

Virgin Money

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Virgin Money UK PLC (Virgin Money) is the sixth largest bank in the UK and offers all the services of a universal bank to its approximately 6.6 million customers. Virgin Money UK acts as a holding company in order to meet the requirements of ring fencing. The Group focuses its business on retail and corporate banking nationwide. The wholly owned subsidiary Clydesdale Bank (total assets: EUR 105.4bn, rating: A-/A3/A-) is the main operating unit of the Group. Virgin Money reports in the four business segments "Mortgages", "Unsecured", "Business" and "Deposits". The loan portfolio consists predominantly of mortgages (80%), followed by the "Unsecured" (8%) and "Business" (12%) segments. 75% of the mortgage portfolio in the "Mortgages" segment is allocated to the private sector (residential), the remainder to the Buy-to-let category. Geographically, 30% of the portfolio is allocated to the Greater London region and 32% to the Rest of South. The group's funding is predominantly made up of customer deposits. Virgin Money relies on the issuance of RMBS and covered bonds for funding. The latter are issued via the subsidiary Clydesdale Bank. The group has joined the Net Zero Banking Alliance and set the goal of achieving net zero emissions by 2050. This is to be achieved, among other things, through the use of sustainable energy sources. In addition, customers are supported in the implementation of sustainable goals with the granting of "green" loans and mortgages. The end of the business year is 30 September.

Ratings

	Rating	Outlook
Fitch	BBB+	Positive
Moody's	Baa1	Stable
S&P	BBB-	Stable

Homepage

www.virginmoneyukplc.com

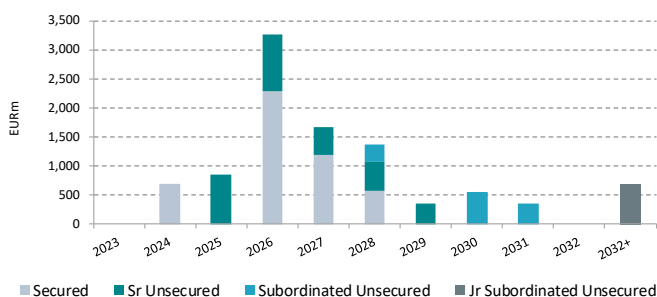
Balance Sheet

(EURm)	2021Y	2022Y	2023H1
Net Loans to Customers	83,885	81,614	81,923
Total Securities	5,256	6,152	6,921
Total Deposits	78,016	74,356	76,551
Tier 1 Common Capital	4,056	3,999	4,027
Total Assets	103,795	104,439	105,321
Total Risk-weighted Assets	28,140	27,336	28,047

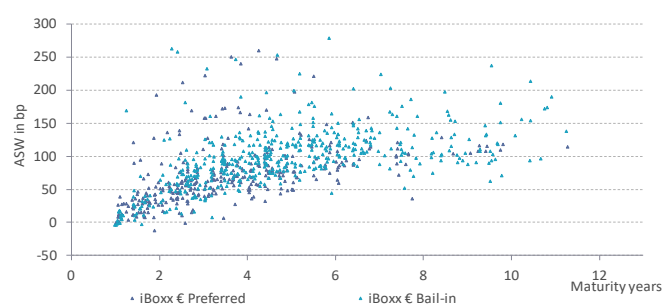
Income Statement

(EURm)	2021Y	2022Y	2023H1
Net Interest Income	1,554	1,860	972
Net Fee & Commission Inc.	142	158	75
Net Trading Income	11	6	-5
Operating Expense	928	1,064	541
Credit Commit. Impairment	-151	60	164
Pre-tax Profit	478	702	269

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023H1		2021Y	2022Y	2023H1
Net Interest Margin	1.55	1.78	1.88	Liquidity Coverage Ratio	149.22	137.77	153.45
ROAE	9.11	9.09	6.02	IFRS Tier 1 Leverage Ratio	3.93	3.85	3.84
Cost-to-Income	54.47	52.60	51.92	NPL/Loans at Amortised Cost	-	-	-
Core Tier 1 Ratio	14.41	14.63	14.36	Reserves/Loans at Amort. Cost	0.69	0.63	0.72

