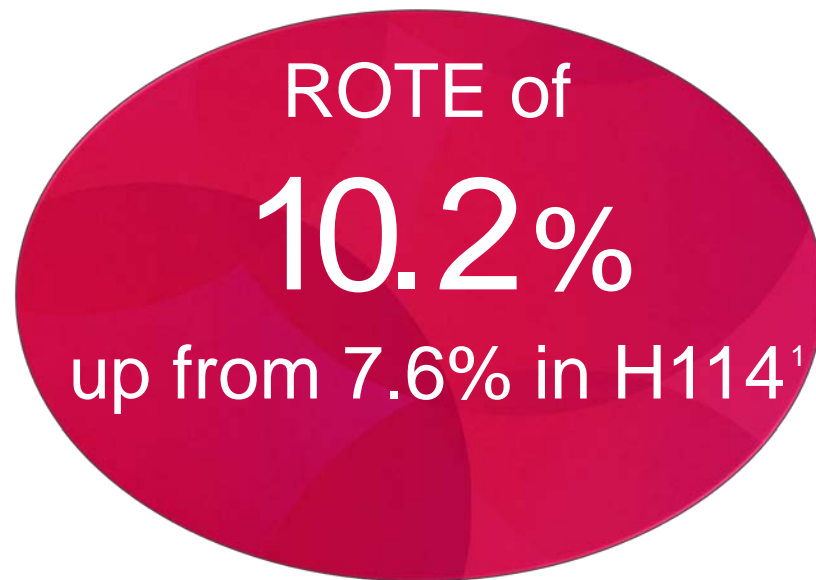


H1 2015 Results Investor Presentation

# THERE'S MONEY AND THERE'S VIRGIN MONEY







Source: Company information for all data

Note: 1) Calculated as underlying profit after tax, annualised smoothed FSCS charge and AT1 coupon costs, as well as NCT1 coupon costs prior to repurchase of that instrument in July 2014. With full FSCS change recognised H115, RoTE would be 9.0%, and H1 2014 would be 6.2%

# Our H1 2015 results are on track to meet or exceed our key targets

	<b>H1 15<sup>1</sup></b>	
<b>NIM</b>	165bps	+22bps
<b>Cost:Income Ratio</b>	62.2%	(4.5)pp
<b>Gross Mortgage Lending</b>	£3.6bn	+44%
<b>Share of Gross Lending</b>	3.8%	+1.3pp
<b>Share of Net Lending</b>	20.5%	+13.1pp
<b>Cost of Risk</b>	12bps	+1bp
<b>Underlying PBT</b>	£81.8m	+37%
<b>CET1 Ratio</b>	18.7%	+4.3pp
<b>Leverage Ratio</b>	4.1%	+0.3pp
<b>EPS</b>	8.6p	n/a

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Interim dividend of

1.4p  
per share

The Virgin Money Board is targeting an initial dividend payout ratio at the higher end of the range between 10 to 20 per cent. of statutory profit after tax less any coupons paid on any additional tier 1 securities in issue. The Virgin Money Board believes that Virgin Money will, in time, be able to support dividend distributions commensurate with the larger, listed UK banks once it has sufficiently grown its earnings base and balance sheet.

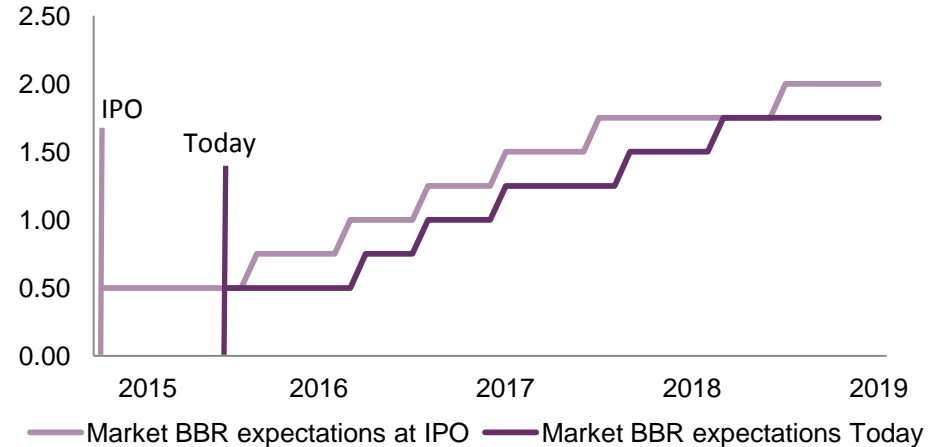
Dividend payments will be made on an approximate one-third:two-thirds split for interim and final dividends, respectively. The Directors intend to commence dividend payments with an interim dividend in respect of 2015, which will be payable in the fourth quarter of 2015.

