Virgin Money
1H 17 Results Presentation

H1 17 Financial Performance

£40bn
Total Assets
+15%

£128.6m
UPBT
+26%

RoTE of

13.3%

up from 12.2% in H1 16

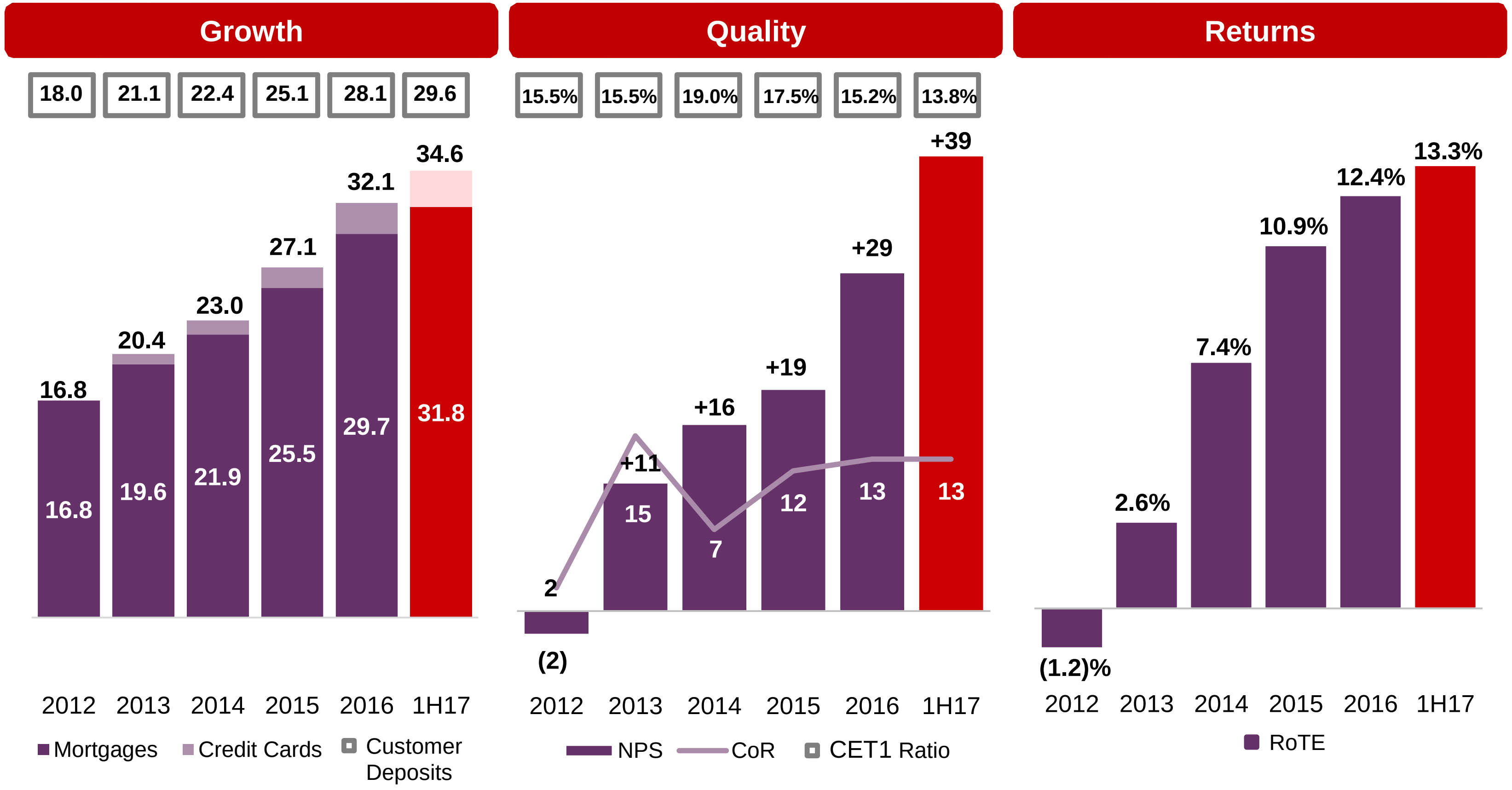
1.9p
Interim dividend
+19%

18.5p
EPS[1]
+19%

Source: Company information for all data
Note: (1) Underlying EPS

Consistent track record of progress and delivery

Compelling growth, with continued commitment to quality, drives sustainable returns

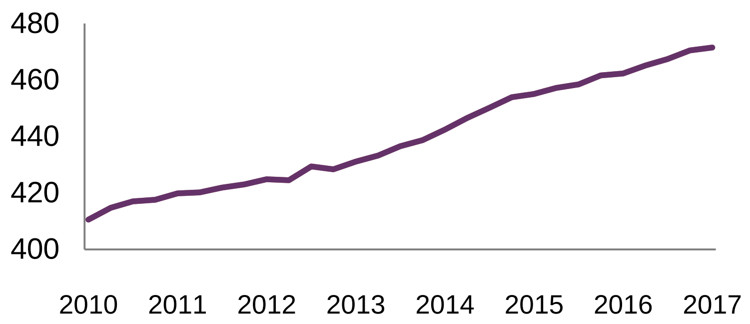


Source: Company information for all data

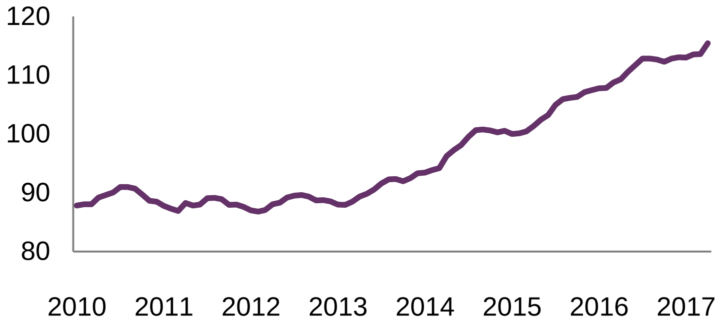
Resilient macro performance with some cautious notes

Flexibility to adapt to potential changes in the operating environment

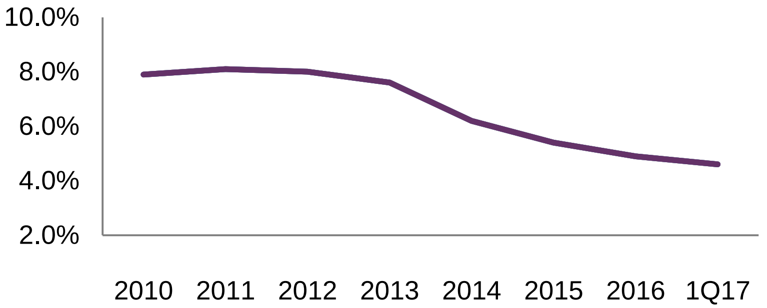
Growing GDP (£bn)[1]