As of: 21.08.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Asset Quality
- Capitalisation
- Market position

Risks / Weaknesses

- Profitability (but improving)
- Diversification of business segments (predominantly on mortgages)
- Franchise in comparison with peers

Covered Bonds

Author: Melanie Kiene, CIIA

Outstanding covered bond volume of around EUR 4.8bn

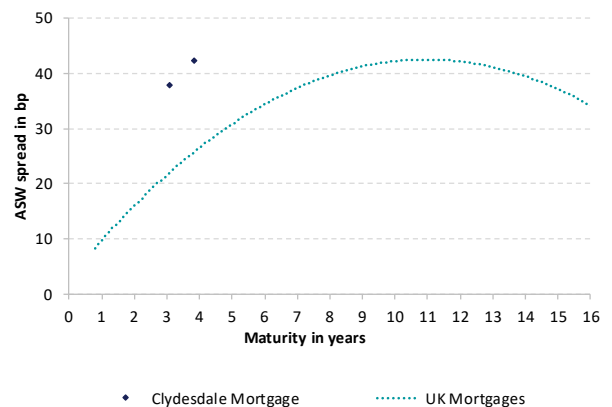
Clydesdale Bank has a EUR 10.0bn covered bond issuance programme. Under this programme, the bank has issued GBP 4.1bn (equivalent to around EUR 4.8bn) in mortgage covered bonds. These are matched by cover assets with a volume of GBP 8.1bn (EUR 9.5bn). In the August compilation of the iBoxx EUR Covered, Clydesdale is currently represented with two euro-denominated benchmarks with a total volume of EUR 1.1bn.

Programme data

30 June 2023	Mortgage
Covered bonds outstanding	GBP 4,113m / EUR 4,817m
Cover pool volume	GBP 8,069m / EUR 9,450m
Current OC (nominal / regulatory)	96.2% / 8.0%
Type	100% Residential
Country	100% UK
Weighted average LTV (%; unindexed/indexed)	58.5% / 50.4%
Number of loans	46,521
Average loan size	GBP 173,449 / EUR 203,126
10 largest exposures	0.2%
Fixed interest (Cover Pool / CBs)	97.2% / 40.4%
WAL (Cover Pool / CBs)	20.0y / 3.1y
CB Rating (Fitch / Moody's / S&P)	AAA / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – UK



Mortgage cover pool with exclusively residential assets

The mortgage cover pool (GBP 8.1bn [EUR 9.5bn]; overcollateralisation 96.2%) is distributed 100% among primary cover assets (reporting date 30 June 2023). The owner-occupied housing ratio is 88.6% of the cover assets. Buy-to-let assets represent a further 11.4%. 55.6% of the mortgage loans are for semi-detached or detached houses, a further 25.5% are for terraced houses and 14.4% financing flats or apartments. Geographically, the cover pool is located exclusively in the UK. The two dominant regions are "South East" and "London" with 25.2% and 24.7% respectively. Clydesdale reports a weighted average loan-to-value (LTV) ratio of 58.5%, and a market value ratio of 50.4%. Of the cover assets, 63.8% have been outstanding for more than 36 months, while only 2.9% are "very recent" (up to twelve months). The average loan volume is GBP 173,449 (EUR 203,126). The granularity of the cover pool is also reflected in the number of loans (46,521). Loans with a fixed interest rate were reported at 97.2%, the share of amortising loans at just under 78%. Arrears (arrears of >180 days) are not included in the cover pool. They are repurchased after five months.

Rating and regulation

Clydesdale Bank's covered bond programme is rated AAA and Aaa by Fitch and Moody's respectively. According to Moody's, the collateral score of the mortgage cover pool is 5.0%. With regard to the regulatory treatment, a risk weight of 20% applies to the covered bonds of the programme. In the context of LCR management, the suitability or recognition of the EUR benchmarks as a Level 2A asset cannot be regarded as certain at present, according to our assessment. In the context of the ECB Collateral Framework, however, the issues can still be used and are considered eligible bonds.

Annex

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