WELCOME AND INTRODUCTION

Why we are here...

- Present refreshed group strategy
- Update on exciting brand opportunities
- Outline new divisional structure and plans
- Explain how we will transform the business
- Provide clear medium-term strategic and financial targets

...agenda for the day

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Presenter</th>
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<tbody>
<tr>
<td>08:30</td>
<td>Strategic overview</td>
<td>David Duffy</td>
</tr>
<tr>
<td>08:50</td>
<td>Virgin Money brand</td>
<td>Helen Page</td>
</tr>
<tr>
<td>09:05</td>
<td>Business</td>
<td>Gavin Opperman</td>
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<tr>
<td>09:25</td>
<td>Personal</td>
<td>Fergus Murphy</td>
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<tr>
<td>09:45</td>
<td>Mortgages</td>
<td>Hugh Chater</td>
</tr>
<tr>
<td>10:05</td>
<td>Q&amp;A</td>
<td>All</td>
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<td>10:30</td>
<td>Coffee break</td>
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<td>11:00</td>
<td>Transformation</td>
<td>Fraser Ingram</td>
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<tr>
<td>11:20</td>
<td>Financials</td>
<td>Ian Smith</td>
</tr>
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<td>11:40</td>
<td>Strategic ambition</td>
<td>David Duffy</td>
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<td>Q&amp;A</td>
<td>All</td>
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<tr>
<td>12:30</td>
<td>Lunch</td>
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</table>
WE HAVE THE PLATFORM TO DISRUPT THE STATUS QUO...

With our complementary capabilities...

<table>
<thead>
<tr>
<th>Loyal regional customer base and digital proposition + Trusted, national brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Banking digital platform + Larger 6.4m combined customer base</td>
</tr>
<tr>
<td>180 years of banking expertise + Innovative disruptor</td>
</tr>
<tr>
<td>Regional coverage + Complementary presence</td>
</tr>
<tr>
<td>Full Personal &amp; Business product set + Strength in mortgages and credit cards</td>
</tr>
</tbody>
</table>

...we are well positioned to disrupt

- **Iconic brand** – nationally recognised; Virgin partnership opportunities
- **Digital leadership**, a single Open Banking platform to support all 6.4m customers
- **People with Purpose** who energetically deliver the best customer experiences
- **National coverage and scale**
- **Full suite of Personal and Business products**
...WITH A STRATEGY TO MITIGATE INDUSTRY PRESSURES...

A muted economic outlook...

Real GDP growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.8</td>
<td>1.8</td>
<td>1.4</td>
<td>1.3</td>
<td>1.6</td>
<td>2.0</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Average base rate (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.0%</td>
<td>4.4%</td>
<td>3.8%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Note: our targets assume only one rate rise to FY22

Unemployment (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4.9</td>
<td>4.4</td>
<td>4.1</td>
<td>3.8</td>
<td>3.8</td>
<td>3.7</td>
<td>3.6</td>
</tr>
</tbody>
</table>

...offset by self-help opportunities

Mortgage margin and funding cost pressures

Significant cost opportunity through scale and digitisation

Digital competition

Margin accretive asset & deposit growth

Brexit and economic uncertainty

Enhance our leading digital proposition

Forecasts: Oxford Economics, 13 June 2019
...AND A CLEAR TRACK RECORD OF DELIVERY

Strong delivery credentials...

Efficiency
• Successful cost reduction and efficiency programme delivery

Digital
• Build, integration and scaling of our digital platform
• First to offer account aggregation to customers using secure Open APIs
• First to offer mobile cheque clearing

Project Management
• Complex NAB separation programme
• IRB programme delivery
• Migration of MBNA cards

...with a low-complexity integration plan

Part VII process completion expected October 2019

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>VM Personal Current Accounts</td>
<td>Transfer via Current Account Switching Service (CASS)</td>
</tr>
<tr>
<td>VM Personal &amp; Business Savings</td>
<td>Bulk redirection service: industry process for accounts not covered by CASS</td>
</tr>
<tr>
<td>VM Mortgages and Fixed Term Savings</td>
<td>Renewal on target platform</td>
</tr>
<tr>
<td>CYBG Personal Credit Cards</td>
<td>CYBG accounts migrate to the TSYS platform</td>
</tr>
</tbody>
</table>
OUR PURPOSE AND AMBITION DRIVE OUR STRATEGIC PRIORITIES...

Our purpose: Making you happier about money
Our strategic ambition: To disrupt the status quo
Our strategic priorities:
- Pioneering growth
- Delighted customers and colleagues
- Super straightforward efficiency
- Discipline and sustainability

Powered by our:
- Highly trusted brand
- People with purpose
- Digital leadership

Delivered brilliantly in line with our values:
- Heartfelt service
- Insatiable curiosity
- Smart disruption
- Red hot relevance
- Straight up
- Delightfully surprising
…TO CREATE SIGNIFICANT SHAREHOLDER VALUE…

Our strategic priorities…

| Pioneering growth | Reshape balance sheet mix: |
|                   | • grow margin accretive assets |
|                   | • grow low cost relationship deposits |

| Delighted customers and colleagues | Enhance the customer experience |
|                                   | • Encourage digital adoption |
|                                   | • Colleagues delivering our purpose |

| Super straightforward efficiency | Realise integration synergies |
|                                  | • Digitise and simplify the business |
|                                  | • Streamlined operating model |

| Discipline and sustainability | Maintain a disciplined risk approach |
|                               | • Optimise the Group’s RWAs |
|                               | • Deliver sustainable returns |

...drive our key financial targets...

- 75% mortgages
- 15% business
- 10% unsecured

| ...delivering strong returns and business momentum |
|                                                |
| Ambition for asset mix in medium term |

| Statutory RoTE by FY22 |
|                        | >12% |

| CET1 generation p.a. by FY22 |
|                            | >100bps |

| Progressive & sustainable |
|                           | ordinary dividend c.50% payout ratio over time |

| Significant efficiencies by FY22: |
|                                   | <£200m net cost savings |
|                                   | <£780m costs |
|                                   | mid 40%s cost: income ratio |

| <30bps cost of risk to FY22 |
| c.13% CET1 ratio |
…DELIVERED THROUGH OUR CLEAR DIVISIONAL PLANS

**Business**
- Expand our relationship proposition nationally
- Launch Virgin Money for business
- Enhance the customer experience

**Personal**
- Transform our relationship proposition
- Enhance the customer experience
- Deepen our customer relationships

**Mortgages**
- Digitise the customer experience
- Maximise relationships to create brand advocates
- Optimise the franchise for value

UNDERPINNED BY OUR

- Highly trusted brand
- People with purpose
- Digital leadership
VIRGIN MONEY BRAND

Helen Page
TOGETHER WE CREATE A BIGGER, BOLDER VIRGIN MONEY...

A STRONGER BANK

- 6.4m customers
- National network
- Strong digital capability
- Full product set

BETTER THAN BOTH

ENHANCED OPPORTUNITY

- Unified branding
- Wider customer appeal
- Relationship opportunity
- Customer advocacy growth

UNDERPINNED BY AN ICONIC BRAND

100% Brand awareness
87% Brand consideration

Source: Incite Consulting, October 2018
…WITH ALL OF THE ELEMENTS NOW IN PLACE TO FULLY LEVERAGE THE OPPORTUNITY WITHIN OUR BRAND…

<table>
<thead>
<tr>
<th></th>
<th>CyBG</th>
<th>Virgin Money</th>
<th>Money</th>
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<tbody>
<tr>
<td>Customer scale</td>
<td>🟢</td>
<td>🟢</td>
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</tr>
<tr>
<td>Current A/C relationship</td>
<td>🟢</td>
<td>-</td>
<td>🟢</td>
</tr>
<tr>
<td>Business banking</td>
<td>🟢</td>
<td>-</td>
<td>🟢</td>
</tr>
<tr>
<td>Digital capability</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
</tr>
<tr>
<td>National network</td>
<td>🟢</td>
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<td>🟢</td>
</tr>
<tr>
<td>National brand</td>
<td>🟢</td>
<td>🟢</td>
<td>🟢</td>
</tr>
<tr>
<td>Loyalty mechanism</td>
<td>-</td>
<td>🟢</td>
<td>🟢</td>
</tr>
</tbody>
</table>

**instant SCALE**
A captive audience of 6.4m customers with a full product range on which to build a primary banking relationship

**national REACH**
UK-wide presence supporting national acquisition beyond traditional heartlands

**beyond BANKING**
26m UK customers with an existing Virgin relationship, open to other Virgin brands
THAT LIVES WITHIN A FAMILY OF BRANDS COVERING A WIDE RANGE OF CONSUMER AND BUSINESS SECTORS

Virgin Money’s growth will benefit from:

- the breadth of Virgin relationships
- the diverse range of history and expertise within the Virgin companies
- the pipeline of new activity in place for 2020
THE VIRGIN BRAND IS PROVEN TO CREATE TANGIBLE COMMERCIAL VALUE

1. SCALES FAST
   Virgin companies build awareness quickly and demonstrate rapid growth potential

2. LOYAL COMMUNITIES
   The more Virgin companies a customer uses, the higher openness and preference they show for Virgin overall

3. COMMANDS A PREMIUM
   Virgin companies have demonstrated an ability to charge a 10%+ premium vs. competitors for similar products & services

4. BOOSTS MARKET SHARE
   Research shows rebranding a business as Virgin could deliver an immediate uplift of up to 42% in consumer choice

5. MARKETING EFFICIENCY
   Marketing spend can be up to 10x as efficient at driving consideration for Virgin companies versus peers

6. ATTRACTS & RETAINS TALENT
   Virgin companies can show an employee churn rate >20% lower than their industry peers

Source: Project Intellect, independent research on Virgin brand and individual Virgin company analysis provided by Virgin Enterprise Limited
ATTRACTING AN ADVENTUROUS, OPTIMISTIC AND MORE AFFLUENT AUDIENCE FOR VIRGIN MONEY TO ENGAGE

AN AFFLUENT CUSTOMER SET

44% of ABC1 adults profess an affection for the brand

This represents a potential market of c.10m professional people

WITH HIGHER HOUSEHOLD INCOME

+20% higher household income for brand aficionados

AND A GENERAL ZEST FOR LIFE

Adventurous in the things they buy and do
Strive to be at the forefront of new trends
Willing to pay more for a brand they love
Prioritise convenience over price
More likely to be entrepreneurial

WITH WHOM CYBG ARE ALREADY CONNECTED

c.20% of active CYBG current account customers are currently transacting with Virgin companies

Spending

c.£600m in 2018

With an average Virgin product holding of

2.5

Source: Virgin Growth Audiences, UK Profiles, 2018, ONS census and socio demographic information and CYBG transactional current account data for 2018. ABC1 defined as managerial, administrative and professional members of the population
PERSONAL & MORTGAGE

Perceptions of Virgin Money

OPTIMISTIC  INSPIRING  FUTURE FOCUSED

BUSINESS

Perceptions of Virgin Money

MODERN  NEW & DIFFERENT  INNOVATIVE

Source: CYBG, SME Brand Perception Research, 2018 and VM Brand Proposition Development Research, 2019

THE VIRGIN MONEY BRAND ALREADY RESONATES WITH BOTH CUSTOMERS AND PROSPECTS...
...AND WE ARE TAKING A PURPOSE-LED APPROACH TO DRIVE SMART DISRUPTION IN OUR SECTOR...

Example purpose statements of other Virgin companies:

- An epic sea change for all
- Building connections that really matter
- Everyone leaves feeling better
- Everyone can take on the world

PURPOSE-LED BRANDS DRIVE DEEPER CONNECTIONS

- Strategic alignment & a strong corporate culture
- Enhanced customer and partner affinity
- Increased brand trust and sentiment
- Higher consideration through standing apart

Source: Accenture, December 2018
…WITH A UNIQUE OFFERING THAT COMBINES BRILLIANT BANKING WITH REWARDS FOR LEADING A LIFE MORE VIRGIN…

BRILLIANT BANKING
NOBODY DOES IT LIKE VIRGIN

A LIFE MORE VIRGIN
NOBODY CAN DO IT EXCEPT VIRGIN

DELIGHTED CUSTOMERS
SUPER EFFICIENT
PEOPLE WITH PURPOSE

FORCE FOR GOOD
UNIQUE EXPERIENCES

PERSONAL

BUSINESS

MORTGAGE

PRODUCTS
CHANNELS
PEOPLE

GIVING
REWARDS
...DELIVERED THROUGH AN UNMISTAKABLY VIRGIN EXPERIENCE THAT CUSTOMERS WANT TO BE PART OF...

1: Digital

2: Spatial

3: Human

embed the ‘Virgin personality’ within every interaction

create feelgood physical experiences

start with conversations not transactions

OUR AMBITION: DELIVER A SUPERIOR EXPERIENCE, TOP 3 IN THE CMA CUSTOMER SERVICE RANKINGS BY FY22
A modern makeover for a trusted brand that builds from the joy of our new purpose and celebrates a different approach to banking
WE WILL TAKE A PHASED APPROACH TO OUR RELAUNCH, REBRAND AND MIGRATION...

**NEW CUSTOMERS**

**PERSONAL**
New VM current a/c and linked savings

**PERSONAL**
New VM personal loan

**BUSINESS**
New VM current a/c

---

**Topco Naming**
Q4 '19

**Soft Launch**
End '19

**Full launch**
H1 '20

**H2 '20**

2021

**GROUP ENTITY**
Renamed Virgin Money UK PLC

**B**
Full rebrand, including stores

**YB**
Rebrand of network & back book starts

**VM & CB**
VM migration, CB rebrand starts

**REBRAND TAIL**
Mortgages and savings rebranded at maturity

New brand launched once a critical mass of front book products re-branded
... AND WE’LL LAUNCH WITH AMBITION, RAPIDLY ACCELERATING AWARENESS AND CONSIDERATION

HIGH PROFILE MEDIA

DIGITAL CONNECTION

BOLD MESSAGES
BUSINESS

Gavin Opperman
DELIVERING GROWTH IN AN EVOLVING MARKET

Business banking market is changing...

- 
  - GDP growth below long-term trend
  - CYBG SME health index near 5-year low; Brexit impacting business confidence

Government / regulatory

- Ring-fencing impacts
- RBS Alternative Remedies

Customer behaviour

- Complex demands need human support
- Fintech entrants expanding customer choice

Digitisation

- Greater demand for digital
- Open Banking supports switching

Competition

- Concentrated market - 90% share for big 5 banks
- Incumbents and disruptors address different customers

Core SME lending balances

**£bn**

<table>
<thead>
<tr>
<th>Year</th>
<th>Lending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>6.0</td>
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<tr>
<td>FY16</td>
<td>6.4</td>
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<tr>
<td>FY17</td>
<td>6.8</td>
</tr>
<tr>
<td>FY18</td>
<td>7.2</td>
</tr>
</tbody>
</table>

**+20%**

During the period a sizeable portfolio of non-core assets have also been run-off
WE ARE A RECOGNISED FULL SERVICE BUSINESS BANK...

Established franchise, regional scale...

- **c.3.5%** market share of BCAs (national)
- **>10%** market share of BCAs (regional) in Scotland and Yorkshire
- **c.200k** customers - half have been with CYBG >10 yrs
- **>300** relationship managers – avg. tenure of 14 yrs
- **£10.4bn** deposits – average cost of c.40bps - H1 19
- **£7.6bn** assets – average yield of 417bps - H1 19

...with a targeted market focus

- **Dedicated expertise, broad product capabilities**
  - Compete where we have knowledge, products and deep relationships, e.g:
    - Agriculture
    - Healthcare
    - Renewables
  - Expertise and overall proposition enables value capture

- **Selective approach**
  - Proven risk management capability and strong asset quality
  - Don’t compete where we lack expertise:
    - Large institutions
    - Speculative development
    - Commercial Real Estate
    - Complex derivatives
...WITH STRONG SECTORAL RELATIONSHIPS AND EXPERTISE...

£7.6bn diversified lending book...

