2017 Results

27 February 2018

FY17 Financial Performance

37.8p
EPS[1] +29%

13.8%
CET1 Ratio

RoTE of
14%
up from 12.4% in FY16

£192.1m
Stat profit[2] +37%

6.0p
Total dividend +18%

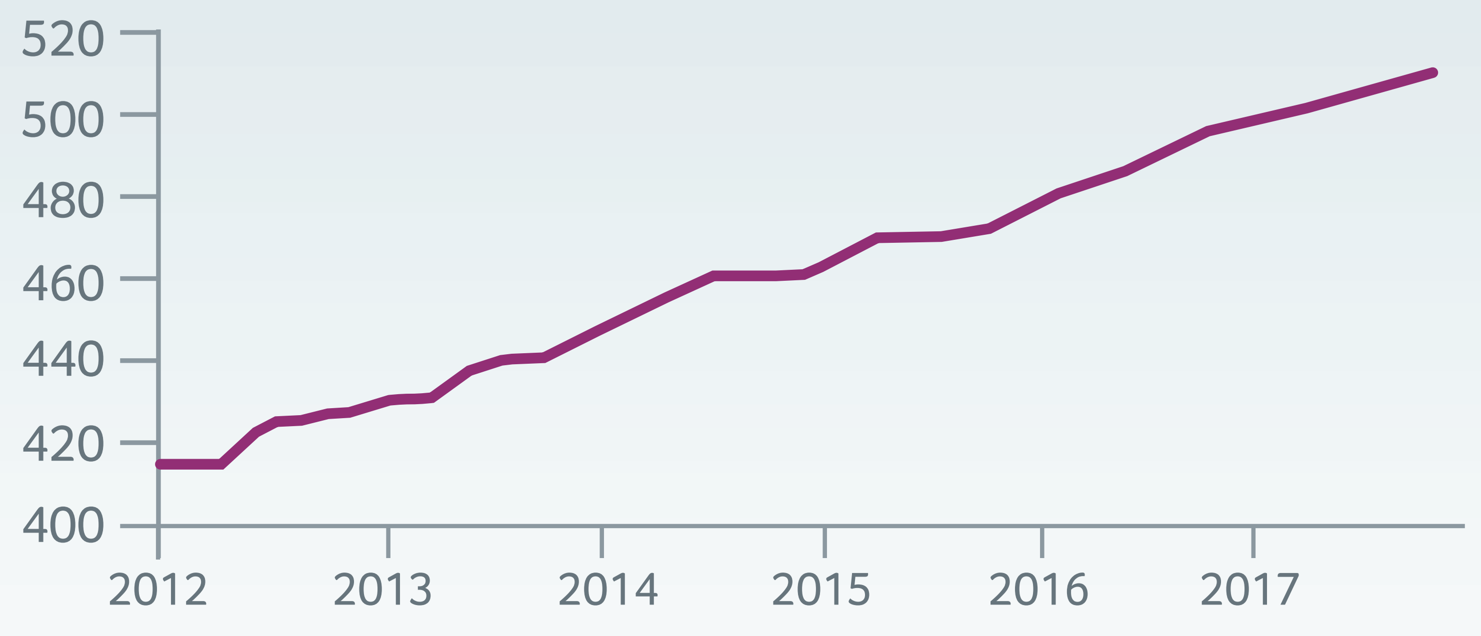
297p
TNAV +9%

Source: Company information for all data
Note: (1) Basic statutory EPS (2) Statutory profit after tax

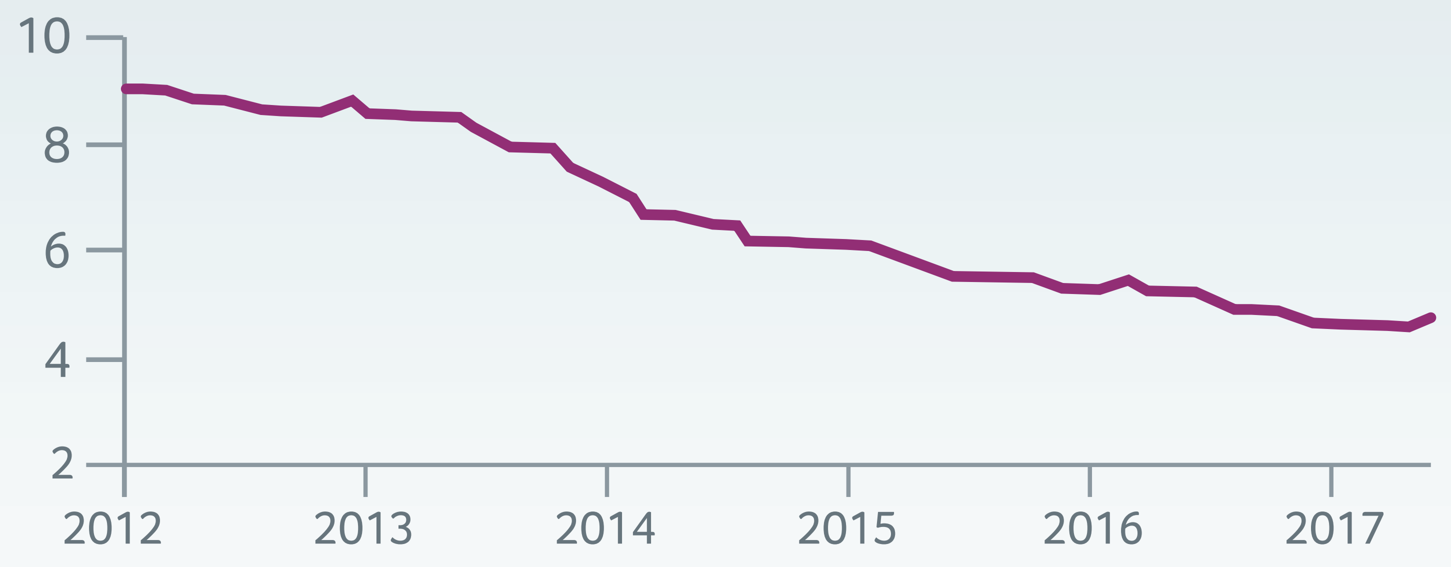
Macroeconomic and regulatory environment

UK Economy remains resilient

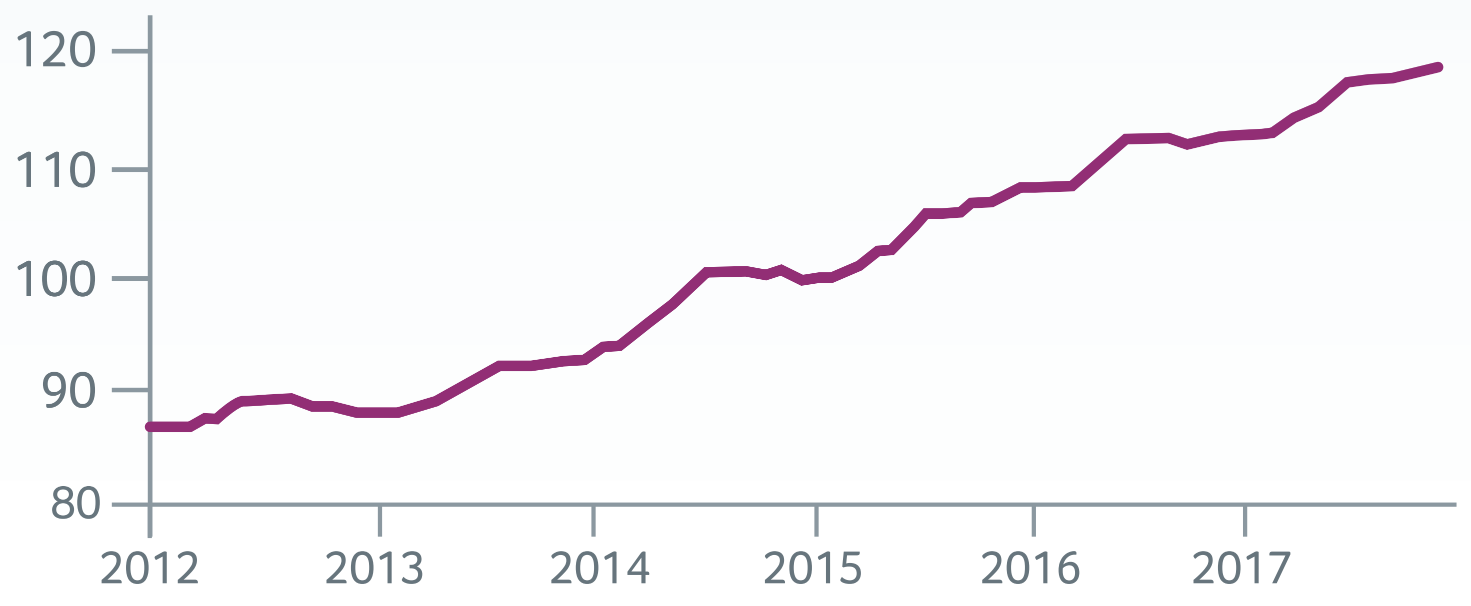
Growing GDP (£bn)



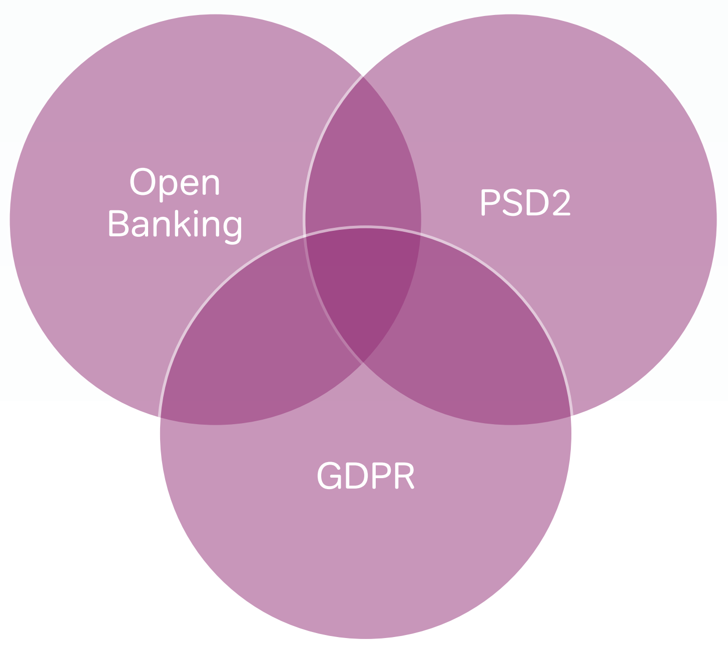
Unemployment remains low (%)



House price inflation remains positive



Strategic developments position VM well for regulatory changes



Supportive backdrop for continued successful delivery

Source: ONS and company information

Mortgages

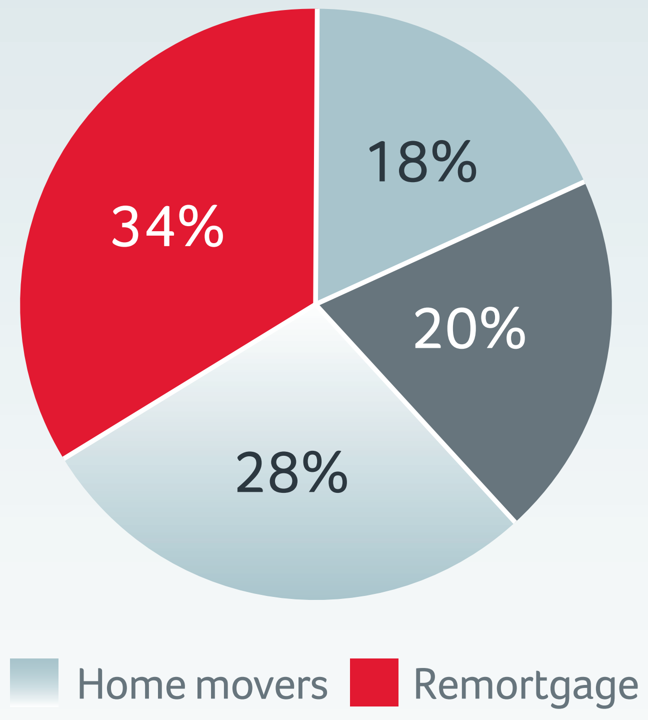
Innovation and flexibility enables us to manage for value in a competitive market

