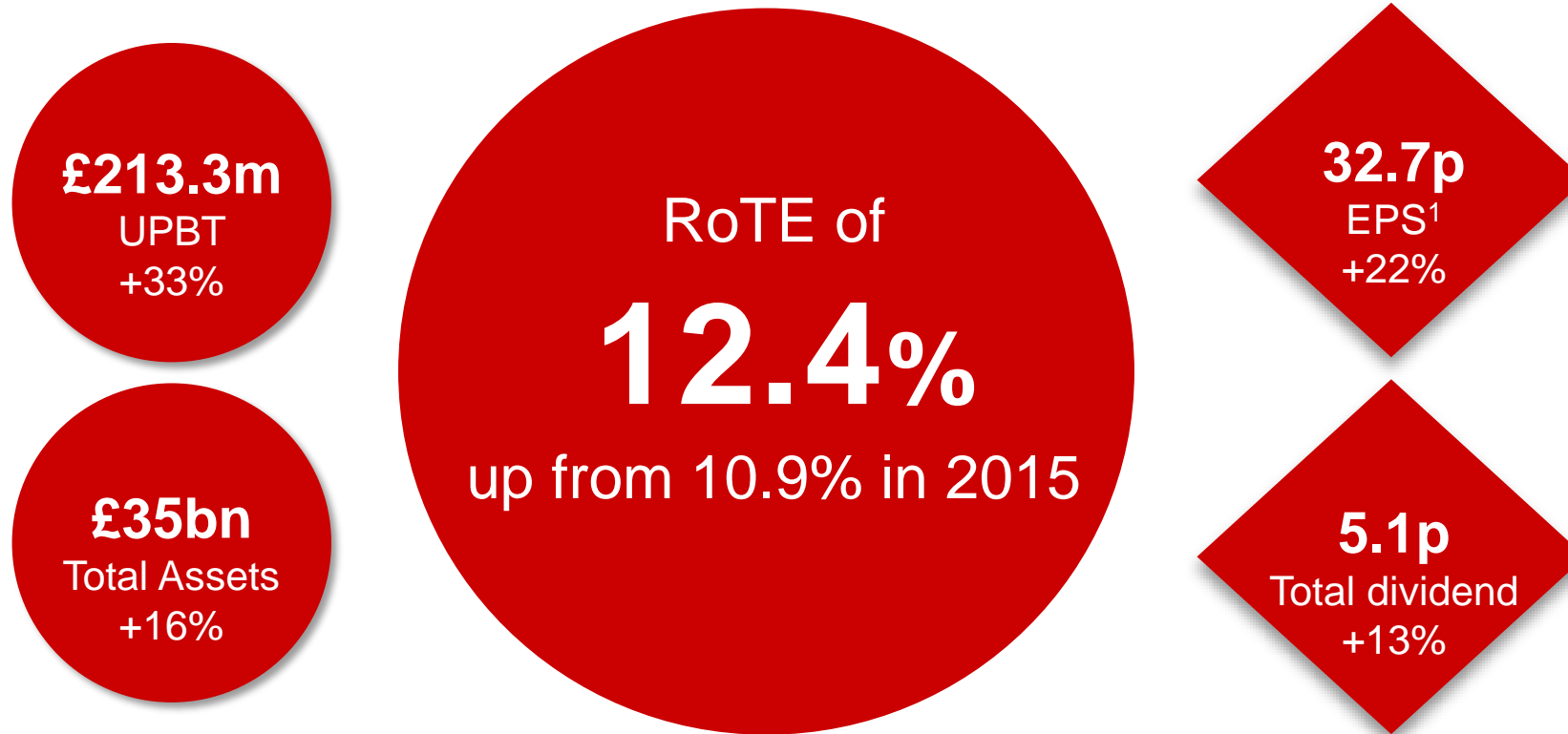


VM FY16 Results Presentation



Virgin Money Sheffield Lounge

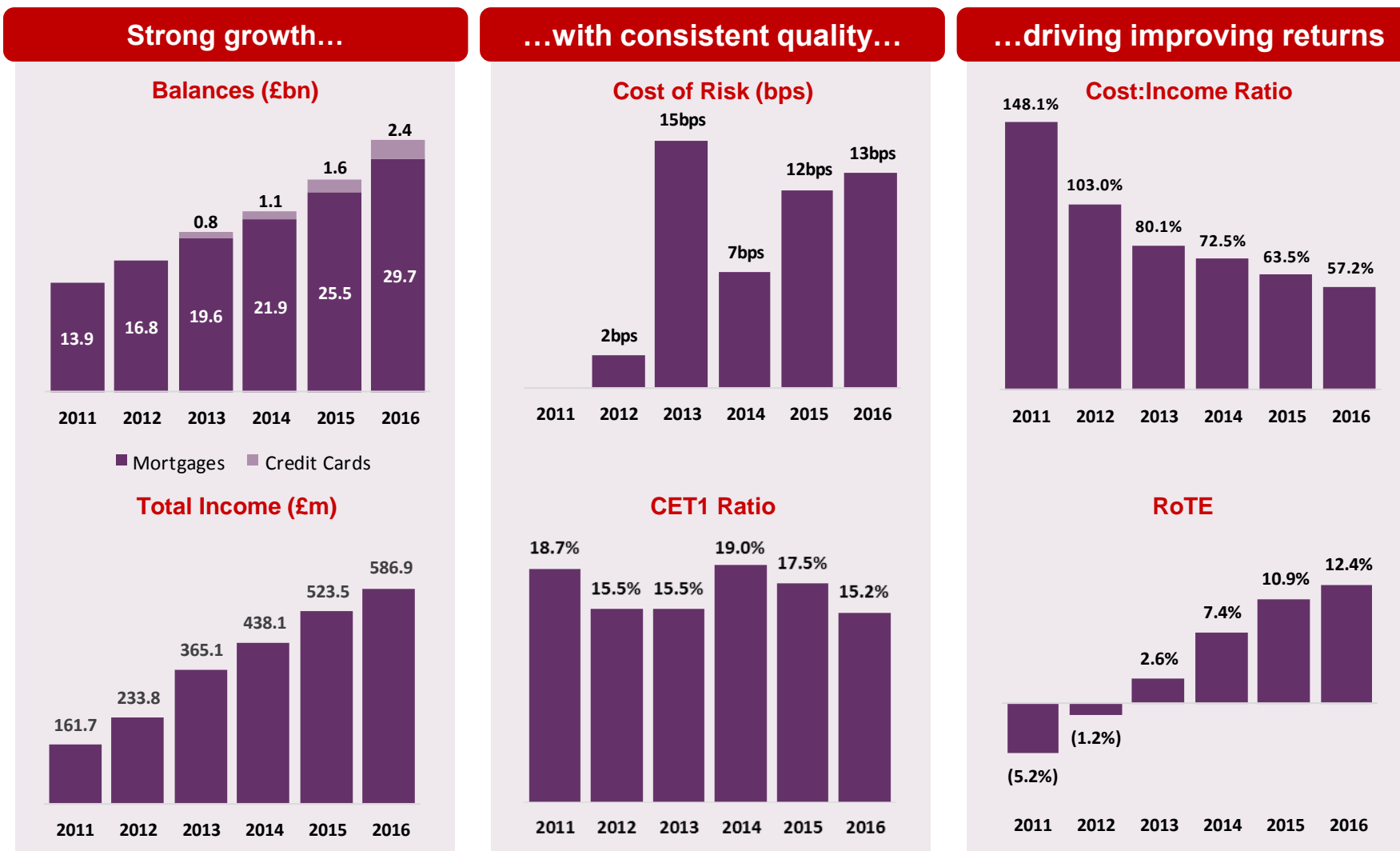
Continued strong progress



Source: Company information from Virgin Money Holdings (UK) plc 2016 Annual Report and Accounts, unless otherwise stated
Note: (1) Underlying EPS

