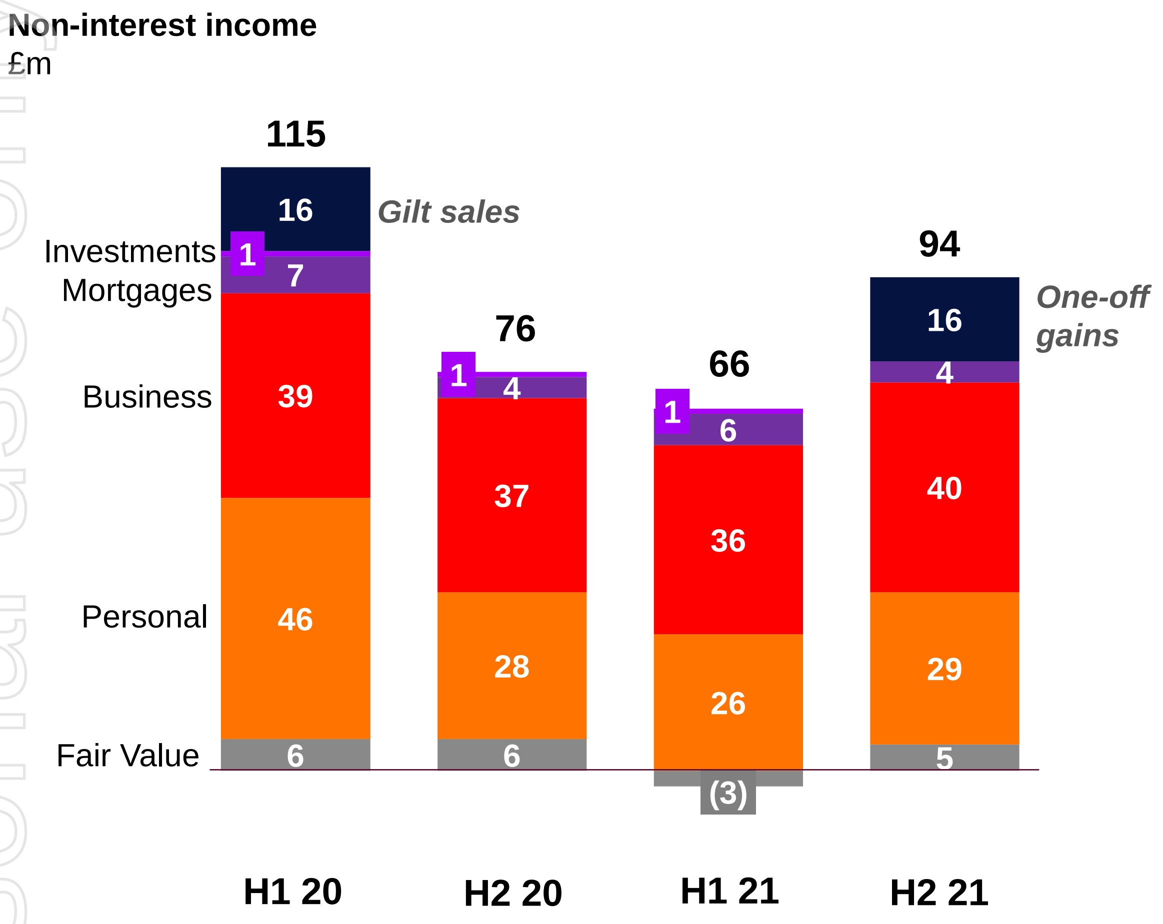




[1] £25.9bn reported at H1 included £0.9bn of AT1 previously included in the structural hedge; this is now hedged to call date and so excluded from hedge analysis
[2] Gross interest income