13% growth in balances

3.3%
Gross lending share

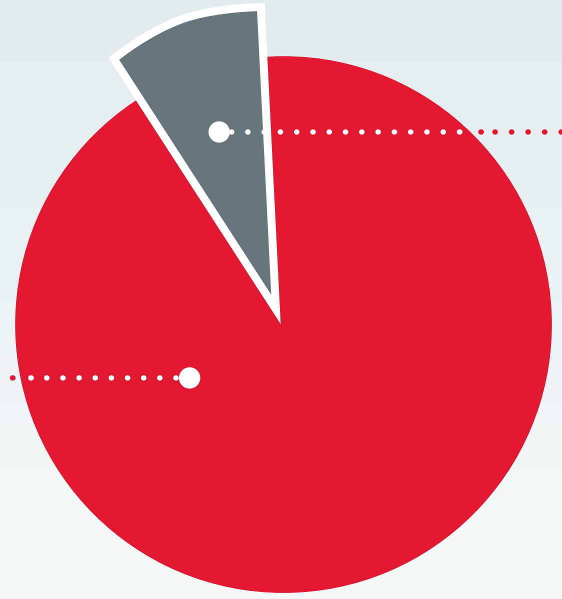
8.9%
Net lending share

+c.50%
New build volumes



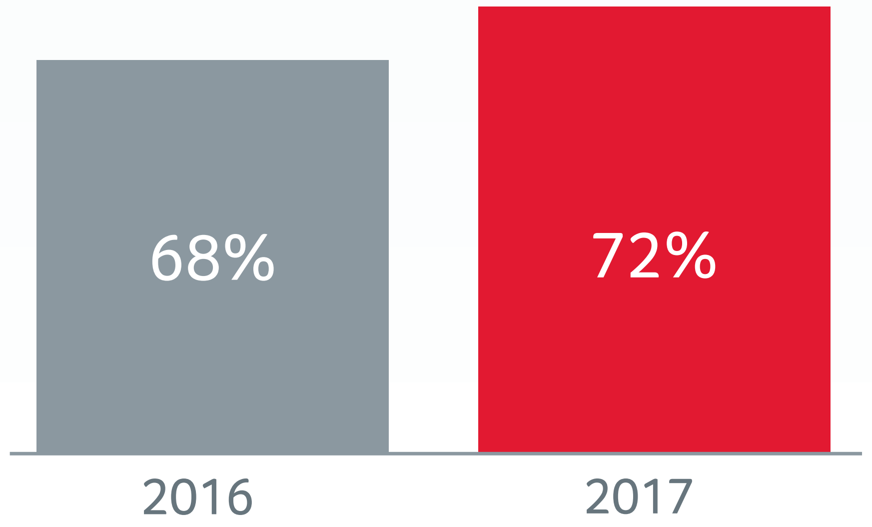
Broadening our distribution capability

91% of new business from Intermediaries



> £1bn of applications through direct channels

Success in building longer term customer relationships



Retention rate

Maintain nimble approach to pricing and focus on quality

2017 completion spread 168bps

12 possessions vs. 36 in 2016

56% average LTV

1bp cost of risk

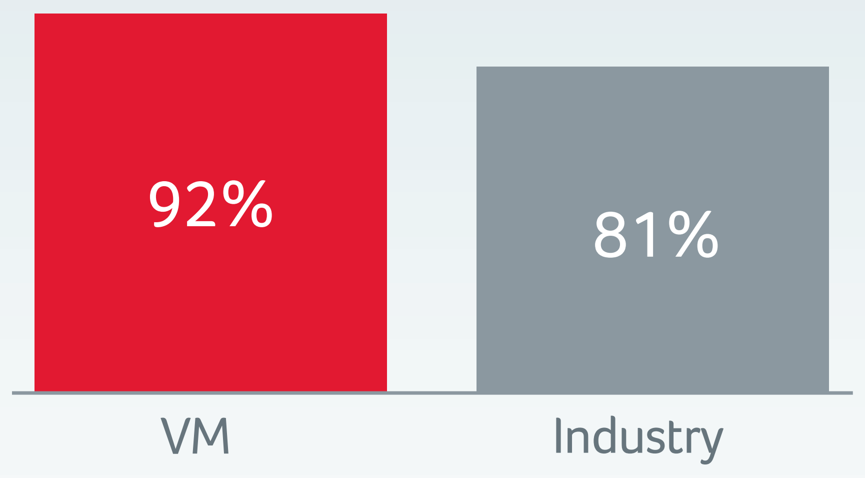
Diligent underwriting reflected in performance

Source: Company information for all data

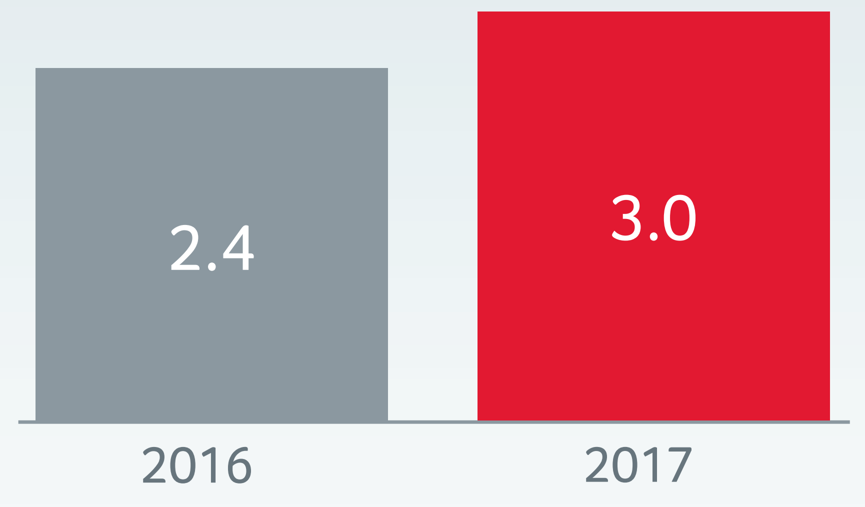
Credit Cards

Prudent growth, with continued commitment to quality and exciting future opportunities

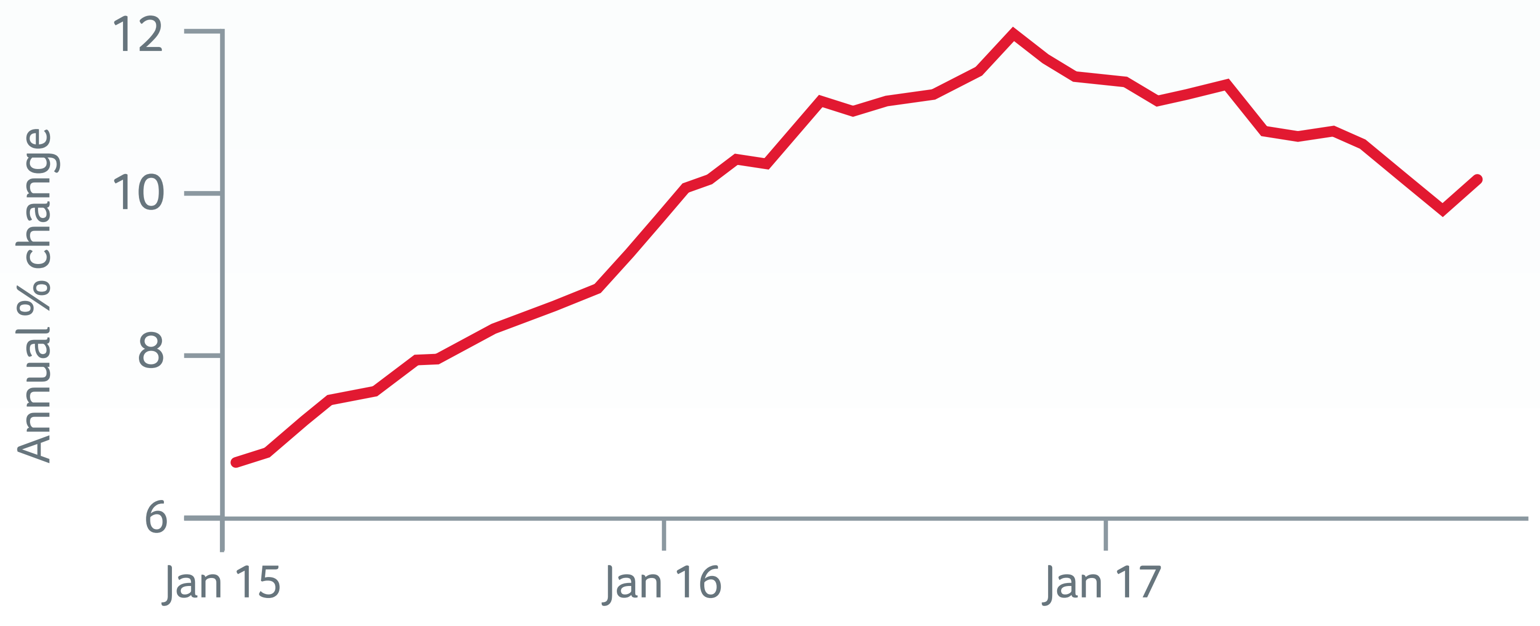
Concentrated in lower risk segments than industry[1]



Achieved target for £3bn book by end of 2017



Unsecured lending growth has peaked[2]



Future growth will be retail led

+ 8% retail spend per card in 2017

VAA partnership will drive
a significant increase in retail spend

Launch in 1H18

Continued focus on affordability and credit risk management

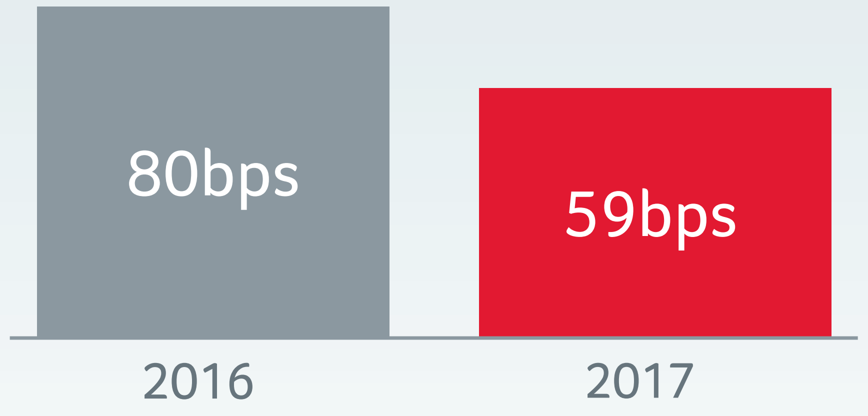
Source: BoE and company information for all data

Note: (1) stock of book concentrated in low or medium risk segments, with lower than 2.5% expected loss rate (2) annual percent change in total consumer loans on monthly basis, seasonally adjusted

Savings

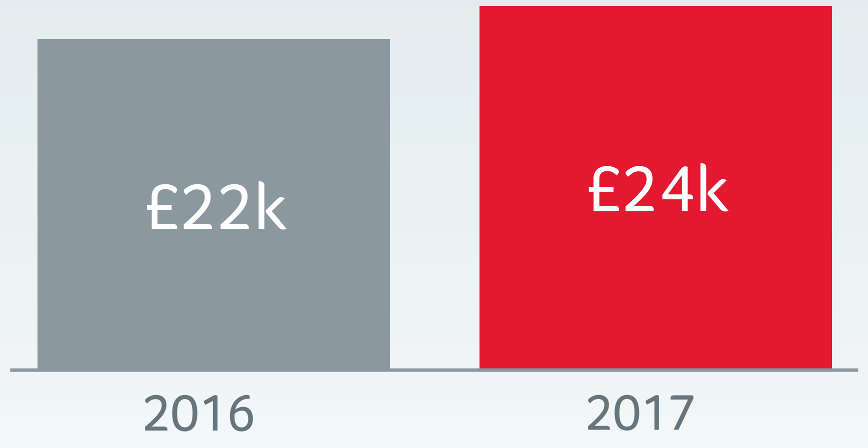
A strong franchise, ready to diversify into new customer segments

Book growth of 10% to almost £31bn



Total cost of funds (spread over 3ml)