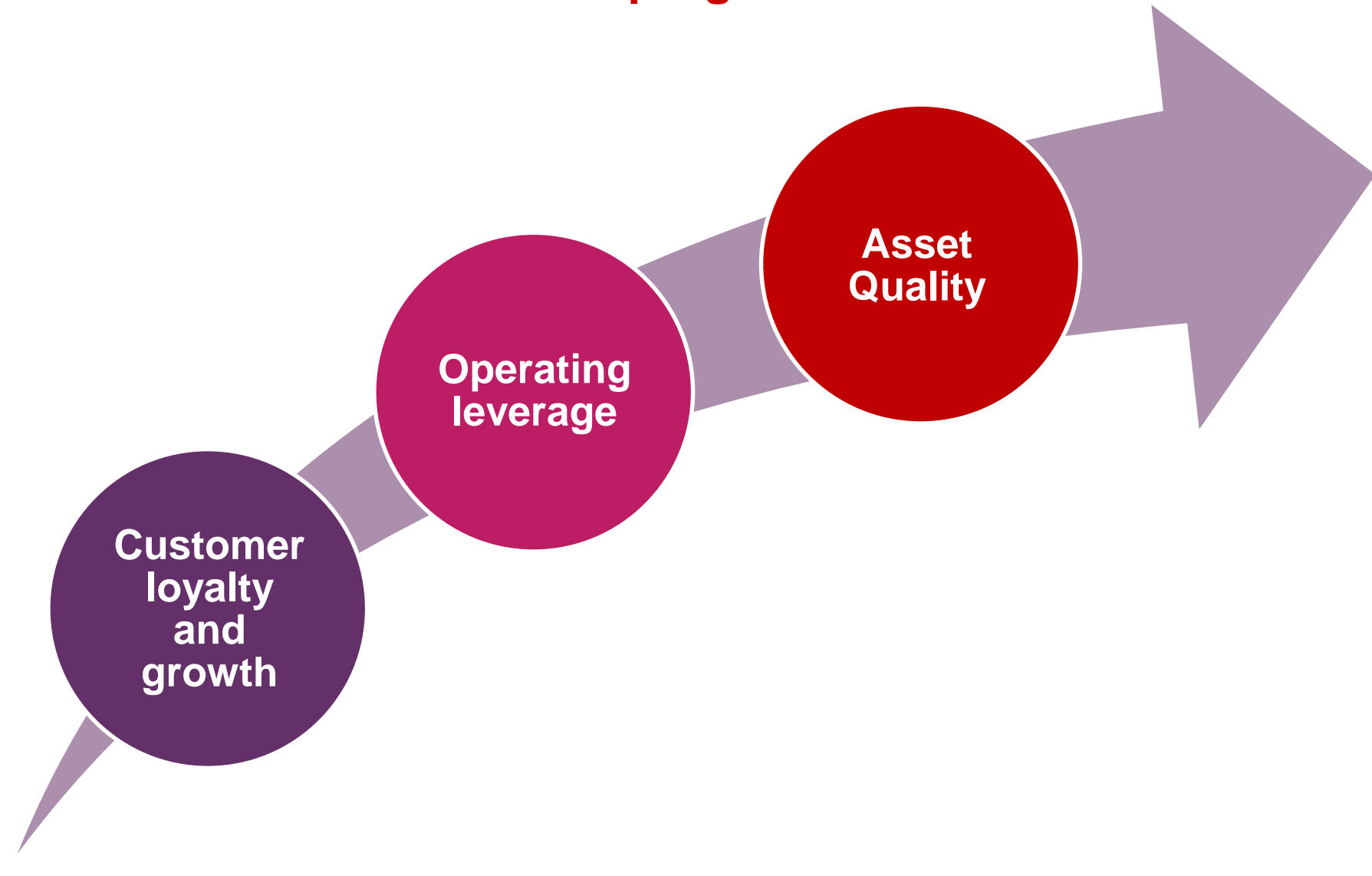
A track record of success

VM has made consistent progress across all metrics since the purchase of Northern Rock



Source: Company information for all data
 Note: data for 31st Dec 2011 as proxy for Jan 1st 2012, date on which VM purchased Northern Rock plc

The basis of our continued progress

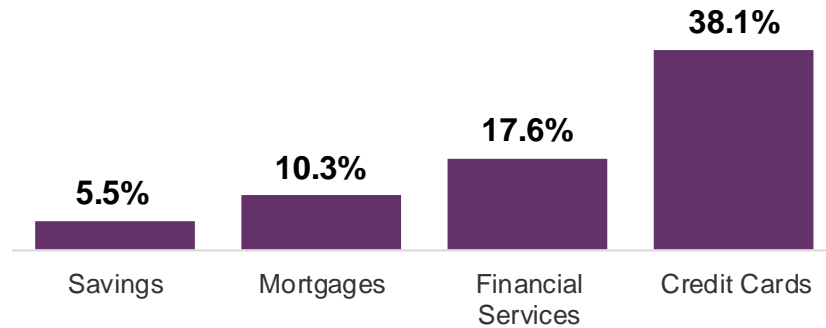


Growth through a compelling customer proposition

Strong growth in loyal customer base, predominantly acquired through digital channels

Customer numbers continue to grow strongly

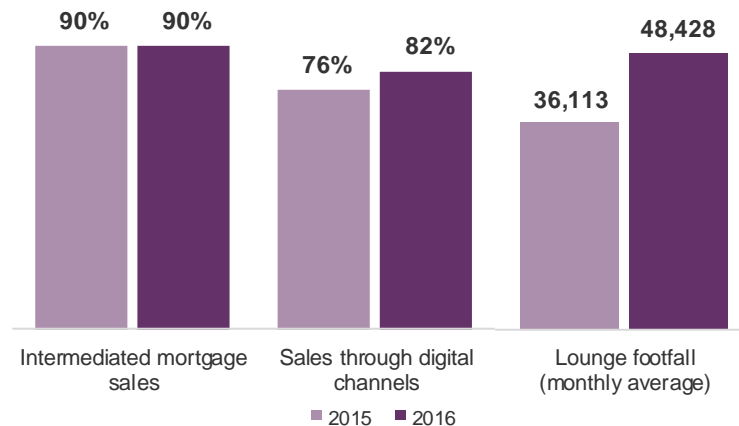
Customer numbers +15% in the year



Net promoter scores improving across the board

	2016	2015
Overall	+29	+19
Intermediary	+55	+40
Lounges	+86	+86

Effective multi-channel customer access



The Virgin brand remains a key asset



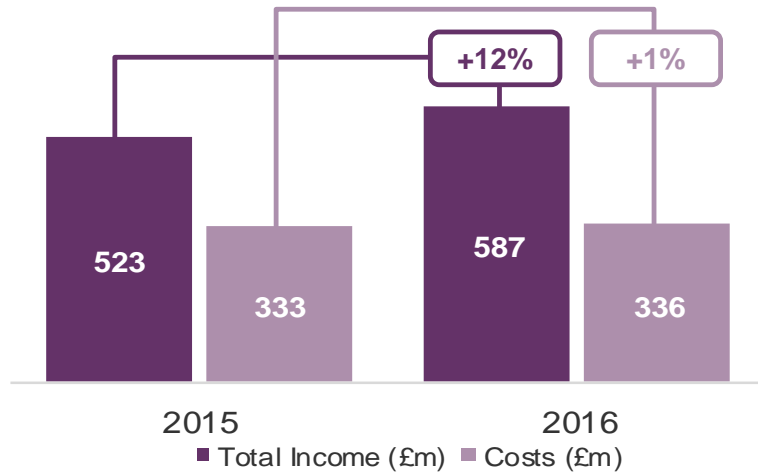
Sales to existing customers grew by almost 50%

Source: Company information for all data

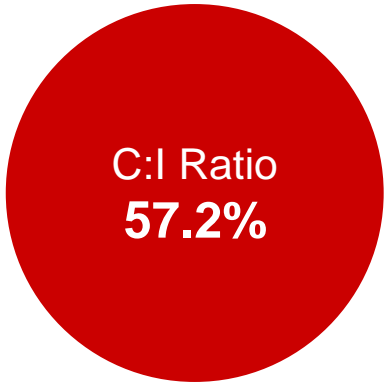
Operating leverage

A key driver of our value creation story

Strong JAWS



Cost:Income ratio down 6ppts



Increased efficiency across product lines

Mortgages & Savings

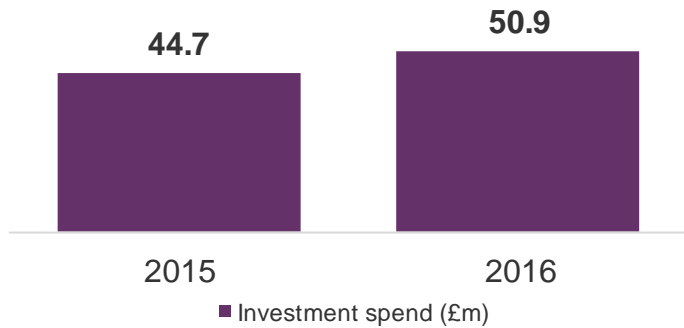
18% increase in mortgage completions per colleague