# Stronger other income supported by improving activity

## Stronger performance in Personal and Business activity




## Further opportunities to drive incremental other income

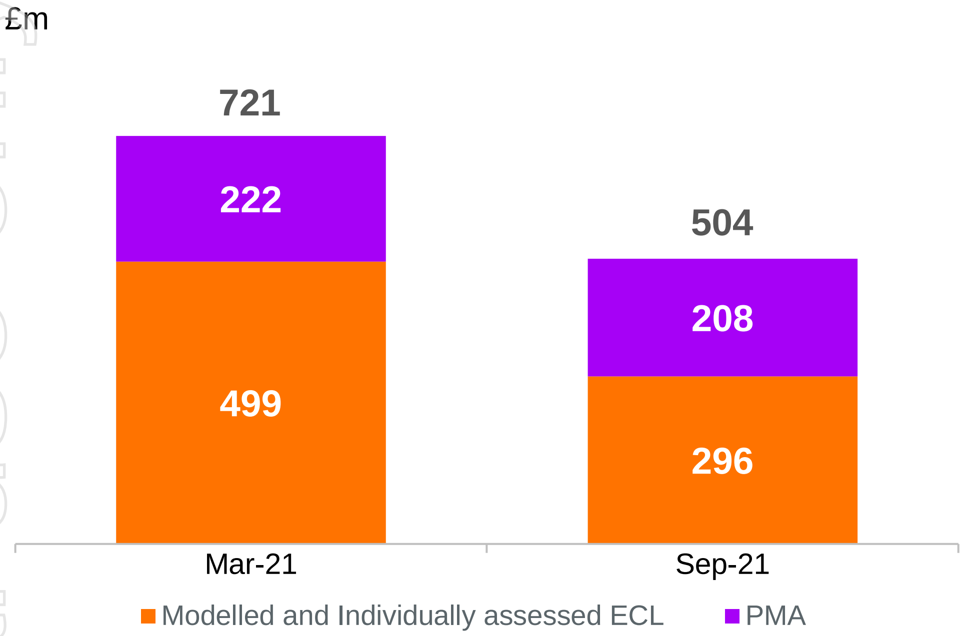
- One-off gains related to previously reduced valuations on two accounts
- Personal income improvement driven by strong recovery in consumer spending as restrictions eased
- Business income recovery as lockdown restrictions eased
- Expect increase in non interest income as a proportion of total income reflecting activity recovery and initiatives

**Key initiatives**

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

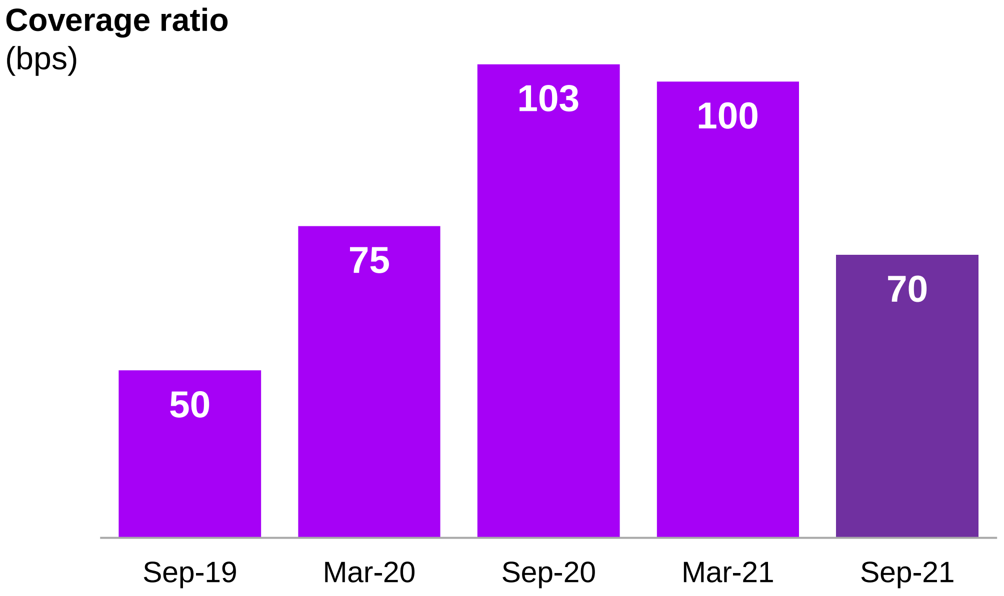
# Improved macro-economics reflected in provision coverage

## Improved forecasts drive lower modelled ECLs and PMAs




- Improved macro-economic forecasts drive a c.£200m reduction in modelled ECL
- Retaining over £200m of PMAs to allow for additional prudence as government support is removed
- Expect remaining PMAs to be unwound over time