# Today's Backdrop

## Macro Environment

- ✓ **Strong UK Economic fundamentals underpinning the housing market**
  - Encouraging economic growth
  - Lower unemployment
  - Improved consumer confidence
  
- ✓ **Encouraging CML forecasts next year: Housing transactions +2%, Gross lending +10%**

## Interest Rates



## Summer Budget

### 8% UK Bank Surcharge

### Impact

Group taxable profit

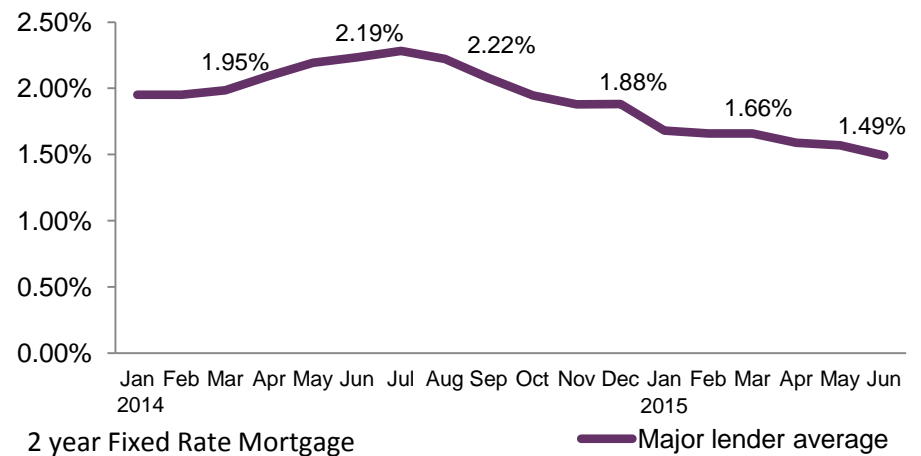
Non-banking company profit

£25m allowance

Residual surcharge @ 8%  
above effective tax rate

Mid-teens returns  
delayed by up to 12  
months

## Mortgage Market





# Continued Progress in H1 2015

## Mortgages

3.8% gross mortgage market share to May<sup>1</sup>

Net Lending market share of 20.5% to May<sup>1</sup>

£3.6bn gross lending (up 44% on 1H 2014)

Balances grew by a net £1.7bn in 1H 2015

Average mortgage spread of 198bps

Portfolio and New Business LTVs remained broadly flat on H1 2014 at 56% and 67%

BTL share of flow was 28%, share of stock 16.2%



# Continued Progress in H1 2015

## Savings & Funding

Cost of funds reduced to 1.46% from 1.60% in H2 2014

Deposit book growth of 3% over H1 2015

Re-priced a portion of back book savings by 22bps in February with customer retention of 95%


Further re-price underway with better than expected retention

Broadened wholesale funding platform with debut MTN & continued RMBS issuance

*Best Cash ISA provider 2015, 2014, 2013*



May 2015  
GBP £750,000,000  
Gosforth 2015-1  
 money  
2yr & 5yr RMBS

April 2015  
GBP £300,000,000  
Global MTN Programme  
 money  
5yr Senior Unsecured



# Continued Progress in H1 2015

## Credit Cards

Successful migration of  
675,000 customer accounts

Balances of £1.1bn (1.8% share of market)

Fully operational on own platform since migration

On track to deliver a £3bn book by end of 2018

New card EIR of 7.2%

Impairment performance pleasing, with  
charge-offs expected to settle at around 3%