Credit Cards

24% year on year reduction in unit cost on own platform

22% reduction in cost of acquisition per customer

Investment in people, systems and efficiency



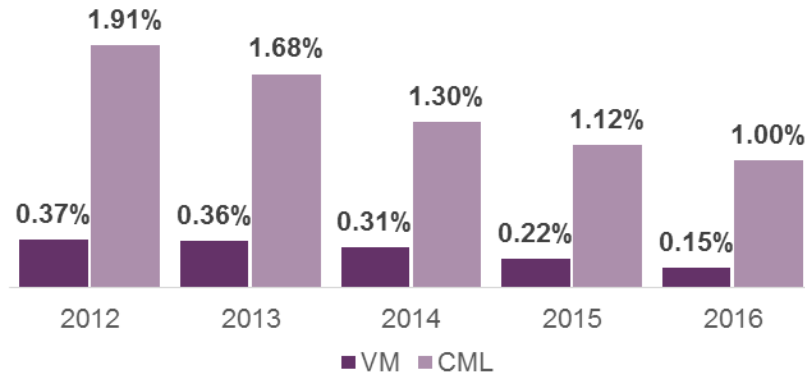
Employee engagement score of 81%

Source: Company information for all data

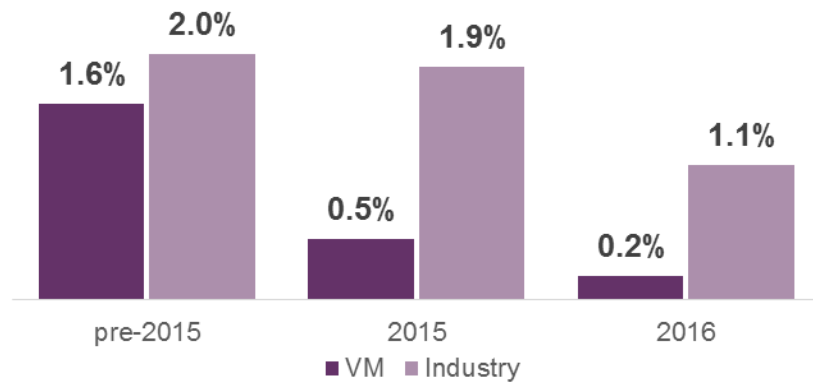
Asset quality

Diligent focus on collateral and customer underwriting

Mortgage arrears markedly below market¹



Credit card arrears better than industry²



Mortgages (92% of lending)

High affordability

Low average LTVs

Broad geographic distribution

Credit Cards (8% of lending)

Tight underwriting

High affordability

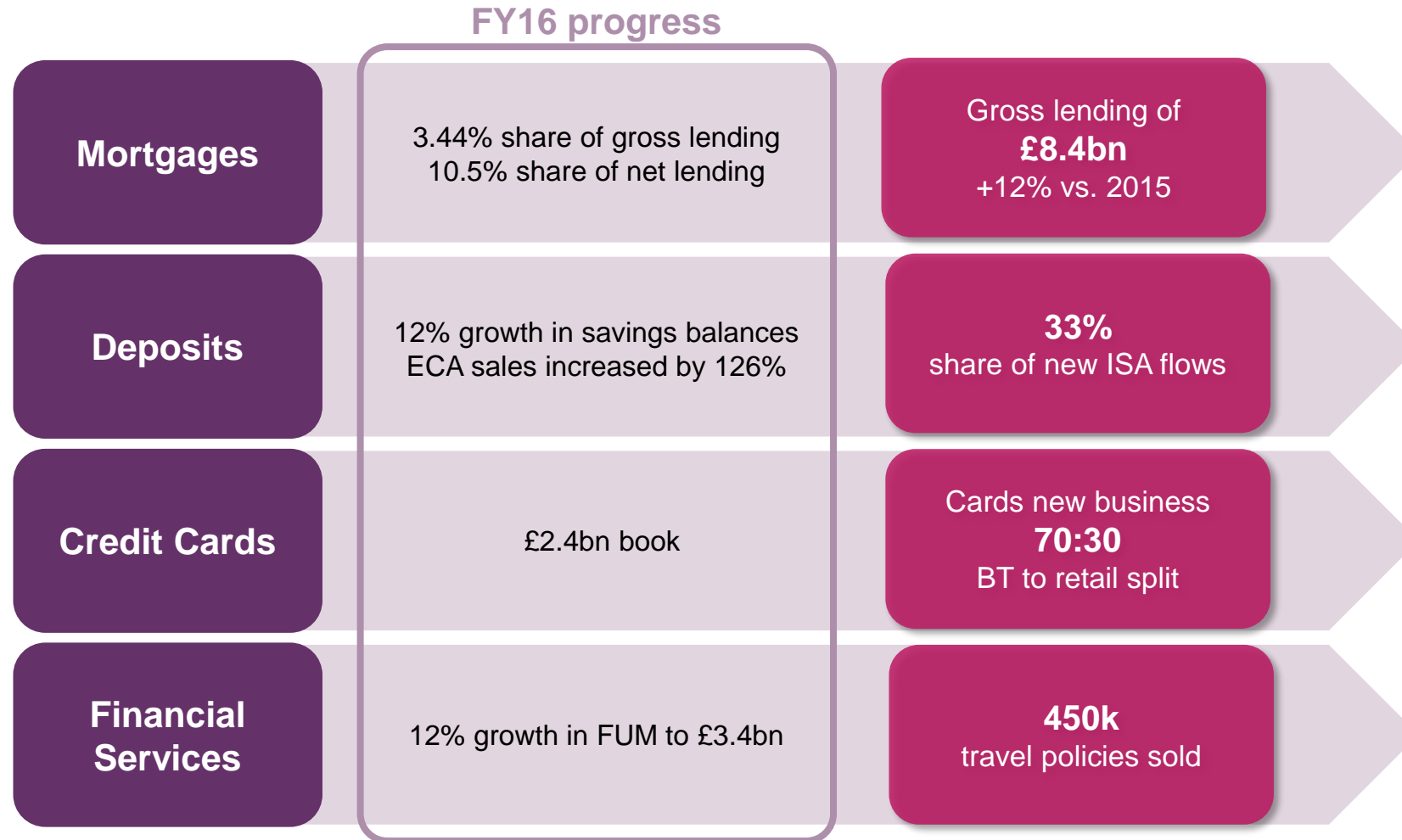
Never downsell

Lending strategies for an uncertain future

Source: (1) Council of Mortgage Lenders (2) Argus

Strong track record of growth

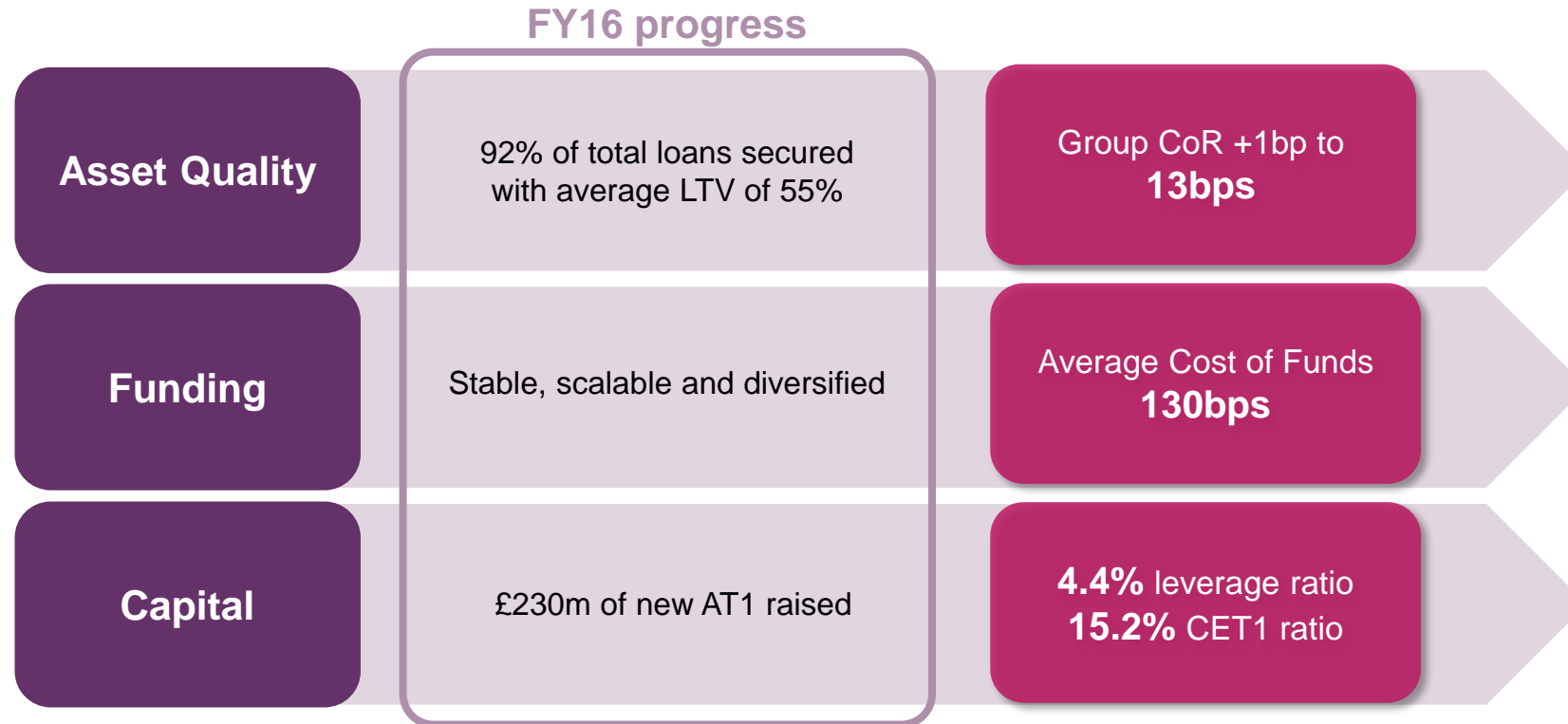
Customer advocacy and growth in market share underpin a confident outlook