H1 19

- CRE: 8%
- Housing Associations: 3%
- Retail & wholesale trade: 10%
- Gov’t, health and education: 12%
- Business services: 14%
- Manufacturing: 10%
- Hospitality: 8%
- Agriculture: 19%
- Transport and storage: 4%
- Entertainment: 2%
- Other (1)
- Construction: 2%
- CRE: 11%

...with strong relationship deposits

- Majority of deposits from trading business accounts:
  - BCAs provide stable funding
  - Linked accounts provide low-cost funding
  - Digital and spatial key to servicing customers

- Relationship deposits are a valuable component of Group funding:
  - Sticky deposits with low liquidity requirements
  - Lower average cost than personal deposits

Liabilities – Product Split

- Term Lending
- Overdraft
- Asset Finance
- Invoice Finance
- Trade Finance

Assets – Product Split

- Term Lending
- Overdraft
- Asset Finance
- Invoice Finance
- Trade Finance

Liabilities – Product Split

- On demand
- Non-interest bearing
- Savings
- Term Deposits
...AND A SERVICE MODEL DESIGNED TO MEET CUSTOMER NEEDS

**Customer segmentation...**

- Turnover up to £2m
- Borrow up to £500k
- Ease of access is key

- Turnover > £2m to c.£25m
- Borrow £250k - £10m
- Local support required

- Turnover > £2m to £100m
- Borrow £250k - £35m
- Specialist skills required

**...drives service model needs**

**Small**
- Digital self-service
- Supported by named telephony relationship manager (RM)

**Commercial**
- Local, in-person RM across 40 business centres in UK
- Supported by UK phone and local treasury teams
- Agricultural RM specialists across the UK

**Corporate & Specialist**
- Mid-size firms can access large corporate capabilities
- Cover complex events and sectors incl. FinTech, Health & Social Care, Renewables

**Direクト**

**Local RM**

**Specialist RM**
WE HAVE A CLEAR DIVISIONAL AMBITION AND STRATEGY

Our ambition

HELP BUSINESS OWNERS REALISE THEIR POTENTIAL AND ACHIEVE THEIR DREAMS

Our strategy

Expand our relationship proposition nationally

Expand our existing sector relationship approach:
• roll-out the proposition nationally
• enhance and streamline our product suite

Launch Virgin Money for business

Deploy our iconic, entrepreneurial brand:
• into a receptive national marketplace
• leverage our existing relationship and service strengths

Enhance the customer experience

Use our existing technology platform to:
• digitise our on-boarding, self-service
• build a full digital relationship proposition
EXPAND OUR RELATIONSHIP PROPOSITION NATIONALLY

Established presence, strong in our heartlands...

...with a significant national growth opportunity...

...addressable by expanding our relationship proposition

Customer numbers

77% Heartlands
- 37% Scotland
- 24% Yorkshire & Humber
- 11% North West
- 5% North East

23% rest of UK
- 8% East
- 4% West Mids
- 3% London
- 3% South East
- 5% Other

68% of UK businesses are not in our heartlands:

- Heartlands, 32%
- London, 19%
- South East, 15%
- East England, 10%
- South West, 9%
- West Mids, 8%
- Other, 7%

Number of businesses per region – taken from Business Populations, Department for Business, Energy and Industrial Strategy.

- Named, remote RM for small businesses – backed by national brand
- Local RM for mid / large businesses to be deployed in VM sites
- Expanded sector RM model – supported by enhanced customer economics
- Digital tools support RMs, improving productivity and customer focus
LAUNCH VIRGIN MONEY FOR BUSINESS

Entrepreneurial brand
- Nationally recognised
- Resonates with business aspirations

Increased addressable market
National coverage via:
- digital onboarding
- RM model
- multi-channel servicing
- national physical network

Helping businesses scale
- Offer financial and non-financial services
- Supported by partnerships

Broad product range
- Wide range of products and capabilities
- Made available for ambitious businesses at every stage of lifecycle

Experience and reputation
- Credibility in delivery
- Strong reputation across the business market

VIRGIN MONEY FOR BUSINESS
A new business bank with established trust and expertise
ENHANCE THE CUSTOMER EXPERIENCE

**Digitised on-boarding**
- Simple, straight-through digital on-boarding
- Faster account opening
- Credit decision automation
- Wide range of products to be digitally fulfilled

Raising the bar on what to expect from a business bank

**Digital self serve**
- Significantly improved transactional banking
- Increased digital product capability
- Partnership model for specific requirements
- Multi-channel model – here when you need us

Connect in innovative, simple and dependable ways

**Enhanced relationship offering**

Enhanced digital capability
- Support business expansion
- Digital on-boarding
- Digital product sales
- Automated credit
- Customer analytics
- Pricing insight and economics
- Continued enhancement of internet banking
- Customer Lab – designing future
- Digital RM toolkit
A STRATEGY TO DELIVER OUR DIVISIONAL TARGETS…

**Pioneering growth**

Relationship balances (£bn)
- Linked savings: 1.8
- BCAs: 6.6
- H1 19

Business share of group lending balances:
- c.10%
- H1 19
- Medium term

**Delighted customers and colleagues**

High single digit BCA and Savings balance CAGR
- Improved CMA business banking service quality rankings by FY22
- Supported by growth in BCA market share from c.3.5% to c.5%

**Super straightforward efficiency**

Targeting 70% of businesses using digital as primary channel:
- FY22 70%
- Now c.50%

Targeting 75% of business accounts opened digitally:
- FY22
- Now 0%
- 25%
- 50%
- 75%
- 100%

**Discipline and sustainability**

- Maintain strong risk approach and underwriting standards
- No change to sector focus – expand what we do today on a national basis
- Maintain price discipline & straightforward product set
- Focus on attracting high-quality relationship deposits
…WITH A CLEAR 3 YEAR MILESTONE PLAN

<table>
<thead>
<tr>
<th>Year</th>
<th>Expand</th>
<th>2019/20</th>
<th>2021</th>
<th>2022+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>National rollout</td>
<td>Deepen sector and product specialisms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Launch</td>
<td>Virgin Money for business launched</td>
<td>Rebrand of Yorkshire and Clydesdale complete</td>
<td></td>
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<tr>
<td></td>
<td>Enhance</td>
<td>Enhanced digital on-boarding experience</td>
<td>Automated credit</td>
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<td></td>
<td></td>
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<td>Digital Business hub</td>
<td></td>
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</table>
PERSONAL

Fergus Murphy
OPPORTUNITIES TO DIFFERENTIATE IN A CHANGING MARKET

Personal finance is changing rapidly…

**Economy**
- All-time low unemployment
- Brexit uncertainty

**Government / regulatory**
- Open Banking impact
- GDPR implications

**Customer behaviour**
- Experience economy and high expectations
- Subscription-driven consumption

**Digitisation**
- Influx of challenger banks, Fintechs and tech giants
- Unprecedented pace of change

...as is the operating environment

**Competitive unsecured lending markets**
- Personal loan growth to remain muted given economic uncertainty
- Credit Card market set to plateau given greater regulatory focus

**Deposit competition remains intense**
- PCA switching currently relies on up-front incentives
- Customer inertia at Big 5 banks increases competition for non-PCA / linked deposits

**Competition**
- Influence of aggregators
- Consumer credit growth to remain muted

**...but we have opportunities to mitigate**
- Unique opportunities to address these dynamics with our relationship propositions
WE HAVE A VERY STRONG EXISTING PLATFORM…

A deposit book with opportunities…

Personal deposit mix
H1 19

Credit Cards
- £3.6bn portfolio at H1 19
- Average yield of 7.85% in H1 19
- Arrears\(^1\) of 1.2% at H1 19

Personal Loans
- £0.8bn portfolio at H1 19
- Average yield of 6.23% in H1 19
- Arrears\(^2\) of 0.8% at H1 19

(1) 30 days past due  (2) 90 days past due

\(\text{PCA Linked Savings} \quad 7\%\)
\(\text{PCA} \quad 16\%\)
\(\text{Retail Variable Savings} \quad 35\%\)
\(\text{Retail Term Deposits} \quad 42\%\)
…AND COMBINING THE BUSINESSES OFFERS OPPORTUNITIES…

**THE VIRGIN MONEY BRAND**
Aspirational and trusted

**Recognised consumer champion**
- Brand offers significant opportunities
- Build upon strong Net Promoter Scores (NPS)

**Full digital capability**
- Leading digital platform
- Open Banking ready

**A national network**
- UK-wide coverage
- Branch and telephony

**Full personal finance product capability**
- Current accounts, savings, credit cards and personal loans

**Increased customer base**
- #6 retail bank in UK
- 6.4m customers

RELATIONSHIP-BASED BANKING WILL LEVERAGE THESE STRENGTHS
…TO BETTER ENGAGE OUR NEW CUSTOMER BASE

A more attractive customer base…

VM acquisition added c.1.6m customers in more affluent segments

13% Managing Matures
28% Later Life Pressures
21% Established Affluent
15% Journey to Affluence
23% Aspiring Value Seekers

...with national distribution to service them

Branches

Segment concentration
Journey to Affluence and Established Affluent
UK population distribution

RHS chart shows distribution of UK population in affluent segments

CYBG only
Combined Group

- 30-55 age range
- £90k+ household income
- £100k+ savings

- 35-55 age range
- £50k+ household income
- c.£45k savings
WE HAVE A CLEAR DIVISIONAL AMBITION AND STRATEGY

Our ambition

HELP CUSTOMERS LIVE AND BANK IN A MORE REWARDING WAY

Our strategy

Transform our relationship proposition

- Compelling, rewards-led propositions
- Leverage mutually beneficial value economics to increase low cost relationship PCAs and savings balances

Enhance the customer experience

- Dramatically increase digital adoption
- Re-tool our physical spaces to provide expert advice
- Provide leading self-service capability

Deepen our customer relationships

- Enhance our existing unsecured lending propositions
- Opportunity with a significantly larger customer base under the Virgin Money brand
TRANSFORM OUR RELATIONSHIP PROPOSITION

Non-price led, rewards-based offering...