# Continued Progress in H1 2015

## Other Operating Income

Other Operating Income  
13.4% of Total Income in H1 2015

Funds under management increased to £3.1bn

40% of FUM supports pension  
business, with sales up 19% on H1 2014

Insurance income up 5% on H1 2014

Wrote 178,000 new travel insurance policies

Life Insurance proposition launched,  
New Home and Motor proposition well advanced



# Well Positioned for Future Opportunities

## Brand

The Coolest FS  
Brand 2013 & 2014

Continued investment  
in new brand  
marketing campaign

Spontaneous  
awareness  
increased 4%

6m ad views

$\frac{3}{4}$  of population  
seen ads 6 or  
more times

## Flexibility

Highly scalable  
platform

Marketing  
delivering volume  
growth in excess of  
CPA growth

Digitally led  
distribution

## Demonstrable Capability

Acquisition and  
integration track  
record

Delivered complex  
Card platform build

Differentiated  
customer offerings

## Strategic opportunities

1. Grow Current Accounts
2. Launch new digital product
3. Develop SME business

# Agenda

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H1 2015 Progress  
Jayne-Anne Gadhia, Chief Executive

Financial Results  
Lee Rochford, Chief Financial Officer

Looking Forward  
Jayne-Anne Gadhia, Chief Executive

# Balance Sheet – Growth and increased efficiency

£m	H1 15	H2 14	Change
Loans & Advances to customers	24,706	23,093	7%
Treasury Assets <sup>1</sup>	2,749	3,120	(12%)
Customer Deposits	22,972	22,366	3%
Debt securities in issue	2,339	1,594	47%
TNAV	1,078	1,041	4%
Loan:deposit ratio	107.3%	102.8%	4.5%

# Group Summary – Strong Growth in Returns

£m	H1 15	H1 14	Change
Net Interest Income	220.3	172.9	27%
Other Income	34.1	40.6	(16%)
<b>Total Underlying Income</b>	<b>254.4</b>	<b>213.5</b>	<b>19%</b>
Total Underlying Operating Costs	(158.3)	(142.5)	11%
Impairment Losses	(14.3)	(11.3)	27%
<b>Underlying PBT</b>	<b>81.8</b>	<b>59.7</b>	<b>37%</b>
Net Interest Margin	1.65%	1.43%	22bps
Underlying Cost:Income Ratio	62.2%	66.7%	(4.5ppts)
Cost of risk (discrete)	0.12%	0.11%	1bps
Return on Assets <sup>1</sup>	0.40%	0.28%	12bps
Return on Tangible Equity <sup>1</sup>	10.2%	7.6%	260bps

