

CAPITAL
MARKETS
DAY

CYBG PLC

Capital
Markets
Day

19

06

19

WELCOME AND INTRODUCTION

Why we are here...



Present refreshed group strategy

Update on exciting brand opportunities



Outline new divisional structure and plans

Explain how we will transform the business



Provide clear medium-term strategic and financial targets

...agenda for the day

08:30	Strategic overview	David Duffy
08:50	Virgin Money brand	Helen Page
09:05	Business	Gavin Opperman
09:25	Personal	Fergus Murphy
09:45	Mortgages	Hugh Chater
10:05	Q&A	All
10:30	<i>Coffee break</i>	
11:00	Transformation	Fraser Ingram
11:20	Financials	Ian Smith
11:40	Strategic ambition	David Duffy
11:50	Q&A	All
12:30	<i>Lunch</i>	



STRATEGIC OVERVIEW

David Duffy



WE HAVE THE PLATFORM TO DISRUPT THE STATUS QUO...

With our complementary capabilities...



Loyal regional customer base and digital proposition

+



Trusted, national brand



Open Banking digital platform

+



Larger 6.4m combined customer base



180 years of banking expertise

+



Innovative disruptor



Regional coverage

+



Complementary presence



Full Personal & Business product set

+



Strength in mortgages and credit cards

...we are well positioned to disrupt



- **Iconic brand** – nationally recognised; Virgin partnership opportunities



- **Digital leadership**, a single Open Banking platform to support all 6.4m customers



- **People with Purpose** who energetically deliver the best customer experiences



- National coverage and scale



- Full suite of Personal and Business products

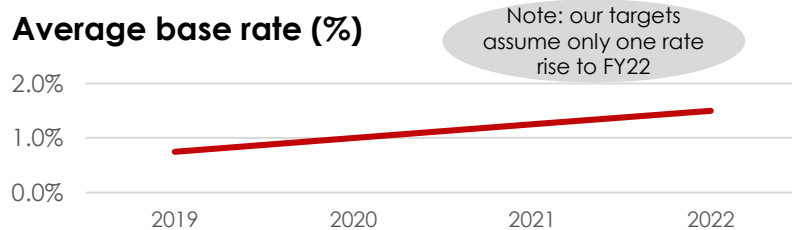
...WITH A STRATEGY TO MITIGATE INDUSTRY PRESSURES...

A muted economic outlook...

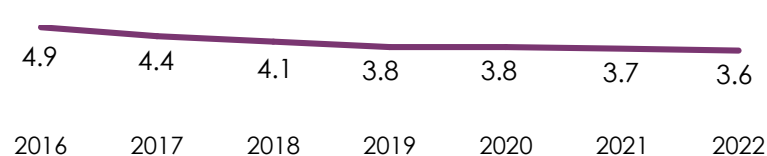
Real GDP growth (%)



Average base rate (%)



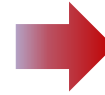
Unemployment (%)



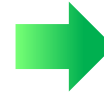
Forecasts: Oxford Economics, 13 June 2019

...offset by self-help opportunities

Mortgage margin and funding cost pressures



Significant cost opportunity through scale and digitisation



Digital competition



MONEY

Margin accretive asset & deposit growth



Brexit and economic uncertainty



Enhance our leading digital proposition



...AND A CLEAR TRACK RECORD OF DELIVERY

Strong delivery credentials...



Efficiency

- Successful cost reduction and efficiency programme delivery

Digital



- Build, integration and scaling of our digital platform
- First to offer account aggregation to customers using secure Open APIs
- First to offer mobile cheque clearing



Project Management

- Complex NAB separation programme
- IRB programme delivery
- Migration of MBNA cards

...with a low-complexity integration plan

Part VII process completion expected October 2019



VM Personal Current Accounts

c.100k VM current accounts
Transfer via Current Account Switching Service (CASS)



VM Personal & Business Savings

Bulk redirection service: industry process for accounts not covered by CASS



VM Mortgages and Fixed Term Savings

Renewal on target platform



CYBG Personal Credit Cards

CYBG accounts migrate to the TSYS platform



OUR PURPOSE AND AMBITION DRIVE OUR STRATEGIC PRIORITIES...

Our purpose:

Making you happier about money

Our strategic ambition:

To disrupt the status quo

Our strategic priorities:

Pioneering growth

Delighted customers and colleagues

Super straightforward efficiency

Discipline and sustainability

Powered by our:



Highly trusted brand



People with purpose



Digital leadership

Delivered brilliantly in line with our values:



Heartfelt service



Insatiable curiosity



Smart disruption



Red hot relevance



Straight up



Delightfully surprising

...TO CREATE SIGNIFICANT SHAREHOLDER VALUE...

Our strategic priorities...

Pioneering growth

- Reshape balance sheet mix:
- grow margin accretive assets
 - grow low cost relationship deposits

Delighted customers and colleagues

- Enhance the customer experience
- Encourage digital adoption
- Colleagues delivering our purpose

Super straightforward efficiency

- Realise integration synergies
- Digitise and simplify the business
- Streamlined operating model

Discipline and sustainability

- Maintain a disciplined risk approach
- Optimise the Group's RWAs
- Deliver sustainable returns

...drive our key financial targets...



- 75% mortgages
 - 15% business
 - 10% unsecured
- Ambition for asset mix in medium term



- Above system asset growth
- High single digit CAGR in relationship deposits



- Significant efficiencies by FY22:
- c.£200m net cost savings
 - <£780m costs
 - mid 40% cost: income ratio



- <30bps cost of risk to FY22
- c.13% CET1 ratio

...delivering strong returns and business momentum

>12%

Statutory RoTE by FY22

>100bps

CET1 generation p.a. by FY22

Progressive & sustainable

ordinary dividend c.50% payout ratio over time

...DELIVERED THROUGH OUR CLEAR DIVISIONAL PLANS



Business

- **Expand** our relationship proposition nationally
- **Launch** Virgin Money for business
- **Enhance** the customer experience



Personal

- **Transform** our relationship proposition
- **Enhance** the customer experience
- **Deepen** our customer relationships



Mortgages

- **Digitise** the customer experience
- **Maximise** relationships to create brand advocates
- **Optimise** the franchise for value

UNDERPINNED BY OUR



Highly trusted brand



People with purpose



Digital leadership



VIRGIN MONEY BRAND

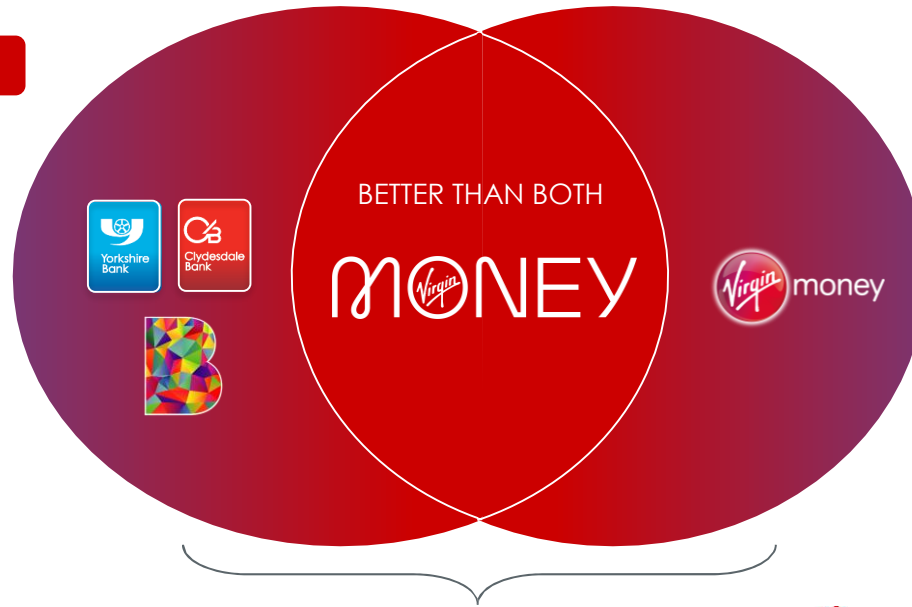
Helen Page



TOGETHER WE CREATE A BIGGER, BOLDER VIRGIN MONEY...

A STRONGER BANK

- 6.4m customers
- National network
- Strong digital capability
- Full product set






ENHANCED OPPORTUNITY

- Unified branding
- Wider customer appeal
- Relationship opportunity
- Customer advocacy growth

UNDERPINNED BY AN ICONIC BRAND

- 100% Brand awareness
- 87% Brand consideration

...WITH ALL OF THE ELEMENTS NOW IN PLACE TO FULLY LEVERAGE THE OPPORTUNITY WITHIN OUR BRAND...

			
Customer scale	●	●	●
Current A/C relationship	●	-	●
Business banking	●	-	●
Digital capability	●	●	●
National network	●	●	●
National brand	●	●	●
Loyalty mechanism	-	●	○

- No or limited capability ● Partial capability ● Full capability ○ Capability in development

instant **SCALE**

A captive audience of 6.4m customers with a full product range on which to build a primary banking relationship

national **REACH**

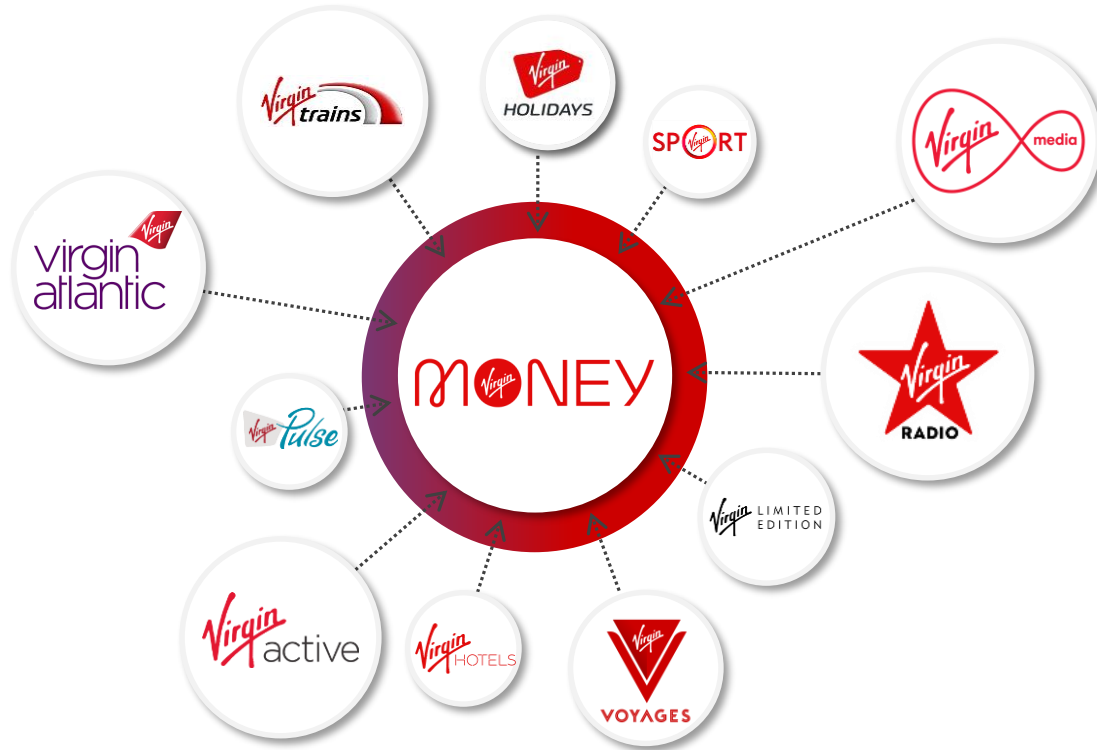
UK-wide presence supporting national acquisition beyond traditional heartlands

beyond **BANKING**

26m UK customers with an existing Virgin relationship, open to other Virgin brands

MONEY

...THAT LIVES WITHIN A FAMILY OF BRANDS COVERING A WIDE RANGE OF CONSUMER AND BUSINESS SECTORS



SUPPORTING GROWTH

Virgin Money's growth will benefit from:

- the breadth of Virgin relationships
- the diverse range of history and expertise within the Virgin companies
- the pipeline of new activity in place for 2020

THE VIRGIN BRAND IS PROVEN TO CREATE TANGIBLE COMMERCIAL VALUE



ATTRACTING AN ADVENTUROUS, OPTIMISTIC AND MORE AFFLUENT AUDIENCE FOR VIRGIN MONEY TO ENGAGE

AN AFFLUENT
CUSTOMER SET

44%

of ABC1 adults profess an affection for the brand

This represents a potential market of c.10m professional people

WITH HIGHER
HOUSEHOLD INCOME

+20%

higher household income for brand aficionados

AND A GENERAL
ZEST FOR LIFE



Adventurous in the things they buy and do



Strive to be at the forefront of new trends



Willing to pay more for a brand they love



Prioritise convenience over price



More likely to be entrepreneurial

WITH WHOM CYBG ARE
ALREADY CONNECTED

c. **20%** of active CYBG current account customers are currently transacting with Virgin companies

Spending
c. **£600m** in 2018

With an average Virgin product holding of

2.5

THE VIRGIN MONEY BRAND ALREADY RESONATES WITH BOTH CUSTOMERS AND PROSPECTS...

PERSONAL & MORTGAGE



Perceptions of Virgin Money

OPTIMISTIC

INSPIRING

FUTURE
FOCUSED

BUSINESS



Perceptions of Virgin Money

MODERN

NEW &
DIFFERENT

INNOVATIVE

...AND WE ARE TAKING A PURPOSE-LED APPROACH TO DRIVE SMART DISRUPTION IN OUR SECTOR...



Example purpose statements of other Virgin companies:



PURPOSE-LED BRANDS DRIVE DEEPER CONNECTIONS

- Strategic alignment & a strong corporate **culture**
- Enhanced customer and partner **affinity**
- Increased brand **trust** and sentiment
- Higher **consideration** through standing apart

Source: Accenture, December 2018

...WITH A UNIQUE OFFERING THAT COMBINES BRILLIANT BANKING WITH REWARDS FOR LEADING A LIFE MORE VIRGIN...

BRILLIANT BANKING

NOBODY DOES IT LIKE VIRGIN

A LIFE MORE VIRGIN

NOBODY CAN DO IT EXCEPT VIRGIN

DELIGHTED CUSTOMERS

SUPER EFFICIENT

PEOPLE WITH PURPOSE

FORCE FOR GOOD

UNIQUE EXPERIENCES

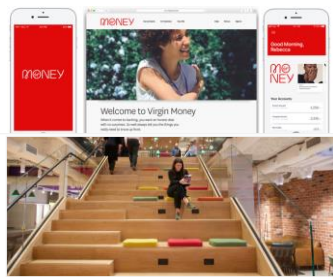
PERSONAL



BUSINESS



MORTGAGE



PRODUCTS

CHANNELS

PEOPLE

GIVING

REWARDS

...DELIVERED THROUGH AN UNMISTAKABLY VIRGIN EXPERIENCE THAT CUSTOMERS WANT TO BE PART OF...

