

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**PART 2 OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT AND DETAILS OF A PROPOSED ACQUISITION WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE LISTING ON THE OFFICIAL LIST AND OF ADMISSION TO TRADING OF VIRGIN MONEY SHARES ON THE LONDON STOCK EXCHANGE'S MAIN MARKET FOR LISTED SECURITIES.**

**If you are in any doubt as to the action you should take, you are recommended to seek your own financial, tax and legal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA if you are in the United Kingdom or from another appropriately authorised independent financial adviser, if you are taking advice in a territory outside the United Kingdom.**

If you sell or otherwise transfer or have sold or otherwise transferred all of your Virgin Money Shares, please send this document (but not any personalised accompanying documents) and any reply-paid envelope at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer is or was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in, into or from any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. If you sell or otherwise transfer or have sold or otherwise transferred part only of your holding of Virgin Money Shares, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer is or was effected. If you have recently purchased or otherwise been transferred Virgin Money Shares in certificated form, notwithstanding receipt of this document and any accompanying documents from the transferor, you should contact Equiniti on the telephone numbers set out below to obtain personalised Forms of Proxy or Forms of Instruction (depending on the nature of your shareholding).

The distribution of this document (and any accompanying document(s)) in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document (and any accompanying document(s)) comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Neither this document nor any of the accompanying documents do or are intended to constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document is not a prospectus or a prospectus equivalent document.

**Recommended all-share offer for**

## **Virgin Money Holdings (UK) plc**

*(Incorporated in England and Wales with registered no. 03087587)*

by

## **CYBG PLC**

to be effected by means of a scheme of arrangement of

Virgin Money Holdings (UK) plc under Part 26 of the Companies Act 2006

**and proposed Related Party Transaction and  
Notice of Court Meeting and General Meeting**

*Sponsor*

**Goldman Sachs International**

**You should carefully read the whole of this document (including any documents incorporated into it by reference) and the accompanying Forms of Proxy or Forms of Instruction. This document should also be read in conjunction with the CYBG Prospectus, containing further information on CYBG and the New CYBG Shares and for which CYBG, the CYBG Directors and the Proposed Directors are responsible. The CYBG Prospectus is available on CYBG's website at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/) and on Virgin Money's website at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/> subject to, in each case, any applicable restrictions relating to persons in Restricted Jurisdictions. Your attention is drawn to the letter from the Chair of Virgin Money in Part 1 of this document, which contains the recommendation of the Independent Virgin Money Directors that you vote in favour of the Scheme at the Court Meeting and the ordinary and special resolutions relating to the Scheme (including the Rule 16 Resolution) to be proposed at the Virgin Money General Meeting and the recommendation of the Virgin Money Board that you vote in favour of the proposed Related Party Transaction, and Remuneration Policy Resolution to be proposed at the Virgin Money General Meeting. A letter from Goldman Sachs International explaining the Scheme appears in Part 2 of this document and constitutes an explanatory statement in compliance with section 897 of the Companies Act.**

Notices of the Court Meeting and the Virgin Money General Meeting, each of which will be held at Allen & Overy LLP, One Bishops Square, London E1 6AD on Monday 10 September 2018, are set out on pages 126 to 135 of this document. The Court Meeting will start at 11.00 a.m. on that date and the Virgin Money General Meeting at 11.15 a.m. or as soon after that as the Court Meeting is concluded or adjourned.

Actions to be taken by Virgin Money Shareholders are set out on pages 57 to 58 of this document. Virgin Money Shareholders are asked to complete and return the enclosed blue and yellow Forms of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by Virgin Money's registrars, Equiniti, by no later than 11.00 a.m. and 11.15 a.m. on 6 September 2018 (in the case of the Court Meeting and Virgin Money General Meeting respectively) or, in the case of an adjourned Meeting, not later than 48 hours before the relevant Meeting, excluding any part of a day that is not a Business Day. Virgin Money Shareholders who hold Virgin Money Shares in CREST may also appoint a proxy through the CREST electronic proxy appointment service by following the instructions set out on pages 57 to 58 of this document. If the blue Form of Proxy for the Court Meeting is not lodged by the relevant time, it may be handed to Virgin Money's registrars, Equiniti, on behalf of the Chair of the Court Meeting before the start of the Court Meeting. In the case of the Virgin Money General Meeting, if the yellow Form of Proxy is not lodged by the relevant time, it will be invalid. The completion and return of a Form of Proxy will not prevent Virgin Money Shareholders from attending and voting in person at either the Court Meeting or the Virgin Money General Meeting or any adjournment of such Meeting.

Actions to be taken by Virgin Money Nominee Service Holders are set out on pages 57 to 58 of this document. Virgin Money Nominee Service Holders are asked to complete and return the enclosed blue and yellow Forms of Instruction in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by Virgin Money's registrars, Equiniti, by no later than 11.00 a.m. and 11.15 a.m. on 5 September 2018 (in the case of the Court Meeting and Virgin Money General Meeting respectively) or, in the case of an adjourned Meeting, not later than 72 hours before the relevant Meeting, excluding any part of a day that is not a Business Day. In the case of the Court Meeting, unless the blue Form of Instruction is returned by the specified time, it will be invalid and, in the case of the Virgin Money General Meeting, if the yellow Form of Instruction is not lodged by the relevant time, it will be invalid.

If you have any questions about this document, the Court Meeting or the Virgin Money General Meeting, or how to complete the Forms of Proxy or Forms of Instruction, please call Equiniti on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate). Equiniti is open between 8.30 a.m. and 5.30 p.m. on Monday to Friday, excluding public holidays in England and Wales. Please note that Equiniti cannot provide comments on the merits of the Offer or provide any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes. Different charges may apply to calls from mobile telephones.

Goldman Sachs International (**Goldman Sachs**), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Virgin Money and no one else in connection with the Offer and the Related Party Transaction and will not be responsible to anyone other than Virgin Money for providing the protections afforded to clients of Goldman Sachs, or for giving advice in connection with the Offer or any matter or arrangement referred to in this document.

Citigroup Global Markets Limited (**Citi**), which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Virgin Money and no one else in connection with the matters set out in this document and will not regard any other person as its client in relation to the matters in this document and will not be responsible to anyone other than Virgin Money for providing the protections afforded to clients of Citi nor for providing advice in relation to any matter referred to herein.

Morgan Stanley & Co. International plc (**Morgan Stanley**), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK, is acting as financial adviser exclusively for CYBG and no one else in connection with the matters set out in this document. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in connection with the contents of this document or any other matter referred to herein.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the Prudential Regulation Authority and FCA. Details about the extent of its authorisation and regulation by the Prudential Regulation Authority, and regulation by the FCA, are available on request or from [www.db.com/en/content/eu\\_disclosures.htm](http://www.db.com/en/content/eu_disclosures.htm). Deutsche Bank AG, acting through its London branch (**Deutsche Bank**) is acting as financial adviser to CYBG and no other person in

connection with this document or any of its contents. Deutsche Bank will not be responsible to any person other than CYBG for providing any of the protections afforded to clients of Deutsche Bank, nor for providing any advice in relation to the matters set out in this document. Neither Deutsche Bank nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Deutsche Bank in connection with the matters set out in this document, any statement contained herein or otherwise.

Macquarie Capital (Europe) Limited (**Macquarie**), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for CYBG and no-one else in connection with the matters set out in this document and will not be responsible to anyone other than CYBG for providing the protections afforded to customers of Macquarie or for providing advice in relation to the matters set out in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs, Citi, Morgan Stanley, Deutsche Bank and Macquarie, by the FSMA or the regulatory regime established under that legislation or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Goldman Sachs, Citi, Morgan Stanley, Deutsche Bank and Macquarie or any person affiliated with any of them assumes any responsibility whatsoever and none of them makes any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them or on their behalf and nothing contained in this document is, or shall be, relied upon as a promise or representation in this respect whether as to the past or the future, in connection with Virgin Money, the Virgin Money Group, CYBG, the CYBG Group, the Offer or otherwise. Each of Goldman Sachs, Citi, Morgan Stanley, Deutsche Bank and Macquarie accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise (save as referred to above) be found to have in respect of this document or any such statement.

## IMPORTANT NOTICE

### Restrictions in overseas jurisdictions

The distribution of this document (and any accompanying document(s)) in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of such jurisdiction. Neither this document nor any of the accompanying documents do or are intended to constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful.

This document has been prepared for the purposes of complying with English law, the Takeover Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England and Wales.

Copies of this document and all documents relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction and persons receiving this document and all documents relating to the Offer (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdiction where to do so would violate the laws of that jurisdiction.

#### *Notice to Australian Virgin Money Shareholders*

This document and the Offer are only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) (**Australian Corporations Act**) by virtue of ASIC Corporations (Compromise or Arrangements) Instrument 2015/358. This document must not be issued or distributed in Australia to any other persons. This document is not a disclosure document for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act.

This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission, ASX or any other regulatory body or agency in Australia.

The persons referred to in this document may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to the securities. No “cooling-off” regime will apply to an acquisition of any interest in CYBG under the scheme of arrangement.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of any interest in CYBG is appropriate in light of your own financial circumstances or seek professional advice from an adviser licenced by the Australian Securities and Investments Commission to give that advice.

#### *Notice to Canadian Virgin Money Shareholders*

CYBG is not a “reporting issuer” (as such term is defined under applicable Canadian securities legislation) in any jurisdiction of Canada. Any resale of the New CYBG Shares in any jurisdiction of Canada must be made in accordance with an exemption from the prospectus requirements of applicable securities laws. Virgin Money Shareholders resident in Canada are advised to seek legal advice prior to any sale of their New CYBG Shares.

#### *Notice to Greek Virgin Money Shareholders*

The Offer is not a public offer under law 3401/2005 in Greece. You are advised to exercise caution in relation to the Offer. If you are in any doubt about the tax implications of the Offer, you should obtain independent professional tax advice.

#### *Notice to Hong Kong Virgin Money Shareholders*

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

#### *Notice to Israeli Virgin Money Shareholders*

The Offer will not be governed by Israeli securities law and is not subject to the review and supervision of the Israel Securities Authority.

#### *Notice to Luxembourg Virgin Money Shareholders*

This document has been prepared on the basis that the Offer will be made pursuant to an exemption under the Prospectus Directive, as implemented in any Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), from the requirement to publish a prospectus for offers of securities. Accordingly any person making or intending to make an offer in that Relevant Member State of the New CYBG Shares which are the subject of the offer contemplated in this document, may only do so in circumstances in which no obligation arises for CYBG to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer.

#### *Notice to South African Virgin Money Shareholders*

The Offer will only be made to existing holders of Virgin Money's securities, including retail and institutional holders in South Africa (collectively, **South African Qualifying Investors**). The Offer and the relevant information that pertains to such Offer in respect of the South African Qualifying Investors is combined in this document for the sake of convenience only. Accordingly: (i) the Offer is not an offer to the public as contemplated in section 96 of the South African Companies Act; (ii) this document does not, nor does it intend to, constitute a prospectus prepared and registered under the South African Companies Act or an advertisement in terms of section 98 of the South African Companies Act; and (iii) no prospectus has been filed with the South African Companies and Intellectual Property Commission in respect of the Offer. As a result, this document does not comply with the substance and form requirements for a prospectus or advertisement as set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority.

#### *Notice to Swiss Virgin Money Shareholders*

The New CYBG Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange Ltd. (the **SIX Swiss Exchange**) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issue prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New CYBG Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

#### *Notice to United States Virgin Money Shareholders*

The Offer relates to the shares of an English company and is being effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Offer is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the disclosure requirements, style and format of US proxy solicitation or tender offer rules. However, CYBG reserves the right, subject to the prior consent of the Panel and in accordance with the Co-operation Agreement, to elect to implement the Offer by means of a Takeover Offer for the entire issued and to be issued ordinary share capital of Virgin Money, as an alternative to the Scheme. If CYBG were to elect to implement the Offer by means of a Takeover Offer, it shall be made in compliance with all applicable laws and regulations. If such a Takeover Offer is required to be made in the United States, it will be done in compliance with the applicable tender offer rules under the US Exchange Act, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. In addition to any such Takeover Offer, CYBG, certain affiliated companies or their nominees or brokers (acting as agents) may, in accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, make certain purchases of, or arrangements to purchase, Virgin Money Shares outside the Takeover Offer, during the period in which such Takeover Offer would remain open for acceptance and/or before the Scheme becomes Effective, lapses or is withdrawn. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Such purchases or arrangements to purchase may occur either in the open market at prevailing prices or in private

transactions at negotiated prices. Any information about such purchases will be disclosed as required in the United Kingdom, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website at <http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm>.

The information contained in this document has neither been approved nor disapproved by the US Securities and Exchange Commission (the **SEC**) or any US state securities commission. Neither the SEC, nor any state securities commission, has passed upon the fairness or merits of the proposal described in, nor upon the accuracy or adequacy of the information contained in, this document. Any representation to the contrary is a criminal offence in the United States.

The financial information included or incorporated by reference into this document has been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to the financial statements of US companies. US generally accepted accounting principles (**US GAAP**) differ in certain significant respects from IFRS used in the United Kingdom and therefore the financial information included or incorporated by reference into this document relating to Virgin Money or CYBG may not be comparable with the financial information of US companies.

None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

The New CYBG Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New CYBG Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The New CYBG Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Virgin Money Shareholders who will be affiliates of CYBG after the Effective Date will be subject to certain US transfer restrictions relating to the New CYBG Shares received pursuant to the Scheme.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Virgin Money will advise the Court that its sanctioning of the Scheme will be relied upon by CYBG and Virgin Money as an approval of the Scheme following a hearing on its fairness which all Virgin Money Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such Virgin Money Shareholders.

It may be difficult for United States Virgin Money Shareholders to enforce their rights and any claim arising out of the US federal laws, since CYBG and Virgin Money are each located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. United States Virgin Money Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Virgin Money, the Virgin Money Group, CYBG, the CYBG Group or the Combined Group except where otherwise stated.

#### *Notice to New Zealand Virgin Money Shareholders*

The New CYBG Shares are not being offered to the public within New Zealand. In New Zealand, the New CYBG Shares are being issued only to existing security holders of Virgin Money with registered addresses in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with English law. This document is not a product disclosure statement under the Financial Markets Conduct Act 2013 (**FMC Act**) or other similar offering or disclosure document under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the FMC Act or any other relevant law in New Zealand. It does not contain all the information that a product disclosure document, under New Zealand law, is required to contain.

## **Forward-looking statements**

This document (including information incorporated by reference in this document), oral statements made regarding the Offer, and other information published by CYBG and Virgin Money contain statements which are, or may be deemed to be, “forward-looking statements”. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates, forecasts and projections of CYBG and Virgin Money about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements contained in this document include statements relating to the expected effects of the Offer on the CYBG Group, the Virgin Money Group and the Combined Group, the expected timing and scope of the Offer and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “budget”, “targets”, “aims”, “scheduled”, “estimates”, “forecast”, “intends”, “anticipates”, “seeks”, “prospects”, “potential”, “possible”, “assume” or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Although CYBG and Virgin Money believe that the expectations reflected in such forward-looking statements are reasonable, CYBG and Virgin Money can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risks (known and unknown) and uncertainties (and other factors that are in many cases beyond the control of CYBG and/or Virgin Money) because they relate to events and depend on circumstances that may or may not occur in the future.

There are a number of factors that could affect the future operations of the CYBG Group, the Virgin Money Group and/or the Combined Group and that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction (or, where permitted, waiver) of the Conditions, as well as additional factors, such as: domestic and global business and economic conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, industry trends, competition, changes in government and regulation, changes in the policies and actions of governments and/or regulatory authorities (including changes related to capital and tax), changes in political and economic stability (including exposures to terrorist activities, the repercussions of the UK’s referendum vote to leave the European Union (EU), the UK’s exit from the EU (including any changes to the UK currency), Eurozone instability, any referendum on Scottish independence), disruption in business operations due to reorganisation activities, interest rate, inflation, deflation and currency fluctuations, the timing impact and other uncertainties of future or planned acquisitions or disposals or offers, the inability of the Combined Group to realise successfully any anticipated synergy benefits when the Offer is implemented (including changes to the board and/or employee composition of the Combined Group), the inability of the CYBG Group to integrate successfully the Virgin Money Group’s operations and programmes when the Offer is implemented, the Combined Group incurring and/or experiencing unanticipated costs and/or delays (including IT system failures, cyber-crime, fraud and pension scheme liabilities), or difficulties relating to the Offer when the Offer is implemented. In particular, the capital position of the Combined Group is subject to confirmation of the regulatory treatment of the existing capital instruments issued by CYBG and Virgin Money post completion of the Offer, which is dependent on the final legal structure of the Combined Group. Other unknown or unpredictable factors could affect future operations and/or cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Each forward-looking statement speaks only as of the date of this document. Neither CYBG Group nor Virgin Money Group, nor any of their respective associates or directors, officers or advisers, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Forward-looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations (including under the Takeover Code, the Listing Rules and the Disclosure Guidance and Transparency Rules), neither the CYBG Group nor the Virgin Money Group is under or undertakes any obligation, and each of the foregoing expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **No profit forecasts or estimates**

Nothing in this document (including any statement of estimated cost synergies) is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per CYBG Share or Virgin Money Share for the current or future financial years, will necessarily match or exceed the historical published earnings per CYBG Share or Virgin Money Share. No accretion statements or statements as to the effect of the Offer should be construed as profit forecasts and are, therefore, not subject to the requirements of Rule 28 of the Takeover Code.

### **Quantified Financial Benefits Statement**

Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the quantified financial benefit statements nor any other statement in this document should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following implementation of the Offer, or in any subsequent period, would necessarily match or be greater than or be less than those of CYBG or Virgin Money for the relevant preceding financial period or any other period.

### **Disclosure requirements of the Takeover Code**

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the Announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm on the tenth business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm on the tenth business day following the Announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.



**Publication on a website**

This document and the documents required to be published pursuant to Rule 26 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on CYBG's website at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/) and on Virgin Money's website at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/>. The content of the websites referred to in this document is not incorporated into and does not form part of this document.

**Request for hard copies**

Virgin Money Shareholders and Virgin Money Nominee Service Holders may, subject to applicable securities laws, request a hard copy of this document (and any information incorporated into it by reference to another source) by contacting Virgin Money's registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA or on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate) with an address to which the hard copy may be sent. Equiniti is open between 8.30 a.m. and 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be monitored or recorded for security and training purposes. Please note that Equiniti cannot provide advice on the merits of the Offer, nor give any financial, tax, investment or legal advice. Virgin Money Shareholders and Virgin Money Nominee Service Holders may, subject to applicable securities laws, also request that all future documents, announcements and information to be sent in relation to the Offer should be in hard copy form.

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

Please be aware that addresses, electronic addresses and certain information provided by Virgin Money Shareholders, persons with information rights and other relevant persons for the receipt of communications from Virgin Money may be provided to CYBG during the offer period (as defined in the Takeover Code) as required under section 4 of Appendix 4 to the Takeover Code.

**Rounding**

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

**Registration**

CYBG is a public limited company 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 20 Merrion Way, Leeds, West Yorkshire LS2 8NZ United Kingdom.

**Date**

This document is dated 31 July 2018.

## HOW TO VOTE

This page should be read in conjunction with the rest of this document, and in particular, the section headed "ACTIONS TO BE TAKEN" set out on pages 57 to 58 of this document and the notices of the Court Meeting and the Virgin Money General Meeting at the end of this document.

**IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT A PROXY THROUGH THE CREST ELECTRONIC PROXY APPOINTMENT SERVICE (AS APPROPRIATE), OR IN THE CASE OF VIRGIN MONEY NOMINEE SERVICE HOLDERS RETURN YOUR FORM OF INSTRUCTION EITHER BY POST OR ELECTRONICALLY, AS SOON AS POSSIBLE.**

### *Virgin Money Shareholders*

Whether or not you plan to attend the Meetings, you should:

1. complete, sign and return the blue Form of Proxy for use at the Court Meeting, or alternatively, if you hold your Virgin Money Shares in CREST, appoint a proxy through the CREST electronic proxy appointment service, so as to be received no later than 11.00 a.m. on 6 September 2018 (or, in the case of an adjourned meeting, not less than 48 hours before the time and date set for the adjourned meeting, excluding any part of a day that is not a Business Day); and
2. complete, sign and return the yellow Form of Proxy for use at the Virgin Money General Meeting, or alternatively, if you hold your Virgin Money Shares in CREST, appoint a proxy through the CREST electronic proxy appointment service, so as to be received no later than 11.15 a.m. on 6 September 2018 (or, in the case of an adjourned meeting, not less than 48 hours before the time and date set for the adjourned meeting, excluding any part of a day that is not a Business Day).

If the blue Form of Proxy for the Court Meeting is not returned by the above time, it may be handed to Equiniti on behalf of the Chair of the Court Meeting before the start of the Court Meeting. However, in the case of the Virgin Money General Meeting, if the yellow Form of Proxy is not returned so as to be received by the time mentioned above and in accordance with the instructions on the Form of Proxy it will be invalid.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Virgin Money's registrars, Equiniti (participant ID RA19) not later than 11.00 a.m. on 6 September 2018 in the case of the Court Meeting and not later than 11.15 a.m. on 6 September 2018 in the case of the Virgin Money General Meeting (or, in the case of an adjourned meeting, not less than 48 hours before the time and date set for the adjourned meeting, excluding any part of a day that is not a Business Day). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Virgin Money may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.

If you wish to appoint more than one proxy in respect of your shareholding, please contact Equiniti on the number provided below to obtain (an) additional proxy form(s). Alternatively, you may photocopy the enclosed proxy form or, if you are a CREST member, please follow the procedures set out in the CREST Manual.

The completion and return of Forms of Proxy or the submission of a proxy via the CREST electronic proxy appointment service will not prevent a Virgin Money Shareholder from attending and voting at the Court Meeting and/or Virgin Money General Meeting, or any adjournments of such Meetings, in person should a Virgin Money Shareholder wish to do so and be entitled to do so.

#### ***Virgin Money Nominee Service Holders***

Virgin Money Nominee Service Holders should:

1. complete, sign and return the blue Form of Instruction for use at the Court Meeting, so as to be received no later than 11.00 a.m. on 5 September 2018 (or, in the case of an adjourned meeting, not less than 72 hours before the time and date set for the adjourned meeting, excluding any part of a day that is not a Business Day); and
2. complete, sign and return the yellow Form of Instruction for use at the Virgin Money General Meeting, so as to be received no later than 11.15 a.m. on 5 September 2018 (or, in the case of an adjourned meeting, not less than 72 hours before the time and date set for the adjourned meeting, excluding any part of a day that is not a Business Day).

If the blue Form of Instruction for the Court Meeting is not returned by the above time and in accordance with the instructions on the Form of Instruction, it will be invalid and, in the case of the Virgin Money General Meeting, if the yellow Form of Instruction is not returned so as to be received by the time mentioned above and in accordance with the instructions on the Form of Instruction it will be invalid.

#### ***General***

If the Offer is implemented, you will become a shareholder in CYBG (or in the case of Virgin Money Nominee Service Holders, the Virgin Money Nominee Service will hold CYBG Shares on your behalf). Risk factors in relation to CYBG, the Combined Group and the CYBG Shares (including the New CYBG Shares) are set out in the CYBG Prospectus available at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/). The value of an investment in CYBG may go down as well as up. The market value of the CYBG Shares (including the New CYBG Shares) can fluctuate and may not always reflect the value of the underlying Combined Group. A number of factors outside the control of CYBG may impact on its performance and the price of CYBG Shares (including the New CYBG Shares).

CYBG may also decide to issue additional equity. The issuance of additional CYBG equity could be dilutive to existing shareholders and may have an adverse effect on the trading price of the CYBG Shares. In addition, the value of CYBG Shares (including the New CYBG Shares) is impacted by other factors outside CYBG's (and, after completion of the Offer, the Combined Group's) control, including, but not limited to, changes in global, political, economic, business, competitive, market and regulatory forces, and more specifically: future exchange and interest rates and the performance of financial markets generally; the policies and actions of regulatory authorities; the impact of competition, inflation and deflation; the impact and other uncertainties of future business combinations or dispositions; and other legislation and regulations in the jurisdictions in which the Wider CYBG Group and its affiliates (and, after completion of the Offer, the Combined Group) operate. These factors should be considered by you carefully before you take any action or decision in respect of the Offer.

Please refer to Part 6 of this document if you are an Overseas Shareholder.

#### **HELPLINE**

**If you have any questions about this document, the Court Meeting or the Virgin Money General Meeting or how to complete the Forms of Proxy or to appoint a proxy through the CREST electronic proxy appointment service, or in the case of Virgin Money Nominee Service Holders how to complete your Form of Instruction please call Equiniti on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate). Equiniti is open between 8.30 a.m. and 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Please note that Equiniti cannot provide comments on the merits of the Offer or provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Different charges may apply to calls from mobile telephones.**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following indicative timetable sets out expected dates for the implementation of the Scheme and for the Meetings.

| <u>Event</u>   | <u>Time and/or date<sup>(1)</sup></u>          |
|--|--|
| Publication of this document, the CYBG Prospectus and the CYBG Circular  | 31 July 2018                                   |
| Latest time for lodging Forms of Instruction from the Virgin Money Nominee Service Holders for the Court Meeting (blue form) . . . . .     | 11.00 a.m. on 5 September 2018 <sup>(2)</sup>  |
| Latest time for lodging Forms of Instruction from the Virgin Money Nominee Service Holders for the General Meeting (yellow form) . . . . . | 11.15 a.m. on 5 September 2018 <sup>(3)</sup>  |
| Latest time for lodging Forms of Proxy for the Court Meeting (blue form) . . . . .   | 11.00 a.m. on 6 September 2018 <sup>(4)</sup>  |
| Latest time for lodging Forms of Proxy for the Virgin Money General Meeting (yellow form) . . . . .  | 11.15 a.m. on 6 September 2018 <sup>(5)</sup>  |
| Voting Record Time for the Court Meeting and the Virgin Money General Meeting . . . . .  | 6.30 p.m. on 6 September 2018 <sup>(6)</sup>   |
| CYBG General Meeting . . . . .   | 10.00 a.m. on 10 September 2018                |
| <b>Court Meeting</b> . . . . .   | 11.00 a.m. on 10 September 2018                |
| <b>Virgin Money General Meeting</b> . . . . .  | 11.15 a.m. on 10 September 2018 <sup>(7)</sup> |

*The following dates and times associated with the Scheme are subject to change and will depend on, among other things, the date on which regulatory (and other) Conditions to the Scheme are satisfied or, if capable of waiver, waived, the date on which the Court sanctions the Scheme and the date on which the Court Order is delivered to the Registrar of Companies for registration. Virgin Money will give adequate notice of all of these dates and times, when known, by issuing an announcement through a Regulatory Information Service. Further updates and changes to these times shall, at Virgin Money’s discretion, be notified in the same way. See also note (1) below.*

|   |  |
|---|--|
| Court Hearing (to sanction the Scheme) . . . . .  | A date expected to be in calendar Q4 2018 subject to satisfaction (or, where applicable, waiver) of the relevant Conditions (“D”) <sup>(8)</sup> |
| Last day of dealings in, and for registrations of transfers of, and disablement in CREST of, Virgin Money Shares . . . . .                            | D*   |
| Scheme Record Time . . . . .  | 6.00 p.m. on D*  |
| <b>Effective Date of the Scheme</b> . . . . .   | D+1* <sup>(9)</sup>  |
| New CYBG Shares issued to Virgin Money Shareholders . . . . .   | By 8.00 a.m. on D+1*   |
| Admission and commencement of dealings in New CYBG Shares on the London Stock Exchange . . . . .  | By 8.00 a.m. on D+1*   |
| Cancellation of listing of Virgin Money Shares on the premium segment of the Official List and the Main Market of the London Stock Exchange . . . . . | By 8.00 a.m. on D+1*   |
| CREST accounts of Virgin Money Shareholders credited with New CYBG Shares . . . . .   | On or soon after 8.00 a.m. on D+1* but no later than 14 days after the Effective Date  |

| <u>Event</u>   | <u>Time and/or date<sup>(1)</sup></u> |
|--|---------------------------------------|
| CREST accounts credited with any cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements . . . . .   | Within 14 days of the Effective Date  |
| Despatch of share certificates for New CYBG Shares and of cheques for the cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements for those Virgin Money Shareholders who do not hold their Virgin Money Shares in CREST . . . . . | Within 14 days of the Effective Date  |
| Despatch of opening account statements in respect of New CYBG Shares received by participants in the Virgin Money Nominee Service . . . . .  | Within 14 days of the Effective Date  |
| <u>Long Stop Date</u> . . . . .  | 31 January 2019 <sup>(10)</sup>       |

Notes:

- (1) All references in this document to times are to London time unless otherwise stated. **The dates and times given are indicative only and are based on Virgin Money’s current expectations and may be subject to change (including as a result of changes to the regulatory timetable). If any of the expected times and/or dates above change, the revised times and/or dates will be notified to Virgin Money Shareholders by announcement through a Regulatory Information Service.**
- (2) It is requested that blue Forms of Instruction (for use by Virgin Money Nominee Service Holders only) for the Court Meeting be lodged not later than 11.00 a.m. on 5 September 2018 or, in the case of an adjourned meeting, 72 hours before the time appointed for the Court Meeting, excluding any part of a day that is not a Business Day.
- (3) It is requested that yellow Forms of Instruction (for use by Virgin Money Nominee Service Holders only) for the Virgin Money General Meeting be lodged not later than 11.15 a.m. on 5 September 2018 or, in the case of an adjourned meeting, 72 hours before the time appointed for the Virgin Money General Meeting, excluding any part of a day that is not a Business Day.
- (4) It is requested that blue Forms of Proxy for the Court Meeting be lodged not later than 11.00 a.m. on 6 September 2018 or, in the case of an adjourned meeting, 48 hours before the time appointed for the Court Meeting, excluding any part of a day that is not a Business Day. Blue Forms of Proxy not so lodged may be handed to Equiniti on behalf of the Chair of the Court Meeting before the start of the Court Meeting.
- (5) Yellow Forms of Proxy for the Virgin Money General Meeting must be lodged not later than 11.15 a.m. on 6 September 2018 or, in the case of an adjourned meeting, 48 hours before the time appointed for the Virgin Money General Meeting, excluding any part of a day that is not a Business Day.
- (6) If either the Court Meeting or the Virgin Money General Meeting is adjourned, the Voting Record Time for the relevant adjourned meeting will be 6.30 p.m. on the day which is at least 48 hours before the date of the adjourned meeting, excluding any part of a day that is not a Business Day.
- (7) Or as soon thereafter as the Court Meeting shall have concluded or been adjourned.
- (8) For the purposes of the Condition set out in paragraph 2(c) of Part 3 of this document, the “expected date” shall be the date which is no later than 14 days after the satisfaction or (if capable of waiver) waiver of the Conditions in paragraphs 2(a), 2(b), 3, 4(a), 4(b), 6 and 7.
- (9) Scheme to become Effective by 8.00 a.m. and before the subsequent events set out in the timetable.
- (10) This is the latest date by which the Scheme may become Effective unless CYBG and Virgin Money agree (and the Panel and, if required, the Court permit) a later date.
- (\*) All references to “D+1” are to the day falling one Business Day after the actual date which is “D”.

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**PART 1**  
**LETTER FROM THE CHAIR OF VIRGIN MONEY**

*Independent Virgin Money Directors\*:*

Irene Dorner (Chair)  
Jayne-Anne Gadhia CBE (Executive Director and Chief Executive Officer)  
Peter Bole (Executive Director and Chief Financial Officer)  
Norman McLuskie (Senior Independent Non-Executive Director)  
Colin Keogh (Independent Non-Executive Director)  
Geeta Gopalan (Independent Non-Executive Director)  
Eva Eisenschimmel (Independent Non-Executive Director)  
Darren Pope (Independent Non-Executive Director)

*Registered office:*  
Jubilee House  
Gosforth  
Newcastle upon Tyne  
NE3 4PL

\* *Excludes Patrick McCall and Amy Stirling as directors on the Virgin Money Board representing Virgin Group*

Incorporated in England and Wales  
with registered number 03087587

31 July 2018

*To the holders of Virgin Money Shares and, for information only, to holders of awards under the Virgin Money Share Plans and persons with information rights*

Dear Shareholder

**RECOMMENDED ALL-SHARE OFFER FOR VIRGIN MONEY HOLDINGS (UK) PLC BY  
CYBG PLC, PROPOSED RELATED PARTY TRANSACTION AND PROPOSED AMENDMENT TO  
DIRECTORS' REMUNERATION POLICY**

**1. Introduction**

On 18 June 2018, the Boards of Virgin Money and CYBG announced that they had agreed the terms of a recommended all-share offer by CYBG to acquire the entire issued and to be issued ordinary share capital of Virgin Money.

I am writing to you today to set out the background to the Offer and the reasons why the Independent Virgin Money Directors consider the financial terms of the Offer to be fair and reasonable and are unanimously recommending that (a) Scheme Shareholders vote in favour of the Scheme at the Court Meeting and (b) Virgin Money Shareholders vote in favour of the Scheme Resolution and the Rule 16 Resolution to be proposed at the Virgin Money General Meeting and why the Virgin Money Board (which for this purpose did not include Patrick McCall and Amy Stirling as they have a conflict of interest as representatives of Virgin Enterprises and Virgin Group respectively on the Virgin Money Board) is unanimously recommending that Independent Virgin Money Shareholders vote in favour of the proposed Related Party Transaction. I draw your attention to the letter from Goldman Sachs set out in Part 2 of this document which gives details about the Offer and to the additional information set out in Part 7 of this document.

In order to approve the terms of the Offer:

- (i) Scheme Shareholders will need to vote in favour of the resolutions to be proposed at the Court Meeting;
- (ii) Virgin Money Shareholders will need to vote in favour of the special resolution relating to the Scheme to be proposed at the Virgin Money General Meeting; and
- (iii) Independent Virgin Money Shareholders will need to vote in favour of the Brand Licence Resolutions to be proposed at the Virgin Money General Meeting,

each such meeting to be held on 10 September 2018 at Allen & Overy LLP, One Bishops Square, London E1 6AD, with the Court Meeting starting at 11.00 a.m. and the Virgin Money General Meeting starting at 11.15 a.m. (or as soon thereafter as the Court Meeting has concluded or been adjourned).

As described further in paragraph 8 below, CYBG, Virgin Enterprises and Virgin Money have entered into an agreement for the novation of the Existing Brand Licence Agreement from Virgin Money to CYBG and the amendment and restatement of the terms of the Existing Brand Licence Agreement in each case to take effect on, and subject to, completion of the Offer. With effect from the completion of the Offer, the Virgin Money brand will be licensed by Virgin Enterprises to CYBG under the New Brand Licence Agreement.

The New Brand Licence Agreement is an arrangement between CYBG and Virgin Enterprises, a member of the Virgin Group, that is not capable of being extended to all Virgin Money Shareholders; therefore, at the Virgin Money General Meeting (the notice of which is set out in Part 10 of this document), the Company will seek the specific approval of the New Brand Licence Agreement from its independent shareholders for the purpose of Note 2 on Rule 16 of the Takeover Code.

The novation, amendment and restatement of the Existing Brand Licence Agreement also constitutes a related party transaction (as defined in the Listing Rules) (the **Related Party Transaction**) as Virgin Enterprises (the licensor under the Existing Brand Licence Agreement and the New Brand Licence Agreement) is a subsidiary of Virgin Holdings, which holds 34.8% of the Virgin Money Shares. Therefore, at the Virgin Money General Meeting, the Company will also seek the specific approval of the New Brand Licence Agreement from its independent shareholders as a related party transaction, in accordance with the requirements of the Listing Rules.

Further details of the Related Party Transaction and the New Brand Licence Agreement are set out in paragraph 8 below and paragraph 4 of Part 2.

At the Virgin Money General Meeting the Virgin Money Board is also proposing a resolution to amend the Directors' Remuneration Policy as further described in paragraph 18 below. The passing of this resolution is not a condition to the Scheme.

In connection with the Offer and the New Brand Licence Agreement, Patrick McCall and Amy Stirling, being representatives of Virgin Enterprises and Virgin Holdings respectively on the Virgin Money Board, have a conflict of interest. Accordingly, a committee of the Virgin Money Board, comprising the Independent Virgin Money Directors, was established immediately after the initial approach from CYBG for the purposes of assessing the Offer and making the recommendation in relation to the Offer and the New Brand Licence Agreement. Patrick McCall and Amy Stirling absented themselves from deliberations of the Virgin Money Board in relation to the Offer, the consideration of the New Brand Licence Agreement and the Rule 16 Resolution and the Related Party Transaction, and have not taken part in the Virgin Money Board's review of whether the Related Party Transaction is fair and reasonable. For the purpose of the consideration of the Related Party Transaction and the recommendation of the Virgin Money Board that Independent Virgin Money Shareholders vote in favour of the Related Party Transaction and the RPT Resolution described below, the Virgin Money Board comprised the Independent Virgin Money Directors.

Details of the actions you are asked to take are set out in paragraph 16 of Part 2 of this document. The recommendations of (a) the Independent Virgin Money Directors in relation to the Offer and the Rule 16 Resolution and (b) the Virgin Money Board in relation to the Related Party Transaction and the Remuneration Policy Resolution are set out in paragraph 20 of this letter.

## **2. Summary of the terms of the Offer**

The Offer will be implemented by way of a Court-sanctioned scheme of arrangement between Virgin Money and Scheme Shareholders under Part 26 of the Companies Act.

Under the terms of the Offer, which is subject to the terms and conditions set out in Part 3 of this document, Virgin Money Shareholders will be entitled to receive:

### **1.2125 New CYBG Shares in exchange for each Virgin Money Share**

Based on the Closing Price of 338 pence per CYBG Share on the Latest Practicable Date, the Offer values each Virgin Money Share at 410 pence and Virgin Money's issued ordinary share capital on a fully diluted basis at approximately £1.8 billion, representing a premium of:

- 31 per cent. to the Closing Price of 312 pence per Virgin Money Share on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period); and
- 48 per cent. to the volume weighted average price of 276 pence per Virgin Money Share for the three-month period ended 4 May 2018.

Following completion of the Offer, Virgin Money Shareholders will own approximately 38 per cent. of the Combined Group (on a fully diluted basis). As a result, the voting rights of the Existing CYBG Shareholders will be diluted such that the Existing CYBG Shareholders would, immediately after the Effective Date, hold voting rights of approximately 62 per cent. of the total voting rights they held immediately prior to Completion.

It is a term of the Offer that if Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of the Announcement, CYBG reserves the right to make an



equivalent reduction in the terms of the Offer. CYBG has confirmed that this right will not be invoked in respect of the Virgin Money Interim Dividend.

Applications will be made to the FCA and the London Stock Exchange for the New CYBG Shares to be admitted to the Official List and to trading on the London Stock Exchange's Main Market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement in the New CYBG Shares will commence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

Steps will be taken to allow for quotation of CHES Depository Interests representing the New CYBG Shares on the ASX following completion of the Offer.

The New CYBG Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing CYBG Shares, including the right to receive and retain in full all dividends and other distributions (if any) made, paid or declared with reference to a record date falling on or after the Effective Date.

### **3. Background to and reasons for the Independent Virgin Money Directors' recommendation of the Offer**

Since its acquisition of Northern Rock in 2012, Virgin Money has pursued a growth strategy focused on creating a digital, data-driven, customer-centric bank and diversifying into the SME market, and has enjoyed significant growth. By 30 June 2018, Virgin Money had total loans outstanding of approximately £37.2 billion and just over 3,200 employees serving 3.45 million customers across 73 UK-wide stores and 8 lounges<sup>1</sup>.

Following its initial public offering on the London Stock Exchange in November 2014, Virgin Money has consistently delivered against its key strategic objectives and financial targets demonstrating balanced organic growth within a consistent, robust approach to risk management. This growth, in combination with its efficient operating model, has enabled Virgin Money to deliver strong and growing profitability, such that it has achieved a return on tangible equity of 14.2 per cent. with a 16.3 per cent. CET1 ratio as at 30 June 2018.

The Independent Virgin Money Directors, and the Virgin Money Board as a whole, remain confident in the ongoing execution of its strategy as an independent company and that successful delivery of its strategy will provide long-term growth and create significant value for shareholders. While mindful of the strong track record of delivery since listing in 2014, the Independent Virgin Money Directors have, in considering the offer made by CYBG, also taken into account the likely time it will take for Virgin Money to fully deliver on its strategy and the possible macro-economic and competitive headwinds that might further emerge. In addition, the Independent Virgin Money Directors believe that the Combination would be able further to enhance its growth strategy and efficiency, benefitting from increased scale and an acceleration in capabilities, particularly in SME and current accounts.

Overall, the Independent Virgin Money Directors believe the Offer is compelling. It is expected to deliver strong outcomes for Virgin Money stakeholders. In particular, shareholders can benefit from accelerated value delivery.

In reviewing this Offer, the Independent Virgin Money Directors have taken account of shareholder value, the impact on wider stakeholders and a range of transaction considerations.

#### *Shareholder value*

For shareholders, the Independent Virgin Money Directors believe the Offer delivers accelerated value creation through an upfront premium, coupled with participation in the continuing progress of the Combined Group including sharing of the expected synergies. In particular, the Independent Virgin Money Directors note that:

- At the agreed exchange ratio of 1.2125, the Offer results in Virgin Money Shareholders owning approximately 38 per cent. of the Combined Group, and based on a Closing Price of 338 pence per CYBG Share on the Latest Practicable Date, the Offer values each Virgin Money Share at 410 pence, representing:
  - a premium of 31 per cent. to the Closing Price of 312 pence per Virgin Money Share on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period);
  - a premium of 48 per cent. to the volume weighted average price of 276 pence per Virgin Money Share for the three-month period ended 4 May 2018;
  - a total return to investors since the Virgin Money IPO of 51 per cent.; and

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<sup>1</sup> Based on 77 physical locations, of which 4 are hybrid stores and lounges.

- a valuation multiple of approximately 1.40 times Virgin Money's tangible book value per share at 30 June 2018.
- Shareholders are expected to benefit from the realisation of synergies commensurate with their ownership of the Combined Group.
- The CYBG Directors believe the strong capital generation of the Combined Group will accelerate CYBG's progressive dividend ambitions.

#### *Impact on wider stakeholders*

For customers, the Combination creates a new national competitor in UK banking, improving competition and providing an enhanced product range—benefitting both Virgin Money and CYBG's customers and UK consumers as a whole.

For employees, the Independent Virgin Money Directors expect there to be opportunities within the Combined Group through the creation of a new, larger force in UK banking. Recognising that there will be a loss of jobs as a result of the Combination, the Independent Virgin Money Directors welcome CYBG's intention to leverage the best talent of both Virgin Money and CYBG colleagues.

In considering the recommendation of the Offer to Virgin Money Shareholders, the Independent Virgin Money Directors have given due consideration to CYBG's intentions for the business, management, employees and places of business of Virgin Money (as described in paragraph 11 below).

The Independent Virgin Money Directors have been very focused on the interests of Virgin Money employees and attach importance to the commitments made by CYBG to protect employees' rights with regard to employment terms, redundancies and pension obligations. Further, the Independent Virgin Money Directors have taken comfort from CYBG's stated intention to maintain a substantial base in Gosforth for at least three years following completion of the Offer.

The Independent Virgin Money Directors welcome CYBG's commitment to the Women in Finance Charter and to take action to reduce the gender pay gap of the Combined Group.

For communities, the Independent Virgin Money Directors applaud the commitment by CYBG to continue to support the Virgin Money Foundation, and to honour its commitments through ongoing financial support for at least the next three years.

Finally, the Independent Virgin Money Directors note CYBG's stated intention to establish a unifying purpose within the Combined Group to inform an ethical business direction, which is expected to support essential cultural alignment.

#### *Transaction considerations*

In reviewing the Offer, the Independent Virgin Money Directors have taken into account a range of transaction considerations including capital adequacy and CYBG's approach to integration. In particular, the Independent Virgin Money Directors have taken account of:

- CYBG's stated expectation that the pro forma entity will have a CET1 ratio in excess of 12 per cent at completion of the Offer; CYBG's increasing confidence in receiving IRB accreditation for its mortgage portfolio by 1 October 2018, which will make the pro forma CET1 ratio higher; and
- CYBG's stated intention to mitigate integration risk through a proposal to separate migration and re-branding into several distinct phases to minimise complexity and the impact on customers.

#### *Recommendation*

Just over twenty years ago Virgin Money was launched with the ambition of building a business capable of delivering real, sustained change to UK banking. The Offer is the next step towards delivering on that promise.

The decision making process of the Independent Virgin Money Directors has been entirely independent from any decision making by Virgin Group in relation to its shareholding and the New Brand Licence Agreement.

Following careful consideration of the above factors, the Independent Virgin Money Directors are recommending that Virgin Money Shareholders accept the Offer and vote in favour of the resolution to be proposed at the Court Meeting and the Scheme Resolution at the Virgin Money General Meeting.

#### **4. Irrevocable Undertakings**

CYBG has received an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Resolutions to approve the Scheme, and any related matters, (other than the Brand Licence Resolutions and the Remuneration Policy Resolution) to be passed at the Virgin Money General Meeting from Virgin Holdings in respect of 155,120,454 Virgin Money Shares (representing approximately 34.8 per cent. of the issued ordinary share capital of Virgin Money as at the Latest Practicable Date). CYBG has also received irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the Resolutions to be passed at the Virgin Money General Meeting from those Virgin Money Directors who own Virgin Money Shares in respect of their own beneficial holdings totalling 2,612,309 Virgin Money Shares, in aggregate, representing approximately 0.586 per cent. of the issued ordinary share capital of Virgin Money.

Further details of these undertakings (including the circumstances in which they fall away) are set out in Part 7 at paragraph 10.

#### **5. Information relating to the Virgin Money Group**

Virgin Money is a UK challenger bank with a powerful brand, strong balance sheet and customer-focused culture. Virgin Money's business ambition is to make "everyone better off"—this philosophy underpins its approach to business by offering good value products to customers, treating employees well, making a positive contribution to society and creating value for shareholders. Virgin Money consistently achieves strong employee engagement scores and has an extensive Social Enterprise programme which includes the Virgin Money Foundation, "Make £5 Grow" and its not-for-profit online donation service, Virgin Money Giving, now the second largest of its kind in the UK.

The Virgin Money Group is primarily focused on retail customers, providing residential mortgages, savings and credit cards, along with a range of financial products including investments and insurance. With approximately 3.45 million customers, the Virgin Money Group provides customers with direct access to its products and services through multi-channel distribution, which includes digital channels (online and mobile), postal, telephony and a national network of 73 stores and eight lounges. Direct distribution is then supplemented by intermediary distribution with mortgages primarily sold through Virgin Money's intermediary partners. Certain banking services are also available through any UK Post Office.

Virgin Money's operations are centred in Gosforth, Norwich and Chester, with additional offices in London and Edinburgh. The monthly average number of persons (including directors) employed by the Virgin Money Group was 3,224 in 2017 (2016: 3,140). As at 31 December 2017, the Virgin Money Group had customer deposits of £30.8 billion and loans and advances to customers of £36.7 billion. As at 30 June 2018, the Virgin Money Group had customer deposits of £31.4 billion and loans and advances to customers of £37.2 billion.

For the 12 months ended 31 December 2017, the Virgin Money Group generated profits of £192.1 million and as at 31 December 2017 had gross assets of £41,108 million. For the 6 months ended 30 June 2018, the Virgin Money Group generated profits of £93.5 million and as at 30 June 2018 had gross assets of £43,696.1 million.

As part of its wholesale funding activity, Virgin Money will look to access the markets through its Gosforth Residential Mortgage Backed Securities programmes, Covered Bonds programme or Global Medium Term Notes programme.

#### **6. Information relating to the CYBG Group**

With over 175 years of history, the CYBG Group is a leading mid-sized UK retail and SME bank with a long-established customer franchise across its core regions (Scotland, North East England, North West England, Yorkshire and the Humber) and selected national markets. Headquartered in Glasgow, Scotland, the CYBG Group offers, through its community brands "Clydesdale Bank" and "Yorkshire Bank", a full range of banking products and services, including mortgages, current accounts, deposits, term lending, personal loans, working capital solutions, overdrafts, credit cards and payment and transaction services.

In 2016 the CYBG Group launched a new app-based digital banking service under the "B" brand, offering PCAs, savings and transaction banking services in the UK. The range of products and services available in this digital proposition continues to expand and evolve.

The CYBG Group's long-established retail and SME franchises, serving 2.8 million customers, have significant scale and strength in PCAs, BCAs, SME lending and mortgages in its core regions. As at 31 March 2018, the CYBG Group had £28.4 billion of customer deposits and a £32.7 billion customer loan portfolio, of which

£24.1 billion were mortgage loans, £7.4 billion was SME lending and the remainder of the portfolio comprised unsecured personal lending (including credit cards and overdrafts).

The CYBG Group has a standalone operating platform, with limited ongoing support required by National Australia Bank Limited under transitional service arrangements until the CYBG Group's planned separation is fully implemented (expected by the end of 2018). The CYBG Group's operating platform supports its full-service customer proposition and enables the CYBG Group to provide services to customers through multiple distribution channels. As at 31 March 2018, these distribution channels included 169 retail customer banking centres (70 Clydesdale Bank branded, 97 Yorkshire Bank branded, two "B" branded) and 48 business and private customer banking centres (including 40 centres integrated with retail customer banking centres), strong and well-established relationships with leading third-party mortgage intermediaries, access to certain banking services through the UK Post Office's approximately 11,500 branches, telephony and voice services, and an ATM network. The CYBG Group's distribution platform continues to develop to allow Clydesdale Bank, Yorkshire Bank and "B" customers to complete their retail and SME banking needs across multiple distribution channels with an emphasis on digital and non-branch channel usage which reflects changing customer interaction preferences and behaviour. This distribution capability is underpinned by a rapidly evolving digital platform ("iB") which powers CYBG's retail franchises: the digital-only brand "B" and omni-channel distribution of the Clydesdale Bank and Yorkshire Bank brands. During 2018, CYBG's SME franchise will be transferred onto the iB platform, ending a migration of all customer activity onto a platform that offers enhanced capability including the aggregation of customer accounts and seamless aggregation of third party products and services.

For the year ended 30 September 2017, the CYBG Group's net interest income was £844 million as compared to £806 million for the year ended 30 September 2016. For the six month period ended 31 March 2018, the CYBG Group's net interest income was £426 million, as compared to £411 million for the six month period ended 31 March 2017.

CYBG had approximately 6,500 FTEs as at 30 September 2017. CYBG is building a purpose-led, high performing, team-based culture. A clear set of organisational behaviours shape the culture of the business. Performance approaches drive alignment with the CYBG Group strategy, teamwork and individual focus on improvement. The CYBG Group has significantly increased its focus on wellbeing, inclusion and diversity. These are hardwired into values and behaviours, and built into people practices. The culture transformation is focused on creating a set of leaders, colleagues and ways of working that will allow the business to evolve and change in line with the market and the CYBG Group strategy.

As part of its wholesale funding activity, CYBG has accessed and will continue, from time to time, to look to access the securitisation markets through its Lanark or Lannraig Mortgage Backed Securities programmes and its Regulated Covered Bond programme as well as the wholesale markets through its Medium Term Note Programme. On 5 July 2018, a further series of notes were issued pursuant to the Lanark Mortgage Backed Securities programme.

## **7. Information on the Combined Group**

CYBG's shares will continue to have their primary listing on the Official List and to trade on the London Stock Exchange, and will continue to have a secondary listing on, and CHESS Depository Interests representing CYBG Shares will continue to trade on, the ASX.

The registered offices of CYBG and Virgin Money will remain in England following completion of the Offer, and the Combined Group will be headquartered in Glasgow, Scotland. CYBG has stated its intention that the Combined Group will maintain a substantial base in Gosforth for at least three years following completion of the Offer.

## **8. The New Brand Licence Agreement and Related Party Transaction**

### ***Background***

The CYBG Directors believe that the use of Virgin Money's iconic national brand combined with CYBG's customer-centric propositions will drive further growth opportunities for the Combined Group. A pre-condition to the making of the Offer by CYBG was the agreement, between CYBG and Virgin Enterprises, on the terms of a new licence to facilitate the use by the CYBG Group of the "Virgin Money" brand after completion of the Offer.

On 18 June 2018, CYBG, Virgin Money and Virgin Enterprises entered into a deed of novation, amendment and restatement in respect of the Existing Brand Licence Agreement. With effect from, and conditional on, the

completion of the Offer, CYBG's use of the Virgin Money brand will be governed by the New Brand Licence Agreement. A summary of the material provisions of the New Brand Licence Agreement is set out at paragraph 4 of Part 2 of this document. The coming into force of the New Brand Licence Agreement is conditional on (a) the approval of the New Brand Licence Agreement for the purpose of Rule 16.1 of the Takeover Code (being resolution 1 as set out in the Notice of Virgin Money General Meeting) (the **Rule 16 Resolution**), as the New Brand Licence Agreement is an arrangement between CYBG and Virgin Enterprises that is not capable of being extended to all Virgin Money Shareholders, (b) the approval of the New Brand Licence Agreement for the purpose of Listing Rule 11 as a related party transaction (being resolution 2 as set out in the Notice of Virgin Money General Meeting) (the **RPT Resolution**) and (c) the Scheme becoming Effective.

The passing of each of the Rule 16 Resolution and the RPT Resolution (together the **Brand Licence Resolutions**) is a non-waivable condition to the Scheme and the Offer. If either of the Brand Licence Resolutions is not passed the Offer will lapse and the transaction will not proceed to completion.

### ***Brand Licence Resolutions***

The Brand Licence Resolutions will be proposed as separate resolutions at the Virgin Money General Meeting.

Since Virgin Enterprises (the licensor under the Existing Brand Licence Agreement and the New Brand Licence Agreement) is a subsidiary of Virgin Holdings, which holds 34.8% of the Virgin Money Shares, Virgin Holdings will not be permitted to vote on the Brand Licence Resolutions.

Virgin Enterprises has undertaken to take all reasonable steps to ensure that its associates (as defined in the Listing Rules) (including Virgin Holdings) abstain from voting on the RPT Resolution (as required by the Listing Rules). To the extent Virgin Enterprises or any of its other associates acquire a stake in Virgin Money prior to the date of the Virgin Money General Meeting, they will not be able to vote on the Brand Licence Resolutions or the Related Party Transaction either.

Each Brand Licence Resolution will be proposed as an ordinary resolution and will be required to be passed by a simple majority of the Independent Virgin Money Shareholders voting, in person or by proxy, in favour and voting by way of a poll.

The coming into force of the New Brand Licence Agreement is conditional upon the passing of both Brand Licence Resolutions and on the Scheme becoming Effective. The passing of each of the Brand Licence Resolutions is a non-waivable condition to the Scheme and the Offer and if either of the Brand Licence Resolutions is not passed, the Offer will lapse and the transaction will not proceed to completion. It is also a condition to the Offer that the Existing Brand Licence Agreement has not been terminated (and notice to terminate it has not been served) prior to the Scheme becoming Effective.