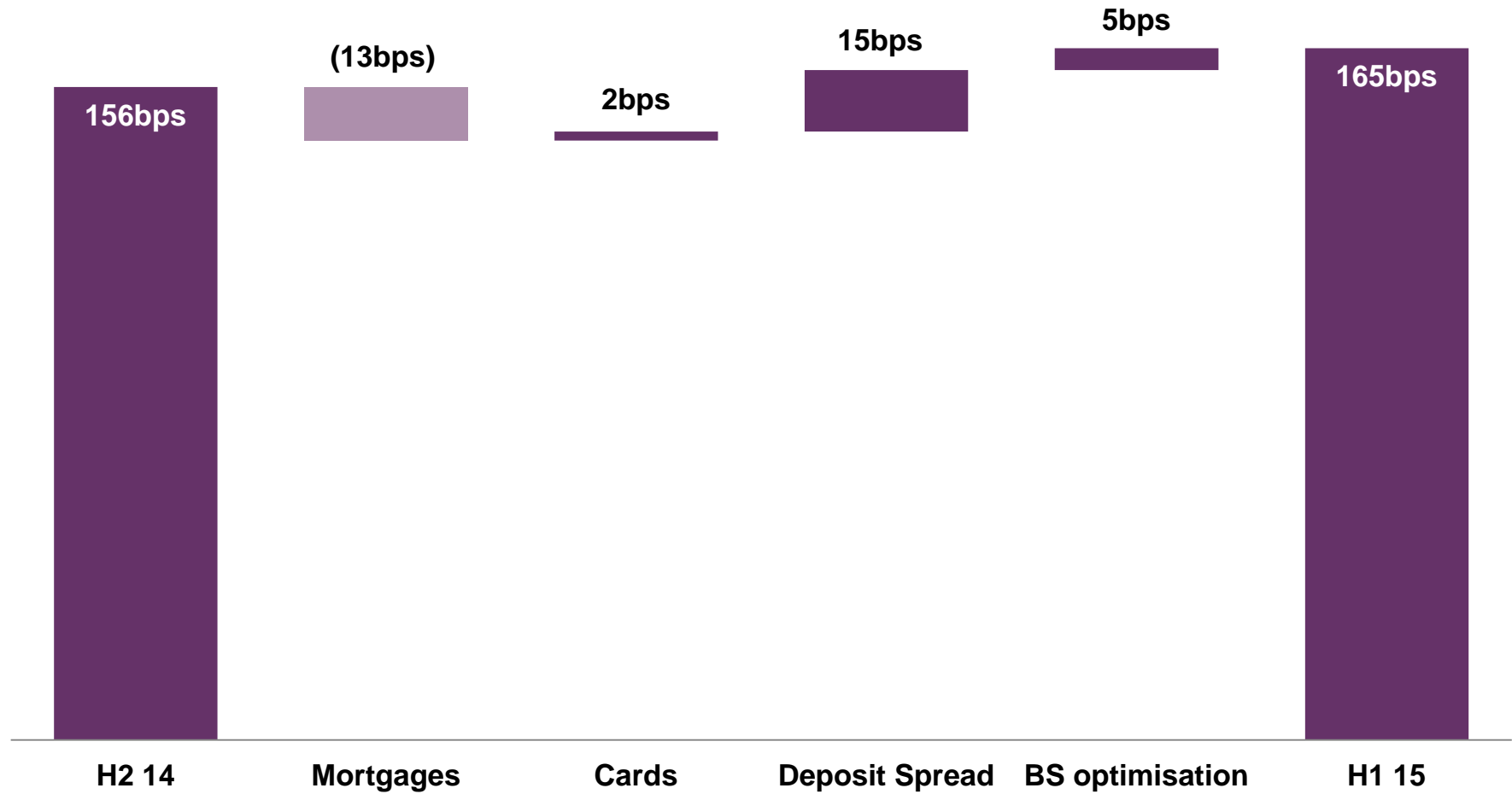
Source: Company information for all data

Note 1: Excluding FSCS timing effect. If the full FSCS was included, for RoTE, H1 14 would be 6.2%, and H1 15 would be 9.0%. For RoA, H1 14 would be 0.23%, and H1 15 would be 0.35%



# Continued Progression in Net Interest Margin

Target  
170bps



# Other Operating Income – Evolution as Expected

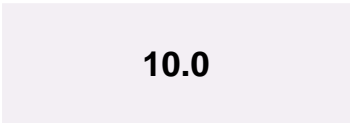
## Total Other Operating Income (£m)

40.6

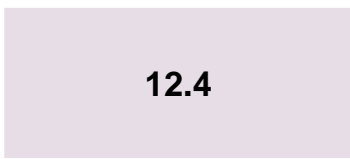
31.5

34.1

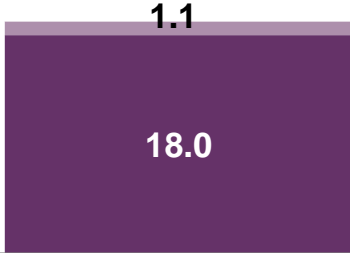
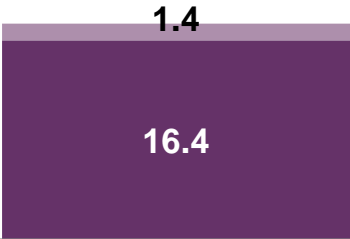
Principally  
asset sales