VM growth outperformed the market in all key products

Uncompromising commitment to quality

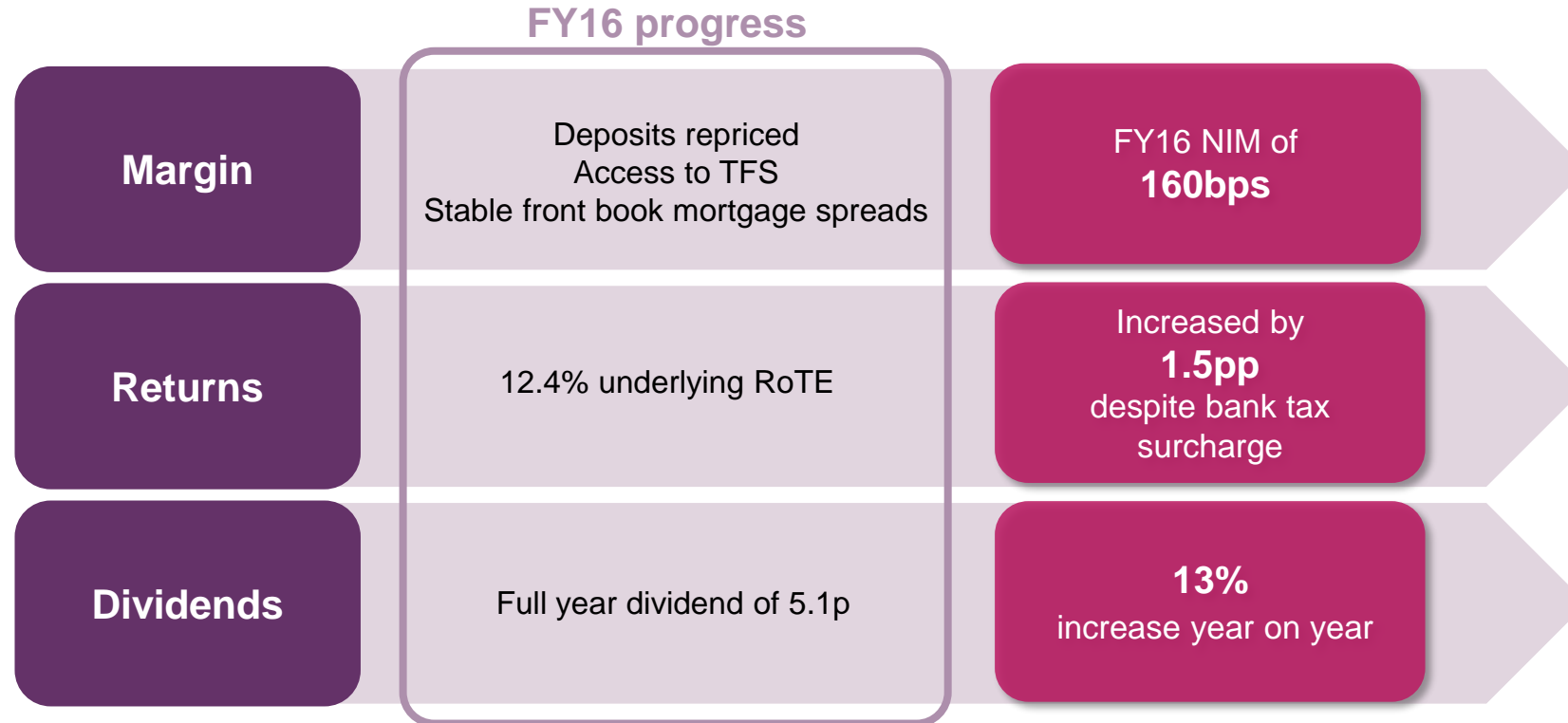
Focus on quality across the business underpins resilience of the balance sheet



EBO culture drives quality decision making throughout the business

Sustainable returns

Delivery of solid double digit returns against a backdrop of macro uncertainty



Confident of sustaining solid double digit returns



Virgin
money

Virgin money

THERE'S MONEY
AND THERE'S
VIRGIN MONEY

Virgin money

Virgin
money

Virgin money
Cash

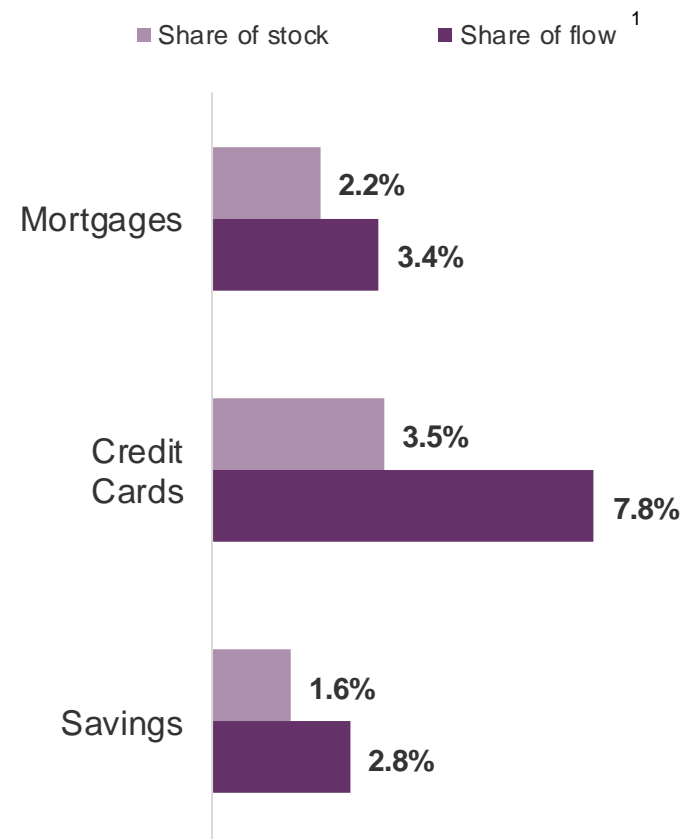
Balance sheet progress

Strong growth in mortgages, cards and customer deposits

£bn	FY16	FY15	Change
Gross Mortgage Lending	8.4	7.5	12%
Net Mortgage Lending	4.3	3.6	20%
Credit Card Balances	2.4	1.6	55%

£m	FY16	FY15	Change
Loans & Advances to customers	32,367	27,109	19%
Customer Deposits	28,106	25,145	12%
Debt securities in issue	2,600	2,039	27%
TFS drawings	1,268	-	n/a

Headroom in market share



Strong capital ratios at 15.2% CET1 ratio, 20.4% total capital ratio and 4.4% leverage ratio

Source: Company information for all table data. BoE market share data for mortgages, savings and credit cards stock. E-benchmarks for share of credit cards issued
 (1) Share of flow defined as share of gross lending for mortgages, share of new cards issued for credit cards and share of net inflows for savings

P&L – further growth in profitability

Strong income growth, cost control and low impairments drive improved profitability

£m	FY16	FY15	Change
Net Interest Income	519.0	456.1	14%
Other Income	67.9	67.4	1%
Total Underlying Income	586.9	523.5	12%
Total Underlying Operating Costs	(336.0)	(332.5)	1%
Impairment Losses	(37.6)	(30.3)	24%
Underlying PBT	213.3	160.7	33%