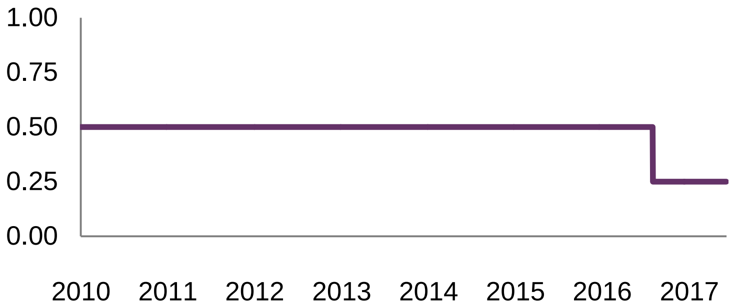
Positive House Price Inflation



Low Unemployment



Low Base Rates[2]



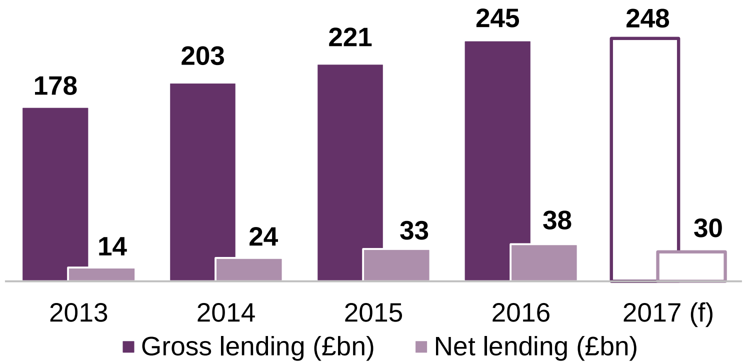
Virgin Money remains confident given our strong positioning across our selected markets

Sources: Bank of England, ONS, Land Registry
Note: (1) Seasonally adjusted, quarterly series (2) BoE Bank Rate.

Our size and agility is supportive of further growth in mortgages

Focused on origination of high quality, low risk mortgages

Market gross & net lending (£bn)



Developing franchise for the future

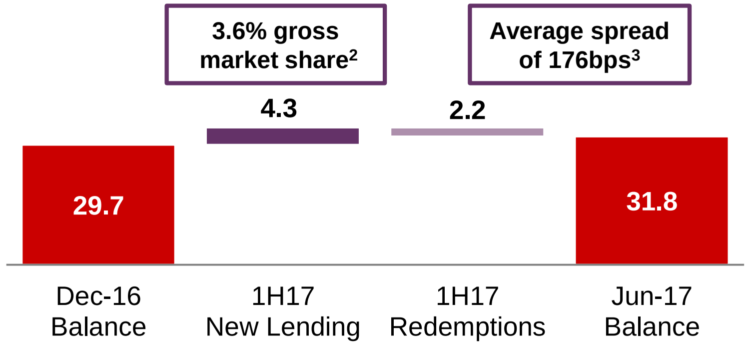
Residential lending	%
House purchase	57.6%
New build	*11.0%*
Remortgage	42.4%

Further extensions
Custom build
Shared ownership

Strong continued book profile

	H1 17
LTV	55.9%
BTL[1]	19.0%
Intermediary[1]	89.7%
Direct[1]	10.3%

Mortgage balance build-up (£bn)



Sources: HMRC Data, CML (UK Finance data), Company Information, Bank of England, ONS, Land Registry

Note: (1) as % of flow (2) as forecast by CML for end June. Note actual gross market share for end of May was 3.5% (3) completion spread

Cards underwriting discipline critical at this point in credit cycle

Our strong and improving customer affordability and credit quality distinguishes us from market

Underwriting criteria tightened since Referendum

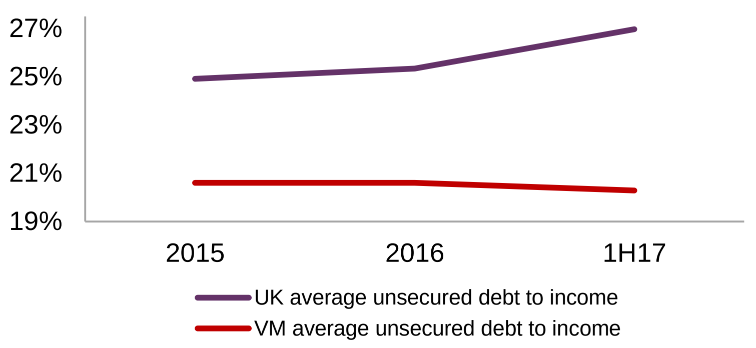
Front & back book tightening

Raised credit score cut-offs

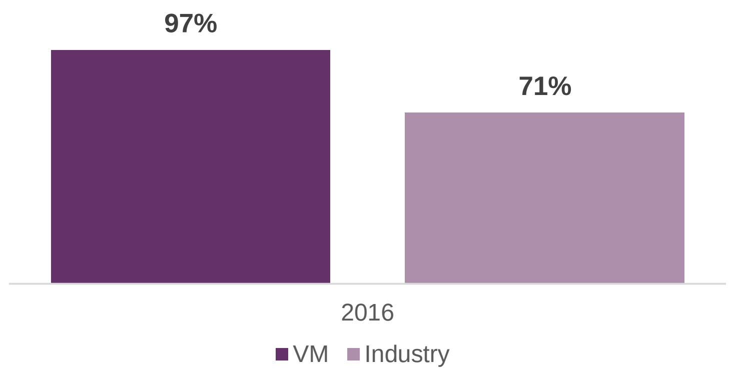
Reduced limits for higher risk customers

c8% reduction in new accounts compared to Jun-16

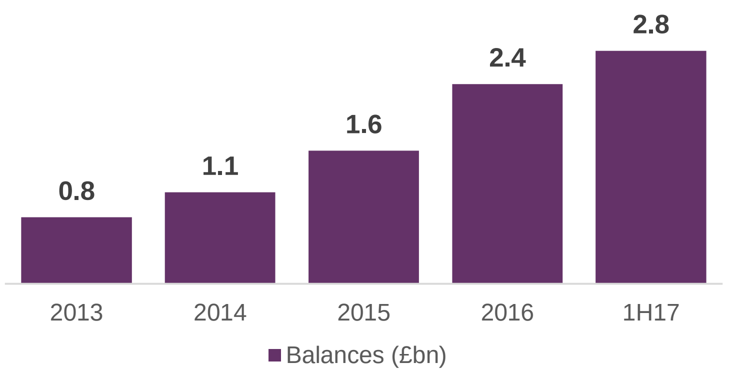
Customer indebtedness low and reducing



2016 originations focused on low risk BT customers[1]



Continued balance growth towards £3bn



Source: Company information, Bridgeforce third party review, source via Argus Information and Advisory Services
Note: (1) Low risk <1% expected 12 month loss rate

Announcing our new Virgin Atlantic partnership

A high quality distribution opportunity

Virgin Money will provide retail financial services to Virgin Atlantic customers

Targeting early 2018 for new products for VAA's Flying Club frequent flyer programme

New distribution channel for VM

Supported by sound economics

virgin atlantic

Virgin money

Source: Company information for all data

Excited by the potential of Virgin Money Digital Bank

A new-build digital platform with access to an established and loyal customer base