VIRGIN MONEY

VIRGIN COMPANIES
BEST PRACTICE

1: Digital



embed the 'Virgin personality' within every interaction



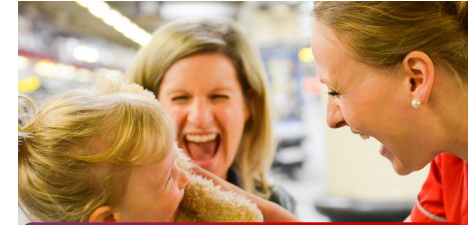
2: Spatial



create feelgood physical experiences



3: Human



start with conversations not transactions



OUR AMBITION: DELIVER A SUPERIOR EXPERIENCE, TOP 3 IN THE CMA CUSTOMER SERVICE RANKINGS BY FY22

MONEY

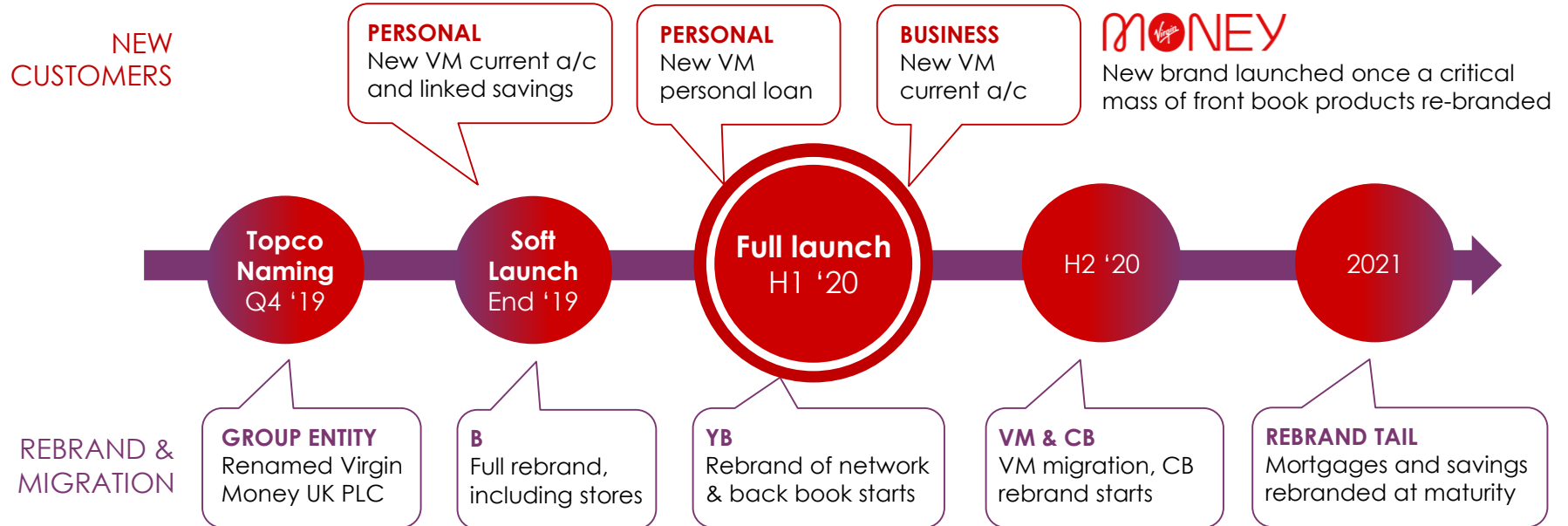
...WITH A BOLD NEW BRAND IDENTITY AS A
POWERFUL SIGNAL OF CHANGE



A **modern** makeover for a **trusted** brand that builds from the joy of our new purpose and celebrates a **different** approach to banking



WE WILL TAKE A PHASED APPROACH TO OUR RELAUNCH, REBRAND AND MIGRATION...





... AND WE'LL LAUNCH WITH AMBITION, RAPIDLY ACCELERATING AWARENESS AND CONSIDERATION

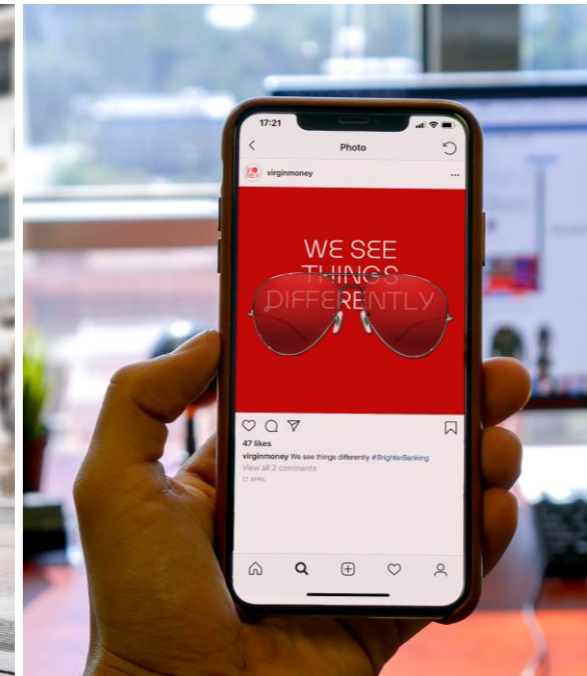
HIGH PROFILE MEDIA



BOLD MESSAGES



DIGITAL CONNECTION



BUSINESS

Gavin Opperman



DELIVERING GROWTH IN AN EVOLVING MARKET

Business banking market is changing...



Economy

- GDP growth below long-term trend
- CYBG SME health index near 5-year low; Brexit impacting business confidence



Government / regulatory

- Ring-fencing impacts
- RBS Alternative Remedies



Customer behaviour

- Complex demands need human support
- Fintech entrants expanding customer choice



Digitisation

- Greater demand for digital
- Open Banking supports switching



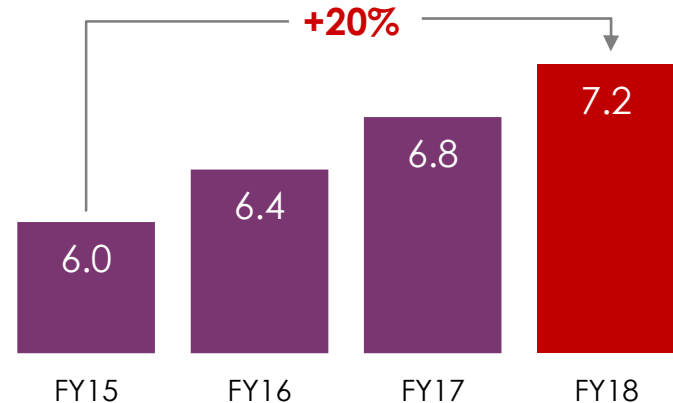
Competition

- Concentrated market - 90% share for big 5 banks
- Incumbents and disruptors address different customers

...and we have been successfully growing

Core SME lending balances

£bn



During the period a sizeable portfolio of non-core assets have also been run-off

WE ARE A RECOGNISED FULL SERVICE BUSINESS BANK...

Established franchise, regional scale...

- c.3.5%** market share of BCAs (national)
- >10%** market share of BCAs (regional) in Scotland and Yorkshire
- c.200k** customers - half have been with CYBG >10 yrs
- >300** relationship managers – avg. tenure of 14 yrs
- £10.4bn** deposits – average cost of c.40bps - H1 19
- £7.6bn** assets – average yield of 417bps - H1 19

...with a targeted market focus

Dedicated expertise, broad product capabilities

- Compete where we have knowledge, products and deep relationships, e.g:
 - Agriculture
 - Healthcare
 - Renewables
- Expertise and overall proposition enables value capture

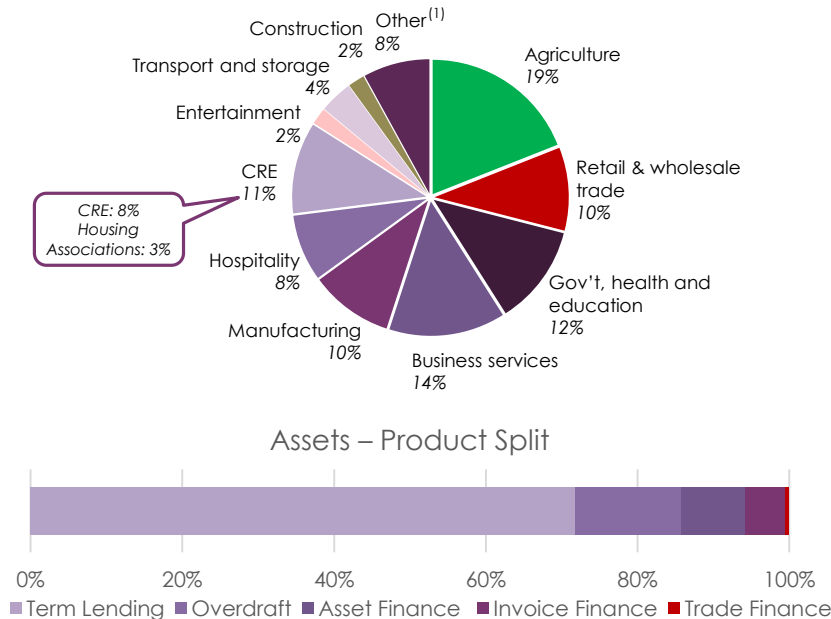
Selective approach

- Proven risk management capability and strong asset quality
- Don't compete where we lack expertise:
 - Large institutions
 - Speculative development Commercial Real Estate
 - Complex derivatives

...WITH STRONG SECTORAL RELATIONSHIPS AND EXPERTISE...

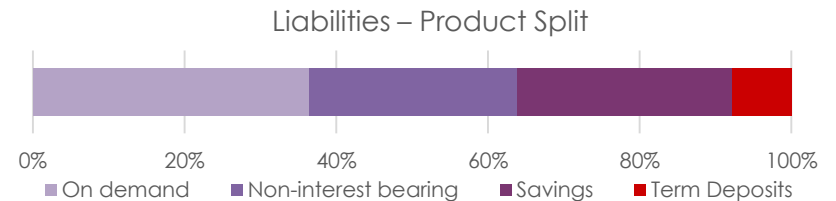
£7.6bn diversified lending book...

H1 19



...with strong relationship deposits

- Majority of deposits from trading business accounts:
 - BCAs provide stable funding
 - Linked accounts provide low-cost funding
 - Digital and spatial key to servicing customers
- Relationship deposits are a valuable component of Group funding:
 - Sticky deposits with low liquidity requirements
 - Lower average cost than personal deposits



...AND A SERVICE MODEL DESIGNED TO MEET CUSTOMER NEEDS

Customer segmentation...

- Turnover up to £2m
- Borrow up to £500k
- Ease of access is key

Small

- Turnover > £2m to c.£25m
- Borrow £250k - £10m
- Local support required

Commercial

- Turnover > £2m to £100m
- Borrow £250k - £35m
- Specialist skills required

Corporate & Specialist

...drives service model needs

Direct



- Digital self-service
- Supported by named telephony relationship manager (RM)

Local RM



- Local, in-person RM across 40 business centres in UK
- Supported by UK phone and local treasury teams
- Agricultural RM specialists across the UK

Specialist RM



- Mid-size firms can access large corporate capabilities
- Cover complex events and sectors incl. FinTech, Health & Social Care, Renewables

WE HAVE A CLEAR DIVISIONAL AMBITION AND STRATEGY

Our ambition



HELP BUSINESS OWNERS REALISE THEIR POTENTIAL AND ACHIEVE THEIR DREAMS

Our strategy



Expand our relationship proposition nationally

Expand our existing sector relationship approach:

- roll-out the proposition nationally
- enhance and streamline our product suite



Launch Virgin Money for business

Deploy our iconic, entrepreneurial brand:

- into a receptive national marketplace
- leverage our existing relationship and service strengths



Enhance the customer experience

Use our existing technology platform to:

- digitise our on-boarding, self-service
- build a full digital relationship proposition



EXPAND OUR RELATIONSHIP PROPOSITION NATIONALLY

Established presence, strong in our heartlands...

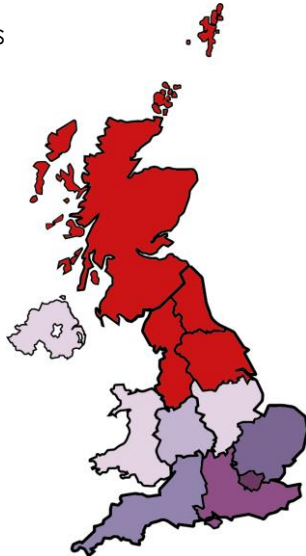
Customer numbers

77% Heartlands

- 37% Scotland
- 24% Yorkshire & Humber
- 11% North West
- 5% North East

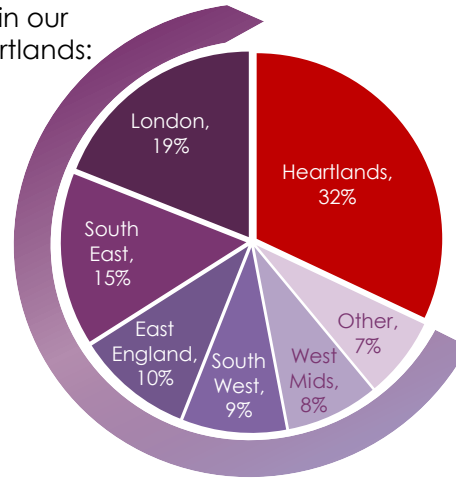
23% rest of UK

- 8% East
- 4% West Mids
- 3% London
- 3% South East
- 5% Other



...with a significant national growth opportunity...

68% of UK businesses are not in our heartlands:



Number of businesses per region – taken from Business Populations, Department for Business, Energy and Industrial Strategy.

...addressable by expanding our relationship proposition



Named, remote RM for small businesses – backed by national brand



Local RM for mid / large businesses to be deployed in VM sites



Expanded sector RM model – supported by enhanced customer economics



Digital tools support RMs, improving productivity and customer focus



LAUNCH VIRGIN MONEY FOR BUSINESS

Helping businesses scale

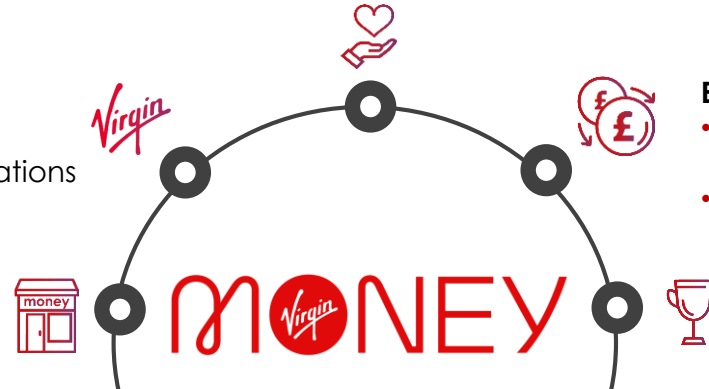
- Offer financial and non-financial services
 - Supported by partnerships

Entrepreneurial brand

- Nationally recognised
- Resonates with business aspirations

Increased addressable market

- National coverage via:
- digital onboarding
 - RM model
 - multi-channel servicing
 - national physical network



Broad product range

- Wide range of products and capabilities
- Made available for ambitious businesses at every stage of lifecycle

Experience and reputation

- Credibility in delivery
- Strong reputation across the business market

VIRGIN MONEY FOR BUSINESS

*A **new** business bank with established trust and expertise*



ENHANCE THE CUSTOMER EXPERIENCE

Digitised on-boarding

- Simple, straight-through digital on-boarding
- Faster account opening
- Credit decision automation
- Wide range of products to be digitally fulfilled

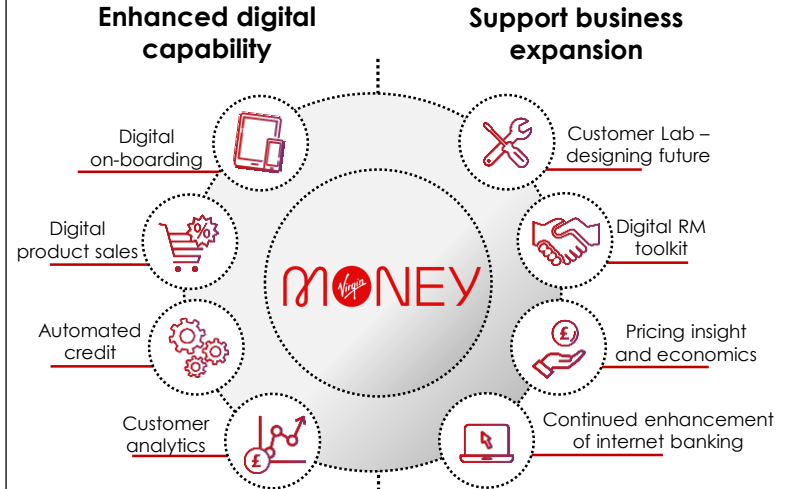
Raising the bar on what to expect from a business bank

Digital self serve

- Significantly improved transactional banking
- Increased digital product capability
- Partnership model for specific requirements
- Multi-channel model – here when you need us

Connect in innovative, simple and dependable ways

Enhanced relationship offering



A STRATEGY TO DELIVER OUR DIVISIONAL TARGETS...