...to develop our value-based proposition

Compete on value
transition from price-led acquisition to a lower cost, higher value approach

Relationship will share value with the customer:

- Launch rewards based Virgin Money PCA with competitive linked savings offering
- Target large pools of low-cost, inert savings balances held by incumbents
- Customers benefit from great tech, a great account, better rates and great rewards
- We benefit from growth in lower cost current account and relationship deposits

Best in class propositions to help meet money needs and life goals

Relationship offering unique rewards and personalised benefits

Financial needs met
Transact efficiently
Pay and earn
Invest and save
Protect

Plus great rewards
Celebrate and travel
Connect and enjoy
Give

£12.0bn
Linked savings
3.8
H1 19
PCAs
8.2

a high single-digit CAGR
focus on attracting lower cost relationship balances
## ENHANCE THE CUSTOMER EXPERIENCE

<table>
<thead>
<tr>
<th>Digital self serve</th>
<th>Expert advice</th>
<th>Customer contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple straight-through digital on-boarding and servicing</td>
<td>Empower branch staff to become experts in our digital propositions</td>
<td>Increased speed of customer query resolution</td>
</tr>
<tr>
<td>Increase in-app servicing functionality</td>
<td>Increased ability to handle complex technical queries</td>
<td>Minimise need for customers to leave channel of choice</td>
</tr>
<tr>
<td>Customers can easily deepen relationship with us via digital</td>
<td>Create spaces that customers want to use to work, learn &amp; bank</td>
<td>Become the private banker in our customers’ pocket</td>
</tr>
<tr>
<td>Improve customers’ ability to stay in control of their finances</td>
<td>Footprint optimised to evolving customer preferences</td>
<td>Contact centre technology will meet evolving customer needs</td>
</tr>
</tbody>
</table>

- **Top-quartile digital engagement and top 3 CMA customer service ranking**
- **Support our customers with expert advice when needed**
- **Simple and efficient day to day customer service proposition**
DEEPEN OUR CUSTOMER RELATIONSHIPS

Propositions to deepen relationships...

• Major investment in customer experience
• Opportunities in underserved existing customer bases, offering rewards for relationships:
  • PCA offering to c.1.4m VM Credit Card customers
  • Credit Cards to c.1.3m CYBG PCA customers
• Enhanced, scalable data platforms and decisioning systems to better understand our customers
• Cards proposition developed via Open Banking, flexible borrowing, pay anyhow and cashback
• Loans offering developed through partnerships and rewards, guaranteed loans and real rates
• Existing customer focus supports asset quality

...supported by partnership initiatives

Live

• Launched April 2018
• Offering co-branded fee and non-fee cards
• Focuses on Flying Club experience - access to 1.2m club members, affluent high-quality customers
• 120k accounts since launch, 4bn Flying Club miles earned from retail spend over £2bn since launch

Live

• Personal loan JV launched Feb 2019
• c.£50m originated since launch
• Innovative channel supporting existing loan business
• Partner with large employers to offer financial wellbeing benefits and affordable loans to employees
• Offers above-average yields within risk appetite
A STRATEGY TO DELIVER OUR DIVISIONAL TARGETS...

**Pioneering growth**
- Relationship balances (£bn)
  - Linked savings: 3.8
  - PCAs: 8.2
  - Unsecured share of Group lending balances:
    - H1 19: c.6%
    - H1 19: c.10%

**Delighted customers and colleagues**
- Top 3 in CMA customer service rankings by FY22
  - Increase in digital adoption:
    - H1 19: 48%
    - FY 22: c.60-65%
    - Improve mobile app transactional NPS: +49

**Super straightforward efficiency**
- Increase in digital adoption: 30%

**Discipline and sustainability**
- Focus on attracting high-quality relationship deposits to support Group
- Focus on attracting affluent new customers and deepening relationships with existing customers
- Measured asset growth to attain our natural market share in unsecured
- Maintain strong risk approach and underwriting standards
...WITH A CLEAR 3 YEAR MILESTONE PLAN

<table>
<thead>
<tr>
<th>Transform</th>
<th>2019/20</th>
<th>2021</th>
<th>2022+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Suite of new Virgin Money product launches</td>
<td>Open Banking and reward experience</td>
<td>Digital Personal hub</td>
</tr>
<tr>
<td>Enhance</td>
<td>Single sales and service platform in all channels</td>
<td>Full digital servicing, re-purposed branch network</td>
<td></td>
</tr>
<tr>
<td>Deepen</td>
<td>VAA/Virgin and other partnership extensions</td>
<td>All personal customers served with single brand and CX</td>
<td></td>
</tr>
</tbody>
</table>
MORTGAGES
Hugh Chater
ENVIRONMENT REMAINS HIGHLY COMPETITIVE...

Societal factors are driving change...

- Economy
  - Low interest rates
  - Brexit uncertainty

- Government / regulatory
  - Prudential oversight
  - Government interventions
  - Ring-fencing impacts

- Customers
  - Ageing population
  - Evolving working patterns

- Digitalisation
  - Customer expectations
  - New entrants

- Competition
  - Muted market growth
  - Over-supply of finance
  - Low HPI

...while the market remains subdued

- Structural changes are subduing demand...
  - Low interest rates support a strong remortgage market
  - Limited market growth / net lending
  - Falling house purchase transactions from Buy to Let regulatory impact and lower volumes of next time buyers

- ...while margin pressures remain
  - Ring-fencing liquidity and excess supply are driving margin pressure
  - Increased focus on higher-yielding segments to support margins

- Economy
  - Muted market growth
  - Over-supply of finance
  - Low HPI

- Government / regulatory
  - Prudential oversight
  - Government interventions
  - Ring-fencing impacts

- Customers
  - Ageing population
  - Evolving working patterns

- Digitalisation
  - Customer expectations
  - New entrants

- Competition
  - Muted market growth
  - Over-supply of finance
  - Low HPI
... AND THE DIGITAL REVOLUTION IS HERE

A market that is primed for digitisation...

The home buying journey hasn't changed ...

...but consumer expectations have...

...and new ventures are targeting intermediary and consumer mortgages...

...3 sourcing systems cover the vast majority of the intermediary market...

...c.£140m direct-to-consumer advertising spend in 2018\(^{(1)}\)

...customers demanding a better experience

Online application and servicing

With multi-channel capability

Real-time digital support for brokers

Limited patience for delays

(1) Source: Addynamix
OUR COMBINED MORTGAGE BUSINESS IS STRONGER...

Customer service
- Outstanding customer experience
- Outstanding broker experience

Intermediary relationships
- Long-standing history
- Relationships with all major networks

Direct market coverage
- UK-wide coverage
- Branch and telephone

Broader proposition
- Broad range of mortgage products
- Propositions for wide-range of segments

Experience and capability
- Straight-through efficiency
- Complex business expertise

THE VIRGIN MONEY BRAND
Nationally recognised and trusted
...WITH A HIGH QUALITY, BALANCED MORTGAGE PORTFOLIO

A balanced portfolio...

£60.5bn lending book

- £45.8bn
- £14.7bn

- 76% Owner Occupied (OO)
- 24% Buy-to-let (BTL)

...across a geographically diverse portfolio...

H1 19

- London 30%
- South East England 23%
- Northern England 18%
- Scotland 9%
- Remainder UK 20%

...with low-risk loan-to-value distribution...

H1 19

- 58.2% average LTV
- 80%+
- 60% - 80%
- <60%

- 12%
- 36%
- 52%

- Stock

- 0.8%
- 0.3%

UK Finance

Group

HIGH QUALITY MORTGAGE BOOK RESULTING FROM DISCIPLINED RISK MANAGEMENT
WE HAVE A CLEAR DIVISIONAL AMBITION AND STRATEGY

Our ambition

SIMPLIFY MORTGAGES TO MAKE CONSUMERS’ LIVES BETTER

Our strategy

**Digitise**
the customer experience

- Create market-leading, digitally-served experiences putting the customer in control
- Deliver cost-to-serve efficiency

**Maximise**
relationships to create brand advocates

- Make the home-owning experience straightforward and satisfying
- Develop our digital Mortgage Hub

**Optimise**
the franchise for value

- Stand out as a lender with agility and speed
- Deliver differentiated personal service with the efficiencies of scale
DIGITISE THE CUSTOMER EXPERIENCE

Make life easier for intermediaries
- Single point of data entry
- Automated affordability/eligibility
- Automated verification and KYC
- Timely and relevant case updates

Deliver significant efficiencies for the franchise and brokers

Make it easy to buy direct
- Digital Assistant via The Mortgage Hub
- Simplified application with multi-channel capability
- Faster decisions delivering certainty for customers
- E-updates & digital tracking

Create an exceptional customer experience

Improve productivity
- Excellent customer experience improves conversion rates
- Improved customer retention
- Use big data and agile approach to target opportunities
- Significant efficiencies from digitisation and single platform

Drive efficiencies and maintain competitiveness
MAXIMISE RELATIONSHIPS TO CREATE BRAND ADVOCATES

A new Mortgage Hub will transform how we engage customers...