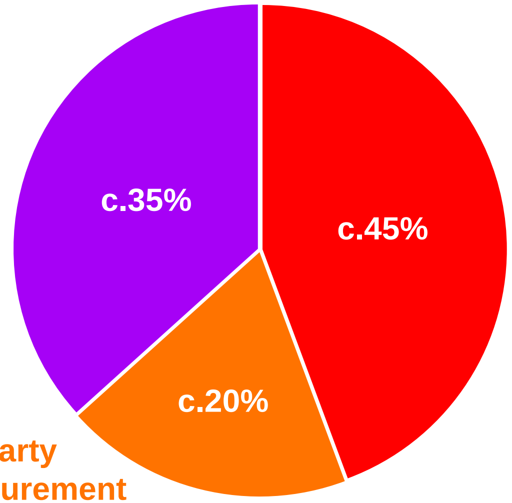
## Prudent provision coverage maintained




- Robust coverage maintained, remain above pre-pandemic levels
- Cost of risk in FY21 reflects continued strong credit performance; asset quality across all portfolios remains robust
- Expect cost of risk to increase in FY22 towards through the cycle level

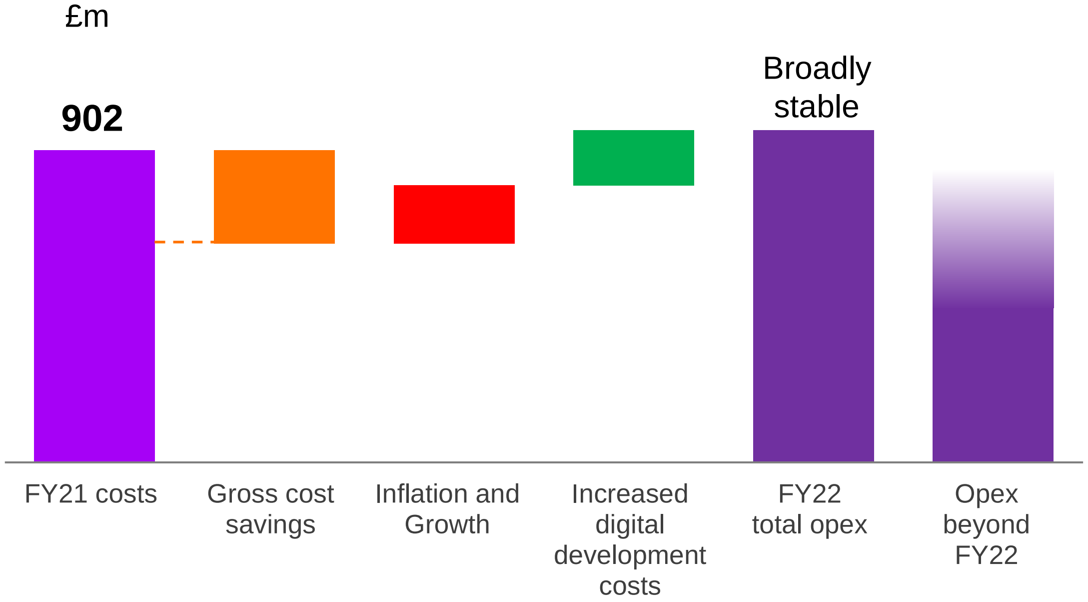
# Investing for the future: accelerating our Digital First strategy

## Targeting gross cost savings of c.£175m by FY24




- Target gross cost savings of c.£175m over the next 3 years
- Expect to reinvest around half of gross savings inclusive of inflation
- Expect below the line cost of accelerating digital to total c.£275m by FY24, with around half taken in year 1; c.1/3 to be spent on each of:
  - Property changes and closures
  - Delivery of IT changes
  - Other items including severance

