

VIRGIN MONEY HOLDINGS (UK) PLC: Q3 2017 TRADING UPDATE

Key Highlights

- Profitability, earnings and underlying RoTE in line with expectations
- Further improvement in overall Net Promoter Score (NPS) to +40, up from +29 at the end of 2016, making Virgin Money one of the best-rated retail banks for customer satisfaction
- Gross mortgage lending of £6.5 billion to the end of Q3, a market share of 3.5 per cent¹
- Net mortgage lending of £3.2 billion, a market share of 10.0 per cent¹
- Credit card balances of £2.9 billion with stable customer behaviour
- Banking NIM² consistent with FY 2017 guidance
- Continued stable credit performance across mortgages and cards
- FY 2017 CET1 ratio expected to be around 13.5 per cent
- Full year guidance reaffirmed.

Jayne-Anne Gadhia, Chief Executive Officer said:

“Our low risk business model and customer-focused strategy continues to deliver excellent results and I am delighted with the ongoing momentum of the business.”

“The UK housing market continues to prove resilient and in a competitive mortgage market we remain focused on growing assets at the right price and quality. Our prime credit card business is developing as planned and, as a responsible lender, the strict and consistent application of underwriting standards supports a low and stable cost of risk as well as resilience in the future.”

“Ensuring that our customers are always at the heart of our strategy has seen our overall Net Promoter Score improve to +40 in 2017, making Virgin Money one of the best-rated retail banks in the UK for customer satisfaction. I am delighted that more customers than ever before would recommend us to their friends and family.”

“The strength of our core business and our focus on doing the right thing for customers, combined with our exciting plans for the future, gives us real conviction in our longer term prospects. We look forward to saying more about our plans for the future at our investor update on 16 November.”

Business review

| | As at 30 September 2017 (£ million) | As at 31 December 2016 (£ million) |
|-----------------------|---|--|
| Mortgage balances | 32,918 | 29,741 |
| Credit cards balances | 2,889 | 2,447 |
| Deposit balances | 30,031 | 28,106 |

(1) Based on Bank of England data to the end of August 2017

(2) Banking NIM is defined as Net Interest Income over customer average interest earning assets. Further alternative performance measures (APMs) are used within this analysis of the Group's financial performance and position. Details of all APMs including the rationale for their use and their bases of calculation are set out on page 59 of the 2017 Group Half Year News Release and page 267 of the Group 2016 Annual Report and Accounts.

Mortgages

- Gross lending of £6.5 billion to the end of Q3 represented a market share of 3.5 per cent¹
- Net lending of £3.2 billion to the end of Q3 represented a market share of 10.0 per cent¹
- Balances increased by £1.1 billion during the quarter to £32.9 billion with a pipeline of £1.9 billion at the end of Q3 2017
- Asset quality remained strong and consistent with the first half of the year
- Market-beating mortgage intermediary NPS at +61, from +55 at the end of 2016.

Credit cards

- Balances increased by £0.1 billion during the quarter to £2.9 billion with stable customer spending patterns and arrears levels
- Asset quality remained strong with cost of risk improving modestly from H1 2017.

Funding

- Deposits increased by £0.5 billion during the quarter to £30.0 billion
- TFS drawings temporarily reduced to £4.2 billion at 30 September 2017
- Successfully completed a further Gosforth RMBS issue raising around £750 million between USD and GBP tranches.

Profitability and capital ratios

- Profitability, earnings and underlying return on tangible equity in line with expectations
- Banking NIM² and total NIM consistent with FY 2017 guidance
- Capital ratios remain well above minimum regulatory requirements. FY 2017 CET1 ratio expected to be around 13.5 per cent
- Costs in line with expectations and the cost:income ratio further improved
- Cost of risk stable and consistent with full year guidance.

2017 Outlook

- The UK economy remains supportive with low unemployment and a resilient housing market. We are experiencing robust customer demand with stable customer behaviour
- The mortgage market remains competitive. Nimble approach to distribution and pricing coupled with intermediary service proposition enables the optimisation of returns while managing volume within the guided range of 3.0-3.5 per cent share of gross mortgage lending
- In credit cards, continue to prioritise asset quality over balance growth and remain on track to achieve £3 billion of prime credit card balances by the end of the year
- FY 2017 Banking NIM and total NIM expected to be in line with prior guidance
- Full year guidance for 2017 reaffirmed.

Analyst and investor call

An analyst and investor call will be held as follows:

Date: Tuesday 17 October 2017

Time: 9.30am

Dial: +44 20 3059 8125

An operator will assist you in joining the call.

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NOTES TO EDITORS

- Virgin Money will be hosting a capital markets day on 16 November 2017. This will be an opportunity for analysts and investors to hear more about our strategy for the business, including the development of the digital bank.

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 13,500 charities have registered with Virgin Money Giving and, by the end of Q3 2017, over £590 million had been raised for charity through the service since its launch in 2009, resulting in an estimated £18 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 of 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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