Strong existing capabilities

Virgin money

Famous brand

Over 3.3m customers

Experienced bank with scale

Plan to initiate with cards customers

VMDB

Customer Centric

Data Driven

Alternative Revenues

Efficient

Scalable Retail Funding

Developing the bank of the future

10x

Partnering to deliver underlying technical platform

Moving from Design into Build

Digital Bank Strategy Day to be held on 16 November 2017

Source: Company information for all data

Focused on the customer

Customer and industry recognition evidences value of proposition and approach

Exceptional Brand Recognition

Most trusted UK bank

Investment in Customer Proposition

Virgin RED

Virgin money back

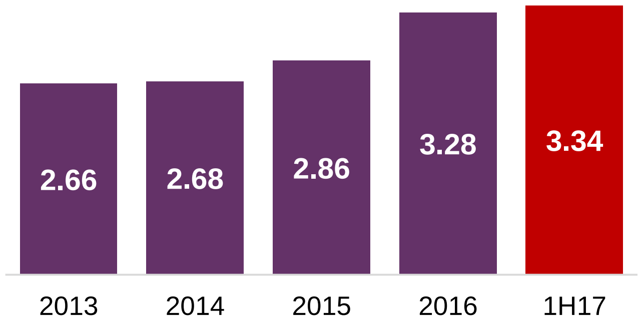
Multi-channel Distribution

78% of sales via digital

+86 lounges NPS

+55 intermediary NPS

Increasing customer numbers



Industry recognition[1]

Best Lender for Partnerships

Best Online Mortgage Provider

Best Credit Card Provider

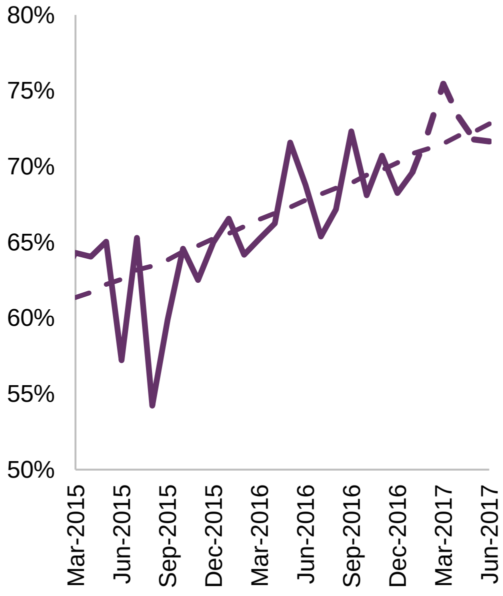
Sources: Company information, Reputation institute

Note: (1) Best Online Mortgage Provider (YourMoney.com), Best Credit Card Provider (British Bank Awards), Best Lender for Partnerships (Legal & General)

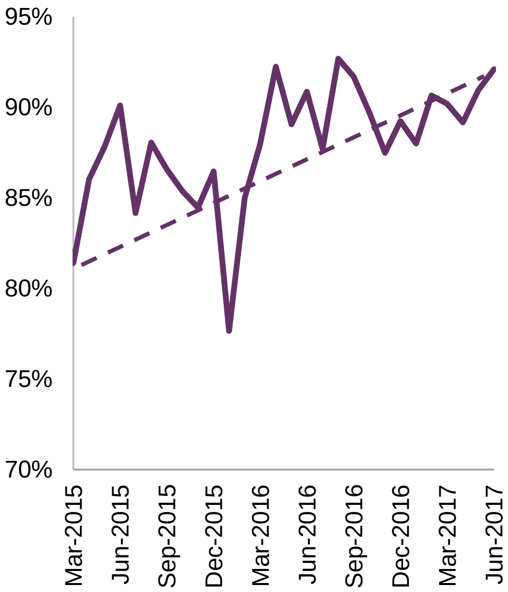
Strong customer franchise leading to enduring relationships

Enduring relationships drive customer retention and increased financial returns

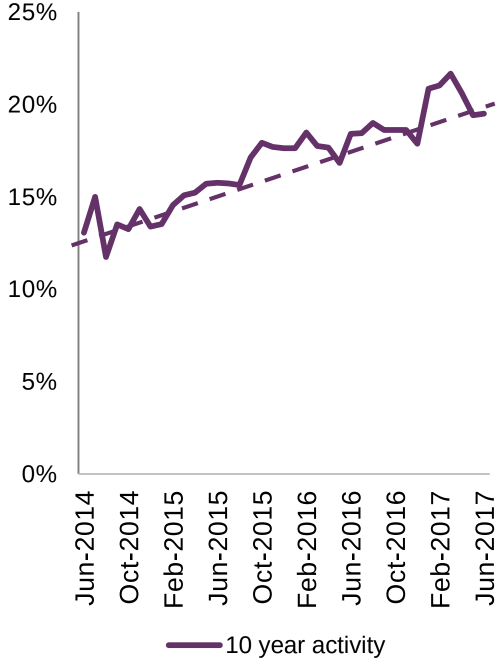
Mortgage retention



Savings customer retention



Card long-term activity rates[1]



Strong and improving retention across our portfolio

Source: Company information for all data

Note: (1) vertical axis shows % of VM Credit Card customers still active

Continued delivery, continued confidence

Significant progress proven over five years

	FY11	1H17
Loans & Advances[1]	£13.9bn	£34.7bn
UPBT	(£59.1m)	£128.6m
Colleagues	2,834	3,183
Cost: Income ratio	148.1%	53.9%

Source: Company information for all data
Note: (1) Loans and advances to customers


FARGATE
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Balance sheet progress

Consistent share of flow and strong retention drives planned growth

£m	1H 17	1H 16	Change
Gross lending	4,272	4,265	-
Net lending	2,087	2,222	(6%)

£m	1H17	FY16	Change
Mortgage Balances	31,826	29,741	7%
Credit Card Balances	2,756	2,447	13%
Loans & Advances to customers	34,684	32,367	7%

£m	1H 17	FY 16	Change
Customer Deposits	29,564	28,106	5%
Wholesale	8,410	4,718	78%
of which TFS drawings	4,936	1,268	289%

Fitch ratings	BBB+ (stable)
Moodys ratings	Baa2 (stable)

Regulated Covered Bond Programme

Strong capital ratios at 18.4% total capital, 13.8% CET1, and 3.9% leverage ratio

Source: Company information for all table data

P&L – further growth in profitability

Strong income growth, cost control and high asset quality drove improved profitability

£m	1H 17	1H 16	Change
Net Interest Income	288.5	252.2	14%
Other Income	38.7	37.4	3%
Total Underlying Income	**327.2**	**289.6**	**13%**
Total Underlying Operating Costs	(176.4)	(170.4)	4%
Impairment Losses	(22.2)	(17.4)	28%
Underlying PBT	**128.6**	**101.8**	**26%**
KPIs			
Net Interest Margin	1.59%	1.60%	(1bp)
Cost:Income Ratio	53.9%	58.8%	(4.9)pp
Cost of risk	0.13%	0.12%	1bp
Underlying EPS	18.5p	15.5p	3.0p
Return on Tangible Equity	13.3%	12.2%	1.1pp