## Costs expected to be broadly stable in FY22

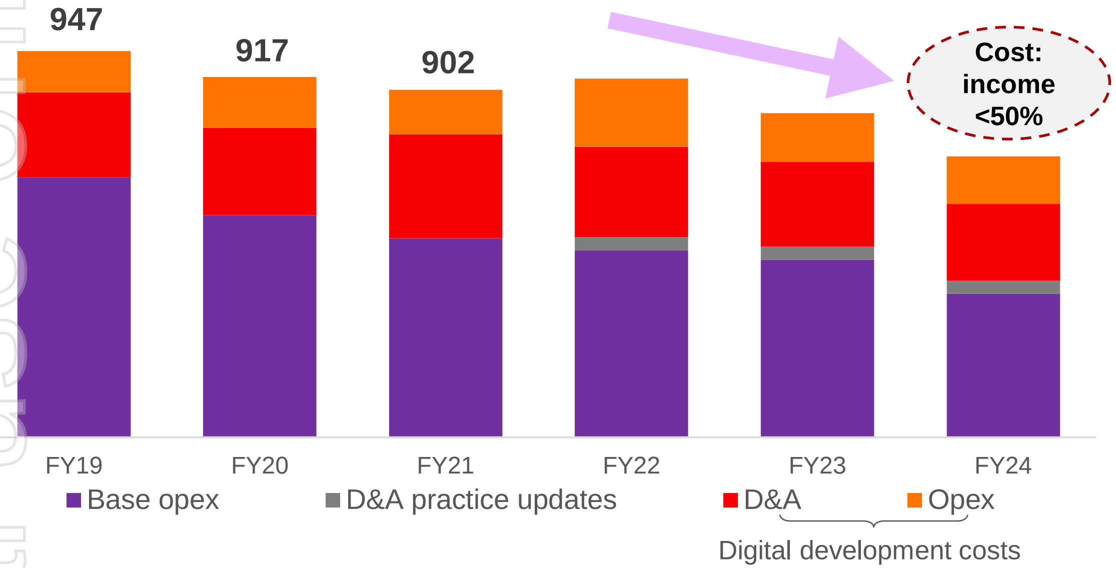



- Continued gross cost savings from new and existing initiatives in FY22
- Increased volumes, harmonisation of colleague terms and wage inflation increase FY22 costs relative to FY21
- Increased digital development costs reflect larger programme and prudent change to accounting practices

# Digital investment to drive lower cost: income ratio over time

## Front load investment to drive capacity for ongoing change

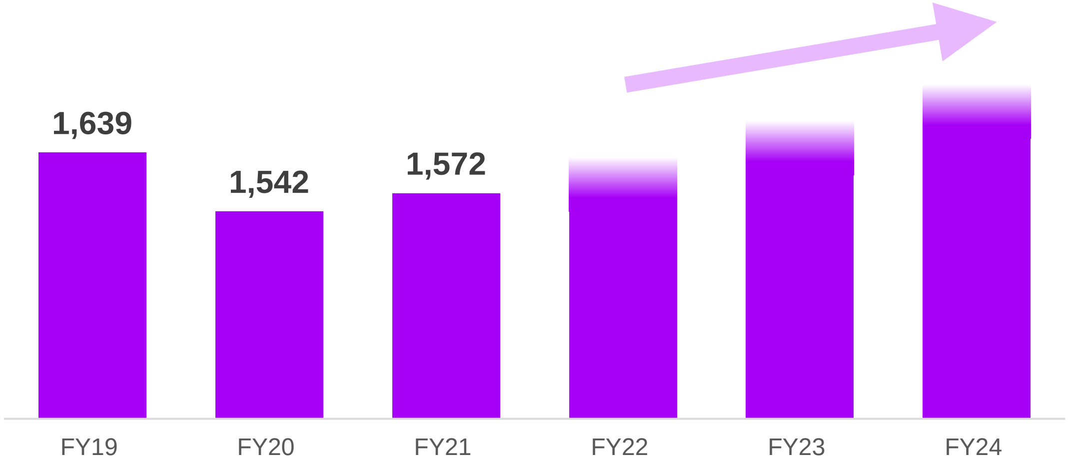
Cost progress over time




- D&A practice update reflects costs that are no longer capitalised
- Digital development D&A and Digital development opex offset BAU cost savings in FY22
- More prudent approach to capitalisation supports lower future D&A
- Digitisation will drive lower base costs and lower cost of change