**The terms of the New Brand Licence Agreement are considered by Goldman Sachs, Virgin Money's financial adviser, to be fair and reasonable. In forming this view, Goldman Sachs has taken into account the commercial assessments of the Independent Virgin Money Directors. The Independent Virgin Money Directors, who have been so advised by Goldman Sachs, consider that the terms of the New Brand Licence Agreement are fair and reasonable and that the Rule 16 Resolution is in the best interests of Virgin Money and its Shareholders as a whole.**

**The Virgin Money Board, which has been so advised by Goldman Sachs, considers that the terms of the Related Party Transaction are fair and reasonable as far as the Virgin Money Shareholders are concerned. In providing this advice to the Virgin Money Board, Goldman Sachs has taken into account the commercial assessments of the Virgin Money Board. Additionally, the Virgin Money Board considers the Related Party Transaction to be in the best interests of Virgin Money and its shareholders as a whole.**

The recommendation of the Independent Virgin Money Directors that Independent Virgin Money Shareholders vote in favour of the Rule 16 Resolution and the recommendation of the Virgin Money Board that Independent Virgin Money Shareholders vote in favour of the RPT Resolution are set out at paragraph 20 of this letter.

Since Patrick McCall and Amy Stirling are representatives on the Virgin Money Board of Virgin Enterprises and Virgin Holdings (the parent of Virgin Enterprises), they did not take part in the Virgin Money Board's consideration of the New Brand Licence Agreement or the Related Party Transaction or whether the Related Party Transaction is fair and reasonable. Accordingly, for the purpose of the consideration of the Related Party Transaction, and the recommendation of the Virgin Money Board that Independent Virgin Money Shareholders vote in favour of the Related Party Transaction and the RPT Resolution, the Virgin Money Board comprised the Independent Virgin Money Directors.

## 9. Virgin Money trading update

On 26 July 2018 Virgin Money announced interim results for the half year ended 30 June 2018, which are incorporated by reference into this document.

Financial information relating to Virgin Money is set out in Part 5 of this document and ratings information relating to Virgin Money is set out in Part 7 of this document.

## 10. CYBG trading update

The CYBG Group continued to perform in line with the CYBG Directors' expectations in the three months to 30 June 2018.

The CYBG Group maintained sustainable balance sheet growth despite the competitive environment, with year-to-date mortgage growth of 3.8 per cent. (nine months annualised) to £24.2 billion. In line with previous guidance, there were reduced mortgage draw downs in the three months to 30 June 2018 due to lower applications in the second quarter, stemming from servicing and fulfilment delays that arose during the implementation of a new onshore mortgage processing operation.

The CYBG Group maintained momentum in SME origination during the period, with £420 million of gross loans and facilities written in the three months to 30 June 2018. New business drawdowns in the period were £453 million, with net core SME lending growth maintained at 4.7 per cent (nine months annualised).

The CYBG Group delivered deposit balance growth of 4.5 per cent (nine months annualised) in the nine months to 30 June 2018, managed in line with asset growth.

Asset quality remained strong with an annualised net cost of risk of 0.12 per cent. in the nine months to 30 June 2018.

Net interest margin for the nine month period to 30 June 2018 (annualised) was maintained at 2.18 per cent, with retail asset pricing pressure offset by improved SME margins and lower liquidity costs.

The CYBG Group's CET1 ratio strengthened to 11.4 per cent. in the three months to 30 June 2018, with approximately 15 basis points of CET1 capital generation in the period.

## 11. Strategic plans and intentions with regard to management, employees and places of business

Throughout the integration of the Combined Group, purpose and culture will be central to continuing to build a customer centric business with high levels of engagement and motivation whilst minimising risk of disruption and maximising performance. Further information on integration of the Combined Group is set out in paragraph 5 in Part 2 of this document.

### *Board and management of the Combined Group*

The existing directors of CYBG will remain in office following Completion. In particular, Jim Pettigrew, Chairman of CYBG, David Duffy, CEO of CYBG and Ian Smith, CFO of CYBG, will retain their current positions in the Combined Group.

Jayne-Anne Gadhia, the CEO of Virgin Money (the **Virgin Money CEO**), has been in her current role with Virgin Money for over 10 years. She brings a wealth of experience in successfully leading customer-facing banking businesses and delivering the 'Virgin Money' brand to customers. She will step down from the Virgin Money Board and on completion of the Offer has agreed, in principle, to support the Combined Group as a senior adviser to the CEO of the Combined Group (in a consultancy role) for a period of up to 18 months following completion of the Offer, on terms to be agreed.

Peter Bole will also step down from his role as CFO of Virgin Money on completion.

As the integration process proceeds, its size end composition of the Combined Group's leadership team will be kept under review.

On Completion, each of the other current Virgin Money Directors will also resign as directors of Virgin Money and will be replaced by David Duffy, Debbie Crosbie and Ian Smith, who will join the Virgin Money Board on Completion, subject to the usual regulatory approvals. Darren Pope and Geeta Gopalan, who are currently independent non-executive directors of Virgin Money will join the CYBG Board as independent non-executive directors on Completion, subject to the usual regulatory approvals. In addition, on Completion, Amy Stirling who is currently a non-executive director of Virgin Money, will become a non-executive director of CYBG

pursuant to Virgin Enterprises' right to nominate a director under the terms of the Brand Licence Agreement, subject to the usual regulatory approvals.

#### *Management and employees*

CYBG attaches great importance to the skills and experience of the existing management and employees of the Virgin Money Group. CYBG will aim to leverage the best talent across the Combined Group and management and employees of the Virgin Money Group will have the possibility of benefiting from potential new opportunities within the Combined Group following the Combination.

The CYBG Board recognises that, in order to achieve the expected benefits of the Combination, operational and administrative restructuring will be required following completion of the Combination. As a result of the significant operational overlap between CYBG and Virgin Money, the Combined Group will be able to reduce the duplication of roles, leading to a decrease in the total number of FTEs. It is currently expected that the total number of FTEs of the Combined Group, being approximately 9,500 FTEs, will reduce by approximately 16 per cent., some of which will take place via natural attrition. The CYBG Board does not expect any material change to the balance of skills and functions in the Combined Group.

Following completion of the Offer, the existing contractual and statutory employment rights of the Virgin Money employees will be observed and pension obligations complied with, in accordance with applicable law. CYBG does not envisage making any material changes to the conditions of employment of Virgin Money employees or the existing agreed pension contributions for existing members of the Virgin Money pension plans or admission of new members into the existing Virgin Money defined contribution pension plans in connection with completion of the Offer. CYBG has also agreed to maintain Virgin Money's redundancy policies, for a period of three years from completion of the Offer.

At this stage, CYBG and Virgin Money have had limited preliminary discussions on future incentivisation arrangements for the directors and employees of Virgin Money.

#### *Settlement arrangement*

The Virgin Money CEO has agreed to step down from her current role upon completion of the Offer and has entered into a settlement agreement dated 18 June 2018 with Virgin Money plc which will take effect from completion of the Offer (the **Settlement Agreement**). Further details on the Settlement Agreement are set out in paragraph 6 of Part 7 of this document.

#### *Places of business*

CYBG intends that the Combined Group will maintain a substantial base in Gosforth for at least three years following completion of the Offer. CYBG does not intend to materially alter the overall size or nature of operations at its Glasgow headquarters.

As a result of the significant overlap in operational functions between CYBG and Virgin Money, CYBG expects to derive significant run-rate cost synergies from the rationalisation of the Combined Group's property portfolio to remove duplication over time. It is expected that the majority of these savings will be derived from the optimisation of CYBG and Virgin Money's respective branch networks. In addition, CYBG expects the rationalisation of a limited number of operational function offices, in two to three years' time. Until the integration planning work has been completed, the precise impact of the Combination on the places of business of the Combined Group will not be known, but where practicable, the aim will be to relocate staff in nearby locations of the Combined Group. CYBG does not intend to redeploy any material fixed assets of Virgin Money.

#### *Research and development*

Owing to the nature of its business, Virgin Money does not conduct significant research and development activities, but to the extent any such activities are currently undertaken, they are not expected to be impacted in any material way by the Combination.

#### *Diversity*

CYBG intends that the Combined Group will remain a committed supporter of the Women in Finance Charter and will continue to take action to reduce its gender pay gap in line with the Annual Report and Accounts of CYBG. The Combined Group will remain transparent on its reporting of progress both on the Women in Finance Charter and its gender pay gap.

## *Virgin Money Foundation*

CYBG recognises the considerable impact the Virgin Money Foundation has had in promoting the sustainable regeneration of socially and/or economically deprived communities across the UK, with particular focus on the North East of England, and intends not only to support the final £1 million instalment of the £4 million pledge to the Virgin Money Foundation which is due in the tax year ending 31 March 2019, but also to continue to provide up to £400,000 per annum of financial support to the Virgin Money Foundation to cover its operating costs, as well as an annual donation of at least £1 million per annum (to be invested in charitable causes), for at least three years after completion of the Offer.

The statements in this paragraph under the headings “Management and employees”, “Places of business”, “Research and development”, “Diversity” and “Virgin Money Foundation” will be treated as post-offer intention statements by CYBG for the purpose of Rule 19.6 of the Takeover Code.

### **12. Employee share plans**

The effect of the Scheme in relation to awards outstanding under the Virgin Money Share Plans is described in paragraph 15 of Part 2 of this document.

### **13. Dividends**

In the publication of Virgin Money’s interim results for the six month period ended 30 June 2018, it was announced that the Virgin Money Board had declared an interim dividend of 2.3 pence per Virgin Money Share in respect of Virgin Money’s six month interim period ended 30 June 2018 (the **Virgin Money Interim Dividend**). As set out in the publication of Virgin Money’s interim results for the six months ended 30 June 2018, the record date for the Virgin Money Interim Dividend will be close of business on 10 August 2018 and payment of the Virgin Money Interim Dividend is expected to be made on 21 September 2018. As announced by Virgin Money on 26 July 2018, the ex-dividend date for the Virgin Money Interim Dividend will be 9 August 2018.

It is a term of the Offer that if Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of the Announcement, CYBG reserves the right to make an equivalent reduction in the terms of the Offer. CYBG has confirmed that this right will not be invoked in respect of the Virgin Money Interim Dividend. If CYBG exercises its right to reduce the Offer consideration by all or part of the amount of a dividend or other distribution that has not been paid, Virgin Money Shareholders will be entitled to receive and retain that dividend or other distribution.

The CYBG Directors believe the Combined Group should be well placed to accelerate both CYBG and Virgin Money’s progressive dividend ambitions.

### **14. Cancellation of listing of Virgin Money Shares**

Your attention is drawn to paragraph 11 of Part 2 of this document in relation to CYBG’s intentions regarding the de-listing of and cancellation of trading in Virgin Money Shares following the Effective Date.

Applications will be made to the FCA and the London Stock Exchange for the New CYBG Shares to be admitted to the Official List and to trading on the London Stock Exchange’s market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement in the New CYBG Shares will commence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

Steps will be taken to allow for quotation of CHESS Depository Interests representing the New CYBG Shares on the ASX following completion of the Offer.

Details relating to the de-listing of the Virgin Money Shares and settlement of the New CYBG Shares are included in paragraph 11 of Part 2 of this document.

### **15. Overseas Shareholders**

Overseas Shareholders of Virgin Money Shares should refer to Part 6 of this document, which contains important information relevant to such holders.

### **16. The Scheme and the Meetings**

The Offer is being implemented by way of a Court-sanctioned scheme of arrangement between Virgin Money and the Scheme Shareholders under Part 26 of the Companies Act, although CYBG reserves the right to elect



to implement the Offer by way of a Takeover Offer (subject to Panel consent, where necessary, and the terms of the Co-operation Agreement). The Scheme is an arrangement between Virgin Money and the Scheme Shareholders and is subject to the approval of the Court. The procedure involves, among other things, an application by Virgin Money to the Court to sanction the Scheme, which will involve the Scheme Shares being transferred to CYBG, in consideration for which Scheme Shareholders will receive New CYBG Shares (on the basis described in paragraph 2 above). The purpose of the Scheme is to provide for CYBG to become the owner of the entire issued and to be issued ordinary share capital of Virgin Money.

To become effective, the Scheme requires, among other things, the approval of a majority in number of the Scheme Shareholders present and voting (and entitled to vote), either in person or by proxy at the Court Meeting, representing not less than 75 per cent. in value of the Scheme Shares held by such Scheme Shareholders present and voting at the Court Meeting (or any adjournment of the Court Meeting) and the passing of the special resolutions necessary to implement the Scheme at the Virgin Money General Meeting.

As the Brand Licence Resolutions are Conditions to the Offer, to become effective the Scheme also requires the passing of each Brand Licence Resolution as an ordinary resolution by Independent Virgin Money Shareholders. Following the Court Meeting and the Virgin Money General Meeting and the satisfaction (or, where applicable, waiver) of the other Conditions, the Scheme must also be sanctioned by the Court. The Scheme will only become Effective upon a copy of the Court Order being delivered to the Registrar of Companies. Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Virgin Money General Meeting (and, if they attended and voted, whether or not they voted in favour).

**It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or appoint a proxy through the CREST electronic proxy appointment service (as appropriate), or in the case of a Virgin Money Nominee Service Holder, sign and return your Forms of Instruction as soon as possible.**

At the Virgin Money General Meeting the Virgin Money Board is also proposing to amend the Directors' Remuneration Policy as further described in paragraph 18 below. The passing of the Remuneration Policy Resolution is not a condition to the Scheme.

**Further details of the Scheme and the Meetings are set out in paragraphs 2, 7 and 8 of Part 2 of this document.**

The Scheme can only become Effective if all Conditions to the Scheme have been satisfied (unless, where applicable, the relevant Condition is waived). In addition to the Conditions described above, the Offer is also conditional on (amongst other things) the approval of the CYBG Shareholders at the CYBG General Meeting of the resolutions necessary to approve, implement and effect the Offer, and the acquisition of Virgin Money pursuant to the Offer, the Existing Brand Licence Agreement not having been terminated and no notice to terminate such agreement having been served and the FSMA approval described in Condition 7 of Part 1 of Part 3 of this document. The approval of the Remuneration Policy Resolution is not a condition to the Offer or the Scheme. In relation to the CMA clearance described in Condition 6 of Part 1 of Part 3 of this document, following consultation with the CMA, CYBG has determined that no voluntary CMA filing needs to be made at this time.

The CYBG General Meeting is scheduled to be held at 10.00 a.m. on 10 September 2018; CYBG will announce the result of the vote at the CYBG General Meeting through a Regulatory Information Service as soon as practicable after the conclusion of the CYBG General Meeting. Virgin Money will announce the details of the votes of the Meetings as required by the Takeover Code and the Listing Rules through a Regulatory Information Service as soon as practicable after the conclusion of the Meetings and, in any event, by no later than 8:00 a.m. on the Business Day following the Meetings.

## **17. United Kingdom and United States Taxation**

Your attention is drawn to paragraph 12 of Part 2 of this document headed "United Kingdom taxation" and to paragraph 13 of Part 2 of this document headed "United States taxation". Although this document contains certain tax-related information, it does not constitute tax advice and does not purport to be a complete analysis of all potential UK and US tax consequences of the Scheme.

**If you are in any doubt about your own tax position or you are subject to taxation in any jurisdiction other than the UK or the US, you should consult an appropriately qualified independent professional adviser immediately.**

## **18. Amendment to the Directors' Remuneration Policy**

The current directors' remuneration policy of Virgin Money, which was approved by Virgin Money Shareholders on 4 May 2016, with application from 1 January 2016 (the **Directors' Remuneration Policy**), does not provide for executive directors to receive redundancy payments in accordance with the Virgin Money Group's current redundancy policy, as applicable to all the other employees of Virgin Money Group. To remove this difference in treatment, the Company is proposing to Virgin Money Shareholders at the Virgin Money General Meeting, as a separate resolution, an amendment to the Directors' Remuneration Policy to permit the payment of redundancy payments to Virgin Money executive directors on the same basis as all other employees. Resolution 4 of the Notice of Virgin Money General Meeting set out in Part 10 of this document (the **Remuneration Policy Resolution**) will be proposed as an ordinary resolution to approve this amendment to the Directors' Remuneration Policy.

The Remuneration Policy Resolution will require the approval of a simple majority of Virgin Money Shareholders present and voting (and entitled to vote) either in person or by proxy at the Virgin Money General Meeting. The Virgin Money Group's current redundancy policy provides for 3.5 weeks' salary to be paid in respect of each completed year of full service and a pro-rated payment of 1/12 of 3.5 weeks' salary for each complete month of service less than a full year for an employee whose role is made redundant. The redundancy payment is subject to a maximum of 104 weeks' pay.

If the Remuneration Policy Resolution is passed by a simple majority of Virgin Money Shareholders as described above, a redundancy payment will be made to the Virgin Money CEO pursuant to the terms of the Settlement Agreement referred to in paragraph 11 above. The passing of the Remuneration Policy Resolution is not a condition to the Scheme or the Offer.

## **19. Action to be taken**

Eligible Virgin Money Shareholders are therefore being asked to vote on the following resolutions:

- (a) at the Court Meeting, the resolution to approve the Scheme, which requires the approval of a majority in number of the Scheme Shareholders present and voting (and entitled to vote), either in person or by proxy at the Court Meeting, representing not less than 75 per cent. in value of the Scheme Shares held by such Scheme Shareholders present and voting at the Court Meeting;
- (b) at the Virgin Money General Meeting:
  - (i) the ordinary resolution of the Independent Virgin Money Shareholders to approve the New Brand Licence Agreement for the purpose of Rule 16.1 of the Takeover Code;
  - (ii) the ordinary resolution of the Independent Virgin Money Shareholders to approve the New Brand Licence Agreement for the purpose of Listing Rule 11.1.7R(3) as a related party transaction (as defined in the Listing Rules);
  - (iii) the special resolution of Virgin Money Shareholders to approve: (A) the authorisation of the Virgin Money Directors to take all such actions as they may consider necessary or appropriate to give effect to the Scheme; and (B) the amendment of the articles of association of Virgin Money in the manner described in paragraph 7 of Part 2 of this document; and
  - (iv) the ordinary resolution to approve the changes to the Directors' Remuneration Policy described in paragraph 18 above.

Further details of the approvals being sought at the Court Meeting and the Virgin Money General Meeting and details of the actions to be taken by Virgin Money Shareholders in respect of the offer are set out in paragraph 16 of Part 2 of this document.

## **20. Recommendation**

### *The Scheme*

**The Independent Virgin Money Directors, who have been so advised by Goldman Sachs as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing advice to the Independent Virgin Money Directors, Goldman Sachs has taken into account the commercial assessments of the Independent Virgin Money Directors.**

**Accordingly, the Independent Virgin Money Directors unanimously recommend that Virgin Money Shareholders vote in favour of the Scheme at the Court Meeting and the Scheme Resolution (being the**

special resolution to approve the Scheme) at the Virgin Money General Meeting, as the Independent Virgin Money Directors who own Virgin Money Shares have irrevocably undertaken to do in respect of their own beneficial holdings totalling 2,612,309 Virgin Money Shares (representing approximately 0.586 per cent. of the issued ordinary share capital of Virgin Money as at the Latest Practicable Date).

#### *Approval of the New Brand Licence Agreement for the purpose of Rule 16.1 of the Takeover Code*

The terms of the New Brand Licence Agreement are considered by Goldman Sachs, Virgin Money's financial adviser, to be fair and reasonable. In forming this view, Goldman Sachs has taken into account the commercial assessments of the Independent Virgin Money Directors. The Independent Virgin Money Directors, who have been so advised by Goldman Sachs, consider that the terms of the New Brand Licence Agreement are fair and reasonable and that the Rule 16 Resolution (being the ordinary resolution of Independent Virgin Money Shareholders to approve the New Brand Licence Agreement for the purpose of Rule 16 of the Takeover Code) is in the best interests of Virgin Money and its Shareholders as a whole.

Accordingly, the Independent Virgin Money Directors unanimously recommend that Independent Virgin Money Shareholders vote in favour of the Rule 16 Resolution at the Virgin Money General Meeting, as the Independent Virgin Money Directors who own Virgin Money Shares have irrevocably undertaken to do in respect of their own beneficial holdings totalling 2,612,309 Virgin Money Shares (representing approximately 0.586 per cent. of the issued ordinary share capital of Virgin Money as at the Latest Practicable Date).

#### *The Related Party Transaction*

The Virgin Money Board, which has been so advised by Goldman Sachs, considers that the terms of the Related Party Transaction are fair and reasonable as far as the Virgin Money Shareholders are concerned. In providing this advice to the Virgin Money Board, Goldman Sachs has taken into account the commercial assessments of the Virgin Money Board.

Additionally, the Virgin Money Board considers the Related Party Transaction to be in the best interests of Virgin Money and its Shareholders as a whole.

Accordingly, the Virgin Money Board unanimously recommends that Virgin Money Shareholders vote in favour of the RPT Resolution (being the ordinary resolution of Independent Virgin Money Shareholders to approve the New Brand Licence Agreement as a Related Party Transaction) at the Virgin Money General Meeting, as the Virgin Money Directors who own Virgin Money Shares have irrevocably undertaken to do in respect of their own beneficial holdings totalling 2,612,309 Virgin Money Shares (representing approximately 0.586 per cent. of the issued ordinary share capital of Virgin Money as at the Latest Practicable Date).

Since Patrick McCall and Amy Stirling are representatives on the Virgin Money Board of Virgin Enterprises and Virgin Holdings (the parent of Virgin Enterprises), they did not take part in the consideration of the Related Party Transaction or whether the Related Party Transaction is fair and reasonable. Accordingly, for the purpose of the consideration of the Related Party Transaction, and the recommendation of the Virgin Money Board that Independent Virgin Money Shareholders vote in favour of the Related Party Transaction and the RPT Resolution, the Virgin Money Board comprised the Independent Virgin Money Directors.

#### *The Remuneration Policy Resolution*

The Virgin Money Board considers that the Remuneration Policy Resolution is in the best interests of Virgin Money and the Virgin Money Shareholders as a whole. Accordingly, the Virgin Money Board unanimously recommends that Virgin Money Shareholders vote in favour of the Remuneration Policy Resolution as the Virgin Money Directors who own Virgin Money Shares intend to do in respect of their entire beneficial holdings which amount to 2,612,309 Virgin Money Shares (representing approximately 0.586 per cent. of the issued ordinary share capital of Virgin Money as at the Latest Practicable Date).

Since Jayne-Anne Gadhia and Peter Bole, as executive directors of the Company, have a conflict of interest with respect to the proposed amendment to the Directors' Remuneration Policy, they did not take part in the consideration of the Remuneration Policy Resolution and for the purpose of the consideration of the Remuneration Policy Resolution and the recommendation of the Virgin Money Board that Virgin Money Shareholders vote in favour of the Remuneration Policy Resolution the Virgin Money Board comprised the Virgin Money Non-Executive Directors.

## **21. Further information**

Your attention is drawn to further information contained in Part 2 , Part 3, Part 4, Part 7 and Appendix 1 of this document which provide further details concerning the Scheme.

Your attention is also drawn to the CYBG Prospectus which contains further information on CYBG and the New CYBG Shares to be issued in connection with the Offer. The CYBG Prospectus may be accessed free of charge at CYBG's website at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/) and <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/> (subject to any restrictions relating to persons with a registered address in or who are a citizen, resident or national of certain jurisdictions).

**You are advised to read the whole of this document, together with the CYBG Prospectus, and not just rely on the summary information contained in this letter.**

Yours faithfully,

Irene Dorner  
Chair

Virgin Money Holdings (UK) plc

**PART 2**  
**EXPLANATORY STATEMENT**  
(in compliance with section 897 of the Companies Act)



31 July 2018

*To the holders of Virgin Money Shares and, for information only, to holders of awards under the Virgin Money Share Plans and persons with information rights*

Dear Shareholder

**RECOMMENDED ALL-SHARE OFFER FOR VIRGIN MONEY HOLDINGS (UK) PLC BY  
CYBG PLC**

**1. Introduction**

On 18 June 2018, the Boards of Virgin Money and CYBG announced that they had agreed the terms of a recommended all-share offer by CYBG to acquire the entire issued and to be issued ordinary share capital of Virgin Money. The Offer is being implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

**Your attention is drawn to the letter from the Chair of Virgin Money set out in Part 1 of this document, which forms part of this Explanatory Statement. The letter contains, among other things, the background to and reasons for the unanimous recommendation by the Independent Virgin Money Directors to Virgin Money Shareholders to vote in favour of the resolutions to be proposed at the Court Meeting and the resolutions relating to the Offer to be proposed at the Virgin Money General Meeting.**

Your attention is also drawn to the CYBG Prospectus which can be found on CYBG's website at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/) (subject to any restrictions relating to persons with a registered address in or who are a citizen, resident or national of certain jurisdictions), and which contains further information on CYBG and the New CYBG Shares to be issued in connection with the Offer.

**The Independent Virgin Money Directors, who have been so advised by Goldman Sachs as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing advice to the Independent Virgin Money Directors, Goldman Sachs has taken into account the commercial assessments of the Independent Virgin Money Directors. The terms of the New Brand Licence Agreement are considered by Goldman Sachs, Virgin Money's financial adviser, to be fair and reasonable. In forming this view, Goldman Sachs has taken into account the commercial assessments of the Independent Virgin Money Directors.**

We have been authorised by the Independent Virgin Money Directors to write to you to explain the terms of the Offer and the Scheme and to provide you with other relevant information.

This Explanatory Statement contains a summary of the provisions of the Scheme. The terms of the Scheme are set out in full in Part 4 of this document. Your attention is also drawn to the other parts of this document, which are deemed to form part of this Explanatory Statement, including Part 1, the Conditions and certain further terms set out in Part 3 and the additional information set out in Part 7 and the Quantified Financial Benefits Statement set out in Appendix 1 of this document. For overseas holders of Virgin Money Shares, your attention is drawn to Part 6, which forms part of this Explanatory Statement.

Information on the Related Party Transaction, including the recommendation of the Virgin Money Board, is set out in the letter from the Chair of Virgin Money in Part 1 of this document.

## 2. Summary of the terms of the Offer and the Scheme

### The Offer

#### *The Offer*

The Offer will be implemented by way of a Court-sanctioned scheme of arrangement between Virgin Money and Scheme Shareholders under Part 26 of the Companies Act.

Under the terms of the Offer, which is subject to the terms and conditions set out in Part 3 of this document, Virgin Money Shareholders will be entitled to receive:

#### **1.2125 New CYBG Shares in exchange for each Virgin Money Share**

Based on the Closing Price of 338 pence per CYBG Share on the Latest Practicable Date, the Offer values each Virgin Money Share at 410 pence and Virgin Money's ordinary shares on a fully diluted basis at approximately £1.8 billion, representing a premium of:

- 31 per cent. to the Closing Price of 312 pence per Virgin Money Share on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period); and
- 48 per cent. to the volume weighted average price of 276 pence per Virgin Money Share for the three-month period ended 4 May 2018.

Following completion of the Offer, Virgin Money Shareholders will own approximately 38 per cent. of the Combined Group (on a fully diluted basis). As a result, the voting rights of the Existing CYBG Shareholders will be diluted such that the Existing CYBG Shareholders would, immediately after the Effective Date, hold voting rights of approximately 62 per cent of the total voting rights they held immediately prior to Completion.

The Virgin Money Shares will be acquired pursuant to the Offer fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including without limitation voting rights and the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid on or after the date of the Announcement, except for the Virgin Money Interim Dividend.

It is a term of the Offer that if Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of the Announcement, CYBG reserves the right to make an equivalent reduction in the terms of the Offer. This right will not be invoked in respect of the Virgin Money Interim Dividend. To the extent that a dividend or other distribution is announced, declared, made or paid by Virgin Money and is or will be (i) transferred pursuant to the Offer on a basis which entitles CYBG alone to receive it and to retain it, or (ii) cancelled, the price payable under the Offer in respect of the Virgin Money Shares will not be subject to change in accordance with this condition. If CYBG exercises its right to reduce the Offer consideration by all or part of the amount of a dividend or other distribution that has not been paid, Virgin Money Shareholders will be entitled to receive and retain that dividend or other distribution.

Applications will be made to the FCA and the London Stock Exchange for the New CYBG Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement in the New CYBG Shares will commence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

Steps will be taken to allow for quotation of CHESS Depository Interests representing the New CYBG Shares on the ASX following completion of the Offer.

The New CYBG Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing CYBG Shares, including the right to receive and retain in full all dividends and other distributions (if any) made, paid or declared with reference to a record date falling on or after the Effective Date. Further details on the rights attaching to the New CYBG Shares are set out in the CYBG Prospectus published on CYBG's website at [www.cybg.com/cybg-update](http://www.cybg.com/cybg-update), and, subject to applicable securities laws, a hard copy can be requested by contacting CYBG's registrars, Computershare, who can be contacted at Computershare Investor Services PLC, Corporate Actions, The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom.

#### ***Fractional entitlements***

Fractions of New CYBG Shares will not be allotted or issued to Virgin Money Shareholders and entitlements will be rounded down to the nearest whole number of New CYBG Shares and all fractions of New CYBG Shares will be aggregated and sold in the market as soon as practicable after the Scheme becomes Effective. The net proceeds of such sale (after deduction of all expenses and commissions, including any VAT

thereon, incurred in connection with the sale) will be distributed in due proportions to Virgin Money Shareholders who would otherwise have been entitled to such fractions, save that if the entitlement of any Virgin Money Shareholder in respect of the proceeds of sale of fractional entitlements amounts to less than £5, such proceeds will be retained for the benefit of the Combined Group.

### ***Conditions***

The Offer and, accordingly, the Scheme are subject to a number of conditions set out in full in Part 3 of this document.

To become Effective, the Scheme requires, among other things, (a) the approval of a majority in number, representing not less than 75 per cent. in value, of the relevant Virgin Money Shareholders present and voting (and entitled to vote), either in person or by proxy at the Court Meeting, which is convened by order of the Court, (b) the approval of the Scheme Resolution by Virgin Money Shareholders at the Virgin Money General Meeting and (c) the approval by a simple majority of the Independent Virgin Money Shareholders present and voting (and entitled to vote), either in person or by proxy of each of the Brand Licence Resolutions at the Virgin Money General Meeting. The Scheme must also be sanctioned by the Court. The Scheme can only become Effective if all Conditions to the Scheme, including shareholder approvals and the sanction of the Court, have been satisfied (unless, where applicable, the relevant Condition is waived).

The Conditions in paragraphs 1 and 2 of Part 1 of Part 3 of this document provide that the Scheme will lapse if:

- the Court Meeting and the Virgin Money General Meeting are not held by the 22nd day after the expected date of the Court Meeting as set out in this document (or such later date as may be agreed between CYBG and Virgin Money);
- the Court Hearing to sanction the Scheme is not held by the 22nd day after the expected date of the Court Hearing as set out in this document (or such later date as may be agreed between CYBG and Virgin Money); and
- the Scheme has not become Effective by 11.59 p.m. on the Long Stop Date (or such later date as may be agreed between CYBG and Virgin Money and the Panel and the Court may allow).

The Meetings and the nature of the approvals required to be given at them are described in more detail in paragraph 8 below. All Scheme Shareholders are entitled to attend the Court Hearing in person or through representation to support or oppose the sanctioning of the Scheme.

In addition to these approvals, the Scheme is subject to (among other things) approval of the CYBG Shareholders, approval of the Brand Licence Resolutions by the Independent Virgin Money Shareholders and the receipt of certain regulatory clearances. The CYBG General Meeting is scheduled to be held at 10.00 a.m. on 10 September 2018; CYBG will announce the results of the vote at the CYBG General Meeting through a Regulatory Information Service as soon as practicable after the conclusion of the CYBG General Meeting.

If any Condition in paragraphs 2(a) and (b) of Part 1 of Part 3 of this document is not capable of being satisfied by the date specified therein, or any Condition in paragraphs 3 to 16 of Part 1 of Part 3 of this document is not capable of being satisfied by the Long Stop Date, CYBG shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by not later than 7.00 a.m. on the Business Day following the relevant date, stating whether CYBG has invoked that Condition, (where applicable) waived that Condition or, with the agreement of Virgin Money, specified a new date by which that Condition must be satisfied.

In relation to the Condition in paragraph 7(b) of Part 1 of Part 3 of this document, if any approval is given by the appropriate regulator (as defined under section 178(2A) of FSMA) subject to any condition(s), subject to the requirements of the Panel, CYBG will have regard to the reasonable views of Virgin Holdings when considering whether or not to accept such condition(s) (subject to any restrictions which may be imposed by the relevant regulator).

The Scheme will become Effective upon a copy of the Court Order being delivered to the Registrar of Companies. Subject to the sanction of the Scheme by the Court, this is expected to occur during calendar Q4 of 2018. Unless the Scheme becomes Effective by no later than the Long Stop Date, the Scheme will not become Effective and the Offer will not proceed (unless extended with the agreement of CYBG, Virgin Money and the Panel and, if required, the approval of the Court).

Upon the Scheme becoming Effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Virgin Money General Meeting (and if they attended and voted, whether or not they voted in favour); and (ii) share certificates in respect of Virgin Money Shares will cease to be valid and entitlements to Virgin Money Shares held within the CREST system will be cancelled. The New CYBG Shares will be issued by CYBG to Scheme Shareholders no later than 14 days after the Effective Date.

### **3. Background to and reasons for the Offer**

The CYBG Directors believe that the banking industry in the UK is reaching an inflection point: more and more customers are choosing to interact digitally; new entrants are looking to disrupt the industry and partner with existing players; technological change is happening at a faster pace than ever before; and the implementation of the Payment Services Directive 2 and Open Banking regulation aims to open up banking services and encourage competition. These trends are expected to transform existing bank business models in the UK, with an expected increase in partnerships and disintermediation of traditional value chains. The CYBG Directors believe that the successful banking propositions of the future will be digitally-led customer experiences supported by exceptional omni-channel service, with the winners delivering technology-enabled, customer-centric propositions that resonate with and enhance customers' lifestyles.

Recognising these underlying industry trends, the Combination will bring together the complementary strengths of two successful challenger banks to create the UK's first true national competitor to the large incumbent banks. The Combination will offer retail and SME customers an enhanced alternative to the status quo. The Combined Group will have the capabilities, scale and national presence required to lead the way in the Open Banking environment, with a full-service product offering across retail and SME, modern and innovative technology and the iconic Virgin Money national brand underpinned by a strong customer service culture.

The CYBG Board believes the Combination has a strong strategic and financial rationale as described below, creating a compelling opportunity for both sets of shareholders:

#### ***Scale and national presence:***

- The combination of two of the largest challenger banks to create a national competitor of scale to the incumbent UK banks, with around six million customers, £69.5<sup>2</sup> billion customer loans, and £59.3<sup>2</sup> billion customer deposits.
- The Combined Group will benefit from national brand recognition and a complementary national branch network.

#### ***Full-service offering:***

Retail offering:

- The Combined Group will be better positioned to serve the broader needs of the combined customer base by offering a more comprehensive range of products for retail clients, anchored on a core relationship PCA proposition, thereby deepening multi-product customer relationships as well as partnership opportunities with the wider Virgin Group.
- The Combined Group will have a complementary mix of product expertise, combining CYBG's strengths in PCAs and digital propositions, shared strengths in mortgages and Virgin Money's expertise in credit cards and digital savings. The CYBG Directors believe that the resulting omni-channel offering for both sets of customers will put the Combined Group at the forefront of customer service and convenience, with the potential to generate deeper customer relationships and higher product holdings.

SME offering:

- CYBG has a strong and long-established, full-service SME business with over £7 billion of customer loans and 200,000 customers. The Combination would accelerate the delivery of Virgin Money's current plans to build an SME business.
- In addition, as a Pool A eligible applicant for the alternative remedies package proposed by the EC and UK authorities to replace the commitment for The Royal Bank of Scotland to divest Williams & Glyn, the Combined Group will have an opportunity to accelerate the creation of a leading, digitally enabled SME

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<sup>2</sup> Based on CYBG's unaudited interim financial statements for the six months ending 31 March 2018 and Virgin Money's audited annual financial statements for the year ending 31 December 2017.



proposition through a planned application to the Capability and Innovation Fund. This opportunity builds on CYBG's existing strengths and could help accelerate its ambition to deliver a differentiated SME proposition in UK banking. In addition, given CYBG's existing and substantive BCA offering, the Combined Group envisages playing a significant role in the proposed incentivised switching scheme as part of the alternative remedies package, further enhancing the Combined Group's potential to acquire new SME customers.

***Iconic national brand and customer-focused cultures:***

- Virgin is one of the most powerful and iconic brands in the UK, with 99 per cent. brand awareness.
- Under the New Brand Licence Agreement, the Combined Group will have exclusive and perpetual access to use of the Virgin Money brand for financial services in respect of retail, SME and corporate customers in the UK. Virgin Money has a leading net promoter score of +37 (as at 30 June 2018).
- It is envisaged that the retail brand for the Combined Group will transition to Virgin Money using a phased approach over a period of 36 months following Completion. The CYBG Directors believe that the Virgin Money brand has potential in the SME market, particularly in light of its entrepreneurial spirit. Testing of the brand with existing CYBG SME customers and the wider SME market will be undertaken to evaluate the Virgin Money brand affinity with customers and the appropriate timescale for any rebranding exercise for CYBG's SME business.
- Use of the Virgin Money brand combined with CYBG's customer-centric product range and service model is expected to lead to higher awareness, consumer interest and advocacy across the UK over time, generating higher customer acquisition and greater customer retention for the Combined Group. The wider Virgin portfolio also provides attractive opportunities for partnerships and collaboration.
- The cultures of CYBG and Virgin Money already share many common attributes: a disruptor mindset; customer-centricity; a close alignment to business strategy; and a focus on diversity and inclusion. The Combined Group offers a real opportunity to capitalise on the strengths of both cultures. Both CYBG and Virgin Money are committed to a positive working culture in which employees can thrive and share a commitment to supporting talent, flexible working and a diverse and inclusive working environment. This includes continued support for the Women in Finance charter, and a continued commitment to take action to reduce the gender pay gap of the Combined Group.
- The Combined Group will establish a unifying purpose to seek to galvanise employees under the Virgin Money brand, to maintain a culture of customer centricity as well as guiding an ethical and sustainable approach to business. This will be supported by a strong set of common values which will be embedded into all people practices. It will continue to build on CYBG's innovative approach to performance, with a focus on team rather than individual contributions.

***Innovative and modern technology:***

- CYBG has an established, proven, scalable and resilient, Open Banking-enabled technology platform which has facilitated the development of innovative services for customers such as mobile cheque clearing and account aggregation using secure, open APIs. The addition of Virgin Money's iconic national brand to this existing proposition is expected to increase customer awareness and interest in the offering.
- CYBG is in the process of migrating its retail and SME products onto its Open Banking-enabled technology platform, with retail customers already successfully migrated and SME customers in the process of migrating during 2018. This has provided the opportunity to test and demonstrate the scalability of the platform.
- The Combined Group will benefit in the future from CYBG's technology platform supporting all products, services and customer interactions. This will deliver business advantages in terms of flexibility, security and data insights. In addition, it will allow Virgin Money to avoid the significant investment and time required to build its own digital bank.

***Low-complexity integration plan and management strength:***

- The proposed phased migration and re-branding approach will be separated into several distinct phases aligned to transaction events that minimise the complexity to deliver and any impact on customers. This will be achieved in particular by leveraging product maturities and limiting the use of large-scale automated transfers, thereby avoiding any large migration events within the process.

- All Virgin Money products and customers will be migrated in phases over time to CYBG's robust IT platform, with the exception of credit cards where CYBG card customers will be migrated to the TSYS platform used by Virgin Money. TSYS is a modern platform with open architecture, which will be integrated with CYBG's proprietary platform.
- The nature of both businesses' portfolios reduces execution risk and provides greater optionality for integration and migration for the Combined Group. A number of options are being considered for migrating the small number of Virgin Money PCAs (approximately 105,000) including the industry standard Current Account Switching Service (CASS), which would eliminate the need for a single-event migration of these higher-interaction accounts. CYBG has significant experience of PCA on-boarding, including using CASS to on-board nearly 20,000 accounts in two weeks as part of its current account switching campaign in October 2017. It is expected that a significant majority of Virgin Money mortgages and cash ISAs will be migrated to CYBG platforms on renewal. Virgin Money personal and business savings accounts are expected to be migrated using an automated transfer. It is currently estimated that approximately 30 per cent. of all accounts of the Combined Group will be part of a transfer or migration process within the proposed integration plan.
- CYBG is developing a detailed plan to ensure that integration can be achieved with minimal impact on the customers and other stakeholders of the Combined Group. It is expected that the IT migration will be phased over 36 months in order to minimise execution risk with operational integration phased over a similar timeframe.
- Both CYBG and Virgin Money are organisations with a strong track record in delivering large-scale transformation. The integration delivery team will draw on this management experience and will be supported, guided and challenged by the CYBG Directors, the Proposed Directors and the CYBG Senior Managers. The team will be closely supervised by David Duffy, the CEO of the Combined Group.

The CYBG Directors believe these capabilities provide the Combined Group with the attributes it needs to be a leading force in the Open Banking environment, disrupting the status quo and championing customer service in the future financial services landscape.

Furthermore, the CYBG Directors believe that successful future banking models will leverage partnerships to innovate and to bring together additional products and services that increase customer convenience. CYBG's technology platform has the capability to interact with fintech and other partners and the Combined Group will also have enhanced opportunities to link customer propositions with services, including the opportunity to partner with the wider Virgin portfolio of branded businesses.

***Significant synergy and value creation potential:***

- The CYBG Directors expect the Combined Group to generate £120 million of annual pre-tax cost synergies, run rate by the end of the financial year ending 30 September 2021. CYBG believes these synergies will deliver substantial value for all shareholders. Further detail on the quantified synergies and the costs to achieve them is given in paragraph 5 below.
- CYBG also expects additional value creation through avoidance of planned future Virgin Money digital bank running costs, revenue synergies and funding synergies over time which have not been quantified for reporting under the Takeover Code.

***Diversified, low-risk balance sheet:***

- The Combined Group will benefit from a diversified and stable funding model. This will comprise a mix of PCAs, BCAs, savings accounts and wholesale funding. The Combined Group's total customer deposit base of £59.3<sup>3</sup> billion equates to approximately 74 per cent. of total funding, with approximately 30 per cent. of total funding related to core relationships (defined as PCA and BCA balances and savings balances linked to those same PCA and BCA customers). The Combined Group will seek to benefit from the pro forma historical renewal rate of approximately 80 per cent. for CYBG's and Virgin Money's fixed term savings products.
- Term Funding Scheme (TFS) funding in aggregate comprises £8.7 billion (comprising £2.3 billion for CYBG as at 31 March 2018 and £6.4 billion for Virgin Money as at 30 June 2018 which represents 10.9 per cent. of total funding and will mature in 2021-2022. The CYBG Directors believe that the Combined Group's diversified funding model will enable it to refinance its outstanding TFS balances in

<sup>3</sup> Based on CYBG's unaudited interim financial statements for the six months ending 31 March 2018 and Virgin Money's audited annual financial statements for the year ending 31 December 2017.

advance of their contractual maturities. Furthermore, the CYBG Directors believe that as part of the Combined Group's overall funding strategy the Combined Group would be able to utilise multiple funding sources including PCA growth, BCA growth (including leveraging the RBS alternative remedies package), savings growth, and ongoing wholesale issuance including MREL.

- The Combined Group will have £83.8 billion<sup>4</sup> of total assets and a £69.5 billion<sup>4</sup> total customer loan portfolio. The loan portfolio includes £57.8 billion<sup>4</sup> of mortgages, representing 83 per cent. of total customer lending. These mortgages have an average indexed loan-to-value of 57.2 per cent., a net cost of risk of one basis point and a non-performing loan ratio of 0.6 per cent.
- The remaining customer loan portfolio comprises: £7.4 billion<sup>4</sup> of SME and corporate lending; a £3.5 billion<sup>4</sup> credit card portfolio; and other unsecured lending of £0.8 billion<sup>4</sup>.
- Virgin Money's prime credit card portfolio will transfer to the Combined Group, providing growth optionality in unsecured lending. Virgin Money's credit card portfolio is more concentrated in lower risk segments (classified as segments of the loan book with lower than 2.5 per cent. expected loss rates), compared to the broader industry: 92 per cent. of Virgin Money's credit card portfolio versus 81 per cent. for the industry. The focus on prime lending has contributed to a lower charge-off rate compared to the industry and a declining impairment ratio in the credit card portfolio experienced by Virgin Money for the three years to December 2017: 200bps (2015FY), 170bps (2016FY) and 151bps (2017FY).
- As part of the fair valuation exercise to be conducted at completion of the Offer, CYBG will finalise its review of Virgin Money's accounting policies and practices. As part of this process, CYBG will focus on reviewing the inputs to the Effective Interest Rate methodology for the Combined Group.

***Strong capital position:***

- The CYBG Directors believe the Combined Group will have a strong capital position following Completion. At Completion, the CET1 ratio is expected to be in excess of 12 per cent. and the Combined Group will maintain a significant buffer in excess of its regulatory minimum capital requirements. In calculating this figure, the CYBG Directors have projected the expected capital positions of each of CYBG and Virgin Money at Completion taking into account factors including underlying capital generation, impairment charges, asset growth, investment, and restructuring spend. The expected capital position of the Combined Group does not assume that CYBG achieves IRB accreditation before Completion. In addition, the CYBG Directors have estimated the potential impact on Virgin Money's assets and liabilities which will be determined as part of the fair value exercise to be undertaken following Completion. The expected CET1 ratio does not take into account any discussions between CYBG and the PRA.
- Based on the latest disclosed Pillar 2A requirements for both CYBG, as at 31 March 2018, and Virgin Money, as at 30 June 2018, the Combined Group's fully loaded CRD IV CET1 ratio minimum requirement at Completion is estimated to be 10.7 per cent (including Pillar 1, Pillar 2A, CCB and CCYB buffers).
- In addition, the Combined Group has the potential to benefit from RWA reductions over time. CYBG has increasing confidence that it will receive IRB accreditation for its mortgage portfolio in October 2018 (subject to completion by CYBG and review by the PRA of certain remediation actions). On 5 July 2018, Virgin Money announced that it had received a decision from the PRA on improvements to its mortgage risk weight models. The impact at 30 June 2018 of the agreed model improvements was an increase of over 250 basis points in its CET1 ratio to 16.3 per cent (as set out in Virgin Money's interim report for the six months ended 30 June 2018).

***Reinforces delivery of existing financial targets:***

- CYBG expects to deliver:
  - *Mid-single digit CAGR loan growth to FY19:* Sustainable growth ambition continues;
  - *Loan to deposit ratio of less than 120 per cent.:* Diversified funding model continues;
  - *Cost to income ratio (CIR) of 55-58 per cent. by FY19:* CIR at the lower end of the target range with significant cost synergies achievable over time;

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<sup>4</sup> Based on CYBG's unaudited interim financial statements for the six months ending 31 March 2018 and Virgin Money's audited annual financial statements for the year ending 31 December 2017.

- *Double-digit return on tangible equity by FY19*: Returns target maintained; and
- *50 per cent. dividend pay-out ratio over time*: Accelerated progressive dividend ambition.

***Earnings accretive to all shareholders:***

- The Combination is expected to be materially accretive for both sets of shareholders on an earnings per share basis once full cost synergies have been delivered.

***Strong capital generation accelerates progressive dividend ambitions:***

- The CYBG Directors expect that the delivery of significant cost synergies and enhanced earnings potential created by the Combination will support improved capital generation in the future. This would provide capacity for necessary investment in the business to drive and support sustainable asset growth as well as funding the initial investment required to achieve the cost synergies identified through the Combination.
- Given the expected strong capital generation, the Combined Group should be well placed to accelerate both CYBG and Virgin Money's progressive dividend ambitions.

**4. New Brand Licence Agreement**

CYBG will be licensed to use the "Virgin Money" and "Virgin" trade marks under the New Brand Licence Agreement. The New Brand Licence Agreement amends and restates, from completion of the Offer, the Existing Brand Licence Agreement in place between Virgin Enterprises and Virgin Money and which was entered into on 1 October 2014.

The definitive terms of the New Brand Licence Agreement were agreed between CYBG and Virgin Enterprises on 18 June 2018. On Completion, the Existing Brand Licence Agreement will be novated from Virgin Money to CYBG and at the same time amendments agreed to the existing brand licence agreement will be made (**Novation Effective Date**).

***Grant***

The New Brand Licence Agreement grants, subject to certain exclusions and reservations of rights, CYBG exclusive rights to use the "Virgin Money" names and logos (and several "Virgin Money" sub-brands including the "Virgin Money Giving" trade mark (together, the **Virgin Money Trade Marks**)) for financial services and products as defined below, and certain related non-exclusive licences in respect of the "Virgin" trade marks (together with the Virgin Money Trade Marks, the **Licensed Trade Marks**). The licences are granted on a perpetual basis, subject to the parties' rights to terminate the New Brand Licence Agreement described below. The territorial scope of the licences granted by Virgin Enterprises is limited to the United Kingdom (**Territory**).

CYBG is granted, subject to certain exclusions and reservations of rights, the exclusive right to use the Virgin Money Trade Marks in respect of all banking and financial services and products which are offered in the ordinary course of business by UK clearing banks or challenger banks, all investment or savings products and services, and all insurance products and services (**Financial Services**).

Virgin Enterprises also grants certain non-exclusive licences which include the right for CYBG to use the Licensed Trade Marks in relation to:

- subject to certain restrictions, activities which are ancillary to or incidental to Financial Services;
- products or services which consist of or relate to both Financial Services provided by or on behalf of CYBG under the Licensed Trade Marks and own-branded services and products provided by a third party partner including through or as part of CYBG's branches or online portals;
- sponsorship activities in relation to the promotion of the CYBG Group's business;
- any activity carried out for the purpose of raising capital or finance to be deployed in carrying on its business (excluding for the benefit of any person outside the Combined Group), and the holding of shares or other investments in any corporate or other entity or organisation carrying out the activities licensed in respect of Financial Services or under (a) and (b) above;
- signage, advertisements, promotional brochures, CYBG's permitted e-presence and other materials in connection with and in the ordinary course of the activities described at (a) and (b) above;

- (f) promotional products and activities whose purpose is to promote Financial Services, but which are not charged for/are for charitable purposes; and
- (g) part of its business, trading or registered company name, or lender of record name and to use the same on its corporate materials and communications which bear the company name.

Virgin Enterprises also grants CYBG: (i) an exclusive licence to use certain ‘legacy’ brands in relation to Financial Services in respect of credit cards until 1 October 2019; and (ii) a licence to use various domain names (including those containing the Licensed Trade Marks).

The licences granted by Virgin Enterprises are sub-licensable by CYBG to a member of its group, or to a third party, without the consent of Virgin Enterprises subject to certain conditions. Rights of first refusal also apply in certain circumstances, as described below. Sub-licences are not permitted in respect of an activity that would reasonably be considered to be immoral, unlawful or exploitative of the weak but excluding in the ordinary course the enforcement of legal rights (including repossessions and enforcement of debts) (**Prohibited Activities**).

### ***Must-Use***

CYBG will be required to operate at least 80 per cent. of its activities which fall within the scope of the New Brand Licence Agreement, calculated quarterly by reference to the Combined Group’s relevant turnover, under the “Virgin Money” brand, following the rebranding period (which is expected to be no later than 3 years from the Novation Effective Date).

The remaining 20 per cent. of the Combined Group’s relevant turnover may be generated under non-Licensed Trade Marks through a defined set of circumstances, including:

- (a) under CYBG’s brands existing at the time the definitive terms of the New Brand Licence Agreement were agreed as: (i) part of corporate names as at the Novation Effective Date, including in order to issue commercial bank notes in Scotland, (ii) for the purposes of maintaining CYBG’s trade mark registrations, and (iii) for developing and testing new products and services, provided that an alternate brand is not promoted by CYBG as its “innovation brand”;
- (b) the Yorkshire and Clydesdale brands for CYBG’s SME and corporate business, unless the Board decides to rebrand the SME and corporate business under the Licensed Trade Marks;
- (c) in respect of acquisitions which do not result in CYBG failing to comply with the 80% must-use requirements (otherwise such acquisitions must be rebranded); and
- (d) pursuant to a marketing arrangement, third party partnership or other joint venture, except for such arrangements entered into following the rebranding period.

Breaches of the must-use requirement are capable of remedy.

### ***Rights of First Refusal and duties to mitigate the risk of confusion***

The New Brand Licence Agreement contains rights of first refusal in respect of Virgin Enterprises granting the right to a third party to offer Financial Services in any other part of the EEA as described below:

- (a) if Virgin Enterprises (i) has a bona fide intention to offer Financial Services in Ireland under any of the Licensed Trade Marks, or is approached by a third party that demonstrates to Virgin Enterprises a bona fide and credible proposal to provide Financial Services in Ireland under any of the Licensed Trade Marks; or (ii) receives an unsolicited and credible offer from a third party which operates an Irish clearing bank offering Financial Services in Ireland to rebrand its business under the Licensed Trade Marks, Virgin Enterprises is required to notify CYBG. CYBG shall within 30 days notify Virgin Enterprises whether it wishes to explore the opportunity further. If it does, the parties shall discuss the opportunity in good faith on an exclusive basis, or in the case of (ii) a non-exclusive basis, until the earlier of (a) 60 days following CYBG notifying Virgin Enterprises, and (b) CYBG confirming it does not wish to proceed. In the case of (ii), the periods of time can be reduced by agreement; and
- (b) if Virgin Enterprises (i) has a bona fide intention to offer Financial Services in the EEA other than in the United Kingdom or Ireland under any of the Licensed Trade Marks, or is approached by a third party that demonstrates to Virgin Enterprises a bona fide and credible proposal to provide Financial Services in the EEA under any of the Licensed Trade Marks; or (ii) receives an unsolicited and credible offer from a third party which operates a clearing bank offering Financial Services in the EEA to rebrand its business under the Licensed Trade Marks (subject to the below), Virgin Enterprises is required to notify CYBG. CYBG

shall notify Virgin Enterprises within 15 days whether it wishes to explore the opportunity further, following which the parties shall discuss on a non-exclusive basis, until the earlier of (a) 30 days following CYBG notifying Virgin Enterprises, and (b) CYBG confirming it does not wish to proceed. In the case of (ii), Virgin Enterprises is not required to notify CYBG if the third party is, in Virgin Enterprises' reasonable opinion, a bank which is significantly larger than CYBG.

If, following the processes described above, Virgin Enterprises grants a new licence to a third party to use the Licensed Trade Marks in relation to any Financial Services in the EEA, Virgin Enterprises is required to discuss in good faith any reasonable suggestions or concerns CYBG has to mitigate the risk of confusion with or damage to CYBG's business, and shall procure that its licensee takes all reasonable steps to mitigate any confusion.

The New Brand Licence Agreement contains further rights of first refusal in respect of CYBG offering services (including under third party brands) through its branches or online portals which are licensed to another Virgin Enterprises licensee, or a Virgin Enterprises licensee offering a service ancillary to its business which constitutes a Financial Service. In each case, if a Virgin Enterprises licensee or CYBG (as applicable) is willing and able to offer the relevant product or service, then an offer must be obtained and the offeree must not enter into an agreement with a third party for the provision of the product or service on terms which are on aggregate less favourable than those offered by the offeror. Virgin Enterprises is obliged to include this right of first refusal in favour of CYBG in its future licences, and to use all reasonable endeavours to ensure its licensees comply with the right.