...to deepen relationships and increase product holdings

External partnerships
- Home improvements
- Removals
- Insurance
- Utilities and media

In-house delivery
- Property trade-up
- Online advice
- Additional borrowing
- Online management

Fully integrated with the Personal hub, putting the customer in control of their financial needs

Account servicing
- Paperless and engaging

The Mortgage Coach
- Assist throughout home ownership journey

Alerts
- Timely, relevant & save money

Rewards
- Personalised offers from Virgin group and partners

Andy Cook
10 Coppers Brook, NE00 4RA
andy.cook1981@test.com
UPDATE PROFILE
OPTIMISE THE FRANCHISE FOR VALUE

Straightforward brand extension

By differentiating our service propositions, brokers will receive the best of both franchises:

**Expert**
- Expertise to assess complex situations and make the right decisions
- Bespoke underwriting
- Appropriate risk-reward

**Everyday**
- Mainstream lending backed by differentiated market-leading service promise
- Market-leading service
- Digital processing

Super-efficient distribution

**Intermediaries**
Introduce the Expert proposition to a wider range of brokers:
- c.4,000 new broker relationship opportunities already identified
- Benefits of combination very clear

**Direct**
1 in 4 customers acquired through direct channel by:
- digitising customer acquisition
- continued investment in the existing customer experience
A STRATEGY TO DELIVER OUR DIVISIONAL TARGETS...

**Pioneering growth**

- Maintain stock mortgage market share:
  - H1 19: c.4%
  - Medium term: 4%

- Mortgage share of group lending balances:
  - H1 19: c.84%
  - Medium term: c.75%

**Delighted customers and colleagues**

- Customer transactional NPS:
  - H1 19: +67

- Introduce the new ‘Expert’ proposition to c.4,000 new brokers by FY22

- Increase direct applications to:
  - Direct 25%
  - Indirect 75%

**Super straightforward efficiency**

- Reduction in processing cost of a mortgage application:
  - H1 19: (20)%
  - FY 22

**Discipline and sustainability**

- Prudent risk approach and underwriting standards
- Ensure pricing discipline and prioritise returns over volume
- No deterioration in risk characteristics of the portfolio

Mortgage share of group lending balances:

- Direct: 25%
- Indirect: 75%
### …WITH A CLEAR 3 YEAR MILESTONE PLAN

<table>
<thead>
<tr>
<th></th>
<th>2019/20</th>
<th>2021</th>
<th>2022+</th>
</tr>
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<tbody>
<tr>
<td>Digitise</td>
<td>API connectivity to broker sourcing systems</td>
<td>Leverage group assets (e.g. Auto KYC)</td>
<td></td>
</tr>
<tr>
<td>Maximise</td>
<td>Single direct platform</td>
<td>Full digital experience</td>
<td></td>
</tr>
<tr>
<td>Optimise</td>
<td>Brand extension</td>
<td>Extend intermediary distribution</td>
<td></td>
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</tbody>
</table>

Digital Mortgage hub
OUR TRANSFORMATION JOURNEY

- **Simplify**
  - Exit NAB, deliver IRB, MBNA migration, deliver Sustain efficiency benefits

- **Digitise**
  - Built B digital bank, iB platform, Open Banking ready

- **Integrate**
  - Realise c.£150m synergies with a straightforward plan

- **Transform**
  - Digitisation drives further efficiencies with an additional c.£50m of net cost savings

**Completed**

**Next phase of our journey**
SIMPLIFIED THE BANK

A track record of delivery

- **£350m** three year investment programme across 2016-19
- **Separation** from NAB and exit from 29 Transactional Service Agreements
- Delivery of the ‘**Sustain**’ Operational Efficiency programme
- Range of **customer journey operational improvements** delivered
- VM completion of the **MBNA** credit cards portfolio migration to **TSYS**
- Completion of the multi-year **IRB** accreditation programme

...to simplify our bank

- Build and scale iB digital platform, deliver separation and build IRB infrastructure
- Completed on schedule, removing significant third-party risk
- Delivery of >£90m of cost reductions in 2 years
- Customer experience improvements
- Scalable, controllable and cost-efficient cards platform
- Significant reduction in Group RWAs
HAVE DIGITISED TO CREATE A MODERN, SCALABLE PLATFORM...

A simple, modern architecture...

...as the bedrock for future delivery

- Digital platform (iB) built, integrated and scaled, using private cloud, open architecture and robotics

- iB sits above core systems, hosted on internal cloud, Open Banking and FinTech partner ready

- Big data platform (iD) supports a single customer view with all customers on one platform

- Scaled platform with c.2 million CYBG customers migrated on to iB with c.4 billion transactions in the data store

- Agile capability delivery
  - First to offer account aggregation to customers using secure open APIs
  - First to offer mobile cheque clearing
...ONGOING DELIVERY OF IMPROVED CUSTOMER EXPERIENCE

Significant digital features delivered in a short time-frame due to our iB platform capability

- **February 2016**: B launch
- **June 2016**: B launch
- **August 2017**: New apps - all brands, all channels
- **February 2018**: Cheque imaging
- **May 2018**: Open Banking ready
- **October 2018**: Acquisition of B Store
- **December 2018**: Significant digital features delivered in a short time-frame due to our iB platform capability
- **January 2019**: iB for Business
COMBINATION CREATES A UNIQUE DIGITALLY ENABLED COMPETITOR

All the strengths of the major banks…

✓ Primary relationships
✓ Trusted brand, loyal customers
✓ Full personal and business offering
✓ Multiple distribution channels
✓ Digital capability and Open Banking
✓ Multi-product customers

…with the digital agility of a neobank

✓ Innovative brand & edge
✓ Customer lifestyle intelligence
✓ ‘Pay & play’ functionality
✓ Innovative digital platform
✓ Saving pots functionality
✓ Limited back-end legacy systems

BETTER THAN BOTH

Strengths of a major bank

Strengths of a neobank
INTEGRATION PLAN DELIVERS AN EFFICIENT, SIMPLER BANK...

Unchanged, clear integration plan...

...delivers a streamlined operating model

Active banking licence
Legal entity
Brand – Virgin Money
Full service product set
Platform supporting all customers
...WITH CLEAR PROGRESS EVIDENT

Integration is progressing well...

**Strategy**
- Integration approach validated
- Programme mobilised and in delivery
- Brand strategy agreed and scheduled

**People**
- New organisational design in place
- New Purpose, Values and Behaviours
- Single performance framework
- Ongoing internal communications

**Synergies**
- c.£150m of integration synergies validated
- Rationalisation of senior management
- Closure of VM London office in June 2019
- On track to deliver c.£50m of run-rate savings by end of FY19

...with the FSMA Part VII process on track

1. Regulatory application
2. Regulatory approval
3. Initial court approval
4. Customer notifications
5. Final court approval
6. Scheme effective date

A SINGLE AUTHORISED & REGULATED BANKING ENTITY

Virgin Money re-launch and re-brand can commence

Expected October 2019
DIGITISATION OFFERS SIGNIFICANT OPPORTUNITY TO LEVERAGE OUR PLATFORM...

Our platform is supporting strong growth in digital usage...

- 2017 – finished iB platform build
- 2018 – first year of all personal customers on iB

Mobile banking daily logins

- +39%

Mobile app users

- +32%

Digital sales per annum

- +21%

Digital payments made

- +50%

growth
2017 - 2018

...but there is a significant opportunity for us to improve

- Digital will become our primary channel

Digital adoption opportunity

- 48%
- 60-65%

CYBG now

By end FY22

- Platform build and Project Sustain efficiencies realised initial digitisation cost savings:
  - >£90m cost savings achieved in 2 years
  - CYBG standalone underlying C:I ratio improved from 74% at FY16 to 63% at FY18
  - Significant opportunities still remain
...CONTRIBUTING TO THE REALISATION OF ADDITIONAL NET COST SAVINGS OF c.£50M

Significant efficiency opportunities...