Pioneering growth

Relationship balances (£bn)

Linked savings

1.8

BCAs

6.6

H1 19

High single digit
BCA and Savings
balance CAGR

Supported by growth
in BCA market share
from c.3.5% to c.5%

Business share of group
lending balances:

c.10%

H1 19

c.15%

Medium
term

Delighted customers and colleagues

Top 3

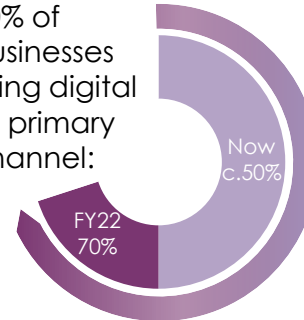
in CMA business banking
service quality rankings
by FY22

Supported by:

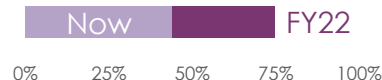
- enhanced relationship offering
- digitised on-boarding
- digital self-service

Super straightforward efficiency

Targeting
70% of
businesses
using digital
as primary
channel:







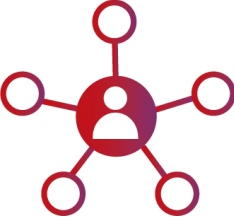


Targeting 75% of business
accounts opened digitally:



Discipline and sustainability

- Maintain strong risk approach and underwriting standards
- No change to sector focus – expand what we do today on a national basis
- Maintain price discipline & straightforward product set
- Focus on attracting high-quality relationship deposits

...WITH A CLEAR 3 YEAR MILESTONE PLAN

	2019/20	2021	2022+
Expand	 National rollout	 Deepen sector and product specialisms	
Launch	 Virgin Money for business launched	 Rebrand of Yorkshire and Clydesdale complete	 Digital Business hub
Enhance	 Enhanced digital on-boarding experience	 Automated credit	



PERSONAL

Fergus Murphy



OPPORTUNITIES TO DIFFERENTIATE IN A CHANGING MARKET

Personal finance is changing rapidly...



Economy

- All-time low unemployment
- Brexit uncertainty



Government / regulatory

- Open Banking impact
- GDPR implications



Customer behaviour

- Experience economy and high expectations
- Subscription-driven consumption



Digitisation

- Influx of challenger banks, Fintechs and tech giants
- Unprecedented pace of change



Competition

- Influence of aggregators
- Consumer credit growth to remain muted

...as is the operating environment

Competitive unsecured lending markets...

- Personal loan growth to remain muted given economic uncertainty
- Credit Card market set to plateau given greater regulatory focus

...deposit competition remains intense...

- PCA switching currently relies on up-front incentives
- Customer inertia at Big 5 banks increases competition for non-PCA / linked deposits

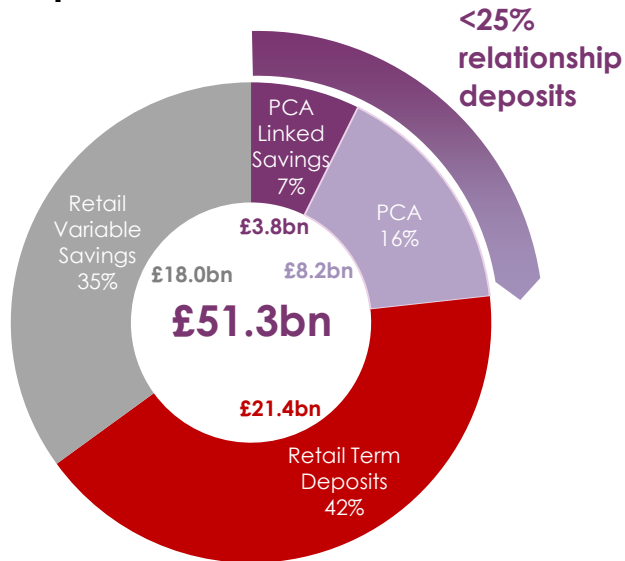
...but we have opportunities to mitigate

- Unique opportunities to address these dynamics with our relationship propositions

WE HAVE A VERY STRONG EXISTING PLATFORM...

A deposit book with opportunities...

Personal deposit mix H1 19



...and established unsecured portfolios

Credit Cards

- £3.6bn portfolio at H1 19
- Average yield of 7.85% in H1 19
- Arrears⁽¹⁾ of 1.2% at H1 19

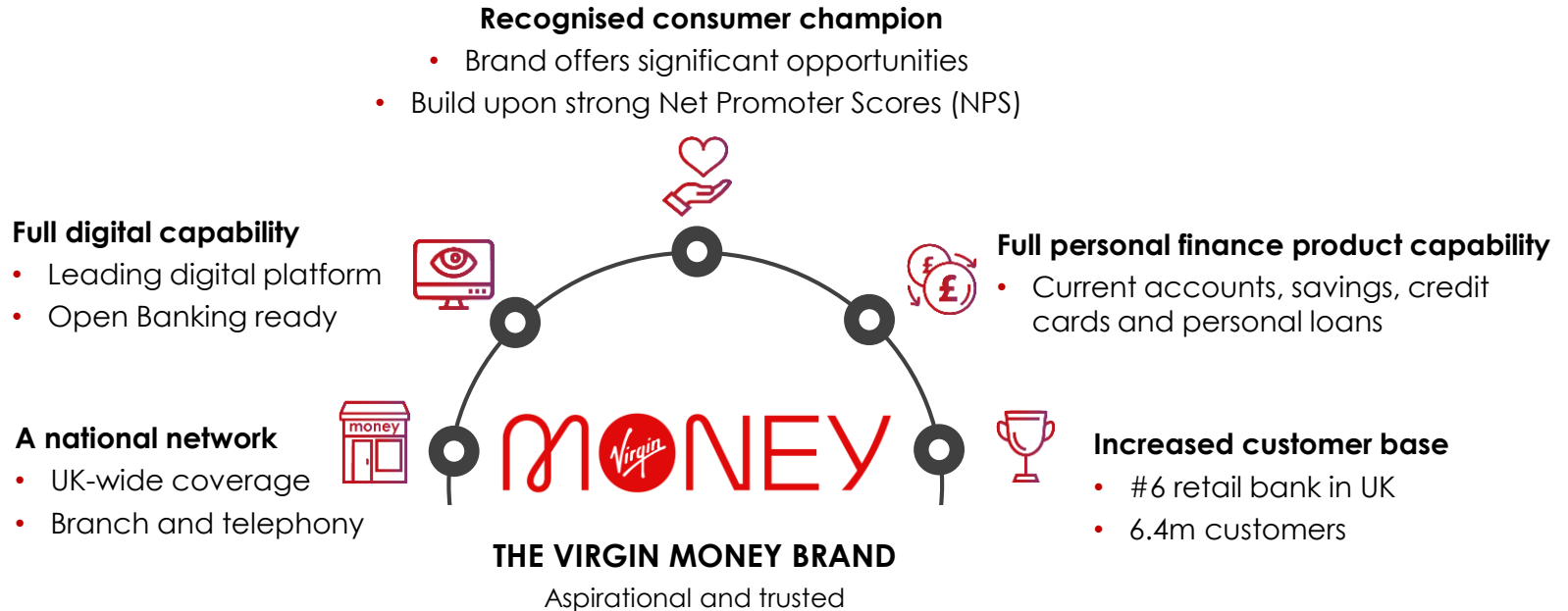
Personal Loans

- £0.8bn portfolio at H1 19
- Average yield of 6.23% in H1 19
- Arrears⁽²⁾ of 0.8% at H1 19

(1) 30 days past due

(2) 90 days past due

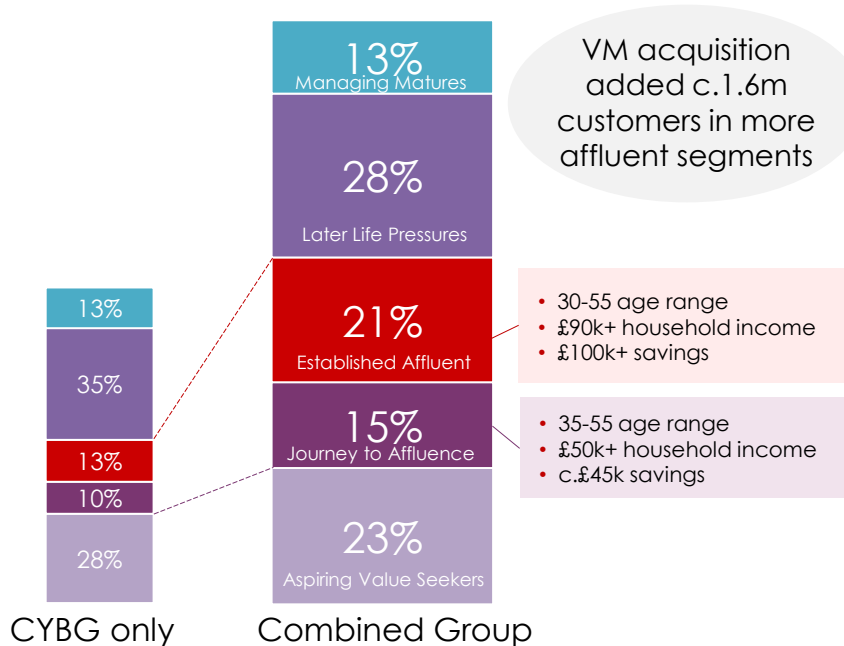
...AND COMBINING THE BUSINESSES OFFERS OPPORTUNITIES...



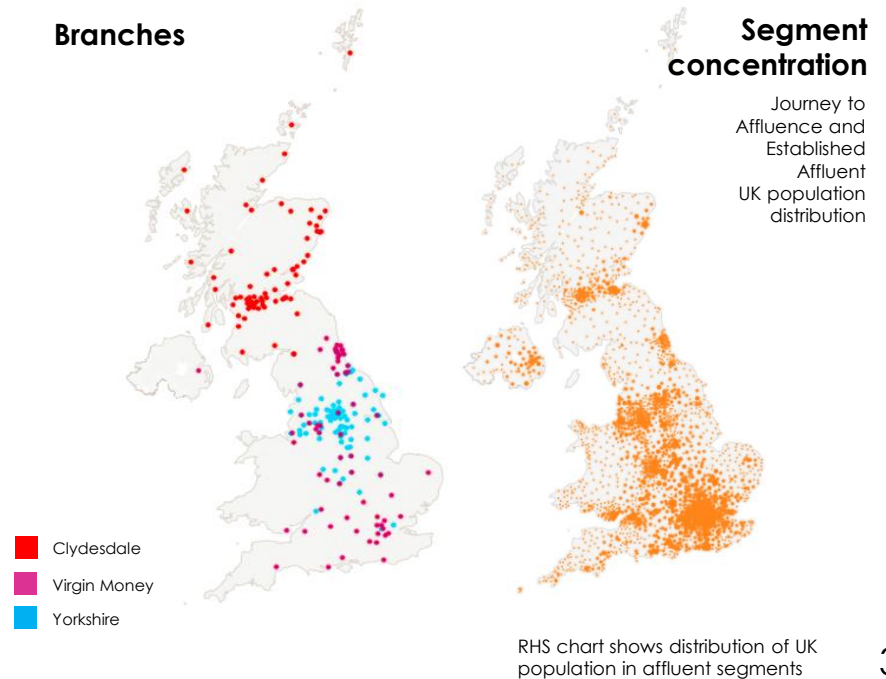
RELATIONSHIP-BASED BANKING WILL LEVERAGE THESE STRENGTHS

...TO BETTER ENGAGE OUR NEW CUSTOMER BASE

A more attractive customer base...



...with national distribution to service them



WE HAVE A CLEAR DIVISIONAL AMBITION AND STRATEGY

Our ambition



HELP CUSTOMERS LIVE AND BANK IN A MORE REWARDING WAY

Our strategy



Transform
our relationship proposition

- Compelling, rewards-led propositions
- Leverage mutually beneficial value economics to increase low cost relationship PCAs and savings balances



Enhance
the customer experience

- Dramatically increase digital adoption
- Re-tool our physical spaces to provide expert advice
- Provide leading self-service capability



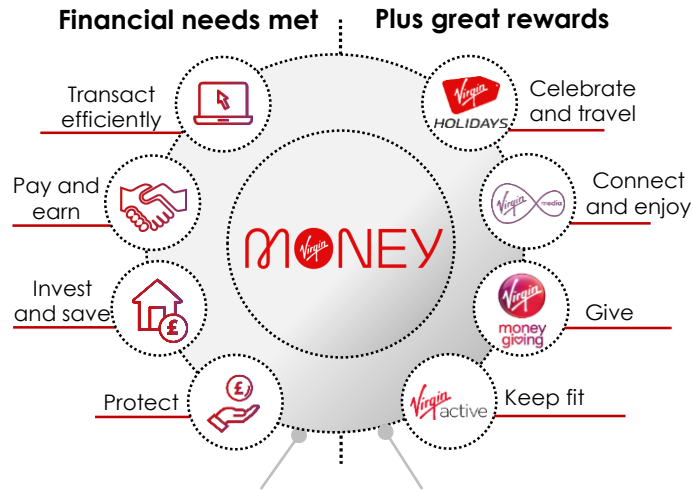
Deepen
our customer relationships

- Enhance our existing unsecured lending propositions
- Opportunity with a significantly larger customer base under the Virgin Money brand



TRANSFORM OUR RELATIONSHIP PROPOSITION

Non-price led, rewards-based offering...



Best in class propositions
to help meet money needs and life goals

Relationship offering
unique rewards and personalised benefits

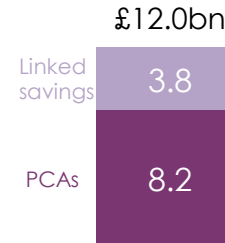
...to develop our value-based proposition

Compete on value

Relationship will share value with the customer:
transition from price-led acquisition to a lower cost, higher value approach

Relationship will share value with the customer:

- Launch rewards based Virgin Money PCA with competitive linked savings offering
- Target large pools of low-cost, inert savings balances held by incumbents
- Customers benefit from great tech, a great account, better rates and great rewards
- We benefit from growth in lower cost current account and relationship deposits



a high single-digit CAGR

focus on attracting lower cost relationship balances



ENHANCE THE CUSTOMER EXPERIENCE

Digital self serve



Simple straight-through digital on-boarding and servicing



Increase in-app servicing functionality



Customers can easily deepen relationship with us via digital



Improve customers' ability to stay in control of their finances



Top-quartile digital engagement and top 3 CMA customer service ranking

Expert advice



Empower branch staff to become experts in our digital propositions



Increased ability to handle complex technical queries



Create spaces that customers want to use to work, learn & bank



Footprint optimised to evolving customer preferences



Support our customers with expert advice when needed

Customer contact



Increased speed of customer query resolution



Minimise need for customers to leave channel of choice



Become the private banker in our customers' pocket



Contact centre technology will meet evolving customer needs



Simple and efficient day to day customer service proposition



DEEPEN OUR CUSTOMER RELATIONSHIPS

Propositions to deepen relationships...