## Expect solid income growth over time

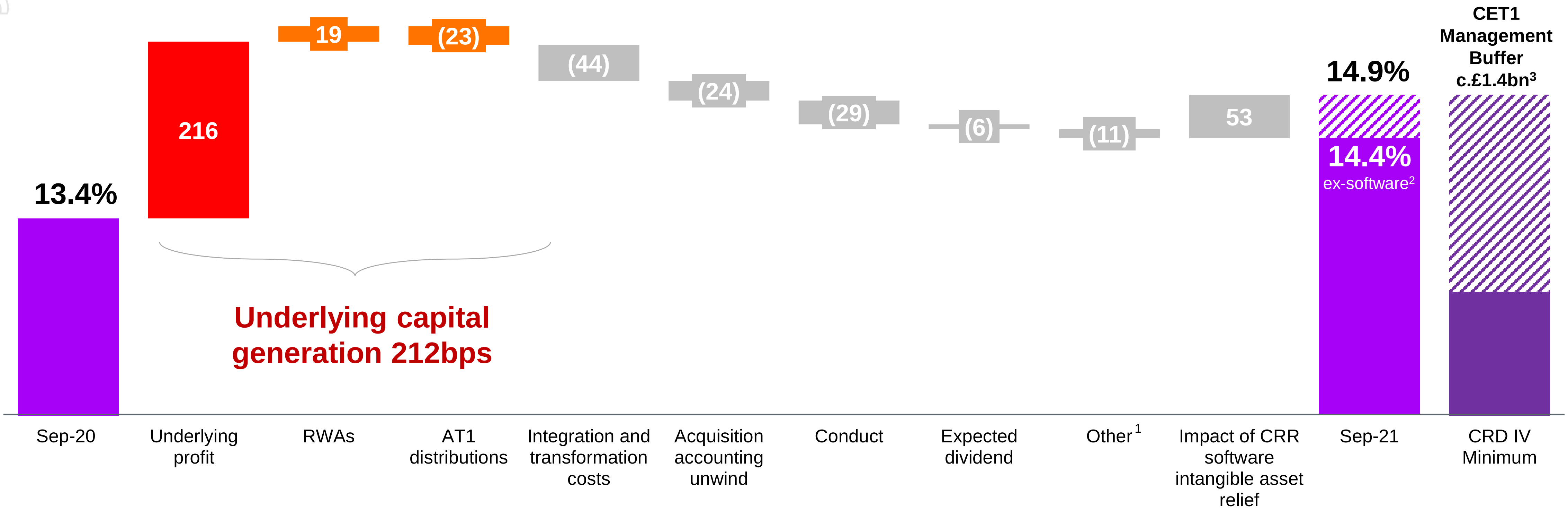
Income progress over time




- Growth in lower-cost current accounts and Relationship Deposits
- Structural hedge and higher interest rates opportunity
- Strong growth in unsecured and business lending (excluding Government schemes)
- Targeted growth in mortgages focused on specialist segments
- Growth initiatives to drive stronger non-interest income growth

# Improved capital generation

## CET1 ratio evolution (bps)




| Sep-20 | | Sep-21 |
|---|---|---|
| 20.2% | **Total capital ratio** | 22.0% |
| 4.9% | **UK leverage ratio** | 5.2% |
| 28.4% | **MREL ratio** | 31.9% |

[1] Includes final pension scheme payment – c.15bps headwind
[2] CET1 ratio excluding the benefit from the change in treatment of software intangible assets in the period
[3] IFRS 9 transitional basis; CRDIV minimum of 9.2% as at Sept-21, CET1 Pillar 2A requirement reduced 50bps in October to give updated CRDIV minimum of 8.7%

# Medium-term outlook confirmed

### FY22 outlook

| | |
|---|---|
| **NIM** | FY22 NIM expected to be c.170bps |
| **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 |
| **Dividend** | SST outcome and impairment outlook key inputs to capital framework and dividend policy |

### Medium-term outlook

| | |
|---|---|
| **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% |

# Conclusion

**DAVID DUFFY**

Chief Executive Officer

# Investing in our digital future to drive strong profitable growth

| Strategic priorities | Key digital value drivers | Outputs |
|---|---|---|
| Pioneering Growth | **Adapting to a digital future:**<br>• Pandemic has accelerated the change cycle by years<br>• Accelerating digital investment to drive growth and efficiency | **10% RoTE by FY24** |
| Super Straightforward Efficiency | **Customer and Propositions:**<br>• Positive momentum on key propositions<br>• Full-scale digital product capability<br>• Launching digital wallet with integrated payments and rewards | **Cost: Income <50%** |
| Delighted Customers & Colleagues | **Colleague & property:**<br>• Life More Virgin remote working operating model<br>• Rationalise property and align with new working practices | **Return to sustainable dividend** |
| Discipline & Sustainability | **Digitising the bank:**<br>• Strategic partnership supporting Cloud banking<br>• Fully automate customer journeys<br>• Deliver strong cost efficiency and scalable growth | |