Growth through new and existing customers



Average customer balance (£k)

+27%
ISA balances

1.3
savings products per customer

89%
retention of maturing fixed rate balances

Planned initiatives for 2018

Expanding Customer Funding sources

SME

First account launched Jan 2018

£500m target this year

VMDB

Will provide high volume of low cost retail deposits

Diversifying Wholesale Funding sources

Term Funding Scheme

Regulatory approval for Covered Bonds received

MREL issuance in the months ahead

Plan to remain within LDR of 120%

Augmenting funding sources across both retail and wholesale markets

Source: Company information for all data

Financial Services

An increasing contributor to returns

Travel Insurance

Focus on quality over volume

250,000 policies written in 2017

11% increase in average premiums

Life Insurance

Re-launched with new partner – BGL Group

Volumes exceeded expectations

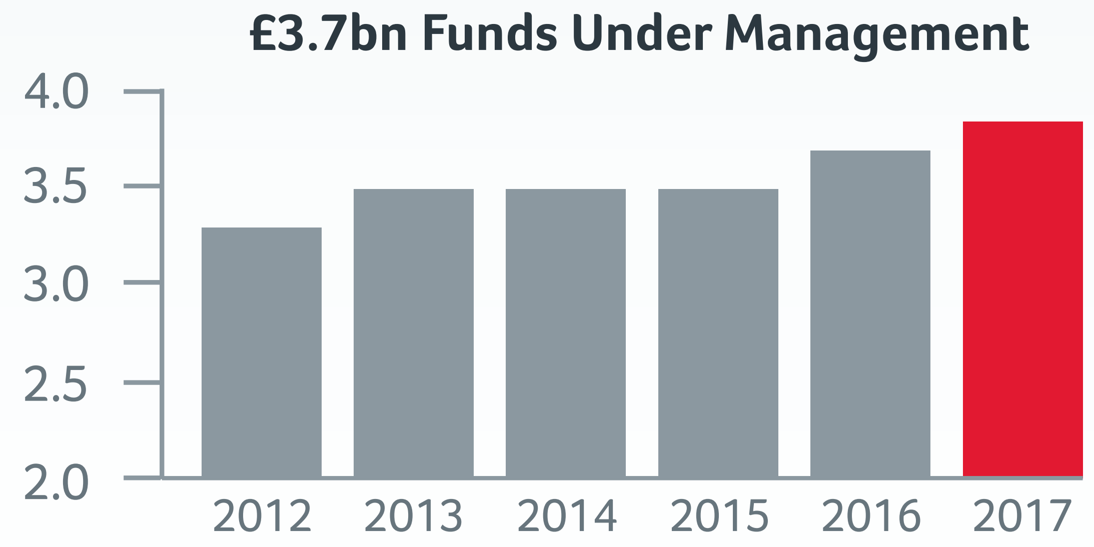
Investments & Pensions

Funds Under Management grown to £3.7bn

Continued appeal of straightforward products

Best year for new funds invested since 2000
- up 27% year on year

Stocks & Shares ISA transfers up 160%,
new ISA sales up 40%



Developing Investments & Pensions business remains a key priority

Source: Company information for all data

Exciting strategic options for the future

A clear, value accretive plan, funded from our own resources

	H1 2018		H2 2018	2019
SME	Launched SME deposits	Potential bid for RBS funds	Launch BCA	Development of SME business (with RBS funds)
VAA	Launch VAA cards products		Further expansion of partnership in to other product areas	
Digital	Development and testing		Launch Beta	Full market launch of VMDB

Long term opportunity to transform cost base

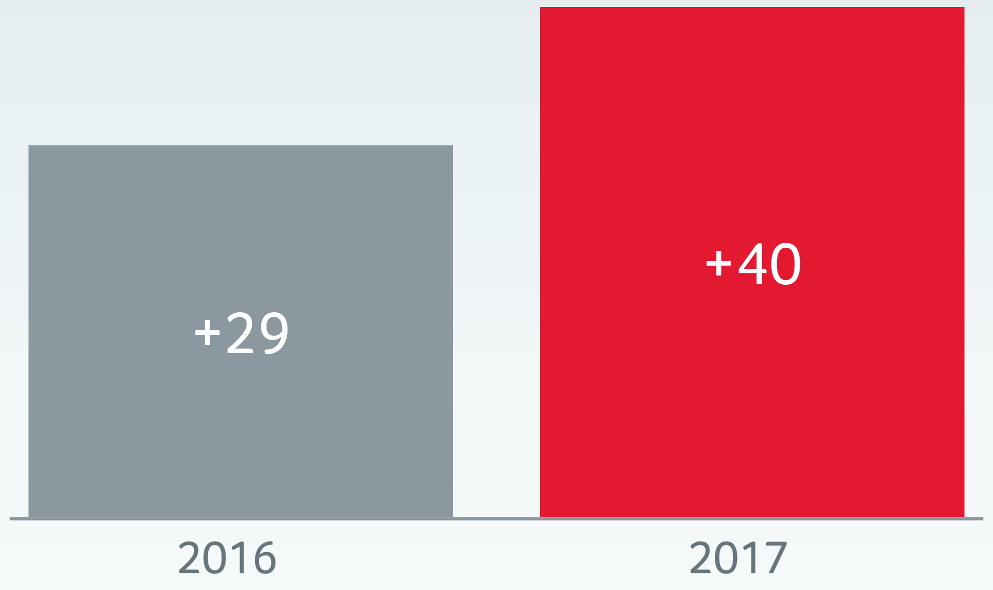
Greater diversification, customer reach, access to wider profit and funding pools, and cost opportunities

Strengthening customer franchise

Progress on both qualitative and quantitative customer metrics

NPS showed further improvement

For the overall bank



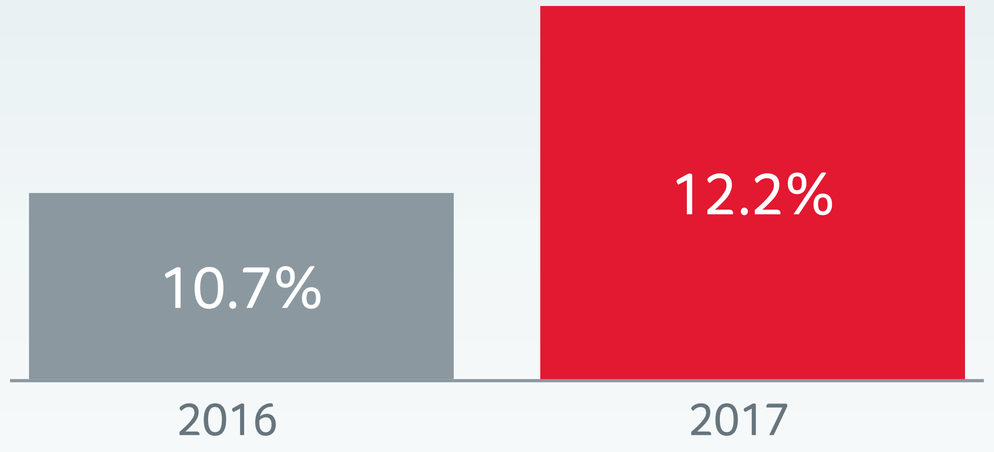
...and other key areas

Credit cards +46

Intermediaries +61

Lounges +87

Increase in new product sales to existing customers



Further growth in the VM customer base

Successful customer franchise gives powerful base from which to grow

Source: Company information for all table data

Virgin money

Peter Bole

CFO

P&L – further growth in profitablity

Strong income growth, cost control and high asset quality drove improved profitability

	FY17	FY16	Change
Net Interest Income	594.6	519.0	15%
Other income	71.4	67.9	5%
Total Underlying Income	**666.0**	**586.9**	**13%**
Total Underlying Operating Costs	(348.5)	(336.0)	4%
Impairment Losses	(44.2)	(37.6)	18%
Underlying PBT	**273.3**	**213.3**	**28%**
KPIs			
Banking Net Interest Margin	1.72%	1.75%	(3bp)
Cost:Income Ratio	52.3%	57.2%	(4.9)pp
Cost of risk	0.13%	0.13%	-
Underlying EPS	39.8p	32.7p	7.1p
Return on Tangible Equity	14.0%	12.4%	1.6pp

Banking NIM
172bps

Cost of Risk
13bps

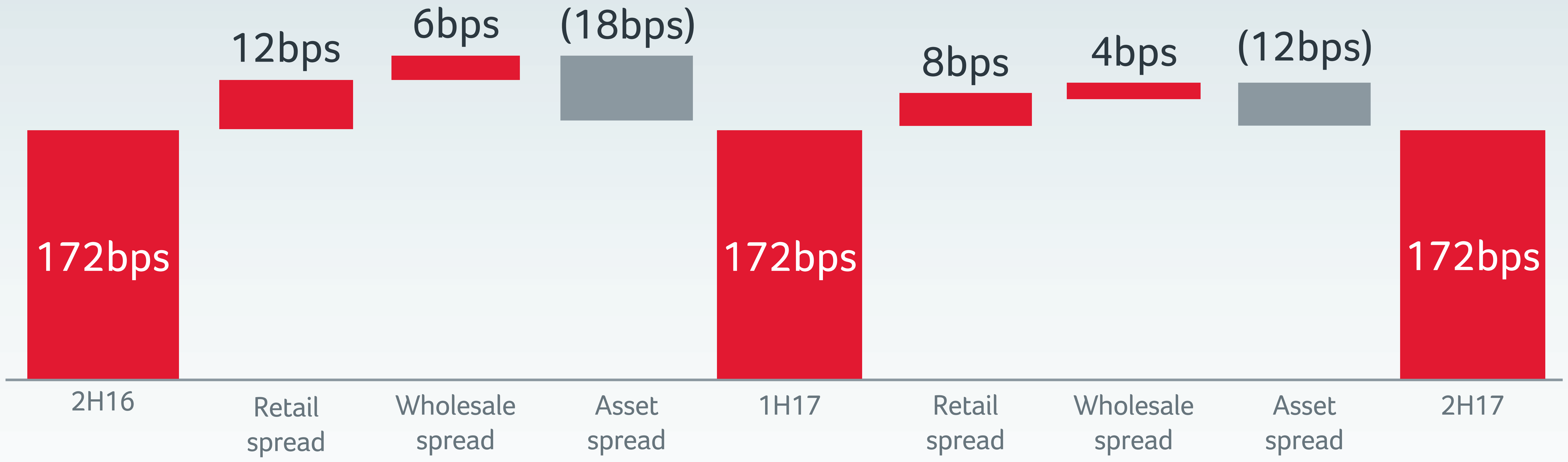
RoTE
14.0%

Source: Company information for all data

Banking net interest margin

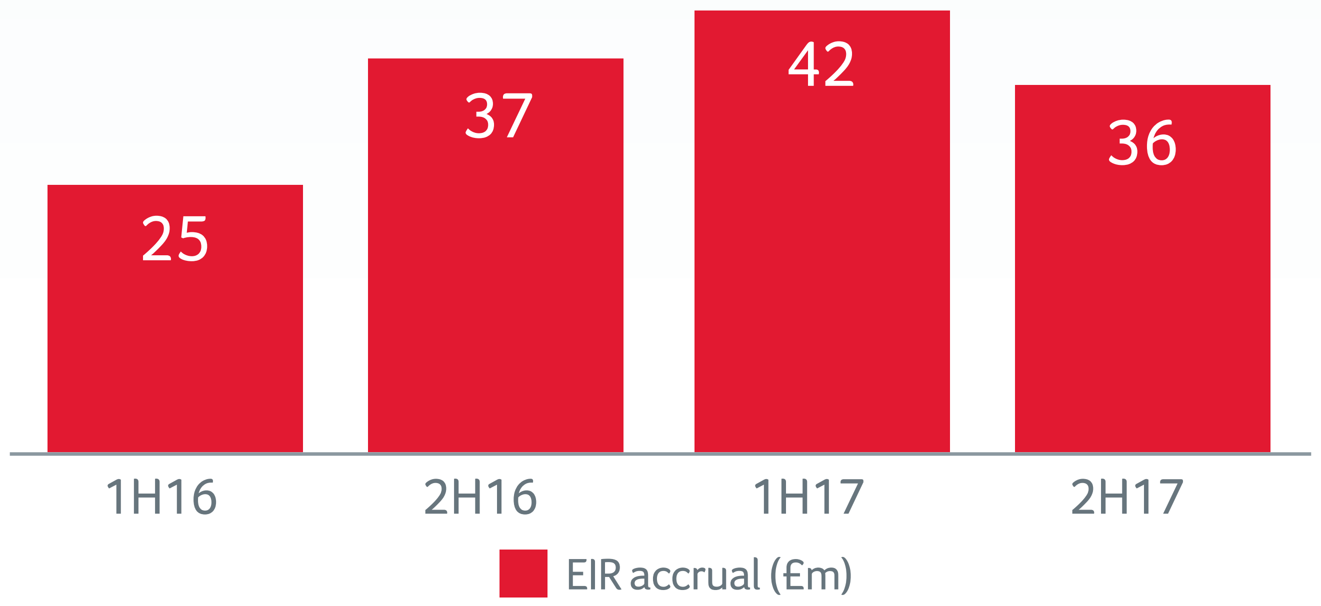
Lower funding costs offset reduction in asset pricing

