VIRGIN MONEY: Q3 2015 TRADING UPDATE

Virgin Money Holdings (UK) plc (the "Group") has delivered a strong trading performance in the third quarter of 2015 as it continues to create Britain's leading challenger bank.

Key Highlights

- Gross mortgage lending up 38% on the first nine months of 2014 to £5.5 billion
- Net mortgage lending almost doubled in the same period to £2.6 billion
- Credit card outstandings increased 28% to almost £1.4 billion from 30 June 2015
- Profitability further improved due to continuing benefits from growth towards scale
- Net Promoter Score of +87 for the new Haymarket Lounge in its first 30 days of opening
- New Home and Motor Insurance proposition launched with strategic partner Ageas

Jayne-Anne Gadhia, Chief Executive Officer said:

"I am delighted with the strong performance of the business in all areas in the first nine months of 2015. I am particularly pleased with the continuing strength of our mortgage business. Gross mortgage lending increased by 38 per cent to £5.5 billion and net lending almost doubled to £2.6 billion compared to the first nine months of 2014.

The demand for our new range of credit cards has exceeded expectations in the quarter as customers have responded to the quality and breadth of our proposition. As a result we remain confident that we can grow our credit card business to our target of £3 billion of balances by the end of 2018.

In summary, Q3 has seen a continuation of delivery on our promises on all key metrics. In the same way, we have continued to build out our capabilities and we have made further and considerable progress towards our long-term strategic objectives. We remain focused on delivering growth, quality and returns for the benefit of all of our stakeholders."

Business review

	9 months to 30 September 2015	9 months to 30 September 2014	Growth
Gross mortgage lending (£ bn)	5.5	4.0	+38%
Net mortgage lending (£ bn)	2.6	1.3	+98%

Virgin Money grew gross mortgage lending by 38% to £5.5 billion in the first nine months of 2015 compared to the same period in 2014. Total gross mortgage lending in the market increased by 2.6%[1] in the eight months to the end of August compared to the same period in 2014. The Group's share of gross mortgage lending in the first eight months of the year was 3.5%[1]. Net mortgage lending almost doubled to £2.6 billion from £1.3 billion in the first nine months of 2014 while mortgage balances at 30 September 2015 were £24.5 billion, an increase of 12% from £21.9 billion at year end.

As a consequence of the competition seen in the mortgage market, asset spreads remain under pressure. The Group has taken successful action to mitigate asset spread compression within existing risk appetite.

During the quarter Virgin Money continued to manage the cost of funds successfully. Retail deposits increased by 3% from 30 June 2015 to £23.7 billion.

1. Market data from the Bank of England is currently only available until the end of August

Credit card balances stood at almost £1.4 billion at the end of the quarter as Virgin Money grows towards its target of £3 billion of credit card outstandings by the end of 2018. The Group has continued to expand and develop its credit card offering in the quarter with a range of products relevant to customers' borrowing and spending needs. The cards business continues to contribute as planned to net interest margin (NIM).

During the third quarter NIM was in line with expectations due to successful deposit price management broadly compensating for asset spread compression.

Other income grew in line with our plans during the period. In particular, Q3 2015 saw strong growth in current account sales. Virgin Money continues to make planned progress in developing the insurance business with Home and Motor insurance launched to customers earlier this week. Following that launch, all the foundations for the growth of the Current Account, Insurance and Investments businesses are in place.

Asset quality remained strong and in line with expectations with a continued low level of impairments in the quarter.

Similarly, costs were stable and on track to meet expectations for the full year. Profitability continued to improve during the quarter as the Group further benefited from operational leverage.

Underlying return on tangible equity continued to grow in line with the expectation of achieving mid-teens returns by the end of 2017.

Continued strong capital ratios position Virgin Money both for growth and to be able to meet known changes in regulatory capital requirements.

The Group remains focused on prudent and efficient liquidity management which enables it confidently to meet all the current and known future regulatory liquidity requirements. During the third quarter the loan-to-deposit ratio increased slightly in line with expectations.

Outlook

Virgin Money has performed strongly in the first nine months of the year with mortgage growth, cards growth, NIM and RoTE all performing in line with expectations.

With re-mortgage volumes growing and helping to drive year on year growth in overall gross mortgage lending in the third quarter, Virgin Money expects front book asset spreads to remain broadly stable at current market rates for the rest of 2015 and into 2016.

Virgin Money reaffirms the NIM guidance given at the half year and continues to expect a full-year NIM slightly ahead of 160bps.

Virgin Money continues to be confident of delivering on its medium term targets as previously guided. This includes achieving a mid-teens return on tangible equity by the end of 2017 having absorbed the impact of the bank surcharge.

MORE ON OUR STORY

Each quarter we will continue to update the market on selected aspects of our progress and achievements during the period.

MORTGAGES

Virgin Money's share of gross mortgage lending in the first eight months of the year was 3.5%

We continue to make good progress with our Intermediary partners and in June won the "Best Lender for Partnership with Mortgage Club" at the L&G Mortgage Club annual awards. This was in recognition for our work in developing the Virgin Money Intermediary proposition and franchise. Year to date our intermediary Net Promoter Score has improved to +40.

CREDIT CARDS

We had achieved a 1.8% share of the £62 billion cards market in the first half of 2015. This momentum has continued into the third quarter with the latest data from the Bank of England showing that we had increased our share of the cards market to 2.0% at the end of August. We have achieved our targets for new account sales and balances by offering relevant and competitive products to our customers.

Unlike most credit card providers in the UK, we ensure that all successful applicants receive the promotional rate and duration they apply for. We do not offer shorter balance transfer periods nor higher interest rates to customers as part of the application process.

SME

As we commence our plans to evaluate SME banking, we are delighted to welcome George Ashworth to Virgin Money. George has a 25 year track record in SME banking and was previously Head of Asset Finance at Aldermore Bank plc and Chairman of the Asset Finance Division of the Finance & Leasing Association. He joins us from ABN AMRO Lease NV where he was Managing Director of the UK Branch. We look forward to him joining Virgin Money.

INSURANCE

We launched a new Home and Motor Insurance proposition with our strategic partner Ageas earlier in October and look forward to reporting on our progress at full year results.

CUSTOMERS

During the quarter we saw continued growth in customer numbers, particularly in mortgages and credit cards.

In August we opened our sixth Virgin Money Lounge in Haymarket, London. The new Lounge opened its doors on Monday 10 August and delivered a Net Promoter Score of +87 in its first 30 days of opening.

In August we launched our new Travel Money Service in partnership with Travelex. Customers can order their foreign currency online, by phone or in any Virgin Money Store.

COLLEAGUES

We continue to focus hard on building a banking culture for the future in line with our corporate ambition to make 'everyone better off'. The results of our Staff Engagement Survey continue to be world-class, with an industry-leading staff engagement score of 88 per cent, up from 86 per cent in 2014.

COMMUNITY

In August we launched the Virgin Money Foundation – a new, independent charitable foundation that will focus initially on community projects in the North-East of England, and over time will grow to operate nationally. The Foundation will promote the sustainable regeneration of economically and socially deprived communities in the UK.

Analyst and investor call

An analyst and investor call will be held as follows:

Date: Thursday 15 October 2015
Time: 9.30am
Dial: +44 20 3059 8125
An operator will assist you in joining the call.

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NOTES TO EDITORS

About Virgin Money

- Virgin Money provides savings, mortgages, credit cards, current accounts, pensions, investment and insurance 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.

Note: all figures contained in this trading update are unaudited

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; 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 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.

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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