



30 July 2019

CYBG PLC: Third Quarter 2019 Trading Update

CYBG PLC ("CYBG" or the "Group") confirms that trading in the nine months to 30 June 2019 was in line with the Board's expectations and good progress continues to be made with the Virgin Money integration programme.

Note: this trading update is on a pro forma basis as if Virgin Money was acquired on 01-Oct-17 (actual completion 15-Oct-18)

Disciplined asset and deposit growth in line with the Group's strategy

- Q3 Mortgage book reduction of 0.2% to £60.4bn due to higher redemptions in the period and lower new business volumes in line with the Group's optimisation strategy
- Q3 Business lending growth of 0.5% to £7.7bn with lower new business volumes in a subdued market, but with a strong Q4 pipeline of new lending
- Q3 Personal lending growth of 5.7% to £4.8bn primarily due to strong credit card growth
- Customer deposit growth in Q3 of 1.8% to £62.8bn with strong relationship deposit growth in our Business and Personal divisions
- Stable net cost of risk of 21bps (9 months annualised) with asset quality resilient

Q3 NIM of 168bps (9 months annualised)

- As expected, NIM of 168bps was 3bps lower compared to H1-19 due to the re-financing impact of a large volume of mortgage redemptions in Q3
- FY19 NIM is expected to be at the lower-end of the 165-170bps guidance range

Integration programme continues at pace

- Our integration programme continues to progress well with c.£45m of annual run-rate cost synergies now delivered and we remain on track for FSMA Part VII completion in October

Group remains strongly capitalised with a CET1 ratio of 14.6%

- The Group received its updated firm-specific capital requirement from the PRA in July, which confirmed that our Pillar 2A CET1 requirement had reduced from 3.6% to 3.0%
- PPI complaint costs were broadly in line with provision assumptions
- The Group, in line with the rest of the industry, has seen a recent increase in PPI information requests – the uphold rates on these are very low, however it is not possible at this stage to determine how many valid complaints will materialise – the Group will determine its final costs following the complaint deadline on 29 August

David Duffy, Chief Executive Officer of CYBG PLC commented:

"The Group continues to deliver on its targets with another quarter of resilient performance including disciplined lending and deposit growth in line with our recently announced strategy.

"Our net interest margin is tracking as expected and we delivered further cost efficiencies in the period – even with the twin pressures of Brexit and the highly competitive mortgage market, we remain on track to deliver full year performance in line with our guidance.

"At our Capital Markets Day in June we set out our plans to disrupt the status quo with new propositions, as well as updated financial, customer service and market share targets. Our

ongoing performance and refreshed strategy under the Virgin Money brand underlines the opportunity we have to create a new force in consumer and business banking."

Pioneering growth

(£bn)	30 Sep-18	31 Mar-19	30 Jun-19	Q3 growth	YTD annualised
Mortgages	59.1	60.5	60.4	(0.2)%	3.0%
Business	7.5	7.6	7.7	0.5%	2.1%
Personal	4.3	4.5	4.8	5.7%	13.6%
Customer lending	70.9	72.7	72.8	0.2%	3.5%
Customer deposits	61.0	61.7	62.8	1.8%	4.0%
o/w relationship deposits	19.9	20.3	20.9	3.1%	6.7%

Mortgages saw a small reduction in balances in Q3, consistent with our strategy to optimise for value. Q3 originations were lower than Q2 but at better margins as pricing stabilised. As previously guided, there is a large volume of redemptions in the second half of 2019 which contributed to the contraction in balances.

Business balance growth of 0.5% in the quarter was lower than expected due to slower completion of larger facilities in a subdued market. However, the pipeline for Q4 is strong.

Unsecured lending had a strong quarter, with continuing growth across our credit card propositions and a strong performance in personal loan originations, benefitting from improvements to the digital proposition and customer journey implemented earlier this year.

Good deposit growth of 1.8% in Q3 with our relationship deposit offerings attracting £0.6bn in additional balances driven by particularly strong growth in business current accounts and linked savings balances.

Following receipt of all regulatory approvals and conclusion of contractual negotiations, the Investments & Pensions JV with Aberdeen Standard Investments is expected to complete on 31 July 2019. In Q4 the Group will recognise an estimated gain on sale of c.£35m from the disposal of c.50% of its interest in Virgin Money Unit Trust Managers Limited.

Super straightforward efficiency

The integration programme is proceeding well and we remain on track for completion of the FSMA Part VII process in October 2019. All re-branding and other integration plan timings remain in line with those communicated at the Capital Markets Day.