Stability in Banking NIM[1]



Total NIM
157bps

Contribution of Card EIR to income



Contribution of Cards EIR to income peaked in 1H17

Expect this trend to continue

Source: Company information for all data

Note: (1) Banking NIM is defined as Net Interest Income divided by customer average interest earning assets

Continued improvement in operating leverage

Efficiency improvement re-invested in core business and digital future

Improving efficiency across product lines

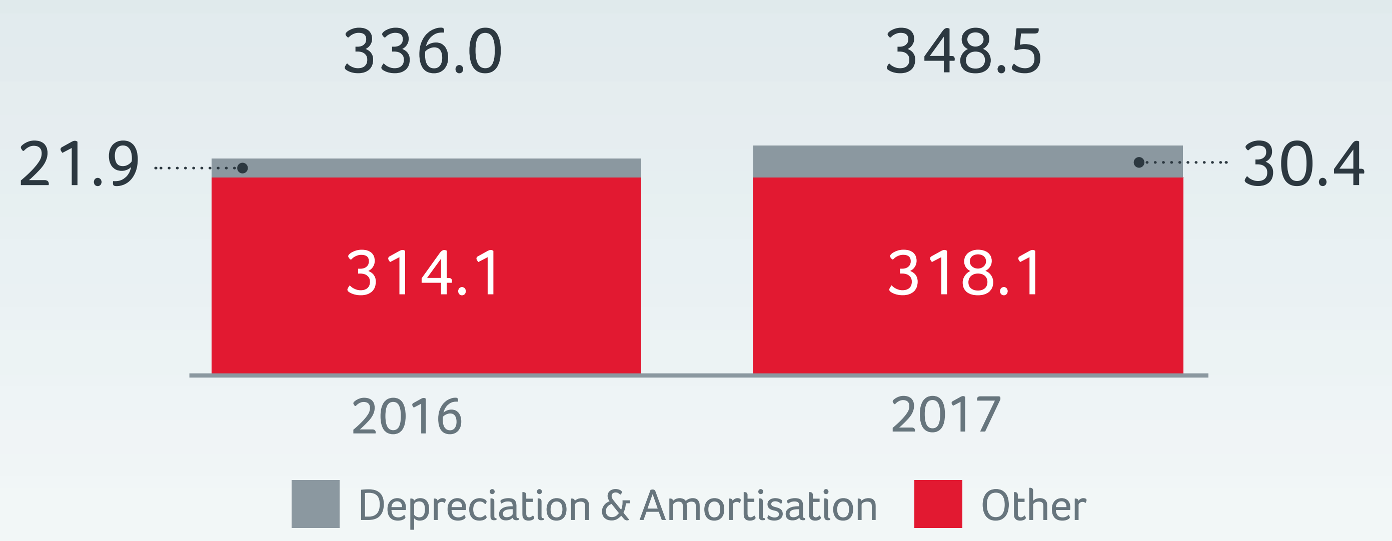
Mortgages

+21% retained mortgages per FTE

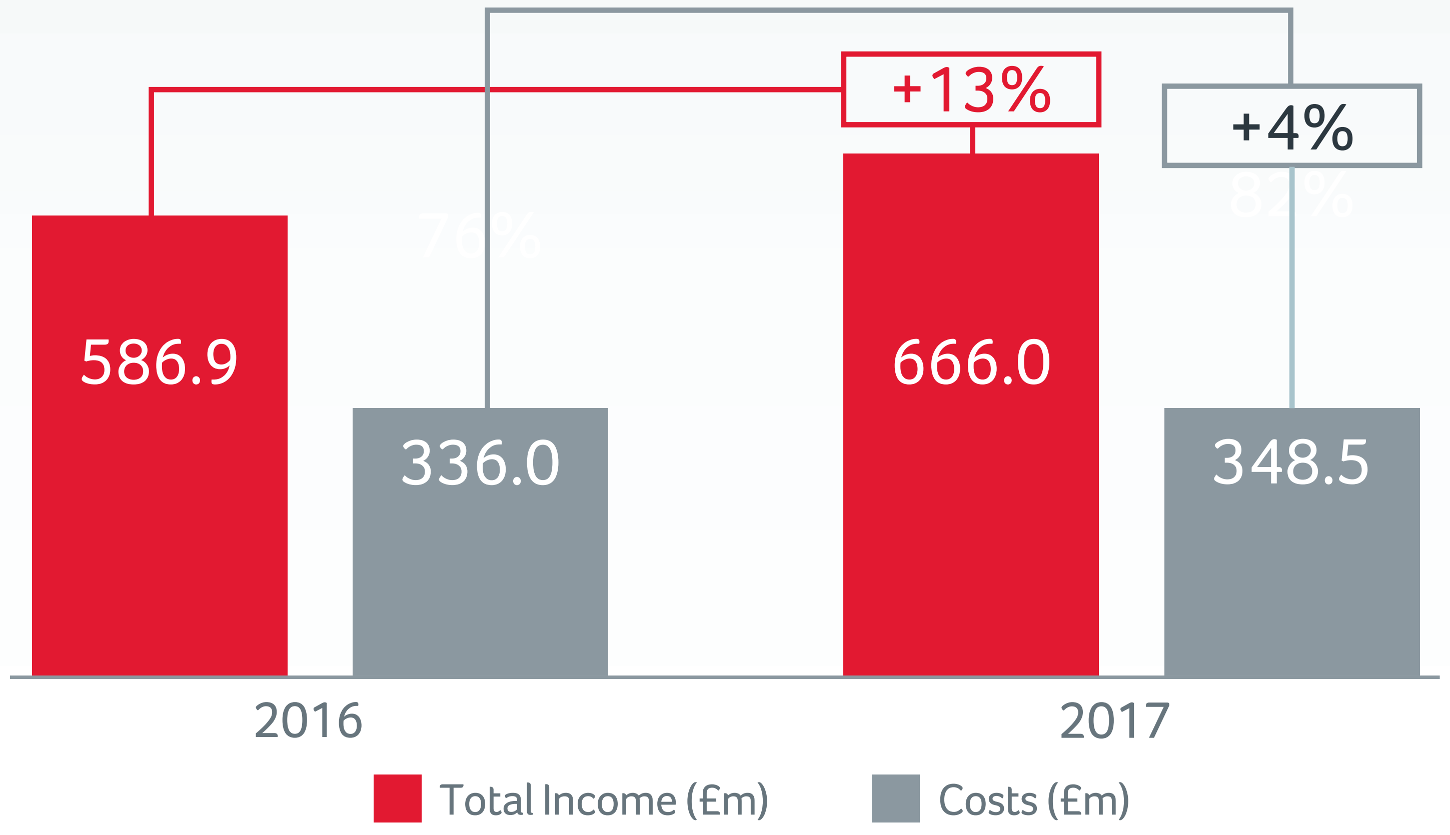
Savings

+21% new savings accounts opened per FTE

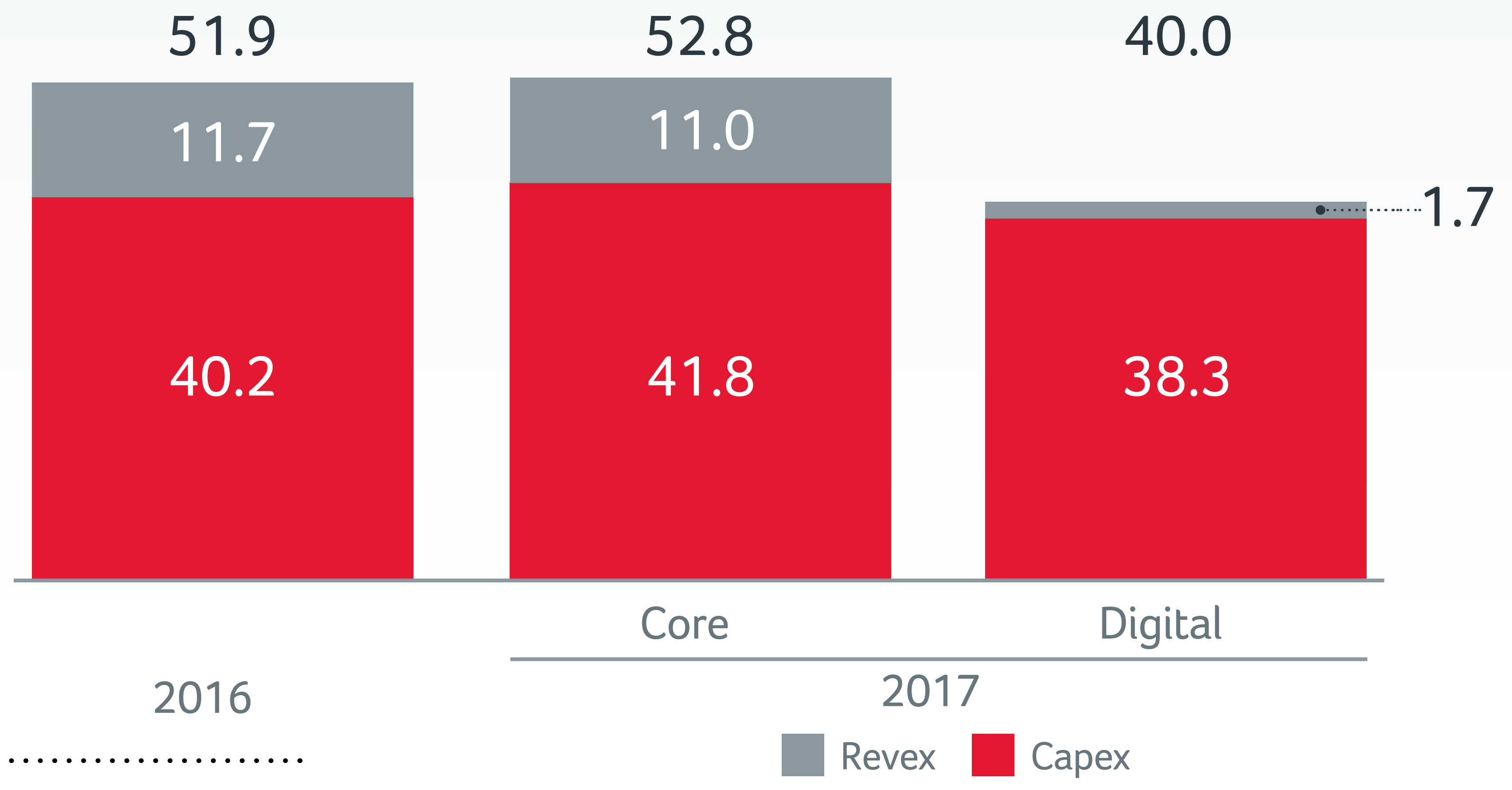
Controlled cost growth (£m)



Strong JAWS



Increased investment (£m)