- Major investment in customer experience
- Opportunities in underserved existing customer bases, offering rewards for relationships:
 - PCA offering to c.1.4m VM Credit Card customers
 - Credit Cards to c.1.3m CYBG PCA customers
- Enhanced, scalable data platforms and decisioning systems to better understand our customers
- Cards proposition developed via Open Banking, flexible borrowing, pay anyhow and cashback
- Loans offering developed through partnerships and rewards, guaranteed loans and real rates
- Existing customer focus supports asset quality

...supported by partnership initiatives



virgin atlantic



- Launched April 2018
- Offering co-branded fee and non-fee cards
- Focuses on Flying Club experience - access to 1.2m club members, affluent high-quality customers
- 120k accounts since launch, 4bn Flying Club miles earned from retail spend over £2bn since launch



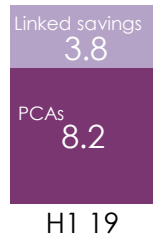
SALARY FINANCE

- Personal loan JV launched Feb 2019
 - c.£50m originated since launch
- Innovative channel supporting existing loan business
- Partner with large employers to offer financial wellbeing benefits and affordable loans to employees
- Offers above-average yields within risk appetite

A STRATEGY TO DELIVER OUR DIVISIONAL TARGETS...

Pioneering growth

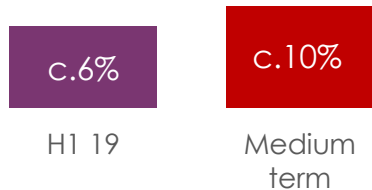
Relationship balances (£bn)



High single digit PCA and Savings balance CAGR

Supported by growth in PCA market share from c.2.5% to c.3.5%

Unsecured share of Group lending balances:



Delighted customers and colleagues



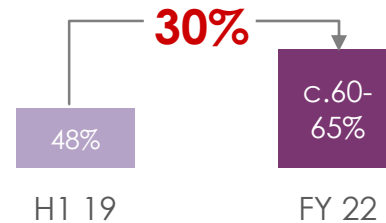
in CMA customer service rankings by FY22

Delivered by:

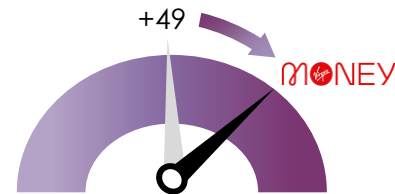
- transforming the customer proposition
- enhancing the customer experience
- deepening the customer relationship

Super straightforward efficiency

Increase in digital adoption:










Improve mobile app transactional NPS:



Discipline and sustainability

- Focus on attracting high-quality relationship deposits to support Group
- Focus on attracting affluent new customers and deepening relationships with existing customers
- Measured asset growth to attain our natural market share in unsecured
- Maintain strong risk approach and underwriting standards

...WITH A CLEAR 3 YEAR MILESTONE PLAN

	2019/20	2021	2022+
Transform	 Suite of new Virgin Money product launches	 Open Banking and reward experience	 Digital Personal hub
Enhance	 Single sales and service platform in all channels	 Full digital servicing, re-purposed branch network	
Deepen	 VAA/Virgin and other partnership extensions	 All personal customers served with single brand and CX	



MORTGAGES

Hugh Chater



ENVIRONMENT REMAINS HIGHLY COMPETITIVE...

Societal factors are driving change...



Economy

- Low interest rates
- Brexit uncertainty



Government / regulatory

- Prudential oversight
- Government interventions
- Ring-fencing impacts



Customers

- Ageing population
- Evolving working patterns



Digitalisation

- Customer expectations
- New entrants



Competition

- Muted market growth
- Over-supply of finance
- Low HPI

...while the market remains subdued

Structural changes are subduing demand ...

- Low interest rates support a strong remortgage market
- Limited market growth / net lending
- Falling house purchase transactions from Buy to Let regulatory impact and lower volumes of next time buyers

... while margin pressures remain

- Ring-fencing liquidity and excess supply are driving margin pressure
- Increased focus on higher-yielding segments to support margins

... AND THE DIGITAL REVOLUTION IS HERE

A market that is primed for digitisation...

The home buying journey hasn't changed ...

...but consumer expectations have...



...and new ventures are targeting intermediary and consumer mortgages...

...3 sourcing systems cover the vast majority of the intermediary market...



...c.£140m direct-to-consumer advertising spend in 2018⁽¹⁾



...customers demanding a better experience



Online application and servicing



With multi-channel capability



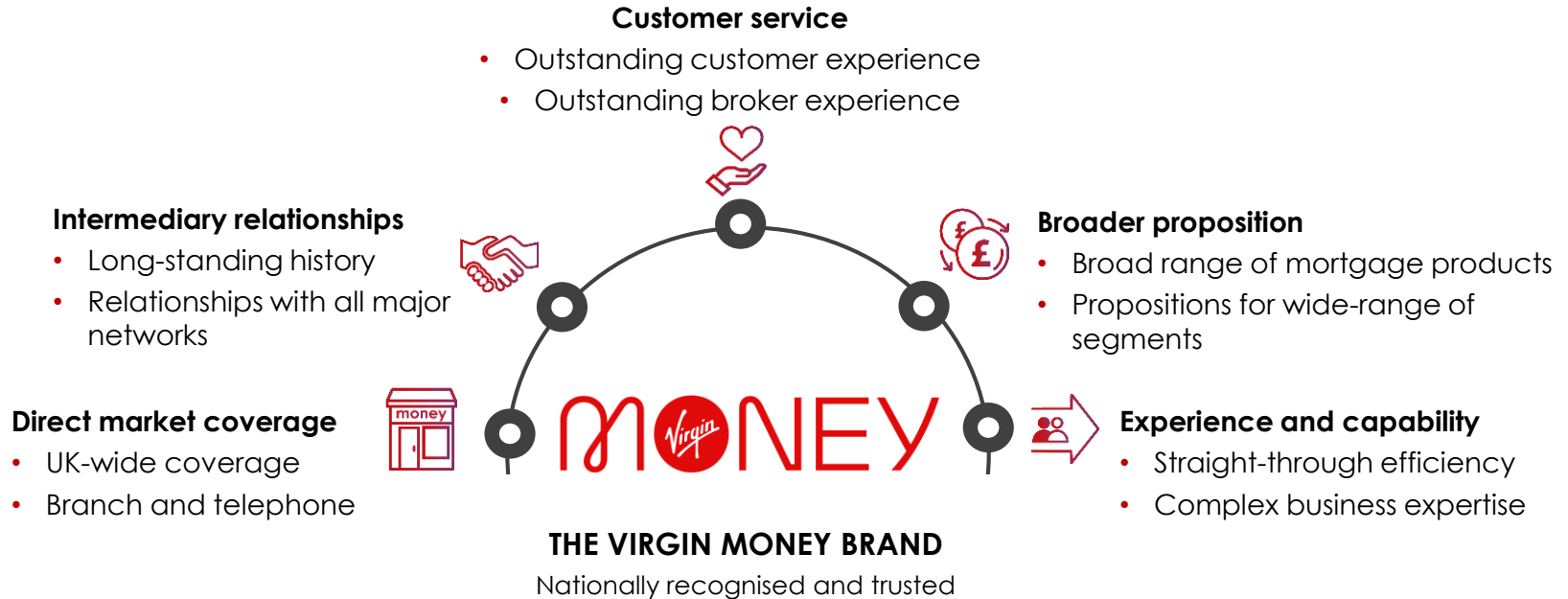
Real-time digital support for brokers



Limited patience for delays

(1) Source: Addynamix

OUR COMBINED MORTGAGE BUSINESS IS STRONGER...

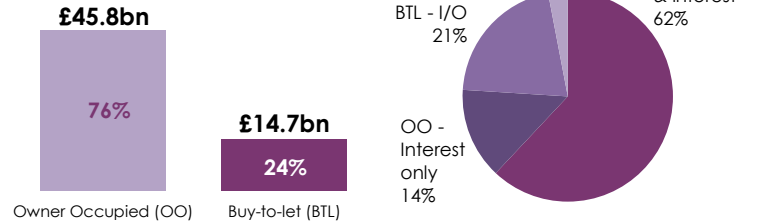


...WITH A HIGH QUALITY, BALANCED MORTGAGE PORTFOLIO

A balanced portfolio...

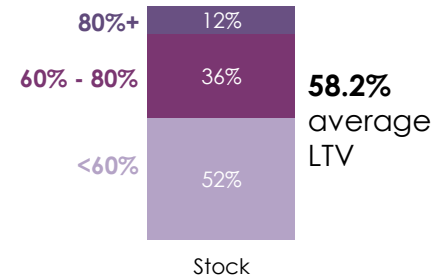
£60.5bn lending book

H1 19



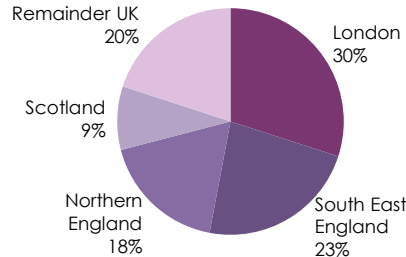
...with low-risk loan-to-value distribution...

H1 19



...across a geographically diverse portfolio...

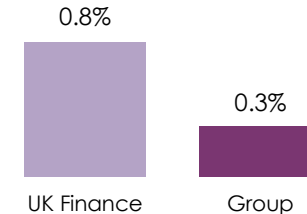
H1 19



...with strong asset quality

3m+ arrears

H1 19



HIGH QUALITY MORTGAGE BOOK RESULTING FROM DISCIPLINED RISK MANAGEMENT

WE HAVE A CLEAR DIVISIONAL AMBITION AND STRATEGY

Our ambition



SIMPLIFY MORTGAGES TO MAKE CONSUMERS' LIVES BETTER

Our strategy



Digitise
the customer
experience

- Create market-leading, digitally-served experiences putting the customer in control
- Deliver cost-to-serve efficiency



Maximise
relationships to
create brand
advocates

- Make the home-owning experience straightforward and satisfying
- Develop our digital Mortgage Hub



Optimise
the franchise
for value

- Stand out as a lender with agility and speed
- Deliver differentiated personal service with the efficiencies of scale



DIGITISE THE CUSTOMER EXPERIENCE

Make life easier
for intermediaries



Single point of data entry



Automated
affordability/eligibility



Automated verification
and KYC



Timely and relevant case
updates



**Deliver significant efficiencies
for the franchise and brokers**

Make it easy
to buy direct



Digital Assistant via
The Mortgage Hub



Simplified application with
multi-channel capability



Faster decisions delivering
certainty for customers



E-updates & digital
tracking



**Create an exceptional
customer experience**

Improve
productivity



Excellent customer experience
improves conversion rates



Improved customer
retention



Use big data and agile
approach to target opportunities



Significant efficiencies from
digitisation and single platform

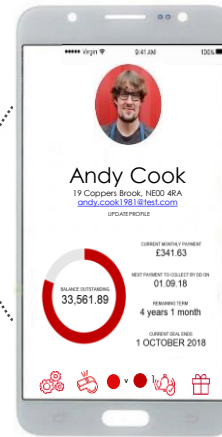
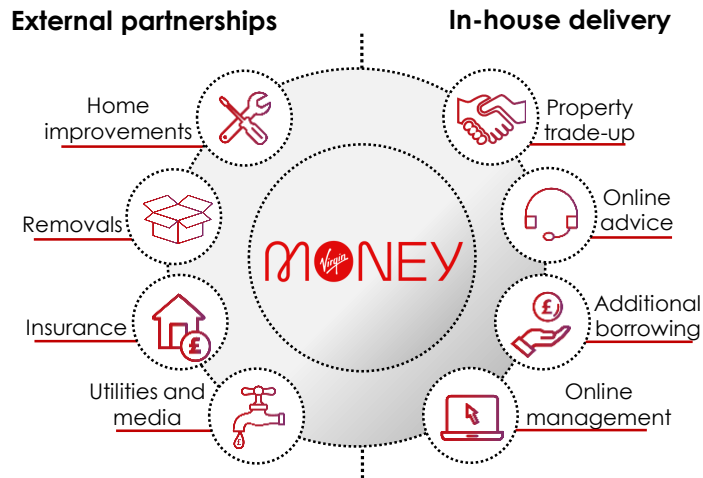


**Drive efficiencies and
maintain competitiveness**

MAXIMISE RELATIONSHIPS TO CREATE BRAND ADVOCATES

A new Mortgage Hub will transform how we engage customers...

...to deepen relationships and increase product holdings



Account servicing

- Paperless and engaging

The Mortgage Coach

- Assist throughout home ownership journey

Alerts

- Timely, relevant & save money

Rewards

- Personalised offers from Virgin group and partners

Fully integrated with the Personal hub, putting the customer in control of their financial needs



OPTIMISE THE FRANCHISE FOR VALUE

Straightforward brand extension

By differentiating our service propositions, brokers will receive the best of both franchises:



Expertise to assess complex situations and make the right decisions

Bespoke underwriting
Appropriate risk-reward



Mainstream lending backed by differentiated market-leading service promise

Market-leading service
Digital processing

Super-efficient distribution

Intermediaries



Introduce the Expert proposition to a wider range of brokers:

- c.4,000 new broker relationship opportunities already identified
- Benefits of combination very clear

Direct



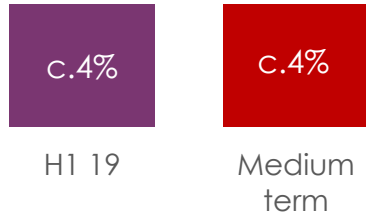
1 in 4 customers acquired through direct channel by:

- digitising customer acquisition
- continued investment in the existing customer experience

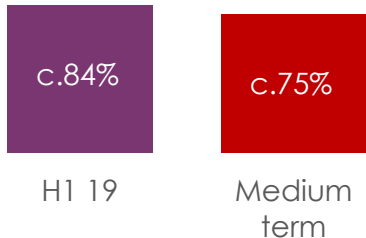
A STRATEGY TO DELIVER OUR DIVISIONAL TARGETS...