Other income  
reducing  
following end of  
agreement with  
MBNA



Focus for go-  
forward  
business



H1 14

H2 14

H1 15

Central functions

Cards

Mortgages & Savings

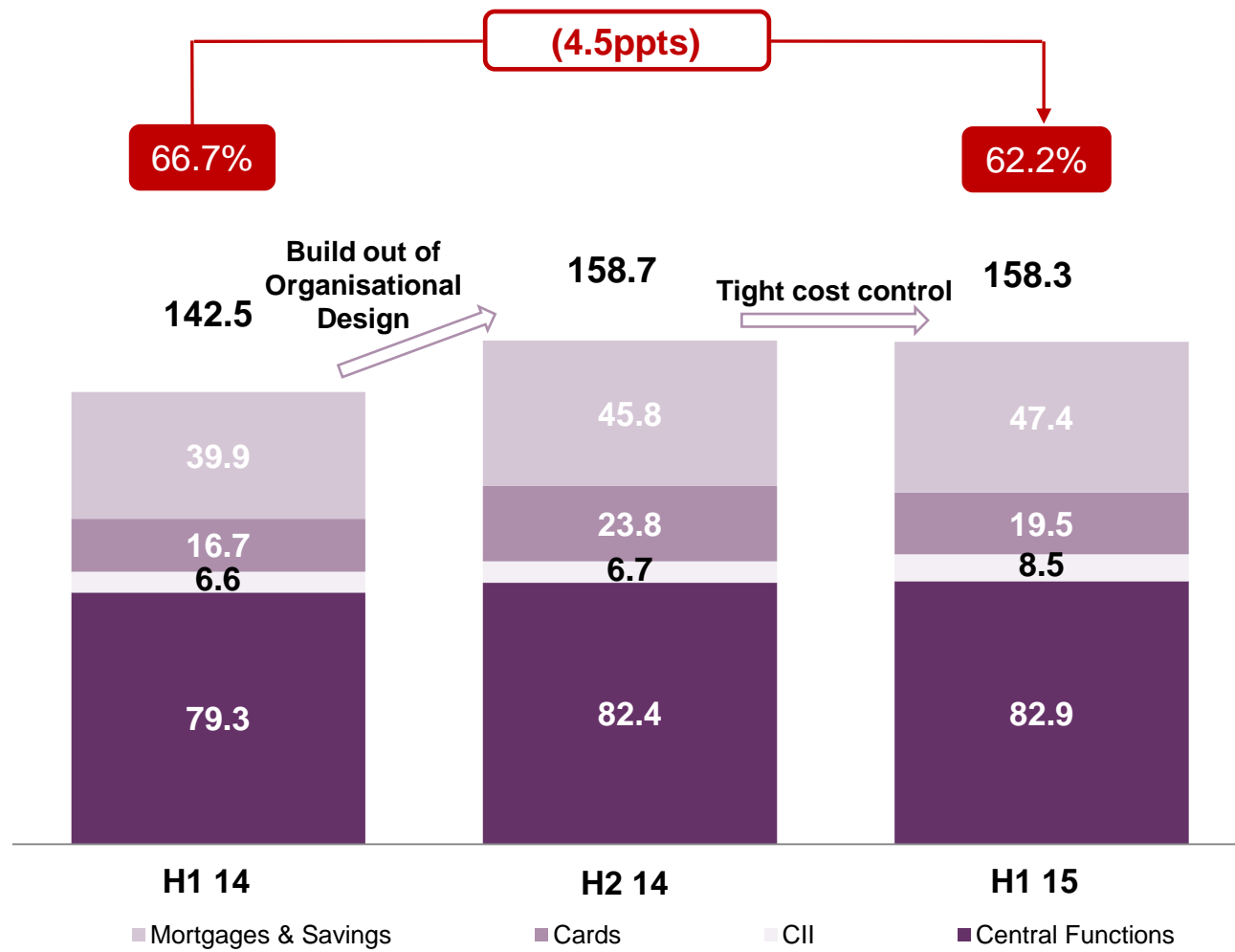
CII

Note: Other income includes: Mortgage fees, Transactional credit card fees, Current Account, Investments & Insurance, and Central Functions including Treasury activities, primarily asset sales. Source: Company information for all data