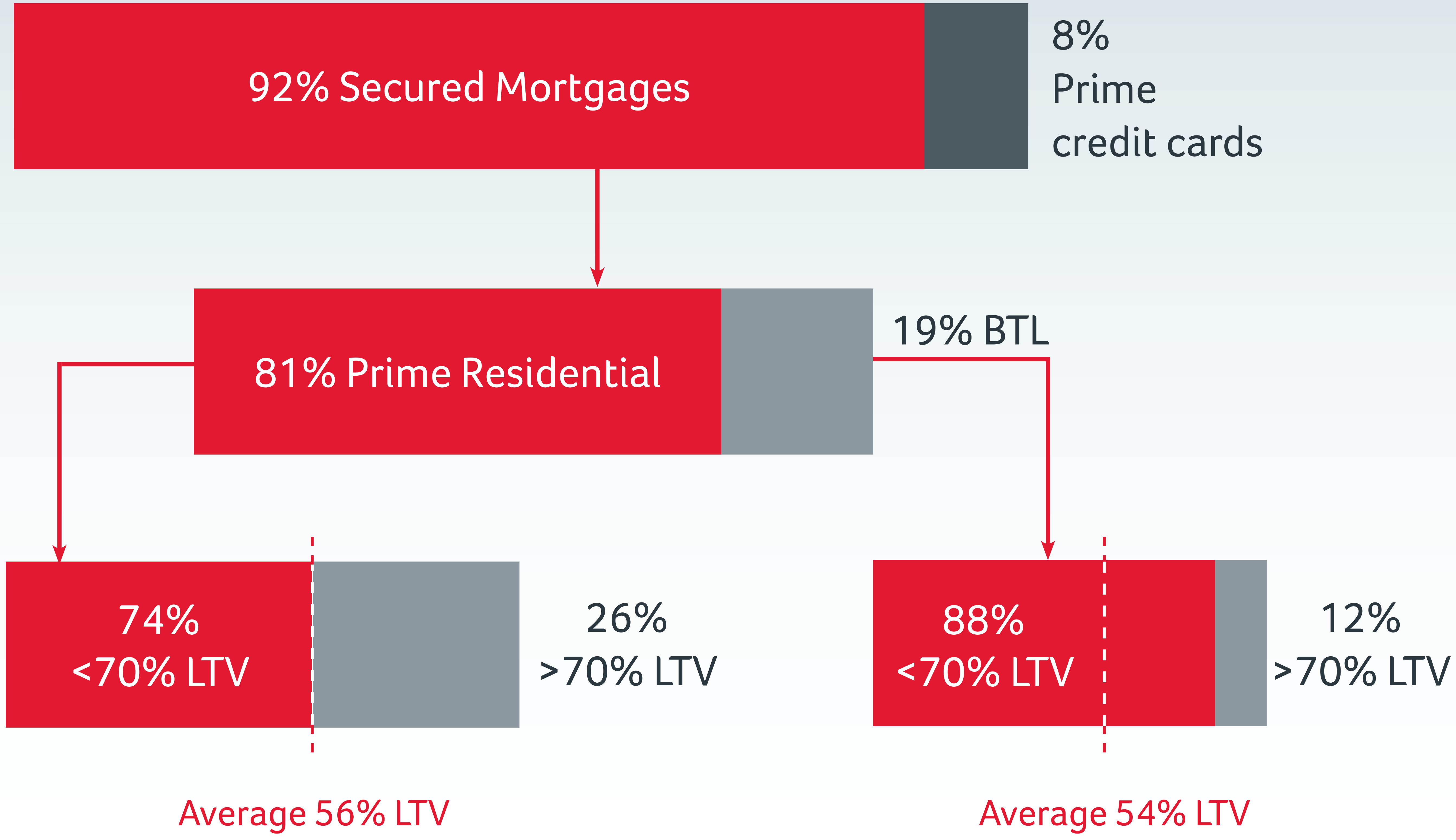


Exit cost:income ratio of 49.4%

Source: Company information for all data

Strong asset quality

Straightforward, high quality lending portfolio



Average LTV of new business 68.1%, stable on 68.0% in 2016

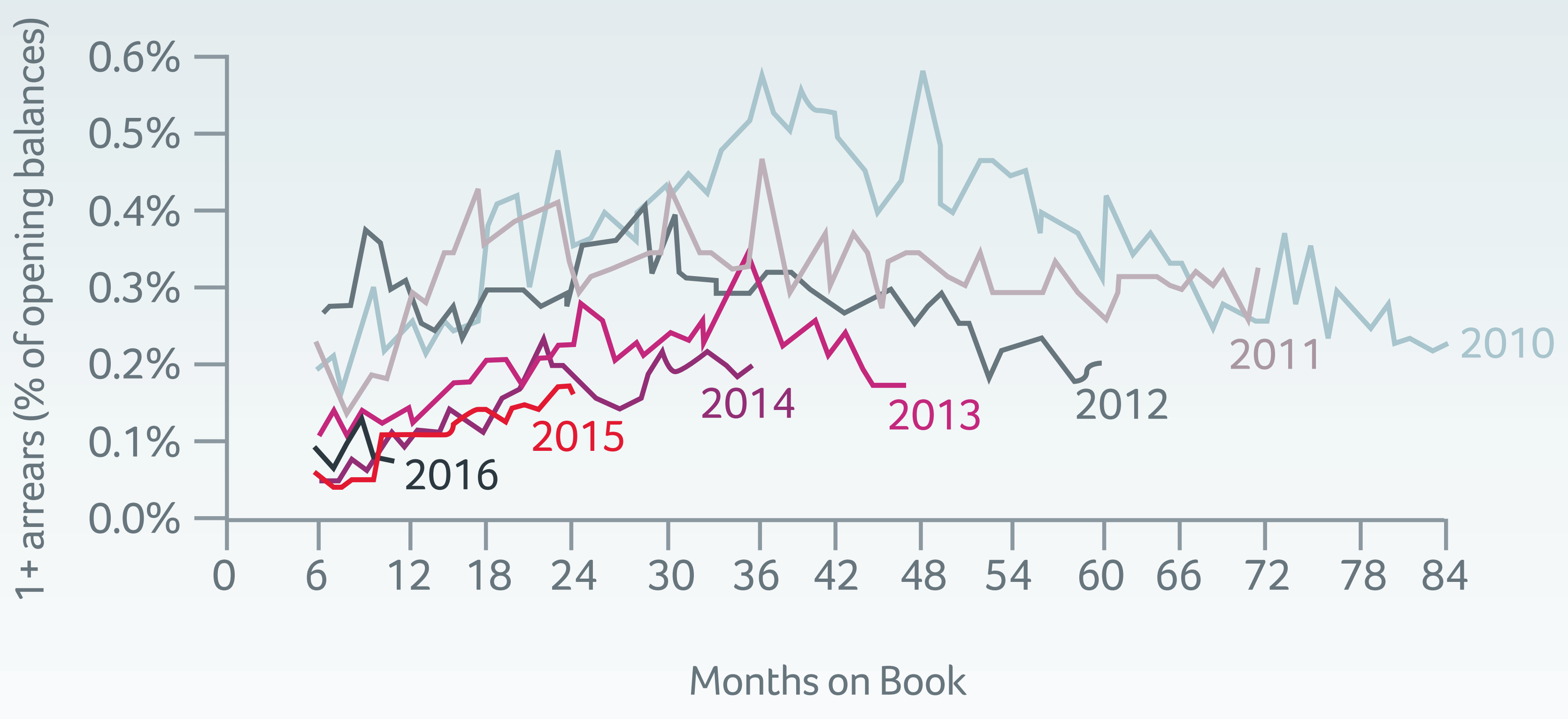
Source: Company information for all data