**Digitisation**
- 30-35% increase in digital adoption
- Complete digitisation of service processes realises significant physical infrastructure savings
- Significant reduction in paper communications by adopting industry standard approach

**Sourcing**
- Move to a supplier partnering model versus in-house to drive efficiencies
- Opportunities to source in a more flexible way

**Change**
- Extend modernisation of change programmes; adopting more lean and agile approach
- Transformation will unlock significant efficiencies – both pace and cost

...will deliver incremental net cost savings

Additional net cost savings of

C.L50m
p.a. by FY22

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Deleted lines:
- [Image 292x365 to 428x397]
- [Image 458x17 to 491x258]
- [Image 23x311 to 66x355]
- [Image 54x19 to 91x56]
- [Image 51x101 to 93x143]
- [Image 42x198 to 102x229]
TRANSFORMATION ENABLES OUR DIVISIONAL STRATEGIES

Business
- Digitisation of customer on-boarding
- Credit decision automation
- National coverage model under new brand
- Digital Business hub

Personal
- Virgin Money branded PCA and relationship proposition
- Enhanced digital borrowing propositions, leveraging iD
- Full digital servicing and online self-service
- Digital Personal hub

Mortgages
- API connectivity to major broker sourcing systems
- Full automation of application process
- Full digital customer experience
- Digital Mortgages Hub
FINANCIALS

Ian Smith
A STRATEGY TO DELIVER OUR FINANCIAL TARGETS

A clear strategy…

<table>
<thead>
<tr>
<th>Pioneering growth</th>
<th>Reshape balance sheet mix:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• grow margin accretive assets</td>
</tr>
<tr>
<td></td>
<td>• grow low cost relationship deposits</td>
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<table>
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<tr>
<th>Delighted customers and colleagues</th>
<th>Enhance the customer experience</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Drive digital adoption</td>
</tr>
<tr>
<td></td>
<td>• Colleagues delivering our purpose</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Super straightforward efficiency</th>
<th>Realise integration synergies</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>• Digitise and simplify the business</td>
</tr>
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<td></td>
<td>• Streamlined operating model</td>
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<table>
<thead>
<tr>
<th>Discipline and sustainability</th>
<th>Foster a disciplined risk approach</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Optimise the Group’s RWAs</td>
</tr>
<tr>
<td></td>
<td>• Deliver sustainable returns</td>
</tr>
</tbody>
</table>

...to deliver our key financial targets

<table>
<thead>
<tr>
<th>Ambition for asset mix in medium term</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 75% mortgages</td>
</tr>
<tr>
<td>• 15% business</td>
</tr>
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<td>• 10% unsecured</td>
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</tbody>
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<th>High single digit CAGR growth in current account and savings balances</th>
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<table>
<thead>
<tr>
<th>&lt;115% loan-to-deposit ratio</th>
</tr>
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<tbody>
<tr>
<td>• c.£200m net cost savings by FY22</td>
</tr>
<tr>
<td>• &lt;£780m costs by FY22</td>
</tr>
<tr>
<td>• mid 40%’s cost: income ratio by FY22</td>
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<table>
<thead>
<tr>
<th>&lt;30bps cost of risk</th>
</tr>
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<tbody>
<tr>
<td>• c.13% CET1 ratio</td>
</tr>
<tr>
<td>• &gt;12% statutory RoTE by FY22</td>
</tr>
</tbody>
</table>
BUILDING ON OUR TRACK RECORD OF DELIVERY

Customer lending growth

Cost efficiency (1)

Capital optimisation

IRB accreditation received for mortgage and SME portfolios in October 2018

Culminating in the Virgin Money transaction…

…and a strong start in our first 6 months as a combined group

- Resilient underlying performance
- Underlying cost:income ratio of 57%
- CET1 ratio of 14.5%
- Underlying RoTE of 10.4%

(1) Underlying costs and cost:income ratio
(2) IPO figures as at 30 September 2015
RESHAPING THE MIX OF OUR ASSET PORTFOLIOS...

Rebalancing our current balance sheet... to optimise margins

Customer lending mix

£72.7bn

Unsecured £4.5bn
Business £7.6bn
Mortgages £60.5bn

H1 19

Medium-term ambition

Unsecured
Business
Mortgages

Grow above the market
Maintain market share

C.6%
C.10%
C.84%

C.10%
C.15%
C.75%

C.10%
C.15%
C.75%
...AND GROWING LOWER COST RELATIONSHIP DEPOSITS...

Rebalancing our current funding mix...

Deposit mix
H1 19

- Launch of Virgin branded PCA to attract new current account customers
- Relationship propositions to attract linked savings balances
- Business banking strategy to grow BCA and relationship deposits
- Price-led deposit balances managed down
- Loan-to-deposit ratio <115%

High single digit CAGR in relationship deposits (current accounts and savings)
...WHILE ABSORBING WHOLESALE FUNDING COST PRESSURES

Clear path to TFS refinancing...

TFS contractual repayment profile (£bn)

- Drawn: 8.6
- FY19: 0.4
- FY20: 4.7
- FY21: 0.75%
- FY22: 3.5

TFS refinancing to continue in advance of contractual maturity (£0.4bn repaid to date), broadly evenly split:
- Growth in lower cost relationship deposits
- Secured funding
- HoldCo senior issuance to meet MREL

...while absorbing MREL cost pressures

- H1 19 MREL ratio of 25.3% - comfortably ahead of 2020 interim MREL requirement
- Final MREL dictated by Dec-21 Pillar 2A
- Planned issuance of £2.0-£2.5bn by Dec-21
- Current cost of c.4%

<table>
<thead>
<tr>
<th>HoldCo Senior</th>
<th>Total Capital</th>
<th>H1 19 MREL Ratio</th>
<th>MREL Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0.8bn</td>
<td>£5.2bn</td>
<td>25.3%</td>
<td>£2.0-£2.5bn issuance by Dec-21</td>
</tr>
<tr>
<td>£2022 Final MREL</td>
<td>21.50%(1)</td>
<td>2020 Interim MREL</td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes Fully Loaded Capital Conservation Buffer of 2.5% and expected "standard risk environment" Countercyclical Buffer of 1%. (2) Includes expected Pillar 2A evolution, RWA inflation and Management Buffer.
MIX RESHAPING SUPPORTS A MODEST NIM IMPROVEMENT

NIM evolution – drivers (not to scale)

- FY19
- TFS and wholesale refinancing impact
- Mortgage margin impact
- Asset mix
- Deposit mix
- FY22

Modest improvement over period

Note: we only assume one base rate rise out to FY22
BUSINESS AND PERSONAL SUPPORT NON-INTEREST INCOME GROWTH

Structural changes to non-interest income in 2020 give way to growth...

Non-interest income
Not to scale

- Structural changes in FY20 include:
  - Aberdeen Standard Investments (ASI) JV accounting impact - reduces from a gross fee income of c.£25m to 50% share of JV profit
  - High Cost of Credit review expected to reduce overdraft fees by c.£10m

- Non-interest income growth expected FY21 onwards:
  - Growth in Business fee income as we expand our relationship proposition
  - Growth in Retail fee income as we attract more customers through enhanced propositions
c.£50m of additional net cost savings identified…

Significant new cost savings identified…

…with a modest incremental cost to achieve

Evolution of cost savings target (£m)

- Our transformation programme delivers an additional c.£50m of annual cost savings by the end of FY22
- This will be delivered for a further c.£60m of restructuring costs on top of the previously announced c.£300m associated with the integration synergies
- Restructuring cost phasing is expected as follows:

<table>
<thead>
<tr>
<th></th>
<th>c.1/3rd</th>
<th>c.1/3rd</th>
<th>c.1/3rd</th>
<th>c.£360m</th>
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</thead>
<tbody>
<tr>
<td>FY19</td>
<td></td>
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<td>FY20</td>
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<tr>
<td>FY21</td>
<td></td>
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</tbody>
</table>
...SUPPORTING A £780m COST BASE BY FY22

Integration and transformation delivers...

Realised at H1-19 By FY22

- Organisation design 17 c.£40m
- Central costs 15 c.£60m
- Operational efficiency 0 c.£45m
- Network efficiency 0 c.£15m
- Transformation 0 c.£50m
- Total net cost savings 33 c.£210m

Incremental trademark licence fee in relation to Virgin Money brand c.£(10)m

Net cost savings target c.£200m

...a significantly reduced 2022 cost base

Cost : income ratio will reduce to amongst best in peer group

Net c.£200m absolute cost reduction

Mid 40%s

<780

FY19 15%
FY20-FY21 60%
FY22 25%

With the expected phasing of the total c.£200m cost savings as follows:

- ASI JV c.£200m absolute cost reduction
- Gross cost savings
- Investment and cost inflation
- FY22 cost base

FY18 998
FY22 980

Gross cost savings 998 59%
Investment and cost inflation 980 Mid 40%s
FY22 cost base <780
NO CHANGE TO RISK APPROACH: COST OF RISK TO REMAIN <30bps

Mix effect drives increased cost of risk...