# Q&A

**DAVID DUFFY**

Chief Executive Officer

**CLIFFORD ABRAHAMS**

Chief Financial Officer

# Investor Relations Contacts


**Richard Smith**

Head of Investor Relations

**m:** +44 7483 399 303

**e:** richard.smith@virginmoneyukplc.com

**Amil Nathwani**

Senior Manager, Investor Relations

**m:** +44 7702 100 398

**e:** amil.nathwani@virginmoneyukplc.com

**Martin Pollard**

Senior Manager, Investor Relations

**m:** +44 7894 814 195

**e:** martin.pollard@virginmoneyukplc.com

**Gareth McCrorie**

Manager, Investor Relations

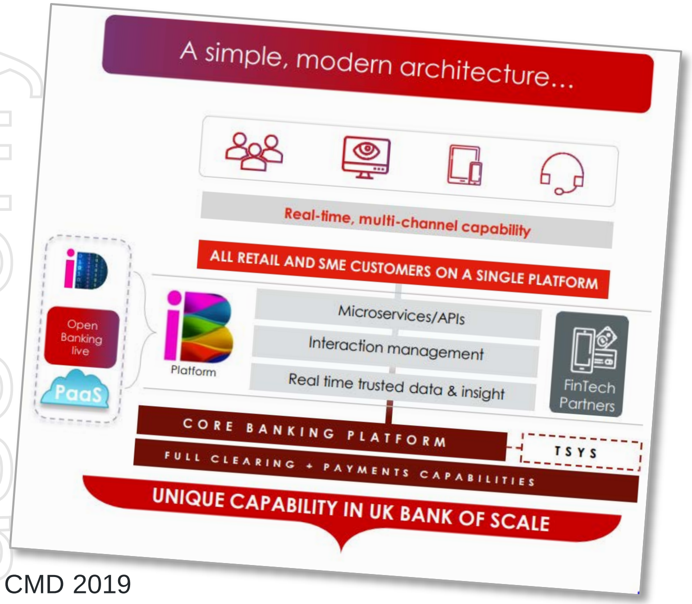
**m:** +44 7483 918 836

**e:** gareth.mccrorie@virginmoneyukplc.com

# Appendix

# Refreshed technology to deliver scalable growth platform

## iB platform has performed well



CMD 2019

- ✓ Enabled successful, safe customer migrations
- ✓ Supported partnerships to deliver new propositions
- ✓ Enabled Covid response: home working, customer support and government scheme delivery

## Opportunity to refresh

- ✓ Significant technology change since iB launch:
  - New ways of working: from physical to virtual
  - Cloud and web-hosting now mainstream
  - Big Data, AI, and DevOps now essential tools
  - APIs allow rapid assembly of new propositions with FinTech partners
- ✓ Focus since CMD has been on customer outcomes: integration, rebrand, propositions
- ✓ Opportunity to accelerate previous plans
- ✓ Focus now shifting to simplifying infrastructure to support digital growth

## Delivering a modern Digital First Bank

Target Digital Bank architecture:

- **Digital Customer platform**
- **Digital Colleague platform**
- **Automation platform**
- **Data platform**
- **Core banking platform**
- **Digital spine**
- **Cloud infrastructure**

**Investing to deliver improved efficiency with an enhanced digital customer experience**

# Digital First investment enhances our capability

## Enabling our strategic priorities

### Digital Colleague platform
- Single access and network
- Updated modern devices
- Improved productivity

### Digital Spine
- Automated releases
- Supports agile ways of working
- Faster speed to market

### Digital Customer platform
- One entry point
- Fully digital sales and servicing
- 24/7 automated self-service

### Data platform
- Single customer view
- Predictive analytics and AI
- Faster data delivery

### Automation platform
- Leveraging automation, robotics
- Continuous machine learning
- Use chatbots for 24/7 service

### Core banking platform
- Modern, evergreen and flexible
- Simplifying legacy mainframes and apps
- Connective to partners

Microservices / APIs

Fintech Partners

### Cloud Infrastructure
- Scalable, secure and stable
- Low cost, consumption based
- Partnership with leading cloud company

Microsoft

**Retaining and attracting new customers**

Integrated Virgin brand experiences that attract customers; improve CX scores and RNPS

**Empowering our colleagues**

Enabling colleague productivity and improved Colleague Engagement scores

**New revenue growth opportunities**

Unlocking the value of data to provide insights into what our customers want

**Driving operational efficiencies**

Highly automated back office reducing the need for expensive, slow, manual processes