NIM
159bps

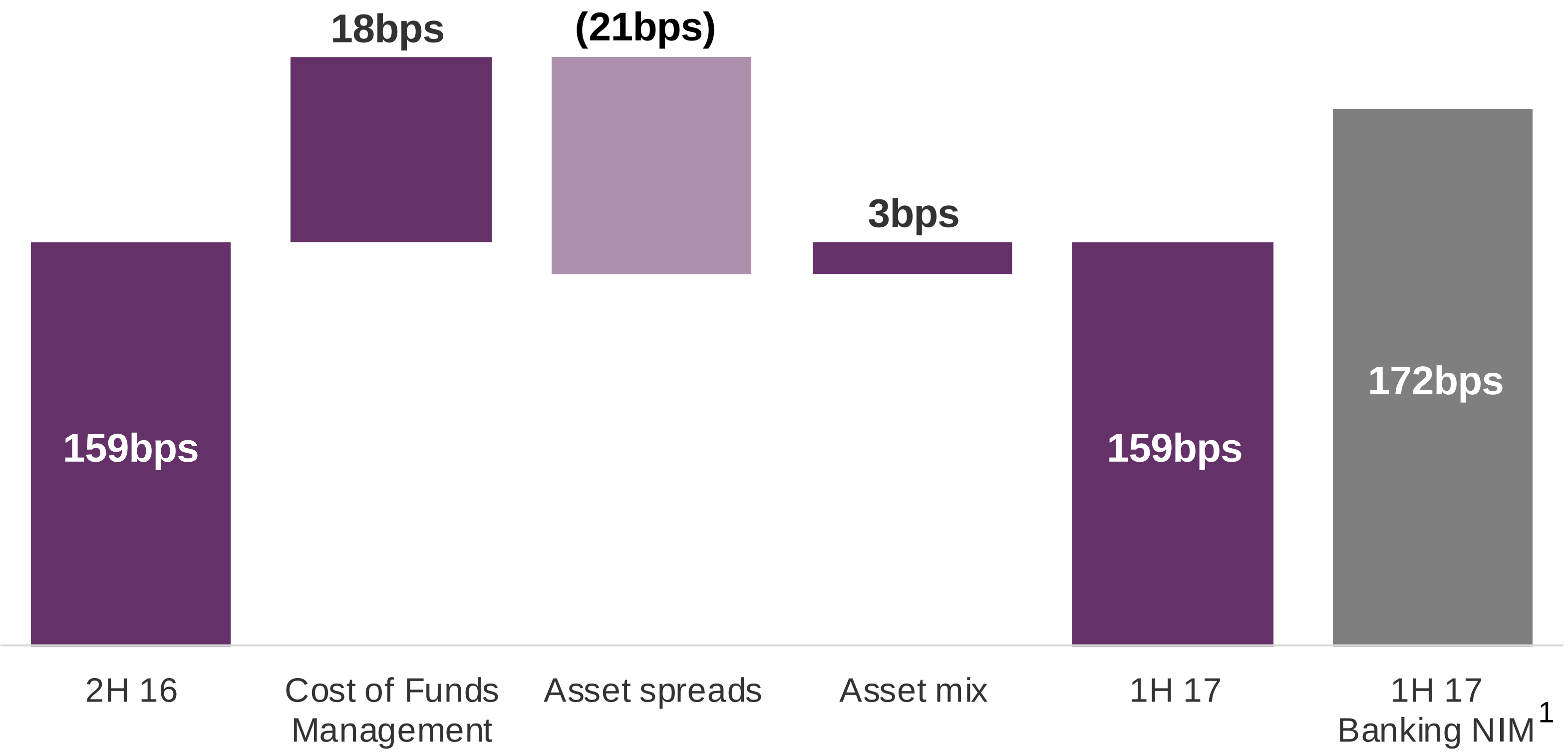
C:I Ratio
53.9%

Cost of risk
13bps

Source: Company information for all data

Net interest margin

Lower funding costs support reduction in asset pricing



Weighted average cost of funds of 98 basis points in 1H 2017

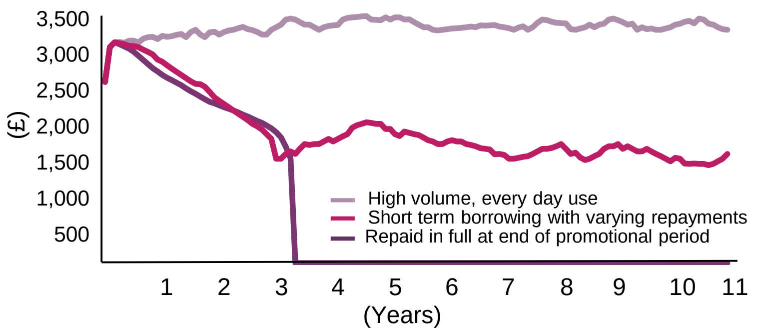
Source: Company information for all data

Note: (1) Banking NIM is defined as Net Interest Income over customer average interest earning assets. Average customer assets for H1 2017, H2 2016 and H1 2016 were £33.3bn, £31.1bn and £28.3bn respectively

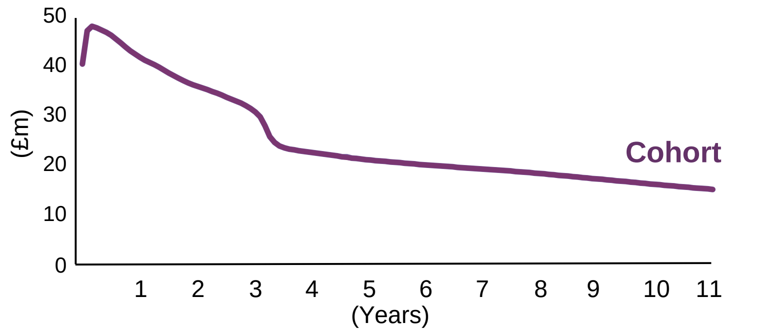
Drivers of Effective Interest Rate

EIR modelling reflects empirical customer behaviour

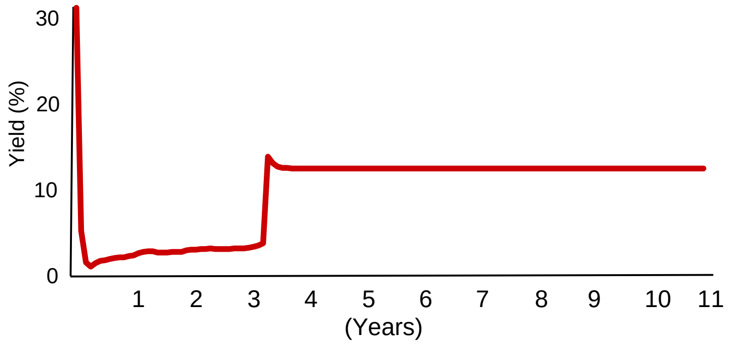
Customer behaviour varies within cohort



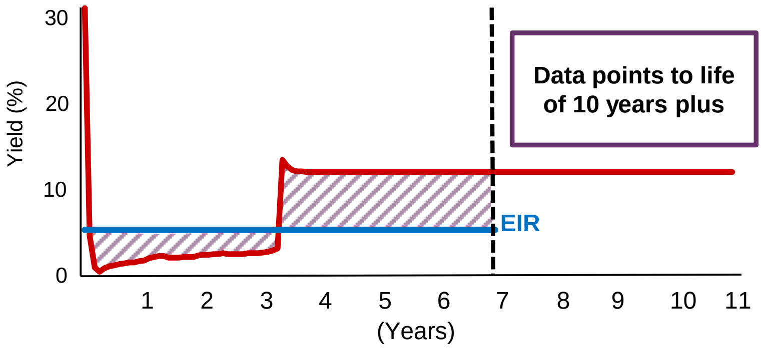
Combining mixed uses to reach average balance