Strong and improving credit metrics for mortgages and cards

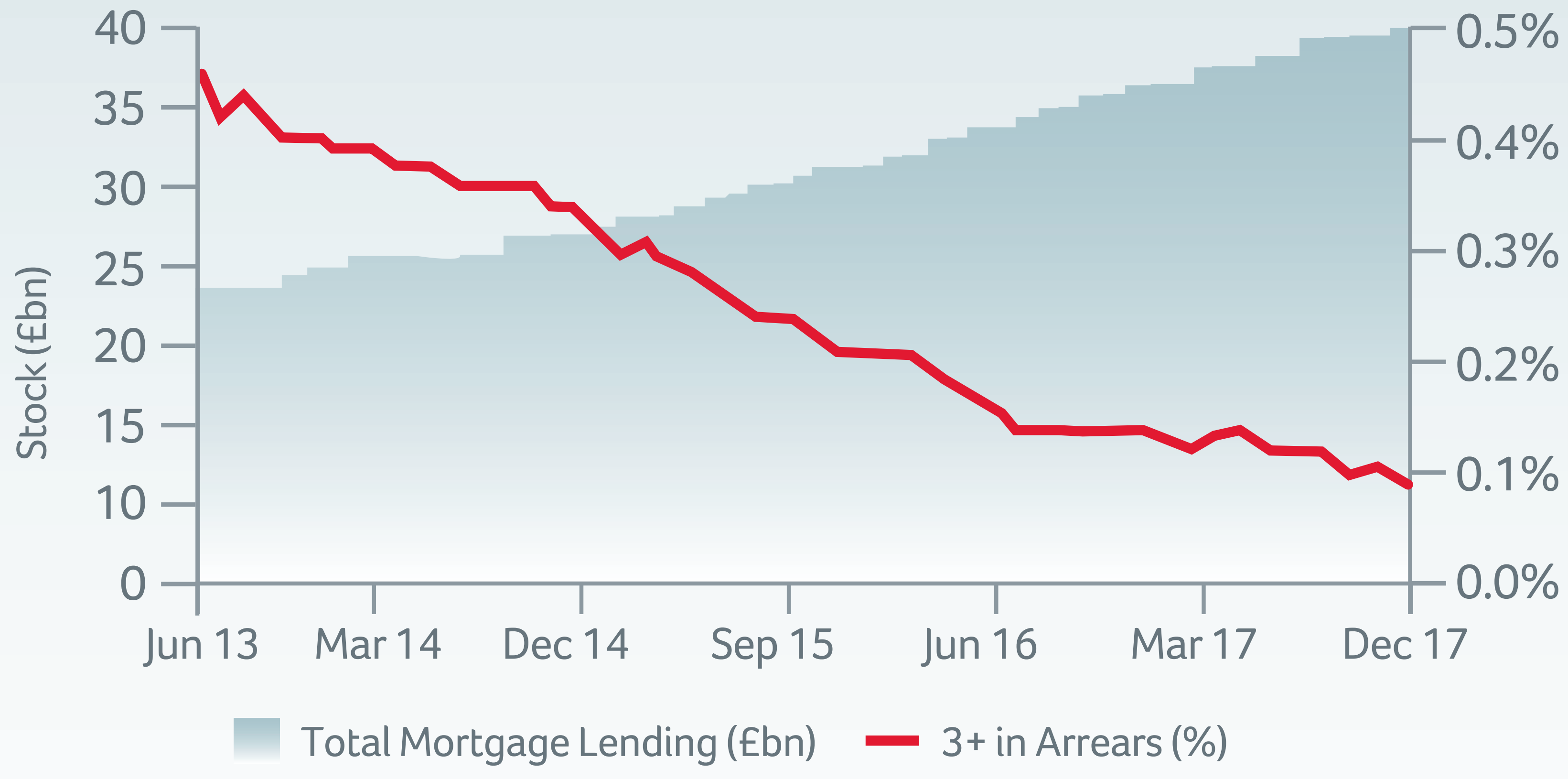
Low risk and improving arrears

Mortgages

Vintage arrears data shows improving trends

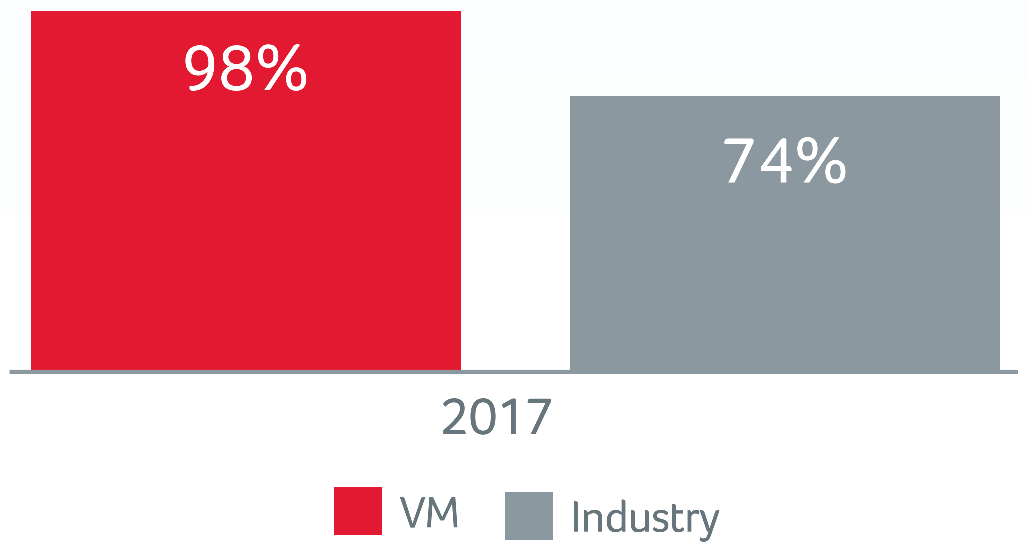


Reducing arrears trend and book growth

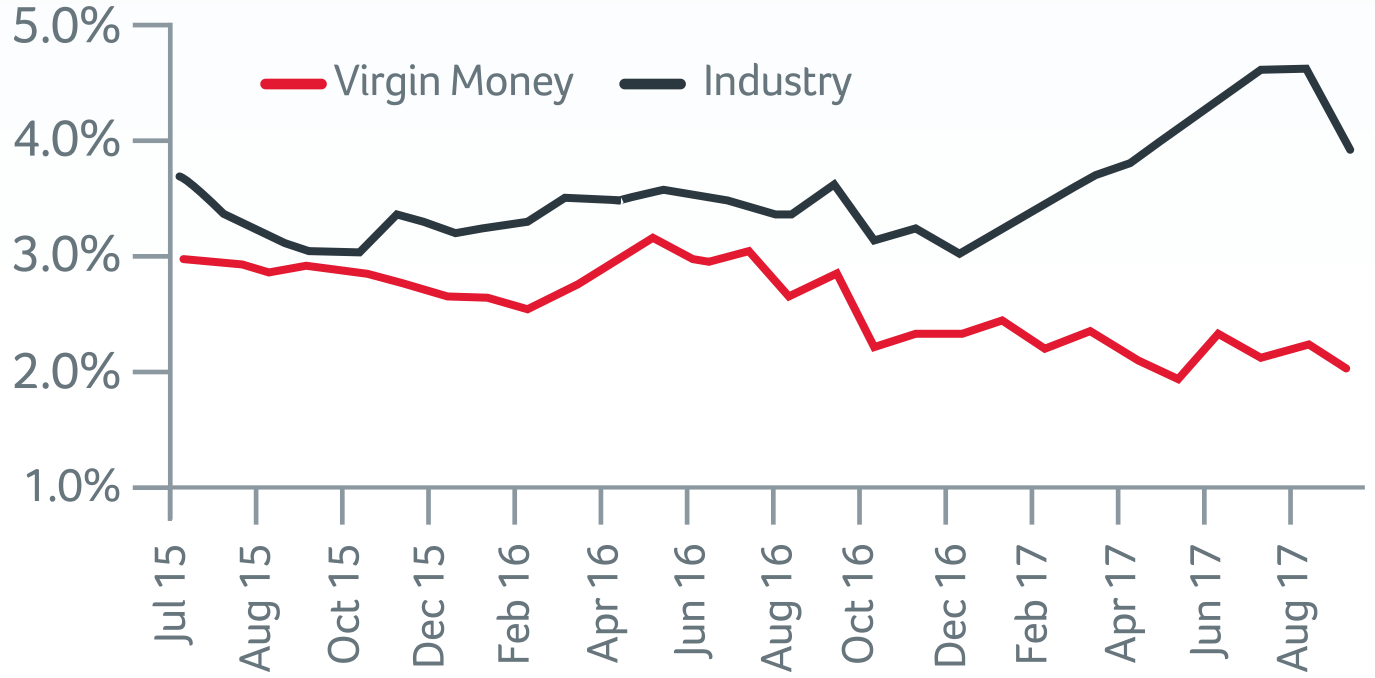


Credit cards

2016-17 originations focused on low risk BT customers[1]



Lower charge off rate than industry (12 month lagged basis)[2]



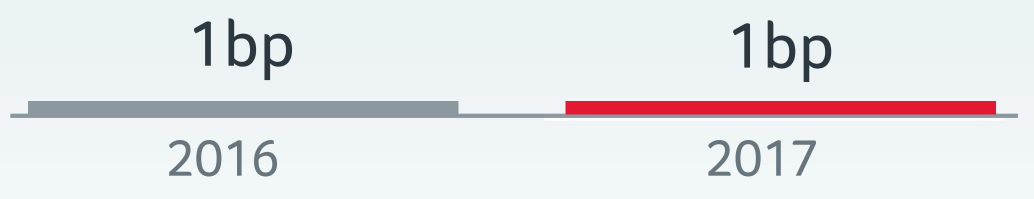
Source: Company information for all data

Notes: (1) Low risk <1% expected 12 month loss rate (2) annualised asset charge off rate, 12 months lagged

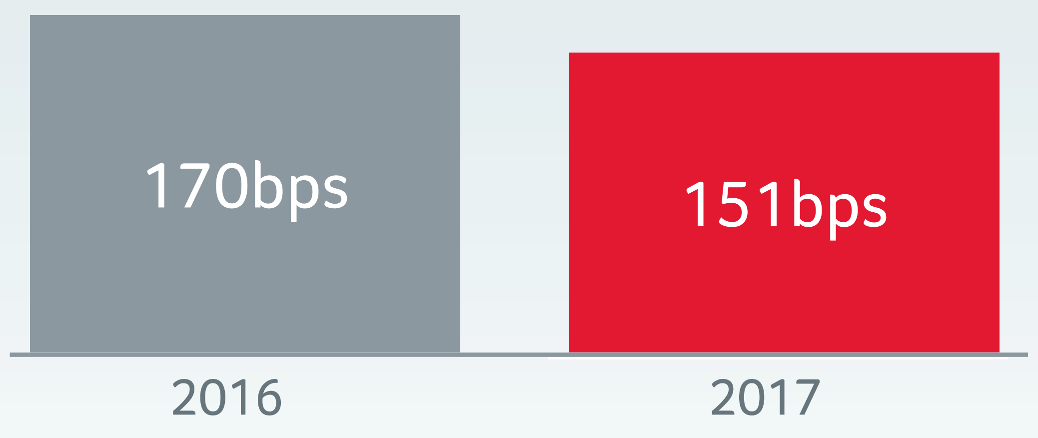
Credit performance reflects high quality assets

Low impairments and low cost of risk with strong provision coverage ratios

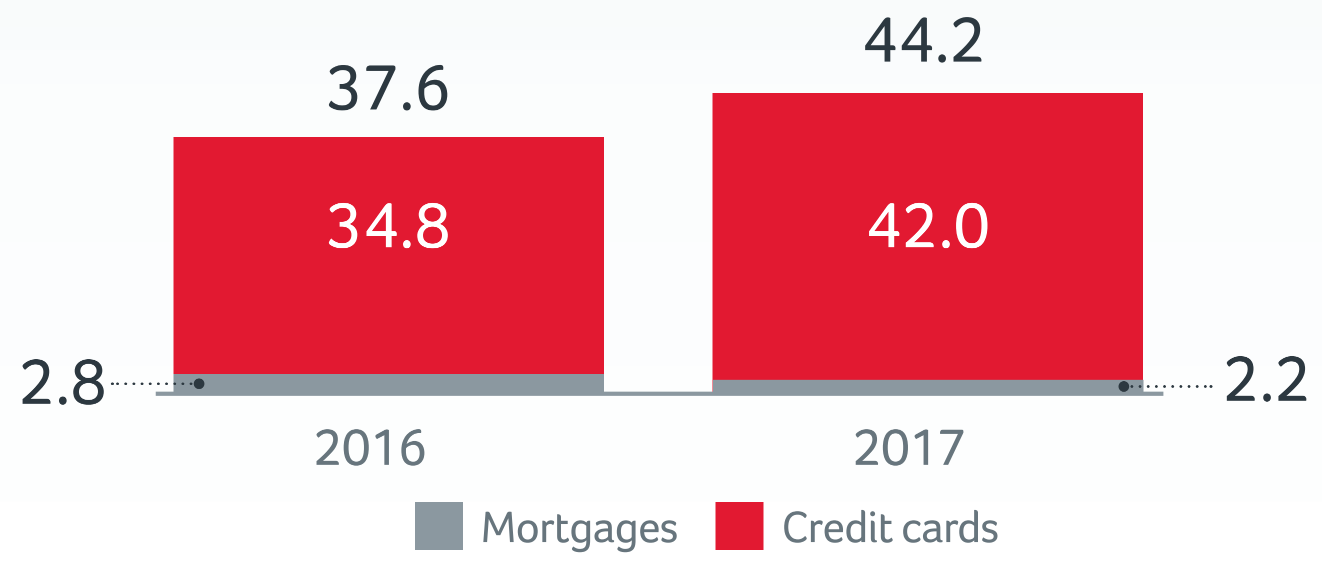
Mortgage cost of risk low and stable



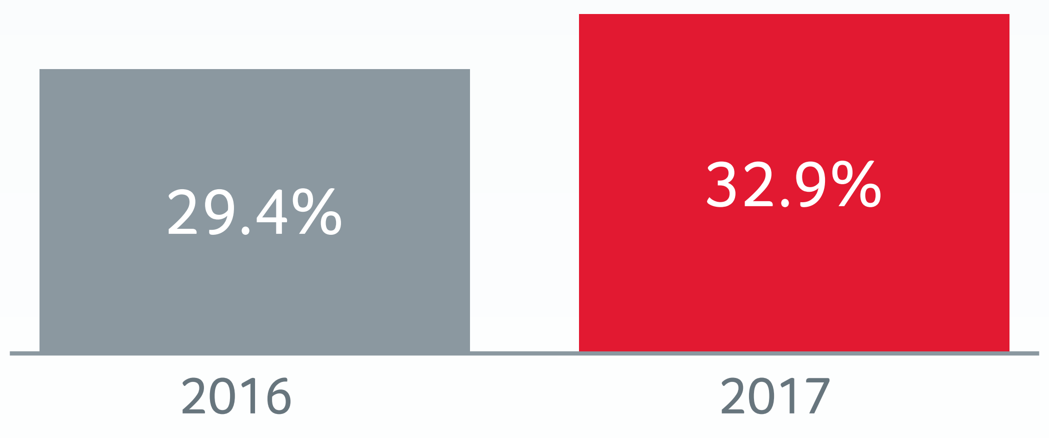
Credit cards cost of risk low and improving



Impairment charge (£m)



Provision coverage[1]



Group cost of risk unchanged at 13 basis points

Source: Company information for all data
Note: (1) Provision coverage of arrears balances

Statutory profit after tax

Underlying profit increasingly flows through to strong statutory profit growth

£m	FY17	FY16	Change (%)
Underlying Profit	**273.3**	**213.3**	**28%**
Strategic items	(6.5)	(8.0)	
IPO share based payments	(0.9)	(2.0)	
Fair value	(3.3)	(8.9)	
Statutory profit before tax	**262.6**	**194.4**	**35%**
Taxation	(70.5)	(54.3)	30%
Statutory profit after tax	**192.1**	**140.1**	**37%**
Distribution to AT1 security holders (net of tax)	(24.8)	(10.1)	
Profit attributable to shareholders	**167.3**	**130.0**	**29%**

Source: Company information for all data

Balance sheet progress

Further diversification of funding options

£bn	FY17	FY16	Change (%)
Loans & Advances to customers	36.7	32.4	14%
Liquid Assets	3.3	1.5	123%
Other Assets	1.1	1.2	(10%)
Total Assets	41.1	35.1	17%
Customer Deposits	30.8	28.1	10%
Wholesale funding	8.1	4.7	72%
of which TFS	4.2	1.3	234%
Other liabilities	0.4	0.6	(34%)
Equity	1.8	1.7	9%
Total liabilities and Equity	41.1	35.1	17%
Loan: Deposit ratio (%)	119.1%	114.5%	4.6pp