### ***Governance***

Virgin Enterprises shall at all times during the term of the New Brand Licence Agreement be entitled to nominate, remove, or reappoint one person as a director of CYBG (the **Representative Director**). CYBG may only object to a proposed appointee by Virgin Enterprises if CYBG (in its reasonable opinion) determines that such appointment or continuation in office would have a material adverse effect on the reputation or good standing of CYBG.

CYBG agrees that it shall not propose any resolution to its shareholders which would, if passed, remove, reduce, restrict, impair or otherwise prejudice the rights and powers of Virgin Enterprises and the Representative Director set out in the governance-related provisions of the New Brand Licence Agreement, the articles of association of CYBG, or any letter of appointment.

The Representative Director must resign (without the right to seek compensation) upon termination of the New Brand Licence Agreement, and CYBG can terminate the appointment of the Representative Director if he or she materially breaches his or her obligations under the terms of his or her letter of appointment, is removed from office by the shareholders, or is disqualified from his or her position by operation of law.

### ***Royalties***

CYBG shall pay to Virgin Enterprises under the New Brand Licence Agreement:

- (a) a pro-rated royalty payment of up to £3,000,000 for the period from the Novation Effective Date to the First Quarter Date following the Novation Effective Date;
- (b) £12,000,000 for the 12 months following the First Quarter Date (**Year 1**);
- (c) £13,000,000 for the 12 months following the end of Year 1 (**Year 2**);
- (d) £14,000,000 for the 12 months following the end of Year 2 (**Year 3**); and
- (e) £15,000,000 for the 12 months following the end of Year 3 (**Year 4**).

Thereafter, for each 12-month period (the relevant royalty period), the royalty shall be, (A) a minimum royalty of £15,000,000 (**Minimum Royalty**), plus, unless the Combined Group generates relevant turnover greater than £2.1 billion in Year 3 (**Threshold Amount**), (B) a one per cent royalty on any incremental relevant turnover against Year 3 relevant turnover.

If the Combined Group relevant turnover exceeds the Threshold Amount in Year 3, then thereafter (including in Year 4), for each relevant royalty period, the royalty shall be: (A) the Minimum Royalty; plus (B) a 1 per cent royalty on incremental Combined Group relevant turnover above £2.1 billion.

In respect of certain material acquisitions, the Brand Licence Agreement provides for a reduced royalty on the turnover of the acquired business for a limited period following its acquisition. For the reduced royalty to

apply, the turnover of the acquired business (calculated by reference to the turnover of that business in the 12-month period prior to notice of the proposed acquisition being given) must be equivalent to more than 20 per cent. of the sum of: (i) Combined Group relevant turnover; and (ii) the turnover of the acquired business. If CYBG completes such an acquisition, the royalty payable on incremental Combined Group relevant turnover which is attributable to the acquired business is reduced by 50 per cent. for the shorter of: (i) the completion of the rebrand of that business to operate under the Licensed Trade Marks; and (ii) 18 months from the completion of the acquisition.

The Minimum Royalty is subject to indexation (calculated by reference to the percentage change in the UK Consumer Price Index during the relevant period) from the fifth year following completion of the Offer, with any change in the amount of the Minimum Royalty payable as a result of indexation being set-off (to the extent possible) against the amount of the royalty payable on applicable incremental Combined Group relevant turnover. All amounts payable under the New Brand Licence Agreement are exclusive of applicable VAT.

Where any sub-licence is granted by the Combined Group under the Licensed Trade Marks, certain payments and revenues attributable to the sub-licensing arrangement shall be included in the Combined Group relevant turnover for the purposes of the royalty calculations described above. These include:

- (1) any fee, commission or other economic benefit received by the Combined Group in connection with either: (a) any sub-licence in existence at the Novation Effective Date; or (b) any new sub-licence entered into after the Novation Effective Date in relation to which the sub- licensee provides products or services under its own trade marks (but not under the Licensed Trade Marks); and
- (2) any turnover (net of customary deductions) of a sub- licensee generated from that sub- licensee’s products and services branded with the Licensed Trade Marks pursuant to any new sub- licence entered into after the Novation Effective Date.

The two tables below set out, for illustrative purposes only and on the bases and assumptions set out in the notes below, the total royalty fees that were payable to Virgin Enterprises by Virgin Money under the Existing Brand Licence Agreement in the financial year ended 31 December 2017 (**FY2017**) and the total royalty fees that will become payable by the Combined Group under the New Brand Licence Agreement. If the Scheme becomes Effective, Independent Virgin Money Shareholders will receive 1.2125 New CYBG Shares in exchange for each Virgin Money Share. The Independent Virgin Money Shareholders, who at the Latest Practicable Date were interested, directly or indirectly, in 65.2 per cent. of the voting rights attaching to the Virgin Money Shares, will therefore as at completion of the Offer be interested, directly or indirectly in 25.0 per cent. of the voting rights attaching to the Combined Group.

The table below shows (in bold) the amount of the royalty payment “attributable” to the Independent Virgin Money Shareholders, which is derived from the product of (i) the total royalty fees paid under the Existing Brand Licence Agreement by Virgin Money to Virgin Enterprises in respect of FY2017; and (ii) the percentage of the Virgin Money Shares held by the Independent Virgin Money Shareholders as at the Latest Practicable Date.

|  | <u>2017</u>  | <u>Reference</u> |
|--|--------------|------------------|
| Royalty paid by Virgin Money to Virgin Enterprises (adjusted to exclude VAT) . . . . . | £6.7m        | Note 1           |
| Independent Virgin Money Shareholders’ ownership of Virgin Money . . . . .             | 65.2%        | Note 2           |
| <b>Royalty payment attributable to Independent Virgin Money Shareholders . . . . .</b> | <b>£4.3m</b> |                  |

The table below shows (in bold) the amount of the royalty payment “attributable” to the Independent Virgin Money Shareholders, which is derived from the product of (i) the royalty that would become payable by the Combined Group to Virgin Enterprises in respect of Year 1 to Year 4 following the Novation Effective Date; and (ii) the percentage ownership of the Combined Group that the Independent Virgin Money Shareholders are expected to hold as at the Effective Date.

|   | <u>New Brand Licence Agreement</u> | <u>Reference</u> |
|---|------------------------------------|------------------|
| Annual royalty payable by CYBG to Virgin Enterprises (adjusted to exclude VAT) in Year 1 to Year 4 (as a range) . . . . . | £12.0–15.0m                        | Note 3           |
| Independent Virgin Money Shareholders’ ownership of the Combined Group as at completion of the Offer . . . . .            | 25.0%                              | Note 4           |
| <b>Royalty payment attributable to Independent Virgin Money Shareholders . . . . .</b>                                    | <b>£3.0–3.8m</b>                   |                  |

This illustration has been included for the sole purpose of illustrating the fact that, on the bases and assumptions set out in the notes below, for the Years 1 to 4 of the New Brand Licence Agreement, the amount of the royalty payment attributable to the Independent Virgin Money Shareholders is lower under the New Brand Licence Agreement from the Effective Date than it is under the Existing Brand Licence Agreement.

Note:

1. Virgin Money paid £8.0m (inclusive of VAT at 20%) in trade mark licence fees to Virgin Enterprises (see Note 35 of the Annual Report and Accounts of Virgin Money).
2. The Independent Virgin Money Shareholders' ownership of Virgin Money is calculated as a percentage of the voting rights attaching to the Virgin Money Shares which those shareholders held as at the Latest Practicable Date.
3. This assumes that Combined Group turnover does not exceed the Threshold Amount in Year 3 (as described above). If it does, and the royalties payable therefore exceed the Minimum Royalty of £15,000,000, then the royalty payment in Year 4 that is attributable to Independent Virgin Money Shareholders will be higher (as described above).
4. The Independent Virgin Money Shareholders' ownership of the Combined Group as at completion of the Offer is calculated as a percentage of the voting rights in the Combined Group which the Independent Virgin Money Shareholders are expected to hold on completion of the Offer (on a fully diluted basis) by reference to their percentage ownership of Virgin Money as at the Latest Practicable Date (calculated on the basis described in Note 2 above).

### ***Termination***

Virgin Enterprises has the right to terminate the New Brand Licence Agreement by written notice if CYBG:

- (a) challenges Virgin Enterprises' ownership of, entitlement to license and/or the validity of the Licensed Trade Marks;
- (b) is insolvent;
- (c) is in continuing material breach which is not remedied;
- (d) is in material breach through any act or omission which: (i) results in the "Virgin Money" name being brought into serious disrepute and (ii) has a material adverse impact on the "Virgin" trade marks and Virgin Enterprises' group;
- (e) undergoes a change of control unless the change of control is a permitted change of control, which includes any change of control arising from any sale of the shares of CYBG which has been consented to by Virgin Enterprises and Virgin Enterprises shall only be entitled to withhold consent if the purchaser is (i) a direct competitor of Virgin Enterprises or any of its licensees in the Territory or (ii) involved in any business, or activity, or possesses a reputation for financial standing which would be reasonably likely to materially damage the value or reputation of the Licensed Trade Marks;
- (f) fails to procure, where so required, that a guarantee of CYBG's payment obligations under the New Brand Licence Agreement is entered into by a member of the acquirer's group within 20 business days of a permitted change of control;
- (g) acquires a company or business which engages in any Prohibited Activity; or
- (h) deliberately and intentionally is in a continuing material breach of the must-use requirement, or transfers a material proportion of the Combined Group's assets out of the Combined Group deliberately and intentionally to circumvent and deprive Virgin Enterprises of substantially all of the intended economic benefit of the New Brand Licence Agreement. On termination in these circumstances becoming effective, CYBG is required to pay to Virgin Enterprises in lieu of damages the Exit Fee as described below.

CYBG has the right to terminate the New Brand Licence Agreement if (i) Virgin Enterprises, or a Virgin Enterprises licensee, or any of their respective employees, directors, agents or representatives, commits any act or omission which brings the "Virgin" trade marks into serious disrepute or has a material adverse impact on CYBG's business; (ii) Virgin Enterprises is insolvent; or (iii) CYBG undergoes a change of control provided that notice of termination is given within 60 days of the change of control and the Exit Fee as described in the section headed 'Acquisition of CYBG' below is paid.

On termination of the New Brand Licence Agreement, CYBG is afforded a two year debranding period.



### ***Acquisition of CYBG***

On an acquisition of CYBG, CYBG can elect to terminate the New Brand Licence Agreement within 60 days of completion of the acquisition, with the termination becoming effective subject to the payment of the exit fee to Virgin Enterprises as described below (**Exit Fee**).

If the Exit Fee is payable prior to the end of Year 3, it shall be £250,000,000. From Year 4 onwards, the Exit Fee shall be an amount equal to the net present value of royalties for a 40-year period from the date of termination, calculated using the following formula:

$$TP = \sum_{t=1}^{40} \frac{RP * (1 + g)^t}{(1 + (g + 5\%))^t}$$

where:

TP is the termination payment;

t is the number of years over which the calculation applies, ranging from t=1, 2, 3, ... up to a maximum of 40 (where 1 denotes the first anniversary of the date of termination);

RP is an amount equivalent to the royalty payments payable to Virgin Enterprises in the 12 month period prior to the date of termination; and

g is the long-term growth rate for royalty payments and shall be equal to the simple average of the annual nominal growth rates for UK gross domestic product for the maximum forecast period as set by the Office for Budget Responsibility in its latest Economic and Fiscal Outlook, Table Long-term economic determinants.

If CYBG does not wish to terminate the New Brand Licence Agreement then it continues in full force and effect save that a suitably creditworthy member of the acquirer group can be required by Virgin Enterprises to provide a guarantee in respect of CYBG's payment obligations under the New Brand Licence Agreement. A failure to do so constitutes a termination right for Virgin Enterprises (as set out above).

### ***Virgin Enterprises' Reserved Rights***

The New Brand Licence Agreement includes a reservation of rights by Virgin Enterprises which covers certain services in relation to investment banking, Virgin Enterprises may further use, or license any Virgin Enterprises licensee to use, any Virgin trade mark (but not the Virgin Money Trade Marks) or any translation thereof in relation to:

- (a) raising equity or debt or other finance for itself or any other Virgin Enterprises licensee or making its own investments;
- (b) the provision of services and products other than the Financial Services to any person;
- (c) the establishment and operation of any collective investment scheme either by way of any single offer or series of related offers, to be no more than 250 private customers or private investors in circumstances where such persons might reasonably be regarded as high net worth individuals, or in the case of an offer of securities for subscription or sale, such offer is deemed not to be an offer to the public in the United Kingdom; and/or
- (d) the provision of banking, insurance and investment services and advice to its own employees in the form of benefits provided in the normal course of business.

Subject to the right of first refusal described above, nothing shall prevent Virgin Enterprises from licensing the use of any Virgin trade mark (but not the Virgin Money Trade Marks) in relation to, without limitation:

- (a) the provision of payment processing, store cards and loyalty schemes;
- (b) the provision of any finance, hire purchase, credit and/or insurance in relation to (but not in isolation from) the products and/or services (not being Financial Services) which that Virgin Enterprises licensee offers and/or sells in the ordinary course of business;
- (c) the provision of vouchers and stored value cards redeemable as payment for the products and/or services which that Virgin Enterprises licensee offers and/or sells;

- (d) access in any medium to third party branded products or services which may fall within Financial Services, provided that: (i) such use does not endorse or encourage customers to cease to use or purchase the products and services provided by CYBG and start to use or purchase similar products and services provided by Virgin Enterprises licensee or third party; and (ii) it is clear that such products or services are not the products or services of the relevant Virgin Enterprises licensee;
- (e) the personal use in the Territory by a person ordinarily resident outside the Territory of Virgin branded financial products or services provided to that person pursuant to an agreement relating to a territory outside the Territory;
- (f) in the case of Virgin Atlantic, Virgin Galactic, Virgin Hyperloop, and Virgin Holidays a credit card or pre-paid card made available to their customers as an ancillary part of their main business;
- (g) in the case of any Virgin Enterprises licensee which operates an airline, aerospace or travel or holiday business, foreign exchange services and/or travel insurance services made available to their customers as an ancillary part of their main business; and/or
- (h) in the case of Virgin Active, Virgin Pulse and Virgin Care, access to life and health insurance products made available to their customers as an ancillary part of their main business.

### ***Indemnity/Liability***

CYBG has agreed to indemnify Virgin Enterprises for all third party claims brought against Virgin Enterprises by reason of CYBG's carrying out of the activities licensed under the New Brand Licence Agreement and/or the use of the Licensed Trade Marks by CYBG in breach of the New Brand Licence Agreement (except where such claim arises due to Virgin Enterprises' breach of the New Brand Licence Agreement).

Virgin Enterprises has agreed to indemnify CYBG for all third party claims brought against CYBG that the use of the Licensed Trade Marks pursuant to the New Brand Licence Agreement infringes the third party's intellectual property rights.

Each party's total liability under the New Brand Licence Agreement (including in respect to the indemnities) is capped at £200,000,000 (save for royalties and any Exit Fee payable by CYBG).

### ***Governing Law***

The New Brand Licence Agreement is governed by English law and is subject to the jurisdiction of the Courts of England and Wales.

### ***Approval of the New Brand Licence Agreement by Independent Virgin Money Shareholders***

The New Brand Licence Agreement is conditional upon the approval of both of the Brand Licence Resolutions (being the Rule 16 Resolution and the RPT Resolution to be proposed at the Virgin Money General Meeting) by the Independent Virgin Money Shareholders and upon the Scheme becoming Effective. The Brand Licence Resolutions will be proposed as separate resolutions at the Virgin Money General Meeting. Each Brand Licence Resolution will be passed if a simple majority of the Independent Virgin Money Shareholders voting, in person or by proxy, at the Virgin Money General Meeting votes in favour of such Resolution.

The passing of each of the Brand Licence Resolutions is a non-waivable condition to the Offer and if either of the Brand Licence Resolutions is not passed the Offer will lapse and the transaction will not proceed to completion. It is also a condition to the Offer that the Existing Brand Licence Agreement has not been terminated prior to the Scheme becoming Effective.

The Independent Virgin Money Directors are unanimously recommending that the Independent Virgin Money Shareholders vote in favour of the Rule 16 Resolution and the Virgin Money Board is unanimously recommending that Independent Virgin Money Shareholders vote in favour of the RPT Resolution. For the purpose of the consideration of the Related Party Transaction and the recommendation that Independent Virgin Money Shareholders vote in favour of the RPT Resolution, the Virgin Money Board comprised the Independent Virgin Money Directors, as a result of the conflict of interest of Patrick McCall and Amy Stirling.

**The terms of the New Brand Licence Agreement are considered by Goldman Sachs, Virgin Money's financial adviser, to be fair and reasonable. In forming this view, Goldman Sachs has taken into account the commercial assessments of the Independent Virgin Money Directors.**

## 5. Potential synergies and integration planning

The Announcement included statements of estimated cost savings and synergies expected to arise from the Offer.

The CYBG Directors, having reviewed and analysed the potential synergies of the Combined Group, as well as taking into account the factors they can influence, believe that the Combined Group can deliver shareholder value through expected realisation of approximately £120 million of annual pre-tax cost synergies. Incremental to these quantified cost synergies, the Combined Group will benefit from avoiding planned future Virgin Money digital bank running costs, given the existing CYBG capabilities.

It is currently envisaged that the approximately £120 million of annual pre-tax cost synergies will be realised principally from:

- (i) Organisational design: Reduction of FTEs across the Combined Group, removing duplication of senior management roles, delivering approximately £35 million of run rate cost savings.
- (ii) Central cost management: Approximately £35 million of run rate cost savings generated by rationalisation of the Combined Group's central functions locations; with scale efficiencies in IT, central procurement costs, third party outsourcing and other operating expenses. Central cost management savings are net of incremental trademark licence fees related to the use of the Virgin Money brand.
- (iii) Operational efficiency: Reduction of FTEs across the Combined Group through removing duplication of central functions roles, integrating customer service operating models and driving efficiencies through increased digitisation and automation, delivering approximately £35 million of run rate cost savings.
- (iv) Network efficiencies: Optimisation of the Combined Group's branch network, delivering approximately £15 million of run rate cost savings.

The run rate of these annual pre-tax cost synergies will be fully achieved by the end of the financial year ending 30 September 2021, with approximately 28 per cent. achieved as at 30 September 2019 and approximately 67 per cent. as at 30 September 2020. It is therefore expected that the first year of full run rate cost synergies will be the financial year ending 30 September 2022. The cost synergies recognised during the financial year ending 30 September 2019 are expected to be approximately £20 million and approximately £50 million recognised during the financial year ending 30 September 2020.

The identified recurring cost synergies will accrue as a direct result of the Combination and would not be achieved on a standalone basis. The estimated cost synergies referred to above reflect both the beneficial elements and the relevant costs.

It is expected that the realisation of these cost synergies would result in one-off pre-tax costs to achieve of approximately £240 million. These are expected to be phased broadly evenly across a three year period: employee restructuring costs and IT migration strategy phased over all three years following completion of the Offer, contract break fees to be recognised in the third year following completion of the Offer, and the optimisation of branches and office locations to be achieved in years two and three following completion of the Offer. Aside from these one-off exceptional costs and the incremental trademark licence fees incorporated into the assessed cost synergies, no material dis-synergies are expected in connection with the Combination.

These statements relating to identified synergies and estimated savings relate to future actions or circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

For the purposes of Rule 28 of the Takeover Code, the statements of estimated cost savings and synergies contained in this document are solely the responsibility of CYBG and the CYBG Directors.

These statements are not intended as a profit forecast and should not be interpreted as such. Please refer to Appendix 1 for further detail on the Quantified Financial Benefit Statement (including the supporting bases of belief and principal assumptions). References in this document to the Quantified Financial Benefit Statement should be read in conjunction with Appendix 1.

The CYBG Directors have confirmed that there have been no material changes to the Quantified Financial Benefit Statement since 18 June 2018 and the Quantified Financial Benefit Statement remains valid. Deloitte LLP, Morgan Stanley, and Deutsche Bank have also confirmed to CYBG that the reports they

produced in connection with these statements continue to apply. Copies of their reports are included in Parts B and C of Appendix 4 of the Announcement.

Separately, the Combined Group is expected to incur approximately £60 million of one-off pre-tax costs associated with the rebranding exercise, expected to be largely incurred during the first two years following completion of the Offer. The majority of the costs associated with the rebranding exercise relate to products, IT and property. These rebranding costs replace the costs that would otherwise have been required to scale the B brand more widely.

The CYBG Directors believe that the Combined Group will benefit from the rebranding exercise, realising incremental revenue synergies from the use of the Virgin Money brand across an enhanced product range, thereby driving increased customer loyalty, higher sales conversion and an enhanced customer relationship. A rebranding steering committee (which will include representatives of Virgin Enterprises) and a rebranding working group will be set up in due course to ensure the rebranding process is undertaken in an effective manner, including by leveraging the experience that Virgin Enterprises has gained from prior rebranding exercises.

In addition, the CYBG Directors believe the Combined Group will benefit from funding synergies that are expected to be available over time.

These potential revenue and funding synergies, as well as the avoided planned future Virgin Money digital bank running costs, have not been quantified for the purposes of reporting under the Takeover Code.

It is intended that an integration team will be established, which will bring together the relevant CYBG and Virgin Money capabilities, to ensure that the implementation of the synergy and integration programme is effected in an efficient and effective manner. As at the date of this document, a detailed integration plan is being compiled. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employee representative bodies and unions. The integration process will be carefully managed to leverage the best talent from both the CYBG and Virgin Money businesses and ensure that the necessary implementation measures are taken with the least disruption to the Combined Group's operations and customer base.

## 6. Financial effects of the Combination for Virgin Money

If the Offer completes, Scheme Shareholders (other than certain Restricted Shareholders) will be entitled to receive 1.2125 New CYBG Shares for each Scheme Share held.

The following table shows, for illustrative purposes only, and on the bases and assumptions set out in the notes below and in paragraph 18 of Part 7 of this document, the financial effects of the Offer on capital value, in pounds sterling, for a holder of 10,000 Scheme Shares receiving the deal consideration. In assessing the financial effects of the Offer, no account has been taken of any potential liability to taxation of a Virgin Money Shareholder.

Column (A) compares the value received by a Scheme Shareholder based on the Closing Price of CYBG Shares on 27 July 2018 (being the Latest Practicable Date) with the market value of Virgin Money Shares on 27 July 2018. Column (B) compares the value received by a Virgin Money Shareholder based on the Closing Price of CYBG Shares on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period) with the market value of Virgin Money Shares on 4 May 2018.

| <b>Illustrative effect on capital value of 10,000 Virgin Money shares<sup>(5)</sup></b>             |   | <b>A</b> | <b>B</b> |
|---|---|----------|----------|
| Market value of 12,125 New CYBG Shares <sup>(1)</sup> . . . . .                                     | £ | 40,958   | 38,558   |
| Value of Virgin Money dividends received since Announcement <sup>(2)</sup> . . . . .                | £ | 230      | 230      |
| Total value of Consideration and Virgin Money Interim Dividend in respect of Money Shares . . . . . | £ | 41,188   | 38,788   |
| Less: Market value of 10,000 Virgin Money shares <sup>(3)</sup> . . . . .                           | £ | (38,800) | (31,240) |
| Illustrative increase/(decrease) in capital value . . . . .   | £ | 2,388    | 7,548    |
| <i>Percentage difference</i> . . . . .  | % | 6.2%     | 24.2%    |

Notes

- (1) The market value of CYBG's Shares is based on the Closing Price per CYBG Share of:
  - (a) 338 pence per share as on 27 July 2018 (being the Latest Practicable Date); and
  - (b) 318 pence per share as on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period).
- (2) Being the Virgin Money Interim Dividend.
- (3) The market value of Virgin Money Shares is based on the Closing Price per Virgin Money Share of 312 pence as on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period) and the Closing Price per Virgin Money Share of 388 pence as on 27 July 2018 (being the Latest Practicable Date).
- (4) In assessing the financial effects of the Consideration, no account has been taken of any dividends to be paid in the future by CYBG or Virgin Money other than the Virgin Money Interim Dividend.
- (5) Figures shown in this table are rounded for illustrative purposes. Actual amounts may vary. No account has been taken of any potential liability to tax or of any elections that may be made.

### ***Expected income effects***

CYBG paid its inaugural dividend of 1 pence per ordinary share in respect of the financial year ended 30 September 2017, representing a 6 per cent. dividend payout ratio.

Virgin Money paid a 6 pence per ordinary share dividend in respect of the financial year ended 31 December 2017, representing a 16 per cent. dividend payout ratio. The Virgin Money Directors announced on 26 July 2018 that they will pay a 2018 interim dividend of 2.3 pence per Virgin Money Share.

On an illustrative basis, under the terms of the Offer (and assuming the Offer had completed by 1 October 2016), Virgin Money shareholders would have received a dividend of 1.2 pence per Virgin Money share in respect of the year ended 30 September 2017 (calculated as the product of (i) the exchange ratio of 1.2125 New CYBG Shares in exchange for each Virgin Money Share and (ii) CYBG's dividend of 1 pence per ordinary share in respect of the financial year ended 30 September 2017). By comparison, Virgin Money shareholders received an ordinary dividend of 6 pence per Virgin Money share in respect of the year ended 31 December 2017.

The CYBG Directors believe that the Combined Group's enhanced returns potential will support investment to drive growth, fund the delivery of the cost synergies, and support sustainable asset growth, leading to greater excess capital generation. This will accelerate both CYBG and Virgin Money's progressive dividend ambitions.

## **7. Further information in respect of the Scheme**

### ***The Scheme***

It is proposed that, under the Scheme, the Scheme Shares will be transferred to CYBG (or its nominee(s)) so that the entire issued ordinary share capital of Virgin Money is held by CYBG (or its nominee(s)). Holders of Scheme Shares whose names appear on the register of Virgin Money at the Scheme Record Time, which is currently expected to be 6.00 p.m. on the Business Day immediately prior to the Effective Date, will receive the consideration for each Scheme Share held by them.

### ***Amendments to Virgin Money's articles of association***

Currently, Virgin Money Shares issued after the Scheme Record Time will not be subject to the Scheme. Accordingly, it is proposed, as part of the special resolution to be proposed at the Virgin Money General Meeting relating to the Scheme, to amend Virgin Money's articles of association to ensure that any Virgin Money Shares issued under the Virgin Money Share Plans or otherwise between the Voting Record Time and the Scheme Record Time will be subject to the Scheme. It is also proposed to amend Virgin Money's articles of association so that any Virgin Money Shares issued to any person other than CYBG or its nominee(s) after the Scheme Record Time will be automatically acquired by CYBG on the same terms as under the Scheme. This will avoid any person (other than CYBG or its nominee(s)) being left with Virgin Money Shares after dealings in such shares have ceased on the London Stock Exchange (which is expected to occur at the close of business on the Business Day immediately prior to the Effective Date). Paragraph (b) of the special resolution set out in the Notice of Virgin Money General Meeting on pages 130 to 135 of this document seeks the approval of Virgin Money Shareholders for such amendment.

### ***Offer-related arrangements***

#### ***Virgin Money Confidentiality Agreement between CYBG and Virgin Money***

CYBG and Virgin Money entered into the Virgin Money Confidentiality Agreement on 21 May 2018 pursuant to which each of CYBG and Virgin Money has undertaken to keep certain information relating to the Offer and

to the other party confidential and not to disclose such information to third parties except to certain permitted disclosees for the purposes of evaluating the Offer or as permitted in writing provided by the other party in advance, and, unless or if required by applicable laws or regulations. The confidentiality obligations of each party under the Virgin Money Confidentiality Agreement shall terminate on 7 May 2020, with certain exceptions.

The Virgin Money Confidentiality Agreement also contains undertakings from CYBG that for a period of 12 months from the date of the Virgin Money Confidentiality Agreement, subject to certain exceptions, neither CYBG nor any other member of the CYBG Group shall, without the prior written consent of Virgin Money, acquire or offer to acquire any interest in shares or other securities of Virgin Money (which undertaking ceased as at the date of the Announcement). Each of CYBG and Virgin Money has undertaken that, for a period of 12 months from the date of the Virgin Money Confidentiality Agreement, neither party shall solicit a senior or key employee of the other party or any member of the other party's group, subject to customary carve-outs.

#### *Virgin Holdings Confidentiality Agreement between CYBG and Virgin Holdings*

CYBG and Virgin Holdings entered into the Virgin Holdings Confidentiality Agreement on 22 May 2018 pursuant to which each of CYBG and Virgin Holdings has undertaken to keep certain information relating to entry into the New Brand Licence Agreement and to the other party confidential and not to disclose such information to third parties except to certain permitted disclosees for the purposes of considering entry into the New Brand Licence Agreement or if required by applicable laws or regulations. The confidentiality obligations of each party under the Virgin Holdings Confidentiality Agreement shall terminate on 22 May 2020, with certain exceptions.

The Virgin Holdings Confidentiality Agreement also contains undertakings from each party that, for a period of 12 months from the date of the Virgin Holdings Confidentiality Agreement, neither party shall solicit any director, officer or employee of the other party or any member of the other party's group, subject to customary carve-outs.

#### *Co-operation Agreement between CYBG and Virgin Money*

CYBG and Virgin Money entered into the Co-operation Agreement, pursuant to which CYBG and Virgin Money have agreed to use all reasonable efforts to satisfy, as soon as reasonably practicable, the Conditions relating to regulatory and other third party clearances set out in paragraphs 6 to 9 of Part 1 of Part 3 of this document.

CYBG and Virgin Money agreed to certain undertakings to provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory and other third party clearances. CYBG and Virgin Money also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

The Co-operation Agreement records CYBG's and Virgin Money's intention to implement the Offer by way of the Scheme. However, CYBG may implement the Offer by way of a Takeover Offer if: (i) Virgin Money consents; (ii) a third party announces a firm intention to make an offer for Virgin Money; or (iii) the Independent Virgin Money Directors withdraw, adversely qualify or adversely modify their unanimous recommendation of (or intention to recommend) the Offer.

CYBG is subject to certain customary restrictions on the conduct of its business during the period pending completion of the Offer, and which prohibit, among other things: (i) the payment by CYBG of dividends (save that it may pay a final dividend for the financial year ending 30 September 2018 consistent with its published dividend policy) and (ii) the allotment of further shares (or rights or options in respect of shares) (other than pursuant to employee share incentive plans, or in order to satisfy options or awards vesting under those plans).

The Co-operation Agreement also contains provisions that will apply in respect of the Virgin Money Share Plans and certain other employee incentive arrangements.

The Co-operation Agreement shall terminate (amongst other circumstances):

- (a) if CYBG and Virgin Money so agree in writing;
- (b) upon service of written notice by either party to the other party:
  - (i) if the Offer is withdrawn, terminated or lapses in accordance with its terms prior to the Long Stop Date and, where required, with the consent of the Panel;

- (ii) if the Scheme is not approved by the Virgin Money Shareholders at the Court Meeting and/or the Virgin Money General Meeting or the Court refuses to sanction the Scheme;
- (iii) unless otherwise agreed by the parties in writing, if the Effective Date has not occurred by the Long Stop Date.

## **8. Virgin Money Meetings**

The Scheme will require, amongst other things, the approval of Scheme Shareholders at the Court Meeting and the approval of the Scheme Resolution by Virgin Money Shareholders at the separate Virgin Money General Meeting. The Scheme will also require the approval of the Rule 16 Resolution and the RPT Resolution by Independent Virgin Money Shareholders at the Virgin Money General Meeting (as the passing of the Brand Licence Resolutions are non-waivable conditions to the Scheme).

The Court Meeting and the Virgin Money General Meeting will each be held on 10 September 2018 at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD. The Court Meeting will start at 11.00 a.m. on that date and the Virgin Money General Meeting will start at 11.15 a.m. on that date or as soon after that as the Court Meeting is concluded or adjourned.

The Court Meeting is being held at the direction of the Court to seek the approval of Scheme Shareholders for the Scheme. The Virgin Money General Meeting is being convened to seek the approval of: (a) Virgin Money Shareholders to enable the Virgin Money Directors to implement the Scheme and to amend the articles of association of Virgin Money as described in paragraph 7 above; (b) Independent Virgin Money Shareholders of the New Brand Licence Agreement for the purpose of Note 2 to Rule 16.1 of the Takeover Code; (c) Independent Virgin Money Shareholders of the New Brand Licence Agreement as a related party transaction for the purpose of Listing Rule 11.1.7R(3); and (d) Virgin Money Shareholders of the amendment to the Directors' Remuneration Policy described in paragraph 18 of Part 1 of this document (which is not a condition to the Scheme or the Offer). The Scheme is set out in full at Part 4 of this document. The Resolutions to be proposed at the Virgin Money General Meeting are set out in full in the Notice of Virgin Money General Meeting as set out at Part 10 of this document.

Notices of both the Court Meeting and the Virgin Money General Meeting are set out at the end of this document. Entitlement to attend and vote at these meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Virgin Money at the Voting Record Time.

**If the Scheme becomes Effective, it will be binding on all Virgin Money Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Virgin Money General Meeting (and irrespective of whether or not they voted in favour of the resolutions at such Meetings).**

Any Virgin Money Shares which CYBG or any other member of the CYBG Group (or their respective nominees) may acquire before the Court Meeting are not Scheme Shares and therefore none of CYBG or any other member of the CYBG Group (or their respective nominees) is entitled to vote at the Court Meeting in respect of the Virgin Money Shares held or acquired by it and will not exercise the voting rights attaching to such Virgin Money Shares at the Virgin Money General Meeting. CYBG will undertake to be bound by the Scheme.

### ***Court Meeting***

The Court Meeting has been convened for 11.00 a.m. on 10 September 2018 to enable the Virgin Money Shareholders who are registered as members of Virgin Money at the Voting Record Time to consider and, if thought fit, approve the Scheme. At the Court Meeting (or any adjournment of the Court Meeting), voting will be by poll and each member present in person or by proxy will be entitled to one vote for each Scheme Share held at the Voting Record Time. The approval required at the Court Meeting is a simple majority in number of Scheme Shareholders present and voting (and entitled to vote) in person or by proxy, representing 75 per cent. in value of the Scheme Shares held by those Scheme Shareholders present and voting in person or by proxy.

**At the Court Meeting, it is particularly important that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. You are therefore strongly urged to complete, sign and return your blue Form of Proxy or appoint a proxy electronically, or in the case of or in the case of Virgin Money Nominee Service Holders return your Form of Instruction either by post or electronically, as soon as possible.**

You will find the notice of the Court Meeting in Part 9 of this document.

### ***Virgin Money General Meeting***

In addition, the Virgin Money General Meeting has been convened for the same date (to be held at 11.15 a.m. or as soon after that as the Court Meeting is concluded or adjourned) to consider and, if thought fit:

- (A) pass an ordinary resolution of the Independent Virgin Money Shareholders to approve the New Brand Licence Agreement for the purpose of Note 2 to Rule 16.1 of the Takeover Code (the **Rule 16 Resolution**);
- (B) pass an ordinary resolution of the Independent Virgin Money Shareholders to approve the New Brand Licence Agreement for the purpose of Listing Rule 11.1.7R(3) as a related party transaction (as defined in the Listing Rules) (the **RPT Resolution**);
- (C) pass a special resolution to approve:
  - (i) the authorisation of the Virgin Money Directors to take all such actions as they may consider necessary or appropriate to give effect to the Scheme; and
  - (ii) the amendment of the articles of association of Virgin Money in the manner described in paragraph 7 of this Part 2 above,  
(the **Scheme Resolution**); and
- (D) pass an ordinary resolution to approve the changes to the Directors' Remuneration Policy described in paragraph 18 of Part 1 of this document (the **Remuneration Policy Resolution**).

Approval of the Brand Licence Resolutions by Independent Virgin Money Shareholders is required by the Takeover Code, as the New Brand Licence Agreement is an arrangement between CYBG and Virgin Enterprises, a member of the Virgin Group, that is not capable of being extended to all Virgin Money Shareholders, and by Chapter 11 of the Listing Rules as the novation, amendment and restatement of the Existing Brand Licence Agreement is a related party transaction (as defined in the Listing Rules). Virgin Holdings will not be entitled to vote on the Brand Licence Resolutions. Each Brand Licence Resolution will require votes in favour representing a simple majority of the votes cast at the Virgin Money General Meeting by Independent Virgin Money Shareholders in person (including by corporate representative) or by proxy.

The Scheme Resolution, which is proposed as a special resolution will require votes in favour representing at least 75 per cent. of the votes cast at the Virgin Money General Meeting in person (including by corporate representative) or by proxy.

The Remuneration Policy Resolution will require votes in favour representing a simple majority of the votes cast at the Virgin Money General Meeting in person (including by corporate representative) or by proxy. The Remuneration Policy Resolution is not a condition to the Scheme or the Offer.

The vote of the Virgin Money Shareholders (and, in respect of the Brand Licence Resolutions, Independent Virgin Money Shareholders), at the Virgin Money General Meeting will be held by way of a poll. Each holder of Virgin Money Shares who is entered on the register of members of Virgin Money at the Voting Record Time and is present in person or by proxy, and eligible to vote on the relevant Resolution, will be entitled to one vote for each Virgin Money Share so held. Virgin Holdings (and any other members of the Virgin Group that acquire Virgin Money Shares prior to the Virgin Money General Meeting) will not be entitled to vote on the Brand Licence Resolutions.

You will find the notice of the Virgin Money General Meeting in Part 10 of this document.

### ***Sanction of the Scheme***

Following the Meetings, the Scheme must be sanctioned by the Court. Virgin Money will give adequate notice of the date and time of the Court Hearing, once known, by issuing an announcement through a Regulatory Information Service. The Court Hearing is to be held on a date to be agreed between Virgin Money, CYBG and the Court.

The Scheme will become Effective on delivery of a copy of the Court Order to the Registrar of Companies.

If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended the Meetings or voted in favour of the Scheme at the Court Meeting or in favour of the Resolutions at the Virgin Money General Meeting.

Whether or not you vote in favour of the Scheme at the Court Meeting or the Virgin Money General Meeting, if the Scheme becomes Effective, your shares will be cancelled and, unless you are a Restricted Shareholder,



you will receive the 1.2125 New CYBG Shares for each Scheme Share that you hold immediately prior to the Scheme Record Time.

Fractions of New CYBG Shares will not be allotted or issued to Virgin Money Shareholders and entitlements will be rounded down to the nearest whole number of New CYBG Shares and all fractions of New CYBG Shares will be aggregated and sold in the market as soon as practicable after the Offer becomes Effective. The net proceeds of such sale (after deduction of all expenses and commissions, including any VAT thereon, incurred in connection with the sale) will be distributed in due proportions to Virgin Money Shareholders who would otherwise have been entitled to such fractions, save that if the entitlement of any Virgin Money Shareholder in respect of the proceeds of sale of fractional entitlements amounts to less than £5, such proceeds will be retained for the benefit of the Combined Group.

The Scheme contains a provision for CYBG and Virgin Money to consent jointly on behalf of all persons concerned, to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or addition to, or impose a condition on, the Scheme which might be material to the interests of Virgin Money Shareholders unless Virgin Money Shareholders were informed of such modification, addition or condition and given the opportunity to vote on that basis. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Virgin Money Shareholders should be held in these circumstances.

In accordance with the Takeover Code, modifications or revisions to the Scheme may only be made: (i) more than 14 days prior to the date of the Meetings (or any later day to which such Meetings are adjourned); or (ii) at a later date, with the consent of the Panel. A switch to a Takeover Offer is not a modification or revision for the purposes of this paragraph.

## **9. CYBG Shareholder approval**

Due to its size, the Offer is conditional on the approval of the CYBG Shareholders for the purposes of the Listing Rules at the CYBG General Meeting. The CYBG General Meeting is being convened for the purpose of approving the Offer and the allotment and issuance of the New CYBG Shares.

The CYBG Board is also seeking authority from the CYBG Shareholders at the CYBG General Meeting to allot CYBG Shares, and to disapply pre-emption rights in respect of such allotment, in the event of the occurrence of a common equity tier 1 ratio trigger event in respect of the existing Virgin Money AT1 Securities following Completion and, as is becoming customary for UK banks, a general authority to give the CYBG Directors the flexibility to issue additional AT1 Securities where the CYBG Directors consider that such an issuance would be necessary or desirable in connection with, or for the purpose of complying with, or maintaining compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time. Further details of these resolutions are set out in the CYBG Circular.

The CYBG Circular, containing details of the Offer and notice of the CYBG General Meeting, is being posted to CYBG Shareholders on or around the same date as this document, with the CYBG General Meeting scheduled to be held at 10.00 a.m. on 10 September 2018.

The CYBG Board considers the Offer and the resolutions to be proposed at the CYBG General Meeting to be in the best interests of CYBG and the CYBG Shareholders as a whole and has unanimously recommended that CYBG Shareholders vote in favour of the resolutions to be proposed at the CYBG General Meeting, as those CYBG Directors who hold CYBG Shares have irrevocably undertaken to do in respect of their own beneficial holdings totalling 599,837 CYBG Shares (representing approximately 0.068 per cent. of the issued ordinary share capital of CYBG as at the Latest Practicable Date).

The CYBG Board has received financial advice from Morgan Stanley and Deutsche Bank in relation to the Offer. In providing their advice to the CYBG Board, Morgan Stanley and Deutsche Bank have taken into account the commercial assessments of the CYBG Board.

CYBG has produced a prospectus in connection with the issue of New CYBG Shares. The CYBG Prospectus has been published on the date of this document and can be found on CYBG's website at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/). The CYBG Prospectus contains further information on CYBG and the New CYBG Shares to be issued in connection with the Offer.

## **10. The Virgin Money Directors and the effect of the Scheme on their interests**

The names of the Virgin Money Directors and details of their interests in the ordinary share capital of Virgin Money are set out in Part 7 of this document.

In common with the other participants in the Virgin Money Share Plans, the Virgin Money Directors will receive shares under awards, to the extent such awards vest.

The Virgin Money Directors have given irrevocable undertakings to vote or procure votes in favour of the Scheme at the Court Meeting and the Resolutions to be passed at the Virgin Money General Meeting (or in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), in respect of 2,612,309 Virgin Money Shares, in aggregate, representing approximately 0.586 per cent. of the issued ordinary share capital of Virgin Money as the Latest Practicable Date.

As set out above, on Completion, all of the current Virgin Money Directors will resign as directors of Virgin Money. Darren Pope and Geeta Gopalan, who are currently independent non-executive directors of Virgin Money, will join the CYBG Board as independent non-executive directors on Completion, subject to the usual regulatory approvals. In addition, on Completion, Amy Stirling who is currently a non-executive director of Virgin Money, will become a non-executive director of CYBG pursuant to Virgin Enterprises' right to nominate a director under the terms of the Brand Licence Agreement, subject to the usual regulatory approvals.

As described in paragraph 11 of Part 1 of this document, the Virgin Money CEO has agreed to step down from her current role upon completion of the Offer and has entered into the Settlement Agreement with Virgin Money which will take effect from completion of the Offer. Further details on the Settlement Agreement are set out in paragraph 6 of Part 7 of this document. As described in paragraph 11 of Part 1 of this document the Virgin Money CEO will step down from the Virgin Money Board and on completion of the Offer has agreed, in principle, to support the Combined Group as a senior adviser to the CEO of the Combined Group (in a consultancy role) for a period of up to 18 months following Completion, on terms to be agreed.

Peter Bole will also step down from his role as CFO of Virgin Money on Completion.

Save as set out above, the effect of the Scheme on the interests of Virgin Money Directors does not differ from its effect on the like interests of any other Scheme Shareholder.

## **11. De-listing of Virgin Money Shares, listing of New CYBG Shares and settlement of consideration**

### ***De-listing***

Before the Scheme becomes Effective, Virgin Money will make an application for the cancellation of the listing of Virgin Money Shares on the premium listing segment of the Official List and for the cancellation of trading of the Virgin Money Shares on the London Stock Exchange's Main Market for listed securities, in each case to take effect from or shortly after the Effective Date. The last day of dealings in Virgin Money Shares on the Main Market of the London Stock Exchange is expected to be the Business Day immediately prior to the Effective Date. No transfers of Virgin Money Shares will be registered after that date other than to CYBG (or as CYBG may otherwise direct) pursuant to Virgin Money's articles of association, as proposed to be amended by special resolution at the Virgin Money General Meeting.

On the Effective Date, share certificates in respect of Scheme Shares will cease to be valid. Such share certificates should be destroyed or, at the request of Virgin Money, delivered up to Virgin Money, or to any person appointed by Virgin Money to receive the same. In addition, as from the Scheme Record Time, each holding of Virgin Money Shares credited to any stock account in CREST will be disabled and all Virgin Money Shares will be removed from CREST in due course.

### ***Listing of CYBG Shares***

Applications will be made to the FCA and the London Stock Exchange for the New CYBG Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement in the New CYBG Shares will commence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

CYBG Shares are already admitted to the premium segment of the Official List, to trading on the Main Market and to CREST. CYBG also has a secondary listing on, and CHES Depository Interests representing CYBG Shares trade on, the ASX. It is expected that all of the New CYBG Shares, when issued, will be capable of being held and transferred by means of CREST. The New CYBG Shares will be registered with ISIN number GB00BD6GN030, SEDOL number BD6GN03, and will be traded on the London Stock Exchange under the ticker symbol "CYBG".

Steps will be taken to allow for quotation of CHES Depository Interests representing the New CYBG Shares on the ASX following completion of the Offer. Such CHES Depository Interests will be registered with ISIN number AU000000CYB7 and will be traded on the ASX under the ticker symbol "CYB".

## ***Settlement***

Subject to the Scheme becoming Effective (and except as provided in Part 1 of this document in relation to certain overseas Virgin Money Shareholders), settlement of the consideration to which any Virgin Money Shareholder is entitled under the Scheme will be effected in the following manner:

### **(A) New CYBG Shares**

#### *(i) Virgin Money Shares in uncertificated form (that is, in CREST)*

Where, at the Scheme Record Time, a Virgin Money Shareholder holds Scheme Shares in uncertificated form, the settlement of entitlements to New CYBG Shares will be effected through CREST. CYBG shall procure that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant Scheme Shareholder with such relevant Scheme Shareholder's entitlement to New CYBG Shares as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date, provided CYBG reserves the right to settle all or part of such consideration in the manner set out in paragraph (ii) below if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this paragraph (i).

#### *(ii) Virgin Money Shares in certificated form*

Where, immediately prior to the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form, settlement of the share consideration due under the Scheme will be made by issuing the New CYBG Shares in certificated form. Definitive certificates for the New CYBG Shares will be despatched by first-class post or international standard post (as appropriate) (or by such other method as shall be approved by the Panel) within 14 days of the Effective Date to the address appearing on the register of members (or in the case of joint holders, at the address of that joint holder whose name stands first in the register of members of such joint holdings), and neither CYBG nor Virgin Money shall be responsible for any loss or delay in the transmission of certificates sent in this way and such certificates shall be sent at the risk of the person entitled thereto.

Temporary documents of title will not be issued pending the despatch by post of the new definitive share certificates. Persons wishing to register transfers of New CYBG Shares will be required to forward a completed transfer form to CYBG's registrar for certification and registration.

### **(B) General**

All documents and remittances sent to, from, by or on behalf of Virgin Money Shareholders will be sent entirely at their own risk.

On the Effective Date each certificate representing a holding of Scheme Shares will cease to be a valid document of title and should be destroyed or, at the request of Virgin Money, delivered up to Virgin Money, or to any person appointed by Virgin Money to receive the same. At the Scheme Record Time entitlements to Scheme Shares held within CREST will be disabled and all Scheme Shares will be removed from CREST in due course.

All mandates relating to the monetary payment of dividends on the Scheme Shares and other instructions, including communications preferences, given to Virgin Money which are in force at the Scheme Record Time relating to Scheme Shares shall, to the extent possible, unless and until revoked or amended, be deemed as from the Effective Date to be valid and effective mandates or instructions to CYBG in relation to the New CYBG Shares issued in respect thereof.

Except with the consent of the Panel and subject to the provisions of sub-paragraph (C) below, settlement of the consideration to which any Virgin Money Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous right to which CYBG might otherwise be, or claim to be, entitled against such Virgin Money Shareholder.

### **(C) Fractions**

Fractions of New CYBG Shares will not be allotted or issued to Virgin Money Shareholders and entitlements will be rounded down to the nearest whole number of New CYBG Shares and all fractions of New CYBG Shares will be aggregated and sold in the market as soon as practicable after the Offer becomes Effective. The net proceeds of such sale (after deduction of all expenses and commissions, including any VAT

thereon, incurred in connection with the sale) will be distributed in due proportions to Virgin Money Shareholders who would otherwise have been entitled to such fractions, save that if the entitlement of any Virgin Money Shareholder in respect of the proceeds of sale of fractional entitlements amounts to less than £5, such proceeds will be retained for the benefit of the Combined Group.

#### (D) Dividends

It is a term of the Offer that if Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of the Announcement, CYBG reserves the right to make an equivalent reduction in the terms of the Offer. CYBG has confirmed that this right will not be invoked in respect of the Virgin Money Interim Dividend.

## 12. United Kingdom taxation

The comments set out below summarise certain limited aspects of the UK taxation treatment of Virgin Money Shareholders under the Scheme and in respect of any dividend authorised, declared, made or paid in respect of the Virgin Money Shares before the Effective Date (for the purposes of this paragraph 12, a **Permitted Dividend**) and do not purport to be a complete analysis of all tax considerations relating to the Scheme. They are based on current UK legislation as applied in England and Wales and what is understood to be current HM Revenue and Customs (**HMRC**) practice, both of which are subject to change, possibly with retrospective effect.

The comments are intended as a general guide and do not deal with certain categories of Virgin Money Shareholder such as charities, dealers in securities, persons who have or could be treated for tax purposes as having acquired their Virgin Money Shares by reason of employment (including pursuant to the Virgin Money Share Plans) or as holding their Virgin Money Shares as carried interest, collective investment schemes, persons subject to UK tax on the remittance basis and insurance companies.

References below to **UK Holders** are to Virgin Money Shareholders who (a) are resident for tax purposes in the United Kingdom at all relevant times and, in the case of individuals, to whom “split year” treatment does not apply, and who are domiciled for tax purposes only in the UK; (b) hold their Virgin Money Shares as an investment (other than under a personal equity plan or individual savings account); and (c) are the absolute beneficial owners of their Virgin Money Shares.

References below to **Non-UK Holders** are to Virgin Money Shareholders who are not resident for tax purposes in the United Kingdom, have not within the past five years been resident or ordinarily resident for tax purposes in the United Kingdom and are not carrying on a trade (or profession or vocation) in the United Kingdom.

The comments below relate to UK Holders only, except: (i) insofar as express reference is made to the treatment of Non-UK Holders; (ii) in relation to withholding on the Permitted Dividends (if any); and (iii) in relation to stamp duty or stamp duty reserve tax.

**IF YOU ARE IN ANY DOUBT ABOUT YOUR TAX POSITION, AND IN PARTICULAR IF YOU ARE SUBJECT TO TAXATION IN ANY JURISDICTION OTHER THAN THE UNITED KINGDOM, YOU SHOULD CONSULT AN APPROPRIATELY QUALIFIED INDEPENDENT PROFESSIONAL ADVISER IMMEDIATELY.**

### *United Kingdom taxation of chargeable gains*

Under the Scheme, UK Holders will be entitled to receive 1.2125 New CYBG Shares for each Virgin Money Share. A UK Holder’s liability to UK tax on chargeable gains will depend on the circumstances of that UK Holder and on the form of consideration received.

#### *(i) UK Holders receiving New CYBG Shares under the Scheme*

To the extent that a UK Holder transfers Virgin Money Shares under the Scheme in return for New CYBG Shares and does not hold (either alone or together with persons connected with him or her (or it)) more than 5 per cent. of, or of any class of, shares in or debentures of Virgin Money, that UK Holder will not be treated as having made a disposal of Virgin Money Shares. Instead, the New CYBG Shares should be treated as the same asset as those Virgin Money Shares, and as acquired at the same time and for the same consideration as those shares.

UK Holders who, alone or together with connected persons, hold more than 5 per cent. of, or of any class of, shares in or debentures of Virgin Money may be eligible for the treatment described in the preceding

paragraph only if the transaction is effected for *bona fide* commercial reasons and not for tax avoidance purposes. Such UK Holders are advised that no clearance has been or will be sought under section 138 of the Taxation of Chargeable Gains Act 1992 to ascertain that HMRC will not seek to assert that the treatment described in the preceding paragraph does not apply.

*(ii) UK Holders receiving cash on sale of fractional entitlements to New CYBG Shares*

If a Scheme Shareholder receives cash as a result of the sale of aggregated fractions of New CYBG Shares, this should, except to the extent referred to in the next paragraph, be treated as a disposal or a part disposal of its Virgin Money Shares which may, depending on the shareholder's circumstances (including the availability of exemptions or allowable losses), give rise to a liability to UK capital gains tax (**CGT**) or a UK corporation tax on chargeable gains (as applicable).

Where a Scheme Shareholder receives cash in respect of the sale of fractional entitlements to New CYBG Shares under the Scheme, the expectation is that such cash will be treated as "small" (under current HMRC practice). Accordingly, the Scheme Shareholder should not generally be treated as having made a disposal or part disposal of the Virgin Money Shares in respect of which the cash was received, so that no immediate liability to CGT or UK corporation tax on chargeable gains (as applicable) will arise. Instead, the cash will be deducted from the base cost of the Virgin Money Shares, and therefore from the base cost of those New CYBG Shares issued as consideration for those Virgin Money Shares, for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal of those New CYBG Shares.

Under current HMRC practice, any cash payment of £3,000 or less or which is 5 per cent. or less of the market value of a Scheme Shareholder's holding of Virgin Money Shares immediately prior to the disposal should generally be treated as small for these purposes.

*(iii) Non-UK Holders*

Non-UK Holders should not be subject to United Kingdom taxation of chargeable gains in respect of the Scheme (though they may be subject to foreign taxation, depending on their personal circumstances).

***Taxation of Permitted Dividends***

*(i) Withholding Tax*

Virgin Money will not be required to deduct or withhold amounts on account of UK tax at source from dividend payments it makes, irrespective of the residence or particular circumstances of the Shareholder receiving such dividend payment.

*(ii) Individual UK Holders*

A nil rate of income tax will apply for the first £2,000 of dividend income received by individual Shareholders in a tax year (the **Nil Rate Band**).

The rate of tax applicable to dividend income in excess of the Nil Rate Band will depend on the wider tax position of the Shareholder. Broadly speaking, after taking into account the amount (if any) of a Shareholder's personal allowance, and any other allowances, exemptions and reliefs, the Shareholder's taxable income up to the basic rate limit will fall within the basic rate band; taxable income between the basic rate limit and the higher rate limit will fall within the higher rate band; and taxable income above the higher rate limit will fall within the additional rate band. For the tax year running 6 April 2018 to 5 April 2019 the basic rate limit is £34,500 and the higher rate limit is £150,000 (although, these limits can be increased in certain circumstances).