Average cash yield by cohort



EIR yield stable over 7yr accounting period



Granular analytics monitor behaviour at customer, cohort and product level

Source: Company information for all data
Note: curves are illustrative

Credit card income

Data and analytics underpin card economics

Permanent focus on performance

Detailed monthly review, by cohort and product

Quarterly appraisal including recalibration as necessary

Continual executive focus, internal and external review

Card EIR headlines at H1 2017

£m	1H 17
Balance Sheet: Card EIR Asset Adjustment	**124**
P&L: Card EIR Accrual	**42**

Card EIR effect on Group results H1 2017

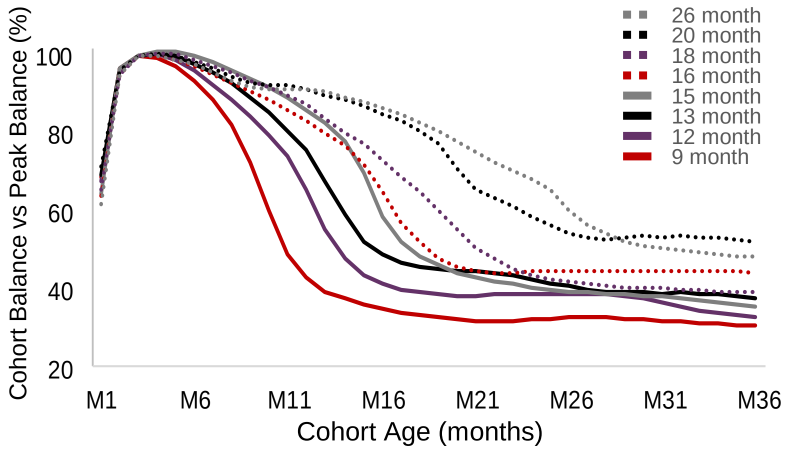
%	1H 17
Cards Income: % excl Card EIR Accrual	**60%**
Total Income: % Card EIR Accrual	**13%**
TNAV: Contribution of Card EIR Asset	**8%**

Source: Company information for all data
Note: For EIR disclosures see Half Year Results News Release p.45

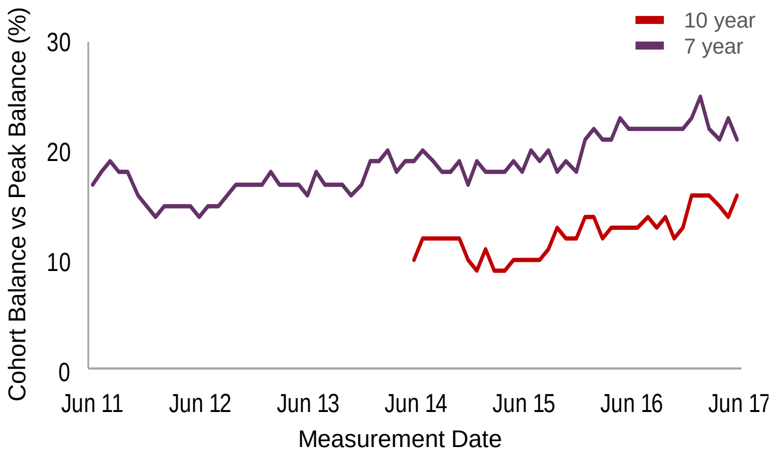
Behaviours in line with expectations

Strengthening stick rates support assumptions

Balances maintained as durations extended



Stick rate remains strong to 10 years



7 year life appropriate for book. Sensitivity to 5 year modelling period shown for illustrative purposes

Card EIR	1H 17	5Y Life Impact	Adjusted
Book EIR: Weighted Average (%)[1]	6.8	(1.1)	5.7
Modelling period 7Y to 5Y P&L: EIR Accrual (£m)	42	(11)	31
Modelling period 7Y to 5Y B/S: EIR Accrual (£m)	124	(32)	92

Accrual income to peak in 2017 and decline from 2018

Source: Company information for all data

Note: (1) excluding balances outside their 7 year EIR modelling period

Continued improvement in operating leverage

Efficiency improvement re-invested in core business and digital future

Improving efficiency across product lines

Mortgages & Savings

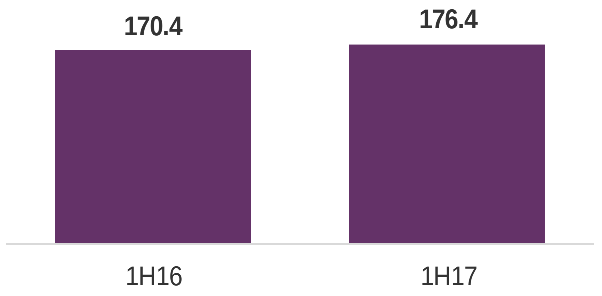
12% cumulative efficiency saving across back office functions

Credit Cards

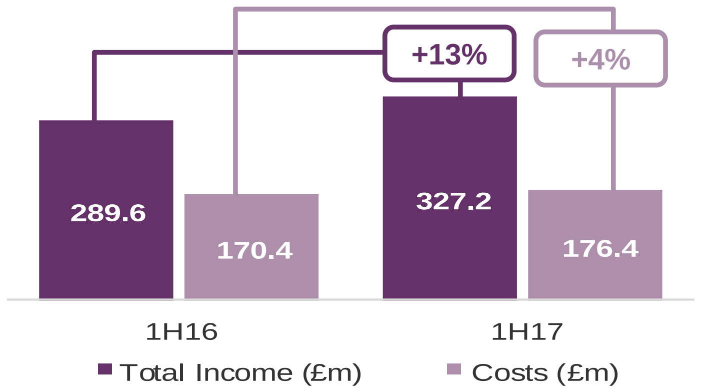
20% reduction in servicing calls

25% reduction in unit cost

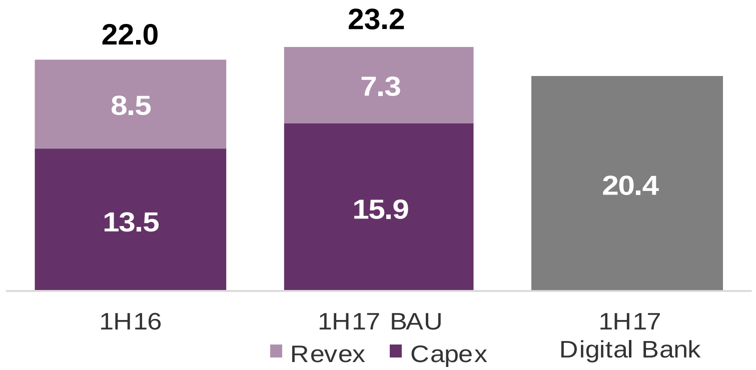
Controlled cost growth (£m)



Strong JAWS



Increased investment (£m)