We continue to progress towards our target for c.£200m of net cost savings by FY22 and as at Q3 had realised c.£45m of annual run-rate savings. We remain on track to deliver FY19 underlying costs of <£950m.

A further c.£65m of exceptional charges were incurred during Q3 including c.£35m of restructuring costs and c.£25m of acquisition accounting charges, in line with guidance.

Discipline and sustainability

Asset quality remains resilient with an annualised net cost of risk of 21bps in the first nine months, in line with expectations and reflecting the trends observed in our interim results.

The Group's CET1 ratio increased slightly to 14.6% at 30 June 2019 with lower asset growth in Q3. Following completion of the Group's ICAAP the PRA has updated the capital requirements for the Group. The Pillar 2A CET1 requirement has been reduced from 3.6% to 3.0% and the Group's fully-loaded CRD IV minimum CET1 capital requirement is now 60bps lower at 11.0%. The Group's target CET1 operating level of c.13% is reaffirmed.

PPI complaint costs were broadly in line with provision assumptions. In recent weeks the Group, consistent with the rest of the industry, has seen a significant increase in PPI information requests ahead of the 29 August complaint deadline. The uphold rate in relation to these is very low,

however it is not possible at this stage to determine how many valid complaints will materialise. The Group will determine its final costs following the 29 August complaint deadline and update at its FY results in November.

Enquiries:

<u>Investors and Analysts</u>	
Andrew Downey Head of Investor Relations	+44 20 3216 2694 +44 7823 443 150 andrew.downey@cybg.com
<u>Media (UK)</u>	
Christina Kelly Senior Media Relations Manager	+44 7484 905 358 christina.kelly@cybg.com
Simon Hall Media Relations Manager	+44 7855 257 081 simon.hall@virginmoney.com
Press Office	+44 800 066 5998 press.office@cybg.com
<u>Powerscourt</u>	
Victoria Palmer-Moore Andy Smith	+44 7725 565 545 +44 7872 604 889
<u>Media (Australia)</u>	
<u>Citadel Magnus</u>	
Peter Brookes James Strong	+61 407 911 389 +61 448 881 174

Basis of preparation

CYBG's acquisition of Virgin Money completed on 15 October 2018. The financial performance and business commentary provided in the trading update above have been prepared on the basis that the combination with Virgin Money had been in effect since 01 October 2017.

Forward looking statements

The information in this document may include forward looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects', 'outlooks', 'projects', 'forecasts' 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward looking statements, as well as those included in any other material discussed at any presentation, are subject to risks, uncertainties and assumptions about the Group and its securities, investments, and the environment in which it operates, including, among other things, the development of its business and strategy, any acquisitions, combinations, disposals or other corporate activity undertaken by the Group (including but not limited to the integration of the business of Virgin Money Holdings (UK) plc and its subsidiaries into the Group), trends in its operating industry, changes to customer behaviours and covenant, macroeconomic and/or geopolitical factors, changes to its board and/ or employee composition, exposures to terrorist activity, IT system failures, cyber-crime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of the Bank of England, the FCA and/or other regulatory and governmental bodies, inflation, deflation, interest rates, exchange rates, changes in the liquidity, capital, funding and/or asset position and/or credit ratings of the Group, future capital expenditures and acquisitions, the repercussions of the UK's referendum vote to leave the European Union (EU), the UK's exit from the EU (including any change to the UK's currency), Eurozone instability, and any referendum on Scottish independence.

In light of these risks, uncertainties and assumptions, the events in the forward looking statements may not occur. Forward looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward looking statements. No member of the Group or their respective directors, officers, employees, agents, advisers or affiliates gives any assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/ or discussed at any presentation. All forward looking statements should be viewed as hypothetical. No representation or warranty is made that any forward looking statement will come to pass. No member of the Group or their respective directors, officers, employees, agents, advisers or affiliates undertakes any obligation to update or revise any such forward looking statement following the publication of this document nor accepts any responsibility, liability or duty of care whatsoever for (whether in contract, tort or otherwise) or makes any representation or warranty, express or implied, as to the truth, fullness, fairness, merchantability, accuracy, sufficiency or completeness of the information in this document.

The information, statements and opinions contained in this document do not constitute or form part of, and should not be construed as, any public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments. The distribution of this document in certain jurisdictions may be restricted by law. Recipients are required by the Group to inform themselves about and to observe any such restrictions. No liability to any person is accepted in relation to the distribution or

possession of this document in any jurisdiction. The information, statements and opinions contained in this document and the materials used in and/ or discussed at, any presentation are subject to change.

Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.