The rates of income tax on dividends received above the Nil Rate Band are (a) 7.5% for dividends in the basic rate band; (b) 32.5% for dividends in the higher rate band; and (c) 38.1% for dividends in the additional rate band.

In determining the tax band in which any dividend income over the Nil Rate Band falls, dividend income is treated as the top slice of a Shareholder's income and dividend income within the Nil Rate Band is still taken into account.

Because dividend income (including income within the Nil Rate Band) is taken into account in assessing whether a Shareholder's overall income is above the higher or additional rate limits, the receipt of such income may also affect the amount of personal allowances to which the Shareholder is entitled.

### *(iii) Corporate UK Holders*

UK Holders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9a of the Corporation Tax Act 2009, will not generally be subject to UK corporation tax on a Permitted Dividend, provided certain conditions are met (including an anti-avoidance provision).

UK Holders within the charge to UK corporation tax that are not “small companies” for this purpose will not be subject to UK corporation tax on any dividend received from the Company so long as the dividend falls within an exempt class and certain conditions are met. For example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the Company’s assets on its winding up, and (ii) dividends paid to a person holding less than a 10% interest in the Company, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a UK Holder elects for an otherwise exempt dividend to be taxable, the UK Holder will be subject to UK corporation tax on any Permitted Dividends, at the rate of corporation tax applicable to that UK Holder (the main rate of corporation tax is currently 19%).

### *(i) Non-UK Holders*

Non-UK Holders should not be subject to United Kingdom taxation in respect of a Permitted Dividend.

### ***UK stamp duty and stamp duty reserve tax (SDRT)***

No UK stamp duty or SDRT should be payable by Virgin Money Shareholders on the transfer of their Virgin Money Shares under the Scheme. The transfer of the Scheme Shares will be liable to a stamp duty/SDRT charge of 0.5 per cent. on the value of the New CYBG Shares issued in exchange (rounded up to the nearest £5 in the case of stamp duty) and CYBG will be responsible for the payment of such charge.

## **13. United States taxation**

The following discussion is a summary of certain material US federal income tax considerations for Scheme Shareholders that receive cash and/or New CYBG Shares for their Scheme Shares. This summary is not a comprehensive description of all tax considerations that may be relevant to any particular holder. It addresses only Scheme Shareholders that hold Scheme Shares as capital assets and use the US Dollar as their functional currency. It does not address the tax treatment of Scheme Shareholders subject to special rules, such as banks, dealers, traders in securities that mark-to-market, insurance companies, tax-exempt entities, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, persons that at any time have held ten per cent. (10 per cent.) or more of the stock of Virgin Money (directly, indirectly or constructively) or following completion of the Scheme will hold five per cent. (5 per cent.) or more of the stock of CYBG (directly, indirectly or constructively), US expatriates, persons holding Scheme Shares as part of a hedging, straddle, conversion, integrated, constructive sale or constructive ownership transaction, persons whose Scheme Shares were received in connection with the performance of services, partnerships (or other entities or arrangements treated as partnerships for US federal income tax purposes) and partners in such partnerships or persons liable for the alternative minimum tax. This summary does not address US state and local, and non-US or other tax considerations or the Medicare tax on net investment income.

For the purposes of this summary, you are a **US Scheme Shareholder** if you are the beneficial owner of Scheme Shares and are: (1) an individual citizen of the United States or a resident alien of the United States as determined for US federal income tax purposes; (2) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the United States or any state of the United States or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a US person. A “Non-US Scheme Shareholder” is a beneficial owner of Scheme Shares that is not a US Scheme Shareholder or a partnership for US federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended (the **IR Code**), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date of this document and all subject to change at any time, possibly with retroactive effect. We have not requested,

and do not intend to request, a ruling from the United States Internal Revenue Service (the **IRS**) with respect to any of the US federal income tax consequences described below; there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and described in this document.

The US federal income tax treatment of a partner in a partnership (or equity holder in any other pass-through entity) that holds Scheme Shares will depend on the status of the partner (or equity holder) and the activities of the partnership (or other pass-through entity). Partnerships (and other pass-through entities) should consult their tax advisers concerning the US federal income tax consequences to their partners (or equity holders) of participating in the Scheme.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL US SCHEME SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE SCHEME INCLUDING THE APPLICABILITY AND EFFECT OF US STATE AND LOCAL, NON-US OR OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### *US Scheme Shareholders*

#### *Disposition of Scheme Shares*

##### *Scheme Shareholders receiving New CYBG Shares under the Scheme*

The exchange of Scheme Shares for New CYBG Shares pursuant to the Scheme should qualify as a reorganisation within the meaning of Section 368(a) of the IR Code. Assuming that the Scheme so qualifies, and subject to the discussions below relating to the receipt of cash consideration under the Scheme and relating to the passive foreign investment company rules, a US Scheme Shareholder that exchanges Scheme Shares for New CYBG Shares: (a) will not recognise any gain or loss upon the exchange of Scheme Shares for New CYBG Shares; (b) will have an aggregate tax basis in the New CYBG Shares received in the Scheme equal to such US Scheme Shareholder's aggregate tax basis in the Scheme Shares exchanged therefor; and (c) will have a holding period for the New CYBG Shares received in the Scheme that includes such US Scheme Shareholder's holding period for its Scheme Shares. A US Scheme Shareholder that acquired blocks of Scheme Shares at different times and at different prices will generally determine its tax basis and holding period in New CYBG Shares with reference to each block of Scheme Shares.

Virgin Money has neither requested nor received an opinion of US federal income tax counsel that the exchange pursuant to the Scheme qualifies as a reorganisation within the meaning of Section 368(a) of the IR Code and no ruling has been sought or obtained from the IRS. Accordingly, there can be no assurance that the IRS will not take a position that the Scheme does not qualify under Section 368(a) of the IR Code, or that such position would not be sustained if asserted. If such a position were taken and were sustained, then US Scheme Shareholders would generally be required to treat the exchange of Scheme Shares for New CYBG Shares pursuant to the Scheme as a taxable exchange and (subject to the discussion of the passive foreign investment company rules below) such US Scheme Shareholders would: (i) recognise gain or loss in an amount equal to the difference between their tax basis in the Scheme Shares and the fair market value of their New CYBG Shares received, both amounts determined in US dollars; (ii) take a tax basis in the New CYBG Shares equal to their fair market value; and (iii) have a holding period in their New CYBG Shares that begins on the day after the Effective Date. Any gain or loss generally would be capital gain or loss treated as arising from sources within United States for foreign tax credit purposes and generally would be long term capital gain or loss if such US Scheme Shareholders have owned their Scheme Shares for more than one year on the Effective Date. Preferential tax rates may apply to long-term capital gains of a US Scheme Shareholder that is an individual, estate or trust. Deductions for capital losses are subject to limitations.

##### *Scheme Shareholders receiving cash consideration under the Scheme*

A US Scheme Shareholder who receives cash proceeds in respect of the sale of a fractional entitlement to a New CYBG Share under the Scheme will generally be treated as if a fractional share of a New CYBG Share had been received by the US Scheme Shareholder as part of the Scheme and then sold by such US Scheme Shareholder for the cash received. Accordingly, such US Scheme Shareholders will generally recognise gain or loss equal to the difference between the US dollar value of the cash received and the US Scheme Shareholder's US dollar tax basis in the New CYBG Share fractional entitlement. Subject to the discussion of the passive foreign investment company rules below, any gain or loss will generally be capital gain or loss treated as arising from sources within United States for foreign tax credit purposes and (provided the Scheme qualifies as a reorganisation within the meaning of Section 368(a) of the IR Code) will generally be long term capital gain or loss if such US Scheme Shareholders have owned their Scheme Shares for more than one year on the

Effective Date of the Scheme. Preferential tax rates may apply to long-term capital gains of a US Scheme Shareholder that is an individual, estate or trust. Deductions for capital losses are subject to limitations.

#### *Passive foreign investment company rules*

In general, a corporation organised or incorporated outside the United States is a “passive foreign investment company” (**PFIC**) in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is “passive income” generally including dividends, interest, royalties, rents and gains from commodities and securities transactions) or (ii) at least 50 per cent. of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income.

Proposed US Treasury regulations provide that income derived in the active conduct of a banking business is not treated as passive income. The determination of whether income is derived in the active conduct of a banking business is generally based on the regulatory status of the corporation under local laws, the activities of the corporation performed in the ordinary course of a banking business (including lending, accepting deposits and depositing money in other banks) and the proportion of gross income derived from activities that are “bona fide” banking activities for U.S. federal income tax purposes and certain securities activities performed in the ordinary course of business (including selling debt instruments to clients in a dealer capacity).

Although not free from doubt, based in part on the proposed US Treasury regulations with respect to banks described above (which are not yet finalised) and based on the information currently available, Virgin Money believes that it was not a PFIC for the year ending on 31 December 2017 and does not expect to become a PFIC for the current year. There can be no assurances, however, that Virgin Money will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. The above discussion of the tax consequences of the Scheme for a US Scheme Shareholder is based on the assumption that Virgin Money is not a PFIC for the current year and has not been a PFIC for any taxable year in which that US Scheme Shareholder has held their Scheme Shares.

Under proposed US Treasury regulations, if Virgin Money is currently or has been a PFIC for any taxable year in which a US Scheme Shareholder has held their Scheme Shares and the Scheme would otherwise qualify as a tax-free reorganisation under Section 368(a) of the IR Code, then (unless such US Scheme Shareholder has made a “mark to market” election or “qualified electing fund” election, discussed below) such US Scheme Shareholder would generally be required to recognise their gain (but not their loss) with respect to the Scheme Shares exchanged for New CYBG Shares. However, such US Scheme Shareholder generally would not be required to recognise such gain, if CYBG is a PFIC for the taxable year that includes the day after the Effective Date. Any gain recognised by such US Scheme Shareholder would generally be allocated rateably over the US Scheme Shareholder’s holding period in the Scheme Shares; (a) the amount allocated to the current taxable year or any year before the first taxable year for which Virgin Money was a PFIC would be taxed as ordinary income in the current year; and (b) the amount allocated to other PFIC taxable years within the US Scheme Shareholder's holding period would be taxed at the highest applicable marginal rate in effect for each such year and an interest charge on the tax so computed would be imposed to recover the deemed benefit from the deferred payment of the tax attributable to each such prior year. The US Scheme Shareholder’s tax basis in the New CYBG Shares received would generally be equal to its basis in the Scheme Shares, increased by the amount of any gain recognised.

Alternatively, if Virgin Money is currently or has been a PFIC for any taxable year in which a US Scheme Shareholder has held their Scheme Shares, and the Scheme was found not to qualify as a tax-free reorganization under Section 368(a) of the IR Code, then the US Scheme Shareholder would generally be treated in the same manner as described in the preceding paragraph with respect to any gain recognized on their exchange of Scheme Shares pursuant to the Scheme. Any loss recognized by such US Scheme Shareholder would generally be a capital loss.

If Virgin Money is currently or has been a PFIC for any taxable year in which a US Scheme Shareholder has held their Scheme Shares, and the US Scheme Shareholder has made a “mark-to-market” election or a “qualified electing fund” election with respect to its Scheme Shares, then such US Scheme Shareholder is generally not subject to the rules described above. Instead, such US Scheme Shareholder generally will have the same tax treatment of the exchange of their Scheme Shares pursuant to the Scheme, as they would have had if Virgin Money were not and had not previously been a PFIC; except that, in the case of a US Scheme Shareholder that has made a “mark to market” election, any gain or loss recognized with respect to the exchange of Scheme Shares pursuant to the Scheme generally will be ordinary (rather than capital) gain or loss.



Each US Scheme Shareholder is urged to consult their own independent professional tax adviser concerning the PFIC rules and the other US federal, state and local and non-US tax consequences of the Scheme.

#### *Non-US Scheme Shareholders*

A Non-US Scheme Shareholder generally should not be subject to US federal income or withholding tax on any gain recognized in the Scheme unless: (i) that gain is effectively connected with the conduct by that Non-US Scheme Shareholder of a trade or business in the United States; or (ii) in the case of any gain recognized in the Scheme by an individual Non-US Scheme Shareholder, that Non-US Scheme Shareholder is present in the United States for 183 days or more in the taxable year in which the Effective Date occurs and certain other conditions are met.

#### *Backup Withholding and Information Reporting*

Proceeds from the disposition of Scheme Shares, by a US paying agent or other US (or certain US-related) intermediaries will be reported to the IRS and to the US Scheme Shareholder as may be required under applicable regulations. In addition, payments that are subject to information reporting may be subject to backup withholding if the US Scheme Shareholder fails to comply with all applicable taxpayer identification and certification requirements (generally by providing the relevant paying agent or intermediary with an IRS Form W-9). Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Scheme Shareholder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is provided to the IRS in a timely fashion. Non-US Scheme Shareholders may be required to comply with applicable certification procedures in order to avoid the application of such information reporting requirements and backup withholding.

#### **14. Overseas Shareholders**

Overseas Shareholders should refer to Part 6 of this document which contains important information relevant to such holders.

Unless otherwise determined by CYBG or required by the Takeover Code, and permitted by applicable law and regulation, the Offer will not be made available, directly or indirectly, in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Offer by any such use, means, instrumentality or form within any jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document and all documents relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all documents relating to the Offer (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of New CYBG Shares under the Offer to Scheme Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. CYBG may determine in its sole discretion that no New CYBG Shares shall be allotted and issued to any such Scheme Shareholder (each such Scheme Shareholder being treated as a Restricted Shareholder for the purposes of the Scheme). In such a case:

- (i) the New CYBG Shares shall be issued to a nominee appointed by CYBG on behalf of such shareholder on terms that the nominee shall, as soon as practicable following the Effective Date, sell the New CYBG Shares so issued with the net proceeds of such sale being remitted to such shareholder; or
- (ii) the New CYBG Shares shall be issued to and sold on behalf of such shareholder with the net proceeds of such sale being remitted to such shareholder.

Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal and regulatory requirements.

#### **15. Employee Share Plans**

Awards outstanding under the Virgin Money Share Plans will vest at the time of the Court sanction of the Scheme to the extent determined by the Virgin Money Remuneration Committee, subject to the rules of the relevant plan and any deferral requirements under the PRA Remuneration Code. Shares received by participants on vesting at the time of the Court sanction of the Scheme will be subject to the terms of the Scheme. Any

Virgin Money Shares acquired subsequently on the vesting of deferred awards will be automatically acquired by CYBG on vesting for the same consideration as payable under the Scheme under the amendment to be included in the articles of association of Virgin Money, as detailed in paragraph 7 of Part 2 and set out in the Scheme Resolution.

## **16. Actions To Be Taken**

### ***Actions to be taken by Virgin Money Shareholders***

The Scheme will require approval at a meeting of Virgin Money Shareholders convened by order of the Court to be held at Allen & Overy LLP, One Bishops Square, London E1 6AD at 11.00 a.m. on 10 September 2018. The approval required at this meeting is that those voting to approve the Scheme must:

- (A) represent a simple majority in number of those Scheme Shareholders present and voting (and entitled to vote) in person or by proxy; and
- (B) also represent 75 per cent. in value of the Scheme Shares held by those Scheme Shareholders present and voting (and entitled to vote) in person or by proxy.

The Scheme requires the sanction of the Court at the Court Hearing where Virgin Money Shareholders may be present and be heard in person or through representation to support or oppose the sanctioning of the Scheme. Implementation of the Scheme will also require approval of the Scheme Resolution as a special resolution at the Virgin Money General Meeting to be held immediately after the Court Meeting, as described in paragraph 8 above. The approval required for the special resolution to be passed is a vote in favour of not less than 75 per cent. of the votes cast. As the approval of the Brand Licence Resolutions is a Condition to the Scheme, the Offer will also require the approval of each of the Brand Licence Resolutions by Independent Virgin Money Shareholders, in each case at the Virgin Money General Meeting. The approval required for each Brand Licence Resolution to be passed is a vote in favour of a simple majority of the votes cast by the Independent Virgin Money Shareholders present and voting at the meeting.

**If the Scheme becomes Effective it will be binding on all holders of Scheme Shares irrespective of whether or not they attended or voted at the Court Meeting or the Virgin Money General Meeting (and irrespective of whether or not they voted in favour of the resolutions at such Meetings).**

### *Forms of Proxy*

Virgin Money Shareholders will find accompanying this document:

- a blue Form of Proxy for use in respect of the Court Meeting on 10 September 2018;
- a yellow Form of Proxy for use in respect of the General Meeting on 10 September 2018; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

Whether or not you intend to attend these meetings please complete and sign both Forms of Proxy and return them in accordance with the instructions printed thereon to Virgin Money's registrars, Equiniti, so as to arrive as soon as possible but in any event by 11.00 a.m. on 6 September 2018 (in the case of the blue Form of Proxy) and 11.15 a.m. on 6 September 2018 (in the case of the yellow Form of Proxy) or, in the case of an adjourned meeting at least 48 hours before the relevant meeting, excluding any part of a day that is not a Business Day.

If the blue Form of Proxy relating to the Court Meeting is not lodged by the relevant time, it may be handed to Equiniti, on behalf of the Chair of the Court Meeting, at the Court Meeting. However, in the case of the Virgin Money General Meeting, if the yellow Form of Proxy is not lodged so as to be received by the time mentioned above and in accordance with the instructions on that Form of Proxy, it will be invalid. The completion and return of either Form of Proxy will not preclude you from attending the Court Meeting or the Virgin Money General Meeting and voting in person, if you so wish.

Virgin Money Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for the Court Meeting and Virgin Money General Meeting or any adjournment(s) by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service providers, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by 11.00 a.m. on 6 September 2018 (in the case of the blue Form of Proxy) and 11.15 a.m. on 6 September 2018 (in the case of the yellow Form of Proxy) or, in the case of an adjourned meeting at least 48 hours before the Court Meeting or the Virgin Money General Meeting, as applicable, excluding any part of a day that is not a Business Day. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.

#### *Forms of Instruction*

Virgin Money Nominee Service Holders will find accompanying this document:

- a blue Form of Instruction for use in respect of the Court Meeting on 10 September 2018;
- a yellow Form of Instruction for use in respect of the Virgin Money General Meeting on 10 September 2018; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

Please complete and sign both Forms of Instruction and return them in accordance with the instructions printed thereon to Virgin Money's registrars, Equiniti, so as to arrive as soon as possible but in any event by 11.00 a.m. on 5 September 2018 (in the case of the blue Form of Instruction) and 11.15 a.m. on 5 September 2018 (in the case of the yellow Form of Instruction) or, in the case of an adjourned Meeting at least 72 hours before the relevant Meeting, excluding any part of a day that is not a Business Day.

If a Form of Instruction is not lodged so as to be received by the time mentioned above and in accordance with the instructions on that Form of Instruction, it will be invalid.

**At the Court Meeting, it is particularly important that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. You are therefore strongly urged to complete, sign and return your blue Form of Proxy or appoint a proxy electronically, or in the case of Virgin Money Nominee Service Holders return your Form of Instruction by post or electronically, as soon as possible.**

If you have any questions about this document, the Court Meeting or the Virgin Money General Meeting or how to complete the Forms of Proxy or Forms of Instruction, or to appoint a proxy through the CREST electronic proxy appointment service, please call Equiniti on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate). Equiniti is open between 8.30 a.m. and 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Please note that Equiniti cannot provide comments on the merits of the Scheme or the Offer or provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Different charges may apply to calls from mobile telephones.

## **17. Further information**

The terms of the Scheme are set out in full in Part 4 of this document. Further information regarding Virgin Money and CYBG is set out in Part 7 of this document. The Quantified Financial Benefits Statement is set out in Appendix 1 of this document. Documents published and available for inspection are listed in paragraph 17 of Part 7 of this document.

Yours faithfully,

**Anthony Gutman**

*Managing Director—Co-head EMEA  
Investment Banking Services*

For and on behalf of

**Goldman Sachs International**

## PART 3

### CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME AND THE OFFER AND CERTAIN FURTHER TERMS OF THE OFFER

#### Part 1: Conditions

The Offer will comply with the applicable rules and regulations of the FCA, the London Stock Exchange and the Takeover Code, is governed by English law and is subject to the jurisdiction of the English courts. In addition, it is subject to the following terms and conditions:

1. The Scheme becoming unconditional and Effective, and all other Conditions being fulfilled or (if capable of waiver) waived, subject to the Takeover Code, by no later than 11.59 p.m. on the Long Stop Date or such later date (if any) as CYBG and Virgin Money may agree and (if required) the Panel and the Court allow.

#### Scheme approval

2. The Scheme is subject to the following Conditions:
  - (a) (i) its approval by a majority in number representing not less than 75 per cent. in value of Virgin Money Shareholders (or the relevant class or classes thereof, if applicable) who are on the register of members of Virgin Money at the Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting and at any separate class meeting which may be required (or any adjournment thereof); and
  - (ii) such Court Meeting and any separate class meeting which may be required by the Court or any adjournment of any such meeting being held on or before the 22nd day after the expected date of the Court Meeting set out in the expected timetable of principal events on pages 11 to 12 of this document (or such later date as may be agreed between CYBG and Virgin Money and the Court may allow); and
  - (b) (i) all resolutions necessary to approve and implement the Scheme being duly passed by the requisite majority or majorities at the Virgin Money General Meeting (or any adjournment thereof) (but excluding any resolution relating to any amendment of Virgin Money's remuneration policy); and
  - (ii) the Virgin Money General Meeting or any adjournment of that meeting being held on or before the 22nd day after the expected date of the Virgin Money General Meeting set out in the expected timetable of principal events on pages 11 to 12 of this document (or such later date as may be agreed between CYBG and Virgin Money and the Court may allow); and
  - (c) (i) the sanction of the Scheme with or without modification (but subject to such modification being acceptable to CYBG and Virgin Money) by the Court and the delivery of the office copy of the Court Order to the Registrar of Companies; and
  - (ii) the Court Hearing being held on or before the 22nd day after the expected date of the Court Hearing set out in the expected timetable of principal events on pages 11 to 12 of this document (or such later date as may be agreed between CYBG and Virgin Money and the Court may allow).

#### *CYBG shareholder authorities*

3. The passing at the CYBG General Meeting (or any adjournment thereof) by the requisite majority of CYBG Shareholders of such resolution or resolutions as are necessary to approve, implement and effect the Offer and the acquisition of Virgin Money Shares pursuant to the Offer or otherwise (as such resolutions may be set out in the CYBG Circular in due course, including resolutions to approve the Offer in accordance with the requirements under Listing Rule 10.5.1R(2) and authorise the creation and allotment of the New CYBG Shares).

#### Brand Licence

4. (a) The passing at the Virgin Money General Meeting (or any adjournment thereof) of an ordinary resolution of the Independent Virgin Money Shareholders voting, in person or by proxy, on a poll to approve the New Brand Licence Agreement for the purposes of Note 2 on Rule 16 of the Takeover Code;

- (b) the passing at the Virgin Money General Meeting (or any adjournment thereof) of an ordinary resolution of the Independent Virgin Money Shareholders voting, in person or by proxy, on a poll to approve the New Brand Licence Agreement for the purposes of Listing Rule 11.1.7R(3) (if required); and
- (c) the Existing Brand Licence Agreement has not been terminated and notice has not been served to terminate such agreement.

#### **Admission to listing on the London Stock Exchange of consideration shares**

- 5. (a) The FCA having acknowledged to CYBG or its agent (and such acknowledgement not having been withdrawn) that the application for the Admission of the New CYBG Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (**listing conditions**)) Admission will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and
- (b) the London Stock Exchange having acknowledged to CYBG or its agent (and such acknowledgement not having been withdrawn) that the New CYBG Shares will be admitted to trading on the Main Market of the London Stock Exchange.

#### **CMA Clearance**

- 6. The CMA:
  - (a) deciding, on terms reasonably satisfactory to CYBG, not to make a Phase 2 CMA Reference; or
  - (b) as at the date on which all other Conditions (with the exception of sanction of the Scheme by the Court pursuant to Condition 2 above) of the Offer are satisfied or waived, not having requested submission of a Merger Notice or commenced a Phase 1 CMA review by indicating that the Initial Period has begun.

#### **FSMA approvals**

- 7. In respect of CYBG, Virgin Holdings and each other person required to give a notice under section 178 of FSMA in connection with the Offer, the appropriate regulator (as defined under section 178(2A) of FSMA) of each UK authorised person (as defined in section 191G FSMA) over which the Offer contemplates an acquisition of or increase in control:
  - (a) giving notice for the purposes of section 189(4)(a) of FSMA that it has determined to approve such acquisition or increase in control;
  - (b) giving notice for the purpose of section 189(4)(b)(i) of FSMA that it has determined to approve such acquisition of or increase in control, on terms or conditions satisfactory to CYBG (acting reasonably); or
  - (c) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control,

where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009.

#### **Other Third Party clearances**

- 8. Other than in respect of Conditions 6 and 7, no central bank, government or governmental, quasi governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, environmental body, employee representative body or any other body or person whatsoever in any jurisdiction (each a **Third Party**) having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken or otherwise having done anything or having enacted, made or proposed any statute, regulation, decision, order or change to published practice and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
  - (a) make the Offer, its implementation or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider Virgin Money Group by any member of the Wider CYBG Group void, illegal and/or unenforceable under the laws of any relevant

jurisdiction, or otherwise directly or indirectly prevent, prohibit, or restrain, restrict, impede, challenge, delay or otherwise interfere with the implementation of, or impose additional material conditions or obligations with respect to, the Offer or the acquisition of any shares or other securities in, or control or management of, any member of the Wider Virgin Money Group by any member of the Wider CYBG Group or require amendment of the Scheme;

- (b) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider CYBG Group directly or indirectly to acquire or hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in Virgin Money (or any member of the Wider Virgin Money Group) or on the ability of any member of the Wider Virgin Money Group or any member of the Wider CYBG Group directly or indirectly to hold or exercise effectively any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Virgin Money Group;
- (c) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider CYBG Group or by any member of the Wider Virgin Money Group of all or any part of their businesses, assets or property or impose any material limitation on the ability of all or any of them to conduct their businesses (or any part thereof) or to own, control or manage any of their assets or properties or any part thereof;
- (d) other than pursuant to sections 974 to 991 of the Companies Act and the implementation of the Scheme, require any member of the Wider CYBG Group or the Wider Virgin Money Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Virgin Money Group owned by any third party;
- (e) require, prevent or materially delay a divestiture by any member of the Wider CYBG Group of any shares or other securities (or the equivalent) in any member of the Wider Virgin Money Group;
- (f) result in any member of the Wider Virgin Money Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (g) impose any limitation on the ability of any member of the Wider CYBG Group or any member of the Wider Virgin Money Group to integrate or co-ordinate all or any part of their respective businesses with all or any part of the business of any other member of the Wider CYBG Group and/or the Wider Virgin Money Group in a manner which is materially adverse to the Wider CYBG Group and/or the Wider Virgin Money Group, in either case, taken as a whole or in the context of the Offer; or
- (h) otherwise adversely affect the business, assets, value, profits, prudential requirements (including regulatory capital requirements), prospects or operational performance of any member of the Wider Virgin Money Group or any member of the Wider CYBG Group Offer to an extent which is material in the context of the Wider CYBG Group or the Wider Virgin Money Group, in either case taken as a whole.

If there are any waiting periods (including any extensions thereof) during which a Third Party could take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Offer or proposed acquisition of any Virgin Money Shares or otherwise intervene, this waiting period must have expired, lapsed or been terminated.

9. All notifications, filings or applications which are necessary or reasonably considered appropriate by CYBG having been made in connection with the Offer and all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with and all Authorisations which are necessary or reasonably considered appropriate by CYBG in any jurisdiction for or in respect of the Offer or the proposed acquisition of any shares or other securities in, or control of, Virgin Money by any member of the Wider CYBG Group having been obtained in terms and in a form reasonably satisfactory to CYBG from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Virgin Money Group or the Wider CYBG Group has entered into contractual arrangements and all such Authorisations which are necessary or reasonably considered appropriate by CYBG to carry on the business of any member of the Wider Virgin Money Group in any jurisdiction having been obtained in each case where the direct consequence of a failure to make such notification or filing or to wait for the expiry, lapse or termination of any such waiting or other time period or to comply with such obligation or obtain such Authorisation would be unlawful in any relevant

jurisdiction or have a material adverse effect on the Wider Virgin Money Group, any member of the CYBG Group or the ability of CYBG to implement the Scheme and all such Authorisations remaining in full force and effect at the time at which the Scheme becomes otherwise unconditional in all respects and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations.

#### **Confirmation of absence of adverse circumstances**

10. Except as Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider Virgin Money Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, in each case as a consequence of the Offer or the proposed acquisition by any member of the Wider CYBG Group of any shares or other securities in Virgin Money or because of a change in the control or management of any member of the Wider Virgin Money Group or otherwise, would or might reasonably be expected to result in:
- (a) any monies borrowed by, or any other indebtedness, actual or contingent of, or any grant available to, any member of the Wider Virgin Money Group being or becoming repayable, or capable of being declared repayable immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - (b) the rights, liabilities, obligations, interests or business of any member of the Wider Virgin Money Group or any member of the Wider CYBG Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Virgin Money Group or any member of the Wider CYBG Group in or with any other firm or company or body or person (or any agreement or arrangement relating to any such business or interests) being or likely to become terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken or arising thereunder;
  - (c) any member of the Wider Virgin Money Group ceasing to be able to carry on business under any name under which it presently carries on business;
  - (d) any assets or interests of, or any asset the use of which is enjoyed by, any member of the Wider Virgin Money Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Virgin Money Group;
  - (e) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Virgin Money Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen), becoming enforceable;
  - (f) the business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider Virgin Money Group being materially prejudiced or adversely affected;
  - (g) the creation or acceleration of any material liability (actual or contingent) by any member of the Wider Virgin Money Group, other than trade creditors or other liabilities incurred in the ordinary course of business; or
  - (h) any liability of any member of the Wider Virgin Money Group to make any severance, termination, bonus or other payment to any of its directors or other officers.

#### **No material transactions, claims or changes in the conduct of the business of the Virgin Money Group**

11. Except as Disclosed, no member of the Wider Virgin Money Group having since 31 December 2017:
- (a) save as between Virgin Money and wholly-owned subsidiaries of Virgin Money or for Virgin Money Shares issued pursuant to the exercise of options or vesting of awards granted before 18 June 2018 in the ordinary course, issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities;



- (b) save for the final dividend of 4.10 pence in respect of the year ending 31 December 2017 and the interim dividend of up to 2.3 pence (net) per Virgin Money Share in respect of the half year ending 30 June 2018<sup>10</sup>, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution (whether payable in cash or otherwise) other than to Virgin Money or one of its wholly owned subsidiaries;
- (c) save for Intra-Virgin Money Group Transactions, demerged from or acquired any body corporate, partnership or business or acquired or disposed of, or transferred, mortgaged or charged or created any security interest over, any assets or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so, in each case, (i) other than in the ordinary course of business and (ii) which is material in the context of the Wider Virgin Money Group taken as a whole or in the context of the Offer;
- (d) save for Intra-Virgin Money Group Transactions, made, authorised, proposed or announced an intention to propose any change in its loan capital in each case, to the extent which is material in the context of the Wider Virgin Money Group taken as a whole or in the context of the Offer;
- (e) issued, authorised or proposed or announced an intention to authorise or propose the issue of, or made any change in or to the terms of, any debentures or (save as between Virgin Money and its wholly owned subsidiaries or between such wholly owned subsidiaries), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability;
- (f) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, unusual or onerous nature, or which involves or could reasonably be expected to involve an obligation of a nature or magnitude or which is other than in the ordinary course of business and which, in any such case, material in the context of the Virgin Money Group or in the context of the Offer, or which is or is reasonably likely to be restrictive on the business of any member of the Wider Virgin Money Group or Wider CYBG Group;
- (g) entered into any licence or other disposal of intellectual property rights of any member of the Wider Virgin Money Group which are material in the context of the Wider Virgin Money Group or which is other than in the ordinary course of business;
- (h) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, commitment, arrangement or any service agreement with any director or senior executive of the Wider Virgin Money Group;
- (i) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme, or other benefit relating to the employment or termination of employment, of any employee of the Wider Virgin Money Group;
- (j) procured the trustees of any pension scheme or other retirement or death benefit arrangement established for the directors, former directors, employees or former employees of any entity in the Wider Virgin Money Group or their dependants (a **Relevant Pension Plan**), or any such trustees having taken any action since 31 December 2017, to:
  - (i) make or agree to any significant change to: (a) the terms of the trust deeds, rules, policy or other governing documents constituting any Relevant Pension Plan; (b) the basis on which benefits accrue, pensions which are payable or the persons entitled to accrue or be paid benefits, under any Relevant Pension Plan; (c) the basis on which the liabilities of any Relevant Pension Plan are funded or valued; or (d) the basis or rate of employer contribution to a Relevant Pension Plan, in each case other than as required by applicable law;
  - (ii) carry out any act: (a) which would or could reasonably be expected to lead to the commencement of the winding up of any Relevant Pension Plan; (b) which would or might reasonably create a material debt owed by an employer to any Relevant Pension Plan; (c) which would or might accelerate any obligation on any employer to fund or pay additional contributions to any Relevant Pension Plan, in each case other than as required by applicable law;

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<sup>10</sup> The Virgin Money Interim Dividend of 2.3 pence per Virgin Money Share was announced on 26 July 2018.

- (k) entered into, implemented or effected, or authorised, proposed or announced its intention to implement or effect, any joint venture, asset or profit sharing arrangement, partnership, composition, assignment, reconstruction, amalgamation, commitment, scheme or other transaction or arrangement other than the Scheme;
- (l) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect of the matters mentioned in sub paragraph (a) above, made any other change to any part of its share capital;
- (m) waived, compromised or settled any claim otherwise than in the ordinary course of business and which is material in the context of the Wider Virgin Money Group taken as a whole;
- (n) made any alteration to its articles of association or other constitutional documents;
- (o) (other than in respect of a member of the Wider Virgin Money Group which is dormant and was solvent at the relevant time) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, receiver, manager, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (p) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (q) entered into any contract, commitment, agreement or arrangement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition and which is material in the context of the Wider Virgin Money Group taken as a whole or in the context of the Offer;
- (r) terminated or varied the terms of any agreement or arrangement between any member of the Wider Virgin Money Group and any other person in a manner which would or might be expected to have a material adverse effect on the financial position of the Virgin Money Group taken as a whole; or
- (s) having taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of Virgin Money Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Takeover Code.

**No material adverse change**

12. Except as Disclosed, since 31 December 2017:

- (a) there having been no adverse change or deterioration in the business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider Virgin Money Group which, in any such case, is material in the context of the Wider Virgin Money Group or the Wider CYBG Group taken a whole or in the context of the Offer and no circumstances have arisen which would or might reasonably be expected to result in any such adverse change;
- (b) no material litigation, arbitration proceedings, prosecution or other material legal proceedings including, without limitation, with regard to intellectual property rights used by the Wider Virgin Money Group to which any member of the Wider Virgin Money Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry, review, investigation or enforcement proceedings by, or complaint or reference to, any Third Party against or in respect of any member of the Wider Virgin Money Group having been threatened, announced or instituted by or against, or remaining outstanding in respect of, any member of the Wider Virgin Money Group;
- (c) no contingent or other liability having arisen, increased or become apparent which might be likely adversely to affect the business, assets, financial or trading position, profits, prospects or operational performance of any member of the Wider Virgin Money Group to an extent which is material to the Virgin Money Group taken as a whole or in the context of the Offer;
- (d) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the

Wider Virgin Money Group, which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and likely to have an adverse effect on the Wider Virgin Money Group taken as a whole or in the context of the Offer; and

13. Except as Disclosed, since 31 December 2017 CYBG not having discovered:
  - (a) that any financial, business or other information concerning the Wider Virgin Money Group publicly announced or disclosed to any member of the Wider CYBG Group at any time by or on behalf of any member of the Wider Virgin Money Group or to any of their advisers is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not materially misleading; or
  - (b) that any member of the Wider Virgin Money Group is subject to any material liability, contingent or otherwise, which is not disclosed in the Annual Report and Accounts of Virgin Money.

### **Intellectual Property**

14. Save as Disclosed, no circumstance having arisen or ceasing to exist, or no event having occurred, in each case, in relation to any intellectual property owned or used by any member of the Wider Virgin Money Group which is reasonably anticipated to have a material adverse effect on the Wider Virgin Money Group taken as a whole or is otherwise material in the context of the Offer.

### **Anti-corruption and sanctions**

15. Save as Disclosed, CYBG not having discovered that:
  - (a) any past or present member, director, officer or employee of the Wider Virgin Money Group or any person that performs or has performed services for or on behalf of any such company is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) in contravention of the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended or any other applicable anti-corruption legislation; or
  - (b) any past or present member, director, officer or employee of the Wider Virgin Money Group or any person who has performed services for and on behalf of any such company has engaged in any activity or business with, or made any investments in, or made any payments to any government, entity or individual covered by any of the economic sanctions administered by the United Nations or the European Union (or any of their respective member states) or the United States Office of Foreign Assets Control or any other governmental or supranational body or authority in any jurisdiction.

### **No criminal property**

16. Save as Disclosed, CYBG not having discovered that any asset of any member of the Wider Virgin Money Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

## **Part 2: Waiver and Invocation of the Conditions**

1. Subject to the requirements of the Panel in accordance with the Takeover Code, CYBG reserves the right to waive, in whole or in part, all or any of the above Conditions, except Conditions 1, 2, 3, 4(a) and (b) and 5.
2. Conditions 2(a) and (b) and 3 to 16 (inclusive) must each be fulfilled by, or (if capable of waiver) be waived by, CYBG by no later than 11.59 p.m. on the date immediately preceding the date of the Court Hearing. The Offer will lapse if the Scheme does not become Effective and all other Conditions are fulfilled or (if capable of waiver) waived by 11.59 p.m. on the Long Stop Date (or such later date as CYBG and Virgin Money may agree and (if required) the Panel and the Court allow).
3. Under Rule 13.5(a) of the Takeover Code, CYBG may not invoke a Condition to the Offer so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to CYBG in the context of the Offer. Conditions 1 (Long Stop Date), 2 (Scheme Approval), 3 (CYBG Shareholder authorities), 4(a) and (b) (Brand Licence), 5 (Admission to listing on the London Stock Exchange of consideration shares) and 6 (CMA Clearance) and, if applicable, any acceptance condition if the Offer is implemented by means of a Takeover Offer, are not subject to this provision of the Takeover Code.

4. CYBG shall be under no obligation to waive (if capable of waiver) or treat as fulfilled any of the Conditions by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that any other Conditions may at any earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

### **Part 3: Implementation by way of Takeover Offer**

5. CYBG reserves the right, with the consent of the Panel and subject to the terms of the Co-operation Agreement, to elect to implement the Offer by way of a Takeover Offer as an alternative to the Scheme. In such event, the Offer will be implemented on the same terms (subject to appropriate amendments including (without limitation) the inclusion of an acceptance condition set at 90 per cent. (or such lesser percentage as CYBG may, with the agreement of Virgin Money, and subject to the rules of the Takeover Code and with the consent of the Panel, decide) of the shares to which the Offer relates) as those which would apply to the Scheme. Further, if sufficient acceptances of such Takeover Offer are received and/or sufficient Virgin Money Shares are otherwise acquired, it is the intention of CYBG to apply the provisions of the Companies Act to acquire compulsorily any outstanding Virgin Money Shares to which such Takeover Offer relates.

### **Part 4: Certain further terms of the Offer**

6. If CYBG is required by the Panel to make an offer for Virgin Money Shares under the provisions of Rule 9 of the Takeover Code, CYBG may make such alterations to any of the above Conditions as are necessary to comply with the provisions of that Rule.
7. Fractions of New CYBG Shares will not be allotted or issued to Virgin Money Shareholders and entitlements will be rounded down to the nearest whole number of New CYBG Shares and all fractions of New CYBG Shares will be aggregated and sold in the market as soon as practicable after the Offer becomes Effective. The net proceeds of such sale (after deduction of all expenses and commissions, including any VAT thereon, incurred in connection with the sale) will be distributed in due proportions to Virgin Money Shareholders who would otherwise have been entitled to such fractions, save that if the entitlement of any Virgin Money Shareholder in respect of the proceeds of sale of fractional entitlements amounts to less than £5, such proceeds will be retained for the benefit of the Combined Group.
8. The Virgin Money Shares will be acquired pursuant to the Offer fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including without limitation voting rights and the right to receive and retain in full all dividends and other distributions (if any) announced, declared, made or paid on or after the date of the Announcement, save as set out below.
9. If Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of the Announcement, CYBG reserves the right to make an equivalent reduction in the terms of the Offer. This right will not be invoked in respect of the Virgin Money Interim Dividend. To the extent that a dividend or other distribution is announced, declared, made or paid, by Virgin Money and is or will be (i) transferred pursuant to the Offer on a basis which entitles CYBG alone to receive it and to retain it, or (ii) cancelled, the price payable under the Offer in respect of the Virgin Money Shares will not be subject to change in accordance with this condition. If CYBG exercises this right or makes such a reduction in respect of a dividend or other distribution that has not been paid, Virgin Money Shareholders will be entitled to receive and retain that dividend or other distribution.
10. The Offer will lapse if there is a Phase 2 CMA Reference before the Meetings. In such event, Virgin Money will not be bound by the terms of the Scheme.
11. The Offer will lapse if the European Commission either initiates proceedings under Article 6(1)(c) of Council Regulation (EC) 139/2004 or makes a referral to a competent authority of the United Kingdom under Article 9(3)(b) of that Regulation and there is a subsequent Phase 2 CMA Reference, in either case before the Meetings. In such event, Virgin Money will not be bound by the terms of the Scheme.
12. The Offer will be governed by English law and be subject to the jurisdiction of the English courts and to the Conditions.
13. The New CYBG Shares to be issued pursuant to the Offer have not been, and will not be, listed on any stock exchange other than the London Stock Exchange, and the New CYBG Shares have not been, nor will they be, registered under the US Securities Act or under any laws of any state, district or other

jurisdiction, of the United States, nor have clearances been, nor will they be, obtained from the securities commission or similar authority of any province or territory of Canada and no prospectus has been, or will be, filed, or registration made, under any securities law of any province or territory of Canada, nor has a prospectus in relation to the New CYBG Shares been, nor will one be, lodged with, or registered by, the Australian Securities and Investments Commission, nor have any steps been taken, nor will any steps be taken, to enable the New CYBG Shares to be offered in compliance with applicable securities laws of Japan and no regulatory clearances in respect of the New CYBG Shares have been, or will be, applied for in any other jurisdiction. Accordingly, unless an exemption under relevant securities laws is available, the New CYBG Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from the United States or any other Restricted Jurisdiction or to, or for the account or benefit of, any US Person or resident of any other Restricted Jurisdiction. It is currently expected that the New CYBG Shares will be issued in connection with a scheme of arrangement and therefore will be exempt from the registration requirements of the US Securities Act pursuant to section 3(a)(10) thereunder. Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the New CYBG Shares, or determined if the Announcement or this document is accurate or complete. Any representation to the contrary is a criminal offence.

## PART 4

### THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES  
COMPANIES COURT (ChD)

CR-2018-006095

IN THE MATTER OF VIRGIN MONEY  
HOLDINGS (UK) PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006  
SCHEME OF ARRANGEMENT (*under*  
*Part 26 of the Companies Act 2006*)

between

VIRGIN MONEY HOLDINGS (UK) PLC

AND

THE SCHEME SHAREHOLDERS

(as defined below)

#### PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

|   |  |
|---|--|
| <b>Business Day</b> . . . . .                         | a day, not being a public holiday, Saturday or Sunday, on which clearing banks in London and Edinburgh are open for normal business;   |
| <b>certificated or in certificated form</b> . . . . . | in relation to a Scheme Share, one which is not in uncertificated form (that is, not in CREST);  |
| <b>Code</b> . . . . .                                 | the City Code on Takeovers and Mergers;  |
| <b>Companies Act</b> . . . . .                        | the Companies Act 2006, as amended from time to time;  |
| <b>Combined Group</b> . . . . .                       | the enlarged group following the Offer comprising the CYBG Group and the Virgin Money Group;   |
| <b>Conditions</b> . . . . .                           | the conditions to the implementation of the Offer, as set out in Part 3 of the Scheme Document;  |
| <b>Court</b> . . . . .                                | the High Court of Justice in England and Wales;  |
| <b>Court Hearing</b> . . . . .                        | the hearing of the Court at which the Court Order will be sought;  |
| <b>Court Meeting</b> . . . . .                        | the meeting of Scheme Shareholders (and any adjournment of such meeting) convened pursuant to an order of the Court pursuant to section 896 of the Companies Act for the purpose of considering and, if thought fit, approving (with or without modification) this Scheme; |
| <b>Court Order</b> . . . . .                          | the order of the Court sanctioning the Scheme under section 899 of the Companies Act;  |
| <b>CREST</b> . . . . .                                | the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Ltd is the operator;  |
| <b>CYBG</b> . . . . .                                 | CYBG PLC, a company incorporated in England and Wales with registered number 09595911;   |

|   |  |
|---|--|
| <b>CYBG Group</b> . . . . .               | CYBG and its subsidiary undertakings from time to time and where the context permits, each of them;  |
| <b>CYBG Shares</b> . . . . .              | the existing CYBG ordinary shares of £0.10 in the capital of CYBG;   |
| <b>Effective</b> . . . . .                | the Scheme having become effective pursuant to its terms, upon the delivery of the Court Order to the Registrar of Companies;  |
| <b>Effective Date</b> . . . . .           | the date on which this Scheme becomes Effective in accordance with its terms;  |
| <b>Equiniti</b> . . . . .                 | Equiniti Limited a company incorporated in England and Wales with registered number 0622608, being Virgin Money's Registrars;  |
| <b>Euroclear</b> . . . . .                | Euroclear UK & Ireland Limited;  |
| <b>Excluded Shares</b> . . . . .          | any Virgin Money Shares held in treasury at any relevant date or time and any Virgin Money Shares beneficially owned by CYBG or any other member of the CYBG Group;  |
| <b>Holder</b> . . . . .                   | a registered holder and includes any person(s) entitled by transmission;   |
| <b>Latest Practicable Date</b> . . . . .  | 27 July 2018;  |
| <b>London Stock Exchange</b> . . . . .    | the London Stock Exchange plc or its successor;  |
| <b>New CYBG Shares</b> . . . . .          | the CYBG Shares proposed to be issued by CYBG, credited as fully paid, as consideration for the Offer;   |
| <b>Offer</b> . . . . .                    | the proposed acquisition by CYBG of the entire issued and to be issued ordinary share capital of Virgin Money to be effected by means of this Scheme (and, where the context admits, any subsequent revision, variation, extension or renewal of the Scheme);  |
| <b>Panel</b> . . . . .                    | the Panel on Takeovers and Mergers;  |
| <b>Registrar of Companies</b> . . . . .   | the Registrar of Companies in England and Wales;   |
| <b>Regulations</b> . . . . .              | the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;   |
| <b>Restricted Jurisdictions</b> . . . . . | any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Virgin Money Shareholders in that jurisdiction;   |
| <b>Restricted Shareholders</b> . . . . .  | a Scheme Shareholder whom CYBG requires to be treated as a Restricted Shareholder pursuant to clause 6 of this Part 4;   |
| <b>Scheme</b> . . . . .                   | this scheme of arrangement in its present form or with or subject to any modification, addition or condition which Virgin Money and CYBG each agree and which is approved or imposed by the Court;   |
| <b>Scheme Document</b> . . . . .          | the circular dated 31 July 2018 sent by Virgin Money to Virgin Money Shareholders and persons with information rights, of which this Scheme forms a part;  |
| <b>Scheme Record Time</b> . . . . .       | 6.00 p.m. on the Business Day immediately prior to the Effective Date;   |
| <b>Scheme Shareholders</b> . . . . .      | holders of Scheme Shares at any relevant date or time;   |
| <b>Scheme Shares</b> . . . . .            | the Virgin Money Shares which are: <ul style="list-style-type: none"> <li>(i) in issue at the date of the Scheme Document;</li> <li>(ii) issued after the date of the Scheme Document and before the Voting Record Time; and</li> <li>(iii) issued at or after the Voting Record Time and before the Scheme Record Time either on terms that the original or any subsequent holders of such shares shall be bound by the Scheme or in respect of which their holders are, or have agreed in writing to be, bound by the Scheme,</li> </ul> |

and, in each case, remaining in issue at the Scheme Record Time but excluding any Virgin Money Shares held in treasury at any relevant date or time and Excluded Shares;

|   |   |
|---|---|
| <b>Sterling</b> . . . . .                                 | the lawful currency of the United Kingdom;  |
| <b>uncertificated or in uncertificated form</b> . . . . . | in relation to a Scheme Share, one which is recorded on the relevant register as being held in uncertificated form in CREST;  |
| <b>Virgin Money</b> . . . . .                             | Virgin Money Holdings (UK) plc, incorporated in England and Wales with registered number 03087587;  |
| <b>Virgin Money Group</b> . . . . .                       | Virgin Money and its subsidiary undertakings from time to time and where the context permits, each of them;   |
| <b>Virgin Money Registrar</b> . . . . .                   | Equiniti Limited;   |
| <b>Virgin Money Shareholders</b>                          | the holders of Virgin Money Shares;   |
| <b>Virgin Money Shares</b> . . . . .                      | the ordinary shares of 0.01 pence each in the capital of Virgin Money; and  |
| <b>Voting Record Time</b> . . . . .                       | 6.30 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.30 p.m. on the day which is two days before the date of such adjourned meeting, in each case excluding any day that is not a Business Day. |

- (B) References to clauses, sub-clauses and paragraphs are to clauses, sub-clauses and paragraphs of this Scheme.
- (C) The issued share capital of Virgin Money as at the Latest Practicable Date was £54,658.89, divided into 446,067,336 ordinary shares of 0.01 pence each, all of which were credited as fully paid, and 10,052,161 deferred shares of 0.1 pence each, all of which were credited as fully paid. Virgin Money does not hold any ordinary shares in treasury. Virgin Money holds 10,052,161 deferred shares in treasury but these shares do not carry any voting rights.
- (D) As at the Latest Practicable Date, no member of the CYBG Group holds any Virgin Money Shares.
- (E) CYBG has, subject to the satisfaction or, where capable, waiver of the Conditions, agreed to appear by Counsel at the hearing to sanction this Scheme and to undertake to the Court to be bound by the provisions of this Scheme and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it to give effect to this Scheme.
- (F) CYBG will rely upon the Court's sanctioning of this Scheme for the purpose of qualifying for the exemption from the registration requirements of the US Securities Act of 1933, as amended, provided by section 3(a)(10) thereof with respect to the New CYBG Shares to be issued pursuant to this Scheme.
- (G) References to times are to London time.

#### **1. Transfer of Scheme Shares**

- (A) Upon and with effect from the Effective Date, CYBG and/or its nominee(s) shall acquire all the Scheme Shares fully paid with full title guarantee, free from all liens, equities, charges, encumbrances and other interests, and together with all rights at the Effective Date or thereafter attached thereto, including the right to receive and retain all dividends and other distributions (if any) announced, declared, made or paid in respect of the Scheme Shares after the date of this Scheme, save that CYBG (and/or its nominee(s)) shall not be entitled to the Virgin Money Interim Dividend.
- (B) For the purposes of such acquisition, the Scheme Shares shall be transferred to CYBG and/or its nominee(s) by means of a form of transfer or other instrument or instruction of transfer and, to give effect to such transfers, any person may be appointed by CYBG as attorney or agent, and is hereby authorised on behalf of the Holder or Holders concerned, to execute and deliver as transferor an instrument of transfer (whether as a deed or otherwise) of, or give any instructions to transfer, any Scheme Shares and every instrument or instruction of transfer so executed or instruction given shall be effective as if it had been executed or given by the Holder or Holders of the Scheme Shares thereby transferred. Such instrument, form or instruction of transfer shall be deemed to be the principal instrument of transfer and the equitable or beneficial interest in the Scheme Shares shall only be transferred to CYBG (and/or its nominee(s)),



together with the legal interest in such Scheme Shares, pursuant to such instruction, form or instrument of transfer.

- (C) Pending the registration of CYBG (or its nominee(s)) as the Holder of any Scheme Share to be transferred pursuant to this Scheme, CYBG shall be empowered upon and with effect from the Effective Date to appoint any person to act as attorney or, failing that, agent on behalf of each Holder of any such Scheme Share in accordance with such directions as CYBG may give in relation to any dealings with or disposal of such share (or any interest in such share), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and the registered Holder of such Scheme Share shall exercise all rights attaching thereto in accordance with the directions of CYBG but not otherwise.

## **2. Consideration for the transfer of Scheme Shares**

- (A) In consideration for the transfer of the Scheme Shares to CYBG (and/or its nominee(s)), CYBG shall, subject to the remaining provisions of this Scheme, issue to each Scheme Shareholder (as appearing in the register of members of Virgin Money at the Scheme Record Time), 1.2125 New CYBG Shares per Scheme Share held by the Scheme Shareholder at the Scheme Record Time.
- (B) The New CYBG Shares issued pursuant to clause 2(A) and the remaining provisions of this Scheme shall be issued credited as fully paid and will rank pari passu in all respects with the CYBG Shares in issue at the time the New CYBG Shares are issued, including in relation to the right to receive notice of, and to attend and vote at, general meetings of CYBG, the right to receive and retain any dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date and to participate in the assets of CYBG upon a return of capital whether on a winding-up of CYBG or otherwise.

## **3. Fractional entitlements**

No fractions of New CYBG Shares shall be allotted or issued to any Scheme Shareholder, and entitlements will be rounded down to the nearest whole number of New CYBG Shares, and all fractions of New CYBG Shares to which Scheme Shareholders would otherwise have been entitled shall be aggregated and the aggregate of such fractions (rounded down to the nearest whole share) shall be allotted and issued to a person appointed by CYBG as nominee for such Scheme Shareholders on such terms that the nominee shall be authorised to procure that such New CYBG Shares shall, as soon as possible after the Effective Date, be sold on behalf of the relevant Scheme Shareholder and the pro rata net proceeds (after the deduction of all expenses and commissions, including any VAT thereon, incurred in connection with the sale) remitted to them, save that if the aggregate entitlement of any Scheme Shareholder in respect of the proceeds of sale of fractional entitlements amounts to less than £5, such proceeds will be retained for the benefit of the Combined Group.

## **4. Share certificates and cancellation of CREST entitlements**

With effect from and including the Effective Date:

- (A) all certificates representing Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised in the certificates and every Holder of Scheme Shares shall be bound by the request of Virgin Money to deliver up the same to Virgin Money, or, as it may direct, to destroy the same;
- (B) Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form; and
- (C) subject to completion of any form of transfer or other instrument or instruction of transfer as may be required in accordance with paragraph 1(B) above, appropriate entries will be made in the register of members of Virgin Money to reflect the transfer of the Scheme Shares to CYBG (and/or its nominee(s)).