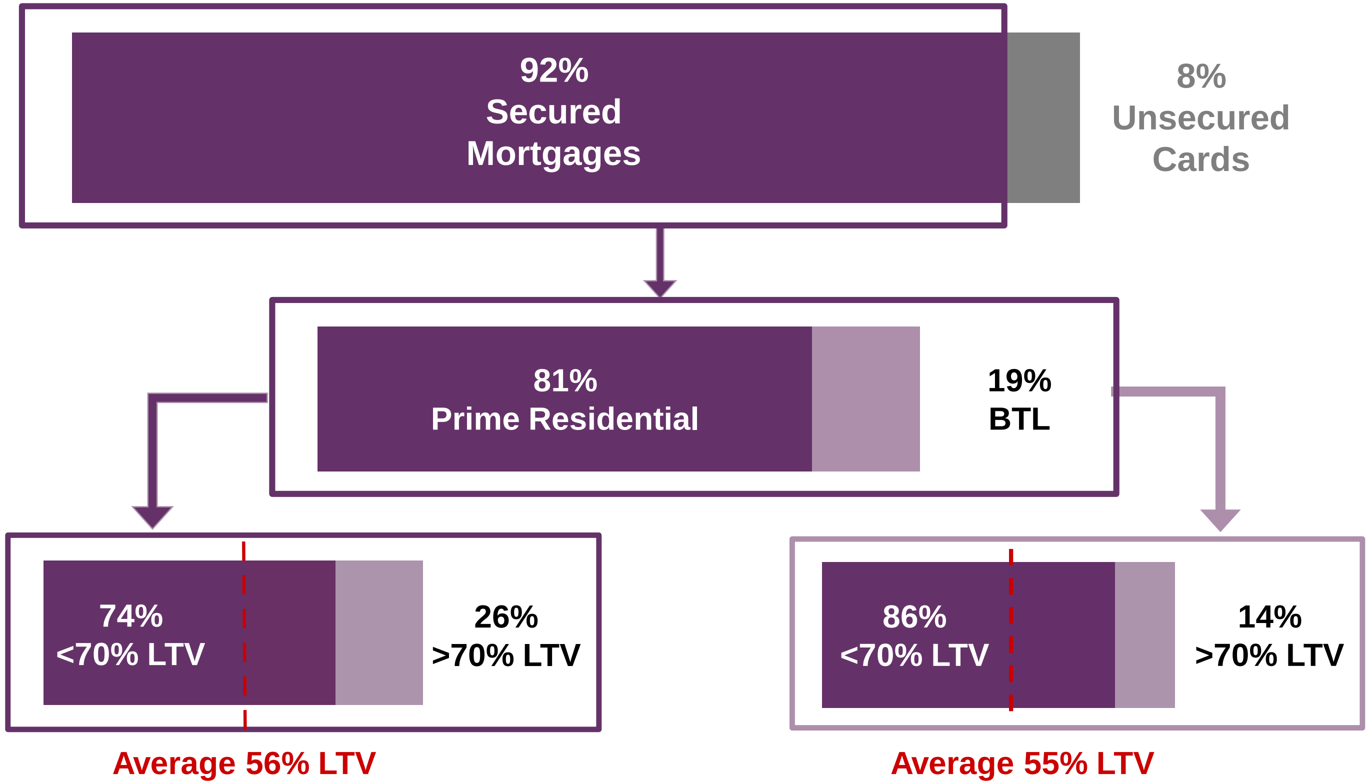


Continued progress to exit cost:income ratio of 50%

Source: Company information for all data

Strong asset quality

Uncomplicated, high quality lending portfolio



No unsecured personal loans, car loans or commercial real estate loans

Source: Company information for all data

Strong and improving credit metrics for mortgages

Mortgage key performance indicators demonstrate a low risk and resilient book

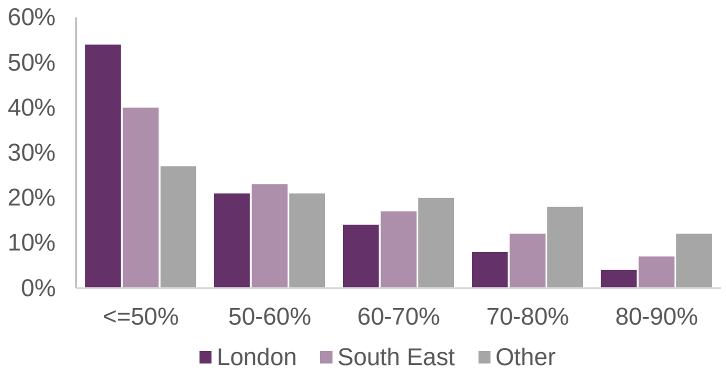
Strong customer affordability

Net free income under stress of SVR +3% since 2014

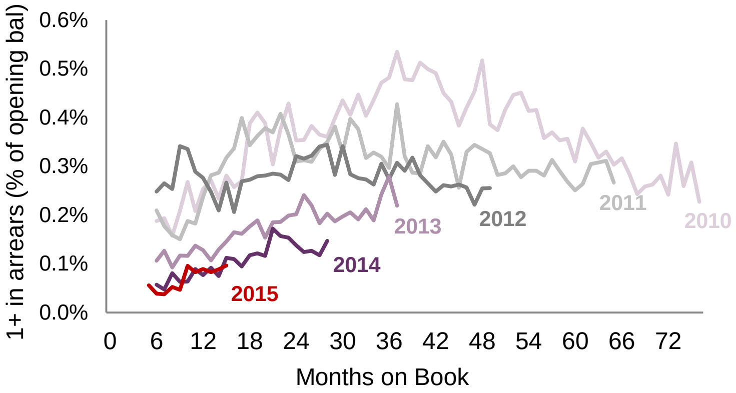
Debt to income limit

Loan to income limit

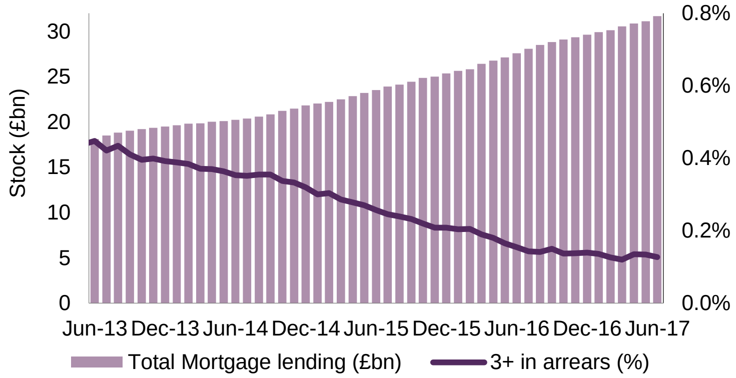
Low LTV in London and the South East



Vintage arrears data shows improving trends



Reducing arrears trend and book growth

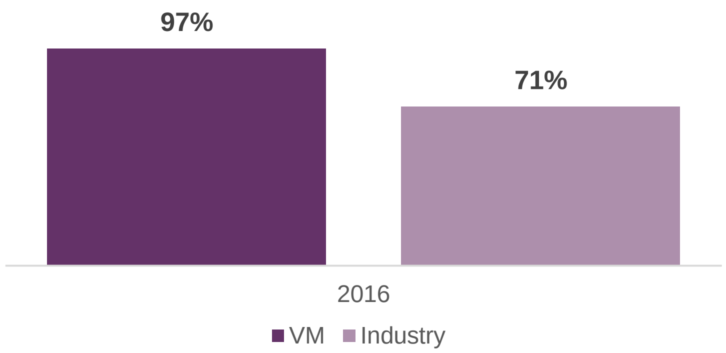


Source: Company information for all data

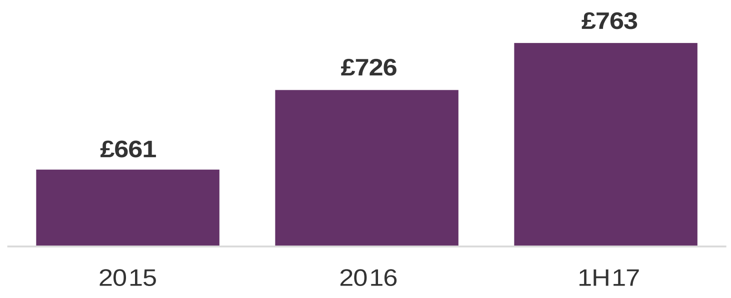
Affordability stress builds resilience in cards book