# Costs

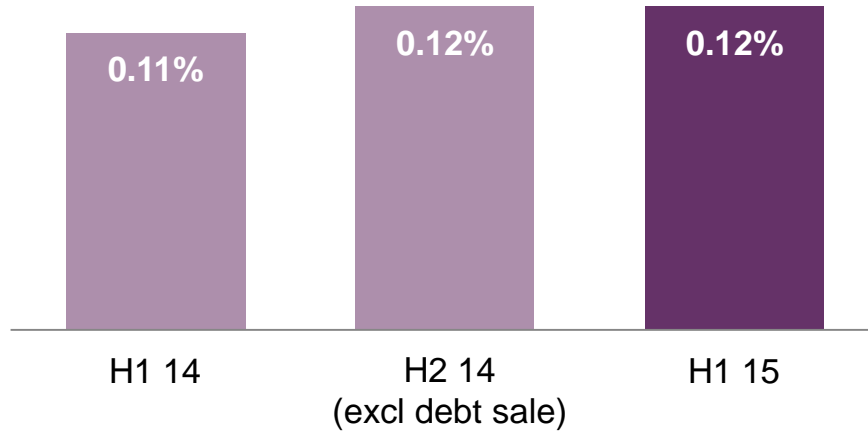
Target 50%  
C:I Ratio

## Underlying Cost:Income Ratio

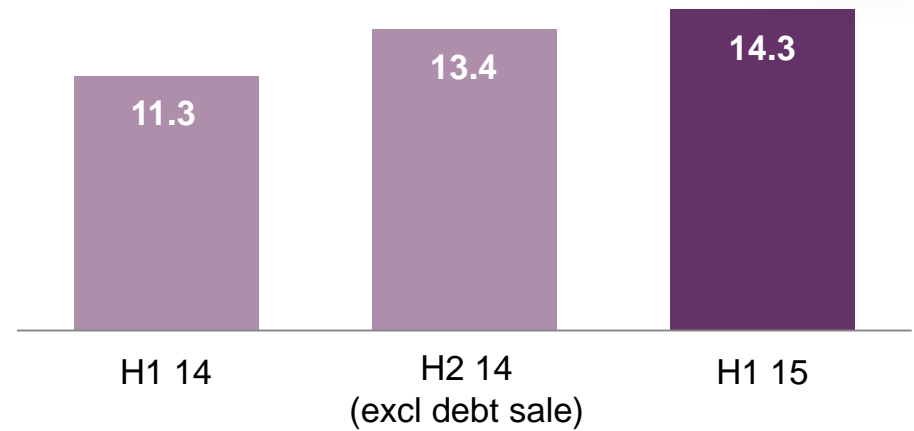


# Asset Quality

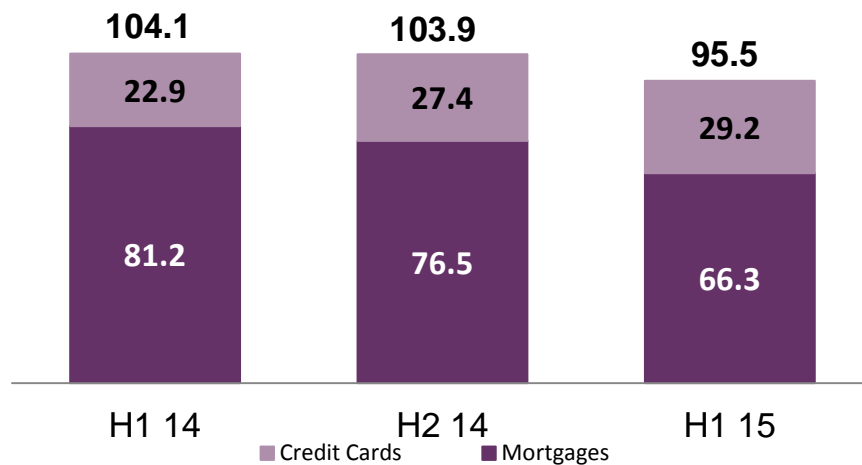
## Cost of Risk - Group



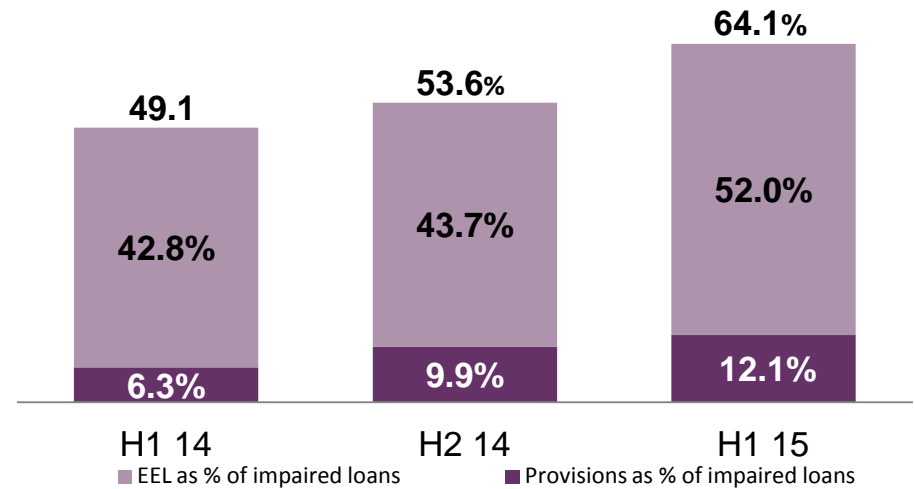
## Impairment Charge (£m)