## **5. Settlement**

- (A) Settlement shall be effected as follows:
  - (i) where, immediately prior to the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form, CYBG shall despatch certificates for the New CYBG Shares to which a Scheme Shareholder becomes entitled as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of awards under the

Virgin Money Share Plans who receive Virgin Money Shares on the vesting of awards conditional on the Court sanctioning the Scheme);

- (ii) where, immediately prior to the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in uncertificated form, settlement of entitlements to New CYBG Shares will be effected through CREST. CYBG shall procure that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant Scheme Shareholder with such relevant Scheme Shareholder's entitlement to New CYBG Shares as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of awards under the Virgin Money Share Plans who receive Virgin Money Shares on the vesting of awards conditional on the Court sanctioning the Scheme);
  - (iii) in the case of New CYBG Shares sold pursuant to clause 3 or clause 6(A), where immediately prior to the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form, settlement of any cash consideration to which the Scheme Shareholder is entitled pursuant to clause 3 or clause 6(A) shall be settled by CYBG by cheque. Cheques shall be despatched as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of awards under the Virgin Money Share Plans who receive Virgin Money Shares on the vesting of awards conditional on the Court sanctioning the Scheme);
  - (iv) in the case of New CYBG Shares sold pursuant to clause 3 or clause 6(A), where immediately prior to the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in uncertificated form, settlement of any cash consideration to which the Scheme Shareholder is entitled pursuant to clause 3 or clause 6(A) shall be paid by means of CREST by CYBG procuring that Euroclear is instructed to create an assured payment obligation in favour of the Scheme Shareholder's payment bank in respect of the cash consideration due to them as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date, in accordance with the CREST assured payment arrangements (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of awards under the Virgin Money Share Plans who receive Virgin Money Shares on the vesting of awards conditional on the Court sanctioning the Scheme);
  - (v) CYBG reserves the right to pay any cash consideration referred to in clause 3 or clause 6(A) to all or any Scheme Shareholders who hold Scheme Shares in uncertificated form immediately prior to the Scheme Record Time in the manner referred to in clause 5(A)(iii) if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with clause 5(A)(iv); and
  - (vi) CYBG reserves the right to allot and issue any New CYBG Shares referred to in clause 2 to all or any Scheme Shareholders who immediately prior to the Scheme Record Time hold Scheme Shares in uncertificated form in the manner referred to in clause 5(A)(i) if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with clause 5(A)(ii).
- (B) As from the Scheme Record Time, each holding of Scheme Shares credited to any stock account in CREST shall be disabled and all Scheme Shares will be removed from CREST in due course.
- (C) All deliveries of notices, statements of entitlement and/or cheques required to be made under this Scheme shall be made by sending the same by first class post (or by such other method as may be approved by the Panel) addressed to the person entitled thereto to the address appearing in the register of members of Virgin Money or, in the case of joint holders, to the address of the Holder whose name stands first in such register in respect of the joint holding concerned at such time.
- (D) All cheques shall be in pounds sterling and drawn on a United Kingdom clearing bank and shall be made payable to the Scheme Shareholder concerned or, in the case of joint holders, to all joint holders whose names appear in the register of members of Virgin Money in respect of the joint holding concerned at the Scheme Record Time and the encashment of any such cheque or the creation of any such assured payment obligation as is referred to in clause 5(A) above shall be a complete discharge to CYBG and CYBG for the monies represented thereby.
- (E) None of Virgin Money, CYBG, Equiniti, the person effecting any sale or remitting any proceeds shall be responsible for any loss or delay in the transmission of the statements of entitlement or cheques sent to Scheme Shareholders in accordance with this clause 5, which shall be posted entirely at the risk of the Scheme Shareholders.

- (F) The preceding paragraphs of this clause 5 shall take effect subject to any prohibition or condition imposed by law.

## **6. Restricted Shareholders**

- (A) The provisions of clauses 2, 3 and 5 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if in the case of any Scheme Shareholder, CYBG is advised at the relevant time that the law of a country or territory outside the United Kingdom precludes the allotment, issue or delivery to it of New CYBG Shares under clause 5 or precludes the same except after compliance by Virgin Money or CYBG (as the case may be) with any governmental or other consent or any registration, filing or other formality with which the Virgin Money or CYBG (as the case may be) is unable to comply or compliance with which the Virgin Money or CYBG (as the case may be) regards as unduly onerous, then CYBG may, in its sole discretion, require Virgin Money to treat such Scheme Shareholder as a Restricted Shareholder for the purposes of the Scheme and may either:
- (i) determine that such New CYBG Shares shall not be allotted and issued to such Scheme Shareholder but instead the New CYBG Shares shall be allotted and issued to a nominee, appointed by CYBG, for such Scheme Shareholder, on terms that the nominee shall be authorised on behalf of such Scheme Shareholder to procure that such New CYBG Shares shall, as soon as practicable following the Effective Date, be sold on behalf of such Scheme Shareholder; or
  - (ii) determine that such New CYBG Shares shall be sold, in which event the New CYBG Shares shall be issued to such Scheme Shareholder and CYBG shall appoint a person to act pursuant to this clause 6(A)(ii) and such person shall be authorised on behalf of such Scheme Shareholder to procure that any New CYBG Shares in respect of which CYBG has made such determination shall, as soon as practicable following the Effective Date, be sold.
- (B) Any sale under clause 6(A) shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any VAT thereon, incurred in connection with such sale) shall be paid to such Scheme Shareholder by making a payment to such Scheme Shareholder in accordance with clause 5 as appropriate. To give effect to any sale under clause 6(A) the person appointed by CYBG in accordance with clause 6(A)(ii) shall be authorised as agent on behalf of the Scheme Shareholder concerned, and the nominee appointed by CYBG in accordance with clause 6(A)(i) shall be authorised, to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer and to give such instructions and to do all other things which he or she may consider necessary or expedient in connection with such sale. In the absence of bad faith and/or wilful default, none of Virgin Money, CYBG or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

## **7. Mandates and other instructions**

All cash mandates relating to the monetary payment of dividends on the Scheme Shares and other instructions, including communications preferences, given to Virgin Money which are in force at the Scheme Record Time relating to Scheme Shares shall, to the extent possible, unless and until revoked or amended, be deemed as from the Effective Date to be valid and effective to CYBG in relation to the New CYBG Shares issued in respect thereof.

## **8. Operation of this Scheme**

- (A) This Scheme shall become Effective upon a copy of the Court Order being delivered to the Registrar of Companies.
- (B) Unless this Scheme has become Effective on or before 31 January 2019, or such later date (if any) as CYBG and Virgin Money may agree and (if required) the Panel and the Court may allow, this Scheme shall never become Effective.

## **9. Modification**

Virgin Money and CYBG may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may approve or impose. Any such modification or addition shall require the consent of the Panel where such consent is required under the Code.

## **10. Governing Law Clause**

This Scheme is governed by English law and is subject to the exclusive jurisdiction of the English courts. The rules of the Code will apply to this Scheme on the basis provided in the Code.

Dated: 31 July 2018

## PART 5

### FINANCIAL INFORMATION

#### 1. CYBG financial information incorporated by reference

The following sets out the financial information in respect of CYBG required by Rule 24.3 of the Takeover Code. The documents referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Takeover Code.

| <u>Information incorporated by reference</u>  | <u>Hyperlinks</u>  | <u>Pages</u> |
|---|--|--------------|
| Trading update for the third quarter of the financial year ending 30 September 2018 . . . | <a href="http://www.cybg.com/investor-centre/financial-results/">www.cybg.com/investor-centre/financial-results/</a> | 1-4          |
| Interim financial report for the half-year ended 31 March 2018 . . . . .                  | <a href="http://www.cybg.com/investor-centre/financial-results/">www.cybg.com/investor-centre/financial-results/</a> | 30-57        |
| Trading update for the first quarter of the financial year ending 30 September 2018 . . . | <a href="http://www.cybg.com/investor-centre/financial-results/">www.cybg.com/investor-centre/financial-results/</a> | 1-3          |
| Annual Report and Accounts for the financial year ended 30 September 2017 . . . . .       | <a href="http://www.cybg.com/investor-centre/financial-results/">www.cybg.com/investor-centre/financial-results/</a> | 178-248      |
| Annual Report and Accounts for the financial year ended 30 September 2016 . . . . .       | <a href="http://www.cybg.com/investor-centre/financial-results/">www.cybg.com/investor-centre/financial-results/</a> | 200-290      |

#### 2. Virgin Money financial information incorporated by reference

The following sets out the financial information in respect of Virgin Money as required by Rule 24.3 of the Takeover Code. The following documents, the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Takeover Code:

| <u>Information incorporated by reference</u>  | <u>Hyperlinks</u>   | <u>Pages</u> |
|---|---|--------------|
| Half year results for half-year ended 30 June 2018 . . .                                    | <a href="https://uk.virginmoney.com/virgin/investor-relations/results/vmh-1h-interim-results-2018.pdf">https://uk.virginmoney.com/virgin/investor-relations/results/vmh-1h-interim-results-2018.pdf</a>   | 36-65        |
| Trading update for the first quarter of the financial year ending 31 December 2018. . . . . | <a href="https://uk.virginmoney.com/virgin/investor-relations/2018/vm-q1-2018-trading-update-rms.pdf">https://uk.virginmoney.com/virgin/investor-relations/2018/vm-q1-2018-trading-update-rms.pdf</a>   | 1-3          |
| Annual Report and Accounts for the financial year ended 31 December 2017 . . . . .          | <a href="https://uk.virginmoney.com/virgin/investor-relations/results/virgin-money-group-annual-report-and-accounts-2017.pdf">https://uk.virginmoney.com/virgin/investor-relations/results/virgin-money-group-annual-report-and-accounts-2017.pdf</a> | 191-250      |
| Annual Report and Accounts for the financial year ended 31 December 2016 . . . . .          | <a href="https://uk.virginmoney.com/virgin/investor-relations/results/virgin-money-group-annual-report-and-accounts-2016.pdf">https://uk.virginmoney.com/virgin/investor-relations/results/virgin-money-group-annual-report-and-accounts-2016.pdf</a> | 195-256      |

#### 3. Hard copies

Holders of Virgin Money Shares, persons with information rights and any other person who has received this document may request a hard copy of any documents or information incorporated by reference into this document.

Recipients of this document may request hard copies of the above-referenced financial information by contacting Equiniti on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate). Equiniti is open between 8.30 a.m. and 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be monitored or recorded for security and training purposes. Please note that Equiniti cannot provide advice on the merits of the Scheme, nor give any financial, tax, investment or legal advice.

You may also request that all future documents, announcements and information to be sent to you in relation to the Scheme should be in hard copy form. Hard copies of the above-referenced financial information will not be sent to recipients of this document unless specifically requested.

#### **4. No incorporation of website information**

Save as expressly referred to in this document, neither the content of the Virgin Money website or the CYBG website, nor the content of any website accessible from hyperlinks on the Virgin Money website or the CYBG website, is incorporated into, or forms part of, this document.

## PART 6

### ADDITIONAL INFORMATION FOR OVERSEAS SHAREHOLDERS

#### 1. General

This document has been prepared for the purposes of complying with English law, the Takeover Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the UK.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for shares in any jurisdiction in which such offer or solicitation is unlawful.

**Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.**

The availability of the Scheme and the Offer to Overseas Shareholders may be affected by the laws of the relevant jurisdictions in which they are located. Overseas Shareholders should inform themselves about and should observe any applicable legal or regulatory requirements. It is the responsibility of all Overseas Shareholders to satisfy themselves as to the full compliance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

The release, publication or distribution of this document and/or any accompanying documents in or into or from jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the UK to vote their Virgin Money Shares with respect to the Scheme at the Meetings, or to appoint another person as proxy may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such Restricted Jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person or any other failure to satisfy any applicable laws, regulations or requirements.

Unless otherwise determined by CYBG or required by the Takeover Code, and permitted by applicable law and regulation, the Offer will not be made available, directly or indirectly, in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Offer by any such use, means, instrumentality or form within any jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document and all documents relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all documents relating to the Offer (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of New CYBG Shares under the Offer to Virgin Money Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. CYBG may determine in its sole discretion that no New CYBG Shares shall be allotted and issued to any such Scheme Shareholder (each such Scheme Shareholder being treated as a Restricted Shareholder for the purposes of the Scheme). In the case of such Restricted Shareholders:

- (i) the New CYBG Shares shall be issued to a nominee appointed by CYBG on behalf of such holder on terms that the nominee shall, as soon as practicable following the Effective Date, sell the New CYBG Shares so issued with the net proceeds of such sale being remitted to such shareholder; or
- (ii) the New CYBG Shares shall be issued to and sold on behalf of such shareholder with the net proceeds of such sale being remitted to such shareholder.

Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal and regulatory requirements.

Overseas Shareholders with a registered address in a Restricted Jurisdiction will not, even if they so request, be sent the CYBG Prospectus.

## **2. US securities law**

The Offer relates to the shares of an English company and is being effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Offer is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the disclosure requirements, style and format of US proxy solicitation or tender offer rules. However, CYBG reserves the right, subject to the prior consent of the Panel and in accordance with the Co-operation Agreement, to elect to implement the Offer by means of a Takeover Offer for the entire issued and to be issued ordinary share capital of Virgin Money, as an alternative to the Scheme. If CYBG were to elect to implement the Offer by means of a Takeover Offer, it shall be made in compliance with all applicable laws and regulations. If such a Takeover Offer is required to be made in the United States, it will be done in compliance with the applicable tender offer rules under the US Exchange Act, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. In addition to any such Takeover Offer, CYBG, certain affiliated companies or their nominees or brokers (acting as agents) may, in accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, make certain purchases of, or arrangements to purchase, Virgin Money Shares outside the Takeover Offer, during the period in which such Takeover Offer would remain open for acceptance and/or before the Scheme becomes Effective, lapses or is withdrawn. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Such purchases or arrangements to purchase may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website at <http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm>.

The information contained in this document has neither been approved nor disapproved by the SEC or any US state securities commission. Neither the SEC, nor any state securities commission, has passed upon the fairness or merits of the proposal described in, nor upon the accuracy or adequacy of the information contained in, this document. Any representation to the contrary is a criminal offence in the United States.

The financial information included in this document has been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to the financial statements of US companies. US GAAP differs in certain respects from IFRS used in the United Kingdom and therefore the financial information included or incorporated by reference into this document relating to Virgin Money or CYBG may not be comparable with the financial information of US companies. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

The New CYBG Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New CYBG Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The New CYBG Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Virgin Money Shareholders who will be affiliates of CYBG after the Effective Date will be subject to certain US transfer restrictions relating to the New CYBG Shares received pursuant to the Scheme.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Virgin Money will advise the Court that its sanctioning of the Scheme will be relied upon by CYBG and Virgin Money as an approval of the Scheme following a hearing on its fairness which all Virgin Money Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such Virgin Money Shareholders.

It may be difficult for United States Virgin Money Shareholders to enforce their rights and any claim arising out of the US federal laws, since CYBG and Virgin Money are each located in a non-US jurisdiction, and some



or all of their officers and directors may be residents of a non-US jurisdiction. United States Virgin Money Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Virgin Money, the Virgin Money Group, CYBG, the CYBG Group or the Combined Group except where otherwise stated.

## PART 7

### ADDITIONAL INFORMATION ON VIRGIN MONEY AND CYBG

#### 1. Responsibility

- 1.1 The Virgin Money Directors, whose names are set out in paragraph 3.1 below, accept responsibility for the information contained in this document other than the information for which responsibility is taken by others pursuant to paragraphs 1.2 and 1.3 of this Part 7. To the best of the knowledge and belief of the Virgin Money Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Independent Virgin Money Directors accept responsibility for the information contained in this document relating to their recommendation that Virgin Money Shareholders vote in favour of the Scheme and the Rule 16 Resolution, the RPT Resolution and the Scheme Resolution to be proposed at the Virgin Money General Meeting, and the section of this document entitled 'Background to and reasons for the Independent Virgin Money Directors' recommendation of the Offer'. To the best of the knowledge and belief of the Independent Virgin Money Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information
- 1.3 The CYBG Directors, whose names are set out in paragraph 3.2 below accept responsibility for the information contained in this document relating to CYBG, the CYBG Group and the Combined Group (including the sections of this document entitled 'the Offer' and 'Background to and reasons for the Offer' and the 'Quantified Financial Benefits Statement') and the CYBG Directors and their respective immediate families and the related trusts of and persons connected with the CYBG Directors, and persons deemed to be acting in concert with CYBG (as such term is defined in the Takeover Code). To the best of the knowledge and belief of the CYBG Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

The Company was incorporated and registered in England and Wales under the name Speed 6038 Limited on 4 August 1995 with registered number 03087587 as a private company limited by shares. The Company subsequently changed its name to Virgin Direct Limited and then Virgin Money Group Limited on 26 September 1995 and 4 February 2002 respectively. On 21 July 2005, the Company changed its name to Virgin Money Holdings (UK) Limited. On 24 July 2014, the Company was re-registered as a public limited company and changed its name to Virgin Money Holdings (UK) plc.

The Company's registered office and principal place of business is Jubilee House, Gosforth, Newcastle-Upon-Tyne, United Kingdom, NE3 4PL (tel. +44 (0) 845 600 8401).

The principal legislation under which the Company operates is the laws of England and Wales, the Companies Act and regulations thereunder.

#### 3. Directors

3.1 The Virgin Money Directors and their respective positions are:

| <u>Name</u>                 | <u>Position</u>                                |
|-----------------------------|--|
| Jayne-Anne Gadhia . . . . . | Executive Director and Chief Executive Officer |
| Peter Bole . . . . .        | Executive Director and Chief Financial Officer |
| Irene Dorner . . . . .      | Chair  |
| Norman McLuskie . . . . .   | Senior Independent Non-Executive Director      |
| Colin Keogh . . . . .       | Independent Non-Executive Director             |
| Geeta Gopalan . . . . .     | Independent Non-Executive Director             |
| Eva Eisenschimmel . . . . . | Independent Non-Executive Director             |
| Darren Pope . . . . .       | Independent Non-Executive Director             |
| Patrick McCall . . . . .    | Non-Executive Director                         |
| Amy Stirling . . . . .      | Non-Executive Director                         |

The business address of each of the Virgin Money Directors (other than Patrick McCall and Amy Stirling) is Jubilee House, Gosforth, Newcastle-Upon-Tyne, United Kingdom, NE3 4PL. The business address of Patrick McCall and Amy Stirling is The Battleship Building, 179 Harlow Road, London, W2 6NB.

The company secretary of Virgin Money is Katie Marshall.

3.2 The CYBG Directors and their respective positions are:

| <u>Name</u>                      | <u>Position</u>   |
|----------------------------------|---|
| David Duffy . . . . .            | Executive Director and Chief Executive Officer                |
| Ian Smith . . . . .              | Executive Director and Group Chief Financial Officer          |
| Debbie Crosbie . . . . .         | Executive Director and Group Chief Operating Officer          |
| Jim Pettigrew . . . . .          | Chairman and Non-Executive Director                           |
| David Bennett . . . . .          | Deputy Chairman and Senior Independent Non-Executive Director |
| Clive Adamson . . . . .          | Independent Non-Executive Director                            |
| Paul Coby . . . . .              | Independent Non-Executive Director                            |
| Adrian Grace . . . . .           | Independent Non-Executive Director                            |
| Fiona Macleod . . . . .          | Independent Non-Executive Director                            |
| Dr Teresa Robson-Capps . . . . . | Independent Non-Executive Director                            |
| Tim Wade . . . . .               | Independent Non-Executive Director                            |

The business address of each of the CYBG Directors is 20 Merrion Way, Leeds, West Yorkshire, LS2 8NZ.

**4. Disclosures in respect of Virgin Money and CYBG securities**

4.1 For the purposes of this paragraph 4, paragraphs 5 to 8 and paragraph 13:

- (A) **acting in concert** has the meaning given to it in the Takeover Code;
- (B) **arrangement** includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to securities which may be an inducement to deal or refrain from dealing;
- (C) **dealing** has the meaning given to it in the Takeover Code;
- (D) **derivative** has the meaning given to it in the Takeover Code;
- (E) **disclosure period** means the period beginning on 7 May 2017 (being the date that is 12 months before the commencement of the offer period) and ending on the Latest Practicable Date;
- (F) **interest** or **interests** in relevant securities shall have the meaning given to it in the Takeover Code and references to interests of the CYBG Directors, or interests of the Virgin Money Directors in relevant securities shall include all interests of any other person whose interests in shares the CYBG Directors, or, as the case may be, the Virgin Money Directors, are taken to be interested in pursuant to Part 22 of the Companies Act;
- (G) **offer period** means the period commencing on 7 May 2018 and ending on the Latest Practicable Date;
- (H) **relevant CYBG securities** means relevant securities (such term having the meaning given to it in the Takeover Code in relation to an offeror) of CYBG, including equity share capital of CYBG (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof; and
- (I) **relevant Virgin Money securities** means relevant securities (such term having the meaning given to it in the Takeover Code in relation to an offeree) of Virgin Money including equity share capital of Virgin Money (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof.

## ***Interests and Dealings in Relevant Virgin Money Securities***

### ***Virgin Money***

4.2 As at the Latest Practicable Date, the Virgin Money Directors, their close relatives, related trusts and connected persons held the following interests in, or rights to subscribe in respect of, relevant Virgin Money securities:

#### ***Issued share capital<sup>(1)</sup>***

| <u>Name</u>                 | <u>Number of Virgin Money Shares</u> | <u>Percentage of existing issued ordinary share capital</u> |
|-----------------------------|--------------------------------------|---|
| Jayne-Anne Gadhia . . . . . | 2,253,876                            | 0.505%  |
| Peter Bole . . . . .        | 111,093                              | 0.025%  |
| Colin Keogh . . . . .       | 157,260                              | 0.035%  |
| Norman McLuskie . . . . .   | 90,080                               | 0.020%  |
| William Keogh . . . . .     | 1,580                                | 0.000%  |

(1) As disclosed in paragraph 6.1(G) below, Peter Bole will receive Virgin Money Shares in satisfaction of two outstanding payments of his annual FSA. The allowance is £100,000 in total for 2018. Receipt of the allowance in respect of the first two financial quarters of 2018 was delayed due to the Offer. It is expected that the two outstanding payments will be received in August 2018. The remaining two portions of his annual allowance will be paid on the normal quarterly basis.

#### ***Share options and share awards***

| <u>Name</u>                 | <u>Share Plan</u> | <u>Number of Virgin Money Shares</u> | <u>Vesting date</u>               | <u>Exercise price (p)</u> |
|-----------------------------|-------------------|--------------------------------------|-----------------------------------|---------------------------|
| Jayne Anne-Gadhia . . . . . | Virgin Money DBSP | 317,661                              | Between March 2019 and March 2025 | Nil                       |
|                             | Virgin Money LTIP | 1,172,430                            | Between March 2019 and March 2026 | Nil                       |
| Peter Bole . . . . .        | Virgin Money DBSP | 250,859                              | Between May 2018 and March 2025   | Nil                       |
|                             | Virgin Money LTIP | 631,132                              | Between July 2018 and March 2026  | Nil                       |

4.3 As at the Latest Practicable Date, the following persons acting in concert with Virgin Money held the following interests in, or rights to subscribe in respect of, relevant Virgin Money securities:

#### ***Issued share capital***

| <u>Name</u>                                      | <u>Number of Virgin Money Shares</u> | <u>Percentage of existing issued ordinary share capital</u> |
|--|--------------------------------------|---|
| Virgin Group Holdings Limited . . . . .          | 155,120,454                          | 34.8%   |
| Wealth Nominees Limited <sup>(1)</sup> . . . . . | 1,979,319 <sup>(2)</sup>             | 0.4%  |

(1) Nominee holder of CREST securities on behalf of the Employee Benefit Trust for Virgin Money

(2) These figures reflects the current shareholding following an acquisition of 28,585 Virgin Money Shares on 5 June 2018

4.4 Save as disclosed above, as at the close of business on the Latest Practicable Date, neither Virgin Money, nor any Virgin Money Director, nor, so far as Virgin Money is aware, any person acting in concert (within the meaning of the Takeover Code) with Virgin Money, nor any person with whom Virgin Money or any person acting in concert with Virgin Money has an arrangement has: (i) any interest in or right to subscribe for any relevant Virgin Money securities; (ii) any short positions in respect of relevant Virgin Money securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; or (iii) borrowed or lent any relevant Virgin Money securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code).

4.5 During the Offer Period, no dealings in relevant Virgin Money securities by Virgin Money Directors, their close relatives, related trusts and their connected persons have taken place.

4.6 During the Offer Period, the following dealings in relevant Virgin Money securities by persons acting in concert with Virgin Money have taken place:

*Virgin Money Shares*

| <u>Name</u>                       | <u>Date(s)</u> | <u>Nature of Dealings</u> | <u>Number of Virgin Money Shares</u> | <u>Price per unit (GBP£)</u> |
|-----------------------------------|----------------|---------------------------|--------------------------------------|------------------------------|
| Wealth Nominees Limited . . . . . | 5 June 2018    | Buy                       | 28,585                               | 3.473007                     |

**CYBG**

4.7 Save for in respect of the irrevocable undertakings referred to in paragraph 10 below, as at the close of business on the Latest Practicable Date, neither CYBG, nor any CYBG Director, nor, so far as CYBG is aware, any person acting in concert (within the meaning of the Takeover Code) with it nor any person with whom it or any person acting in concert with it has an arrangement has: (i) any interest in or right to subscribe for any relevant Virgin Money securities, (ii) any short positions in respect of relevant Virgin Money securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; or (iii) borrowed or lent any relevant Virgin Money securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code). During the disclosure period, no dealings in relevant Virgin Money securities by CYBG, or CYBG Directors, their close relatives, related trusts and their connected persons have taken place.

4.8 During the disclosure period, the following dealings in relevant Virgin Money securities by persons acting in concert with CYBG have taken place:

| <u>Name</u>                   | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price (pence)</u> | <u>Highest price (pence)</u> |
|-------------------------------|-------------|--------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------|
| Macquarie Hong Kong . . . . . | 03/04/2017  | Buy                      | Virgin Money Shares       | 3,970                       | 319.5                       | 325.1748                     |
| Macquarie Hong Kong . . . . . | 26/04/2017  | Sell                     | Virgin Money Shares       | 5,457                       | 325.6483                    | 334.4                        |
| Macquarie Hong Kong . . . . . | 27/04/2017  | Sell                     | Virgin Money Shares       | 5,456                       | 330.4912                    | 336.4                        |
| Macquarie Hong Kong . . . . . | 28/04/2017  | Sell                     | Virgin Money Shares       | 5,644                       | 316.2825                    | 331.9589                     |
| Macquarie Hong Kong . . . . . | 03/05/2017  | Buy                      | Virgin Money Shares       | 19,315                      | 302.6396                    | 308.4                        |
| Macquarie Hong Kong . . . . . | 04/05/2017  | Buy                      | Virgin Money Shares       | 6,060                       | 296.7884                    | 301.3158                     |
| Macquarie Hong Kong . . . . . | 05/05/2017  | Buy                      | Virgin Money Shares       | 6,365                       | 301.7816                    | 311.3                        |
| Macquarie Hong Kong . . . . . | 10/05/2017  | Buy                      | Virgin Money Shares       | 45,729                      | 305.6376                    | 311                          |
| Macquarie Hong Kong . . . . . | 11/05/2017  | Buy                      | Virgin Money Shares       | 12,368                      | 304.5566                    | 309.4056                     |
| Macquarie Hong Kong . . . . . | 12/05/2017  | Buy                      | Virgin Money Shares       | 39,265                      | 299.3                       | 305.1                        |
| Macquarie Hong Kong . . . . . | 24/05/2017  | Sell                     | Virgin Money Shares       | 6,048                       | 303                         | 306.3959                     |
| Macquarie Hong Kong . . . . . | 25/05/2017  | Sell                     | Virgin Money Shares       | 17,096                      | 301.1882                    | 305.0589                     |
| Macquarie Hong Kong . . . . . | 31/05/2017  | Sell                     | Virgin Money Shares       | 28,123                      | 296.8                       | 302.465                      |
| Macquarie Hong Kong . . . . . | 01/06/2017  | Sell                     | Virgin Money Shares       | 34,086                      | 293.9401                    | 297.8837                     |
| Macquarie Hong Kong . . . . . | 02/06/2017  | Sell                     | Virgin Money Shares       | 9,419                       | 291.2                       | 297.4                        |
| Macquarie Hong Kong . . . . . | 07/06/2017  | Sell                     | Virgin Money Shares       | 3,059                       | 279.9753                    | 289.4265                     |
| Macquarie Hong Kong . . . . . | 08/06/2017  | Sell                     | Virgin Money Shares       | 4,808                       | 284.4845                    | 288.8543                     |
| Macquarie Hong Kong . . . . . | 09/06/2017  | Sell                     | Virgin Money Shares       | 8,413                       | 279.3098                    | 290.4                        |
| Macquarie Hong Kong . . . . . | 21/06/2017  | Buy                      | Virgin Money Shares       | 18,611                      | 265.1095                    | 268.2467                     |
| Macquarie Hong Kong . . . . . | 22/06/2017  | Buy                      | Virgin Money Shares       | 19,855                      | 257.5                       | 266.239                      |
| Macquarie Hong Kong . . . . . | 23/06/2017  | Buy                      | Virgin Money Shares       | 22,703                      | 263.5                       | 266.0111                     |
| Macquarie Hong Kong . . . . . | 26/06/2017  | Buy                      | Virgin Money Shares       | 15,628                      | 263.9915                    | 268.7                        |
| Macquarie Hong Kong . . . . . | 27/06/2017  | Buy                      | Virgin Money Shares       | 25,173                      | 265.6                       | 272.4                        |
| Macquarie Hong Kong . . . . . | 29/06/2017  | Buy                      | Virgin Money Shares       | 1,437                       | 270.7                       | 272.7718                     |
| Macquarie Hong Kong . . . . . | 30/06/2017  | Buy                      | Virgin Money Shares       | 1,283                       | 266.3                       | 269.6                        |
| Macquarie Hong Kong . . . . . | 03/07/2017  | Sell                     | Virgin Money Shares       | 2,000                       | 267.1259                    | 270.4147                     |
| Macquarie Hong Kong . . . . . | 05/07/2017  | Sell                     | Virgin Money Shares       | 4,674                       | 290.6096                    | 294.8                        |
| Macquarie Hong Kong . . . . . | 06/07/2017  | Sell                     | Virgin Money Shares       | 8,109                       | 289.3                       | 297                          |
| Macquarie Hong Kong . . . . . | 07/07/2017  | Sell                     | Virgin Money Shares       | 9,774                       | 297.2372                    | 302.4933                     |
| Macquarie Hong Kong . . . . . | 10/07/2017  | Sell                     | Virgin Money Shares       | 4,908                       | 296.3956                    | 299.03                       |

| <u>Name</u>         | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price (pence)</u> | <u>Highest price (pence)</u> |
|---------------------|-------------|--------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------|
| Macquarie Hong Kong | 11/07/2017  | Sell                     | Virgin Money Shares       | 6,564                       | 293.6                       | 299                          |
| Macquarie Hong Kong | 12/07/2017  | Sell                     | Virgin Money Shares       | 12,080                      | 295.2368                    | 302.5123                     |
| Macquarie Hong Kong | 13/07/2017  | Sell                     | Virgin Money Shares       | 38,820                      | 301.8146                    | 306.3                        |
| Macquarie Hong Kong | 14/07/2017  | Sell                     | Virgin Money Shares       | 10,047                      | 298.1273                    | 306.0481                     |
| Macquarie Hong Kong | 19/07/2017  | Sell                     | Virgin Money Shares       | 62,480                      | 300.5                       | 306                          |
| Macquarie Hong Kong | 31/08/2017  | Buy                      | Virgin Money Shares       | 1,301                       | 266.4                       | 266.55                       |
| Macquarie Hong Kong | 01/09/2017  | Buy                      | Virgin Money Shares       | 2,354                       | 264.9775                    | 266.7                        |
| Macquarie Hong Kong | 04/09/2017  | Buy                      | Virgin Money Shares       | 2,113                       | 261.886                     | 264.2                        |
| Macquarie Hong Kong | 05/09/2017  | Buy                      | Virgin Money Shares       | 3,328                       | 260.6009                    | 263.2903                     |
| Macquarie Hong Kong | 10/10/2017  | Sell                     | Virgin Money Shares       | 449                         | 270                         | 270                          |
| Macquarie Hong Kong | 11/10/2017  | Buy                      | Virgin Money Shares       | 25,153                      | 267.7851                    | 270.5579                     |
| Macquarie Hong Kong | 12/10/2017  | Buy                      | Virgin Money Shares       | 24,232                      | 271.5708                    | 277.1                        |
| Macquarie Hong Kong | 13/10/2017  | Buy                      | Virgin Money Shares       | 26,175                      | 269.9907                    | 288.7507                     |
| Macquarie Hong Kong | 16/10/2017  | Buy                      | Virgin Money Shares       | 43,885                      | 286.4                       | 291.4943                     |
| Macquarie Hong Kong | 18/10/2017  | Sell                     | Virgin Money Shares       | 13,849                      | 300.0318                    | 306                          |
| Macquarie Hong Kong | 19/10/2017  | Sell                     | Virgin Money Shares       | 11,137                      | 299.8947                    | 307.2462                     |
| Macquarie Hong Kong | 20/10/2017  | Sell                     | Virgin Money Shares       | 23,754                      | 300.3                       | 304.8336                     |
| Macquarie Hong Kong | 25/10/2017  | Sell                     | Virgin Money Shares       | 23,181                      | 293.5                       | 299.8003                     |
| Macquarie Hong Kong | 26/10/2017  | Sell                     | Virgin Money Shares       | 40,328                      | 289.45                      | 294.45                       |
| Macquarie Hong Kong | 01/11/2017  | Buy                      | Virgin Money Shares       | 3,766                       | 293.8054                    | 295.7818                     |
| Macquarie Hong Kong | 30/11/2017  | Buy                      | Virgin Money Shares       | 3,044                       | 272.6494                    | 276.3341                     |
| Macquarie Hong Kong | 01/12/2017  | Buy                      | Virgin Money Shares       | 3,188                       | 273.2                       | 275.3499                     |
| Macquarie Hong Kong | 07/12/2017  | Sell                     | Virgin Money Shares       | 61,213                      | 261.25                      | 267.7                        |
| Macquarie Hong Kong | 20/12/2017  | Buy                      | Virgin Money Shares       | 7,172                       | 278.5                       | 281.7366                     |
| Macquarie Hong Kong | 21/12/2017  | Buy                      | Virgin Money Shares       | 7,267                       | 279.7                       | 283                          |
| Macquarie Hong Kong | 22/12/2017  | Buy                      | Virgin Money Shares       | 7,078                       | 279.3                       | 281.4                        |
| Macquarie Hong Kong | 27/12/2017  | Buy                      | Virgin Money Shares       | 7,266                       | 280.5                       | 281.7                        |
| Macquarie Hong Kong | 28/12/2017  | Buy                      | Virgin Money Shares       | 7,000                       | 280.2                       | 282.6                        |
| Macquarie Hong Kong | 10/01/2018  | Sell                     | Virgin Money Shares       | 2,423                       | 282.2463                    | 291.2315                     |
| Macquarie Hong Kong | 11/01/2018  | Sell                     | Virgin Money Shares       | 3,104                       | 285.7866                    | 289.4                        |
| Macquarie Hong Kong | 12/01/2018  | Sell                     | Virgin Money Shares       | 3,315                       | 290.9026                    | 294.101                      |
| Macquarie Hong Kong | 15/01/2018  | Sell                     | Virgin Money Shares       | 3,388                       | 290.6                       | 293.4407                     |
| Macquarie Hong Kong | 16/01/2018  | Sell                     | Virgin Money Shares       | 4,821                       | 288.3                       | 291.2                        |
| Macquarie Hong Kong | 17/01/2018  | Sell                     | Virgin Money Shares       | 4,526                       | 281.7966                    | 288.8                        |
| Macquarie Hong Kong | 18/01/2018  | Sell                     | Virgin Money Shares       | 4,962                       | 274.7                       | 277.8165                     |
| Macquarie Hong Kong | 19/01/2018  | Sell                     | Virgin Money Shares       | 4,957                       | 273.3433                    | 276.5547                     |
| Macquarie Hong Kong | 31/01/2018  | Buy                      | Virgin Money Shares       | 22,655                      | 277.9                       | 281.8                        |
| Macquarie Hong Kong | 01/02/2018  | Buy                      | Virgin Money Shares       | 20,123                      | 277.4                       | 283.2                        |
| Macquarie Hong Kong | 07/02/2018  | Buy                      | Virgin Money Shares       | 8,109                       | 272.8811                    | 280.8149                     |
| Macquarie Hong Kong | 08/02/2018  | Buy                      | Virgin Money Shares       | 7,833                       | 278.1                       | 283.5                        |
| Macquarie Hong Kong | 09/02/2018  | Buy                      | Virgin Money Shares       | 13,928                      | 271.4                       | 274.7                        |
| Macquarie Hong Kong | 23/02/2018  | Sell                     | Virgin Money Shares       | 3,760                       | 265.3997                    | 269.5404                     |
| Macquarie Hong Kong | 28/02/2018  | Sell                     | Virgin Money Shares       | 34,803                      | 274.253                     | 281.5126                     |
| Macquarie Hong Kong | 01/03/2018  | Sell                     | Virgin Money Shares       | 37,730                      | 274.8                       | 278.9                        |
| Macquarie Hong Kong | 02/03/2018  | Sell                     | Virgin Money Shares       | 74,100                      | 270.9                       | 276.4914                     |
| Macquarie Hong Kong | 05/03/2018  | Sell                     | Virgin Money Shares       | 16,117                      | 266.5494                    | 271.0183                     |
| Macquarie Hong Kong | 07/03/2018  | Sell                     | Virgin Money Shares       | 20,276                      | 269.2803                    | 274.2537                     |
| Macquarie Hong Kong | 19/03/2018  | Sell                     | Virgin Money Shares       | 1,819                       | 263.2664                    | 264.2                        |
| Macquarie Hong Kong | 11/04/2018  | Sell                     | Virgin Money Shares       | 8,558                       | 259.5679                    | 262.8602                     |
| Macquarie Hong Kong | 12/04/2018  | Sell                     | Virgin Money Shares       | 7,886                       | 262.1126                    | 264.8                        |
| Macquarie Hong Kong | 13/04/2018  | Sell                     | Virgin Money Shares       | 7,930                       | 262.9                       | 268.4                        |
| Macquarie Hong Kong | 16/04/2018  | Sell                     | Virgin Money Shares       | 14,705                      | 263.7                       | 266.7209                     |
| Macquarie Hong Kong | 18/04/2018  | Sell                     | Virgin Money Shares       | 1,352                       | 265.1                       | 268                          |
| Macquarie Hong Kong | 19/04/2018  | Sell                     | Virgin Money Shares       | 1,302                       | 269.9935                    | 274.6                        |
| Macquarie Hong Kong | 20/04/2018  | Sell                     | Virgin Money Shares       | 2,199                       | 279.6                       | 280                          |
| Macquarie Hong Kong | 23/04/2018  | Sell                     | Virgin Money Shares       | 2,304                       | 279.8144                    | 285.2                        |
| Macquarie Hong Kong | 25/04/2018  | Sell                     | Virgin Money Shares       | 16,259                      | 273.7497                    | 282.3                        |

| <u>Name</u>                   | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price (pence)</u> | <u>Highest price (pence)</u> |
|-------------------------------|-------------|--------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------|
| Macquarie Hong Kong . . . . . | 26/04/2018  | Sell                     | Virgin Money Shares       | 17,584                      | 272.2                       | 278                          |
| Macquarie Hong Kong . . . . . | 27/04/2018  | Short                    | Virgin Money Shares       | 33,347                      | 265.9                       | 272.8                        |
| Macquarie Hong Kong . . . . . | 02/05/2018  | Short                    | Virgin Money Shares       | 31,873                      | 289.9467                    | 300.8                        |
| Macquarie Hong Kong . . . . . | 03/05/2018  | Short                    | Virgin Money Shares       | 43,990                      | 301.1                       | 310                          |
| Macquarie Hong Kong . . . . . | 04/05/2018  | Short                    | Virgin Money Shares       | 19,422                      | 303.4753                    | 309.9                        |

***Interests and Dealings in Relevant CYBG Securities***

***Virgin Money***

4.9 As at the Latest Practicable Date, the following persons acting in concert with Virgin Money held the following interests in, or rights to subscribe in respect of, relevant CYBG securities:

***Long position in CYBG Shares***

| <u>Name</u>   | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Merrill Lynch (Australia) Futures Limited . . . . . | 9,800  | 0.00%  |

***Short position in CYBG Shares***

| <u>Name</u>   | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Merrill Lynch (Australia) Futures Limited . . . . . | 31,076   | 0.00%  |

***CYBG Long position cash-settled derivatives***

| <u>Name</u>   | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Merrill Lynch (Australia) Futures Limited . . . . . | 21,276   | 0.00%  |

***CYBG long swaps***

| <u>Name</u>                                       | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 4,084,237                                      | 0.46%  |

***CYBG short swaps***

| <u>Name</u>                                       | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 3,152,788                                      | 0.36%  |

***CYBG Securities Borrowing and Lending***

| <u>Name</u>                                       | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 737,696  | 0.08%  |

***CYBG CDI—Long position***

| <u>Name</u>                                       | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Citibank (Channel Islands) Ltd . . . . .          | 298  | 0.00%  |
| Citibank London Nominees Ltd . . . . .            | 579  | 0.00%  |
| CGM Australia . . . . .                           | 990,656  | 0.11%  |
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 4,259,253                                      | 0.48%  |

***CYBG CDI—Short position***

| <u>Name</u>                                       | <u>Number of CYBG Shares/Nature of holding</u> | <u>Percentage of existing issued share capital</u> |
|---|--|--|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 3,835,744                                      | 0.43%  |

4.10 Save as disclosed above, as at the close of business on the Latest Practicable Date, neither Virgin Money, nor any Virgin Money Director, nor, so far as Virgin Money is aware, any person acting in concert (within the meaning of the Takeover Code) with it nor any person with whom it or any person acting in concert with it has an arrangement has: (i) any interest in or right to subscribe for any relevant CYBG securities, (ii) any short positions in respect of relevant CYBG securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; or (iii) borrowed or lent any relevant CYBG securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code).

4.11 During the offer period, no dealings in relevant CYBG securities by Virgin Money or Virgin Money Directors, their close relatives, related trusts and their connected persons have taken place.

4.12 During the offer period, the following dealings in relevant CYBG securities by persons acting in concert with Virgin Money have taken place:

***CYBG CDI—Long position***

| <u>Name</u>                                       | <u>Date</u>           | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|---|-----------------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Goldman, Sachs & Co. LLC . . . . .                | 08/05/2018–27/07/2018 | Purchase                 | CDI                       | 695,841                     | 5.1000 AUD          | 6.1086 AUD           |
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–27/07/2018 | Purchase                 | CDI                       | 5,804,651                   | 5.0028 AUD          | 6.2100 AUD           |
| Goldman Sachs Australia Pty Ltd . . . . .         | 08/05/2018–27/07/2018 | Purchase                 | CDI                       | 458,791                     | 5.1112 AUD          | 5.8378 AUD           |
| Bank of America Corporation . . . . .             | 08 May 2018           | Purchase                 | CDI                       | 180,752                     | 5.526 AUD           | 5.64 AUD             |
| Bank of America Corporation . . . . .             | 09 May 2018           | Purchase                 | CDI                       | 51,397                      | 5.785 AUD           | 5.79 AUD             |
| Bank of America Corporation . . . . .             | 10 May 2018           | Purchase                 | CDI                       | 23,727                      | 5.837 AUD           | 5.837 AUD            |
| Bank of America Corporation . . . . .             | 11 May 2018           | Purchase                 | CDI                       | 4,901                       | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . . .             | 14 May 2018           | Purchase                 | CDI                       | 155                         | 5.74 AUD            | 5.74 AUD             |
| Bank of America Corporation . . . . .             | 15 May 2018           | Purchase                 | CDI                       | 40,755                      | 5.83 AUD            | 5.84 AUD             |
| Bank of America Corporation . . . . .             | 16 May 2018           | Purchase                 | CDI                       | 32,959                      | 5.499 AUD           | 5.499 AUD            |
| Bank of America Corporation . . . . .             | 17 May 2018           | Purchase                 | CDI                       | 58,316                      | 5.446 AUD           | 5.45 AUD             |
| Bank of America Corporation . . . . .             | 18 May 2018           | Purchase                 | CDI                       | 5,934                       | 5.382 AUD           | 5.382 AUD            |
| Bank of America Corporation . . . . .             | 21 May 2018           | Purchase                 | CDI                       | 19,499                      | 5.343 AUD           | 5.36 AUD             |
| Bank of America Corporation . . . . .             | 22 May 2018           | Purchase                 | CDI                       | 1,580                       | 5.301 AUD           | 5.32 AUD             |
| Bank of America Corporation . . . . .             | 23 May 2018           | Purchase                 | CDI                       | 788                         | 5.3 AUD             | 5.3 AUD              |
| Bank of America Corporation . . . . .             | 24 May 2018           | Purchase                 | CDI                       | 5,261                       | 5.183 AUD           | 5.183 AUD            |
| Bank of America Corporation . . . . .             | 25 May 2018           | Purchase                 | CDI                       | 48,965                      | 5.226 AUD           | 5.26 AUD             |
| Bank of America Corporation . . . . .             | 28 May 2018           | Purchase                 | CDI                       | 57,154                      | 5.22 AUD            | 5.22 AUD             |
| Bank of America Corporation . . . . .             | 29 May 2018           | Purchase                 | CDI                       | 8,215                       | 5.2 AUD             | 5.2 AUD              |
| Bank of America Corporation . . . . .             | 30 May 2018           | Purchase                 | CDI                       | 16,600                      | 5.16 AUD            | 5.16 AUD             |
| Bank of America Corporation . . . . .             | 31 May 2018           | Purchase                 | CDI                       | 9,302                       | 5.11 AUD            | 5.11 AUD             |
| Bank of America Corporation . . . . .             | 01 June 2018          | Purchase                 | CDI                       | 43,970                      | 5.008 AUD           | 5.04 AUD             |
| Bank of America Corporation . . . . .             | 04 June 2018          | Purchase                 | CDI                       | 1                           | 5.3 AUD             | 5.3 AUD              |
| Bank of America Corporation . . . . .             | 05 June 2018          | Purchase                 | CDI                       | 9,504                       | 5.25 AUD            | 5.28 AUD             |
| Bank of America Corporation . . . . .             | 06 June 2018          | Purchase                 | CDI                       | 11,340                      | 5.296 AUD           | 5.3 AUD              |
| Bank of America Corporation . . . . .             | 07 June 2018          | Purchase                 | CDI                       | 11,637                      | 5.348 AUD           | 5.355 AUD            |
| Bank of America Corporation . . . . .             | 08 June 2018          | Purchase                 | CDI                       | 19,897                      | 5.325 AUD           | 5.35 AUD             |



| <u>Name</u>                       | <u>Date</u>  | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|-----------------------------------|--------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Bank of America Corporation . . . | 12 June 2018 | Purchase                 | CDI                       | 15,919                      | 5.286 AUD           | 5.305 AUD            |
| Bank of America Corporation . . . | 13 June 2018 | Purchase                 | CDI                       | 5,663                       | 5.28 AUD            | 5.28 AUD             |
| Bank of America Corporation . . . | 14 June 2018 | Purchase                 | CDI                       | 85,128                      | 5.38 AUD            | 5.418 AUD            |
| Bank of America Corporation . . . | 15 June 2018 | Purchase                 | CDI                       | 2,277                       | 5.481 AUD           | 5.481 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Purchase                 | CDI                       | 73,678                      | 5.505 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Purchase                 | CDI                       | 216,488                     | 5.426 AUD           | 5.442 AUD            |
| Bank of America Corporation . . . | 20 June 2018 | Purchase                 | CDI                       | 4,664                       | 5.432 AUD           | 5.45 AUD             |
| Bank of America Corporation . . . | 21 June 2018 | Purchase                 | CDI                       | 13,913                      | 5.52 AUD            | 5.63 AUD             |
| Bank of America Corporation . . . | 22 June 2018 | Purchase                 | CDI                       | 19,152                      | 5.674 AUD           | 5.7 AUD              |
| Bank of America Corporation . . . | 25 June 2018 | Purchase                 | CDI                       | 28,687                      | 5.69 AUD            | 5.697 AUD            |
| Bank of America Corporation . . . | 26 June 2018 | Purchase                 | CDI                       | 1,624                       | 5.728 AUD           | 5.728 AUD            |
| Bank of America Corporation . . . | 27 June 2018 | Purchase                 | CDI                       | 11,046                      | 5.66 AUD            | 5.68 AUD             |
| Bank of America Corporation . . . | 28 June 2018 | Purchase                 | CDI                       | 1,472,963                   | 5.59 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 29 June 2018 | Purchase                 | CDI                       | 30,691                      | 5.63 AUD            | 5.66 AUD             |
| Bank of America Corporation . . . | 02 July 2018 | Purchase                 | CDI                       | 10,067                      | 5.724 AUD           | 5.79 AUD             |
| Bank of America Corporation . . . | 03 July 2018 | Purchase                 | CDI                       | 14,997                      | 5.87 AUD            | 5.93 AUD             |
| Bank of America Corporation . . . | 04 July 2018 | Purchase                 | CDI                       | 32,960                      | 5.948 AUD           | 5.96 AUD             |
| Bank of America Corporation . . . | 05 July 2018 | Purchase                 | CDI                       | 9,862                       | 6.04 AUD            | 6.044 AUD            |
| Bank of America Corporation . . . | 06 July 2018 | Purchase                 | CDI                       | 17,742                      | 6.195 AUD           | 6.21 AUD             |
| Bank of America Corporation . . . | 09 July 2018 | Purchase                 | CDI                       | 7,514                       | 6.117 AUD           | 6.117 AUD            |
| Bank of America Corporation . . . | 10 July 2018 | Purchase                 | CDI                       | 10,446                      | 6.1 AUD             | 6.119 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Purchase                 | CDI                       | 72,158                      | 5.99 AUD            | 6.001 AUD            |
| Bank of America Corporation . . . | 13 July 2018 | Purchase                 | CDI                       | 14,524                      | 5.97 AUD            | 5.99 AUD             |
| Bank of America Corporation . . . | 16 July 2018 | Purchase                 | CDI                       | 1,110                       | 5.9 AUD             | 5.9 AUD              |
| Bank of America Corporation . . . | 17 July 2018 | Purchase                 | CDI                       | 14,468                      | 5.91 AUD            | 5.91 AUD             |
| Bank of America Corporation . . . | 19 July 2018 | Purchase                 | CDI                       | 19,424                      | 5.83 AUD            | 5.84 AUD             |
| Bank of America Corporation . . . | 20 July 2018 | Purchase                 | CDI                       | 7,061                       | 5.84 AUD            | 5.84 AUD             |
| Bank of America Corporation . . . | 26 July 2018 | Purchase                 | CDI                       | 9,182                       | 6.01 AUD            | 6.01 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 08/05/2018   | Purchase                 | CDI                       | 242,493                     | 5.45 AUD            | 5.64 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 09/05/2018   | Purchase                 | CDI                       | 61,562                      | 5.75 AUD            | 5.89 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 10/05/2018   | Purchase                 | CDI                       | 23,231                      | 5.79 AUD            | 5.86 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 15/05/2018   | Purchase                 | CDI                       | 477                         | 5.86 AUD            | 5.86 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 30/05/2018   | Purchase                 | CDI                       | 29,781                      | 5.16 AUD            | 5.18 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 04/06/2018   | Purchase                 | CDI                       | 100,000                     | 5.3 AUD             | 5.3 AUD              |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 05/06/2018   | Purchase                 | CDI                       | 13,599                      | 5.22 AUD            | 5.25 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 12/06/2018   | Purchase                 | CDI                       | 255,959                     | 5.32 AUD            | 5.32 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 21/06/2018   | Purchase                 | CDI                       | 87,565                      | 5.52 AUD            | 5.52 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 25/06/2018   | Purchase                 | CDI                       | 33,371                      | 5.69 AUD            | 5.69 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 26/06/2108   | Purchase                 | CDI                       | 50,058                      | 5.76 AUD            | 5.76 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 27/06/2108   | Purchase                 | CDI                       | 18,684                      | 5.76 AUD            | 5.76 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 13/07/2018   | Purchase                 | CDI                       | 1,587                       | 5.92 AUD            | 5.99 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 17/07/2018   | Purchase                 | CDI                       | 515                         | 5.96 AUD            | 5.965 AUD            |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 19/07/2018   | Purchase                 | CDI                       | 80,047                      | 5.85 AUD            | 5.88 AUD             |
| Citigroup Global Markets          |              |                          |                           |                             |                     |                      |
| Australia . . . . .               | 23/07/2018   | Purchase                 | CDI                       | 27,478                      | 5.91 AUD            | 5.91 AUD             |