Affordability testing is consistently applied and more stringent than peers

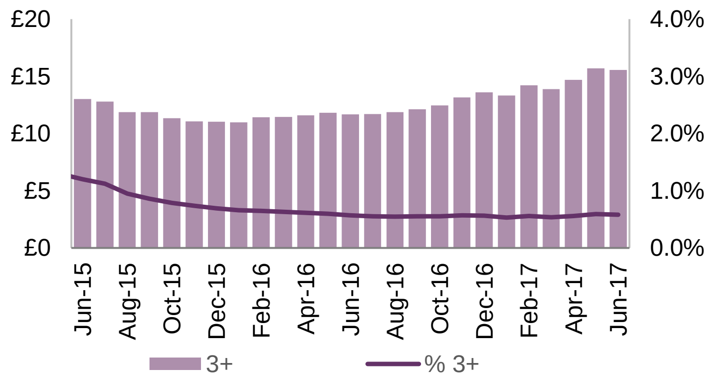
2016 originations focused on low risk BT customers[1]



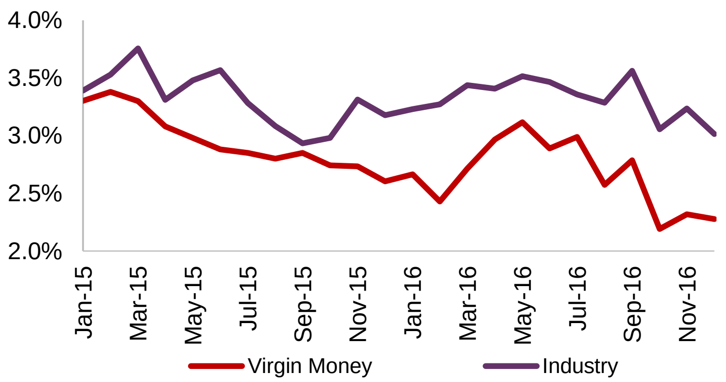
Affordability drives strong net free income



Low and stable arrears



Lower charge off rate than industry and benchmark[2]



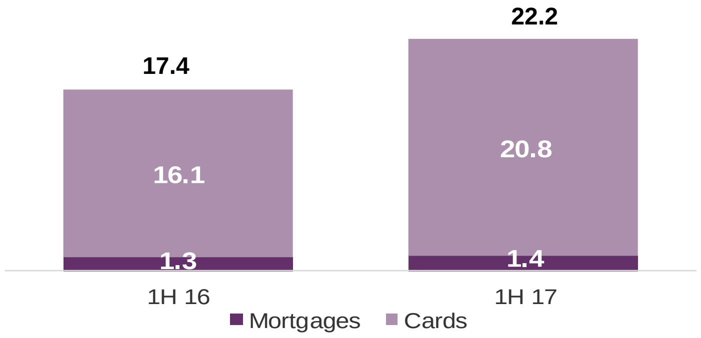
Source: Bridgeforce third party review, based on Argus Information and Advisory Services, and company information

Note: (1) Low risk <1% expected 12 month loss rate (2) annualised asset charge off rate, 12 months lagged

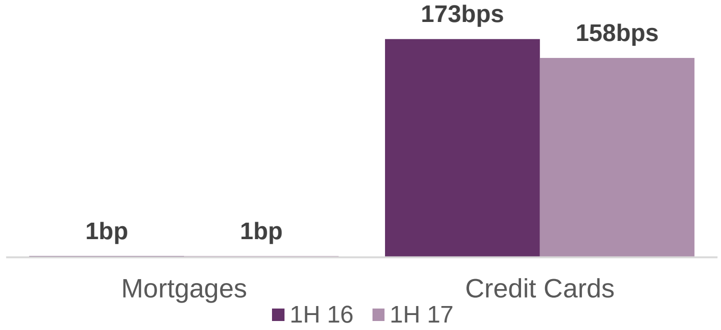
Credit performance reflects high quality assets

Low impairments and low cost of risk,with improving provision coverage ratios

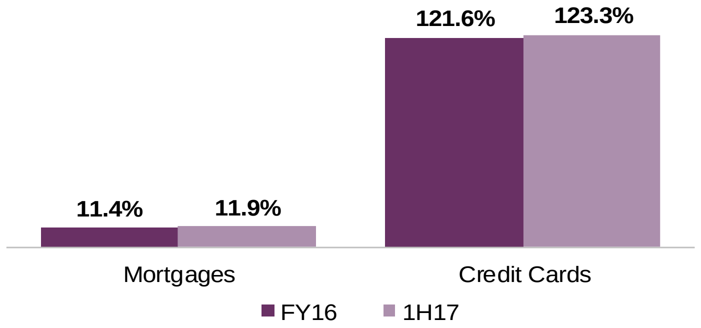
Impairment charge (£m)



Group cost of risk of 13bps



Provision coverage[1]



Macro-economic impact on cost of risk[2]

Factor	Change	Impact CoR[1]
Unemployment	+1%	+6bps
Base rate	+1%	+0.6bps
HPI	-5%	+1bp

Increase in provisions under IFRS9 at 30 June expected to be <£50 million

Source: Company information for all data

Note: (1) Provision coverage of impaired loan balances (2) Caveat – single variant impacts

Statutory profit after tax

Underlying profit flows through to strong statutory profit growth

£m	1H17	1H16	Change (%)
Underlying Profit	**128.6**	**101.8**	**26%**
IPO share based payments	(0.6)	(1.4)	
Strategic items	(5.5)	1.7	
Simplification costs	-	(3.3)	
Fair value gains/losses	1.3	(5.1)	
Statutory profit before tax	**123.8**	**93.7**	**32%**
Taxation	(33.3)	(26.2)	27%
Statutory profit after tax	**90.5**	**67.5**	**34%**

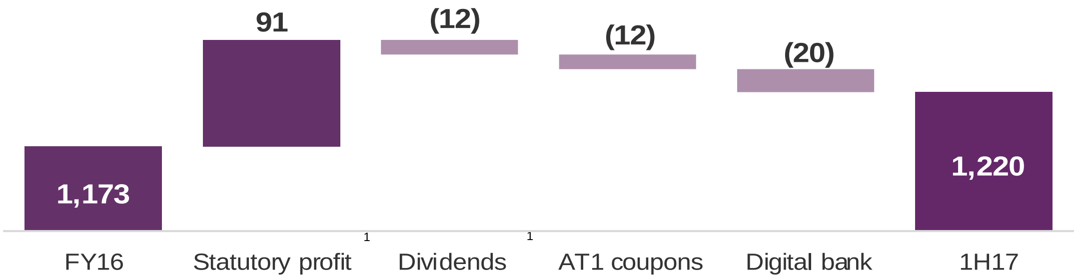
Underlying profit approximates closely to statutory profit before tax