Pioneering growth

Maintain stock mortgage market share:

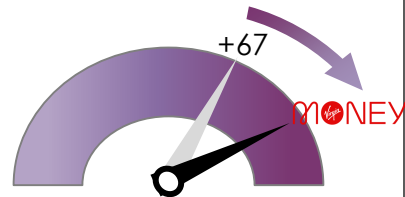


Mortgage share of group lending balances:



Delighted customers and colleagues

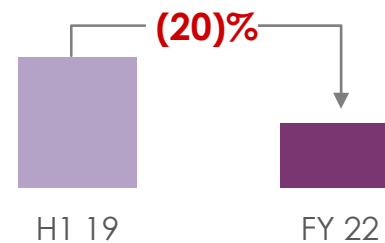
Customer transactional NPS:



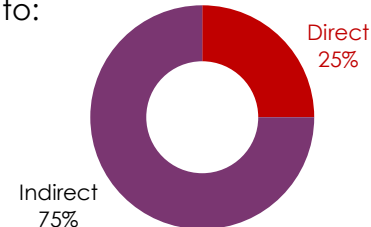
- Introduce the new 'Expert' proposition to c.4,000 new brokers by FY22

Super straightforward efficiency

Reduction in processing cost of a mortgage application:










Increase direct applications to:



Discipline and sustainability

- Prudent risk approach and underwriting standards
- Ensure pricing discipline and prioritise returns over volume
- No deterioration in risk characteristics of the portfolio

...WITH A CLEAR 3 YEAR MILESTONE PLAN

	2019/20	2021	2022+
Digitise	 API connectivity to broker sourcing systems	 Leverage group assets (e.g. Auto KYC)	 Digital Mortgage hub
Maximise	 Single direct platform	 Full digital experience	
Optimise	 Brand extension	 Extend intermediary distribution	

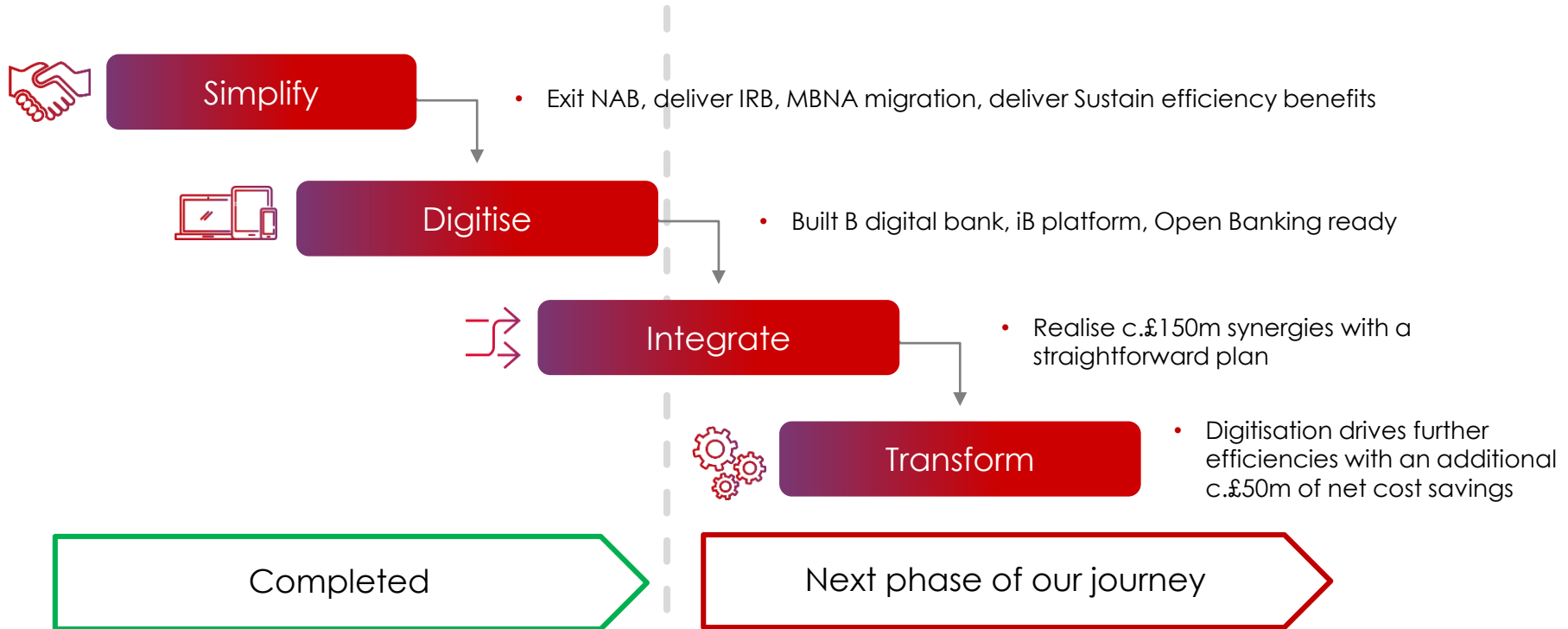


TRANSFORMATION

Fraser Ingram



OUR TRANSFORMATION JOURNEY





SIMPLIFIED THE BANK

A track record of delivery



c.£350m three year investment programme across 2016-19



Separation from NAB **and exit** from 29 Transactional Service Agreements



Delivery of the '**Sustain**' Operational Efficiency programme



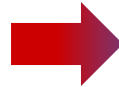
Range of **customer journey operational improvements** delivered



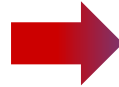
VM completion of the **MBNA** credit cards portfolio migration to **TSYS**



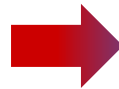
Completion of the multi-year **IRB** accreditation programme



- Build and scale iB digital platform, deliver separation and build IRB infrastructure



- Completed on schedule, removing significant third-party risk



- Delivery of >£90m of cost reductions in 2 years



- Customer experience improvements



- Scalable, controllable and cost-efficient cards platform



- Significant reduction in Group RWAs



...to simplify our bank



HAVE DIGITISED TO CREATE A MODERN, SCALABLE PLATFORM...

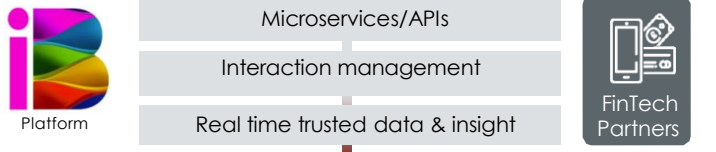
A simple, modern architecture...

...as the bedrock for future delivery



Real-time, multi-channel capability

ALL RETAIL AND SME CUSTOMERS ON A SINGLE PLATFORM



CORE BANKING PLATFORM

TSYS

FULL CLEARING + PAYMENTS CAPABILITIES

UNIQUE CAPABILITY IN UK BANK OF SCALE

- Digital platform (iB) built, **integrated and scaled**, using private cloud, open architecture and robotics
- **iB sits above core systems, hosted on internal cloud, Open Banking and FinTech partner ready**
- Big data platform (iD) supports a single customer view with **all customers on one platform**
- Scaled platform with c.2 million CYBG customers migrated on to iB with **c.4 billion transactions in the data store**
- Agile capability delivery
 - First to offer **account aggregation to customers** using secure open APIs
 - First to offer mobile cheque clearing



...ONGOING DELIVERY OF IMPROVED CUSTOMER EXPERIENCE

Feb 2016



August 2017
New apps -
all brands, all
channels



October 2018
Acquisition of



B Store
December
2018



Significant digital features delivered in a short time-frame due to our iB platform capability

January 2019
iB for Business

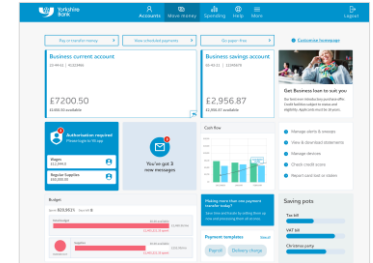
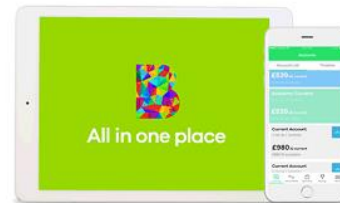


June 2016
B launch

February 2018
Cheque imaging



May 2018
Open Banking ready





COMBINATION CREATES A UNIQUE DIGITALLY ENABLED COMPETITOR

All the strengths of the major banks...

...with the digital agility of a neobank



INTEGRATION PLAN DELIVERS AN EFFICIENT, SIMPLER BANK...





Unchanged, clear integration plan...

...delivers a streamlined operating model

CYBG

LOW-COMPLEXITY INTEGRATION PLAN

Phased, low-volume, low-complexity integration...

	Personal Current Accounts c.100k VM current accounts Transfer via Current Account Switching Service (CASS)
	Personal & Business Savings Bulk redirection service: industry process for accounts not covered by CASS
	Mortgages and Fixed Term Savings Renewal on target platform
	Personal Credit Cards CYBG accounts migrate to TSYS platform

...with a clear, measured plan for delivery

Delivered by experts from both entities	Both organisations experienced in executing large-scale transformation and integration
No time pressure for delivery	Integration plan formulated with complete discretion over timing
Leveraging CYBG's flexible and scalable technology	Minimal new technology beyond scaling; all products will be integrated on iB platform
Integrated approach for brand, people, IT and products	Significant focus on re-brand of Clydesdale, Yorkshire and B brands

No 'big bang' migration events

27



Active banking licence

Legal entity

Brand – Virgin Money

Full service product set

Platform supporting all customers

↳ ...WITH CLEAR PROGRESS EVIDENT

Integration is progressing well...

Strategy



- Integration approach validated
- Programme mobilised and in delivery
- Brand strategy agreed and scheduled

People



- New organisational design in place
- New Purpose, Values and Behaviours
- Single performance framework
- Ongoing internal communications

Synergies



- c.£150m of integration synergies validated
- Rationalisation of senior management
- Closure of VM London office in June 2019
- On track to deliver c.£50m of run-rate savings by end of FY19

...with the FSMA Part VII process on track



- 1 • Regulatory application ✓
- 2 • Regulatory approval ✓
- 3 • Initial court approval ✓
- 4 • Customer notifications
- 5 • Final court approval
- 6 • Scheme effective date

**Expected
October 2019**

A SINGLE AUTHORISED & REGULATED BANKING ENTITY

Virgin Money re-launch and re-brand can commence



DIGITISATION OFFERS SIGNIFICANT OPPORTUNITY TO LEVERAGE OUR PLATFORM...

Our platform is supporting strong growth in digital usage...

2017 – finished iB platform build

2018 – first year of all personal customers on iB

Mobile banking daily logins

+39%

Mobile app users

+32%

growth
2017 - 2018

Digital sales per annum

+21%

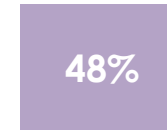
Digital payments made

+50%

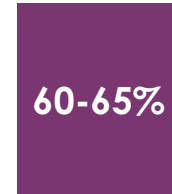
...but there is a significant opportunity for us to improve

- Digital will become our primary channel

Digital adoption opportunity



CYBG now



By end FY22

- Platform build and Project Sustain efficiencies realised initial digitisation cost savings:
 - **>£90m** cost savings achieved in 2 years
 - CYBG standalone underlying C:I ratio improved from 74% at FY16 to **63% at FY18**
 - Significant opportunities still remain



...CONTRIBUTING TO THE REALISATION OF ADDITIONAL NET COST SAVINGS OF c.£50M

Significant efficiency opportunities...

Digitisation



- 30-35% increase in digital adoption
- Complete digitisation of service processes realises significant physical infrastructure savings
- Significant reduction in paper communications by adopting industry standard approach

Sourcing



- Move to a supplier partnering model versus in-house to drive efficiencies
- Opportunities to source in a more flexible way

Change



- Extend modernisation of change programmes; adopting more lean and agile approach
- Transformation will unlock significant efficiencies – both pace and cost

...will deliver incremental net cost savings

Additional net cost savings of

c.£50m
p.a. by FY22

TRANSFORMATION ENABLES OUR DIVISIONAL STRATEGIES



Business

- Digitisation of customer on-boarding
- Credit decision automation
- National coverage model under new brand
- Digital Business hub



Personal

- Virgin Money branded PCA and relationship proposition
- Enhanced digital borrowing propositions, leveraging iD
- Full digital servicing and online self-service
- Digital Personal hub



Mortgages

- API connectivity to major broker sourcing systems
- Full automation of application process
- Full digital customer experience
- Digital Mortgages Hub

Pioneering growth

Delighted customers and colleagues

Super straightforward efficiency

Discipline and sustainability



FINANCIALS

Ian Smith



A STRATEGY TO DELIVER OUR FINANCIAL TARGETS

A clear strategy...

Pioneering growth

- Reshape balance sheet mix:
- grow margin accretive assets
 - grow low cost relationship deposits

Delighted customers and colleagues

- Enhance the customer experience
- Drive digital adoption
- Colleagues delivering our purpose

Super straightforward efficiency

- Realise integration synergies
- Digitise and simplify the business
- Streamlined operating model

Discipline and sustainability

- Foster a disciplined risk approach
- Optimise the Group's RWAs
- Deliver sustainable returns

...to deliver our key financial targets



- **75%** mortgages
 - **15%** business
 - **10%** unsecured
- } Ambition for asset mix in medium term



- **Above system** asset growth
- **High single digit CAGR** growth in current account and savings balances
- **<115%** loan-to-deposit ratio



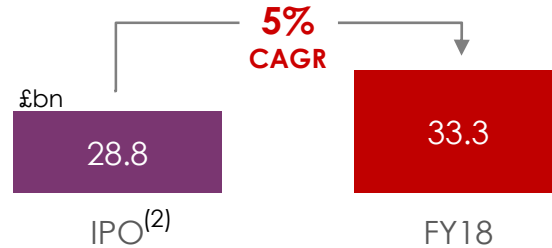
- **c.£200m** net cost savings by FY22
- **<£780m** costs by FY22
- **mid 40%'s** cost: income ratio by FY22



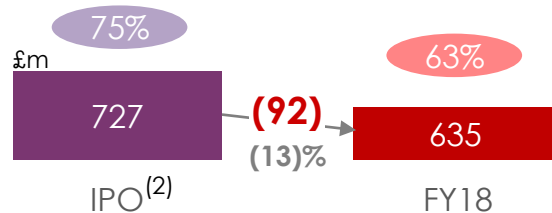
- **<30bps** cost of risk
- **c.13%** CET1 ratio
- **>12%** statutory RoTE by FY22

BUILDING ON OUR TRACK RECORD OF DELIVERY

Customer lending growth



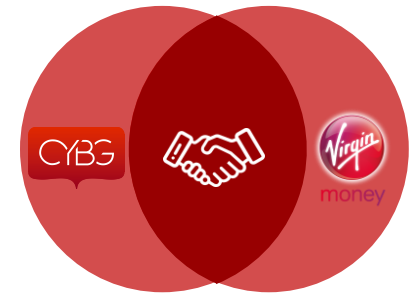
Cost efficiency⁽¹⁾



Capital optimisation

IRB accreditation received for mortgage and SME portfolios in October 2018

Culminating in the Virgin Money transaction...



