

VIRGIN MONEY HOLDINGS (UK) PLC: Q1 2018 TRADING UPDATE

Key Highlights

- No change to full year outlook and 2018 guidance reaffirmed*
- Gross mortgage lending of £1.4 billion in Q1 2018; net lending of £0.2 billion, as guided
- Cards performance in line with expectations
- Price and volume of retail deposits ahead of expectations
- Continued strong credit performance

* Capital guidance for December 2018 reaffirmed at around 13% CET 1 ratio before the benefit, estimated at 40 basis points, expected to arise from the proposed joint venture with Aberdeen Standard Investments.

Business update

- SME deposit account launched in January
- Joint venture with Aberdeen Standard Investments announced in March
- Successful launch of partnership with Virgin Atlantic in April
- Digital bank on track
- Mortgage risk weight model improvements submitted to the PRA
- Holding company credit ratings received in March
- Inaugural MREL eligible Medium Term Note issue raised £350 million in April

Jayne-Anne Gadhia, Chief Executive Officer said:

“Our customer-focused strategy of growth, quality and returns continues to drive strong business performance. We have also made good progress in delivering on the strategic initiatives we announced last year.

“We launched our SME deposit account in January and look forward to additional product launches later in the year. We have seen a stronger than expected customer response to the launch of our first Virgin Atlantic frequent flyer cards, demonstrating the strength of customer affinity with the Virgin brand. And we continue to make good progress in the development of our digital bank.

“In March, we announced a new partnership with Aberdeen Standard Investments which we believe will drive significant growth in assets under management.

“In addition to the strategic initiatives, we are focused on growing assets at the right price and quality in a competitive mortgage market and are pleased to report 10.4% year-on-year growth in our mortgage book. We remain on track to deliver on the targets we set at the end of last year.”

Product balances

	As at 31 March 2018 (£ million)	As at 31 December 2017 (£ million)	As at 31 March 2017 (£ million)	Growth since 31 December 2017	Growth since 31 March 2017
Mortgage balances	33,851	33,672 ¹	30,676	0.5%	10.4%
Credit card balances	3,018	2,979 ¹	2,651	1.3%	13.9%
Deposit balances	31,118	30,808	28,977	1.0%	7.4%

(1) Restated for impact of IFRS9

Analyst and investor call

An analyst and investor call will be held as follows:

Date: Tuesday 1 May 2018

Time: 9.30am

Dial: +44 20 3936 2999

Participant access code: 208092

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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 13,900 charities have registered with Virgin Money Giving and, by the end of 2017, over £600 million had been raised for charity through the service since its launch in 2009, resulting in an estimated £19 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 262 of the Annual Report and Accounts 2017.

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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