## Impaired Loans (£m)



## Impaired Balance Coverage Ratio<sup>1</sup>

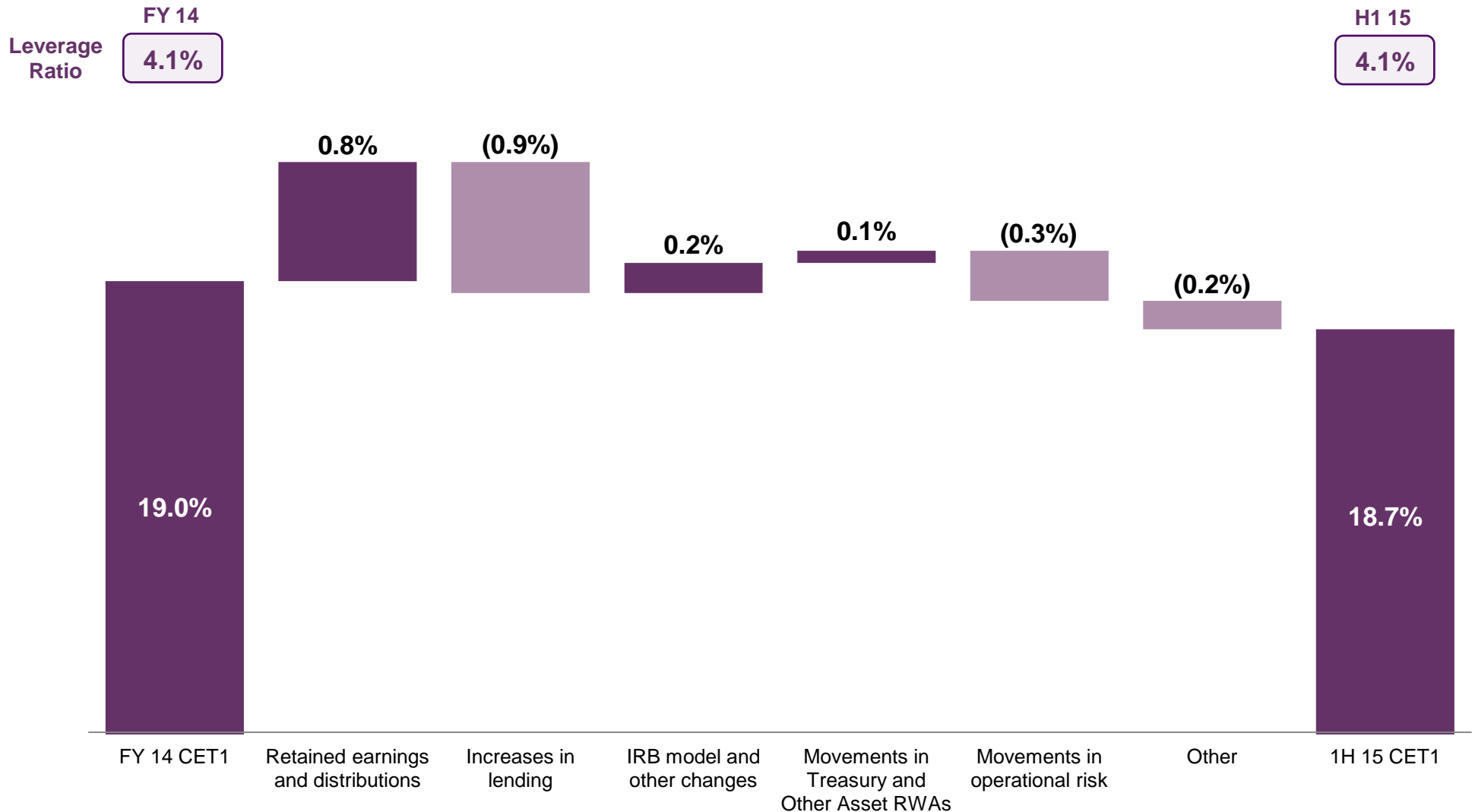


Source: Company information for all data  
Note 1: Mortgage portfolio only

# Statutory Profit & Tax

	H1 15	H1 14	Change (%)
<b>Underlying Profit</b>	<b>81.8</b>	<b>59.7</b>	<b>37%</b>
FSCS Levy	(15.5)	(16.6)	(7%)
SBP related to IPO	(6.5)	(5.0)	30%
Strategic development costs	(4.8)	(2.9)	66%
IPO Costs	-	(0.8)	(100%)
Additional Northern Rock consideration	-	(26.0)	(100%)
Fair Value and Other	-	(1.7)	n/a
<b>Statutory profit before tax</b>	<b>55.0</b>	<b>6.7</b>	<b>721%</b>
Taxation	(12.1)	(15.1)	(20%)
<b>Statutory profit after tax</b>	<b>42.9</b>	<b>(8.4)</b>	n/a

# Balance Sheet Strength – Capital



Source: Company information for all data  
 Notes: 1) Retained earnings excludes cost of capital raise



# Agenda

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## 2015 Progress

Jayne-Anne Gadhia, Chief Executive

## Financial Results

Lee Rochford, Chief Financial Officer

## Looking Forward

Jayne-Anne Gadhia, Chief Executive

# We continue to deliver on our targets



Achieved



On track

		Target	H1 2015 Progress	Status
<b>Growth</b>	Mortgages	3-3.5% share of Gross Lending	3.8% share of Gross Lending	
