

## VIRGIN MONEY ANNOUNCES Q3 TRADING AND LEVERAGE RATIO UPDATE

Virgin Money ("the Company") has today announced its trading performance for the three month period to 30 September 2014.

### Trading highlights

- The Company successfully increased gross mortgage lending during Q3 with mortgage completions 19% higher than the average of the first two quarters. The Company's mortgage book increased by 3% to £20.9 billion at the end of the quarter.
- The Company estimates that it took 4.5%<sup>1</sup> market share of new mortgage applications in the quarter. In addition, during the period, mortgage asset quality remained strong.
- During the quarter the Company increased retail deposit balances by over 3% to £21.8 billion, and successfully issued £1 billion of Residential Mortgage Backed Securities.
- Credit card balances during the quarter remained slightly ahead of the Company's expectation, ending the quarter at around £1 billion with over £700 million of the credit card balances held on the Company's balance sheet and approximately £300 million of the credit card balances held by credit card partner MBNA pending transfer to the Company on 30 November 2014.
- Effective management of mortgage and deposit pricing helped to increase the Company's underlying Net Interest Margin<sup>2</sup> for the nine months ending 30 September 2014. The Company is on track to improve its underlying Net Interest Margin by approximately 5bps for full year 2014, from 143bps for the half year to 30 June 2014.
- Profitability improved during the quarter with an underlying cost:income ratio in line with the Company's expectations and impairments performing better than the Company's expectations.
- The Company continued to grow underlying Return on Tangible Equity<sup>3</sup> during the quarter whilst maintaining robust capital ratios.
- Customer engagement during the quarter remained strong. The Company was voted "the coolest brand in banking"<sup>4</sup>, and the Company opened another of its award-winning Lounges in Glasgow in July.

### Prospects

- The Company continued to make further good progress towards completing the establishment of its in-house credit card operations which are due to be completed before the end of the year.
- The Company appointed Richard Hemsley as Chief Banking Officer, taking responsibility for the P&L for all business lines (with the exception of credit cards) and for distribution. Richard will join, subject to regulatory approval, in 2015.

### Leverage ratio

- The Company welcomes the announcement today by the Financial Policy Committee of the Bank of England providing further clarity on the leverage ratio framework. As a result, and given its current leverage ratio of 3.8% as at 30 June 2014, the Company believes that it is well positioned with regard to the new leverage ratio framework.

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

"Following a very strong performance in the first half of the year, we have accelerated our growth in the third quarter of the year, while continuing to build a high quality balance sheet to deliver increasing returns to our shareholders.

"One of Virgin Money's core strengths is our robust capital position and high asset quality. As such we welcome the new leverage ratio framework announced today by the Financial Policy Committee, and are pleased to note that we operate in excess of the recommended requirements.

"In mortgages and savings, we achieved strong growth during the quarter, particularly in terms of new mortgage applications where we took a market share of around 4.5%. We also saw strong growth in our net interest margin and maintained a tight grip on costs despite investing in the build of our credit card and current account platforms.

"Looking to the future, we have a powerful brand, a strong balance sheet, a strong core business franchise and considerable opportunities to continue to extend our product range. The business has performed strongly in 2014 to-date and we are confident that we can continue to deliver progress against our strategy as we continue to grow the business."

Notes: (1) Company estimate based on CACI data (2) Underlying NIM is calculated excluding the unwind of the discount on acquisition of the credit card portfolio from MBNA and the unwind of fair value adjustments relating to the purchase of Northern Rock (3) Calculated from underlying profit after tax, net of FSCS levy and capital note distributions (4) Coolbrands

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## **NOTES TO EDITORS**

### **About Virgin Money**

- Virgin Money provides savings, mortgages, credit cards, current accounts, pensions, investment and protection products
- 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
- Virgin Money is the official sponsor of the London Marathon, the biggest annual one-day fundraising event in the world. Virgin Money has helped London Marathon runners raise over £¼ billion, including funds raised through Virgin Money Giving the not-for-profit online fundraising service, since 2010.

Virgin Money Holdings (UK) plc - Registered in England and Wales (Company No. 03087587). Registered Office - Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL.

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Certain information contained in this announcement, including any information as to Virgin Money's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "seeks", "predicts", "schedule" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plan, objectives, goals, future events or intentions. In particular, statements in this announcement regarding targets and expectations in respect of Virgin Money's expected retail NIM development, operating cost evolution, growth in return on tangible equity and return on assets, mortgage market share and credit card volume growth and in the development of Virgin Money's cost of risk and its cost:income, capital and leverage ratios, as well as other expressions of Virgin Money's targets and expectations, should be considered forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Virgin Money, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors 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; changes to Virgin Money's credit ratings; 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 and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; 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; 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 European Union, the US or elsewhere; the implementation of the draft EU crisis management framework directive and banking reform, following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by 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.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this announcement speak only as at the date of this announcement, reflect the Virgin Money Board's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Virgin Money's operations, results of operations, growth strategy, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in this announcement that could cause actual results to differ before making any investment decision. All of the forward-looking statements made in this announcement are qualified by these cautionary statements.