NIM
160bps

C:I Ratio
57.2%

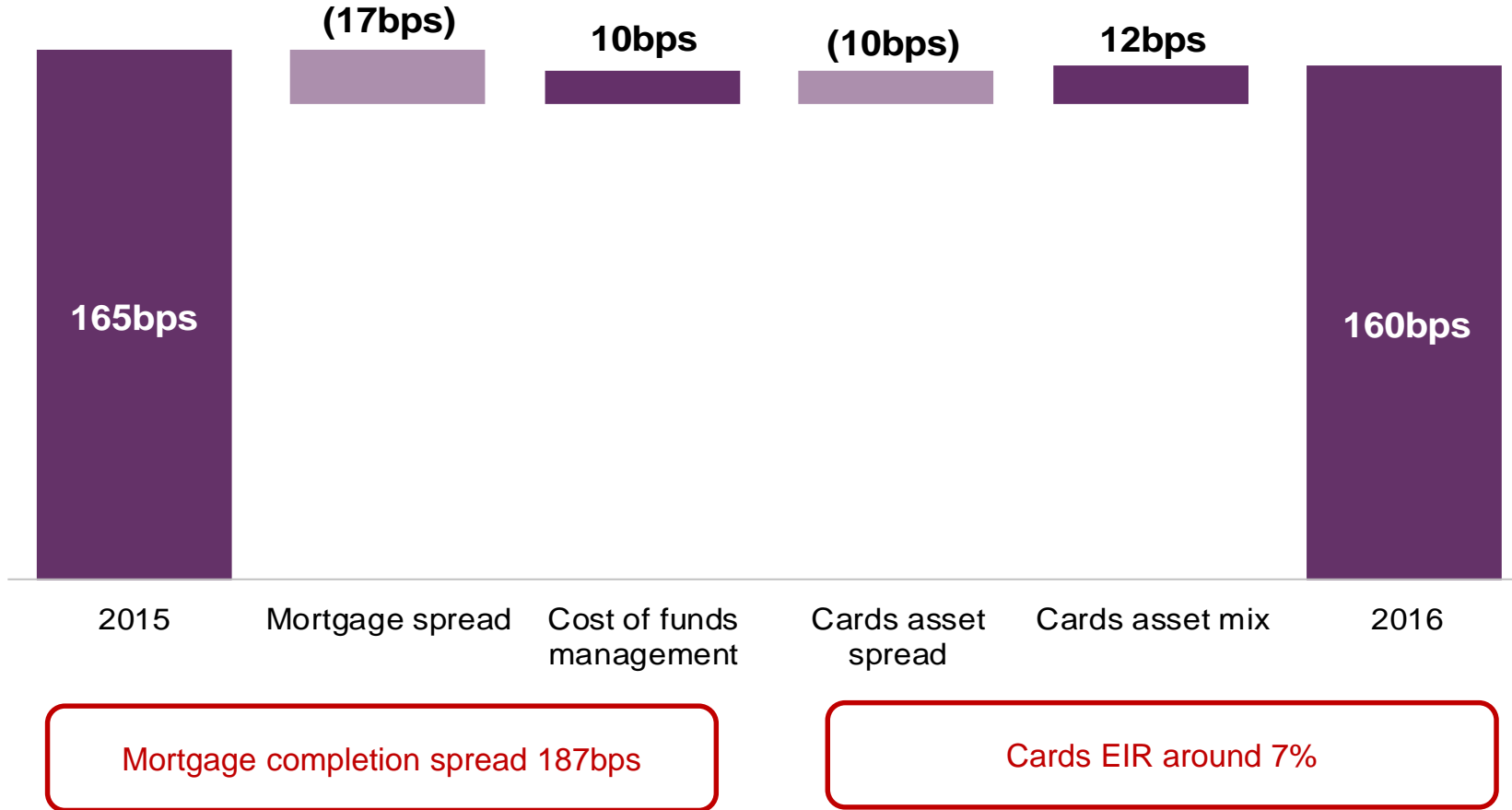
KPIs

Net Interest Margin	1.60%	1.65%	(5)bps
Cost:Income Ratio	57.2%	63.5%	(6.3)pp
Cost of risk	0.13%	0.12%	1bp

Cost of risk
13bps

Net interest margin evolution

Asset pricing pressure largely offset by cost of funds management and cards growth

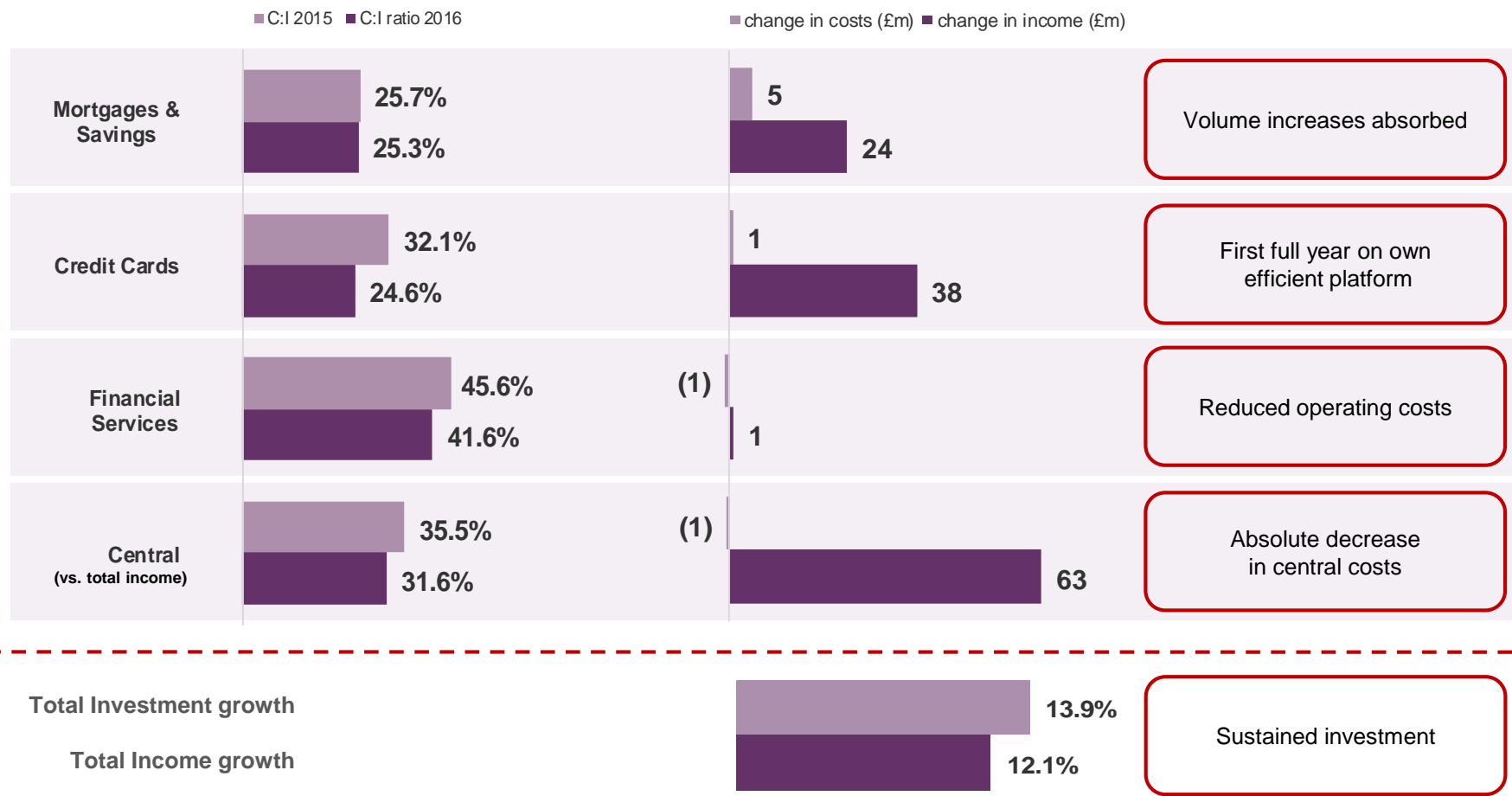


Source: Company information for all data

Further demonstration of operating leverage

Continuing our track record of effective cost management, leveraging scalable platforms

Operating leverage in every area of the business leading to 57.2% cost:income ratio

