

## VIRGIN MONEY HOLDINGS (UK) PLC: Q1 2017 TRADING UPDATE

### VIRGIN MONEY MAKES CONTINUED STRONG PROGRESS IN Q1 2017

- **Improvement in overall Net Promoter Score to +39**
- **Recognised as the “Best Mortgage Lender” at the Mortgage Strategy awards**
- **Highest ranked high street bank for customer satisfaction at the British Bank Awards**

#### Key Highlights

- Gross mortgage lending of £2.0 billion, a market share of 3.4 per cent <sup>1</sup>
- Net mortgage lending of £0.9 billion, a market share of 12.3 per cent <sup>2</sup>
- Credit card balances of £2.7 billion with stable customer behaviour and arrears levels
- Net interest margin in line with FY 2016
- Continued strong credit performance
- Full year guidance for 2017 reaffirmed

#### Jayne-Anne Gadhia, Chief Executive Officer said:

“I am delighted with the ongoing momentum and performance of the business so far in 2017. Our customer-focused strategy of growth, quality and returns continues to deliver excellent results and demonstrates the benefits of our low-risk business model, strong balance sheet and ongoing focus on operational excellence.

“Our mortgages and savings business continue to flourish with gross mortgage lending of £2.0 billion and a £0.9 billion increase in deposits during the quarter. Whilst maintaining our strong focus on asset quality, credit card balances grew by £0.2 billion to £2.7 billion. Our approach, including the strict and consistent application of underwriting standards, continues to support a low and stable cost of risk.

“Our focus on customer service has led to new highs in customer satisfaction with our overall Net Promoter Score improving to +39, making us one of the best-rated retail banks in the UK. We remain committed to delivering growth, quality and returns and to ensuring our strategy delivers long-term success for the benefit of all of our stakeholders.”

#### Business review

(£ million)	As at 31 March 2017	As at 31 December 2016	Growth
Mortgage balances	30,676	29,741	+3%
Credit cards balances	2,651	2,447	+8%
Deposit balances	28,977	28,106	+3%

1 Estimate based on Bank of England data to the end of February 2017 plus the Council of Mortgage Lenders gross lending estimate for March 2017

2 Based on Bank of England data to the end of February 2017

## **Mortgages**

- Gross lending of £2.0 billion represented a market share of 3.4 per cent<sup>1</sup>
- Net lending of £0.9 billion represented a market share of 12.3 per cent<sup>2</sup>
- Pipeline at the end of Q1 2017 of £2.3 billion, 14 per cent higher than at the end of Q4 last year
- Mortgage asset quality remained strong with credit metrics consistent with FY 2016
- Mortgage lending delivered at spreads in line with expectations.

## **Credit cards**

- Credit card balances of £2.7 billion with stable customer behaviour and arrears levels
- Credit card asset quality remained strong with arrears improving modestly from FY 2016
- Customer usage and transaction behaviours unchanged and in line with our modelled expectation
- We support the proposals in the recent FCA consultation paper CP17/10 and do not expect there will be any material financial impact when the draft remedies are implemented if they remain as currently proposed.

## **Funding**

- Deposits increased by £0.9 billion during the quarter to £29.0 billion
- Cash ISA inflows were 39 per cent higher than Q1 2016
- Reprice of approximately £5 billion of balances concluded with retention of over 97 per cent
- TFS drawings stood at £2.5 billion at 31 March 2017.

## **Profitability and capital ratios**

- Costs in line with expectations and the cost:income ratio improved further
- Cost of risk consistent with FY 2016 and well within full year guidance
- Profitability, earnings and underlying return on tangible equity in line with expectations
- Capital ratios remained strong and well above regulatory requirements.

## **Digital Bank**

- The development of a new digital banking platform in partnership with 10x Future Technologies is progressing according to plan and expectations. The proposition is being designed to deliver a market-leading customer experience driven by best-in-class next generation analytics. The Group looks forward to updating the market with an update presentation later in the year.

## 2017 Outlook

- The UK economy has remained stronger than expected following the referendum result. A reduction in unemployment and the continued, if slower, growth in house prices since June 2016 have been positive for Virgin Money. We watch the increase in consumer indebtedness closely and continue to lend responsibly to our prime books of mortgage and credit card customers who are showing no signs of strain in the current environment
- Mortgage competition remains strong in certain segments and our nimble approach to distribution and pricing enables us to manage product price and volume in accordance with expectations
- Cards competition has increased and we have not followed competitors into top of the table pricing. We prioritise asset quality over balance growth, despite which we remain confident of achieving £3 billion of prime credit card balances by the end of 2017
- The Group remains well placed and confident of delivering against guidance for full year 2017 which is reaffirmed today.

## Analyst and investor call

An analyst and investor call will be held as follows:

Date: Tuesday 25 April 2017

Time: 9.30am

Dial: +44 20 3059 8125

An operator will assist you in joining the call.

## Enquiries:

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## NOTES TO EDITORS

### About Virgin Money

- Virgin Money offers savings, mortgages, credit cards, current accounts, currency services, pensions, investments and protection products to customers across the UK
- Virgin Money's business ambition is to make "everyone better off" – this philosophy underpins our approach to business by offering good value to customers, treating employees well, making a positive contribution to society and delivering a profit to shareholders
- More than 12,500 charities have registered with Virgin Money Giving and, by the end of Q1 2017, over £530 million had been raised for charity through the service since its launch in 2009, resulting in an estimated £16 million more raised for charity because of its not-for-profit model.

**Note:** all figures contained in this trading update are unaudited

### Alternative performance measures.

The Group uses a number of alternative performance measures, in the discussion of its business performance and financial position. Further information on these measures is set out on page 267 of the Annual Report and Accounts 2016.

### Forward looking statements

This document contains certain forward looking statements with respect to the business, strategy and plans of Virgin Money Group 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 Group'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 to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business 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 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, 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; 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 and lending companies; 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.

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