**Enabling agility – cheaper, faster development**

Ability to efficiently and quickly deliver products and services that drive profitable growth

**Enabling lower cost IT – better, cheaper tech**

Simplified technical landscape, with low-cost cloud platforms which reduce our support overhead

# 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 | ✓ Signed up to net-zero banking alliance<br>✓ Development of financed emissions methodology |
| 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 (no arr. fee)<br>✓ Developed first Greener mortgage product |
| Open doors | **Work with customers, colleagues & communities to encourage sustainable practices & economic activity that creates shared prosperity** | No VM customers pay a Poverty Premium<br>Fully diverse top-quartile of the organisation | ✓ Working with partners to develop a national measure for Poverty Premium<br>✓ Senior gender diversity >40%; launched BAME career sponsorship programme |
| 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 | ✓ TCFD reporting to be included in ARA<br>✓ ESG scorecard included in 2020 LTIP and plan to enhance for 2021 LTIP<br>✓ Board-level ESG oversight and training throughout the organisation |

# Disclaimer

**Forward looking statements**

The information in this document may include forward looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects', 'outlooks', 'projects', ‘forecasts’ 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward looking statements, as well as those included in any other material discussed at any presentation, are subject to risks, uncertainties and assumptions about the Group and its securities, investments, and the environment in which it operates, including, among other things, the development of its business and strategy, any acquisitions, combinations, disposals or other corporate activity undertaken by the Group (including but not limited to the integration of the business of Virgin Money Holdings (UK) plc and its subsidiaries into the Group), trends in its operating industry, changes to customer behaviours and covenant, macroeconomic and/or geopolitical factors, the repercussions of the outbreak of coronaviruses (including but not limited to the COVID-19 outbreak), changes to its board and/ or employee composition, exposures to terrorist activity, IT system failures, cyber-crime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of the Bank of England, the FCA and/or other regulatory and governmental bodies, inflation, deflation, interest rates, exchange rates, changes in the liquidity, capital, funding and/or asset position and/or credit ratings of the Group, future capital expenditures and acquisitions, the repercussions of the UK’s exit from the EU (including any change to the UK’s currency and the terms of any trade agreements (or lack thereof) between the UK and the EU), Eurozone instability, and any referendum on Scottish independence.

In light of these risks, uncertainties and assumptions, the events in the forward looking statements may not occur. Forward looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward looking statements. No member of the Group or their respective directors, officers, employees, agents, advisers or affiliates gives any assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/ or discussed at any presentation. All forward looking statements should be viewed as hypothetical. No representation or warranty is made that any forward looking statement will come to pass. No member of the Group or their respective directors, officers, employees, agents, advisers or affiliates undertakes any obligation to update or revise any such forward looking statement following the publication of this document nor accepts any responsibility, liability or duty of care whatsoever for (whether in contract, tort or otherwise) or makes any representation or warranty, express or implied, as to the truth, fullness, fairness, merchantability, accuracy, sufficiency or completeness of the information in this document or the materials used in and/ or discussed at, any presentation.

Certain industry, market and competitive position data contained in this document and the materials used in and/ or discussed at, any presentation, comes from official or third party sources. There is no guarantee of the accuracy or completeness of such data. While the Group reasonably believes that each of these publications, studies and surveys has been prepared by a reputable source, no member of the Group or their respective directors, officers, employees, agents, advisers or affiliates have independently verified the data. In addition, certain of the industry, market and competitive position data contained in this document and the materials used in and/ or discussed at, any presentation, comes from the Group’s own internal research and estimates based on the knowledge and experience of the Group’s management in the markets in which the Group operates. While the Group reasonably believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness, and are subject to change. Accordingly, undue reliance should not be placed on any of the industry, market or competitive position data contained in this document and the materials used in and/ or discussed at, any presentation.

The information, statements and opinions contained in this document do not constitute or form part of, and should not be construed as, any public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments. The distribution of this document in certain jurisdictions may be restricted by law. Recipients are required by the Group to inform themselves about and to observe any such restrictions. No liability to any person is accepted in relation to the distribution or possession of this document in any jurisdiction. The information, statements and opinions contained in this document and the materials used in and/ or discussed at, any presentation are subject to change.

Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

# VIRGIN MONEY UK PLC

## Full Year 2021
## Trading Update