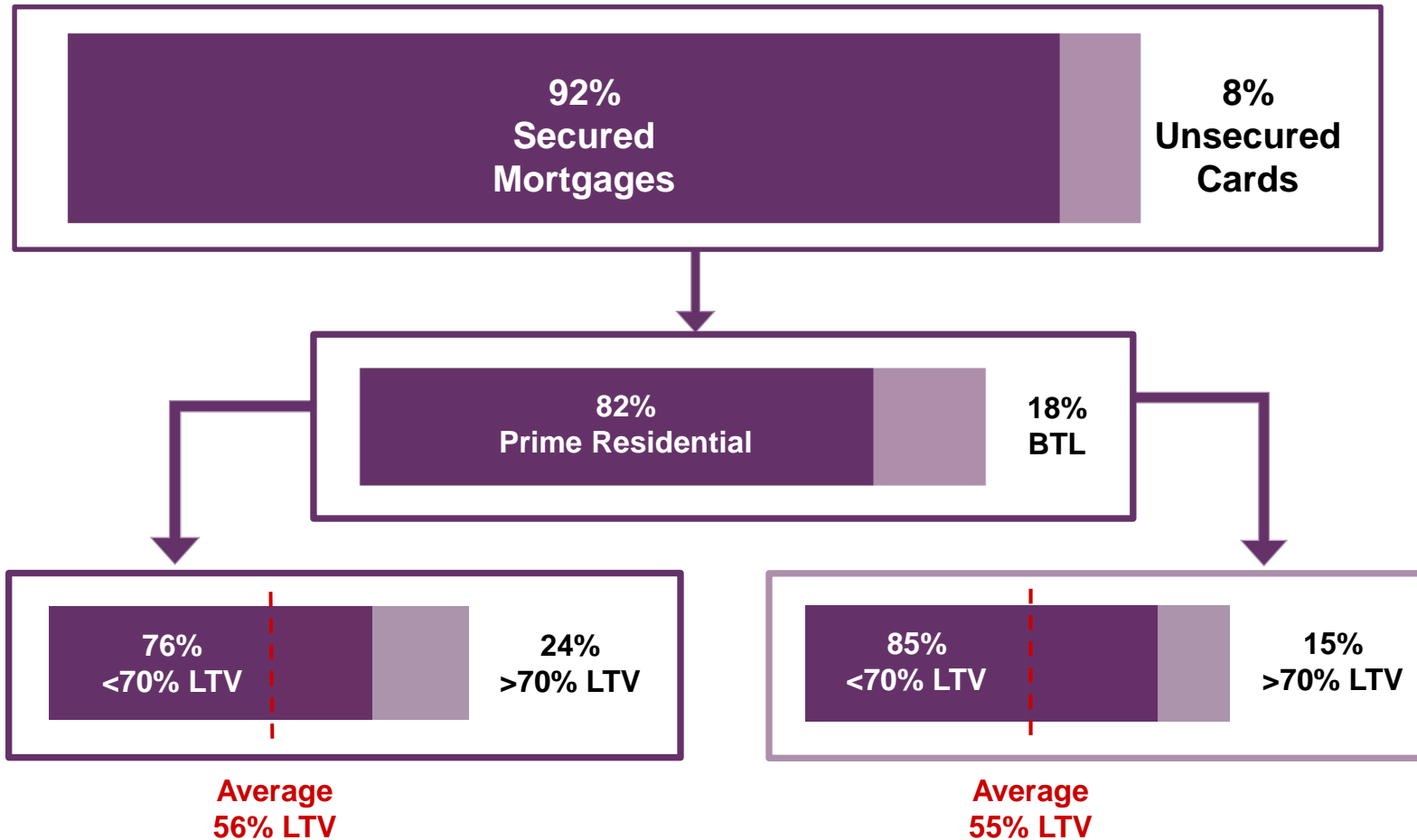


Momentum of 11% JAWS in 2016 gives confidence in 50% C:I exit rate for 2017

Source: Company information for all data

Strong asset quality

Virgin Money has carefully managed its conservative portfolio development



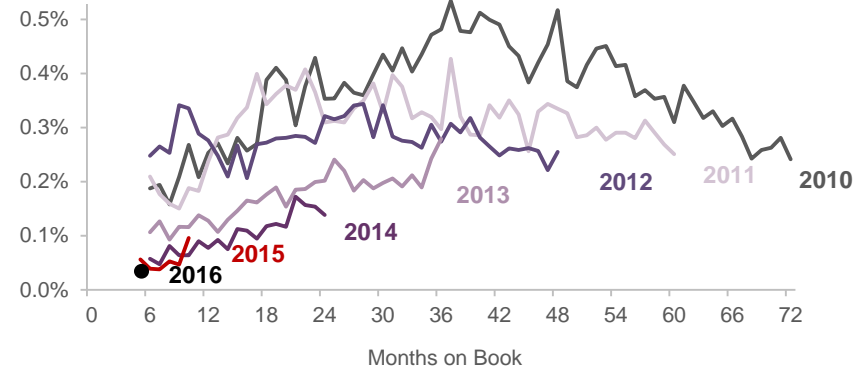
Very high credit standards for growth position us well for uncertainty ahead

Strong and improving credit metrics for mortgages

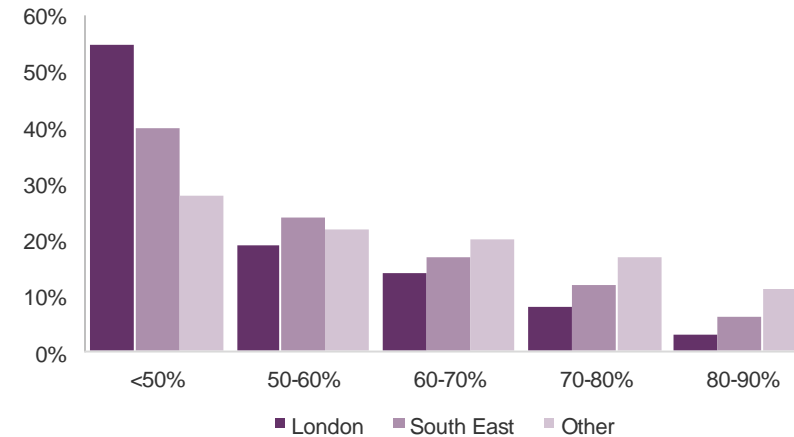
Mortgage key performance indicators demonstrate a low risk and resilient book

Vintage arrears data shows improving trends

Balances 1+ in arrears
(% of opening balance)



Low LTV in London and South East¹



Strong customer affordability

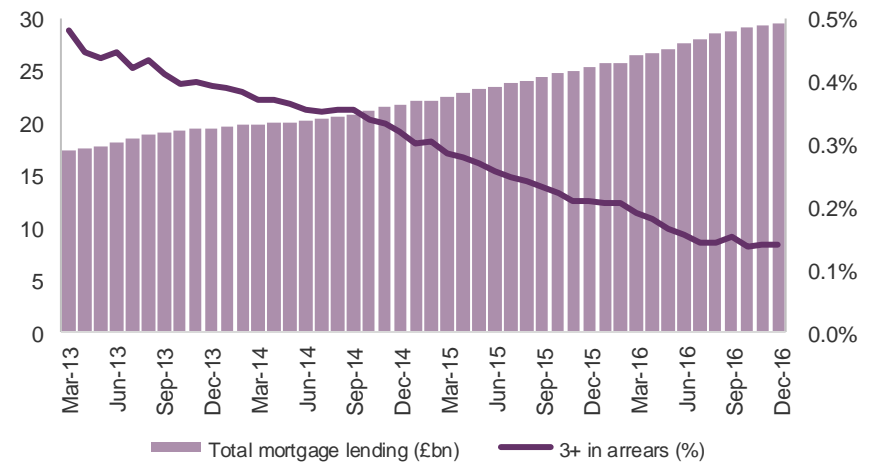
Three tests, lowest metric limits maximum loan amount

Net free income under stress (SVR +3%)

Debt to income limit

Loan to income limit

Reducing arrears trend and book growth

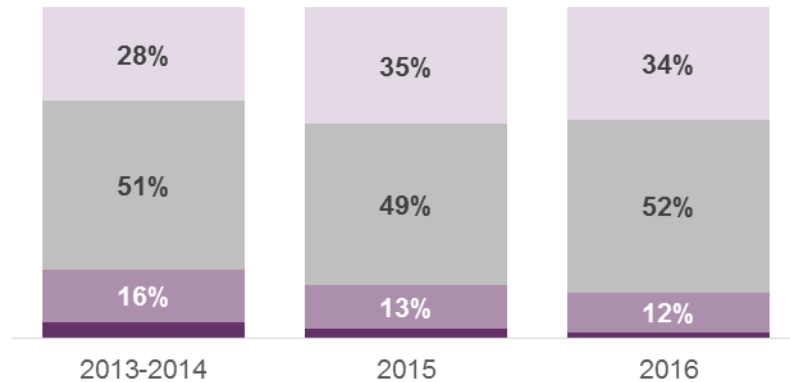


Source: Company information for all data
(1) 1.6% of portfolio is at over 90% LTV

Cards book metrics also trending positively

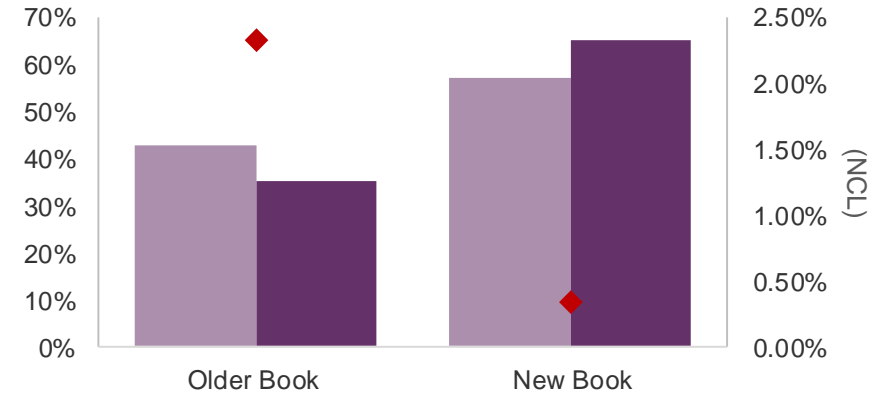
Strict underwriting criteria and affordability stresses ensure resilient portfolio

Increasing proportion in high or very high score...