	Credit Cards	~£3bn book by the end of 2018	Fully operational on own platform	
	Product Extensions	Expand product offering	Foundations in place	
<b>Quality</b>	Capital	Minimum CET1 of 12% and Leverage Ratio of 3.75%	CET1 Ratio of 18.7% Leverage ratio of 4.1%	
	Cost of Risk	Between 15 and 20 bps	Cost of Risk of 12bps	
<b>Returns</b>	NIM	170bps in 2017	165bps	
	Non Interest Income	Grow non-interest income	Grew in line with expectations	
	Operating Leverage	C:I ratio of 50% by 2017	C:I Ratio of 62.2%	
	Capital Efficiency	Mid teens returns in the medium term	RoTE of 10.2%	

# Outlook

Outlook		
Growth	Mortgages	Sharp focus on volume, expect market share of 3.5% for 2015
	Credit Cards	On track to meet target
	Product Extensions	PCA, Digital and SME opportunities
Quality	Capital	Capitalised for growth
	Cost of Risk	Tailwind to profitability
Returns	NIM	Expect NIM just ahead of 160bps at FY 2015
	Non Interest Income	New products launching in H2 2015
	Operating Leverage	On track for Cost:Income ratio of 50% in 2017
	Capital Efficiency	Mid-teens returns by the end of 2017

# Q&A

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# Disclaimer

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