

**VIRGIN MONEY UK PLC**  
**(Company or Virgin Money UK)**

**LEI: 213800ZK9VGCYYR6O495**

13 December 2021

## **VIRGIN MONEY UK PLC PERFORMS RESILIENTLY IN THE BANK OF ENGLAND STRESS TEST**

The Bank of England (BoE) has today published the results of the 2021 Solvency Stress Test (SST). The SST included Virgin Money UK for the first time alongside the 7 other largest banks and building societies in the UK.

The Group is pleased to confirm that the results on both a transitional and non-transitional basis are in excess of the published reference rates and it is not required to take any additional capital actions or to submit a revised capital plan.

### **Detail of the results**

Following the application of the BoE's Solvency Stress scenario, which reflects a severe intensification of the macroeconomic shocks seen in 2020 (further details of the stress are set out below), the Group's CET1 ratio<sup>1</sup> low point under stress is 8.9% after the application of management actions, compared to the Group's reference rate of 6.1%. The stress test scenario therefore results in a CET1 drawdown of 5.0%. The leverage ratio low point<sup>1</sup> under stress is 4.1% compared to a reference rate of 3.3%.

On a non-transitional basis, without the benefit of IFRS9 offsetting relief, the CET1 ratio<sup>1</sup> low point is 7.4% after management actions, equating to a CET1 drawdown of 5.5%, while the leverage ratio<sup>1</sup> low point is 3.5%. The same reference rates of 6.1% and 3.3% respectively apply to the non-transitional basis as Virgin Money UK does not have a systemic risk buffer, and there is no IFRS 9 offset applied.

### **Further strengthened capital position**

The Group's capital position has strengthened from the 31 December 2020 balance sheet start date of the stress test. The Group's CET1 ratio<sup>1</sup> has improved to 14.9% (30 September 2021) from 13.9% (31 December 2020) on a transitional basis, and to 14.4% (30 September 2021) from 12.9% (31 December 2020) on an IFRS9 fully-loaded non-transitional basis.

The Group's leverage<sup>1</sup> ratio has also improved to 5.2% (30 September 2021) from 5.0% (31 December 2020) on an IFRS9 transitional basis, and to 5.0% (30 September 2021) from 4.7% (31 December 2020) on an IFRS9 fully-loaded non-transitional basis.

The Group's capital and dividend framework will be updated by half year 2022 results, reflecting the outcome of the 2021 Solvency Stress Test and further dialogue with the PRA.

Virgin Money UK PLC is registered in England and Wales (company number: 09595911) and as a foreign company in Australia (ARBN 609 948 281) and has its registered office at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL

## The BOE Solvency Stress Test Scenario

This year's BOE stress scenario, applicable to all participants, was designed to assess whether bank capital buffers were sufficient to deal with an intensification of the macroeconomic shocks seen in 2020. The key features of the stress scenario were as follows:

- *GDP* falls by a further 9% in the first quarter of the stress scenario. Together with the falls already observed in 2020, the cumulative GDP loss over the period from 2020 to 2022 (relative to a pre-Covid baseline based on projections in line with the January 2020 Monetary Policy Report), equates to 37% of 2019 GDP.
- *UK unemployment* peaks at a little under 12%.
- *UK residential and commercial property prices* fall by around 33% between the end of 2020 and the trough of the stress.
- *The UK Bank Base rate* turns negative in 2021 and remains low for the duration of the stress scenario.

The test applied this hypothetical adverse scenario to the Group's balance sheet as at 31 December 2020 and compared the estimated Common Equity Tier 1 ("CET1") ratio and Tier 1 leverage ratio positions of the Group before and after the impact of strategic management actions.

The stress test is performed under the IFRS 9 accounting standard and requires the immediate recognition of expected credit losses on a perfect foresight basis, which places a 100% probability weight on the stress scenario. The BoE assesses the stress test results on an IFRS 9 transitional basis, in line with the phased implementation approach with results also shown on an IFRS 9 non-transitional basis, as set out above.

### Further details

Details of the BoE's approach to the stress test and the detailed results in relation to all participating financial institutions can be found on the BoE website at <https://www.bankofengland.co.uk/stress-testing/2021/bank-of-england-stress-testing-results>

<sup>1</sup> Capital ratios include the benefit from the non-deduction of intangible software assets in line with the PRA's Policy Statement PS17/21.

Announcement authorised for release by Lorna McMillan, Group Company Secretary.

For further information, please contact:

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