Funding developments

£750m RMBS

Total TFS drawings of £6.4 billion

Regulatory approval for covered bonds

Second investment grade credit rating

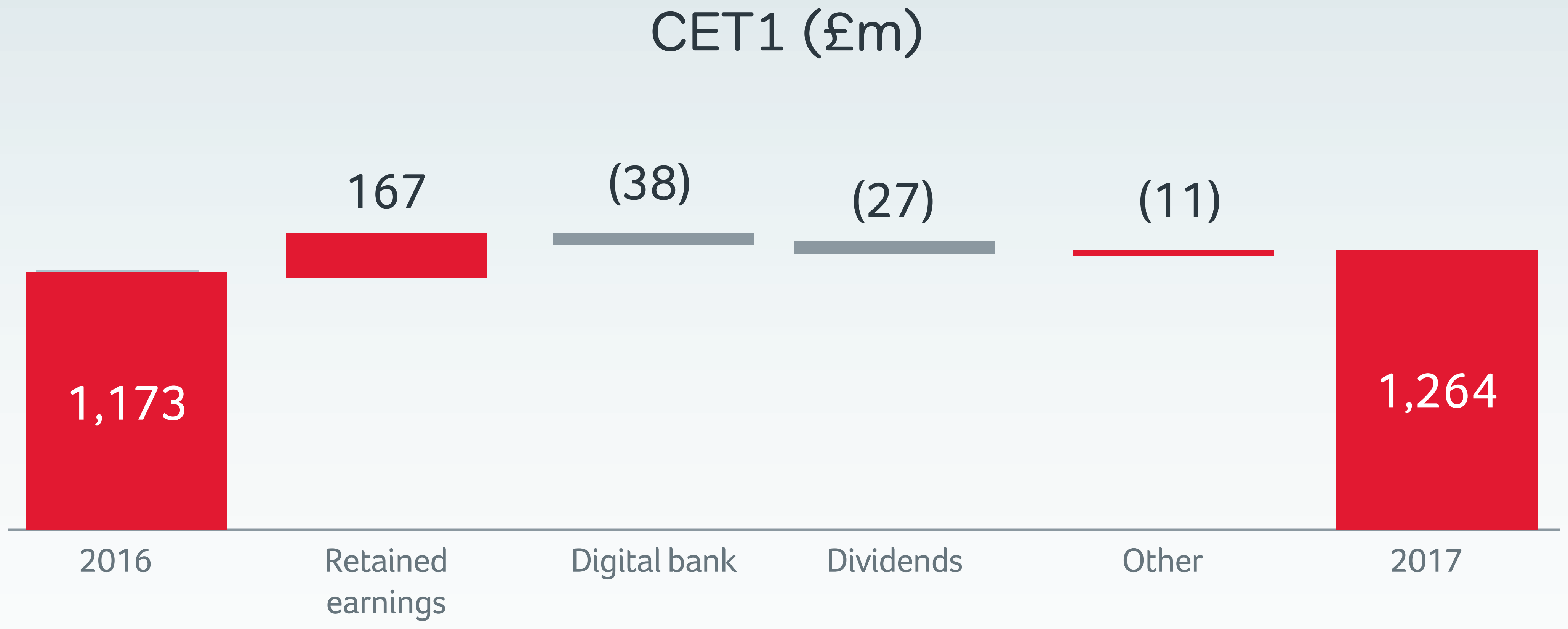
MREL issuance from MTN programme starting in 2018

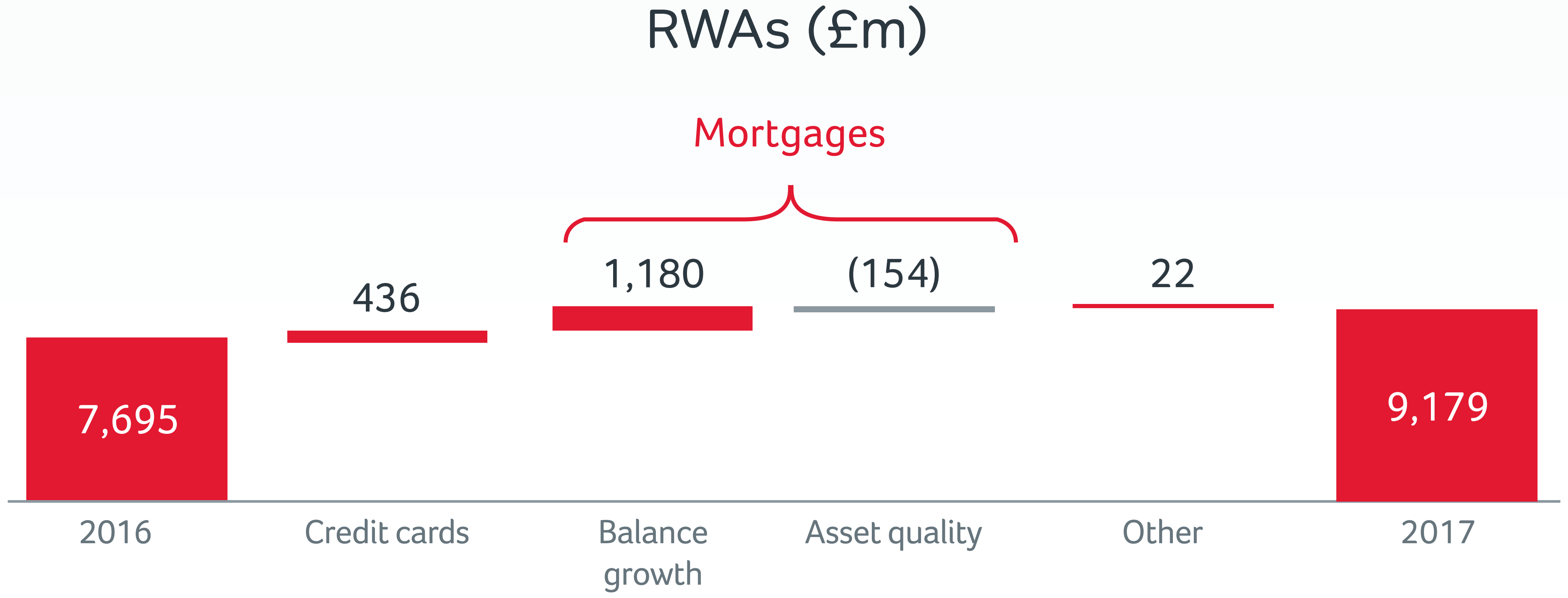
Loan to deposit ratio reducing to below 115%

Source: Company information for all table data

Capital position supports continued business development

Retained earnings create capacity for growth, investment and distributions





Ongoing programme of model improvement

13.8% CET1 Ratio

3.9% Leverage Ratio

297p TNAV per share

Source: Company information for all data

CET1 Capital Headroom

Well placed for the transition to IFRS 9 accounting requirements

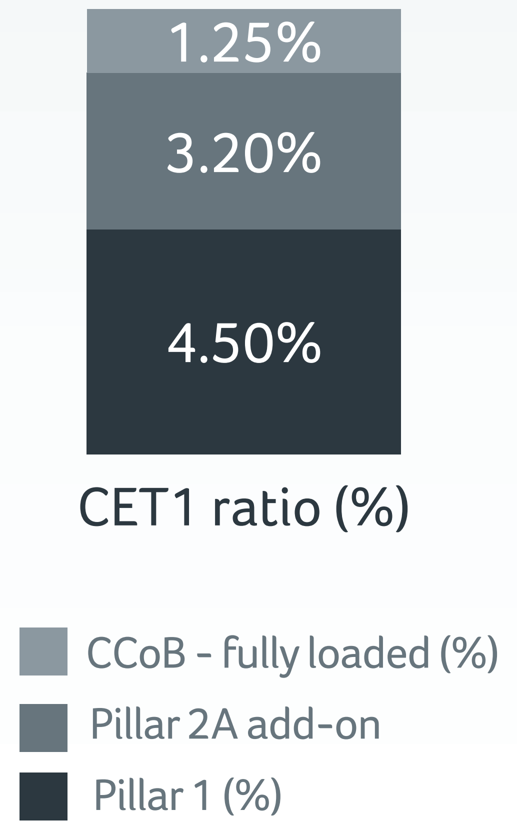
CET1 31 December 2017

Resources

13.8%

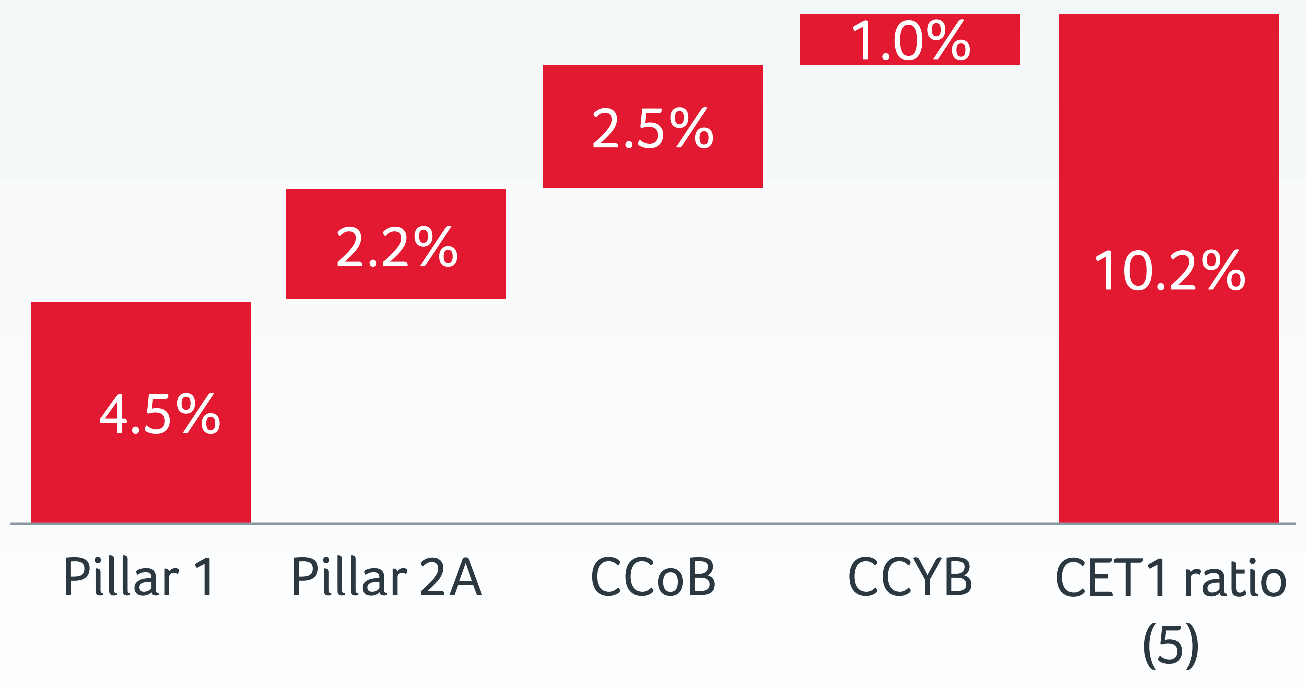
Requirements

8.95%



Forecast minimum CET1 Requirements

10.2%



Capital Planning

IFRS 9 Impact 1 Jan 2018

Transitional
c.£35m, (1)bp to CET1 ratio

Fully loaded
(36)bps

Expect CET1 ratio around 13% at end 2018

Source: Company information for all data

Note: The Group's pillar 2A requirement is the higher of its Individual Capital Guidance (ICG) and the Basel I floor. At 31 December 2017 the ICG required the Group to hold Total Capital equivalent to 3.87% of risk weighted assets for pillar 2A and the Basel I floor was equivalent to a total capital requirement of 5.71% of risk weighted assets. This resulted in a requirement for CET1 of the higher of 2.2% and 3.2% respectively.