**CYBG CDI—Short position**

| <u>Name</u>  | <u>Date</u>           | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|--|-----------------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Goldman Sachs & Co. LLC . . . . .  | 08/05/2018–27/07/2018 | Sale                     | CDI                       | 695,841                     | 5.1050 AUD          | 6.1537 AUD           |
| Goldman Sachs Financial Markets<br>Pty Ltd . . . . .                               | 08/05/2018–27/07/2018 | Sale                     | CDI                       | 6,598,016                   | 5.0325 AUD          | 6.2658 AUD           |
| Goldman Sachs Financial Markets<br>Pty Ltd . . . . .                               | 08/05/2018–27/07/2018 | Sale                     | CDI                       | 331,610                     | 3.0501 GBP          | 3.3497 GBP           |
| Goldman Sachs Australia Pty Ltd<br>Citigroup Global Markets<br>Australia . . . . . | 08/05/2018–27/07/2018 | Sale                     | CDI                       | 458,791                     | 5.1100 AUD          | 5.8300 AUD           |
| Citigroup Global Markets<br>Australia . . . . .                                    | 09/05/2018            | Sale                     | CDI                       | 106,937                     | 5.75 AUD            | 5.89 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 15/05/2018            | Sale                     | CDI                       | 109,104                     | 5.84 AUD            | 5.84 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 16/05/2018            | Sale                     | CDI                       | 474,266                     | 5.51 AUD            | 5.84 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 29/05/2018            | Sale                     | CDI                       | 29,781                      | 5.27 AUD            | 5.27 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 04/06/2018            | Sale                     | CDI                       | 72,008                      | 5.3 AUD             | 5.3 AUD              |
| Citigroup Global Markets<br>Australia . . . . .                                    | 05/06/2018            | Sale                     | CDI                       | 109,988                     | 5.21 AUD            | 5.31 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 12/06/2018            | Sale                     | CDI                       | 243,334                     | 5.29 AUD            | 5.35 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 21/06/2018            | Sale                     | CDI                       | 24,695                      | 5.52 AUD            | 5.52 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 26/06/2108            | Sale                     | CDI                       | 708                         | 5.76 AUD            | 5.76 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 19/07/2018            | Sale                     | CDI                       | 6,671                       | 5.83 AUD            | 5.83 AUD             |
| Citigroup Global Markets<br>Australia . . . . .                                    | 23/07/2018            | Sale                     | CDI                       | 23,413                      | 5.91 AUD            | 5.91 AUD             |
| Bank of America Corporation . . . . .  | 08 May 2018           | Sale                     | CDI                       | 150906                      | 5.51 AUD            | 5.64 AUD             |
| Bank of America Corporation . . . . .  | 09 May 2018           | Sale                     | CDI                       | 187,576                     | 5.79 AUD            | 5.812 AUD            |
| Bank of America Corporation . . . . .  | 10 May 2018           | Sale                     | CDI                       | 73,017                      | 5.81 AUD            | 5.847 AUD            |
| Bank of America Corporation . . . . .  | 11 May 2018           | Sale                     | CDI                       | 4,084                       | 5.67 AUD            | 5.723 AUD            |
| Bank of America Corporation . . . . .  | 14 May 2018           | Sale                     | CDI                       | 119,259                     | 5.801 AUD           | 5.808 AUD            |
| Bank of America Corporation . . . . .  | 15 May 2018           | Sale                     | CDI                       | 19,677                      | 5.834 AUD           | 5.84 AUD             |
| Bank of America Corporation . . . . .  | 16 May 2018           | Sale                     | CDI                       | 107,163                     | 5.489 AUD           | 5.55 AUD             |
| Bank of America Corporation . . . . .  | 17 May 2018           | Sale                     | CDI                       | 27,919                      | 5.45 AUD            | 5.45 AUD             |
| Bank of America Corporation . . . . .  | 18 May 2018           | Sale                     | CDI                       | 1                           | 5.39 AUD            | 5.39 AUD             |
| Bank of America Corporation . . . . .  | 21 May 2018           | Sale                     | CDI                       | 14,078                      | 5.34 AUD            | 5.34 AUD             |
| Bank of America Corporation . . . . .  | 23 May 2018           | Sale                     | CDI                       | 53                          | 5.29 AUD            | 5.29 AUD             |
| Bank of America Corporation . . . . .  | 24 May 2018           | Sale                     | CDI                       | 41,088                      | 5.22 AUD            | 5.242 AUD            |
| Bank of America Corporation . . . . .  | 25 May 2018           | Sale                     | CDI                       | 20,270                      | 5.19 AUD            | 5.19 AUD             |
| Bank of America Corporation . . . . .  | 28 May 2018           | Sale                     | CDI                       | 27,901                      | 5.18 AUD            | 5.22 AUD             |
| Bank of America Corporation . . . . .  | 29 May 2018           | Sale                     | CDI                       | 21,305                      | 5.251 AUD           | 5.27 AUD             |
| Bank of America Corporation . . . . .  | 30 May 2018           | Sale                     | CDI                       | 31,873                      | 5.133 AUD           | 5.16 AUD             |
| Bank of America Corporation . . . . .  | 31 May 2018           | Sale                     | CDI                       | 6,468                       | 5.102 AUD           | 5.126 AUD            |
| Bank of America Corporation . . . . .  | 01 June 2018          | Sale                     | CDI                       | 21,144                      | 5.016 AUD           | 5.018 AUD            |
| Bank of America Corporation . . . . .  | 04 June 2018          | Sale                     | CDI                       | 31,561                      | 5.288 AUD           | 5.288 AUD            |
| Bank of America Corporation . . . . .  | 05 June 2018          | Sale                     | CDI                       | 11,305                      | 5.268 AUD           | 5.274 AUD            |
| Bank of America Corporation . . . . .  | 06 June 2018          | Sale                     | CDI                       | 49,108                      | 5.295 AUD           | 5.295 AUD            |
| Bank of America Corporation . . . . .  | 07 June 2018          | Sale                     | CDI                       | 5                           | 5.36 AUD            | 5.36 AUD             |
| Bank of America Corporation . . . . .  | 08 June 2018          | Sale                     | CDI                       | 7,524                       | 5.35 AUD            | 5.35 AUD             |
| Bank of America Corporation . . . . .  | 13 June 2018          | Sale                     | CDI                       | 2,379                       | 5.346 AUD           | 5.346 AUD            |
| Bank of America Corporation . . . . .  | 14 June 2018          | Sale                     | CDI                       | 2,153                       | 5.415 AUD           | 5.42 AUD             |
| Bank of America Corporation . . . . .  | 15 June 2018          | Sale                     | CDI                       | 7,637                       | 5.498 AUD           | 5.498 AUD            |
| Bank of America Corporation . . . . .  | 18 June 2018          | Sale                     | CDI                       | 19,546                      | 5.49 AUD            | 5.571 AUD            |
| Bank of America Corporation . . . . .  | 19 June 2018          | Sale                     | CDI                       | 15,759                      | 5.41 AUD            | 5.45 AUD             |
| Bank of America Corporation . . . . .  | 20 June 2018          | Sale                     | CDI                       | 3,297                       | 5.49 AUD            | 5.49 AUD             |
| Bank of America Corporation . . . . .  | 21 June 2018          | Sale                     | CDI                       | 13,065                      | 5.572 AUD           | 5.626 AUD            |
| Bank of America Corporation . . . . .  | 22 June 2018          | Sale                     | CDI                       | 12,810                      | 5.663 AUD           | 5.69 AUD             |
| Bank of America Corporation . . . . .  | 25 June 2018          | Sale                     | CDI                       | 9,223                       | 5.69 AUD            | 5.71 AUD             |
| Bank of America Corporation . . . . .  | 26 June 2018          | Sale                     | CDI                       | 21,151                      | 5.67 AUD            | 5.76 AUD             |
| Bank of America Corporation . . . . .  | 27 June 2018          | Sale                     | CDI                       | 11,410                      | 5.66 AUD            | 5.67 AUD             |
| Bank of America Corporation . . . . .  | 28 June 2018          | Sale                     | CDI                       | 1,317,715                   | 5.565 AUD           | 5.62 AUD             |
| Bank of America Corporation . . . . .  | 29 June 2018          | Sale                     | CDI                       | 219,323                     | 5.6 AUD             | 5.64 AUD             |
| Bank of America Corporation . . . . .  | 02 July 2018          | Sale                     | CDI                       | 9,715                       | 5.789 AUD           | 5.789 AUD            |
| Bank of America Corporation . . . . .  | 04 July 2018          | Sale                     | CDI                       | 25,414                      | 5.91 AUD            | 5.967 AUD            |

| <u>Name</u>                       | <u>Date</u>  | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|-----------------------------------|--------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Bank of America Corporation . . . | 05 July 2018 | Sale                     | CDI                       | 4,584                       | 6 AUD               | 6 AUD                |
| Bank of America Corporation . . . | 06 July 2018 | Sale                     | CDI                       | 15,230                      | 6.11 AUD            | 6.11 AUD             |
| Bank of America Corporation . . . | 09 July 2018 | Sale                     | CDI                       | 35,595                      | 6.174 AUD           | 6.174 AUD            |
| Bank of America Corporation . . . | 12 July 2018 | Sale                     | CDI                       | 25,693                      | 5.993 AUD           | 5.994 AUD            |
| Bank of America Corporation . . . | 13 July 2018 | Sale                     | CDI                       | 20,387                      | 5.949 AUD           | 5.949 AUD            |
| Bank of America Corporation . . . | 16 July 2018 | Sale                     | CDI                       | 8,202                       | 5.926 AUD           | 5.926 AUD            |
| Bank of America Corporation . . . | 17 July 2018 | Sale                     | CDI                       | 17,559                      | 5.97 AUD            | 5.97 AUD             |
| Bank of America Corporation . . . | 18 July 2018 | Sale                     | CDI                       | 4,004                       | 5.888 AUD           | 5.888 AUD            |
| Bank of America Corporation . . . | 19 July 2018 | Sale                     | CDI                       | 13,724                      | 5.872 AUD           | 5.872 AUD            |
| Bank of America Corporation . . . | 20 July 2018 | Sale                     | CDI                       | 7,061                       | 5.913 AUD           | 5.913 AUD            |
| Bank of America Corporation . . . | 26 July 2018 | Sale                     | CDI                       | 9,182                       | 6.003 AUD           | 6.003 AUD            |

### *CYBG long swaps*

| <u>Name</u>  | <u>Date</u>           | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|--|-----------------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Goldman Sachs Financial<br>Markets Pty Ltd . . . . . | 08/05/2018–27/07/2018 | Purchase                 | Swaps                     | 38,409,900                  | 5.0000 AUD          | 6.2658 AUD           |
| Bank of America Corporation . .                      | 08 May 2018           | Principal                | CDI—Swap                  | 11,799                      | 5.557 AUD           | 5.557 AUD            |
| Bank of America Corporation . .                      | 08 May 2018           | Principal                | CDI—Swap                  | 139,107                     | 5.538 AUD           | 5.538 AUD            |
| Bank of America Corporation . .                      | 09 May 2018           | Principal                | CDI—Swap                  | 44,544                      | 5.812 AUD           | 5.812 AUD            |
| Bank of America Corporation . .                      | 09 May 2018           | Principal                | CDI—Swap                  | 2,780                       | 5.795 AUD           | 5.795 AUD            |
| Bank of America Corporation . .                      | 10 May 2018           | Principal                | CDI—Swap                  | 73                          | 5.723 AUD           | 5.723 AUD            |
| Bank of America Corporation . .                      | 10 May 2018           | Principal                | CDI—Swap                  | 4,011                       | 5.67 AUD            | 5.67 AUD             |
| Bank of America Corporation . .                      | 11 May 2018           | Principal                | CDI—Swap                  | 73                          | 5.723 AUD           | 5.723 AUD            |
| Bank of America Corporation . .                      | 11 May 2018           | Principal                | CDI—Swap                  | 4,011                       | 5.67 AUD            | 5.67 AUD             |
| Bank of America Corporation . .                      | 14 May 2018           | Principal                | CDI—Swap                  | 119,259                     | 5.8 AUD             | 5.8 AUD              |
| Bank of America Corporation . .                      | 15 May 2018           | Principal                | CDI—Swap                  | 119,259                     | 5.801 AUD           | 5.801 AUD            |
| Bank of America Corporation . .                      | 15 May 2018           | Principal                | CDI—Swap                  | 73,560                      | 5.807 AUD           | 5.807 AUD            |
| Bank of America Corporation . .                      | 15 May 2018           | Principal                | CDI—Swap                  | 19,676                      | 5.833 AUD           | 5.833 AUD            |
| Bank of America Corporation . .                      | 15 May 2018           | Principal                | CDI—Swap                  | 1                           | 5.839 AUD           | 5.839 AUD            |
| Bank of America Corporation . .                      | 16 May 2018           | Principal                | CDI—Swap                  | 33,983                      | 5.548 AUD           | 5.548 AUD            |
| Bank of America Corporation . .                      | 16 May 2018           | Principal                | CDI—Swap                  | 73,180                      | 5.543 AUD           | 5.543 AUD            |
| Bank of America Corporation . .                      | 17 May 2018           | Principal                | CDI—Swap                  | 12,345                      | 5.45 AUD            | 5.45 AUD             |
| Bank of America Corporation . .                      | 17 May 2018           | Principal                | CDI—Swap                  | 15,574                      | 5.45 AUD            | 5.45 AUD             |
| Bank of America Corporation . .                      | 18 May 2018           | Principal                | CDI—Swap                  | 1                           | 5.39 AUD            | 5.39 AUD             |
| Bank of America Corporation . .                      | 21 May 2018           | Principal                | CDI—Swap                  | 10,872                      | 5.34 AUD            | 5.34 AUD             |
| Bank of America Corporation . .                      | 21 May 2018           | Principal                | CDI—Swap                  | 3,206                       | 5.34 AUD            | 5.34 AUD             |
| Bank of America Corporation . .                      | 23 May 2018           | Principal                | CDI—Swap                  | 53                          | 5.29 AUD            | 5.29 AUD             |
| Bank of America Corporation . .                      | 24 May 2018           | Principal                | CDI—Swap                  | 4,420                       | 5.242 AUD           | 5.242 AUD            |
| Bank of America Corporation . .                      | 24 May 2018           | Principal                | CDI—Swap                  | 36,668                      | 5.242 AUD           | 5.242 AUD            |
| Bank of America Corporation . .                      | 25 May 2018           | Principal                | CDI—Swap                  | 20,270                      | 5.19 AUD            | 5.19 AUD             |
| Bank of America Corporation . .                      | 28 May 2018           | Principal                | CDI—Swap                  | 6,109                       | 5.22 AUD            | 5.22 AUD             |
| Bank of America Corporation . .                      | 28 May 2018           | Principal                | CDI—Swap                  | 21,792                      | 5.212 AUD           | 5.212 AUD            |
| Bank of America Corporation . .                      | 29 May 2018           | Principal                | CDI—Swap                  | 21,303                      | 5.251 AUD           | 5.251 AUD            |
| Bank of America Corporation . .                      | 29 May 2018           | Principal                | CDI—Swap                  | 2                           | 5.27 AUD            | 5.27 AUD             |
| Bank of America Corporation . .                      | 30 May 2018           | Principal                | CDI—Swap                  | 5                           | 5.14 AUD            | 5.14 AUD             |
| Bank of America Corporation . .                      | 30 May 2018           | Principal                | CDI—Swap                  | 31,868                      | 5.139 AUD           | 5.139 AUD            |
| Bank of America Corporation . .                      | 31 May 2018           | Principal                | CDI—Swap                  | 6,468                       | 5.11 AUD            | 5.11 AUD             |
| Bank of America Corporation . .                      | 01 June 2018          | Principal                | CDI—Swap                  | 21,144                      | 5.017 AUD           | 5.017 AUD            |
| Bank of America Corporation . .                      | 04 June 2018          | Principal                | CDI—Swap                  | 31,561                      | 5.288 AUD           | 5.288 AUD            |
| Bank of America Corporation . .                      | 05 June 2018          | Principal                | CDI—Swap                  | 11,305                      | 5.27 AUD            | 5.27 AUD             |
| Bank of America Corporation . .                      | 06 June 2018          | Principal                | CDI—Swap                  | 13,143                      | 5.294 AUD           | 5.294 AUD            |
| Bank of America Corporation . .                      | 06 June 2018          | Principal                | CDI—Swap                  | 35,965                      | 5.294 AUD           | 5.294 AUD            |
| Bank of America Corporation . .                      | 07 June 2018          | Principal                | CDI—Swap                  | 5                           | 5.36 AUD            | 5.36 AUD             |
| Bank of America Corporation . .                      | 08 June 2018          | Principal                | CDI—Swap                  | 7,524                       | 5.35 AUD            | 5.35 AUD             |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 2,972                       | 2.992 GBP           | 2.992 GBP            |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 2,305                       | 2.989 GBP           | 2.989 GBP            |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 1,670                       | 2.989 GBP           | 2.989 GBP            |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 3,534                       | 2.99 GBP            | 2.99 GBP             |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 3,998                       | 2.992 GBP           | 2.992 GBP            |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 4,096                       | 2.987 GBP           | 2.987 GBP            |
| Bank of America Corporation . .                      | 11 June 2018          | Principal                | CDI—Swap                  | 3,404                       | 2.987 GBP           | 2.987 GBP            |
| Bank of America Corporation . .                      | 12 June 2018          | Principal                | CDI—Swap                  | 12,044                      | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . .                      | 12 June 2018          | Principal                | CDI—Swap                  | 1,527                       | 3.008 GBP           | 3.008 GBP            |

| <u>Name</u>                       | <u>Date</u>  | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|-----------------------------------|--------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 951                         | 3.008 GBP           | 3.008 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 125,315                     | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 509                         | 3.008 GBP           | 3.008 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 5,787                       | 3.008 GBP           | 3.008 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 13,240                      | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 18,534                      | 3.012 GBP           | 3.012 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 13,127                      | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 7,659                       | 3.006 GBP           | 3.006 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 4,984                       | 3.011 GBP           | 3.011 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 3,465                       | 3.015 GBP           | 3.015 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 4,690                       | 3.011 GBP           | 3.011 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 8,083                       | 5.298 AUD           | 5.298 AUD            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 7,836                       | 5.298 AUD           | 5.298 AUD            |
| Bank of America Corporation . . . | 13 June 2018 | Principal                | CDI—Swap                  | 2,379                       | 5.346 AUD           | 5.346 AUD            |
| Bank of America Corporation . . . | 14 June 2018 | Principal                | CDI—Swap                  | 2,153                       | 5.414 AUD           | 5.414 AUD            |
| Bank of America Corporation . . . | 15 June 2018 | Principal                | CDI—Swap                  | 536                         | 5.498 AUD           | 5.498 AUD            |
| Bank of America Corporation . . . | 15 June 2018 | Principal                | CDI—Swap                  | 7,101                       | 5.498 AUD           | 5.498 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 14,773                      | 5.532 AUD           | 5.532 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 4,773                       | 5.49 AUD            | 5.49 AUD             |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 13,028                      | 5.45 AUD            | 5.45 AUD             |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 2,731                       | 5.45 AUD            | 5.45 AUD             |
| Bank of America Corporation . . . | 20 June 2018 | Principal                | CDI—Swap                  | 1,932                       | 5.49 AUD            | 5.49 AUD             |
| Bank of America Corporation . . . | 20 June 2018 | Principal                | CDI—Swap                  | 1,365                       | 5.49 AUD            | 5.49 AUD             |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 683                         | 5.626 AUD           | 5.626 AUD            |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 12,382                      | 5.571 AUD           | 5.571 AUD            |
| Bank of America Corporation . . . | 22 June 2018 | Principal                | CDI—Swap                  | 342                         | 5.662 AUD           | 5.662 AUD            |
| Bank of America Corporation . . . | 22 June 2018 | Principal                | CDI—Swap                  | 12,468                      | 5.688 AUD           | 5.688 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 8,741                       | 5.71 AUD            | 5.71 AUD             |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 482                         | 5.709 AUD           | 5.709 AUD            |
| Bank of America Corporation . . . | 26 June 2018 | Principal                | CDI—Swap                  | 20,748                      | 5.723 AUD           | 5.723 AUD            |
| Bank of America Corporation . . . | 26 June 2018 | Principal                | CDI—Swap                  | 403                         | 5.7 AUD             | 5.7 AUD              |
| Bank of America Corporation . . . | 27 June 2018 | Principal                | CDI—Swap                  | 10,109                      | 5.667 AUD           | 5.667 AUD            |
| Bank of America Corporation . . . | 27 June 2018 | Principal                | CDI—Swap                  | 1,301                       | 5.666 AUD           | 5.666 AUD            |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 21,785                      | 5.602 AUD           | 5.602 AUD            |
| Bank of America Corporation . . . | 29 June 2018 | Principal                | CDI—Swap                  | 33,965                      | 5.63 AUD            | 5.63 AUD             |
| Bank of America Corporation . . . | 29 June 2018 | Principal                | CDI—Swap                  | 3,677                       | 5.63 AUD            | 5.63 AUD             |
| Bank of America Corporation . . . | 02 July 2018 | Principal                | CDI—Swap                  | 9,715                       | 5.788 AUD           | 5.788 AUD            |
| Bank of America Corporation . . . | 04 July 2018 | Principal                | CDI—Swap                  | 14,096                      | 5.913 AUD           | 5.913 AUD            |
| Bank of America Corporation . . . | 04 July 2018 | Principal                | CDI—Swap                  | 11,318                      | 5.916 AUD           | 5.916 AUD            |
| Bank of America Corporation . . . | 05 July 2018 | Principal                | CDI—Swap                  | 4,584                       | 6 AUD               | 6 AUD                |
| Bank of America Corporation . . . | 06 July 2018 | Principal                | CDI—Swap                  | 12,726                      | 6.11 AUD            | 6.11 AUD             |
| Bank of America Corporation . . . | 06 July 2018 | Principal                | CDI—Swap                  | 2,504                       | 6.11 AUD            | 6.11 AUD             |
| Bank of America Corporation . . . | 09 July 2018 | Principal                | CDI—Swap                  | 30,585                      | 6.173 AUD           | 6.173 AUD            |
| Bank of America Corporation . . . | 09 July 2018 | Principal                | CDI—Swap                  | 5,010                       | 6.173 AUD           | 6.173 AUD            |
| Bank of America Corporation . . . | 12 July 2018 | Principal                | CDI—Swap                  | 6,926                       | 5.994 AUD           | 5.994 AUD            |
| Bank of America Corporation . . . | 12 July 2018 | Principal                | CDI—Swap                  | 18,767                      | 5.994 AUD           | 5.994 AUD            |
| Bank of America Corporation . . . | 13 July 2018 | Principal                | CDI—Swap                  | 12,789                      | 5.949 AUD           | 5.949 AUD            |
| Bank of America Corporation . . . | 13 July 2018 | Principal                | CDI—Swap                  | 7,598                       | 5.949 AUD           | 5.949 AUD            |
| Bank of America Corporation . . . | 16 July 2018 | Principal                | CDI—Swap                  | 8,202                       | 5.926 AUD           | 5.926 AUD            |
| Bank of America Corporation . . . | 17 July 2018 | Principal                | CDI—Swap                  | 17,559                      | 5.969 AUD           | 5.969 AUD            |
| Bank of America Corporation . . . | 18 July 2018 | Principal                | CDI—Swap                  | 4,004                       | 5.888 AUD           | 5.888 AUD            |
| Bank of America Corporation . . . | 19 July 2018 | Principal                | CDI—Swap                  | 13,724                      | 5.871 AUD           | 5.871 AUD            |
| Bank of America Corporation . . . | 20 July 2018 | Principal                | CDI—Swap                  | 7,061                       | 5.912 AUD           | 5.912 AUD            |
| Bank of America Corporation . . . | 26 July 2018 | Principal                | CDI—Swap                  | 9,182                       | 6.003 AUD           | 6.003 AUD            |

***CYBG short swaps***

| <u>Name</u>                                       | <u>Date</u>           | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|---|-----------------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–27/07/2018 | Sale                     | Swaps                     | 37,118,609                  | 5.0000 AUD          | 6.2100 AUD           |
| Bank of America Corporation . . .                 | 08 May 2018           | Principal                | CDI—Swap                  | 67,850                      | 5.534 AUD           | 5.534 AUD            |
| Bank of America Corporation . . .                 | 08 May 2018           | Principal                | CDI—Swap                  | 30,086                      | 5.532 AUD           | 5.532 AUD            |
| Bank of America Corporation . . .                 | 08 May 2018           | Principal                | CDI—Swap                  | 52,816                      | 5.534 AUD           | 5.534 AUD            |

| <u>Name</u>                       | <u>Date</u>  | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|-----------------------------------|--------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Bank of America Corporation . . . | 09 May 2018  | Principal                | CDI—Swap                  | 6,853                       | 5.789 AUD           | 5.789 AUD            |
| Bank of America Corporation . . . | 09 May 2018  | Principal                | CDI—Swap                  | 44,544                      | 5.79 AUD            | 5.79 AUD             |
| Bank of America Corporation . . . | 10 May 2018  | Principal                | CDI—Swap                  | 890                         | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 10 May 2018  | Principal                | CDI—Swap                  | 4,011                       | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 11 May 2018  | Principal                | CDI—Swap                  | 890                         | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 11 May 2018  | Principal                | CDI—Swap                  | 4,011                       | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 14 May 2018  | Principal                | CDI—Swap                  | 72                          | 5.74 AUD            | 5.74 AUD             |
| Bank of America Corporation . . . | 14 May 2018  | Principal                | CDI—Swap                  | 83                          | 5.74 AUD            | 5.74 AUD             |
| Bank of America Corporation . . . | 15 May 2018  | Principal                | CDI—Swap                  | 95,950                      | 5.8 AUD             | 5.8 AUD              |
| Bank of America Corporation . . . | 15 May 2018  | Principal                | CDI—Swap                  | 11,510                      | 5.8 AUD             | 5.8 AUD              |
| Bank of America Corporation . . . | 15 May 2018  | Principal                | CDI—Swap                  | 11,799                      | 5.8 AUD             | 5.8 AUD              |
| Bank of America Corporation . . . | 15 May 2018  | Principal                | CDI—Swap                  | 40,755                      | 5.839 AUD           | 5.839 AUD            |
| Bank of America Corporation . . . | 16 May 2018  | Principal                | CDI—Swap                  | 2,402                       | 5.499 AUD           | 5.499 AUD            |
| Bank of America Corporation . . . | 16 May 2018  | Principal                | CDI—Swap                  | 2,780                       | 5.499 AUD           | 5.499 AUD            |
| Bank of America Corporation . . . | 16 May 2018  | Principal                | CDI—Swap                  | 27,777                      | 5.499 AUD           | 5.499 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 2,070                       | 5.447 AUD           | 5.447 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 1,727                       | 5.447 AUD           | 5.447 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 73                          | 5.447 AUD           | 5.447 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 4,011                       | 5.447 AUD           | 5.447 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 15,040                      | 5.446 AUD           | 5.446 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 20,947                      | 5.447 AUD           | 5.447 AUD            |
| Bank of America Corporation . . . | 17 May 2018  | Principal                | CDI—Swap                  | 14,448                      | 5.447 AUD           | 5.447 AUD            |
| Bank of America Corporation . . . | 18 May 2018  | Principal                | CDI—Swap                  | 5,934                       | 5.382 AUD           | 5.382 AUD            |
| Bank of America Corporation . . . | 21 May 2018  | Principal                | CDI—Swap                  | 10,872                      | 5.343 AUD           | 5.343 AUD            |
| Bank of America Corporation . . . | 21 May 2018  | Principal                | CDI—Swap                  | 8,627                       | 5.348 AUD           | 5.348 AUD            |
| Bank of America Corporation . . . | 22 May 2018  | Principal                | CDI—Swap                  | 1,580                       | 5.302 AUD           | 5.302 AUD            |
| Bank of America Corporation . . . | 23 May 2018  | Principal                | CDI—Swap                  | 788                         | 5.301 AUD           | 5.301 AUD            |
| Bank of America Corporation . . . | 24 May 2018  | Principal                | CDI—Swap                  | 4,420                       | 5.183 AUD           | 5.183 AUD            |
| Bank of America Corporation . . . | 24 May 2018  | Principal                | CDI—Swap                  | 841                         | 5.183 AUD           | 5.183 AUD            |
| Bank of America Corporation . . . | 25 May 2018  | Principal                | CDI—Swap                  | 30,201                      | 5.227 AUD           | 5.227 AUD            |
| Bank of America Corporation . . . | 25 May 2018  | Principal                | CDI—Swap                  | 18,764                      | 5.26 AUD            | 5.26 AUD             |
| Bank of America Corporation . . . | 28 May 2018  | Principal                | CDI—Swap                  | 22,784                      | 5.22 AUD            | 5.22 AUD             |
| Bank of America Corporation . . . | 28 May 2018  | Principal                | CDI—Swap                  | 3,182                       | 5.22 AUD            | 5.22 AUD             |
| Bank of America Corporation . . . | 28 May 2018  | Principal                | CDI—Swap                  | 31,188                      | 5.22 AUD            | 5.22 AUD             |
| Bank of America Corporation . . . | 29 May 2018  | Principal                | CDI—Swap                  | 8,215                       | 5.2 AUD             | 5.2 AUD              |
| Bank of America Corporation . . . | 30 May 2018  | Principal                | CDI—Swap                  | 16,600                      | 5.16 AUD            | 5.16 AUD             |
| Bank of America Corporation . . . | 31 May 2018  | Principal                | CDI—Swap                  | 2                           | 5.113 AUD           | 5.113 AUD            |
| Bank of America Corporation . . . | 31 May 2018  | Principal                | CDI—Swap                  | 9,300                       | 5.11 AUD            | 5.11 AUD             |
| Bank of America Corporation . . . | 01 June 2018 | Principal                | CDI—Swap                  | 43,970                      | 5.016 AUD           | 5.016 AUD            |
| Bank of America Corporation . . . | 04 June 2018 | Principal                | CDI—Swap                  | 1                           | 5.3 AUD             | 5.3 AUD              |
| Bank of America Corporation . . . | 05 June 2018 | Principal                | CDI—Swap                  | 2,702                       | 5.25 AUD            | 5.25 AUD             |
| Bank of America Corporation . . . | 05 June 2018 | Principal                | CDI—Swap                  | 4                           | 5.28 AUD            | 5.28 AUD             |
| Bank of America Corporation . . . | 05 June 2018 | Principal                | CDI—Swap                  | 6,797                       | 5.25 AUD            | 5.25 AUD             |
| Bank of America Corporation . . . | 05 June 2018 | Principal                | CDI—Swap                  | 1                           | 5.25 AUD            | 5.25 AUD             |
| Bank of America Corporation . . . | 06 June 2018 | Principal                | CDI—Swap                  | 11,338                      | 5.296 AUD           | 5.296 AUD            |
| Bank of America Corporation . . . | 06 June 2018 | Principal                | CDI—Swap                  | 2                           | 5.3 AUD             | 5.3 AUD              |
| Bank of America Corporation . . . | 07 June 2018 | Principal                | CDI—Swap                  | 6,003                       | 5.349 AUD           | 5.349 AUD            |
| Bank of America Corporation . . . | 07 June 2018 | Principal                | CDI—Swap                  | 5,634                       | 5.349 AUD           | 5.349 AUD            |
| Bank of America Corporation . . . | 08 June 2018 | Principal                | CDI—Swap                  | 19,897                      | 5.325 AUD           | 5.325 AUD            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 2,972                       | 2.987 GBP           | 2.987 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 5,839                       | 2.986 GBP           | 2.986 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 1,670                       | 2.991 GBP           | 2.991 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 1,040                       | 2.99 GBP            | 2.99 GBP             |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 30,591                      | 2.988 GBP           | 2.988 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 718                         | 2.988 GBP           | 2.988 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 43                          | 2.992 GBP           | 2.992 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 48,430                      | 2.988 GBP           | 2.988 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 438                         | 2.992 GBP           | 2.992 GBP            |
| Bank of America Corporation . . . | 11 June 2018 | Principal                | CDI—Swap                  | 20,613                      | 2.989 GBP           | 2.989 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 509                         | 3.014 GBP           | 3.014 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 3,404                       | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 2,371                       | 3.002 GBP           | 3.002 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 1,527                       | 3.011 GBP           | 3.011 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 11,746                      | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 4,984                       | 3.01 GBP            | 3.01 GBP             |

| <b>Name</b>                       | <b>Date</b>  | <b>Nature of Dealing</b> | <b>Type of securities</b> | <b>Number of securities</b> | <b>Lowest price</b> | <b>Highest price</b> |
|-----------------------------------|--------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 12,112                      | 3.008 GBP           | 3.008 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 13,240                      | 3.011 GBP           | 3.011 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 14,677                      | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 12,044                      | 3.005 GBP           | 3.005 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 951                         | 3.004 GBP           | 3.004 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 56,992                      | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 1,226                       | 3.01 GBP            | 3.01 GBP             |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 17,817                      | 3.005 GBP           | 3.005 GBP            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 956                         | 5.286 AUD           | 5.286 AUD            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 5,612                       | 5.286 AUD           | 5.286 AUD            |
| Bank of America Corporation . . . | 12 June 2018 | Principal                | CDI—Swap                  | 9,351                       | 4.039 USD           | 4.039 USD            |
| Bank of America Corporation . . . | 13 June 2018 | Principal                | CDI—Swap                  | 5,663                       | 5.28 AUD            | 5.28 AUD             |
| Bank of America Corporation . . . | 14 June 2018 | Principal                | CDI—Swap                  | 59,681                      | 5.419 AUD           | 5.419 AUD            |
| Bank of America Corporation . . . | 14 June 2018 | Principal                | CDI—Swap                  | 9,873                       | 5.419 AUD           | 5.419 AUD            |
| Bank of America Corporation . . . | 14 June 2018 | Principal                | CDI—Swap                  | 15,574                      | 5.419 AUD           | 5.419 AUD            |
| Bank of America Corporation . . . | 15 June 2018 | Principal                | CDI—Swap                  | 1,741                       | 5.481 AUD           | 5.481 AUD            |
| Bank of America Corporation . . . | 15 June 2018 | Principal                | CDI—Swap                  | 536                         | 5.481 AUD           | 5.481 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 195                         | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 4,420                       | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 36,668                      | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 3,206                       | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 10,872                      | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 53                          | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 3,490                       | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 1                           | 5.544 AUD           | 5.544 AUD            |
| Bank of America Corporation . . . | 18 June 2018 | Principal                | CDI—Swap                  | 14,773                      | 5.519 AUD           | 5.519 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 2                           | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 5                           | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 2,007                       | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 31,561                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 35,965                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 6,109                       | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 21,792                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 21,303                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 31,868                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 11,305                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 13,143                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 5                           | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 6,468                       | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 783                         | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 1,755                       | 5.442 AUD           | 5.442 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 21,144                      | 5.428 AUD           | 5.428 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 6,741                       | 5.442 AUD           | 5.442 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 2,379                       | 5.442 AUD           | 5.442 AUD            |
| Bank of America Corporation . . . | 19 June 2018 | Principal                | CDI—Swap                  | 2,153                       | 5.442 AUD           | 5.442 AUD            |
| Bank of America Corporation . . . | 20 June 2018 | Principal                | CDI—Swap                  | 2,732                       | 5.433 AUD           | 5.433 AUD            |
| Bank of America Corporation . . . | 20 June 2018 | Principal                | CDI—Swap                  | 1,932                       | 5.433 AUD           | 5.433 AUD            |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 4,460                       | 5.52 AUD            | 5.52 AUD             |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 7,922                       | 5.52 AUD            | 5.52 AUD             |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 536                         | 5.532 AUD           | 5.532 AUD            |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 313                         | 5.532 AUD           | 5.532 AUD            |
| Bank of America Corporation . . . | 21 June 2018 | Principal                | CDI—Swap                  | 682                         | 5.532 AUD           | 5.532 AUD            |
| Bank of America Corporation . . . | 22 June 2018 | Principal                | CDI—Swap                  | 167                         | 5.7 AUD             | 5.7 AUD              |
| Bank of America Corporation . . . | 22 June 2018 | Principal                | CDI—Swap                  | 6,684                       | 5.677 AUD           | 5.677 AUD            |
| Bank of America Corporation . . . | 22 June 2018 | Principal                | CDI—Swap                  | 2,731                       | 5.7 AUD             | 5.7 AUD              |
| Bank of America Corporation . . . | 22 June 2018 | Principal                | CDI—Swap                  | 9,570                       | 5.7 AUD             | 5.7 AUD              |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 8,525                       | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 1,365                       | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 342                         | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 342                         | 5.697 AUD           | 5.697 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 1,932                       | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 683                         | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 3,116                       | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 25 June 2018 | Principal                | CDI—Swap                  | 12,382                      | 5.692 AUD           | 5.692 AUD            |
| Bank of America Corporation . . . | 26 June 2018 | Principal                | CDI—Swap                  | 480                         | 5.728 AUD           | 5.728 AUD            |

| <u>Name</u>                       | <u>Date</u>  | <u>Nature of Dealing</u> | <u>Type of securities</u> | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|-----------------------------------|--------------|--------------------------|---------------------------|-----------------------------|---------------------|----------------------|
| Bank of America Corporation . . . | 26 June 2018 | Principal                | CDI—Swap                  | 1,144                       | 5.728 AUD           | 5.728 AUD            |
| Bank of America Corporation . . . | 27 June 2018 | Principal                | CDI—Swap                  | 8,245                       | 5.665 AUD           | 5.665 AUD            |
| Bank of America Corporation . . . | 27 June 2018 | Principal                | CDI—Swap                  | 482                         | 5.665 AUD           | 5.665 AUD            |
| Bank of America Corporation . . . | 27 June 2018 | Principal                | CDI—Swap                  | 1,382                       | 5.665 AUD           | 5.665 AUD            |
| Bank of America Corporation . . . | 27 June 2018 | Principal                | CDI—Swap                  | 937                         | 5.675 AUD           | 5.675 AUD            |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 403                         | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 1,301                       | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 1,505                       | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 20,748                      | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 488                         | 5.6 AUD             | 5.6 AUD              |
| Bank of America Corporation . . . | 28 June 2018 | Principal                | CDI—Swap                  | 8                           | 5.62 AUD            | 5.62 AUD             |
| Bank of America Corporation . . . | 29 June 2018 | Principal                | CDI—Swap                  | 1,497                       | 5.638 AUD           | 5.638 AUD            |
| Bank of America Corporation . . . | 29 June 2018 | Principal                | CDI—Swap                  | 93                          | 5.631 AUD           | 5.631 AUD            |
| Bank of America Corporation . . . | 02 July 2018 | Principal                | CDI—Swap                  | 7,014                       | 5.725 AUD           | 5.725 AUD            |
| Bank of America Corporation . . . | 02 July 2018 | Principal                | CDI—Swap                  | 3,053                       | 5.725 AUD           | 5.725 AUD            |
| Bank of America Corporation . . . | 03 July 2018 | Principal                | CDI—Swap                  | 14,997                      | 5.876 AUD           | 5.876 AUD            |
| Bank of America Corporation . . . | 04 July 2018 | Principal                | CDI—Swap                  | 3,735                       | 5.948 AUD           | 5.948 AUD            |
| Bank of America Corporation . . . | 04 July 2018 | Principal                | CDI—Swap                  | 3,677                       | 5.948 AUD           | 5.948 AUD            |
| Bank of America Corporation . . . | 04 July 2018 | Principal                | CDI—Swap                  | 14,096                      | 5.949 AUD           | 5.949 AUD            |
| Bank of America Corporation . . . | 04 July 2018 | Principal                | CDI—Swap                  | 11,452                      | 5.948 AUD           | 5.948 AUD            |
| Bank of America Corporation . . . | 05 July 2018 | Principal                | CDI—Swap                  | 841                         | 6.044 AUD           | 6.044 AUD            |
| Bank of America Corporation . . . | 05 July 2018 | Principal                | CDI—Swap                  | 1,445                       | 6.044 AUD           | 6.044 AUD            |
| Bank of America Corporation . . . | 06 July 2018 | Principal                | CDI—Swap                  | 5,016                       | 6.195 AUD           | 6.195 AUD            |
| Bank of America Corporation . . . | 06 July 2018 | Principal                | CDI—Swap                  | 3,254                       | 6.195 AUD           | 6.195 AUD            |
| Bank of America Corporation . . . | 06 July 2018 | Principal                | CDI—Swap                  | 9,472                       | 6.195 AUD           | 6.195 AUD            |
| Bank of America Corporation . . . | 09 July 2018 | Principal                | CDI—Swap                  | 1,846                       | 6.117 AUD           | 6.117 AUD            |
| Bank of America Corporation . . . | 09 July 2018 | Principal                | CDI—Swap                  | 658                         | 6.117 AUD           | 6.117 AUD            |
| Bank of America Corporation . . . | 09 July 2018 | Principal                | CDI—Swap                  | 5,010                       | 6.117 AUD           | 6.117 AUD            |
| Bank of America Corporation . . . | 10 July 2018 | Principal                | CDI—Swap                  | 2,018                       | 6.118 AUD           | 6.118 AUD            |
| Bank of America Corporation . . . | 10 July 2018 | Principal                | CDI—Swap                  | 8,428                       | 6.118 AUD           | 6.118 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 26,066                      | 5.993 AUD           | 5.993 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 2,566                       | 5.995 AUD           | 5.995 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 5,010                       | 5.993 AUD           | 5.993 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 4,519                       | 5.995 AUD           | 5.995 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 18,767                      | 5.993 AUD           | 5.993 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 2,504                       | 5.995 AUD           | 5.995 AUD            |
| Bank of America Corporation . . . | 11 July 2018 | Principal                | CDI—Swap                  | 12,726                      | 5.995 AUD           | 5.995 AUD            |
| Bank of America Corporation . . . | 13 July 2018 | Principal                | CDI—Swap                  | 6,926                       | 5.976 AUD           | 5.976 AUD            |
| Bank of America Corporation . . . | 13 July 2018 | Principal                | CDI—Swap                  | 7,598                       | 5.976 AUD           | 5.976 AUD            |
| Bank of America Corporation . . . | 16 July 2018 | Principal                | CDI—Swap                  | 1,110                       | 5.9 AUD             | 5.9 AUD              |
| Bank of America Corporation . . . | 17 July 2018 | Principal                | CDI—Swap                  | 2,789                       | 5.91 AUD            | 5.91 AUD             |
| Bank of America Corporation . . . | 17 July 2018 | Principal                | CDI—Swap                  | 11,679                      | 5.91 AUD            | 5.91 AUD             |
| Bank of America Corporation . . . | 19 July 2018 | Principal                | CDI—Swap                  | 14,011                      | 5.834 AUD           | 5.834 AUD            |
| Bank of America Corporation . . . | 19 July 2018 | Principal                | CDI—Swap                  | 5,413                       | 5.834 AUD           | 5.834 AUD            |
| Bank of America Corporation . . . | 20 July 2018 | Principal                | CDI—Swap                  | 3,513                       | 5.84 AUD            | 5.84 AUD             |
| Bank of America Corporation . . . | 20 July 2018 | Principal                | CDI—Swap                  | 3,548                       | 5.84 AUD            | 5.84 AUD             |
| Bank of America Corporation . . . | 26 July 2018 | Principal                | CDI—Swap                  | 491                         | 6.01 AUD            | 6.01 AUD             |
| Bank of America Corporation . . . | 26 July 2018 | Principal                | CDI—Swap                  | 8,691                       | 6.01 AUD            | 6.01 AUD             |

***CYBG Securities Borrowing and Lending—long position***

| <u>Name</u>                                       | <u>Date</u>               | <u>Nature of Dealing</u>   | <u>Type of securities</u>        | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|---|---------------------------|----------------------------|----------------------------------|-----------------------------|---------------------|----------------------|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–<br>27/07/2018 | Borrow                     | Securities Borrowing and Lending | 1,621,982                   | —                   | —                    |
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–<br>27/07/2018 | Return/Partial Return      | Securities Borrowing and Lending | 1,546,425                   | —                   | —                    |
| Goldman Sachs Australia Pty Ltd . . . . .         | 08/05/2018–<br>27/07/2018 | Borrow                     | Securities Borrowing and Lending | 53,384                      | —                   | —                    |
| Goldman Sachs Australia Pty Ltd . . . . .         | 08/05/2018–<br>27/07/2018 | Loan Return/Partial Return | Securities Borrowing and Lending | 105,900                     | —                   | —                    |

***CYBG Securities Borrowing and Lending—short position***

| <u>Name</u>                                       | <u>Date</u>               | <u>Nature of Dealing</u>     | <u>Type of securities</u>        | <u>Number of securities</u> | <u>Lowest price</u> | <u>Highest price</u> |
|---|---------------------------|------------------------------|----------------------------------|-----------------------------|---------------------|----------------------|
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–<br>27/07/2018 | Borrow Return/Partial Return | Securities Borrowing and Lending | 1,484,470                   | —                   | —                    |
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–<br>27/07/2018 | Borrow Split                 | Securities Borrowing and Lending | 113,376                     | —                   | —                    |
| Goldman Sachs Financial Markets Pty Ltd . . . . . | 08/05/2018–<br>27/07/2018 | Loan                         | Securities Borrowing and Lending | 2,297,758                   | —                   | —                    |
| Goldman Sachs Australia Pty Ltd . . . . .         | 08/05/2018–<br>27/07/2018 | Borrow Return/Partial Return | Securities Borrowing and Lending | 53,384                      | —                   | —                    |
| Goldman Sachs Australia Pty Ltd . . . . .         | 08/05/2018–<br>27/07/2018 | Loan                         | Securities Borrowing and Lending | 105,900                     | —                   | —                    |



## **CYBG**

4.13 As at the Latest Practicable Date, the CYBG Directors, their close relatives, related trusts and connected persons held the following interests in, or rights to subscribe in respect of, relevant CYBG securities:

### ***Issued Share Capital***

| <u>Name*</u>                     | <u>Number of<br/>CYBG Shares</u> | <u>Percentage of<br/>existing issued<br/>share capital (%)</u> |
|----------------------------------|----------------------------------|--|
| Jim Pettigrew . . . . .          | 50,000                           | 0.006  |
| David Bennett . . . . .          | 16,386                           | 0.002  |
| David Duffy . . . . .            | 213,438**                        | 0.024  |
| Ian Smith . . . . .              | 138,070***                       | 0.016  |
| Debbie Crosbie . . . . .         | 140,771****                      | 0.016  |
| Adrian Grace . . . . .           | 16,220                           | 0.002  |
| Fiona MacLeod . . . . .          | 7,000                            | 0.001  |
| Clive Adamson . . . . .          | 0                                | 0.000  |
| Paul Coby . . . . .              | 0                                | 0.000  |
| Dr Teresa Robson-Capps . . . . . | 0                                | 0.000  |
| Tim Wade . . . . .               | 20,000                           | 0.002  |

\* David Browne, a CYBG Director at the date of the Announcement holds 5,000 CYBG Shares. David Browne is no longer a director of CYBG having stepped down following his resignation on 30 June 2018, as announced on 28 March 2018.

\*\* This includes 415 CYBG Shares held via the CYBG SIP, and CHESS Depository Interests which represent interests in 4,080 CYBG Shares beneficially owned.

\*\*\* This includes 1,218 CYBG Shares held via the CYBG SIP, and CHESS Depository Interests which represent interests in 4,502 CYBG Shares beneficially owned.

\*\*\*\* This includes 415 CYBG Shares held via the CYBG SIP.

### ***Share options and share awards***

| <u>Name</u>              | <u>Share Plan</u> | <u>Number of<br/>CYBG Shares</u> | <u>Vesting date</u> |
|--------------------------|-------------------|----------------------------------|---------------------|
| David Duffy . . . . .    | CYBG LTIP         | 375,897                          | 09/03/2020          |
| David Duffy . . . . .    | CYBG LTIP         | 319,284                          | 01/12/2020          |
| David Duffy . . . . .    | CYBG DEP          | 768,560                          | 11/02/2019          |
| David Duffy . . . . .    | CYBG DEP          | 80,459                           | 20/06/2018          |
| Ian Smith . . . . .      | CYBG LTIP         | 172,912                          | 09/03/2020          |
| Ian Smith . . . . .      | CYBG LTIP         | 146,871                          | 01/12/2020          |
| Ian Smith . . . . .      | CYBG DEP          | 230,568                          | 11/02/2019          |
| Ian Smith . . . . .      | CYBG DEP          | 36,973                           | 20/06/2018          |
| Debbie Crosbie . . . . . | CYBG LTIP         | 169,153                          | 09/03/2020          |
| Debbie Crosbie . . . . . | CYBG LTIP         | 143,678                          | 01/12/2020          |
| Debbie Crosbie . . . . . | CYBG DEP          | 230,568                          | 11/02/2019          |
| Debbie Crosbie . . . . . | CYBG DEP          | 36,206                           | 20/06/2018          |

4.14 As at the Latest Practicable Date, the following persons acting in concert with CYBG held the following interests in, or rights to subscribe in respect of, relevant CYBG securities:

### ***Issued Share Capital***

| <u>Name of<br/>connected adviser</u> | <u>Name of entity</u>                           | <u>Number of<br/>CYBG Shares</u> | <u>Percentage of<br/>existing issued<br/>share capital</u> |
|--------------------------------------|---|----------------------------------|--|
| Macquarie Capital (Europe) Limited   | Macquarie Funds Management<br>Hong Kong Limited | 1,002,672                        | 0.1132%  |

4.15 During the disclosure period, the following dealings in relevant CYBG securities by CYBG Directors their close relatives, related trusts and connected persons have taken place:

| <u>Name</u>       | <u>Date(s)</u>                             | <u>Nature of Dealings</u>                      | <u>Number of<br/>CYBG<br/>Shares</u>       | <u>Price per<br/>unit (GBP£)</u> |                    |
|-------------------|--|--|--|----------------------------------|--------------------|
| David Duffy . . . | 20/06/2018                                 | Sale to cover tax liability and sale costs     | 18,466                                     | £3.061010                        |                    |
|                   |  | Sale to cover tax and liability and sale costs | 42,768                                     | £3.061010                        |                    |
|                   |  | Vesting under the CYBG DEP                     | 39,150                                     | Nil- consideration               |                    |
|                   |  | Vesting under the CYBG DEP                     | 90,676                                     | Nil- consideration               |                    |
|                   | 20/12/2017                                 | Sale to cover tax liability and sale costs     | 18,465                                     | £3.372000                        |                    |
|                   |  | Vesting under the CYBG DEP                     | 39,149                                     | Nil- consideration               |                    |
|                   | 24/11/2017                                 | Grant under the CYBG DEP                       | 90,676                                     | £3.132000                        |                    |
|                   |  | Grant under the CYBG DEP                       | 80,459                                     | £3.132000                        |                    |
|                   |  | CYBG SIP Freeshares                            | 159  | £3.132000                        |                    |
|                   |  | Grant under the CYBG LTIP                      | 319,284                                    | £3.132000                        |                    |
|                   | 20/06/2017                                 | Vesting under the CYBG DEP                     | 111,209                                    | Nil- consideration               |                    |
|                   | Ian Smith . . . . .                        | 2/07/2018                                      | Purchase of CYBG SIP Partnership shares    | 46                               | 3.222800           |
| 20/06/2018        |  | Sale to cover tax liability and sale costs     | 8,692                                      | 3.061010                         |                    |
|                   |  | Sale to cover tax and liability and sale costs | 20,086                                     | £3.061010                        |                    |
|                   |  | Vesting under the CYBG DEP                     | 18,043                                     | Nil- consideration               |                    |
|                   |  | Vesting under the CYBG DEP                     | 41,698                                     | Nil- consideration               |                    |
| 01/06/2018        |  | Purchase of CYBG SIP Partnership shares        | 52   | £2.92959                         |                    |
| 01/05/2018        |  | Purchase of CYBG SIP Partnership shares        | 48   | £3.072800                        |                    |
| 03/04/2018        |  | Purchase of CYBG SIP Partnership shares        | 52   | £2.911200                        |                    |
| 02/03/2018        |  | Purchase of CYBG SIP Partnership shares        | 50   | £2.982000                        |                    |
| 01/02/2018        |  | Purchase of CYBG SIP Partnership shares        | 47   | £3.208600                        |                    |
| 02/01/2018        |  | Purchase of CYBG SIP Partnership shares        | 45   | £3.353400                        |                    |
| 20/12/2017        |  | Sale to cover tax liability and sale costs     | 8,510                                      | £3.372000                        |                    |
|                   |  | Vesting under the CYBG DEP                     | 18,043                                     | Nil- consideration               |                    |
| 01/12/2017        |  | Purchase of CYBG SIP Partnership shares        | 47   | £3.185950                        |                    |
| 24/11/2017        |  | Grant under the CYBG LTIP                      | 146,871                                    | £3.132000                        |                    |
|                   |  | CYBG SIP Freeshares                            | 159  | £3.132000                        |                    |
|                   |  | Grant under the CYBG DEP                       | 36,973                                     | £3.132000                        |                    |
|                   |  | Grant under the CYBG DEP                       | 41,698                                     | £3.132000                        |                    |
| 01/11/2017        |  | Purchase of CYBG SIP Partnership shares        | 47   | £3.158500                        |                    |
| 02/10/2017        |  | Purchase of CYBG SIP Partnership shares        | 49   | £3.068125                        |                    |
| 01/09/2017        |  | Purchase of CYBG SIP Partnership shares        | 51   | £2.917700                        |                    |
| 14/08/2017        |  | Sale to cover tax liability and sale costs     | 8,115                                      | £2.905100                        |                    |
|                   |  | Vesting under the CYBG DEP                     | 17,204                                     | Nil- consideration               |                    |
| 01/08/2017        |  | Purchase of CYBG SIP Partnership shares        | 52   | £2.892505                        |                    |
| 03/07/2017        |  | Purchase of CYBG SIP Partnership shares        | 55   | £2.763300                        |                    |
| 20/06/2017        |  | Sale to cover tax liability and sale costs     | 24,112                                     | £2.796941                        |                    |
|                   |  | Vesting under the CYBG DEP                     | 51,122                                     | Nil- consideration               |                    |
| 01/06/2017        |  | Purchase of CYBG SIP Partnership shares        | 56   | £2.649000                        |                    |
| Debbie Crosbie    |  | 20/06/2018                                     | Sale to cover tax liability and sale costs | 8,501                            | £3.061010          |
|                   |  |  | Sale to cover tax liability and sale costs | 19,655                           | £3.061010          |
|                   |  |  | Vesting under the CYBG DEP                 | 17,648                           | Nil- consideration |
|                   |  |  | Vesting under the CYBG DEP                 | 40,804                           | Nil- consideration |
| 20/12/2017        | Sale to cover tax liability and sale costs | 8,324  | £3.372000                                  |                                  |                    |
|                   | Vesting under the CYBG DEP                 | 17,648   | Nil- consideration                         |                                  |                    |
| 24/11/2017        | Grant under the CYBG LTIP                  | 143,678  | £3.132000                                  |                                  |                    |
|                   | CYBG SIP Freeshares                        | 159  | £3.132000                                  |                                  |                    |
|                   | Grant under the CYBG DEP                   | 36,206   | £3.132000                                  |                                  |                    |
|                   | Grant under the CYBG DEP                   | 40,804   | £3.132000                                  |                                  |                    |
| 14/08/2017        | Sale to cover tax liability and sale costs | 10,875   | £2.905100                                  |                                  |                    |
|                   | Vesting under the CYBG DEP                 | 23,057   | Nil- consideration                         |                                  |                    |
| 20/06/2017        | Sale to cover tax liability and sale costs | 23,589   | £2.796941                                  |                                  |                    |
|                   | Vesting under the CYBG DEP                 | 50,013   | Nil- consideration                         |                                  |                    |

4.16 During the disclosure period, the following dealings in relevant CYBG securities by persons acting in concert with CYBG have taken place:

**CYBG CDI**

| <u>Name</u>   | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of CYBG securities</u> | <u>Number of CYBG securities</u> | <u>Price per unit</u> |
|---|-------------|--------------------------|--------------------------------|----------------------------------|-----------------------|
|   | 29/08/2017  | Sell                     | CDI                            | 20,000                           | AUD 4.61              |
| Craig Investment Partners Limited . . . . .         | 29/08/2017  | Buy                      | CDI                            | 20,000                           | AUD 4.75              |
|   | 16/05/2017  | Sell                     | CDI                            | 407                              | AUD 5.04              |
| Wilsons Advisory and Stockbroking Limited . . . . . | 23/05/2017  | Sell                     | CDI                            | 1,325                            | AUD 4.71              |
|   | 29/03/2018  | Sell                     | CDI                            | 224                              | AUD 5.42              |
|   | 30/05/2018  | Sell                     | CDI                            | 181                              | AUD 5.09              |

| <u>Name</u>                   | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of CYBG securities</u> | <u>Number of CYBG securities</u> | <u>Lowest price (AUD)</u> | <u>Highest price (AUD)</u> |
|-------------------------------|-------------|--------------------------|--------------------------------|----------------------------------|---------------------------|----------------------------|
| Macquarie Hong Kong . . . . . | 07/08/2017  | Buy                      | CDI                            | 36,159                           | 4.71                      | 4.745                      |
| Macquarie Hong Kong . . . . . | 08/08/2017  | Buy                      | CDI                            | 37,486                           | 4.72                      | 4.78                       |
| Macquarie Hong Kong . . . . . | 09/08/2017  | Buy                      | CDI                            | 36,436                           | 4.785                     | 4.865                      |
| Macquarie Hong Kong . . . . . | 10/08/2017  | Buy                      | CDI                            | 50,448                           | 4.715                     | 4.77                       |
| Macquarie Hong Kong . . . . . | 11/08/2017  | Buy                      | CDI                            | 28,036                           | 4.67                      | 4.72                       |
| Macquarie Hong Kong . . . . . | 28/08/2017  | Buy                      | CDI                            | 1,775                            | 4.645                     | 4.68                       |
| Macquarie Hong Kong . . . . . | 29/08/2017  | Buy                      | CDI                            | 1,847                            | 4.6                       | 4.655                      |
| Macquarie Hong Kong . . . . . | 30/08/2017  | Buy                      | CDI                            | 2,255                            | 4.575                     | 4.62                       |
| Macquarie Hong Kong . . . . . | 31/08/2017  | Buy                      | CDI                            | 2,425                            | 4.64                      | 4.7                        |
| Macquarie Hong Kong . . . . . | 01/09/2017  | Buy                      | CDI                            | 4,378                            | 4.7                       | 4.74                       |
| Macquarie Hong Kong . . . . . | 04/09/2017  | Buy                      | CDI                            | 926                              | 4.695                     | 4.735                      |
| Macquarie Hong Kong . . . . . | 05/09/2017  | Buy                      | CDI                            | 1,107                            | 4.67                      | 4.71                       |
| Macquarie Hong Kong . . . . . | 06/09/2017  | Buy                      | CDI                            | 291                              | 4.595                     | 4.66                       |
| Macquarie Hong Kong . . . . . | 07/09/2017  | Buy                      | CDI                            | 1,678                            | 4.585                     | 4.69                       |
| Macquarie Hong Kong . . . . . | 18/09/2017  | Sell                     | CDI                            | 26,920                           | 4.86                      | 4.95                       |
| Macquarie Hong Kong . . . . . | 19/09/2017  | Sell                     | CDI                            | 34,848                           | 4.96                      | 5.04                       |
| Macquarie Hong Kong . . . . . | 25/09/2017  | Sell                     | CDI                            | 10,208                           | 5.05                      | 5.07                       |
| Macquarie Hong Kong . . . . . | 26/09/2017  | Sell                     | CDI                            | 47,758                           | 5.045                     | 5.07                       |
| Macquarie Hong Kong . . . . . | 02/10/2017  | Sell                     | CDI                            | 3,090                            | 5.16                      | 5.285                      |
| Macquarie Hong Kong . . . . . | 16/10/2017  | Buy                      | CDI                            | 667                              | 5.14                      | 5.19                       |
| Macquarie Hong Kong . . . . . | 17/10/2017  | Buy                      | CDI                            | 19,135                           | 5.175                     | 5.215                      |
| Macquarie Hong Kong . . . . . | 18/10/2017  | Buy                      | CDI                            | 5,594                            | 5.195                     | 5.23                       |
| Macquarie Hong Kong . . . . . | 23/10/2017  | Buy                      | CDI                            | 2,641                            | 5.26                      | 5.335                      |
| Macquarie Hong Kong . . . . . | 24/10/2017  | Buy                      | CDI                            | 23,427                           | 5.21                      | 5.255                      |
| Macquarie Hong Kong . . . . . | 30/10/2017  | Buy                      | CDI                            | 1,303                            | 5.33                      | 5.4                        |
| Macquarie Hong Kong . . . . . | 31/10/2017  | Buy                      | CDI                            | 1,180                            | 5.36                      | 5.44                       |
| Macquarie Hong Kong . . . . . | 01/11/2017  | Buy                      | CDI                            | 927                              | 5.435                     | 5.49                       |
| Macquarie Hong Kong . . . . . | 03/11/2017  | Buy                      | CDI                            | 3,914                            | 5.18                      | 5.25                       |
| Macquarie Hong Kong . . . . . | 06/11/2017  | Buy                      | CDI                            | 11,325                           | 5.185                     | 5.24                       |
| Macquarie Hong Kong . . . . . | 07/11/2017  | Buy                      | CDI                            | 31,297                           | 5.2                       | 5.29                       |
| Macquarie Hong Kong . . . . . | 08/11/2017  | Buy                      | CDI                            | 16,586                           | 5.28                      | 5.34                       |
| Macquarie Hong Kong . . . . . | 20/11/2017  | Sell                     | CDI                            | 9,623                            | 5.27                      | 5.4                        |
| Macquarie Hong Kong . . . . . | 30/11/2017  | Buy                      | CDI                            | 3,694                            | 5.625                     | 5.64                       |
| Macquarie Hong Kong . . . . . | 01/12/2017  | Buy                      | CDI                            | 3,586                            | 5.66                      | 5.84                       |
| Macquarie Hong Kong . . . . . | 11/12/2017  | Sell                     | CDI                            | 24,096                           | 5.79                      | 5.845                      |
| Macquarie Hong Kong . . . . . | 12/12/2017  | Sell                     | CDI                            | 26,901                           | 5.825                     | 5.9                        |
| Macquarie Hong Kong . . . . . | 13/12/2017  | Sell                     | CDI                            | 19,368                           | 5.755                     | 5.85                       |
| Macquarie Hong Kong . . . . . | 19/12/2017  | Sell                     | CDI                            | 3,254                            | 5.735                     | 5.79                       |
| Macquarie Hong Kong . . . . . | 20/12/2017  | Sell                     | CDI                            | 3,961                            | 5.84                      | 5.915                      |
| Macquarie Hong Kong . . . . . | 21/12/2017  | Sell                     | CDI                            | 4,486                            | 5.86                      | 5.93                       |
| Macquarie Hong Kong . . . . . | 22/12/2017  | Sell                     | CDI                            | 4,021                            | 5.775                     | 5.86                       |
| Macquarie Hong Kong . . . . . | 27/12/2017  | Sell                     | CDI                            | 4,776                            | 5.76                      | 5.81                       |

| <u>Name</u>         | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of CYBG securities</u> | <u>Number of CYBG securities</u> | <u>Lowest price (AUD)</u> | <u>Highest price (AUD)</u> |
|---------------------|-------------|--------------------------|--------------------------------|----------------------------------|---------------------------|----------------------------|
| Macquarie Hong Kong | 28/12/2017  | Sell                     | CDI                            | 7,705                            | 5.72                      | 5.77                       |
| Macquarie Hong Kong | 29/12/2017  | Sell                     | CDI                            | 5,918                            | 5.71                      | 5.8                        |
| Macquarie Hong Kong | 03/01/2018  | Buy                      | CDI                            | 3,888                            | 5.68                      | 5.73                       |
| Macquarie Hong Kong | 08/01/2018  | Buy                      | CDI                            | 7,954                            | 5.61                      | 5.63                       |
| Macquarie Hong Kong | 09/01/2018  | Buy                      | CDI                            | 1,610                            | 5.6                       | 5.68                       |
| Macquarie Hong Kong | 10/01/2018  | Buy                      | CDI                            | 5,416                            | 5.68                      | 5.73                       |
| Macquarie Hong Kong | 22/01/2018  | Sell                     | CDI                            | 21,541                           | 5.66                      | 5.765                      |
| Macquarie Hong Kong | 23/01/2018  | Sell                     | CDI                            | 36,853                           | 5.68                      | 5.74                       |
| Macquarie Hong Kong | 29/01/2018  | Sell                     | CDI                            | 4,057                            | 5.72                      | 5.785                      |
| Macquarie Hong Kong | 30/01/2018  | Sell                     | CDI                            | 4,942                            | 5.665                     | 5.74                       |
| Macquarie Hong Kong | 31/01/2018  | Sell                     | CDI                            | 4,453                            | 5.59                      | 5.73                       |
| Macquarie Hong Kong | 01/02/2018  | Sell                     | CDI                            | 4,296                            | 5.665                     | 5.74                       |
| Macquarie Hong Kong | 05/02/2018  | Buy                      | CDI                            | 35,186                           | 5.51                      | 5.62                       |
| Macquarie Hong Kong | 06/02/2018  | Buy                      | CDI                            | 42,461                           | 5.365                     | 5.43                       |
| Macquarie Hong Kong | 07/02/2018  | Buy                      | CDI                            | 106,672                          | 5.47                      | 5.53                       |
| Macquarie Hong Kong | 08/02/2018  | Buy                      | CDI                            | 10,479                           | 5.41                      | 5.545                      |
| Macquarie Hong Kong | 12/02/2018  | Buy                      | CDI                            | 61,933                           | 5.41                      | 5.485                      |
| Macquarie Hong Kong | 19/02/2018  | Buy                      | CDI                            | 27,912                           | 5.39                      | 5.46                       |
| Macquarie Hong Kong | 20/02/2018  | Buy                      | CDI                            | 76,724                           | 5.4                       | 5.44                       |
| Macquarie Hong Kong | 21/02/2018  | Buy                      | CDI                            | 45,468                           | 5.37                      | 5.42                       |
| Macquarie Hong Kong | 22/02/2018  | Buy                      | CDI                            | 97,192                           | 5.26                      | 5.355                      |
| Macquarie Hong Kong | 23/02/2018  | Buy                      | CDI                            | 70,334                           | 5.195                     | 5.27                       |
| Macquarie Hong Kong | 26/02/2018  | Buy                      | CDI                            | 79,285                           | 5.24                      | 5.37                       |
| Macquarie Hong Kong | 28/02/2018  | Buy                      | CDI                            | 11,489                           | 5.31                      | 5.42                       |
| Macquarie Hong Kong | 01/03/2018  | Buy                      | CDI                            | 23,695                           | 5.27                      | 5.305                      |
| Macquarie Hong Kong | 05/03/2018  | Buy                      | CDI                            | 4,185                            | 5.29                      | 5.35                       |
| Macquarie Hong Kong | 06/03/2018  | Buy                      | CDI                            | 10,551                           | 5.32                      | 5.395                      |
| Macquarie Hong Kong | 07/03/2018  | Buy                      | CDI                            | 42,532                           | 5.4                       | 5.485                      |
| Macquarie Hong Kong | 13/03/2018  | Sell                     | CDI                            | 553                              | 5.56                      | 5.635                      |
| Macquarie Hong Kong | 20/03/2018  | Sell                     | CDI                            | 8,090                            | 5.46                      | 5.51                       |
| Macquarie Hong Kong | 26/03/2018  | Buy                      | CDI                            | 14,532                           | 5.42                      | 5.54                       |
| Macquarie Hong Kong | 27/03/2018  | Sell                     | CDI                            | 20,068                           | 5.51                      | 5.55                       |
| Macquarie Hong Kong | 28/03/2018  | Sell                     | CDI                            | 21,553                           | 5.425                     | 5.51                       |
| Macquarie Hong Kong | 29/03/2018  | Sell                     | CDI                            | 43,429                           | 5.385                     | 5.455                      |
| Macquarie Hong Kong | 03/04/2018  | Sell                     | CDI                            | 792                              | 5.28                      | 5.35                       |
| Macquarie Hong Kong | 04/04/2018  | Sell                     | CDI                            | 6,345                            | 5.24                      | 5.35                       |
| Macquarie Hong Kong | 09/04/2018  | Sell                     | CDI                            | 5,800                            | 5.5                       | 5.58                       |
| Macquarie Hong Kong | 10/04/2018  | Sell                     | CDI                            | 29,723                           | 5.58                      | 5.73                       |
| Macquarie Hong Kong | 11/04/2018  | Sell                     | CDI                            | 36,228                           | 5.575                     | 5.71                       |
| Macquarie Hong Kong | 16/04/2018  | Buy                      | CDI                            | 5,127                            | 5.58                      | 5.665                      |
| Macquarie Hong Kong | 17/04/2018  | Buy                      | CDI                            | 18,314                           | 5.54                      | 5.64                       |
| Macquarie Hong Kong | 18/04/2018  | Buy                      | CDI                            | 34,537                           | 5.19                      | 5.315                      |
| Macquarie Hong Kong | 23/04/2018  | Buy                      | CDI                            | 23,808                           | 5.34                      | 5.43                       |
| Macquarie Hong Kong | 24/04/2018  | Buy                      | CDI                            | 15,524                           | 5.5                       | 5.61                       |
| Macquarie Hong Kong | 26/04/2018  | Buy                      | CDI                            | 14,712                           | 5.44                      | 5.59                       |
| Macquarie Hong Kong | 30/04/2018  | Buy                      | CDI                            | 9,742                            | 5.445                     | 5.555                      |
| Macquarie Hong Kong | 01/05/2018  | Buy                      | CDI                            | 3,100                            | 5.52                      | 5.6                        |
| Macquarie Hong Kong | 03/05/2018  | Buy                      | CDI                            | 12,008                           | 5.63                      | 5.695                      |
| Macquarie Hong Kong | 04/05/2018  | Buy                      | CDI                            | 11,672                           | 5.63                      | 5.81                       |
| Macquarie Hong Kong | 07/05/2018  | Sell                     | CDI                            | 21,286                           | 5.64                      | 5.72                       |
| Macquarie Hong Kong | 08/05/2018  | Sell                     | CDI                            | 25,953                           | 5.47                      | 5.64                       |
| Macquarie Hong Kong | 23/07/2018  | Sell                     | CDI                            | 79,471                           | 5.885                     | 5.92                       |

**CYBG Shares**

| <u>Name</u>         | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of CYBG securities</u> | <u>Number of CYBG securities</u> | <u>Lowest price (pence)</u> | <u>Highest price (pence)</u> |
|---------------------|-------------|--------------------------|--------------------------------|----------------------------------|-----------------------------|------------------------------|
| Macquarie Hong Kong | 05/04/2017  | Short                    | CYBG Shares                    | 14,931                           | 283.35                      | 285.7                        |
| Macquarie Hong Kong | 06/04/2017  | Short                    | CYBG Shares                    | 19,352                           | 282.928                     | 284.9                        |
| Macquarie Hong Kong | 07/04/2017  | Short                    | CYBG Shares                    | 15,540                           | 281.7                       | 284.2                        |
| Macquarie Hong Kong | 10/04/2017  | Short                    | CYBG Shares                    | 14,594                           | 286.6                       | 288.2                        |
| Macquarie Hong Kong | 11/04/2017  | Short                    | CYBG Shares                    | 12,784                           | 283.1                       | 287.4189                     |
| Macquarie Hong Kong | 19/04/2017  | BTC                      | CYBG Shares                    | 7,948                            | 273.5                       | 277.2                        |
| Macquarie Hong Kong | 20/04/2017  | BTC                      | CYBG Shares                    | 8,388                            | 275.5                       | 277.3                        |
| Macquarie Hong Kong | 21/04/2017  | BTC                      | CYBG Shares                    | 20,235                           | 277.1                       | 280.0709                     |
| Macquarie Hong Kong | 26/04/2017  | BTC                      | CYBG Shares                    | 3,640                            | 282.2956                    | 284.0635                     |
| Macquarie Hong Kong | 27/04/2017  | BTC                      | CYBG Shares                    | 4,979                            | 281.7                       | 283.4                        |
| Macquarie Hong Kong | 28/04/2017  | BTC                      | CYBG Shares                    | 3,446                            | 281                         | 282.1                        |
| Macquarie Hong Kong | 02/05/2017  | BTC                      | CYBG Shares                    | 4,781                            | 281.6                       | 283.7                        |
| Macquarie Hong Kong | 03/05/2017  | BTC                      | CYBG Shares                    | 6,653                            | 277.8                       | 279.1                        |
| Macquarie Hong Kong | 04/05/2017  | BTC                      | CYBG Shares                    | 1,647                            | 278.477                     | 280.2393                     |
| Macquarie Hong Kong | 05/05/2017  | BTC                      | CYBG Shares                    | 1,991                            | 281.8773                    | 283.9799                     |
| Macquarie Hong Kong | 09/05/2017  | BTC                      | CYBG Shares                    | 3,153                            | 285.19                      | 286.3935                     |
| Macquarie Hong Kong | 17/05/2017  | BTC                      | CYBG Shares                    | 10,340                           | 272.1                       | 276.1052                     |
| Macquarie Hong Kong | 12/07/2017  | Buy                      | CYBG Shares                    | 18,018                           | 279.7533                    | 282.9312                     |
| Macquarie Hong Kong | 13/07/2017  | Buy                      | CYBG Shares                    | 22,081                           | 279.0542                    | 280.6                        |
| Macquarie Hong Kong | 14/07/2017  | Buy                      | CYBG Shares                    | 43,042                           | 277.7726                    | 280.342                      |
| Macquarie Hong Kong | 19/07/2017  | Buy                      | CYBG Shares                    | 21,959                           | 274.9901                    | 277.1247                     |
| Macquarie Hong Kong | 02/08/2017  | Sell                     | CYBG Shares                    | 32,393                           | 283.0404                    | 287.3                        |
| Macquarie Hong Kong | 03/08/2017  | Sell                     | CYBG Shares                    | 18,754                           | 283.1706                    | 286.4                        |
| Macquarie Hong Kong | 30/08/2017  | Sell                     | CYBG Shares                    | 11,630                           | 283.9                       | 285.9041                     |
| Macquarie Hong Kong | 31/08/2017  | Sell                     | CYBG Shares                    | 10,875                           | 286.3437                    | 290.2                        |
| Macquarie Hong Kong | 01/09/2017  | Sell                     | CYBG Shares                    | 1,164                            | 291                         | 291                          |
| Macquarie Hong Kong | 04/09/2017  | Sell                     | CYBG Shares                    | 1,217                            | 288.7921                    | 290.0756                     |
| Macquarie Hong Kong | 06/09/2017  | Sell                     | CYBG Shares                    | 9,955                            | 283.2                       | 284.8445                     |
| Macquarie Hong Kong | 07/09/2017  | Sell                     | CYBG Shares                    | 2,118                            | 281.7104                    | 285.2671                     |
| Macquarie Hong Kong | 08/09/2017  | Sell                     | CYBG Shares                    | 928                              | 282.0881                    | 284.1484                     |
| Macquarie Hong Kong | 13/09/2017  | Sell                     | CYBG Shares                    | 3,066                            | 287.1                       | 289                          |
| Macquarie Hong Kong | 20/09/2017  | Sell                     | CYBG Shares                    | 3,438                            | 293.3                       | 295.5                        |
| Macquarie Hong Kong | 21/09/2017  | Sell                     | CYBG Shares                    | 7,497                            | 295.7574                    | 297.989                      |
| Macquarie Hong Kong | 10/10/2017  | Sell                     | CYBG Shares                    | 1,844                            | 302.289                     | 302.944                      |
| Macquarie Hong Kong | 03/11/2017  | Sell                     | CYBG Shares                    | 221                              | 306.6                       | 306.95                       |
| Macquarie Hong Kong | 29/11/2017  | Buy                      | CYBG Shares                    | 20,023                           | 313.7                       | 318.3                        |
| Macquarie Hong Kong | 30/11/2017  | Buy                      | CYBG Shares                    | 5,564                            | 312.9                       | 316.7                        |
| Macquarie Hong Kong | 01/12/2017  | Buy                      | CYBG Shares                    | 40,004                           | 316.4838                    | 319.829                      |
| Macquarie Hong Kong | 04/12/2017  | Buy                      | CYBG Shares                    | 43,317                           | 315.5435                    | 318.7996                     |
| Macquarie Hong Kong | 13/12/2017  | Buy                      | CYBG Shares                    | 8,607                            | 329.6194                    | 331.5                        |
| Macquarie Hong Kong | 14/12/2017  | Buy                      | CYBG Shares                    | 8,922                            | 326.5                       | 329.1                        |
| Macquarie Hong Kong | 15/12/2017  | Buy                      | CYBG Shares                    | 9,439                            | 324.6                       | 329.9                        |
| Macquarie Hong Kong | 18/12/2017  | Buy                      | CYBG Shares                    | 15,961                           | 330.2                       | 334.7                        |
| Macquarie Hong Kong | 20/12/2017  | Buy                      | CYBG Shares                    | 8,709                            | 336.097                     | 338.4                        |
| Macquarie Hong Kong | 21/12/2017  | Buy                      | CYBG Shares                    | 7,144                            | 337.8538                    | 341.3562                     |
| Macquarie Hong Kong | 22/12/2017  | Buy                      | CYBG Shares                    | 7,565                            | 335                         | 336.8                        |
| Macquarie Hong Kong | 27/12/2017  | Buy                      | CYBG Shares                    | 8,892                            | 333.3                       | 334.8                        |
| Macquarie Hong Kong | 28/12/2017  | Buy                      | CYBG Shares                    | 8,784                            | 332.3                       | 334.9                        |
| Macquarie Hong Kong | 29/12/2017  | Buy                      | CYBG Shares                    | 20,089                           | 335.7                       | 339.7                        |
| Macquarie Hong Kong | 04/01/2018  | Buy                      | CYBG Shares                    | 4,653                            | 330.0754                    | 332.8852                     |
| Macquarie Hong Kong | 10/01/2018  | Buy                      | CYBG Shares                    | 7,610                            | 326.8                       | 330                          |
| Macquarie Hong Kong | 17/01/2018  | Buy                      | CYBG Shares                    | 2,871                            | 324.4                       | 326.7991                     |
| Macquarie Hong Kong | 18/01/2018  | Buy                      | CYBG Shares                    | 2,163                            | 331.4194                    | 333.4                        |
| Macquarie Hong Kong | 23/01/2018  | Buy                      | CYBG Shares                    | 2,865                            | 326.4438                    | 328.4                        |

| <u>Name</u>                   | <u>Date</u> | <u>Nature of Dealing</u> | <u>Type of CYBG securities</u> | <u>Number of CYBG securities</u> | <u>Lowest price (pence)</u> | <u>Highest price (pence)</u> |
|-------------------------------|-------------|--------------------------|--------------------------------|----------------------------------|-----------------------------|------------------------------|
| Macquarie Hong Kong . . . . . | 31/01/2018  | Buy                      | CYBG Shares                    | 20,016                           | 319.6                       | 323.8                        |
| Macquarie Hong Kong . . . . . | 01/02/2018  | Buy                      | CYBG Shares                    | 19,120                           | 319.2                       | 324.2                        |
| Macquarie Hong Kong . . . . . | 02/02/2018  | Buy                      | CYBG Shares                    | 39,535                           | 315.8                       | 318.8                        |
| Macquarie Hong Kong . . . . . | 21/02/2018  | Buy                      | CYBG Shares                    | 15,381                           | 301.4                       | 306.6                        |
| Macquarie Hong Kong . . . . . | 22/02/2018  | Buy                      | CYBG Shares                    | 19,227                           | 293.8                       | 297.6                        |
| Macquarie Hong Kong . . . . . | 23/02/2018  | Buy                      | CYBG Shares                    | 18,067                           | 292.8                       | 295.4346                     |
| Macquarie Hong Kong . . . . . | 26/02/2018  | Buy                      | CYBG Shares                    | 16,139                           | 298.1                       | 300.2                        |
| Macquarie Hong Kong . . . . . | 27/02/2018  | Buy                      | CYBG Shares                    | 13,661                           | 302                         | 305                          |
| Macquarie Hong Kong . . . . . | 28/02/2018  | Buy                      | CYBG Shares                    | 25,442                           | 300.7972                    | 303.2                        |
| Macquarie Hong Kong . . . . . | 01/03/2018  | Buy                      | CYBG Shares                    | 5,789                            | 297.9408                    | 300.6                        |
| Macquarie Hong Kong . . . . . | 02/03/2018  | Buy                      | CYBG Shares                    | 12,799                           | 297.8                       | 299.6563                     |
| Macquarie Hong Kong . . . . . | 14/03/2018  | Buy                      | CYBG Shares                    | 55,647                           | 306.6                       | 310.8                        |
| Macquarie Hong Kong . . . . . | 15/03/2018  | Buy                      | CYBG Shares                    | 55,037                           | 302.8                       | 307.2                        |
| Macquarie Hong Kong . . . . . | 16/03/2018  | Buy                      | CYBG Shares                    | 18,162                           | 304                         | 306                          |
| Macquarie Hong Kong . . . . . | 21/03/2018  | Buy                      | CYBG Shares                    | 15,881                           | 303.4                       | 305.3066                     |
| Macquarie Hong Kong . . . . . | 22/03/2018  | Buy                      | CYBG Shares                    | 15,301                           | 297.6                       | 302.6                        |
| Macquarie Hong Kong . . . . . | 23/03/2018  | Buy                      | CYBG Shares                    | 18,673                           | 294.2                       | 300.2259                     |
| Macquarie Hong Kong . . . . . | 26/03/2018  | Buy                      | CYBG Shares                    | 31,491                           | 297.6                       | 300.6426                     |
| Macquarie Hong Kong . . . . . | 29/03/2018  | Sell                     | CYBG Shares                    | 2,791                            | 294.4                       | 297.3974                     |
| Macquarie Hong Kong . . . . . | 03/04/2018  | Sell                     | CYBG Shares                    | 4,976                            | 290.191                     | 292.2                        |
| Macquarie Hong Kong . . . . . | 04/04/2018  | Buy                      | CYBG Shares                    | 23,518                           | 287                         | 291.8                        |
| Macquarie Hong Kong . . . . . | 05/04/2018  | Buy                      | CYBG Shares                    | 59,871                           | 295.6762                    | 298.8                        |
| Macquarie Hong Kong . . . . . | 06/04/2018  | Buy                      | CYBG Shares                    | 27,480                           | 301.6306                    | 305.6005                     |
| Macquarie Hong Kong . . . . . | 10/04/2018  | Sell                     | CYBG Shares                    | 2,352                            | 306.4                       | 309.8                        |
| Macquarie Hong Kong . . . . . | 11/04/2018  | Buy                      | CYBG Shares                    | 801                              | 305                         | 305.2                        |
| Macquarie Hong Kong . . . . . | 12/04/2018  | Buy                      | CYBG Shares                    | 5,550                            | 302.2901                    | 305.2                        |
| Macquarie Hong Kong . . . . . | 13/04/2018  | Buy                      | CYBG Shares                    | 6,079                            | 303.6016                    | 306                          |
| Macquarie Hong Kong . . . . . | 16/04/2018  | Buy                      | CYBG Shares                    | 10,282                           | 304                         | 305.7048                     |
| Macquarie Hong Kong . . . . . | 18/04/2018  | Buy                      | CYBG Shares                    | 9,559                            | 284                         | 289.6946                     |
| Macquarie Hong Kong . . . . . | 19/04/2018  | Buy                      | CYBG Shares                    | 27,415                           | 291.6037                    | 298                          |
| Macquarie Hong Kong . . . . . | 20/04/2018  | Buy                      | CYBG Shares                    | 19,271                           | 294.2                       | 295.9                        |
| Macquarie Hong Kong . . . . . | 23/04/2018  | Buy                      | CYBG Shares                    | 40,087                           | 294                         | 302                          |
| Macquarie Hong Kong . . . . . | 25/04/2018  | Buy                      | CYBG Shares                    | 24,630                           | 298.3699                    | 301.6502                     |
| Macquarie Hong Kong . . . . . | 26/04/2018  | Buy                      | CYBG Shares                    | 23,595                           | 297.6                       | 300.6                        |
| Macquarie Hong Kong . . . . . | 27/04/2018  | Buy                      | CYBG Shares                    | 11,079                           | 298.5777                    | 300.6                        |
| Macquarie Hong Kong . . . . . | 02/05/2018  | Sell                     | CYBG Shares                    | 1,359                            | 308.7295                    | 310.2                        |
| Macquarie Hong Kong . . . . . | 03/05/2018  | Sell                     | CYBG Shares                    | 9,869                            | 311.2495                    | 316.4                        |

4.17 Save as disclosed above, as at the close of business on the Latest Practicable Date, neither CYBG, nor any CYBG Director, nor, so far as CYBG is aware, any person acting in concert (within the meaning of the Takeover Code) with it nor any person with whom it or any person acting in concert with it has an arrangement has: (i) any interest in or right to subscribe for any relevant CYBG securities, (ii) any short positions in respect of relevant CYBG securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; or (iii) borrowed or lent any relevant CYBG securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code).

4.18 Save as disclosed above, during the disclosure period, no dealings in relevant CYBG securities by CYBG, or CYBG Directors, their close relatives, related trusts and their connected persons have taken place.

4.19 Save as disclosed above, during the disclosure period, no dealings in relevant CYBG securities by persons acting in concert with CYBG have taken place.

## 5. Interests and Dealings—General

5.1 Save as disclosed in paragraph 4 above, as at the Latest Practicable Date:

- (A) no member of the Virgin Money Group had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities nor has any member of the Virgin Money Group dealt for value in any relevant Virgin Money securities during the Offer Period;
- (B) no member of the Virgin Money Group had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities nor has any member of the Virgin Money Group dealt for value in any relevant CYBG securities during the Offer Period;
- (C) none of the Virgin Money Directors had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities, nor has any such person dealt for value in any relevant Virgin Money securities during the Offer Period;
- (D) none of the Virgin Money Directors had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities, nor has any such person dealt for value in any relevant CYBG securities during the Offer Period;
- (E) no person deemed to be acting in concert with Virgin Money had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities, nor has any such person dealt for value in any relevant Virgin Money securities, during the Offer Period;
- (F) no person deemed to be acting in concert with Virgin Money had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities, nor has any such person dealt for value in any relevant CYBG securities, during the Offer Period;
- (G) no person who has an arrangement with Virgin Money had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities, nor has any such person dealt for value in any relevant Virgin Money securities during the Offer Period;
- (H) no person who has an arrangement with Virgin Money had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities, nor has any such person dealt for value in any relevant CYBG securities during the Offer Period;
- (I) neither Virgin Money, nor any person acting in concert with it, has borrowed or lent any relevant Virgin Money securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have been either on-lent or sold; and
- (J) neither Virgin Money, nor any person acting in concert with it, has borrowed or lent any relevant CYBG securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have been either on-lent or sold.

5.2 Save as disclosed in paragraph 4 above, as at the Latest Practicable Date:

- (A) no member of the CYBG Group had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities nor has any member of the CYBG Group dealt for value in any relevant Virgin Money securities during the disclosure period;
- (B) no member of the CYBG Group had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities nor has any member of the CYBG Group dealt for value in any relevant CYBG securities during the disclosure period;

- (C) none of the CYBG Directors had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities, nor has any such person dealt for value in any relevant Virgin Money securities during the disclosure period;
  - (D) none of the CYBG Directors had any interest in, right to subscribe in respect of, any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities, nor has any such person dealt for value in any relevant CYBG securities during the disclosure period;
  - (E) no person deemed to be acting in concert with CYBG had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities, nor has any such person dealt for value in any relevant Virgin Money securities, during the disclosure period;
  - (F) no person deemed to be acting in concert with CYBG had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities, nor has any such person dealt for value in any relevant CYBG securities, during the disclosure period;
  - (G) no person who has an arrangement with CYBG had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Virgin Money securities, nor has any such person dealt for value in any relevant Virgin Money securities during the disclosure period;
  - (H) no person who has an arrangement with CYBG had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant CYBG securities, nor has any such person dealt for value in any relevant CYBG securities during the disclosure period;
  - (I) neither CYBG, nor any person acting in concert with it, has borrowed or lent any relevant Virgin Money securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have been either on-lent or sold; and
  - (J) neither CYBG, nor any person acting in concert with it, has borrowed or lent any relevant CYBG securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have been either on-lent or sold.
- 5.3 Save as disclosed in this document, no persons have given any irrevocable or other commitment to vote in favour of the Scheme or the resolutions to be proposed at the Virgin Money General Meeting.
- 5.4 Save as disclosed in this document, none of: (i) CYBG, or any person acting in concert with CYBG; or (ii) Virgin Money or any person acting in concert with Virgin Money, has, in either case, any arrangement in relation to relevant securities.
- 5.5 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between CYBG or, in either case, any person acting in concert with it and any of the Virgin Money Directors or the recent directors, shareholders or recent shareholders of Virgin Money having any connection with or dependence upon or which is conditional upon the Offer.
- 5.6 Save as disclosed in this document, there is no agreement, arrangement or understanding whereby the beneficial ownership of any Virgin Money Shares to be acquired by CYBG pursuant to the Scheme will be transferred to any other person.
- 5.7 No relevant securities of Virgin Money have been redeemed or purchased by Virgin Money during the disclosure period.
- 5.8 No relevant securities of CYBG have been redeemed or purchased by CYBG during the disclosure period.



## 6. Directors' service contracts and emoluments

### *Virgin Money Directors' service contracts and emoluments*

#### 6.1 *Executive Directors*

The particulars of the executive director service contract between relevant members of the Virgin Money Group and the executive directors of Virgin Money are set out below. Save as set out below, no such contract has been entered into or amended during the six months preceding publication of this document.

#### *Jayne-Anne Gadhia and Peter Bole*

- (A) The executive directors of Virgin Money, Jayne-Anne Gadhia and Peter Bole (the **Virgin Money CFO**, and together with the Virgin Money CEO, the **Virgin Money Executive Directors** and each a **Virgin Money Executive Director**), entered into service agreements for the positions of Chief Executive Officer and Chief Financial Officer of Virgin Money respectively on 18 November 2014 (continuous employment commenced on 5 March 2007) (as amended as per paragraph (B) below) and 12 January 2016 (continuous employment commenced on 1 November 2016). The service contracts each continue until terminated by either Virgin Money plc or the respective Virgin Money Executive Director by giving twelve months' written notice. Each of the Virgin Money Executive Directors receive a salary under their respective service agreement. The Virgin Money CEO is entitled to receive an annual salary of £800,000 (subject to the appropriate usual deductions for tax and national insurance contributions). The Virgin Money CFO is entitled to receive an annual salary of £500,000 (subject to the appropriate usual deductions for tax and national insurance contributions). The salary of each of the Executive Directors is subject to an annual review as part of Virgin Money's review process.
- (B) Pursuant to a letter dated 26 February 2018 the Virgin Money CEO's base salary was increased from £780,000 to £800,000 (an increase of 2.6%) effective from 1 January 2018.
- (C) Virgin Money may in its absolute discretion pay the Virgin Money Executive Directors a bonus under the Virgin Money Annual Bonus Plan dependent upon achievement against annual set targets as agreed by the Virgin Money Board, with a potential maximum award of 100 per cent. of fixed pay. Awards under the Virgin Money Annual Bonus Plan are deferred under the Virgin Money DBSP. There is no contractual right to receive awards under these plans.
- (D) The Virgin Money Executive Directors are eligible to be considered for participation in the Virgin Money LTIP, but have no contractual right to receive awards under this plan. The Virgin Money Executive Directors were granted awards of 100 per cent. of fixed pay under the Virgin Money LTIP for 2018. The Virgin Money Executive Directors are not entitled to participate in any other Virgin Money wide bonus scheme operated for the general benefit of employees in Virgin Money.
- (E) The Virgin Money Executive Directors are eligible to join the Virgin Money Retirement Savings Scheme or such other scheme which may be put in place from time to time. Virgin Money makes a contribution equivalent to 30 per cent. for the Virgin Money CEO and 20 per cent. for the Virgin Money CFO, of their respective gross annual salaries in 12 monthly payments. If the Virgin Money Executive Director opts out of the Virgin Money Retirement Savings Scheme or the Virgin Money Executive Director is unable to accrue any further pension benefits, Virgin Money will pay the Virgin Money Executive Director an amount equal to 30 per cent. for the Virgin Money CEO and 20 per cent. for the Virgin Money CFO, of the Virgin Money Executive Director's gross annual salary.
- (F) The Virgin Money Executive Directors are also entitled to the following conditional benefits under their service agreements:
  - (i) private medical expenses insurance;
  - (ii) life insurance at a rate eight times such Virgin Money Executive Director's salary; and
  - (iii) permanent health insurance at a rate of 75 per cent. of the Virgin Money Executive Director's salary.
- (G) In addition the Virgin Money CEO receives an annual fixed role-based allowance of £100,000 paid in cash and the Virgin Money CFO is entitled to receive an annual fixed role-based allowance of £100,000 paid on a quarterly basis in Virgin Money shares.

- (H) In addition to normal bank and public holidays in England and Wales, the Virgin Money CEO is entitled to 30 working days' paid holiday and the Virgin Money CFO is entitled to 27 working days' paid holiday, during each calendar year.
- (I) The employment of each Virgin Money Executive Director may be terminated by either the Virgin Money Executive Director or Virgin Money plc giving twelve months' written notice to the other party. Under the terms of each Virgin Money Executive Director's service agreement, Virgin Money has the ability to terminate the employment of each Virgin Money Executive Director immediately and make a payment in lieu of notice equal to the salary element of such Virgin Money Executive Director's remuneration for any unexpired portion of the notice period together with such further amount as is equal to the fair value of any other benefits to which the Virgin Money Executive Director is contractually entitled during such unexpired period of notice (**PILON**). In the case of non-cash benefits, Virgin Money will have the option of continuing to provide the benefit rather than making a payment in respect of that benefit. The PILON will not include payments in respect of bonus or accrued holiday entitlement. The PILON is conditional on the Virgin Money Executive Director taking all reasonable steps to obtain alternative employment, the Virgin Money Executive Director providing Virgin Money with any information that it may reasonably request in relation to the steps taken by the Virgin Money Executive Director to mitigate their loss and the Virgin Money Executive Director informing Virgin Money immediately if they receive remuneration from any source in respect of their employment. Virgin Money also has the ability to pay the PILON in equal monthly instalments and may stop or reduce such payments as appropriate if the Virgin Money Executive Director commences new employment. Virgin Money also reserves the right to place a Virgin Money Executive Director on garden leave during the notice period.
- (J) Virgin Money is entitled to terminate the employment of a Virgin Money Executive Director without notice and without payment in lieu of notice in certain specified circumstances, such as serious misconduct or following any serious or persistent breach of duties.
- (K) The service agreements of the Virgin Money Executive Directors' also contain confidentiality, intellectual property and post-termination restrictions. The post-termination restrictions include restrictions on the solicitation of certain employees and customers in the UK or any other country where the Virgin Money Group operates for a period of twelve months after termination and restrictions on competition with the Virgin Money Group in the UK or any other country where the Virgin Money Group operates for a period of twelve months after termination. The post-termination restrictions are drafted widely enough to capture the Combined Group post-completion of the Offer.
- (L) As described in paragraph 11 of Part 1 of this document the Virgin Money CEO has entered into the Settlement Agreement with Virgin Money in relation to her early termination as Virgin Money CEO upon completion of the Offer. Under the terms of the Settlement Agreement, the Virgin Money CEO is entitled to certain payments and awards. These include a termination payment of £1,140,000 comprised of payments in lieu of notice for salary, role-based allowance and pension contributions. The Virgin Money CEO may also receive a redundancy payment of £619,231. The redundancy payment is contingent on the change to the directors' remuneration policy described in paragraph 18 of Part 1 of this document being approved by the Virgin Money Shareholders. If the change to the directors' remuneration policy is not approved by Virgin Money Shareholders then the redundancy payment will not be made. The Virgin Money CEO will receive a bonus payment of £1,026,000 in respect of the financial year ending 31 December 2018 (the **Bonus Award**) along with an allocation of 840,821 Virgin Money Shares to satisfy her outstanding awards under the Virgin Money LTIP. The Bonus Award and the allocation of Virgin Money Shares in respect of awards under the Virgin Money LTIP are subject to the current regulatory deferral requirement that these awards should vest and be settled over a period of seven years ending in March 2026. The Bonus Award will be split as follows:
- (i) 40 per cent. will be paid to the Virgin Money CEO in cash (less deductions for PAYE and national insurance contributions) on completion of the Offer;
  - (ii) 40 per cent. will be paid to the Virgin Money CEO in CYBG Shares as soon as practicable following completion of the Offer (with sufficient CYBG Shares sold to satisfy any PAYE and national insurance contributions liability with the net number of shares being transferred to the Virgin Money CEO and held subject to the required regulatory holding period); and
  - (iii) 20 per cent. will be deferred into an award over shares in CYBG (for a period of 7 years ending in March 2026).

(M) The Virgin Money CEO will retain 121,404 Virgin Money Shares previously allocated in respect of the Virgin Money LTIP for 2015 and awards granted under the Virgin Money DBSP over 317,661 Virgin Money Shares. All of these awards will be subject to the current regulatory deferral and holding period requirements.

### **Non-Executive Directors**

The particulars of the non-executive director appointment letters between Virgin Money and the Virgin Money Non-Executive Directors are set out below. Save as set out below, no such contract has been entered into or amended during the six months preceding publication of this document:

| <b>Name of Director</b>               | <b>Date of current letter of appointment (and effective date of appointment if different)</b>                | <b>Expiry of term of directorship</b>   | <b>Notice periods</b>   | <b>Remuneration (fees and other benefits)</b>  | <b>Compensation upon early termination</b>   |
|---------------------------------------|--|---|---|--|--|
| Irene Dorner (the Virgin Money Chair) | 23 January 2018<br>Effective date of appointment: 1 March 2018   | Three year initial term (expires 1 March 2021), subject to re-election at Virgin Money annual general meeting (AGM) | 6 months written notice from either party. Terminable without notice by Virgin Money and without payment of compensation in certain circumstances including on the bankruptcy or material breach of obligations by Irene Dorner. Terminable without notice by Irene Dorner in certain circumstances including where a conflict arises or where Irene Dorner wishes to resign from the role. | £350,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Compensation equating to 6 months' notice payable unless terminated early by either party for the reasons detailed opposite. |
| Norman McLuskie                       | 4 May 2016, as extended on 3 May 2017 and 9 May 2018<br>Effective date of appointment: 27 January 2010       | 2019 Virgin Money AGM   | Please see paragraph 6.2 below  | £145,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below   |
| Colin Keogh                           | 4 May 2016, as extended on 3 May 2017 and 9 May 2018<br>Effective date of appointment: 27 January 2010       | 2019 Virgin Money AGM   | Please see paragraph 6.2 below  | £115,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below   |
| Geeta Gopalan                         | 4 May 2016 as extended on 3 May 2017 and 9 May 2018<br>Effective date of appointment: 25 June 2015           | 2019 Virgin Money AGM   | Please see paragraph 6.2 below  | £125,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below   |
| Eva Eisenschimmel                     | 20 January 2017 as extended on 3 May 2017 and 9 May 2018.<br>Effective date of appointment: 25 January 2017. | 2019 Virgin Money AGM   | Please see paragraph 6.2 below  | £110,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below   |
| Darren Pope                           | 27 January 2017 as extended on 3 May 2017 and 9 May 2018.<br>Effective date of appointment: 1 March 2017     | 2019 Virgin Money AGM   | Please see paragraph 6.2 below  | £125,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below   |

| <b>Name of Director</b> | <b>Date of current letter of appointment (and effective date of appointment if different)</b>    | <b>Expiry of term of directorship</b> | <b>Notice periods</b>          | <b>Remuneration (fees and other benefits)</b>   | <b>Compensation upon early termination</b> |
|-------------------------|--|---------------------------------------|--------------------------------|---|--|
| Patrick McCall . . .    | 4 May 2016 as extended on 3 May 2017 and 9 May 2018. Effective date of appointment: 22 June 2012 | 2019 Virgin Money AGM                 | Please see paragraph 6.2 below | £80,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below             |
| Amy Stirling . . . .    | 24 January 2018 as extended on 9 May 2018. Effective date of appointment: 20 December 2017       | 2019 Virgin Money AGM                 | Please see paragraph 6.2 below | £80,000 per annum and reimbursement for all reasonable and properly documented expenses incurred in the performance of duties | Please see paragraph 6.3 below             |

- 6.2 Save as described above for the Virgin Money Chair, the Virgin Money Non-Executive Directors' appointment can be terminated without notice and without payment of compensation by Virgin Money in certain circumstances. These include where the Virgin Money Board requests the Virgin Money Non-Executive Director's resignation, where the Virgin Money Non-Executive Director becomes bankrupt or becomes materially in breach of his/her obligations. The Virgin Money Non-Executive Directors' appointment is also terminable without notice where a conflict arises or where the Virgin Money Non-Executive Director wishes to resign from his/her role.
- 6.3 Save as described above for the Virgin Money Chair, the Virgin Money Non-Executive Directors are not entitled to compensation upon early termination save where the early termination is by the Virgin Money Non-Executive Directors in the event that Virgin Money has failed to maintain Directors' & Officer's insurance. In such an event, the balance of the Virgin Money Non-Executive Directors' fees for the period of appointment would be due and payable.
- 6.4 Save as described above, the Virgin Money Non-Executive Directors are not entitled to any benefits under their appointment letters.
- 6.5 Each Virgin Money Director is subject to re-election on an annual basis by Virgin Money Shareholders at each AGM of Virgin Money.
- 6.6 The fees payable to Virgin Money Non-Executive Directors are subject to annual review by the Virgin Money Board or, in the case of the Virgin Money Chair, the Virgin Money Remuneration Committee, as applicable.
- 6.7 Save as disclosed above:
- (A) no Virgin Money Director is entitled to commission or profit sharing arrangements;
  - (B) other than statutory compensation and payment in lieu of notice in respect of the Virgin Money Executive Directors or in respect of the Virgin Money CEO under the Settlement Agreement or in respect of the Virgin Money Chair's notice/compensation entitlement, no compensation is payable by Virgin Money to any Virgin Money Director upon early termination of their appointment; and
  - (C) there are no service contracts or letters of appointment between any Virgin Money Director or proposed director of Virgin Money and any member of the Virgin Money Group and no such contract or letter of appointment has been entered into or amended within the six months preceding the date of this document.
- 6.8 Save as set out in this document, the effect of the Scheme on the interests of the Virgin Money Directors does not differ from its effect on the like interests of any other holder of Scheme Shares.

***CYBG Directors' emoluments***

- 6.9 The emoluments of the CYBG Directors will not be affected by the Offer.

## 7. Market quotations

### *Virgin Money*

7.1 The following table shows the Closing Price for Virgin Money Shares as derived from the Official List for the first Business Day of each of the six months immediately before the date of publication of this document, for 4 May 2018 (being the last Business Day before commencement of the Offer Period), for 15 June 2018 (being the last Business Day before the Announcement) and for the Latest Practicable Date:

| <u>Date</u>               | <u>Virgin Money Share price (pence)</u> |
|---------------------------|---|
| 1 February 2018 . . . . . | 279                                     |
| 1 March 2018 . . . . .    | 275                                     |
| 3 April 2018 . . . . .    | 260                                     |
| 1 May 2018 . . . . .      | 297                                     |
| 4 May 2018 . . . . .      | 312                                     |
| 1 June 2018 . . . . .     | 343                                     |
| 15 June 2018 . . . . .    | 355                                     |
| 2 July 2018 . . . . .     | 379                                     |
| 27 July 2018 . . . . .    | 388                                     |

### *CYBG*

7.2 The following table shows the Closing Price for CYBG Shares as derived from the Official List for the first Business Day of each of the six months immediately before the date of publication of this document, for 4 May 2018 (being the last Business Day before commencement of the Offer Period), for 15 June 2018 (being the last Business Day before the Announcement) and for the Latest Practicable Date:

| <u>Date</u>               | <u>CYBG Share price (pence)</u> |
|---------------------------|---------------------------------|
| 1 February 2018 . . . . . | 319                             |
| 1 March 2018 . . . . .    | 300                             |
| 3 April 2018 . . . . .    | 292                             |
| 1 May 2018 . . . . .      | 308                             |
| 4 May 2018 . . . . .      | 318                             |
| 1 June 2018 . . . . .     | 292                             |
| 15 June 2018 . . . . .    | 306                             |
| 2 July 2018 . . . . .     | 327                             |
| 27 July 2018 . . . . .    | 338                             |

## 8. Material contracts

### 8.1 *CYBG Group material contracts*

Save as disclosed below and save for the Offer-related arrangements described at paragraph 9 below, no member of the CYBG Group has, during the period beginning on 7 May 2016 (being the date two years prior to the commencement of the Offer Period) and ending on the Latest Practicable Date, entered into any material contract otherwise than in the ordinary course of business.

#### *New Brand Licence Agreement*

On 18 June 2018, CYBG entered into the deed of novation, amendment and restatement in respect of the Existing Brand Licence Agreement pursuant to which the Existing Brand Licence Agreement will be amended and restated on the terms described in paragraph 4 of Part 2 of this document, and novated from Virgin Money to CYBG, conditional upon completion of the Offer. Pursuant to such deed, the Virgin Money brand will be licensed under the New Brand Licence Agreement and governed by the terms described in paragraph 5 of Part 2 of this document.

#### *Sponsor's Agreement*

On 31 July 2018, CYBG and Morgan Stanley (the **Sponsor**) entered into a sponsor's agreement, pursuant to which CYBG appointed Morgan Stanley as sponsor in connection with the applications for Admission and the publication of the CYBG Prospectus and the CYBG Circular (the **Sponsor's Agreement**). Under the terms of the Sponsor's Agreement, CYBG has agreed to provide the Sponsor with certain customary indemnities, undertakings, representations and warranties. The indemnities provided by CYBG indemnify the Sponsor and

their associates against, inter alia, claims made against them or losses incurred by them in connection with the Offer, Admission or the arrangements contemplated by the CYBG Prospectus, the CYBG Circular and other relevant documents, subject to certain exceptions. In addition, the Sponsor's Agreement provides that the Sponsor may, in its absolute discretion terminate the Sponsor's Agreement before Admission in certain specified circumstances which are customary for an agreement of this nature.

## **8.2 *Virgin Money material contracts***

Save as disclosed below and save for the Offer-related arrangements described at paragraph 9 below, no member of the Virgin Money Group has, during the period beginning on 7 May 2016 (being the date two years prior to the commencement of the Offer Period) and ending on the Latest Practicable Date, entered into any material contract otherwise than in the ordinary course of business.

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Virgin Money Group in the period beginning on 7 May 2016 and ending on the Latest Practicable Date.

### ***Agreements in relation to the joint venture with Aberdeen Standard Investments***

As announced on 20 March 2018, Virgin Money and Aberdeen Standard Investments (**ASI**) are proposing to form a new strategic joint venture for the provision of asset management services to Virgin Money customers.

As part of the joint venture transaction, Virgin Money is proposing to enter into a share sale and purchase agreement pursuant to which Virgin Money will sell 50 per cent. less one share of its shareholding in its wholly owned subsidiary, Virgin Money Unit Trust Managers Limited (**VMUTM**) to Aberdeen Asset Management PLC (**AAM**) (the draft agreement being the **AAM SPA**). The consideration payable by AAM to Virgin Money under the AAM SPA comprises £40,000,000 plus an amount equivalent to 50 per cent. of the amount of required regulatory capital of VMUTM (plus an agreed margin).

Completion of the share sale and purchase is expected to be conditional, amongst other things, on approval by the FCA of the change of control of VMUTM and certain other customary closing conditions. Subject to FCA and other relevant approvals, completion of the AAM SPA is currently expected to occur by the end of 2018.

The AAM SPA contains customary warranties provided by both Virgin Money and AAM. Virgin Money also intends to grant AAM a customary indemnity in respect of certain specified potential VMUTM liabilities. The warranties and indemnity arrangements under the AAM SPA are expected to be subject to standard limitations including, amongst other things, aggregate caps on Virgin Money's liabilities and time limits for bringing claims.

The AAM SPA is also expected to provide that, on completion of the share sale and purchase, the parties and VMUTM will enter into a joint venture agreement (**AAM JVA**) which will govern the relationship between the parties. It is proposed that the AAM JVA will include customary provisions for a 50:50 deadlocked joint venture including, amongst other things, provisions relating to the governance and funding of VMUTM, the termination of the joint venture and exit arrangements. The AAM SPA also contemplates that certain related commercial arrangements will be agreed and entered into by Virgin Money and/or AAM (or other entities within the ASI group) with VMUTM, subject to certain terms and conditions being satisfied.

Other than as set out above and the Offer-related arrangements described at paragraph 9 below, there are no material contracts to which Virgin Money or any member of the Virgin Money Group is a party which contain information that shareholders of Virgin Money would reasonably require to make a properly informed assessment of how to vote on the Related Party Transaction.

## **9. Offer-related arrangements**

### **9.1 *Arrangements between CYBG and Virgin Money or CYBG and Virgin Group***

#### ***CYBG and Virgin Money Confidentiality Agreement***

CYBG and Virgin Money entered into the Virgin Money Confidentiality Agreement on 21 May 2018 pursuant to which each of CYBG and Virgin Money has undertaken to keep certain information relating to the Offer and to the other party confidential and not to disclose such information to third parties except to certain permitted disclosees for the purposes of evaluating the Offer or as permitted in writing provided by the other party in advance, and, unless or if required by applicable laws or regulations. The confidentiality obligations of each party under the Virgin Money Confidentiality Agreement shall terminate on 7 May 2020, with certain exceptions.

The Virgin Money Confidentiality Agreement also contains undertakings from CYBG that for a period of 12 months from the date of the Virgin Money Confidentiality Agreement, subject to certain exceptions, neither CYBG nor any other member of the CYBG Group shall, without the prior written consent of Virgin Money, acquire or offer to acquire any interest in shares or other securities of Virgin Money (which undertaking ceased as at the date of the Announcement). Each of CYBG and Virgin Money has undertaken that, for a period of 12 months from the date of the Virgin Money Confidentiality Agreement, neither party shall solicit a senior or key employee of the other party or any member of the other party's group, subject to customary carve-outs.

#### ***CYBG and Virgin Holdings Confidentiality Agreement***

CYBG and Virgin Holdings entered into the Virgin Holdings Confidentiality Agreement on 22 May 2018 pursuant to which each of CYBG and Virgin Holdings has undertaken to keep certain information relating to entry into the Brand Licence Agreement and to the other party confidential and not to disclose such information to third parties except to certain permitted disclosees for the purposes of considering entry into the Brand Licence Agreement or if required by applicable laws or regulations. The confidentiality obligations of each party under the Virgin Holdings Confidentiality Agreement shall terminate on 22 May 2020, with certain exceptions.

The Virgin Holdings Confidentiality Agreement also contains undertakings from each party that, for a period of 12 months from the date of the Virgin Holdings Confidentiality Agreement, neither party shall solicit any director, officer or employee of the other party or any member of the other party's group, subject to customary carve-outs.

#### ***Co-operation Agreement***

CYBG and Virgin Money have entered into the Co-operation Agreement, pursuant to which CYBG and Virgin Money have agreed to use all reasonable efforts to satisfy, as soon as reasonably practicable, the Conditions relating to regulatory and other third party clearances set out in paragraphs 6 to 9 of Part 1 of Part 3 of this document.

CYBG and Virgin Money have agreed to certain undertakings to provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory and other third party clearances. CYBG and Virgin Money have also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

The Co-operation Agreement records CYBG's and Virgin Money's intention to implement the Offer by way of the Scheme. However, CYBG may implement the Offer by way of a Takeover Offer if: (i) Virgin Money consents; (ii) a third party announces a firm intention to make an offer for Virgin Money; or (iii) the Independent Virgin Money Directors withdraw, adversely qualify or adversely modify their unanimous recommendation of (or intention to recommend) the Offer.

CYBG is subject to certain customary restrictions on the conduct of its business during the period pending completion of the Offer, and which prohibit, among other things: (i) the payment by CYBG of dividends (save that it may pay a financial dividend for the financial year ending 30 September 2018 consistent with its published dividend policy) and (ii) the allotment of further shares (or rights or options in respect of shares) (other than pursuant to employee share incentive plans, or in order to satisfy options or awards vesting under those plans).