Segmentation within prime: ■ Low ■ Medium ■ High ■ Very High

...helps drive improving impairments



■ % Book H1 (LHS) ■ % Book FY (LHS) ◆ Impairment Rate FY (RHS)

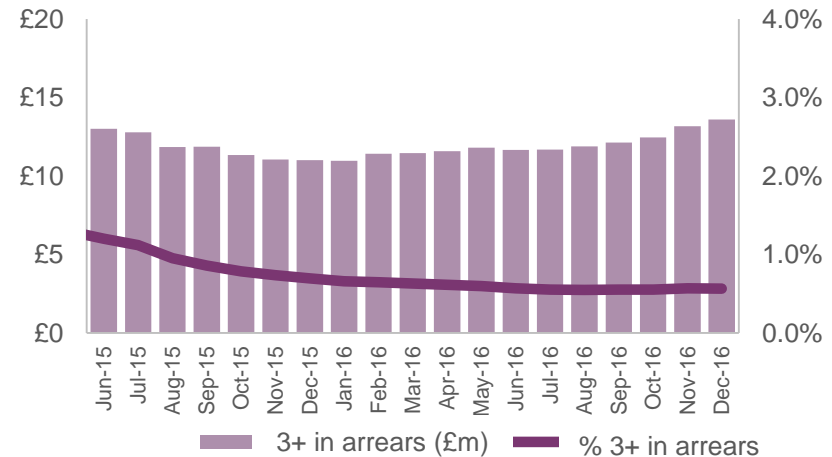
Strong customer affordability

Stressed repayment assumptions

Never downsell

Average customer 42, income £39k,
£700 monthly income surplus and homeowner

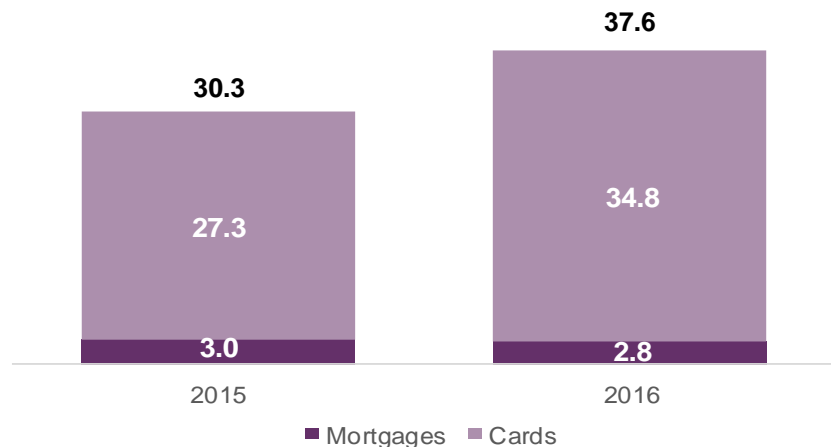
Cards arrears low and stable



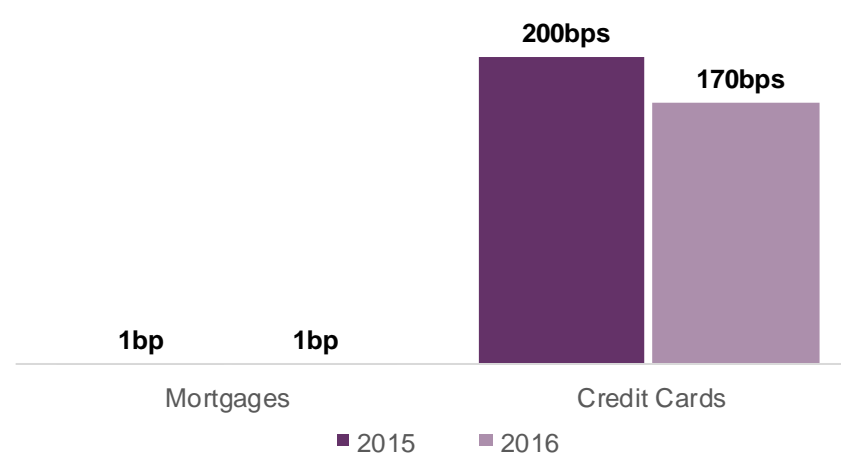
Credit performance reflects high quality assets

Low impairments and cost of risk, with improving coverage ratio

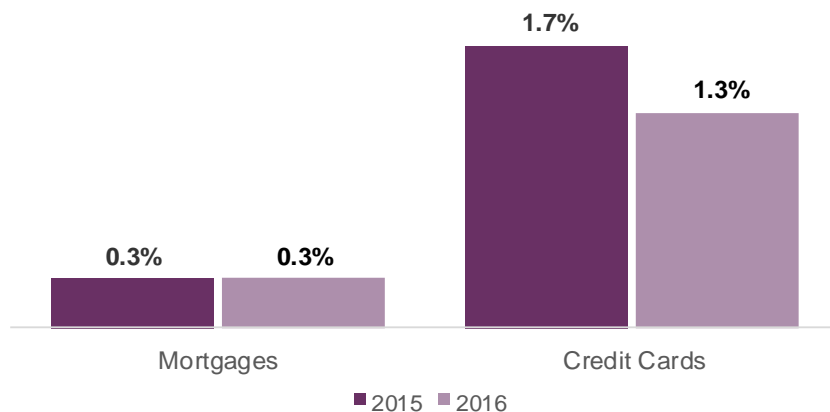
Impairment charge (£m)



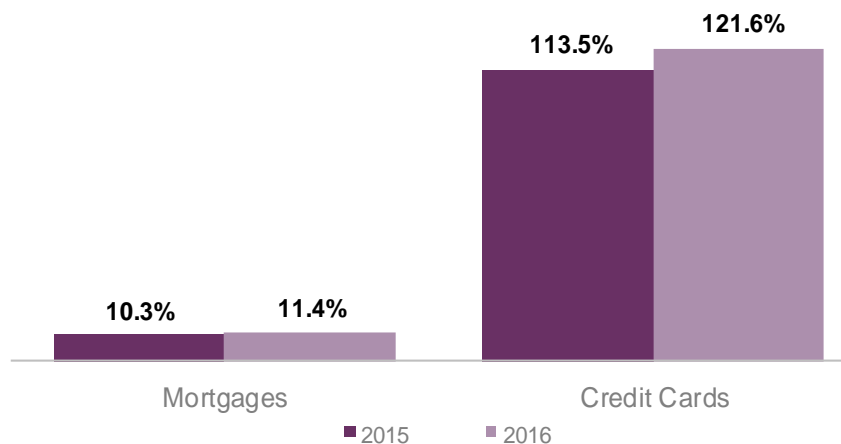
Group cost of risk of 13bps



Impaired loans as a proportion of lending



Total impaired balance coverage ratio



Source: Company information for all data

P&L – sustainable and improving returns

Record growth in mortgage volumes delivered increasing profits despite asset pricing pressures

£m	FY16	FY15	Change
Net Interest Income	519.0	456.1	14%
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KPIs			
Net Interest Margin	1.60%	1.65%	(5)bps
Cost:Income Ratio	57.2%	63.5%	(6.3)pp
Cost of risk	0.13%	0.12%	1bp
Return on Assets ¹	0.44%	0.42%	2bps
Return on Tangible Equity	12.4%	10.9%	1.5pp
Underlying EPS	32.7p	26.8p	5.9p

Source: Company information for all data

Note 1: Underlying profit after tax adjusted for distributions to AT1 security holders, divided by average total assets