Cost of risk (bps)

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18</th>
<th>H1 19</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
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<tbody>
<tr>
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<td></td>
<td>13</td>
<td>14</td>
<td>21</td>
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</tbody>
</table>

30 bps

...with an unchanged risk approach

Business:
- Continuing our sector focus and expertise: expanding what we do well today nationally
- Impairments can be irregular but expected to smooth out through the cycle

Personal:
- Measured asset growth to attain our natural market share in unsecured - attracting affluent new customers and deepening relationships with existing customers
- Maintain strong risk approach and underwriting standards

Mortgages:
- Moderated growth rate and tight control of underwriting standards

(1) Includes full adoption of IFRS9 for Virgin Money
(2) Includes adoption of IFRS9 across both CYBG and Virgin Money
(3) Based on current UK economic forecasts
c.13% CET1 OPERATING LEVEL TO UNDERPIN THE GROUP

Strongly capitalised today and...  …a target CET1 operating level of c.13%

- PRA review of the Group’s ICAAP is well advanced
- Group will seek to operate with a prudent 1-1.5% management buffer above regulatory minimum capital requirement
- Strategic plan outcomes geared to a c.13% CET1 operating level over time
>100 bps EXCESS CAPITAL GENERATION ONCE RESTRUCTURING IS COMPLETE

Capital generation supports glide path to target CET1 operating level...

...as we transition to a highly-capital generative business model from FY22

- Material restructuring costs in FY19-21
- RWA growth from new lending and asset mix, although expect substantial RWA efficiencies
- Group will take part in the Bank of England stress test regime from 2020
- Group expects sufficient capital capacity to deliver progressive, sustainable ordinary dividends with a c.50% payout ratio expected over time
- From FY22 the Group expects to generate >100bps of excess CET1 capital per annum for distribution or growth
IMPROVING PROFITABILITY SUPPORTS SHAREHOLDER RETURNS

Improving profitability and RoTE...

- Statutory RoTE target of >12% by 2022
- Statutory RoTE to converge with underlying RoTE over time as restructuring costs diminish
- Strong capital generation will create significant capacity for distributions
- Committed to delivering progressive, sustainable ordinary dividends with a target for a c.50% payout ratio over time

...supports strong shareholder returns
A STRATEGY TO CREATE SIGNIFICANT SHAREHOLDER VALUE

Our strategic priorities...

| Pioneering growth | Reshape balance sheet mix:  
|                   | • grow margin accretive assets  
|                   | • grow low cost relationship deposits |
| Delighted customers and colleagues | • Enhance the customer experience  
|                   | • Encourage digital adoption  
|                   | • Colleagues delivering our purpose |
| Super straightforward efficiency | • Realise integration synergies  
|                   | • Digitise and simplify the business  
|                   | • Streamlined operating model |
| Discipline and sustainability | • Maintain a disciplined risk approach  
|                   | • Optimise the Group’s RWAs  
|                   | • Deliver sustainable returns |

...drive our key financial targets...

- 75% mortgages
- 15% business
- 10% unsecured

Ambition for asset mix in medium term

- Above system asset growth
- High single digit CAGR in relationship deposits
- <115% loan-to-deposit ratio

Significant efficiencies by FY22:
- c.£200m net cost savings
- <£780m costs
- mid 40%s cost: income ratio

• <30bps cost of risk to FY22
• c.13% CET1 ratio

...delivering strong returns and business momentum

>12%
Statutory RoTE by FY22

>100bps
CET1 generation p.a. by FY22

Progressive & sustainable
ordinary dividend
c.50% payout ratio over time

81
COMBINATION CREATES A UNIQUE DIGITALLY ENABLED COMPETITOR…

All the strengths of the major banks…

✓ Primary relationships
✓ Trusted brand, loyal customers
✓ Full personal and business offering
✓ Multiple distribution channels
✓ Digital capability and Open Banking
✓ Multi-product customers

…with the digital agility of a neobank

✓ Innovative brand & edge
✓ Customer lifestyle intelligence
✓ ‘Pay & play’ functionality
✓ Innovative digital platform
✓ Saving pots functionality
✓ Limited back-end legacy systems
…WITH A CLEAR PATH TO SUCCESS…

Launch of revitalised brand; change Top Co name to Virgin Money UK PLC

2019

Business
- Launch of Virgin Money for business
  - Early 2020
  - 2021
- Extension and automation
  - 2021

Personal
- Launch of the Virgin Money personal current account
  - Late 2019
  - 2021
- All customers served with single brand & experience
  - 2021

Mortgages
- Open API connections to major broker sourcing systems
  - 2020
  - 2021
- Full digital experience & brand extension
  - 2021

Inter-connected digital lifestyle hubs:
- Business
- Personal
- Mortgages

2022+

✓ Top 3 in CMA customer service rankings
✓ Substantial increases in PCA / BCA market share
✓ Lending and deposit growth above market
...CREATING FUTURE OPTIONALITY

Winners:
Lead on technology to deliver superior customer outcomes, flexible, adaptive and forward thinking

Losers:
Behind the curve on technology development and/or fail to adapt

BIG DATA
Consumer change
Small new entrants
Tech & data acceleration
Regulatory change
Fintech Neobanks
Open Banking live, cloud hosted platform
PSD2, Open banking

Payments
Banking
Telecomms
New business models

Big Tech entrants

CUMULATIVE EFFECT OVER TIME

INFLENCION POINT
APPENDIX
**LEADERSHIP TEAM BIOGRAPHIES**

**David Duffy**  
Chief Executive Officer

**Skills and experience**

David has significant international finance and banking experience gained from a career spanning almost three decades.

David joined CYBG in June 2015. Prior to joining the Group, David was Chief Executive Officer at Allied Irish Banks plc, one of the largest retail and commercial banks in Ireland. He is a former Chief Executive Officer of Standard Bank International where he had responsibility for operations in the UK, Europe, Latin America and Asia. He was also previously Head of Global Wholesale Banking Network with ING Group and President and Chief Executive Officer of the ING wholesale franchises in the United States and Latin America.

David is a past President of the Banking and Payments Federation of Ireland and a past Director of the European Banking Federation.

**Ian Smith**  
Chief Financial Officer

**Skills and experience**

Ian has considerable experience in finance, audit and advising on bank strategy and corporate transactions from a career spanning more than 30 years. He has held senior finance roles in HBOS plc and Lloyds Banking Group plc. He joined the Group in November 2014 from Deloitte LLP where he was a partner specialising in financial services.

**Helen Page**  
Group Marketing and Brand Director

**Skills and experience**

Helen joined CYBG in December 2012 with the specific remit to reinvigorate and relaunch the Clydesdale and Yorkshire Bank brands. Following the successful acquisition of Virgin Money in 2018, Helen has now assumed Brand, Marketing and Customer Experience responsibilities for all brands.

Helen has over 25 years’ experience in marketing, consultancy and product development, including 15 years in financial services. Prior to joining CYBG, Helen spent eight years at RBS as Managing Director for Marketing and Innovation and held responsibility for all UK brands across the Retail, Commercial and Corporate divisions.

Helen was also Head of Brand Marketing at Argos, where she relaunched the catalogue as a retailer. Prior to Argos, Helen held a number of product and marketing roles at Abbey, where she became Head of Marketing.
LEADERSHIP TEAM BIOGRAPHIES

Gavin Opperman
Group Business Banking Director

Skills and experience

Gavin joined the Group in November 2015. He has been in banking for over 30 years with experience in leading large-scale teams in Retail (incl. Digital), Commercial, Corporate and Investment Banking.

Gavin was previously Regional Head of Consumer Banking (Hong Kong, Taiwan and China), Standard Chartered based in China. Prior to this he spent almost 20 years with the Barclays / Absa Group, where he progressed through a number of senior roles before being appointed as Managing Director of Absa (Asia) Ltd and later Chief Executive of Absa’s Retail Bank.

Fergus Murphy
Group Retail Director

Skills and experience

Fergus joined the Group as Products Director in January 2016. He has over 20 years’ experience in financial services.

Prior to joining the Group, Fergus held a number of key roles at Allied Irish Banks from 2011 until 2015 including Director of Products and Capital Markets and, most recently, Director of Corporate, Institutional and Markets. From 2008 until 2011 he served as CEO and Managing Director of BES Building Society and EBS Limited.

Fergus also held a number of senior positions at Rabobank International between 1994 and 2007. He served as CEO Asia Region from 2003 and was previously a member of their Global Financial Markets management team, holding roles as Global Treasurer and Head of Global Investment Banks.

Hugh Chater
Group Mortgages Director

Skills and experience

Hugh has over 25 years of experience in financial services. He was an executive founder at MBNA Europe, joining in 1993 from KPMG Management Consulting.

At MBNA Hugh held executive roles in HR, Credit Management, Customer Satisfaction and Marketing before becoming Chief Operating Officer and then UK Managing Director. In 2007 Hugh joined RBS Retail to run the consumer credit card business. He subsequently ran the current account, savings, investments and insurance products. Hugh joined Virgin Money in June 2016 with responsibility for commercial performance, customer outcomes and optimising distribution and servicing channels.

