

CYBG PLC Capital Markets Day 2019

We are pleased to announce our refreshed strategy and updated medium-term strategic and financial targets as we deliver on our ambition to disrupt the status quo in UK banking.

A refreshed strategy that builds on our core capabilities and those added by the Virgin Money acquisition

- Our strategic and financial plan will see the completion of the full integration of Virgin Money while building a simple, highly efficient, digitally enabled business, with a significantly improved customer experience
- We believe we will deliver increased shareholder value through our four new strategic pillars:
 - o **Pioneering growth** – reshaping our balance sheet mix through a focus on growth in margin accretive assets and lower cost relationship deposits, supported by new customer propositions
 - o **Delighted customers and colleagues** – enhancing both the customer and colleague experience; targeting Top 3 in the CMA service quality indicator rankings for both Personal and Business by FY22
 - o **Super straightforward efficiency** – realising significant integration synergies, as well as digitising and simplifying the business to drive incremental cost efficiencies
 - o **Discipline and sustainability** – maintaining our disciplined approach to risk and the efficient use of capital in order to deliver sustainable shareholder returns
- In a challenging operating environment our strategy is to deliver on the actions within our control and optimise our balance sheet mix to mitigate current industry pressures

A clear path to success

- A key component of our strategy is the application of the Virgin Money brand across the Group and we expect the FSMA Part VII approval required to enable this to be effective by the end of October 2019
- The Group will be re-named Virgin Money UK PLC by the end of 2019 and the re-launch of the Virgin Money brand and re-branding of the business will begin in late 2019
- Our three new divisions are established, each with their own plans to support the Group strategy:
 - o **Business** – roll-out our successful relationship proposition nationwide and launch Virgin Money for business
 - o **Personal** – develop and launch rewards-led relationship propositions to drive customer growth; central to this will be the Virgin Money personal current account that will be launched in late 2019
 - o **Mortgages** – digitise, optimise and maximise our mortgage proposition to unlock greater value
- We are also commencing a new Transformation Programme to realise significant opportunities to digitise and simplify our internal processes, to deliver improved customer propositions and cost efficiencies

A clear set of medium-term financial targets to deliver increased shareholder value

- **2019 guidance is re-affirmed** – 165-170bps NIM and <£950m underlying costs
- **c.£200m of net cost savings by FY22** – an additional c.£50m of net cost savings from our Transformation Programme that add to the c.£150m of integration synergies; total restructuring costs of c.£360m
- **Operating costs <£780m by FY22** – with net cost savings that allow for both investment and inflation
- **Mid-40%'s cost:income ratio by FY22** – delivered primarily through the cost savings within our control
- **Above system asset growth** – disciplined growth in business and unsecured lending, mortgage market share maintained; delivering medium-term lending mix of **c.75% mortgages, c.15% business and c.10% unsecured**
- **Strong growth in relationship deposits** – high single digit CAGR in Personal and Business current account and linked savings balances delivered through our relationship propositions and new national coverage
- **<30bps cost of risk through FY22** – strong underwriting standards remain; increase expected due to asset mix
- **Targeting c.13% CET1 capital ratio** – including a prudent buffer above regulatory requirements
- The delivery of our strategy and targets is expected to drive strong shareholder returns, specifically:
 - o **Statutory RoTE of >12% by FY22** – delivered by enhanced profitability and efficient use of capital
 - o **>100bps of excess CET1 capital generation per annum by FY22** – available for distributions and/or growth
 - o **Progressive and sustainable ordinary dividend** – c.50% pay-out ratio over time

David Duffy, Chief Executive Officer of CYBG PLC commented:

“Banking is changing at an unprecedented rate. Consumers are using new technology in every part of their lives. With amazing customer experiences available in other industries, they are rightly demanding so much more from their banks.

“We have a clear ambition to disrupt the status quo with the new Virgin Money. The new Group combines the ethos of Virgin, with its distinctive and brilliant customer experience, with CYBG’s technology, product expertise and know-how. We believe we have the winning formula that will create a new force in consumer and business banking.

“Achieving our financial targets will create a significantly more efficient and profitable business with strong and sustainable returns for shareholders. Despite the ongoing Brexit headwinds and continued competitive pressures, the strength of the newly combined Group gives us every confidence we will deliver on our targets.”

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
Powerscourt	
Victoria Palmer-Moore Andy Smith	07725 565 545 07872 604 889
<u>Media (Australia)</u>	
Citadel Magnus	
Peter Brookes James Strong	+61 407 911 389 +61 448 881 174

CYBG PLC will be hosting a presentation for analysts and investors covering the Group's refreshed strategy and targets starting at 08:30 BST today (17:30 AEST). The presentation will be webcast live at: www.cybg.com/investor-relations/results-and-reporting/other-events-and-presentations. A recording of the webcast will be made available on the website shortly after the presentation.

The information contained within this announcement is deemed by CYBG PLC and its subsidiaries (the Group) to constitute inside information as stipulated under the Market Abuse Regulation No 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

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