Statutory profit and tax

Underlying profit flows through to strong statutory profit growth

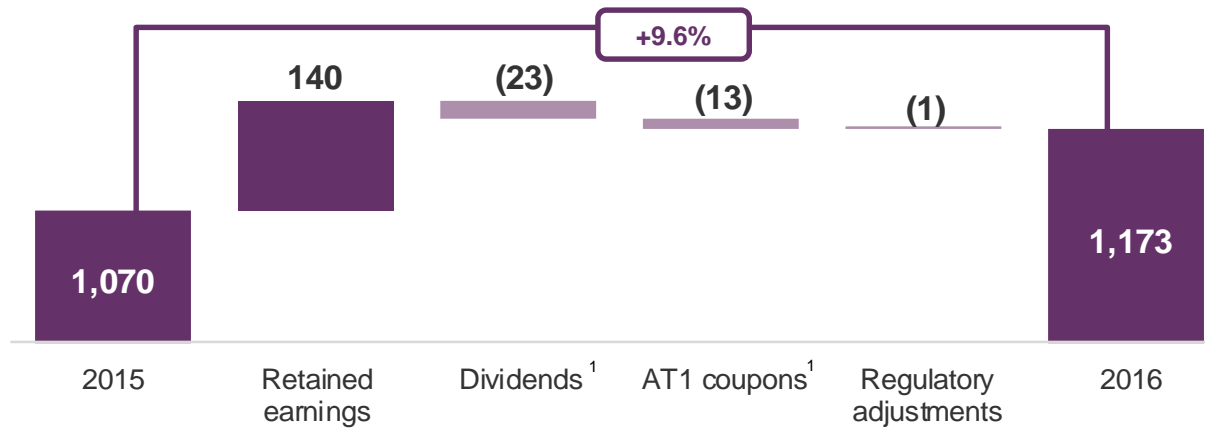
£m	FY16	FY15	Change (%)
Underlying Profit	213.3	160.7	33%
Costs associated with IPO	(2.0)	(10.5)	
Strategic items	(6.7)	(7.4)	
Simplification costs	(5.6)	(3.7)	
Fair value gains/losses	4.3	(0.7)	
Non trading items	(10.0)	(22.3)	
Subtotal	203.3	138.4	47%
Hedge volatility	(8.9)	(0.4)	
Statutory profit before tax	194.4	138.0	41%
Taxation	(54.3)	(26.8)	103%
Statutory profit after tax	140.1	111.2	26%

Source: Company information for all data

Robust capital position supports strong growth trajectory

Retained earnings create capacity for growth in Risk Weighted Assets

CET1 (£m)

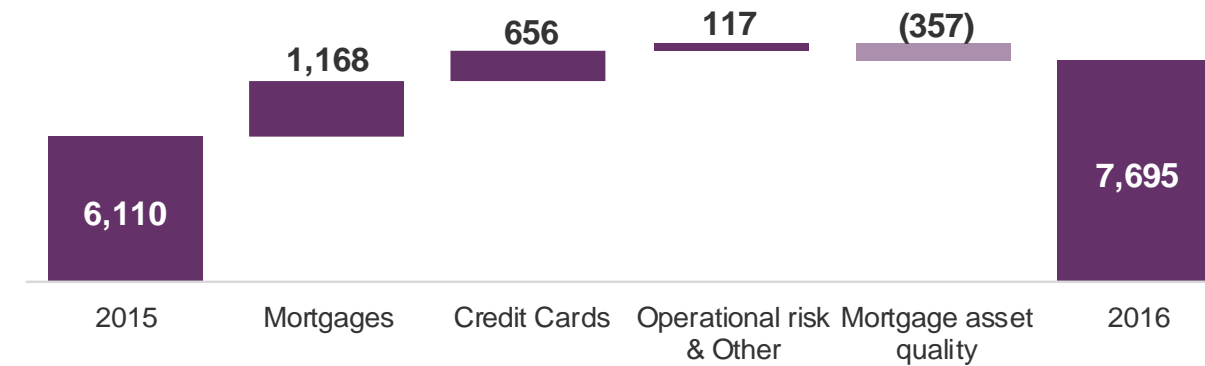


15.2%
CET1
Ratio

20.4%
Total Capital
Ratio

4.4%
Leverage
Ratio

RWAs (£m)



Planning for regulatory developments; IFRS 9, AIRB for cards and risk weight floors

Source: Company information for all data

(1) The dividends and AT1 distributions movements above include dividends and AT1 distributions paid during the year and the net movement in foreseeable dividend and AT1 distributions.

Doing what we said we would do

Measure	FY16
Mortgages	3.4% gross lending share
Credit Cards	£2.4bn balances
Deposits	12% growth
L:D ratio	114.5%
NIM	160bps
C:I Ratio	57.2%
Cost of risk	13bps
CET1 ratio	15.2%
Leverage ratio	4.4%
RoTE	12.4%

UPBT
£213.3m
+33%

5.1p
Total dividend
+13%



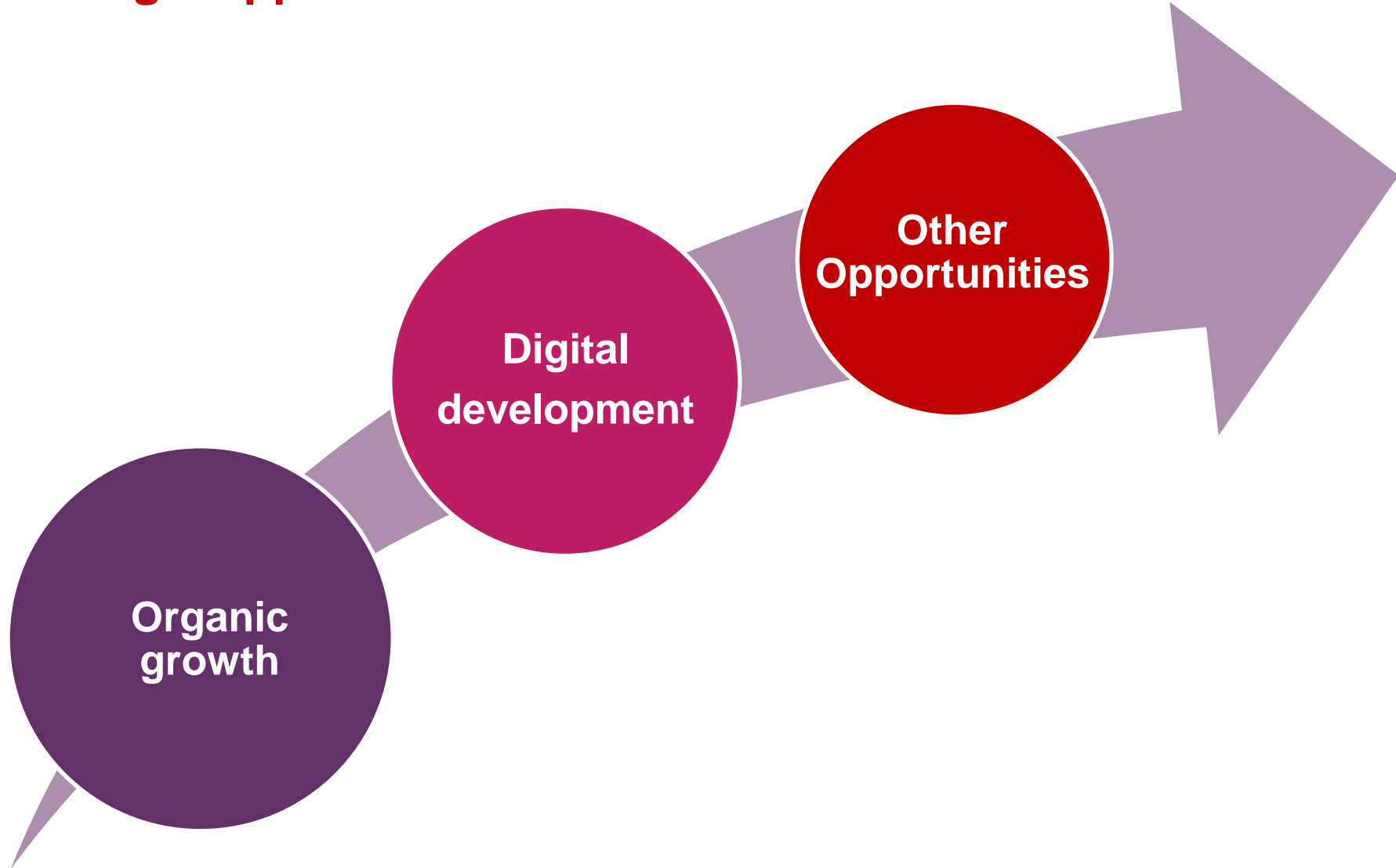
Banking

bowling

Outlook

		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	Up to 20bps in 2017
	CET1 Ratio	12% minimum
	Leverage Ratio	3.6% minimum
Returns	NIM	Up to 160bps
	C:I Ratio	50% by end of 2017
	RoTE	Solid double digit returns

Strategic opportunities in the future



Q&A



Disclaimer

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 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 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 potential for one or more countries to exit the European Union (EU) (including the UK following its EU referendum vote to leave the EU) or the Eurozone, 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 2016 Results News Release