...and a strong start in our first 6 months as a combined group

- Resilient underlying performance
- Underlying cost:income ratio of 57%
- CET1 ratio of 14.5%
- Underlying RoTE of 10.4%

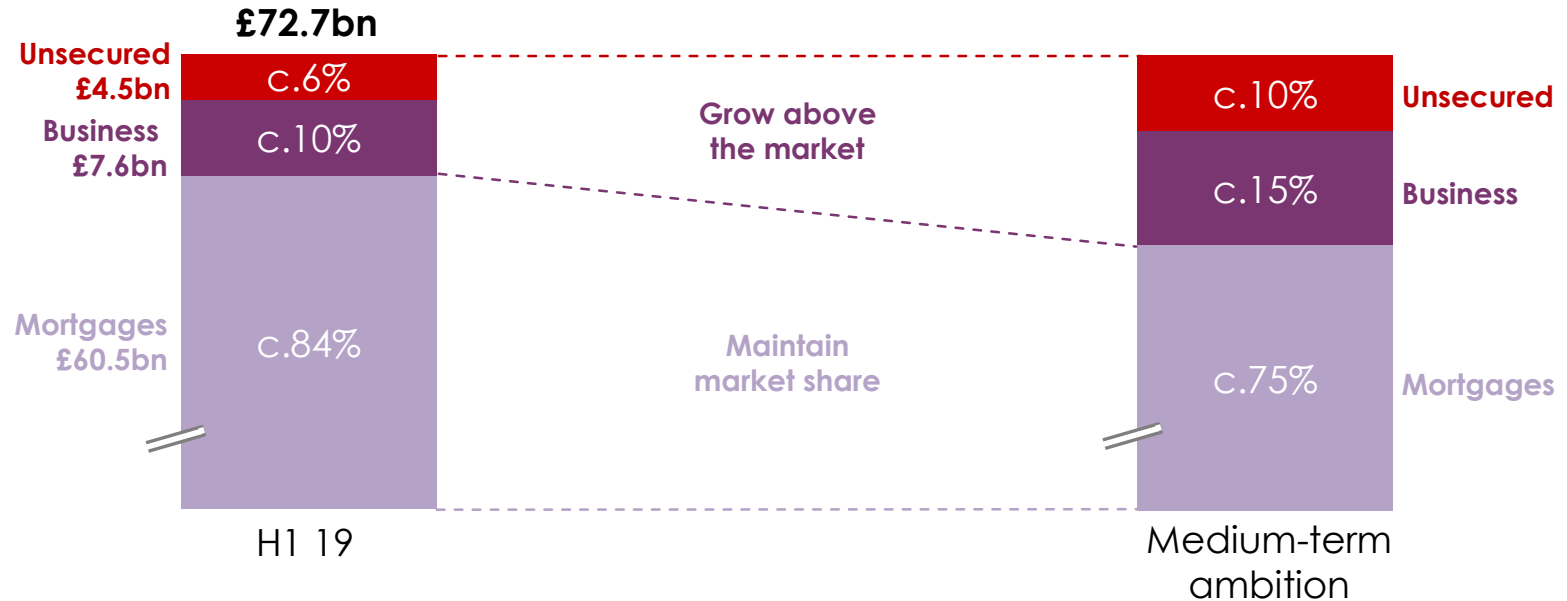
(1) Underlying costs and cost:income ratio (2) IPO figures as at 30 September 2015

RESHAPING THE MIX OF OUR ASSET PORTFOLIOS...

Rebalancing our current balance sheet...

...to optimise margins

Customer lending mix

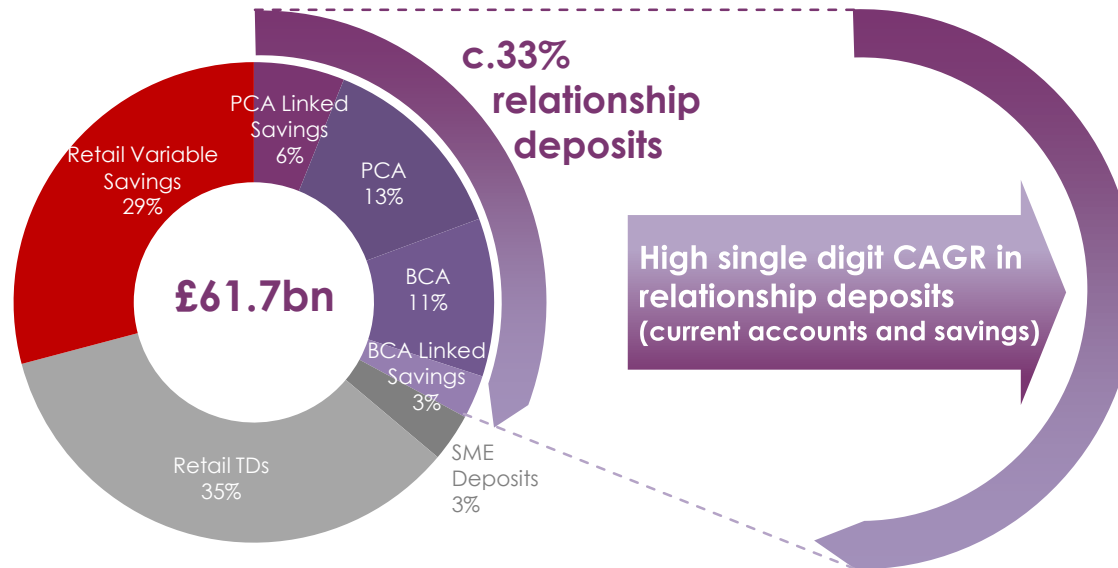


...AND GROWING LOWER COST RELATIONSHIP DEPOSITS...

Rebalancing our current funding mix...

...will improve our customer cost of funding

Deposit mix
H1 19

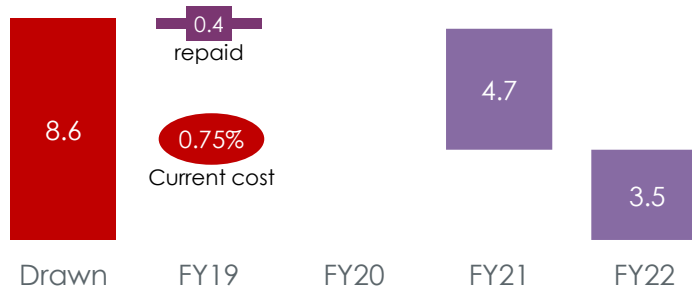


- Launch of Virgin branded PCA to attract new current account customers
- Relationship propositions to attract linked savings balances
- Business banking strategy to grow BCA and relationship deposits
- Price-led deposit balances managed down
- Loan-to-deposit ratio <115%

...WHILE ABSORBING WHOLESALE FUNDING COST PRESSURES

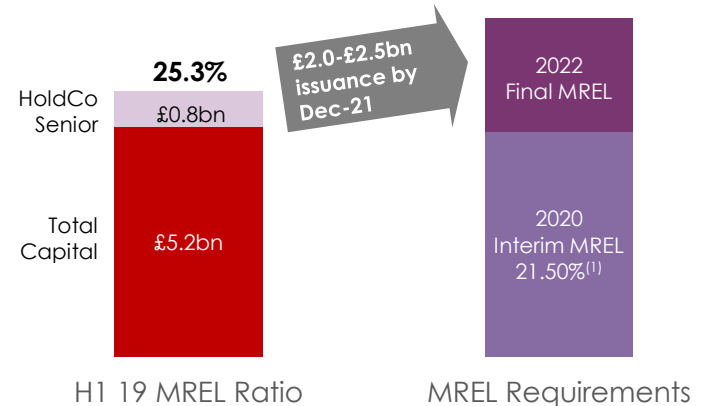
Clear path to TFS refinancing...

TFS contractual repayment profile
(£bn)



- TFS refinancing to continue in advance of contractual maturity (£0.4bn repaid to date), broadly evenly split:
 - Growth in lower cost relationship deposits
 - Secured funding
 - HoldCo senior issuance to meet MREL

...while absorbing MREL cost pressures



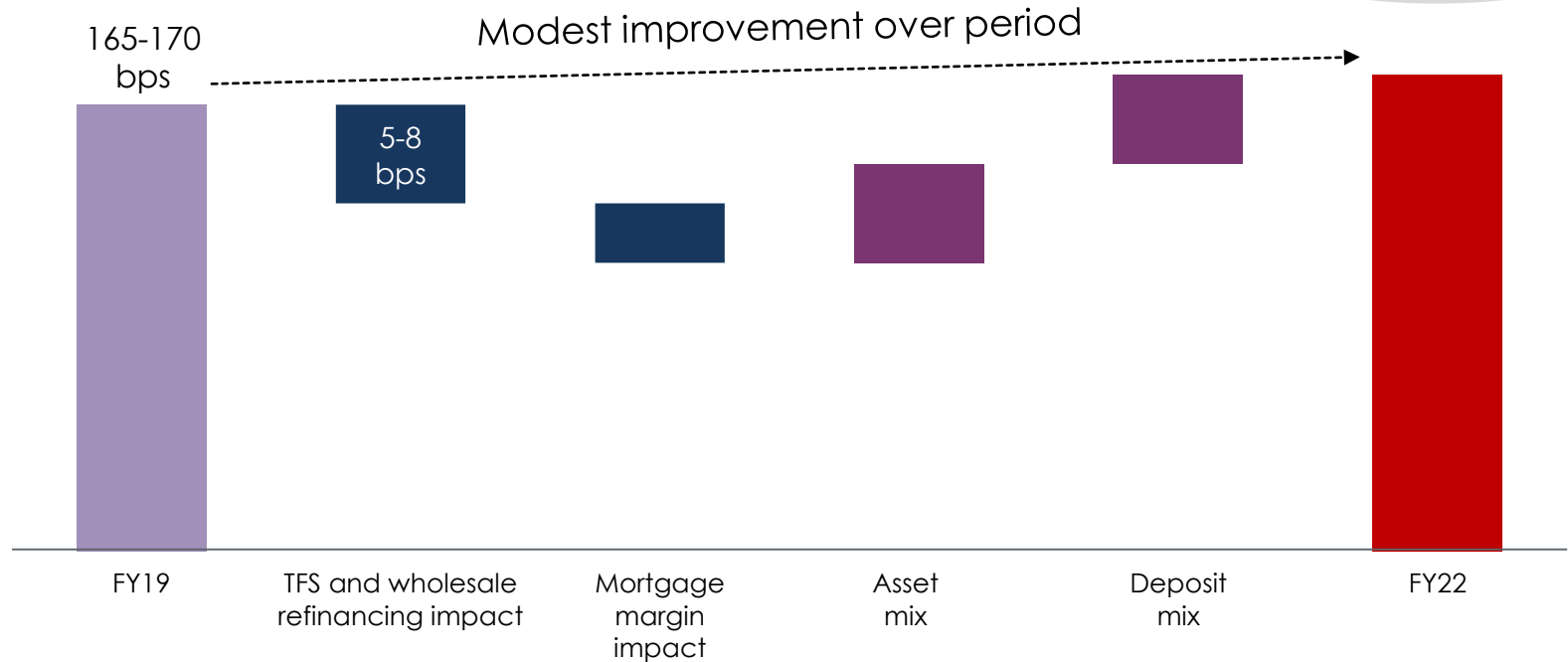
- H1 19 MREL ratio of 25.3% - comfortably ahead of 2020 interim MREL requirement
- Final MREL dictated by Dec-21 Pillar 2A
- Planned issuance of £2.0-£2.5bn by Dec-21⁽²⁾
- Current cost of c.4%

(1) Includes Fully Loaded Capital Conservation Buffer of 2.5% and expected 'standard risk environment' Countercyclical Buffer of 1% (2) Includes expected Pillar 2A evolution, RWA inflation and Management Buffer

MIX RESHAPING SUPPORTS A MODEST NIM IMPROVEMENT

NIM evolution – drivers (not to scale)

Note: we only assume one base rate rise out to FY22

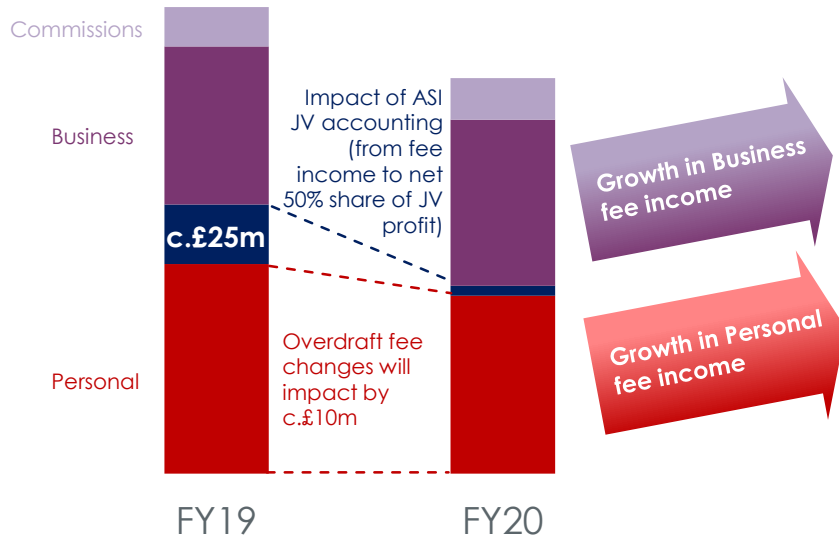


BUSINESS AND PERSONAL SUPPORT NON-INTEREST INCOME GROWTH

Structural changes to non-interest income in 2020 give way to growth...

Non-interest income

Not to scale



...as we maximise our opportunities

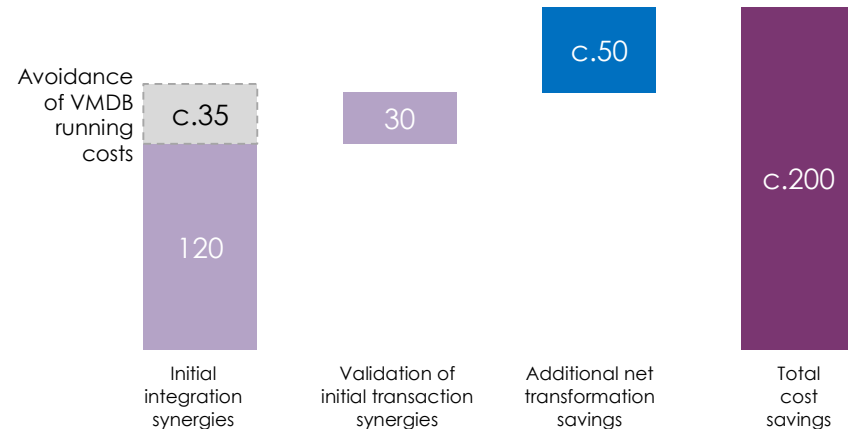
- Structural changes in FY20 include:
 - Aberdeen Standard Investments (ASI) JV accounting impact - reduces from a gross fee income of c.£25m to 50% share of JV profit
 - High Cost of Credit review expected to reduce overdraft fees by c.£10m
- Non-interest income growth expected FY21 onwards:
 - Growth in Business fee income as we expand our relationship proposition
 - Growth in Retail fee income as we attract more customers through enhanced propositions

c.£50M OF ADDITIONAL NET COST SAVINGS IDENTIFIED...

Significant new cost savings identified...

...with a modest incremental cost to achieve

Evolution of cost savings target (£m)

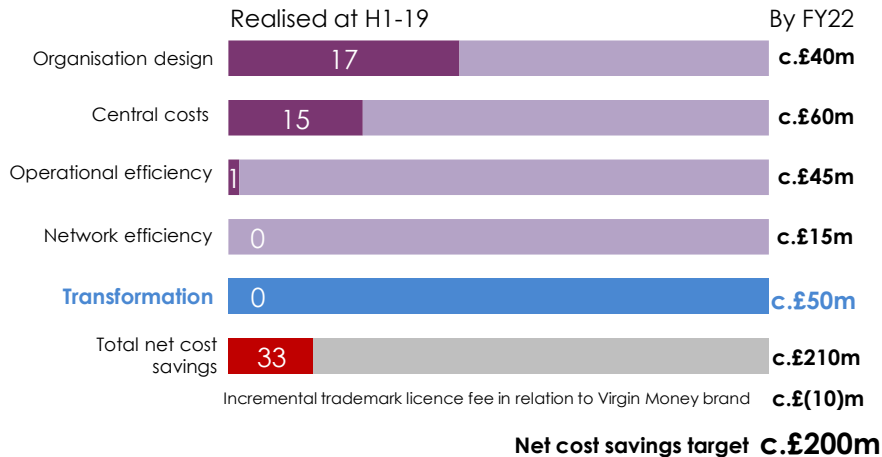


- Our transformation programme delivers an additional c.£50m of annual cost savings by the end of FY22
- This will be delivered for a further c.£60m of restructuring costs on top of the previously announced c.£300m associated with the integration synergies
- Restructuring cost phasing is expected as follows:

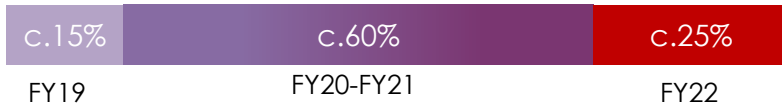


...SUPPORTING A <£780m COST BASE BY FY22

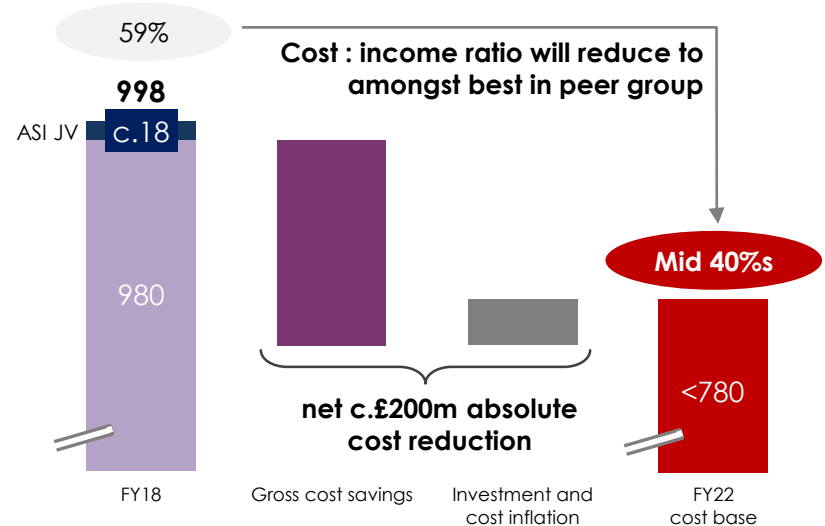
Integration and transformation delivers...