Source: Company information for all data

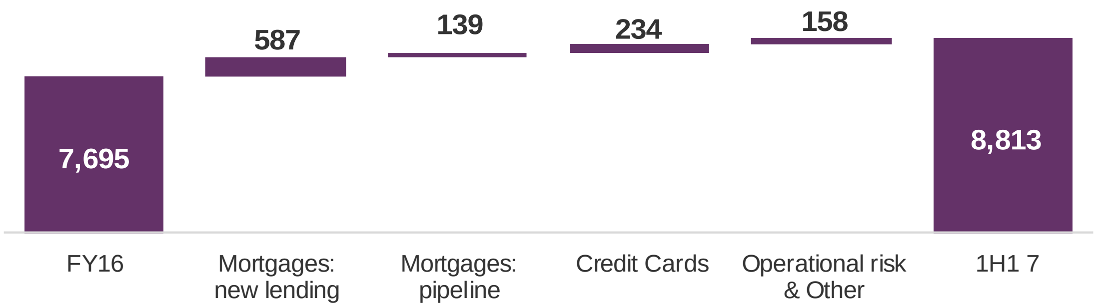
Robust capital position supports planned growth trajectory

Retained earnings create capacity for growth, investment and distributions

CET1 (£m)



RWAs (£m)



13.8%
CET1 Ratio

18.4%
Total Capital Ratio

3.9%
Leverage Ratio

Source: Company information for all data

Doing what we said we would do

Measure	H1 17
Mortgages	3.5% share
Credit Cards	£2.8bn balances
L:D ratio	117.0%
NIM	159bps
C:I Ratio	53.9%
Cost of risk	13bps
CET1 ratio	13.8%
Leverage ratio	3.9%

UPBT
£128.6m
+26%

RoTE
13.3%
+1.1pp

1.9p
Interim dividend
+19%

Source: Company information for all data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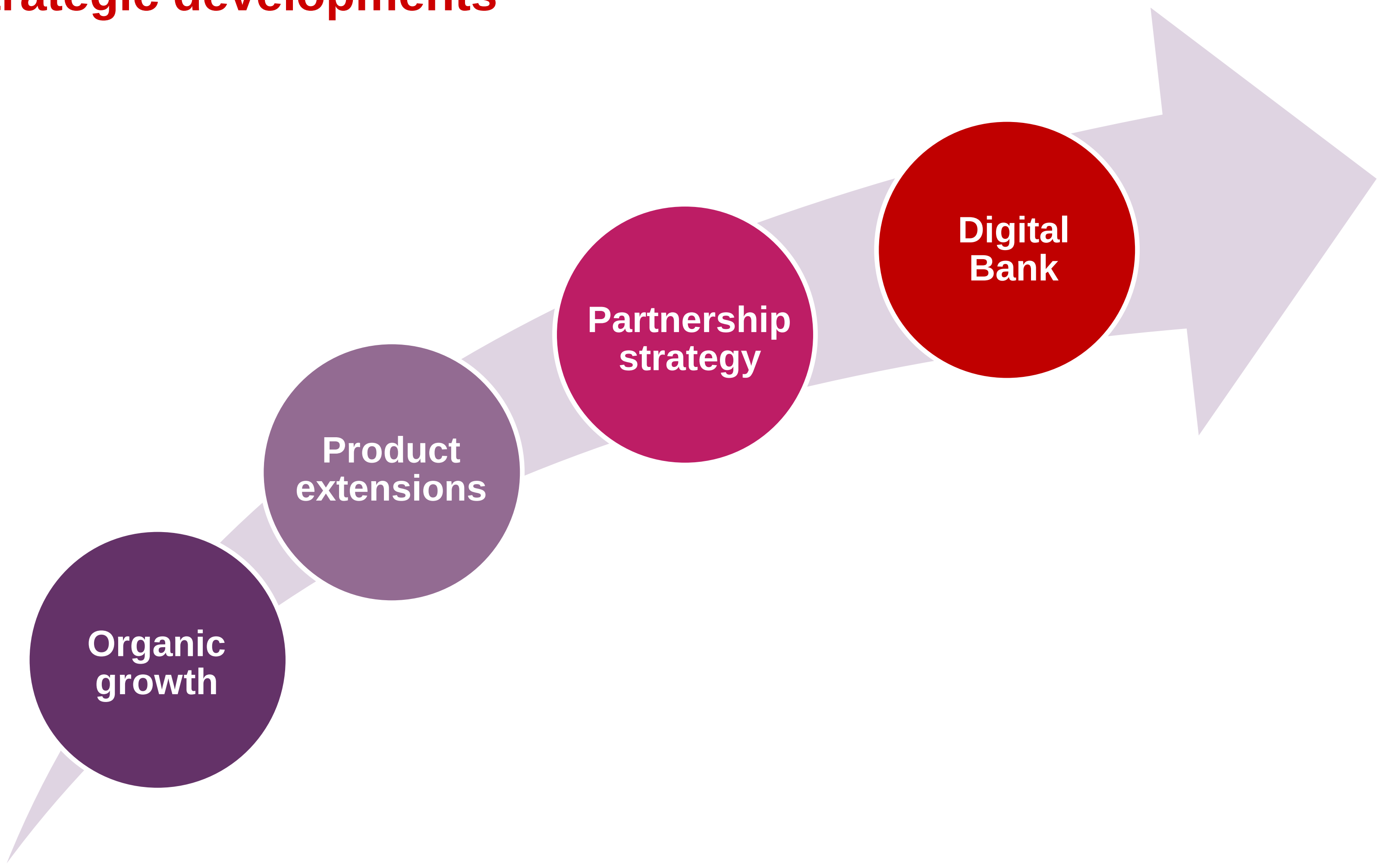
Outlook

		FY 2017 Guidance
Growth	Mortgages	3-3.5% of gross lending
	Credit Cards	£3bn by end of 2017
	OOI	Around 10% of total income
	L:D ratio	Towards 120% due to TFS
Quality	Cost of Risk	Marginally higher than H1 17
	CET1 Ratio	12% minimum
	Leverage Ratio	3.6% minimum
Returns	NIM	Lower end of 157-160bps
	Banking NIM	Stable at around 172bps
	C:I Ratio	50% by end of 2017
	RoTE	Solid double digit returns

Strategic developments



Q&A

Forward looking statements

This document contains certain forward looking statements with respect to the business, strategy and plans of Virgin Money 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'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 (including but not limited to the payment of dividends) to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by Virgin Money or on its behalf include, but are not limited to: general economic, business and political 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 interest rates (including low or negative rates), 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 or a further possible referendum on Scottish independence; 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; actions or omissions by Virgin Money's directors, management or 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, lending companies and digital innovators and disruptive technologies; 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.

The results of the Group and its business are set out in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out in the opening section of the 2017 Results News Release