Doing what we said we would do

14.0%
RoTE
+1.6pp

37.8p
Statutory EPS
+29%

297p
TNAV
+9%

Source: Company information for all data

Jayne-Anne Gadhia
CEO

Business levers

Existing Business

Mortgages

Cost of Funds improvement

Operational cost management

Future Opportunities

Capital Improvements

RWA improvements

Product diversification

SME

Virgin Atlantic

Investments & Pensions

Structural Transformation

Digital Bank

Source: Company information for all data

Outlook

		FY 2018 Guidance
Growth	Mortgages	Single digit % growth
	Credit Cards	Single digit % growth
Performance	Banking NIM	Lower end of 165-170bps
	Cost of Risk	No higher than 20bps
	C:I Ratio	No more than 50%
	RoTE	Solid double digits
Investment and Capital	Total investment spend	£100m
	CET1 ratio	Around 13%
	Dividend	Continued progressive dividend

Cost of funds expected to fall

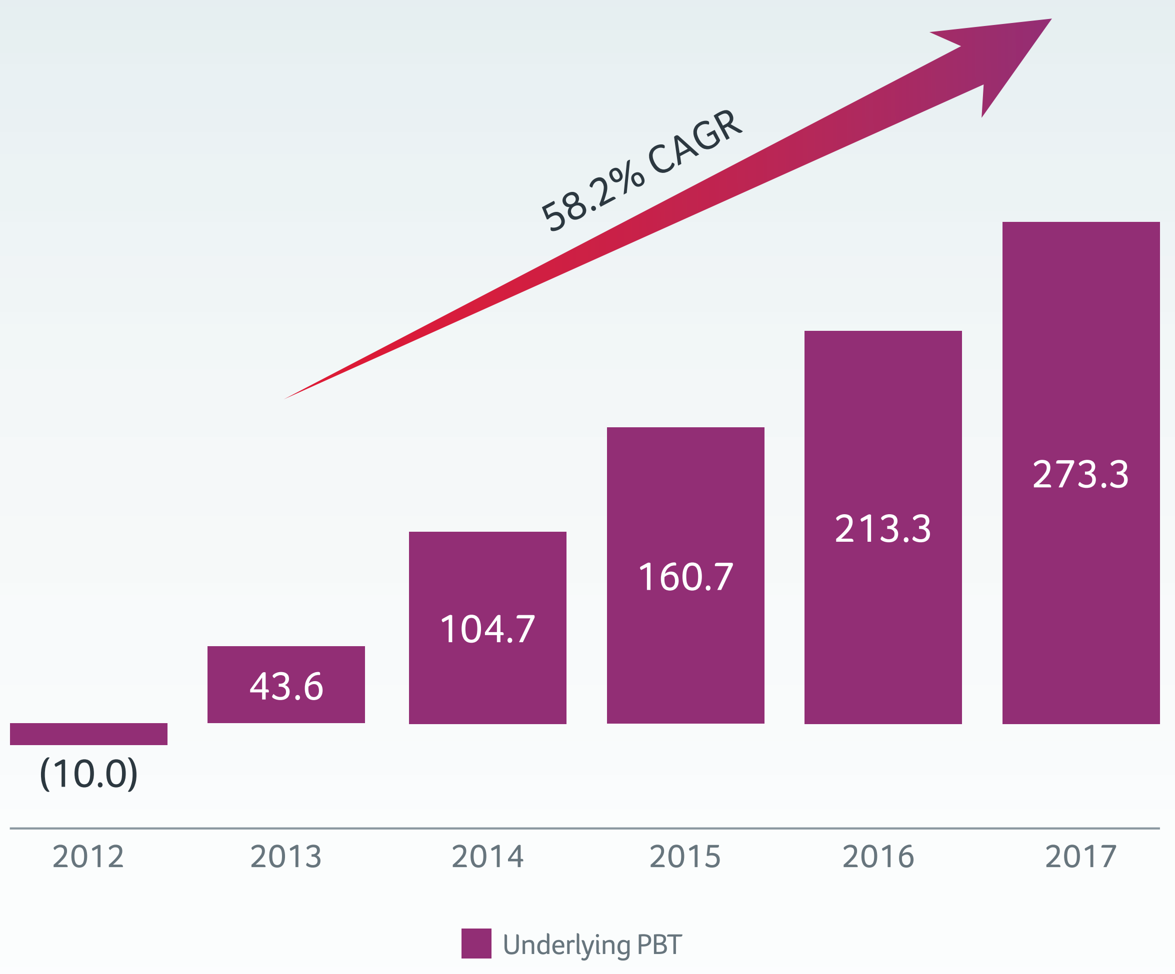
Stable customer behaviour

Cost management an executive priority

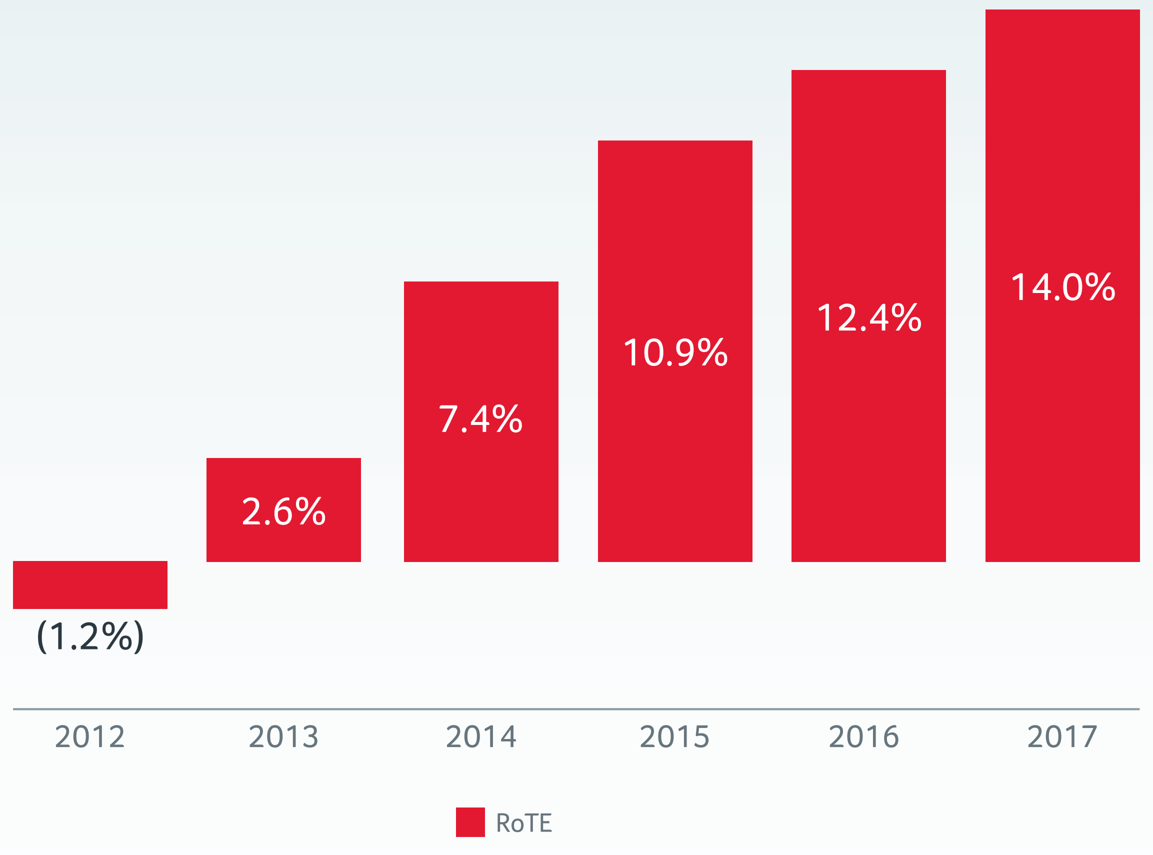
RWA improvements expected in the medium term

A track record of delivery

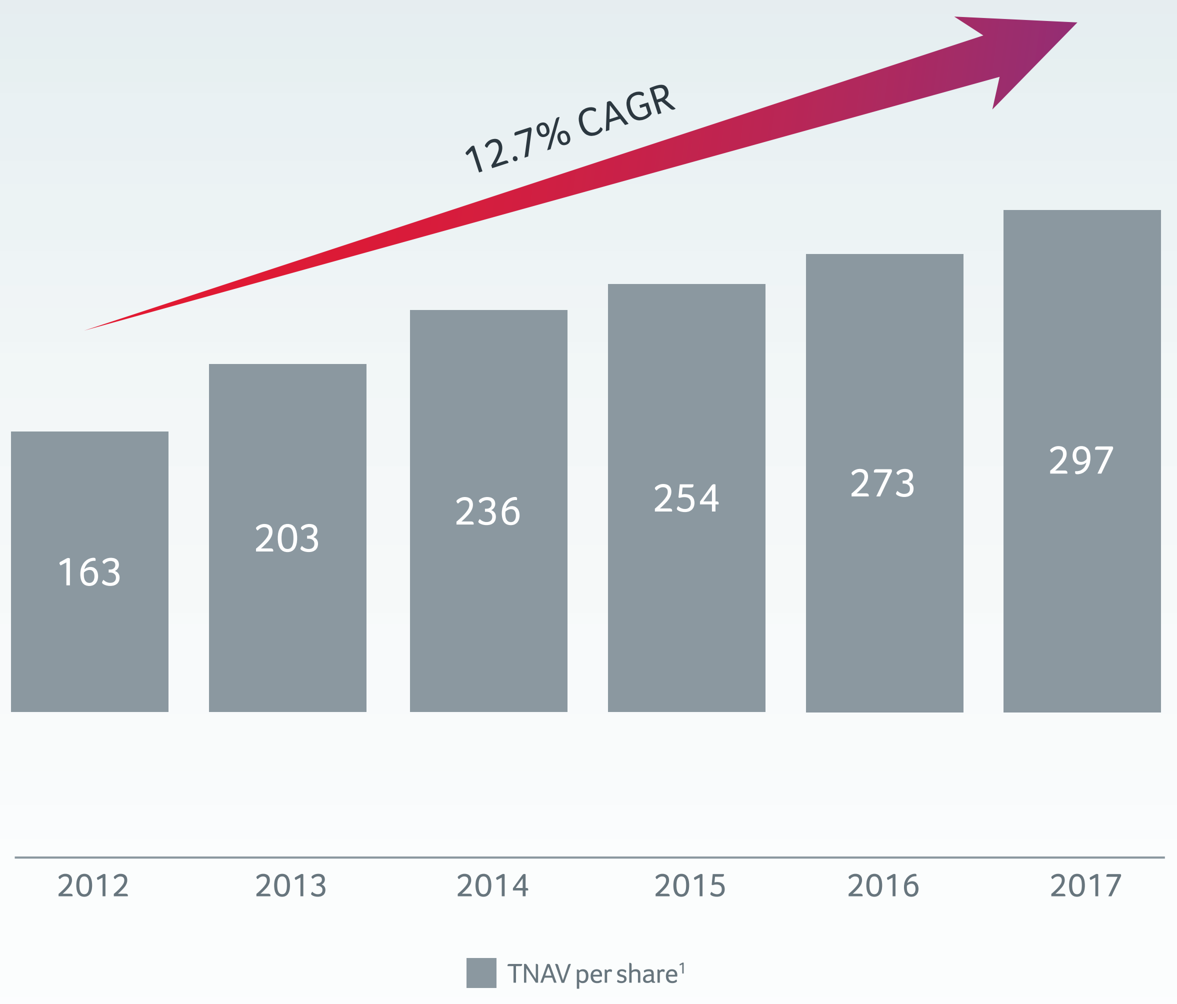
From loss-making to considerable growth in profits



Strong progress in returns



Consistent accretion of TNAV (pence)



We look forward to delivering strong performance once again in the year ahead

Source: Company information for all data
Note: (1) as reported

Q & A

Forward looking statements

This document contains certain forward looking statements with respect to the business, strategy and plans of Virgin Money and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Virgin Money's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by Virgin Money or on its behalf include, but are not limited to: general economic, business and political conditions in the UK and internationally; inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other G8 central banks; fluctuations in interest rates (including low or negative rates), exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to Virgin Money's credit ratings; the ability to derive cost savings; changing demographic developments, including mortality, and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the exit by the UK from the European Union (EU) and the potential for one or more other countries to exit the Eurozone or EU, and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural and other disasters, adverse weather and similar contingencies outside Virgin Money's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices, including as a result of the exit by the UK from the EU or a further possible referendum on Scottish independence; regulatory capital or liquidity requirements and similar contingencies outside Virgin Money's control; the policies and actions of governmental or regulatory authorities in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation; the ability to attract and retain senior management and other employees; actions or omissions by Virgin Money's directors, management or employees , the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and the success of Virgin Money in managing the risks of the foregoing.

Any forward-looking statements made in this document speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information of future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc or applicable law, Virgin Money expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in Virgin Money's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The results of the Group and its business are set out in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out in the opening section of the 2017 Results News Release