- With the expected phasing of the total c.£200m cost savings as follows:



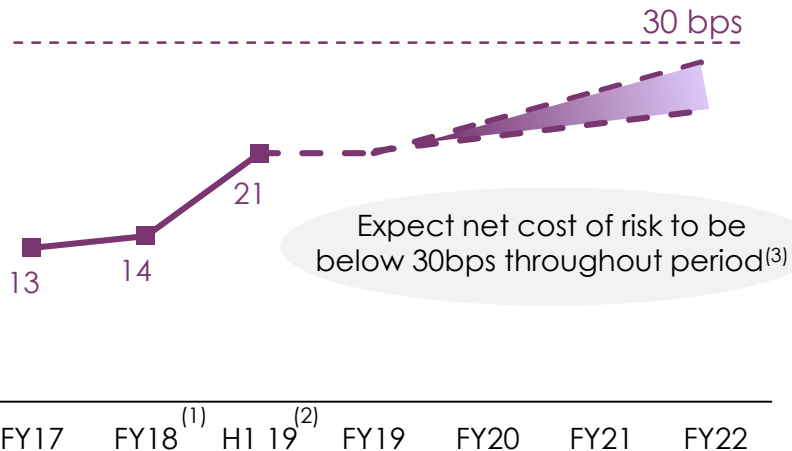
...a significantly reduced 2022 cost base



NO CHANGE TO RISK APPROACH: COST OF RISK TO REMAIN <30bps

Mix effect drives increased cost of risk...

Cost of risk
(bps)



...with an unchanged risk approach

Business:

- Continuing our sector focus and expertise: expanding what we do well today nationally
- Impairments can be irregular but expected to smooth out through the cycle

Personal:

- Measured asset growth to attain our natural market share in unsecured - attracting affluent new customers and deepening relationships with existing customers
- Maintain strong risk approach and underwriting standards

Mortgages:

- Moderated growth rate and tight control of underwriting standards

(1) Includes full adoption of IFRS9 for Virgin Money

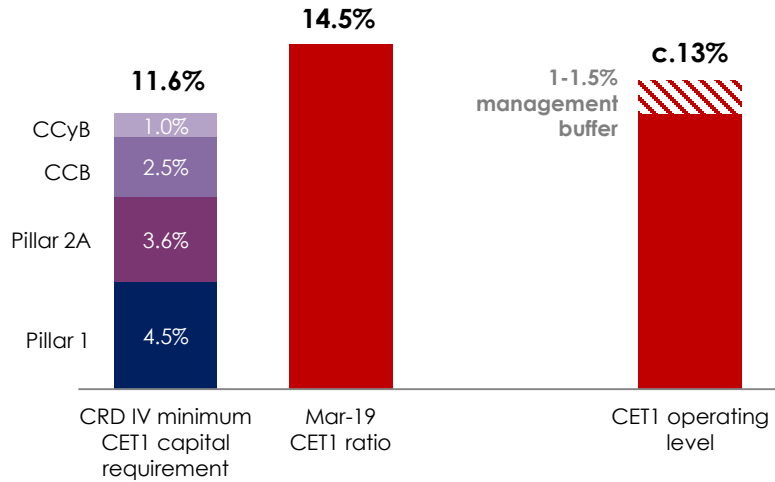
(2) Includes adoption of IFRS9 across both CYBG and Virgin Money

(3) Based on current UK economic forecasts

c.13% CET1 OPERATING LEVEL TO UNDERPIN THE GROUP

Strongly capitalised today and...

...a target CET1 operating level of c.13%



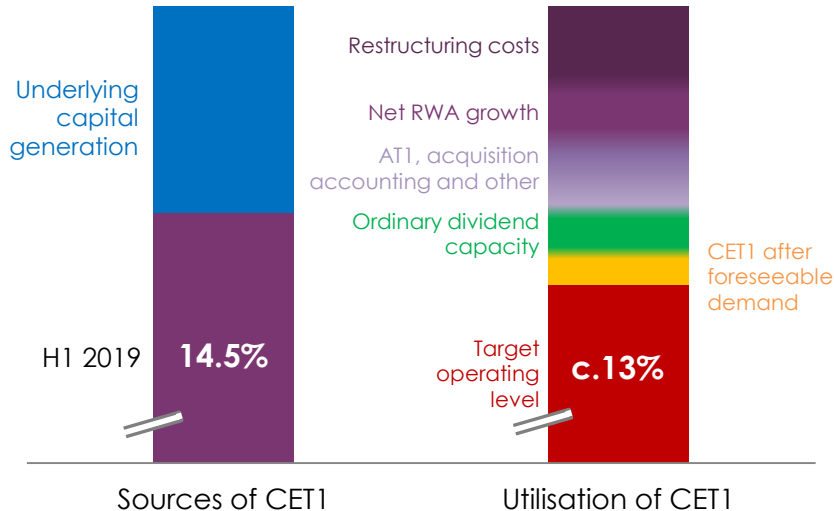
- PRA review of the Group's ICAAP is well advanced
- Group will seek to operate with a prudent 1-1.5% management buffer above regulatory minimum capital requirement
- Strategic plan outcomes geared to a c.13% CET1 operating level over time

>100 bps EXCESS CAPITAL GENERATION ONCE RESTRUCTURING IS COMPLETE

Capital generation supports glide path to target CET1 operating level...

...as we transition to a highly-capital generative business model from FY22

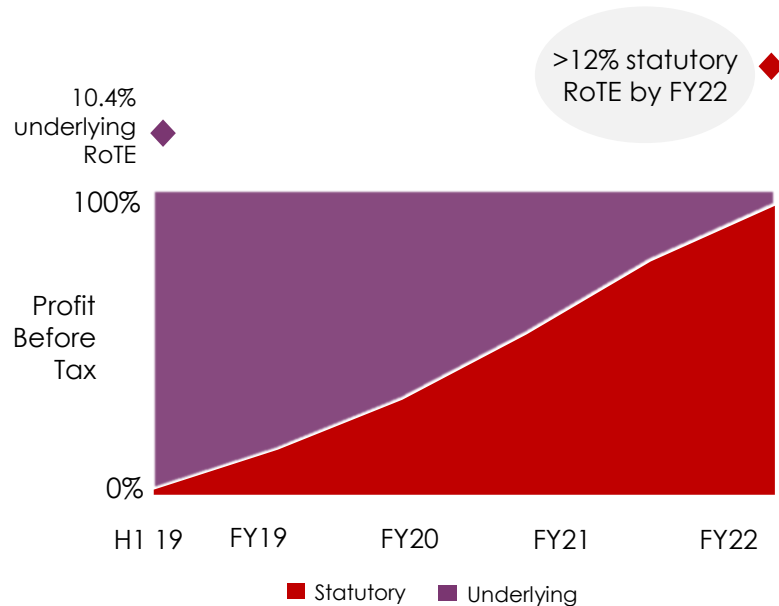
CET1 capital utilisation (not to scale)



- Material restructuring costs in FY19-21
- RWA growth from new lending and asset mix, although expect substantial RWA efficiencies
- Group will take part in the Bank of England stress test regime from 2020
- Group expects sufficient capital capacity to deliver progressive, sustainable ordinary dividends with a c.50% payout ratio expected over time
- From FY22 the Group expects to generate >100bps of excess CET1 capital per annum for distribution or growth

IMPROVING PROFITABILITY SUPPORTS SHAREHOLDER RETURNS

Improving profitability and RoTE...



...supports strong shareholder returns

- Statutory RoTE target of >12% by 2022
- Statutory RoTE to converge with underlying RoTE over time as restructuring costs diminish
- Strong capital generation will create significant capacity for distributions
- Committed to delivering progressive, sustainable ordinary dividends with a target for a c.50% payout ratio over time

A STRATEGY TO CREATE SIGNIFICANT SHAREHOLDER VALUE

Our strategic priorities...

...drive our key financial targets...

...delivering strong returns and business momentum

Pioneering growth

- Reshape balance sheet mix:
- grow margin accretive assets
 - grow low cost relationship deposits

Delighted customers and colleagues

- Enhance the customer experience
- Encourage digital adoption
- Colleagues delivering our purpose

Super straightforward efficiency

- Realise integration synergies
- Digitise and simplify the business
- Streamlined operating model

Discipline and sustainability

- Maintain a disciplined risk approach
- Optimise the Group's RWAs
- Deliver sustainable returns



- 75% mortgages
 - 15% business
 - 10% unsecured
- Ambition for asset mix in medium term



- Above system asset growth
- High single digit CAGR in relationship deposits
- <115% loan-to-deposit ratio



- Significant efficiencies by FY22:
- c.£200m net cost savings
 - <£780m costs
 - mid 40% cost: income ratio



- <30bps cost of risk to FY22
- c.13% CET1 ratio

>12%

Statutory RoTE by FY22

>100bps

CET1 generation p.a. by FY22

Progressive & sustainable

ordinary dividend c.50% payout ratio over time



STRATEGIC AMBITION

David Duffy

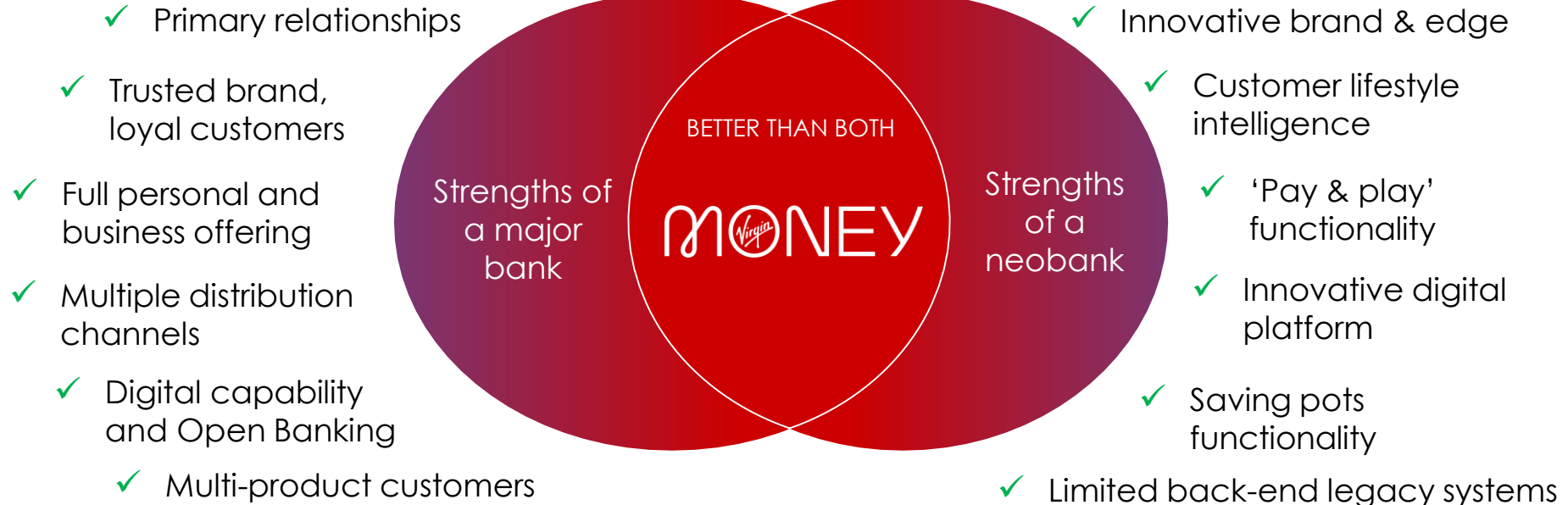




COMBINATION CREATES A UNIQUE DIGITALLY ENABLED COMPETITOR...

All the strengths of the major banks...

...with the digital agility of a neobank



MONEY

...WITH A CLEAR PATH TO SUCCESS...

MONEY



2019

Launch of revitalised brand;
change Top Co name to
Virgin Money UK PLC

Business

Personal

Mortgages



Launch of Virgin
Money for business

Early 2020



2021

Extension and
automation



Launch of the Virgin Money
personal current account

late 2019



2021

All customers served with
single brand & experience



Open API connections to
major broker sourcing systems

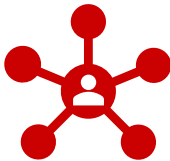
2020



2021

Full digital experience &
brand extension

2022+



Inter-connected digital
lifestyle hubs:

- Business
- Personal
- Mortgages



Top 3 in CMA customer service rankings

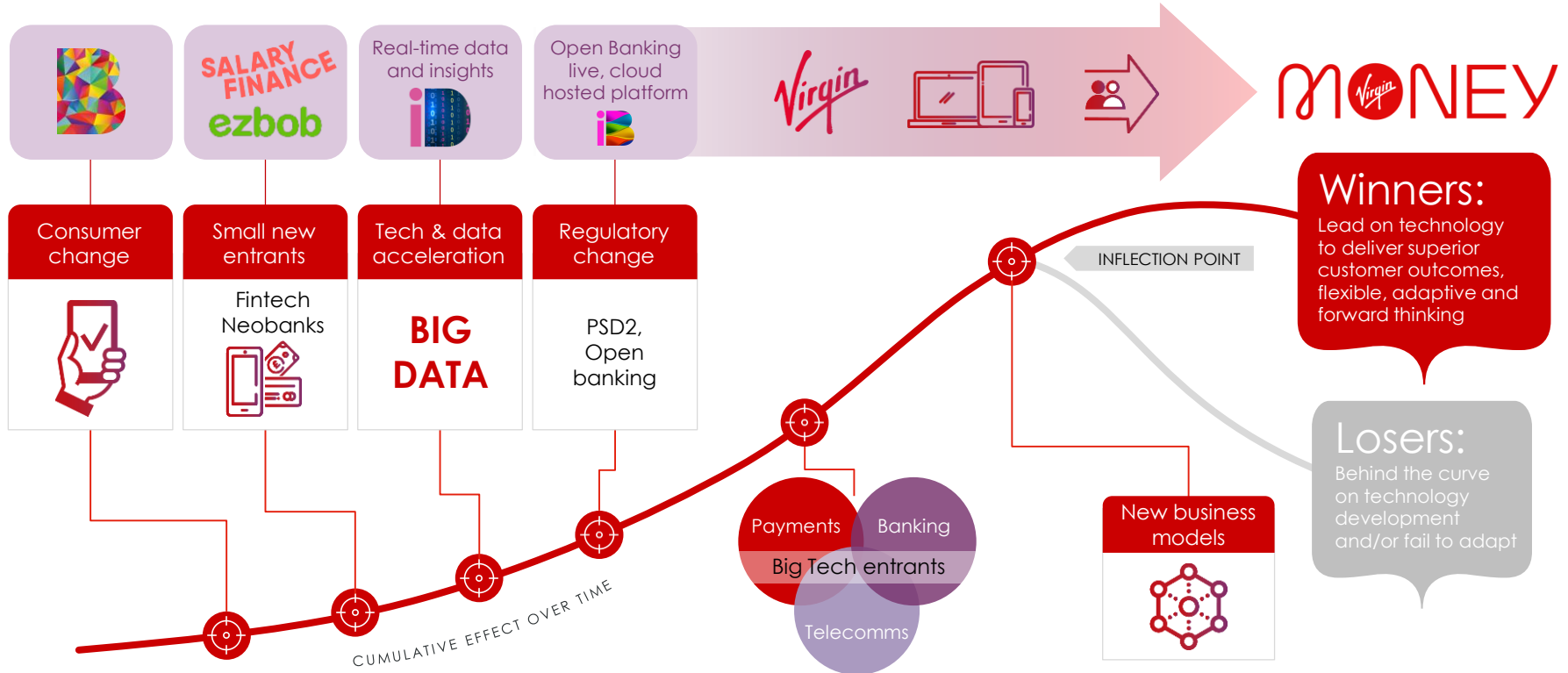


Substantial increases in PCA / BCA market share



Lending and deposit growth above market

...CREATING FUTURE OPTIONALITY



APPENDIX

LEADERSHIP TEAM BIOGRAPHIES

David Duffy
Chief Executive Officer

Skills and experience

David has significant international finance and banking experience gained from a career spanning almost three decades.