Fraser Ingram
Group Chief Operating Officer

Skills and experience

Fraser Ingram was appointed Chief Operating Officer in June 2019. He was previously the Chief Information Officer (CIO) of CYBG.

Prior to this, his most recent roles include Chief Operating Officer of Kleinwort Benson in London and CIO of Citizens Bank.

Fraser has a wide range of experience across businesses, functions and geographies - including business transformation, IT, and change management.

A Fellow of the Chartered Institute of Bankers, Fraser also gained an MBA from Aston Business School. In addition, he is a founding trustee of CUDECA, the first independent hospice in Spain, which he has supported since 1992.
LEADERSHIP TEAM BIOGRAPHIES

Peter Bole
Integration Director

Skills and experience

Peter is a Chartered Accountant and has over 25 years of experience in financial services. Following roles with Deloitte and Standard Life, Peter joined RBS in 2001 where he held a variety of senior finance roles, latterly in RBS Insurance. In 2009, he joined Tesco Bank where he established the finance function as Chief Financial Officer and played a key role in the leadership of the business as it was migrated from RBS infrastructure. Peter joined Virgin Money in 2016 and became Chief Financial Officer in January 2017.

Peter has responsibility for leading our integration programme across all functions, leveraging the best talent from CYBG and Virgin Money while minimising disruption to the Group’s operations and customer base.

James Peirson
Group General Counsel

Skills and experience

James joined National Australia Bank Limited (NAB) in May 2005 and was appointed as General Counsel for the Group in November 2014.

His previous roles include leading NAB’s London Branch legal team and roles supporting NAB and Clydesdale Bank Treasury activities as part of NAB’s Capital and Funding legal team in Melbourne and London. Prior to joining NAB, James worked in private legal practice at Hogan Lovells in London.

Emma Tottenham
Group Director of Corporate Communications and Sustainability

Skills and experience

Emma was appointed as Group Corporate Communications & Sustainability Director in 2019 and previously held the role of Chief of Staff. She is responsible for internal and external communications and the bank’s sustainability agenda, including our not-for-profit digital fundraising platform, Virgin Money Giving.

Emma’s background is in financial services strategy and she has held senior strategy roles in CYBG and previously RBS. She is also a chartered accountant.
LEADERSHIP TEAM BIOGRAPHIES

Enda Johnson
Group Corporate Development Director

**Skills and experience**

Enda joined the Group in 2015 and is responsible for leading Strategy and Corporate Finance activity across the Group. Before joining the Group, Enda worked at Allied Irish Banks, where he was Head of Corporate Affairs and Strategy.

Prior to this, Enda worked at the Irish National Treasury Management Agency, where he worked on the recapitalisation and restructure of Irish banks following the global financial crisis. Enda also held a number of roles with Merrill Lynch in their investment bank and equity capital markets divisions in California, New York and London.

Kate Guthrie
Group Human Resources Director

**Skills and experience**

Kate joined the Group in January 2016 and leads the development and implementation of the company’s innovative People Strategy including the Group’s Purpose and Values. Key to this has been the transformational approach to leadership and performance management and the team-based incentive scheme linked to the delivery of the Group Strategy. Kate has over 30 years domestic and international experience including global pharmaceuticals, FMCG and retail.

Prior to joining CYBG, she worked for Lloyds Banking Group for eleven years. She played a key role in developing the company’s approach to culture and capability as HR Director for Culture, Capability and Engagement having also been the Divisional HR Director for the Insurance and Investments business.

Kate is the Deputy Chair and SID of Action for Children, one of the UK’s leading Children’s charities and a trustee of the Virgin Money Foundation.

Mark Thundercliffe
Group Chief Risk Officer

**Skills and experience**

Mark was appointed in September 2016 and has over 30 years of financial services experience. He joined the Group from HSBC where he was Chief Risk Officer responsible for management and oversight of risk for HSBC’s Retail Banking and Wealth Management business across 18 countries across the UK, Europe, the Middle East and Africa.

Mark has also held a number of senior international positions, including President and CEO (Asia) with Home Credit in Hong Kong and he was also an Executive Director and Business Head (Russia) with Renaissance Capital in Moscow. With Citigroup he progressed from Chief Risk Officer (UK and Ireland) to become CEO of Citi Consumer division (Russia). Prior to Citi, he worked with Associates Capital Corporation, latterly as Executive and Business Head, based in India.
CONTINUED DIVERSIFICATION OF WHOLESALE FUNDING

Wholesale Funding by Product (1) (%)

- TFS: 13%
- Securitisation: 4%
- Covered Bond: 8%
- Senior Unsecured: 6%
- Subdebt: 26%
- Due to Other Banks: 43%

Diversification of issuance across a range of formats, currencies and tenors

Steady-state wholesale funding requirement of £2-3bn per annum
- £0.5-1.0bn per annum to be MREL
- Remainder will be largely from secured funding sources
- OpCo senior to be used opportunistically

Negligible short-term money market funding

Debt Securities in Issue by Maturity (1) (£m)

- < 3mth: 466 (5%)
- 3mth - 1yrs: 1,244 (95%)
- 1yrs - 5yrs: 5,039
- 5yrs +: 1,918
TARGET GROUP STRUCTURE

• The FSMA Part VII transfer of the assets and liabilities of Virgin Money PLC to Clydesdale Bank PLC is expected to complete by the end of calendar year 2019

• First court date held on 13 June 2019

• Second court date scheduled for September 2019

• Effective date expected to be October 2019

• Virgin Money becomes trading name of Clydesdale Bank PLC

• No ‘big bang’ migration events; subsequent phased, low-volume, low-complexity integration
CREDIT RATINGS REFLECT ROBUST BUSINESS MODEL WITH UPSIDE POTENTIAL

**Credit Rating**

<table>
<thead>
<tr>
<th>CYBG PLC</th>
<th>Moody’s</th>
<th>S&amp;P Global</th>
<th>Fitch Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term</td>
<td>Baa3 / Positive</td>
<td>BBB- / Stable</td>
<td>BB+/ Rating Watch Negative</td>
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<tr>
<td>Short-term</td>
<td>P-3</td>
<td>A-3</td>
<td>F2</td>
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<tr>
<th>Clydesdale Bank PLC</th>
<th>Moody’s</th>
<th>S&amp;P Global</th>
<th>Fitch Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term</td>
<td>Baa1**/ Positive</td>
<td>BBB+ / Stable</td>
<td>A- / Rating Watch Negative</td>
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<tr>
<td>Short-term</td>
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<td>A-2</td>
<td>F2</td>
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<tr>
<th>Virgin Money Holdings (UK) PLC</th>
<th>Moody’s</th>
<th>S&amp;P Global</th>
<th>Fitch Ratings</th>
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<tr>
<td>Long-term</td>
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<td>P-2</td>
<td>-</td>
<td>F2</td>
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</tbody>
</table>

- All ratings affirmed post acquisition
- Moody’s deposit ratings and long term issuer ratings on Positive outlook
- Fitch’s long term issuer default ratings for Clydesdale Bank and Virgin Money upgraded to A- on 3 June following an increase in the qualifying junior debt buffer
### VMH Balance Sheet

| Dec-18 £m | 
| --- | --- |
| Investments in controlled entities and associates | 1,401 |
| VM Senior Debt held | 349 |
| Other assets | 23 |
| **Total assets** | **1,774** |
| VMH Senior Debt | 347 |
| Other Liabilities | 9 |
| Share Capital and Share Premium | 656 |
| VMH Additional Tier 1 | 384 |
| Other Reserves | (2) |
| Retained Earnings | 380 |

### Liabilities and equity

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<table>
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<tbody>
<tr>
<td>VMH Consolidated Group – Total Assets</td>
<td>45,116</td>
</tr>
<tr>
<td>Virgin Money PLC – Total Assets</td>
<td>44,790</td>
</tr>
</tbody>
</table>

- Virgin Money PLC constitutes over 99% of the Total Assets of the VMH Consolidated Group.
- VMH’s principal assets consist of its investment in Virgin Money PLC and other subsidiaries along with £350m of senior debt down-streamed to VM.
- The FSMA Part VII transaction will be completed for nominal consideration, transferring VM assets and liabilities to CB.
- The VM Balance Sheet will then be immaterial and VMH’s investment in VM will be materially written down.
- This will result in negative Retained Earnings and Available Distributable Items.


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INVESTOR RELATIONS CONTACT

Andrew Downey
Head of Investor Relations
CYBG PLC

t: +44 20 3216 2694
m: +44 7823 443 150
e: andrew.downey@cybg.com