David joined CYBG in June 2015. Prior to joining the Group, David was Chief Executive Officer at Allied Irish Banks plc, one of the largest retail and commercial banks in Ireland. He is a former Chief Executive Officer of Standard Bank International where he had responsibility for operations in the UK, Europe, Latin America and Asia. He was also previously Head of Global Wholesale Banking Network with ING Group and President and Chief Executive Officer of the ING wholesale franchises in the United States and Latin America.

David is a past President of the Banking and Payments Federation of Ireland and a past Director of the European Banking Federation.

Ian Smith
Chief Financial Officer

Skills and experience

Ian has considerable experience in finance, audit and advising on bank strategy and corporate transactions from a career spanning more than 30 years. He has held senior finance roles in HBOS plc and Lloyds Banking Group plc. He joined the Group in November 2014 from Deloitte LLP where he was a partner specialising in financial services.

Helen Page
Group Marketing and Brand Director

Skills and experience

Helen joined CYBG in December 2012 with the specific remit to reinvigorate and relaunch the Clydesdale and Yorkshire Bank brands. Following the successful acquisition of Virgin Money in 2018, Helen has now assumed Brand, Marketing and Customer Experience responsibilities for all brands.

Helen has over 25 years' experience in marketing, consultancy and product development, including 15 years in financial services. Prior to joining CYBG, Helen spent eight years at RBS as Managing Director for Marketing and Innovation and held responsibility for all UK brands across the Retail, Commercial and Corporate divisions.

Helen was also Head of Brand Marketing at Argos, where she relaunched the catalogue as a retailer. Prior to Argos, Helen held a number of product and marketing roles at Abbey, where she became Head of Marketing.

LEADERSHIP TEAM BIOGRAPHIES

Gavin Opperman
Group Business Banking Director

Skills and experience

Gavin joined the Group in November 2015. He has been in banking for over 30 years with experience in leading large-scale teams in Retail (incl. Digital), Commercial, Corporate and Investment Banking.

Gavin was previously Regional Head of Consumer Banking (Hong Kong, Taiwan and China), Standard Chartered based in China. Prior to this he spent almost 20 years with the Barclays / Absa Group, where he progressed through a number of senior roles before being appointed as Managing Director of Absa (Asia) Ltd and later Chief Executive of Absa's Retail Bank.

Fergus Murphy
Group Retail Director

Skills and experience

Fergus joined the Group as Products Director in January 2016. He has over 20 years' experience in financial services.

Prior to joining the Group, Fergus held a number of key roles at Allied Irish Banks from 2011 until 2015 including Director of Products and Capital Markets and, most recently, Director of Corporate, Institutional and Markets. From 2008 until 2011 he served as CEO and Managing Director of BES Building Society and EBS Limited.

Fergus also held a number of senior positions at Rabobank International between 1994 and 2007. He served as CEO Asia Region from 2003 and was previously a member of their Global Financial Markets management team, holding roles as Global Treasurer and Head of Global Investment Banks.

Hugh Chater
Group Mortgages Director

Skills and experience

Hugh has over 25 years of experience in financial services. He was an executive founder at MBNA Europe, joining in 1993 from KPMG Management Consulting.

At MBNA Hugh held executive roles in HR, Credit Management, Customer Satisfaction and Marketing before becoming Chief Operating Officer and then UK Managing Director. In 2007 Hugh joined RBS Retail to run the consumer credit card business. He subsequently ran the current account, savings, investments and insurance products. Hugh joined Virgin Money in June 2016 with responsibility for commercial performance, customer outcomes and optimising distribution and servicing channels.

Fraser Ingram
Group Chief Operating Officer

Skills and experience

Fraser Ingram was appointed Chief Operating Officer in June 2019. He was previously the Chief Information Officer (CIO) of CYBG.

Prior to this, his most recent roles include Chief Operating Officer of Kleinwort Benson in London and CIO of Citizens Bank.

Fraser has a wide range of experience across businesses, functions and geographies - including business transformation, IT, and change management.

A Fellow of the Chartered Institute of Bankers, Fraser also gained an MBA from Aston Business School. In addition, he is a founding trustee of CUDECA, the first independent hospice in Spain, which he has supported since 1992.

LEADERSHIP TEAM BIOGRAPHIES

Peter Bole

Integration Director

Skills and experience

Peter is a Chartered Accountant and has over 25 years of experience in financial services. Following roles with Deloitte and Standard Life, Peter joined RBS in 2001 where he held a variety of senior finance roles, latterly in RBS Insurance. In 2009, he joined Tesco Bank where he established the finance function as Chief Financial Officer and played a key role in the leadership of the business as it was migrated from RBS infrastructure. Peter joined Virgin Money in 2016 and became Chief Financial Officer in January 2017.

Peter has responsibility for leading our integration programme across all functions, leveraging the best talent from CYBG and Virgin Money while minimising disruption to the Group's operations and customer base.

James Peirson

Group General Counsel

Skills and experience

James joined National Australia Bank Limited (NAB) in May 2005 and was appointed as General Counsel for the Group in November 2014.

His previous roles include leading NAB's London Branch legal team and roles supporting NAB and Clydesdale Bank Treasury activities as part of NAB's Capital and Funding legal team in Melbourne and London. Prior to joining NAB, James worked in private legal practice at Hogan Lovells in London.

Emma Tottenham

Group Director of Corporate Communications and Sustainability

Skills and experience

Emma was appointed as Group Corporate Communications & Sustainability Director in 2019 and previously held the role of Chief of Staff. She is responsible for internal and external communications and the bank's sustainability agenda, including our not-for-profit digital fundraising platform, Virgin Money Giving.

Emma's background is in financial services strategy and she has held senior strategy roles in CYBG and previously RBS. She is also a chartered accountant.

LEADERSHIP TEAM BIOGRAPHIES

Enda Johnson

Group Corporate Development Director

Skills and experience

Enda joined the Group in 2015 and is responsible for leading Strategy and Corporate Finance activity across the Group. Before joining the Group, Enda worked at Allied Irish Banks, where he was Head of Corporate Affairs and Strategy.

Prior to this, Enda worked at the Irish National Treasury Management Agency, where he worked on the recapitalisation and restructure of Irish banks following the global financial crisis. Enda also held a number of roles with Merrill Lynch in their investment bank and equity capital markets divisions in California, New York and London.

Kate Guthrie

Group Human Resources Director

Skills and experience

Kate joined the Group in January 2016 and leads the development and implementation of the company's innovative People Strategy including the Group's Purpose and Values. Key to this has been the transformational approach to leadership and performance management and the team-based incentive scheme linked to the delivery of the Group Strategy. Kate has over 30 years domestic and international experience including global pharmaceuticals, FMCG and retail.

Prior to joining CYBG, she worked for Lloyds Banking Group for eleven years. She played a key role in developing the company's approach to culture and capability as HR Director for Culture, Capability and Engagement having also been the Divisional HR Director for the Insurance and Investments business.

Kate is the Deputy Chair and SID of Action for Children, one of the UK's leading Children's charities and a trustee of the Virgin Money Foundation.

Mark Thundercliffe

Group Chief Risk Officer

Skills and experience

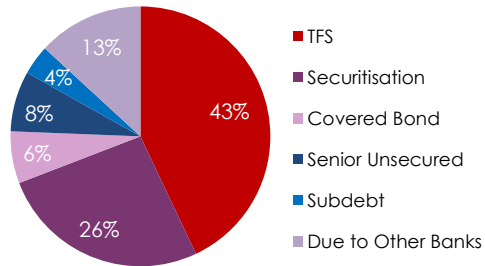
Mark was appointed in September 2016 and has over 30 years of financial services experience. He joined the Group from HSBC where he was Chief Risk Officer responsible for management and oversight of risk for HSBC's Retail Banking and Wealth Management business across 18 countries across the UK, Europe, the Middle East and Africa.

Mark has also held a number of senior international positions, including President and CEO (Asia) with Home Credit in Hong Kong and he was also an Executive Director and Business Head (Russia) with Renaissance Capital in Moscow. With Citigroup he progressed from Chief Risk Officer (UK and Ireland) to become CEO of Citi Consumer division (Russia). Prior to Citi, he worked with Associates Capital Corporation, latterly as Executive and Business Head, based in India.

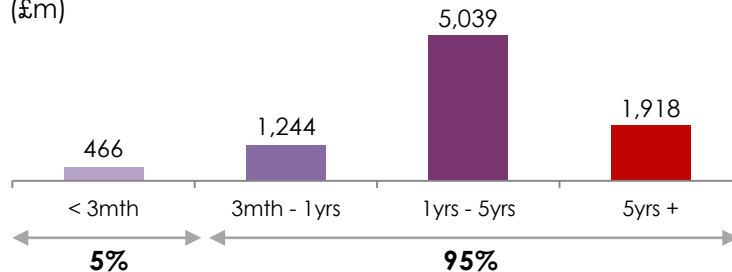
CONTINUED DIVERSIFICATION OF WHOLESALE FUNDING

Full range of funding programmes with...

Wholesale Funding by Product ⁽¹⁾
(%)



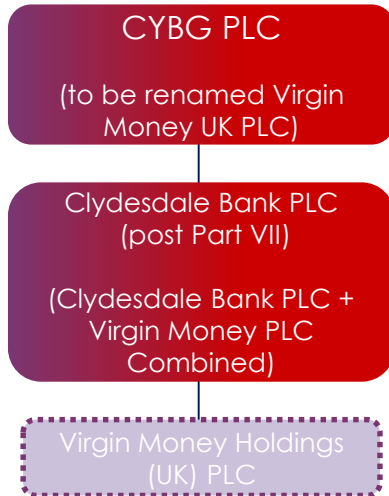
Debt Securities in Issue by Maturity ⁽¹⁾
(£m)



...ongoing diversification planned

- Diversification of issuance across a range of formats, currencies and tenors
- Steady-state wholesale funding requirement of £2-3bn per annum
 - of which £0.5-1.0bn per annum to be MREL
 - remainder will be largely from secured funding sources
 - OpCo senior to be used opportunistically
- Negligible short-term money market funding

TARGET GROUP STRUCTURE



- The FSMA Part VII transfer of the assets and liabilities of Virgin Money PLC to Clydesdale Bank PLC is expected to complete by the end of calendar year 2019
- First court date held on 13 June 2019
- Second court date scheduled for September 2019
- Effective date expected to be October 2019
- Virgin Money becomes trading name of Clydesdale Bank PLC
- No 'big bang' migration events; subsequent phased, low-volume, low-complexity integration

Our
Brand



CREDIT RATINGS REFLECT ROBUST BUSINESS MODEL WITH UPSIDE POTENTIAL

		Credit Rating		
		MOODY'S	S&P Global	FitchRatings
CYBG PLC	Long-term	Baa3 / Positive	BBB- / Stable	BBB+ / Rating Watch Negative
	Short-term	P-3	A-3	F2
Clydesdale Bank PLC	Long-term	Baa1 ⁽¹⁾ / Positive	BBB+ / Stable	A- / Rating Watch Negative
	Short-term	P-2	A-2	F2
Virgin Money Holdings (UK) PLC	Long-term	Baa3 / Positive	-	BBB+ / Rating Watch Negative
	Short-term	P-3	-	F2
Virgin Money PLC	Long-term	Baa1 / Positive	-	A- / Rating Watch Negative
	Short-term	P-2	-	F2

- All ratings affirmed post acquisition
- Moody's deposit ratings and long term issuer ratings on Positive outlook
- Fitch's long term issuer default ratings for Clydesdale Bank and Virgin Money upgraded to A- on 3 June following an increase in the qualifying junior debt buffer

1) Long-term bank deposit rating

PART VII AND VMH BALANCE SHEET

VMH Balance Sheet

	Dec-18 £m
Investments in controlled entities and associates	1,401
VM Senior Debt held	349
Other assets	23
Total assets	1,774
VMH Senior Debt	347
Other Liabilities	9
Share Capital and Share Premium	656
VMH Additional Tier 1	384
Other Reserves	(2)
Retained Earnings	380
Liabilities and equity	1,774
VMH Consolidated Group – Total Assets	45,116
Virgin Money PLC – Total Assets	44,790

- Virgin Money PLC constitutes over 99% of the Total Assets of the VMH Consolidated Group
- VMH's principal assets consist of its investment in Virgin Money PLC and other subsidiaries along with £350m of senior debt down-streamed to VM
- The FSMA Part VII transaction will be completed for nominal consideration, transferring VM assets and liabilities to CB
- The VM Balance Sheet will then be immaterial and VMH's investment in VM will be materially written-down
- This will result in negative Retained Earnings and Available Distributable Items



DISCLAIMER

This document has been prepared by CYBG PLC (the "Company") and is the responsibility of the Company. It was prepared for the purpose of, and comprises the materials and any video used in and/ or discussed at, the presentation(s) given to the Company's stakeholders at the Capital Markets Day on 19 June 2019. This document is a marketing communication and should not be regarded as a research recommendation.

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 materials and any video used in and/ or discussed at the presentation, are subject to risks, uncertainties and assumptions about the Company and its subsidiaries (which together comprise 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, 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 referendum vote to leave the European Union (EU), the UK's exit from the EU (including any change to the UK's currency), 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 the 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 or any video used in and/ or discussed at, the presentation.

The information, statements and opinions contained in this document and the materials and any video used in and/ or discussed at, the presentation, 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 and any video used in and/ or discussed at, the 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.



**COME
OVER**

INVESTOR RELATIONS CONTACT

Andrew Downey

Head of Investor Relations

CYBG PLC

t: +44 20 3216 2694

m: +44 7823 443 150

e: andrew.downey@cybg.com



**LET'S
TALK**