The Co-operation Agreement also contains provisions that will apply in respect of the Virgin Money Share Plans and certain other employee incentive arrangements.

The Co-operation Agreement shall terminate if (amongst other circumstances):

- (a) if CYBG and Virgin Money so agree in writing;
- (b) upon service of written notice by either party to the other party:
  - (i) if the Offer is withdrawn, terminated or lapses in accordance with its terms prior to the Long Stop Date and, where required, with the consent of the Panel;
  - (ii) if the Scheme is not approved by the Virgin Money Shareholders at the Court Meeting and/or the Virgin Money General Meeting or the Court refuses to sanction the Scheme; or
  - (iii) unless otherwise agreed by the parties in writing, if the Effective Date has not occurred by the Long Stop Date.

## 10. Irrevocable undertakings

### *Virgin Money Directors*

CYBG has received irrevocable commitments from those Virgin Money Directors who own Virgin Money Shares, in respect of their own beneficial holdings of Virgin Money Shares and (to the extent relevant) the person to whom such shares are transferred in accordance with the terms of the irrevocable commitments, in respect of 2,612,309 Virgin Money Shares, representing in aggregate approximately 0.586 per cent. of the existing issued ordinary share capital of Virgin Money. These commitments require each person listed below to vote or procure that the registered holder votes in favour of the Scheme at the Court Meeting and the Resolutions to approve the Scheme, and any related matters, (other than the Remuneration Policy Resolution) (or, in the event the Offer is implemented by means of a Takeover Offer, to accept, or procure acceptance of, the Takeover Offer).

| <u>Name</u>                 | <u>Number of<br/>Virgin Money<br/>Shares</u> | <u>Percentage of<br/>existing issued<br/>ordinary<br/>share capital</u> |
|-----------------------------|--|---|
| Jayne-Anne Gadhia . . . . . | 2,253,876                                    | 0.505%  |
| Peter Bole . . . . .        | 111,093                                      | 0.025%  |
| Colin Keogh . . . . .       | 157,260                                      | 0.035%  |
| Norman McLuskie . . . . .   | 90,080                                       | 0.020%  |
| Total . . . . .             | 2,612,309                                    | 0.586%  |

The obligations of the Virgin Money Directors under the irrevocable undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (a) a competing offer is made for Virgin Money which becomes effective (if implemented by way of scheme of arrangement) or unconditional (if implemented by way of Takeover Offer);
- (b) the Scheme lapses or is withdrawn in accordance with its terms and CYBG publicly confirms that it does not intend to proceed with the Offer or to implement the Offer by way of a Takeover Offer; or
- (c) the Scheme has not become Effective by 6.00 p.m. on the Long Stop Date (or such later time or date as agreed between CYBG and Virgin Money, with the approval of the Court and/or the Panel if required).

### *Virgin Money Shareholders*

Virgin Holdings has given an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Resolutions relating to the Scheme (excluding the Brand Licence Resolutions and the Remuneration Policy Resolution) at the Virgin Money General Meeting in respect of its holdings of Virgin Money Shares:

| <u>Name</u>                             | <u>Number of<br/>Virgin Money<br/>Shares</u> | <u>Percentage of<br/>existing issued<br/>ordinary<br/>share capital</u> |
|---|--|---|
| Virgin Group Holdings Limited . . . . . | 155,120,454                                  | 34.8%   |
| Total . . . . .                         | 155,120,454                                  | 34.8%   |

The obligations of Virgin Holdings under the irrevocable undertaking shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (a) the Scheme lapses or is withdrawn in accordance with its terms and CYBG publicly confirms that it does not intend to proceed with the Offer or to implement the Offer by way of a Takeover Offer;
- (b) in circumstances where CYBG has exercised its right to implement the Offer by way of a Takeover Offer, the Takeover Offer lapses or is withdrawn;
- (c) the Scheme has not become Effective by 6.00 p.m. on the Long Stop Date (or such later time or date as agreed between CYBG and Virgin Money, with the approval of the Court and/or the Panel if required); or
- (d) at any time prior to the Scheme becoming Effective, a third party announces a firm intention to make an offer to acquire the entire issued and to be issued ordinary share capital of Virgin Money, which in Virgin Holdings' reasonable opinion represents an improvement to the terms of the Offer.



## **CYBG Directors**

The following CYBG Directors have given irrevocable undertakings to vote in favour of the resolutions relating to the Offer at the CYBG General Meeting in respect of their own beneficial holdings of CYBG Shares (or those CYBG Shares over which they have control):

| <u>Name</u>              | <u>Total Number of CYBG Shares</u> | <u>Percentage of existing issued share capital</u> |
|--------------------------|------------------------------------|--|
| David Bennett . . . . .  | 16,386                             | 0.002%   |
| Debbie Crosbie . . . . . | 140,356                            | 0.016%   |
| David Duffy . . . . .    | 213,023                            | 0.024%   |
| Adrian Grace . . . . .   | 16,220                             | 0.002%   |
| Fiona Macleod . . . . .  | 7,000                              | 0.001%   |
| Jim Pettigrew . . . . .  | 50,000                             | 0.006%   |
| Ian Smith . . . . .      | 136,852                            | 0.015%   |
| Tim Wade . . . . .       | 20,000                             | 0.002%   |

In his capacity as a CYBG Director at the date of the Announcement, David Browne has given an irrevocable undertaking to vote in favour of the resolutions relating to the Offer at the CYBG General Meeting in respect of his own beneficial holding of 5,000 CYBG Shares. David Browne is no longer a director of CYBG, following his resignation on 30 June 2018, pursuant to the announcement made on 28 March 2018.

The obligations of the CYBG Directors (and David Browne) under the irrevocable undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- the Scheme lapses or is withdrawn in accordance with its terms and CYBG publicly confirms that it does not intend to proceed with the Offer or to implement the Offer by way of a Takeover Offer; or
- the Scheme has not become effective by the Long Stop Date (or such later time or date as agreed between CYBG and Virgin Money, with the approval of the Court and/or the Panel if required).

## **11. Offer-related fees and expenses**

### **11.1 CYBG Group fees and expenses**

The aggregate fees and expenses expected to be incurred by the CYBG Group in connection with the Offer (excluding any applicable VAT) are expected to be:

| <u>Category</u>   | <u>Amount (£m)</u> |
|---|--------------------|
| Financial and corporate broking advice <sup>(1)</sup> . . . . . | 17.3               |
| Legal advice . . . . .  | 4.3                |
| Accounting and tax advice . . . . .                             | 2.2                |
| Public relations advice . . . . .                               | 0.5                |
| Other professional services . . . . .                           | 0.2                |
| Other costs and expenses <sup>(2)</sup> . . . . .               | 9.5                |
| <u>Total . . . . .</u>  | <u>34.0</u>        |

(1) The total amount payable in respect of the aggregate fees and expenses for these services as shown above depends on whether the Offer successfully completes. This figure makes provision for the payment of a discretionary fee.

(2) This figure includes estimated stamp duty of £9.0 million.

### **11.2 Virgin Money fees and expenses**

The aggregate fees and expenses expected to be incurred by Virgin Money in connection with the Offer (excluding any applicable VAT) are expected to be approximately:

| <u>Category</u>                                  | <u>Amount (£m)</u> |
|--|--------------------|
| Financial and corporate broking advice . . . . . | 24.0               |
| Legal advice . . . . .                           | 4.7                |
| Accounting and tax advice . . . . .              | 0.3                |
| Public relations advice . . . . .                | 1.0                |
| Other costs and expenses . . . . .               | 2.1                |
| <u>Total . . . . .</u>                           | <u>32.0</u>        |

## 12. Ratings

### 12.1 Virgin Money

Prior to the commencement of the Offer Period, Virgin Money had been assigned a long-term local- and foreign currency Issuer Rating of Baa3, outlook Stable by Moody's and a long-term Issuer Default Rating of BBB+, outlook Stable by Fitch. Its subsidiary, Virgin Money plc, had been assigned a Baseline Credit Assessment and Adjusted Baseline Credit Assessment of baa2 and long-term local-currency Bank Deposit Rating of Baa2, outlook positive and long-term local- and foreign currency Issuer Rating of Baa2, outlook Stable by Moody's and a long-term Issuer Default Rating of BBB+, outlook Stable by Fitch.

Since the Offer Period began, Moody's commented that they viewed the potential merger as credit positive and on 21 June 2018, Moody's placed Virgin Money and Virgin Money plc's long-term local- and foreign currency Issuer Ratings and Virgin Money plc's long-term local-currency Bank Deposit Rating and Baseline Credit Assessment and Adjusted Baseline Credit Assessment on Review for Upgrade. In addition, on 22 June 2018 Fitch affirmed the long-term Issuer Default Rating of Virgin Money and Virgin Money plc.

### 12.2 CYBG

Prior to the commencement of the Offer Period, CYBG had a S&P long-term Issuer Credit Rating of BBB-, outlook Stable, and a Fitch long-term Issuer Default Rating of BBB+, outlook Stable. Its subsidiary, Clydesdale Bank PLC, had a Moody's Adjusted Baseline Credit Assessment of Baa2 and a Moody's long-term Deposit Rating of Baa1, a S&P long term- Issuer Credit Rating of BBB+, outlook Stable, and a Fitch long-term Issuer Default Rating of BBB+, outlook Stable.

CYBG's long term credit ratings and outlook have not changed since the commencement of the Offer Period.

Subsequent to the commencement of the Offer Period, Moody's placed Clydesdale Bank PLC's Adjusted Baseline Credit Assessment of Baa2 on review for Upgrade and long-term Deposit Rating on Baa1 on review for Downgrade. There have been no other changes to the long term credit ratings and outlook of either CYBG or Clydesdale Bank PLC since the commencement of the Offer Period.

## 13. Persons acting in concert

13.1 In addition to the CYBG Directors and the members of the CYBG Group, the persons who, for the purposes of the Takeover Code, are acting in concert with CYBG are:

| <u>Name</u>   | <u>Type</u>        | <u>Registered Office</u>                                    | <u>Relationship with CYBG</u>           |
|---|--------------------|---|---|
| Deutsche Bank AG,<br>London Branch . . . . .        | Financial services | 1 Great Winchester Street,<br>London EC2N 2DB               | Financial adviser /<br>Corporate Broker |
| Morgan Stanley & Co.<br>International plc . . . . . | Financial services | 25 Cabot Square,<br>London E14 4QA                          | Financial adviser                       |
| Macquarie Capital<br>(Europe) Limited . . . . .     | Financial services | Ropemaker Place,<br>28 Ropemaker Street,<br>London EC2Y 9HD | Corporate Broker                        |

13.2 In addition to the Virgin Money Directors and members of the Virgin Money Group, the persons who, for the purposes of the Takeover Code, are acting in concert with Virgin Money are:

| <u>Name</u>                                   | <u>Type</u>        | <u>Registered Office</u>   | <u>Relationship with Virgin Money</u> |
|---|--------------------|--|---------------------------------------|
| Goldman Sachs<br>International . . . . .      | Financial services | Peterborough Court 133 Fleet St,<br>London EC4A 2BB              | Financial adviser                     |
| Citigroup Global<br>Markets Limited . . . . . | Financial services | Citigroup Centre, Canada Square,<br>Canary Wharf, London E14 5LB | Corporate broker                      |
| Merrill Lynch<br>International . . . . .      | Financial services | 2 King Edward Street,<br>London EC1A 1HQ                         | Corporate broker                      |

| <u>Name</u>                             | <u>Type</u>  | <u>Registered Office</u>  | <u>Relationship with Virgin Money</u>   |
|---|--|---|---|
| Virgin Group Holdings Limited . . . . . | Ultimate parent company and investment holding company | Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, Virgin Islands | Shareholder   |
| Wealth Nominees Limited . . . . .       | Provider of brokerage and custodian services           | Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA          | Nominee holder of Crest Securities on behalf of the Employee Benefit Trust for Virgin Money Holdings (UK) plc |

#### 14. Major shareholders of Virgin Money

In so far as is known to Virgin Money, as at the Latest Practicable Date, the following persons were interested, directly or indirectly, in three per cent. or more of the voting rights attaching to the Virgin Money Shares:

| <u>Name</u>                             | <u>Number of ordinary shares at date of notification</u> | <u>Percentage of voting rights<sup>(1)</sup></u> | <u>Date of notification</u> |
|---|--|--|-----------------------------|
| Virgin Group Holdings Limited . . . . . | 155,120,454  | 34.8%  | 27/07/2018                  |
| Standard Life Aberdeen . . . . .        | 42,291,746   | 9.48%  | 27/07/2018                  |
| M&G Investment Management . . . . .     | 28,871,509   | 6.5%   | 24/07/2018                  |

(1) On the basis that the total number of voting rights as at the Latest Practicable Date is 446,067,336.

#### 15. No significant change

There has been no significant change in the financial or trading position of Virgin Money since 30 June 2018, being the date to which Virgin Money's interim results for the six-month period ended 30 June 2018 were prepared.

There has been no significant change in the financial or trading position of CYBG since 31 March 2018, being the date to which CYBG's interim results for the six month period ended 31 March 2018 were prepared.

#### 16. Consent

16.1 Goldman Sachs has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

16.2 Citi has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

16.3 Morgan Stanley has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

16.4 Deutsche Bank has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

16.5 Deloitte has given and not withdrawn its written consent to the inclusion of the references to its name in this document in the form and context in which they are included.

#### 17. Documents published on a website and on display

Copies of the following documents are available for view on Virgin Money's website at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/> and CYBG's website at [www.cybg.com/cybg-update/](http://www.cybg.com/cybg-update/) (subject to, in each case, any applicable restrictions relating to persons resident in Restricted Jurisdictions) up to and including the Effective Date or the date the Scheme lapses or is withdrawn, whichever is earlier:

### ***Documents published on a website***

- (A) the undertakings referred to in paragraph 10 above;
- (B) the Offer- related arrangements referred to in sub-paragraph 9.1 above (including a redacted version of the New Brand Licence Agreement), being the material contracts which have been entered into in connection with the Offer;
- (C) the written consents referred to in paragraph 16 above;
- (D) the Announcement;
- (E) this document and the Forms of Proxy or Forms of Instruction;
- (F) CYBG's articles of association;
- (G) Virgin Money's articles of association;
- (H) Virgin Money's articles of association as proposed to be amended by special resolution at the Virgin Money General Meeting;
- (I) the Virgin Money financial information incorporated by reference;
- (J) the CYBG financial information incorporated by reference;
- (K) the CYBG Prospectus;
- (L) the CYBG Circular; and
- (M) the unaggregated dealings of Goldman Sachs referred to in paragraph 4 above.

Neither the contents of Virgin Money's or CYBG's website, nor those of any other website accessible from hyperlinks on Virgin Money's or CYBG's website, are incorporated into or form part of this document.

### ***Documents on display***

In addition to this document, copies of the following documents will be available for inspection at Virgin Money's registered office at Jubilee House Gosforth Newcastle-upon-Tyne NE3 4PL and at the London office of Virgin Money's legal advisers, Allen & Overy LLP, at One Bishops Square, London, E1 6AD during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document up to and including the date of the Virgin Money General Meeting:

- (A) Virgin Money's memorandum and articles of association;
- (B) Virgin Money's articles of association as proposed to be amended by special resolution at the Virgin Money General Meeting;
- (C) a redacted copy of the New Brand Licence Agreement;
- (D) the audited accounts of the Virgin Money Group for the financial years ended 31 December 2017 and 31 December 2016; and
- (E) the written consents referred to in paragraph 16 above.

### **18. Sources of information and bases of calculation**

1. Under the terms of the Offer, CYBG will acquire the entire issued and to be issued ordinary share capital of Virgin Money on the basis of an exchange ratio of 1.2125 New CYBG Shares for each Virgin Money Share, which implies that Virgin Money Shareholders will own approximately 38 per cent. of the Combined Group. This is based on the issuance of 546,954,891 New CYBG Shares for Virgin Money's 451,096,817 ordinary shares on a fully diluted basis (comprising 446,067,336 Virgin Money Shares currently in issue, at 27 July 2018, being the Latest Practicable Date, and a maximum of 5,029,481 Virgin Money Shares which may be issued on or after the date of this document on the vesting of awards under the Virgin Money Share Plans, (based on outstanding awards of 6,976,584 as at the Latest Practicable Date less the number of shares held by Virgin Money's Employee Benefit Trust (the **EBT**), Wealth Nominees Limited as at the Latest Practicable Date (1,979,319), and taking into account an estimated 32,216 Virgin Money Shares to be transferred out of the EBT in respect of the award of FSAs to Peter Bole and a senior employee (as detailed below), on the basis those shares to be transferred will not be able to be used to satisfy outstanding awards under the Virgin Money Share Plans), giving a pro forma share count for the Combined Group of 1,432,965,744. Peter Bole is entitled to an FSA (as referred to in paragraph 4.2

above) on a quarterly basis and is due to receive his allowance for the first and second financial quarters of 2018 in August. A senior employee is also entitled to an FSA of £100,000, and will also receive his allowance for the second financial quarter of 2018 in August. Peter Bole and the senior employee will also receive a further award in the third financial quarter of 2018. These awards will be satisfied by the transfer of existing Virgin Money Shares held in the EBT. The quantum of these awards is fixed and the number of Virgin Money Shares transferred from the EBT to satisfy the quantum is based on the Virgin Money share price on the day prior to award of the Virgin Money Shares. As an illustrative example, the number of shares to be transferred out of the EBT for Peter Bole and the senior employee's awards for the first, second and third financial quarters of 2018 (£125,000 of FSA in total), based on the Virgin Money share price as at the Latest Practicable Date, would be 32,216 Virgin Money Shares. If this were to be paid in CYBG Shares then the number of CYBG Shares awarded, based on the CYBG share price as at the Latest Practicable Date, would be 39,063.

2. Based on an exchange ratio of 1.2125 New CYBG Shares in exchange for each Virgin Money Share and the Closing Price of 338 pence per CYBG Share on the Latest Practicable Date, the Offer values each Virgin Money Share at 410 pence and Virgin Money's ordinary shares on a fully diluted basis at approximately £1.8 billion.
3. Based on 886,010,853 CYBG Shares in issue as of the Latest Practicable Date and the Closing Price of 338 pence per CYBG share on the Latest Practicable Date, the market capitalisation of CYBG is approximately £3.0 billion.
4. On the date of this document CYBG holds no ordinary shares in treasury.
5. The premium calculations to the price per Virgin Money Share have been calculated by reference to:
  - (a) the Closing Price of a Virgin Money Share of 312 pence on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period); and
  - (b) the three calendar month volume weighted average price of a Virgin Money Share of 276 pence from 5 February 2018 to 4 May 2018.
6. The volume weighted average prices of a Virgin Money Share are derived from data provided by Bloomberg and refer to trading on the London Stock Exchange only.
7. Unless otherwise stated, the balance sheet financial information relating to CYBG is extracted from the interim condensed financial statements of CYBG for the period ending 31 March 2018, prepared in accordance with IFRS. Unless otherwise stated, the income statement financial information relating to CYBG is extracted from the audited consolidated financial statements of CYBG for the year to 30 September 2017, prepared in accordance with IFRS.
8. Unless otherwise stated, the balance sheet and income statement financial information relating to Virgin Money is extracted from the audited consolidated financial statements of Virgin Money for the period ending 31 December 2017, prepared in accordance with IFRS and the interim results of Virgin Money for the half year ended 30 June 2018, prepared in accordance with IFRS.
9. Unless otherwise stated, all prices for Virgin Money Shares and CYBG Shares have been derived from the Daily Official List and represent Closing Prices on the relevant date(s).
10. Historical pro forma financial information relating to the Combined Group is unaudited and has been derived from the historical financial information relating to CYBG and Virgin Money.
11. The synergy numbers are unaudited. Further information underlying the Quantified Financial Benefits Statement contained in this document is provided in Appendix 1.
12. The beneficial holdings of Virgin Money Shares of the Virgin Money Directors who hold Virgin Money Shares in this document have been calculated by reference to the number of Virgin Money Shares held by the relevant Virgin Money Directors as at the Latest Practicable Date.
13. The reference in paragraph 11 of Part 1 of this document to "*CYBG intends that the Combined Group will remain a committed supporter of the Women in Finance Charter and will continue to take action to reduce its gender pay gap in line with the Annual Report and Accounts of CYBG. The Combined Group will remain transparent on its reporting of progress both on the Women in Finance Charter and its gender pay gap*" is a reference to the intentions set out on page 31 of the Annual Report and Accounts of CYBG.

**PART 8**  
**DEFINITIONS**

|   |  |
|---|--|
| <b>Admission</b> . . . . .                          | the admission of the New CYBG Shares by the FCA to the Official List and to trading on the Main Market   |
| <b>AGM</b> . . . . .                                | has the meaning given in paragraph 6.1 of Part 7 of this document  |
| <b>Announcement</b> . . . . .                       | the announcement of a firm intention to make an offer for the entire issued and to be issued ordinary share capital of Virgin Money pursuant to Rule 2.7 of the Takeover Code made by Virgin Money and CYBG on 18 June 2018  |
| <b>Annual Report and Accounts of CYBG</b> . . . . . | the annual report and audited accounts of CYBG for the year ended 30 September 2017  |
| <b>Annual Report and Accounts of Virgin Money</b>   | the annual report and audited accounts of Virgin Money for the year ended 31 December 2017   |
| <b>API</b> . . . . .                                | application programming interface  |
| <b>associated undertaking</b> . . . . .             | shall be construed in accordance with paragraph 19 of Schedule 6 to The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) but for this purpose ignoring paragraph 19(1)(b) of Schedule 6 to those regulations)   |
| <b>ASX</b> . . . . .                                | the Australian Securities Exchange   |
| <b>ASX Listing Rules</b> . . . . .                  | the listing rules of the ASX as amended or replaced from time to time, except to the extent of any express written waiver or exemption given by ASX  |
| <b>AT1 Securities</b> . . . . .                     | CRD IV compliant additional tier 1 securities  |
| <b>Australian Corporations Act</b> . . . . .        | as defined in the notice on page 3 of this document  |
| <b>Authorisations</b> . . . . .                     | authorisations, orders, grants, recognitions, confirmations, consents, licences, clearances, certificates, permissions or approvals  |
| <b>BCA</b> . . . . .                                | business current accounts  |
| <b>Bonus Award</b> . . . . .                        | has the meaning given in paragraph 6.1 of Part 7 of this document  |
| <b>Brand Licence Resolutions</b>                    | together: (a) the Rule 16 Resolution, being resolution 1 as set out in the Notice of Virgin Money General Meeting to approve the New Brand Licence Agreement for the purposes of Rule 16 of the Takeover Code; and (b) the RPT Resolution, being resolution 2 as set out in the Notice of Virgin Money General Meeting to approve the New Brand Licence Agreement for the purpose of Chapter 11 of the Listing Rules, and each a <b>Brand Licence Resolution</b> |
| <b>Business Day</b> . . . . .                       | a day, not being a public holiday, Saturday or Sunday, on which banks in London and Edinburgh are open for normal business   |
| <b>Capability and Innovation Fund</b> . . . . .     | the fund established by Banking Competition Remedies Limited to provide funding to eligible businesses to: (i) develop the capability to compete with The Royal Bank of Scotland (and any relevant subsidiaries of The Royal Bank of Scotland) in the provision of banking services to SMEs; and/or (ii) develop and improve the financial products and services which are available to SMEs   |
| <b>CET1</b> . . . . .                               | Common Equity Tier 1   |
| <b>CHESS Depository Interest or CDI</b> . . . . .   | a CHESS depository interest issued over ordinary shares in the capital of CYBG as contemplated by the ASX Listing Rules  |

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| <b>Citi</b> . . . . .                         | Citigroup Global Markets Limited   |
| <b>Closing Price(s)</b> . . . . .             | the closing middle market price of a Virgin Money Share or CYBG Share (as applicable) as derived from the Daily Official List on any particular date   |
| <b>CMA</b> . . . . .                          | the Competition and Markets Authority of the UK  |
| <b>Combination or Offer</b> . . . . .         | the proposed acquisition by CYBG of the entire issued and to be issued share capital of Virgin Money by means of the Scheme, or should CYBG so elect, by means of a Takeover Offer   |
| <b>Combined Group</b> . . . . .               | the enlarged group following the Offer comprising the CYBG Group and the Virgin Money Group  |
| <b>Companies Act</b> . . . . .                | the Companies Act 2006, as amended from time to time   |
| <b>Completion</b> . . . . .                   | completion of the Offer  |
| <b>Computershare</b> . . . . .                | Computershare Investor Services PLC  |
| <b>Condition(s)</b> . . . . .                 | the conditions to the implementation of the Offer, as set out in Part 3 of this document and <b>Condition</b> means any one of them  |
| <b>Co-operation Agreement</b> . . . . .       | the co-operation agreement dated 18 June 2018 between CYBG and Virgin Money, as described in paragraph 7 of Part 2 of this document  |
| <b>Court</b> . . . . .                        | the High Court of Justice in England and Wales   |
| <b>Court Hearing</b> . . . . .                | the Court hearing at which Virgin Money will seek an order sanctioning the Scheme pursuant to Part 26 of the Companies Act   |
| <b>Court Meeting</b> . . . . .                | the meeting or meetings of Virgin Money Shareholders convened at the direction of the Court pursuant to Part 26 of the Companies Act at which a resolution will be proposed to approve the Scheme notice of which is set out in Part 9 of this document, including any adjournment, postponement or reconvention thereof |
| <b>Court Order</b> . . . . .                  | the order of the Court sanctioning the Scheme under Part 26 of the Companies Act   |
| <b>CREST</b> . . . . .                        | the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Ltd is the operator   |
| <b>CREST Manual</b> . . . . .                 | the CREST Manual published by Euroclear, as amended from time to time  |
| <b>CREST Proxy Instruction</b> . . . . .      | a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Virgin Money Shareholder in the Court Meeting and/or the Virgin Money General Meeting and containing the information required to be contained in the CREST Manual   |
| <b>CYBG</b> . . . . .                         | CYBG PLC, a company incorporated in England & Wales with registered number 09595911  |
| <b>CYBG Circular</b> . . . . .                | the circular to be sent by CYBG to CYBG Shareholders summarising the background to and reasons for the Offer and which includes the notice of CYBG General Meeting dated on or about the date of this document   |
| <b>CYBG DEP</b> . . . . .                     | the CYBG Deferred Equity Plan  |
| <b>CYBG Directors or CYBG Board</b> . . . . . | the directors of CYBG as at the date of this document or, where the context so requires, the directors of CYBG from time to time   |
| <b>CYBG General Meeting</b> . . . . .         | the general meeting of CYBG Shareholders including any adjournments thereof to be convened to consider and if thought fit pass, inter alia the resolutions to approve the Offer and authorise the creation and allotment of the New CYBG Shares  |

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| <b>CYBG Group</b> . . . . .                                 | CYBG and its subsidiary undertakings from time to time and where the context permits, each of them   |
| <b>CYBG LTIP</b> . . . . .                                  | the CYBG Long Term Incentive Plan  |
| <b>CYBG Prospectus</b> . . . . .                            | the prospectus relating to CYBG to be published in respect of the New CYBG Shares to be issued in connection with the Offer and dated on or about the date of this document  |
| <b>CYBG Senior Managers</b> . . . . .                       | those persons named in Part XI (CYBG Directors, CYBG Senior Managers and Corporate Governance) of the CYBG Prospectus  |
| <b>CYBG Shareholders</b> . . . . .                          | holders of CYBG Shares   |
| <b>CYBG Share(s)</b> . . . . .                              | the existing CYBG ordinary shares of £0.10 each in the capital of CYBG   |
| <b>CYBG SIP</b> . . . . .                                   | the CYBG Share Incentive Plan  |
| <b>Daily Official List</b> . . . . .                        | means the daily official list of the London Stock Exchange   |
| <b>Dealing Disclosure</b> . . . . .                         | an announcement pursuant to Rule 8 of the Takeover Code containing details of dealings in relevant securities of a party to an Offer   |
| <b>Deloitte</b> . . . . .                                   | Deloitte LLP   |
| <b>Deutsche Bank</b> . . . . .                              | Deutsche Bank AG, acting through its London Branch   |
| <b>Directors' Remuneration Policy</b> . . . . .             | has the meaning given in paragraph 18 of Part 1 of this document   |
| <b>Disclosed</b> . . . . .                                  | the information which has been fairly disclosed by or on behalf of Virgin Money: (i) prior to the date of the Announcement to CYBG or CYBG's professional advisers (in their capacity as such in relation to the Offer); (ii) in the Annual Report and Accounts of Virgin Money; (iii) in the Announcement; or (iv) in any other public announcement made by Virgin Money after 31 December 2017 and prior to the date of the Announcement in accordance with the Market Abuse Regulation, Listing Rules, Disclosure Guidance and Transparency Rules |
| <b>Disclosure Guidance and Transparency Rules</b> . . . . . | the Disclosure Guidance and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority's publication of the same name  |
| <b>EC</b> . . . . .   | the European Commission of the European Union  |
| <b>Effective</b> . . . . .                                  | in the context of the Offer: (i) if the Offer is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (ii) if the Offer is implemented by way of the Takeover Offer, the Takeover Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code   |
| <b>Effective Date</b> . . . . .                             | the date on which the Offer becomes Effective  |
| <b>Equiniti</b> . . . . .                                   | Equiniti Limited   |
| <b>EU</b> . . . . .   | has the meaning given in the notice on page 6 of this document   |
| <b>Eurozone</b> . . . . .                                   | the Member States of the European Union that have adopted the euro as their common currency and sole legal tender  |
| <b>Excluded Shares</b> . . . . .                            | any Virgin Money Shares held in treasury at any relevant date or time and any Virgin Money Shares beneficially owned by CYBG or any other member of the CYBG Group   |
| <b>Existing Brand Licence Agreement</b> . . . . .           | the trade mark licence deed between Virgin Enterprises and Virgin Money dated 1 October 2014, as amended and restated on 25 July 2016  |



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| <b>Existing CYBG Shareholders</b> . . . . .            | holders of Existing CYBG Shares  |
| <b>Existing CYBG Shares</b> . . . . .                  | the CYBG Shares in issue as at the date of the Announcement  |
| <b>Exit Fee</b> . . . . .                              | has the meaning given in paragraph 4 of Part 2 of this document  |
| <b>Explanatory Statement</b> . . . . .                 | the explanatory statement (in compliance with section 897 of the Companies Act) relating to the Scheme, as set out in Part 2 of this document  |
| <b>FCA</b> . . . . .                                   | Financial Conduct Authority or its successor from time to time   |
| <b>FCA Handbook</b> . . . . .                          | the FCA's Handbook of rules and guidance as amended from time to time  |
| <b>First Quarter Date</b> . . . . .                    | whichever of 1 January, 1 April, 1 July and 1 October is the first date to occur following completion of the Offer   |
| <b>FSA</b> . . . . .                                   | fixed role-based allowance   |
| <b>Forms of Instruction</b> . . . . .                  | either or both (as the context demands) of the blue form of instruction for use by Virgin Money Nominee Service Holders in relation to the Court Meeting and the yellow form of instruction for use by Virgin Money Nominee Service Holders  |
| <b>Forms of Proxy</b> . . . . .                        | either or both (as the context demands) of the blue form of proxy in relation to the Court Meeting and the yellow form of proxy in relation to the Virgin Money General Meeting  |
| <b>FSMA</b> . . . . .                                  | the Financial Services and Markets Act 2000 (as amended from time to time)   |
| <b>FTEs</b> . . . . .                                  | full time equivalent employees   |
| <b>Goldman Sachs</b> . . . . .                         | Goldman Sachs International  |
| <b>IFRS</b> . . . . .                                  | international accounting standards and international financial reporting standards and interpretations thereof, approved or published by the International Accounting Standards Board and adopted by the European Union  |
| <b>Independent Virgin Money Directors</b> . . . . .    | the Virgin Money Directors who are independent of the Virgin Group in respect of the Offer, being any Virgin Money Director other than Patrick McCall and Amy Stirling and any other person from time to time appointed to the Virgin Money Board as a representative of or connected with Virgin Group or any member of its group |
| <b>Independent Virgin Money Shareholders</b> . . . . . | the Virgin Money Shareholders excluding Virgin Holdings  |
| <b>Initial Period</b> . . . . .                        | the statutory review period in which the CMA has to decide whether to make a Phase 2 CMA Reference under section 34ZA Enterprise Act 2002  |
| <b>Intra-Virgin Money Group Transactions</b> . . . . . | transactions between Virgin Money and its wholly owned subsidiaries or between such wholly owned subsidiaries within the Virgin Money Group  |
| <b>IRB</b> . . . . .                                   | Internal Ratings Based   |
| <b>IRS</b> . . . . .                                   | has the meaning given in paragraph 13 of Part 2 of this document   |
| <b>IR Code</b> . . . . .                               | the Internal Revenue Code of 1986  |
| <b>Latest Practicable Date</b> . . . . .               | 27 July 2018 (being the latest practicable date before the publication of this document)   |
| <b>Listing Rules</b> . . . . .                         | the listing rules, made by the FCA under Part 6 FSMA, as amended from time to time   |
| <b>Long Stop Date</b> . . . . .                        | 31 January 2019 (or such later date as may be agreed between CYBG and Virgin Money and the Panel and the Court may allow)  |
| <b>London Stock Exchange</b> . . . . .                 | the London Stock Exchange plc or its successor   |

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| <b>Macquarie</b> . . . . .                              | Macquarie Capital (Europe) Limited   |
| <b>Macquarie Hong Kong</b> . . . . .                    | Macquarie Funds Management Hong Kong Limited   |
| <b>Main Market</b> . . . . .                            | the Main Market of the London Stock Exchange   |
| <b>Market Abuse Regulation</b> . . . . .                | Regulation (EU) No. 597/2014 of the European Parliament and the Council of 16 April 2014 on market abuse   |
| <b>Meetings</b> . . . . .                               | the Court Meeting and the Virgin Money General Meeting   |
| <b>Merger Notice</b> . . . . .                          | a notice to the CMA in the prescribed form as contemplated by section 96 Enterprise Act 2002   |
| <b>Minimum Royalty</b> . . . . .                        | has the meaning given in paragraph 4 of Part 2 of this document  |
| <b>Morgan Stanley</b> . . . . .                         | Morgan Stanley & Co. International plc   |
| <b>New Brand Licence Agreement</b> . . . . .            | the Existing Brand Licence Agreement as novated from Virgin Money to CYBG, and as amended and restated, in each case by a deed of novation between Virgin Enterprises, Virgin Money and CYBG, effective from completion of the Offer |
| <b>New CYBG Shares</b> . . . . .                        | the CYBG Shares proposed to be issued credited as fully paid pursuant to the Offer   |
| <b>Notice of Virgin Money General Meeting</b> . . . . . | the notice of the Virgin Money General Meeting as set out in Part 10 of this document  |
| <b>Novation Effective Date</b> . . . . .                | has the meaning given in paragraph 4 of Part 2 of this document  |
| <b>Offer or Combination</b> . . . . .                   | the proposed acquisition by CYBG of the entire issued and to be issued share capital of Virgin Money by means of the Scheme, or should CYBG so elect, by means of a Takeover Offer   |
| <b>Offer Period</b> . . . . .                           | the period which commenced on 7 May 2018 with the announcement by Virgin Money that it has received a preliminary and conditional proposal from CYBG   |
| <b>Official List</b> . . . . .                          | the Official List maintained by the FCA pursuant to Part 6 of FSMA   |
| <b>Open Banking</b> . . . . .                           | the use of open application programming interfaces (commonly known as APIs) that enable the secure sharing of user and financial services information with other financial services and third parties                                |
| <b>Opening Position Disclosure</b> . . . . .            | an announcement pursuant to Rule 8 of the Takeover Code containing details on interests or short positions in, or rights to subscribe for, any relevant securities of a party to an Offer  |
| <b>Overseas Shareholders</b> . . . . .                  | shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom   |
| <b>Panel</b> . . . . .                                  | the Panel on Takeovers and Mergers   |
| <b>Payment Services Directive 2</b> . . . . .           | the second Payment Services Directive ((EU) 2015/2366), as amended from time to time, which replaced the original Payment Services Directive (2007/64/EC)  |
| <b>PCA</b> . . . . .                                    | personal current accounts  |
| <b>Permitted Dividend</b> . . . . .                     | has the meaning given in paragraph 12 of Part 2 of this document   |
| <b>Phase 2 CMA Reference</b> . . . . .                  | a reference of the Offer to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013   |
| <b>PILON</b> . . . . .                                  | has the meaning given in in paragraph 6.1 of Part 7 of this document   |
| <b>Post Office</b> . . . . .                            | Post Office Ltd  |

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| <b>PRA</b> . . . . .                                     | the Prudential Regulation Authority or its successor from time to time  |
| <b>PRA Remuneration Code</b> . . . . .                   | means the remuneration rules set out in the remuneration part of the PRA's Rulebook   |
| <b>Prohibited Activities</b> . . . . .                   | has the meaning given in paragraph 4 of Part 2 of this document   |
| <b>Proposed Directors</b> . . . . .                      | Geeta Gopalan, Darren Pope and Amy Stirling, who will become non-executive directors of CYBG following Completion (subject to any necessary regulatory approval)  |
| <b>Quantified Financial Benefits Statement</b> . . . . . | the statement described as such and set out in Appendix 1.  |
| <b>Registrar of Companies</b> . . . . .                  | the Registrar of Companies in England and Wales   |
| <b>Regulatory Information Service</b> . . . . .          | a regulatory information service as defined in the FCA Handbook   |
| <b>Related Party Transaction</b> . . . . .               | has the meaning given in paragraph 1 of Part 1 of this document   |
| <b>Relevant securities</b> . . . . .                     | shall be construed in accordance with the Takeover Code   |
| <b>Remuneration Policy</b>                               |   |
| <b>Resolution</b> . . . . .                              | the ordinary resolution to approve the proposed amendment to the Directors' Remuneration Policy, being resolution 4 as set out in the Notice of Virgin Money General Meeting  |
| <b>Representative Director</b> . . . . .                 | has the meaning given in paragraph 4 of Part 2 of this document   |
| <b>Resolutions</b> . . . . .                             | the resolutions proposed to be passed at the Virgin Money General Meeting in connection with, inter alia, implementation of the Scheme and such other matters as may be necessary to implement the Scheme and the delisting of the Virgin Money Shares (including the Brand Licence Resolution) and <b>Resolution</b> means any one of them   |
| <b>Restricted Jurisdiction(s)</b> . . . . .              | any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Virgin Money Shareholders in that jurisdiction   |
| <b>Restricted Shareholder</b> . . . . .                  | a Scheme Shareholder whom CYBG requires to be treated as a Restricted Shareholder pursuant to clause 6 of the Scheme  |
| <b>RPT Resolution</b> . . . . .                          | has the meaning given in paragraph 8 of Part 1 of this document   |
| <b>Rule 16 Resolution</b> . . . . .                      | has the meaning given in paragraph 8 of Part 1 of this document   |
| <b>RWA</b> . . . . .                                     | risk weighted assets  |
| <b>Scheme</b> . . . . .                                  | the proposed scheme of arrangement under Part 26 of the Companies Act between Virgin Money and the holders of the Virgin Money Shares, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Virgin Money and CYBG  |
| <b>Scheme Resolution</b> . . . . .                       | the special resolution to approve the Scheme to be proposed at the Virgin Money General Meeting (being resolution 3 as set out in the Notice of General Meeting)  |
| <b>Scheme Shareholders</b> . . . . .                     | registered holders of Scheme Shares at any relevant date or time  |
| <b>Scheme Shares</b> . . . . .                           | Virgin Money Shares: <ul style="list-style-type: none"> <li>a) in issue as at the date of this document;</li> <li>b) issued after the date of this document and before the Voting Record Time; and</li> <li>c) issued on or after the Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders are, or have agreed in writing to be, bound by the Scheme,</li> </ul> |

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|   | and in each case, remaining in issue at the Scheme Record Time but excluding any Excluded Shares   |
| <b>Scheme Record Time</b> . . . . .                                 | 6.00 p.m. on the Business Day immediately prior to the Effective Date  |
| <b>Settlement Agreement</b> . . . . .                               | has the meaning given in paragraph 11 of Part 1 of this document   |
| <b>SIX Swiss Exchange</b> . . . . .                                 | has the meaning given in the notice on page 4 of this document   |
| <b>SME</b> . . . . .  | micro, small and medium-sized enterprises  |
| <b>Subsidiary, subsidiary undertaking and undertaking</b> . . . . . | shall be construed in accordance with the Companies Act  |
| <b>Takeover Code</b> . . . . .                                      | the Takeover Code issued by the Panel on Takeovers and Mergers, as amended from time to time   |
| <b>Takeover Offer</b> . . . . .                                     | if, subject to the consent of the Panel, CYBG elects to effect the Offer by way of a takeover offer as defined in section 974 of the Companies Act, the offer to be made by or on behalf of CYBG to acquire the entire issued and to be issued ordinary share capital of Virgin Money on the terms and subject to the conditions to be set out in the related offer document and, where the context admits, any subsequent revision, variation, extension or renewal of such offer |
| <b>Territory</b> . . . . .  | has the meaning given in paragraph 4 of Part 2 of this document  |
| <b>Threshold Amount</b> . . . . .                                   | has the meaning given in paragraph 4 of Part 2 of this document  |
| <b>TSYS</b> . . . . .   | Total System Services, Inc.  |
| <b>UK or United Kingdom</b> . . . . .                               | United Kingdom of Great Britain and Northern Ireland   |
| <b>UK Listing Authority</b> . . . . .                               | the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA  |
| <b>US Exchange Act</b> . . . . .                                    | the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;  |
| <b>US Person</b> . . . . .  | a US person as defined in Regulation S under the US Securities Act   |
| <b>US Securities Act</b> . . . . .                                  | the US Securities Act of 1933, as amended and the rules and regulations promulgated thereunder   |
| <b>US Scheme Shareholder</b> . . . . .                              | has the meaning given in paragraph 13 of Part 2 of this document   |
| <b>Virgin Enterprises</b> . . . . .                                 | Virgin Enterprises Limited   |
| <b>Virgin Group</b> . . . . .                                       | Virgin Holdings and its subsidiary undertakings and holding companies from time to time, and each subsidiary from time to time of any such holding company, and where the context permits, each of them  |
| <b>Virgin Holdings</b> . . . . .                                    | Virgin Group Holdings Limited  |
| <b>Virgin Holdings Confidentiality Agreement</b>                    | the confidentiality agreement dated 22 May 2018 between CYBG and Virgin Holdings, as described in paragraph 7 of Part 2 of this document   |
| <b>Virgin Money or the Company</b> . . . . .                        | Virgin Money Holdings (UK) plc, incorporated in England & Wales with registered number 03087587  |
| <b>Virgin Money AT1 Securities</b> . . . . .                        | the issued and outstanding £160,000,000 fixed rate resetttable additional tier 1 securities and £230,000,000 fixed rate resetttable additional tier 1 securities of Virgin Money   |
| <b>Virgin Money CEO</b> . . . . .                                   | has the meaning given in paragraph 11 of Part 1 of this document   |
| <b>Virgin Money CFO</b> . . . . .                                   | has the meaning given in paragraph 6.1 of Part 7 of this document  |
| <b>Virgin Money Chair</b> . . . . .                                 | has the meaning given in paragraph 6.1 of Part 7 of this document  |

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| <b>Virgin Money Confidentiality Agreement</b>       | the confidentiality agreement dated 21 May 2018 between CYBG and Virgin Money, as described in paragraph 7 of Part 2 of this document  |
| <b>Virgin Money DBSP</b>                            | the Virgin Money Deferred Bonus Share Plan   |
| <b>Virgin Money Directors or Virgin Money Board</b> | the directors of Virgin Money as at the date of this document or, where the context so requires, the directors of Virgin Money from time to time   |
| <b>Virgin Money Executive Directors</b>             | has the meaning given in paragraph 6.1 of Part 7 of this document  |
| <b>Virgin Money Foundation</b>                      | The Virgin Money Foundation  |
| <b>Virgin Money General Meeting</b>                 | the general meeting of Virgin Money Shareholders including any adjournments thereof convened by the notice set out in Part 10 of this document, to consider and, if thought fit pass, the Resolutions in relation to the Offer (including the Brand Licence Resolutions), including any adjournments thereof             |
| <b>Virgin Money Group</b>                           | Virgin Money and its subsidiary undertakings from time to time and where the context permits, each of them   |
| <b>Virgin Money Interim Dividend</b>                | the interim dividend of 2.3 pence per Virgin Money Share in respect of Virgin Money's six month interim period ended 30 June 2018 announced by Virgin Money on 26 July 2018  |
| <b>Virgin Money IPO</b>                             | the initial public offering of Virgin Money  |
| <b>Virgin Money LTIP</b>                            | the Virgin Money Long Term Incentive Plan  |
| <b>Virgin Money Nominee Service</b>                 | the Virgin Money Holdings (UK) plc Nominee Service   |
| <b>Virgin Money Nominee Service Holder(s)</b>       | persons beneficially holding Virgin Money Shares by way of the Virgin Money Nominee Share Service  |
| <b>Virgin Money Non-Executive Directors</b>         | the Non-Executive Directors of Virgin Money being: <ul style="list-style-type: none"> <li>a) Irene Dorner;</li> <li>b) Norman McLuskie;</li> <li>c) Colin Keogh;</li> <li>d) Geeta Gopalan;</li> <li>e) Eva Eisenschimmel;</li> <li>f) Darren Pope;</li> <li>g) Patrick McCall; and</li> <li>h) Amy Stirling,</li> </ul> |
| <b>Virgin Money plc</b>                             | Virgin Money plc, incorporated in England & Wales with registered number 6952311   |
| <b>Virgin Money Remuneration Committee</b>          | the remuneration committee of the Virgin Money Board   |
| <b>Virgin Money Share(s)</b>                        | the ordinary shares of 0.01 pence each in the capital of Virgin Money  |
| <b>Virgin Money Share Plans</b>                     | the Virgin Money LTIP and the Virgin Money DBSP  |
| <b>Virgin Money Shareholder(s)</b>                  | holders of Virgin Money Shares   |

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| <b>Virgin Money Trade Marks</b>           | has the meaning given in paragraph 4 of Part 2 of this document   |
| <b>Voting Record Time</b> . . . . .       | 6.30 p.m. on the day which is 48 hours before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.30 p.m. on the day which is 48 hours before the date of such adjourned meeting, in each case excluding any day that is not a Business Day  |
| <b>Wider CYBG Group</b> . . . . .         | CYBG Group and associated undertakings and any other body corporate, partnership, joint venture or person in which CYBG and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent  |
| <b>Wider Virgin Money Group</b> . . . . . | Virgin Money and associated undertakings and any other body corporate, partnership, joint venture or person in which Virgin Money and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent (but excluding Virgin Holdings and associated undertakings of Virgin Holdings (other than the Virgin Money Group)) |
| <b>£ or pence</b> . . . . .               | the lawful currency of the United Kingdom   |

PART 9

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES  
COMPANIES COURT (ChD)

CR-2018-006095

MR JUSTICE NORRIS

IN THE MATTER OF VIRGIN MONEY HOLDINGS (UK) PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HERBY GIVEN that, by an order dated 26 July 2018 made in the above matters, the Court has directed that Virgin Money Holdings (UK) plc (the **Company**) be permitted to convene a meeting of the holders of Scheme Shares (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 (the **Scheme of Arrangement**) proposed to be made between the Company and the holders of Scheme Shares and that such meeting will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 11.00 a.m. on 10 September 2018 at which place and time all holders of Scheme Shares are requested to attend.

At the Court Meeting, the following resolution will be proposed:

“That the scheme of arrangement dated 31 July 2018 (the **Scheme of Arrangement**), between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement), a print of which has been produced to this meeting and, for the purposes of identification, signed by the chair hereof, in its original form or with, or subject to, any modification, addition or condition approved or imposed by the Court and jointly consented to by the Company and CYBG PLC, be approved and the directors of the Company be authorised to take all such actions as they consider necessary or appropriate for carrying the Scheme of Arrangement into effect.”

Voting on the resolution will be by poll which may be conducted as the chair of the Court Meeting shall determine. For the Court Meeting (or any adjournment thereof) to be properly convened a quorum of two persons entitled to vote on the business to be transacted, each being a Scheme Shareholder, the proxy of a Scheme Shareholder or (where the Scheme Shareholder is a corporation) a duly authorised representative, must be present.

A copy of the Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

**Holders of Scheme Shares may vote in person at the meeting or they may appoint another person as their proxy to attend, speak and vote in their stead. A proxy need not be a member of the Company. A holder of Scheme Shares may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that holder. A blue Form of Proxy for use at the meeting is enclosed with this notice or shall be sent in a separate mailing to those Virgin Money Shareholders who have elected or are deemed to have elected to receive documents and notices from the Company electronically. Holders of Scheme Shares held through CREST may also appoint a proxy or proxies using CREST by following the instructions set out on pages 57 to 58 of this document. Completion and return of a Form of Proxy, or the appointment of proxies through CREST, will not preclude a holder of Scheme Shares from attending and voting in person at the meeting, or any adjournment of such meeting.**

Virgin Money Nominee Service Holders should complete the blue Form of Instruction and any power of attorney or other authority (if any) under which they are executed (or a notarially certified copy of such authority) and return them to Equiniti Limited, in accordance with the instructions printed thereon not later than 11.00 a.m. on 5 September 2018, or if the Court Meeting is adjourned, not less than 72 hours before the start of the meeting excluding any part of a day that is not a Business Day.

In the case of joint holders of Scheme Shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose

seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies (together with any power of attorney or other authority under which they are signed, or a notarially certified copy of such authority) be lodged with the Company's registrars, Equiniti Limited, in accordance with the instructions printed thereon not later than 11.00 a.m. on 6 September 2018 or, if the Court Meeting is adjourned, not later than 48 hours before the start of the meeting excluding any part of a day that is not a Business Day. Proxy forms not so lodged may be handed to Equiniti Limited on behalf of the Chair of the Court Meeting.

Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.30 p.m. on the day which is at least 48 hours before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.30 p.m. on the day which is at least 48 hours before the date of such adjourned meeting, in each case excluding any day that is not a Business Day (the **Voting Record Time**). Changes to the register of members after such time will be disregarded.

By the said order, the Court has appointed Irene Dorner or, failing her, Darren Pope, or, failing him, Geeta Gopalan, each being a director of the Company, or, failing her, any other director of the Company to act as chair of the meeting and has directed the chair to report the result of the meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 31 July 2018

**ALLEN & OVERY LLP**

One Bishops Square

London E1 6AD

Solicitors for the Company

Notes:

1. Pursuant to the Company's articles of association and Regulation 41 of the Uncertificated Securities Regulations 2001 (the **Regulations**), only holders of Scheme Shares in the capital of the Company at the Voting Record Time (each, a **Scheme Shareholder**) are entitled to attend, speak and vote at this meeting and may appoint a proxy to attend, speak and vote instead of them. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at this meeting. Voting on all resolutions will be by way of a poll. Each Scheme Shareholder present at this meeting will be entitled to one vote for every Scheme Share registered in his or her name and each corporate representative or proxy will be entitled to one vote for each Scheme Share which he/she represents. Scheme Shareholders who submit a proxy form with voting instructions in advance of this meeting specifying the chair of the Company as their proxy, but who attend this meeting in person, need not complete a poll card unless they wish to change their vote.
2. A blue form of proxy is enclosed for use at this meeting. To be valid, completed forms of proxy should be completed and returned in accordance with their instructions, along with the power of attorney or other authority, if any, under which they are signed or a notarially certified or office copy of such power or authority, so as to arrive at the offices of the Company's registrars, Equiniti Limited (**Equiniti**), not later than 11.00 a.m. on 6 September 2018, or if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a Business Day. If the proxy form is not returned by the relevant time, it may be handed to Equiniti, on behalf of the Chair of the meeting, before the start of the meeting.
3. Virgin Money Nominee Service Holders should complete a blue Form of Instruction which is enclosed for use at this meeting. To be valid, completed Forms of Instruction should be completed and returned in accordance with their instructions, along with the power of attorney or other authority, if any, under which they are signed or a notarially certified or office copy of such power or authority, so as to arrive at the offices of Equiniti, not later than 11.00 a.m. on 5 September 2018, or if the meeting is adjourned, at least 72 hours before the start of the adjourned meeting, excluding any part of a day that is not a Business Day. If the Form of Instruction is not returned by the relevant time, it will be invalid.
4. A Scheme Shareholder entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A Scheme Shareholder may appoint more than one



proxy in relation to this meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a Scheme Shareholder but must attend this meeting to represent him/her. A separate proxy form should be used for each proxy appointment. If you intend to appoint additional proxies, please contact Equiniti on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate) to obtain (an) additional proxy form(s). Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Equiniti may record calls to both numbers for security purposes and to monitor the quality of its services. Different charges may apply to calls from mobile telephones. Alternatively, you may photocopy the enclosed proxy form. A Scheme Shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding and mark the box indicating that the proxy instruction is one of multiple instructions being given. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the Scheme Shareholder may result in the proxy appointment being invalid. If the proxy form is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his/her discretion as to whether, and if so how, he/she votes. A Scheme Shareholder must inform Equiniti in writing of any termination of the authority of a proxy. If more than one valid proxy appointment is received, the appointment received last before the latest time for the receipt of the proxies will take precedence.

5. A Scheme Shareholder may, if he/she wishes, register the appointment of a proxy or proxies, and give voting instructions for this meeting, electronically by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk). He/she will need to use the series of numbers made up of his/her Voting ID, Task ID and, Shareholder Reference Number printed on his/her proxy form. Full details of the procedure are given on the website. Scheme Shareholders who have already registered with the Equiniti online portfolio service, Shareview, can appoint their proxy electronically via their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk). The proxy appointment and/or voting instructions must be received by Equiniti by not later than 11.00 a.m. on 6 September 2018 or, if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, in each case excluding any part of a day that is not a Business Day. Please note that any electronic communication sent to the Company or Equiniti that is found to contain a computer virus will not be accepted. The use of the internet service in connection with this meeting is governed by Equiniti's conditions of use set out on the websites, [www.sharevote.co.uk](http://www.sharevote.co.uk) and [www.shareview.co.uk](http://www.shareview.co.uk), and may be read by logging on to those sites.
6. Scheme Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for this meeting or any adjournment of this meeting by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service providers, who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's (Euroclear) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) not later than 11.00 a.m. on 6 September 2018 or, if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a Business Day. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in

particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.

9. Completion and return of a form of proxy, or the appointment of proxies through CREST, will not preclude a Scheme Shareholder from attending and voting in person at this meeting, or any adjournment of this meeting.
10. In the case of joint holders of ordinary shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding (the first named being the most senior).
11. You may not use any electronic address provided either in this notice or in any related documents (including the enclosed proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at this. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
13. As at 27 July 2018 (being the latest practicable date before publication of this notice), the Company's issued share capital consisted of 446,067,336 ordinary shares, carrying one vote each and 10,052,161 non-voting deferred shares. The Company does not hold any ordinary shares in treasury, and therefore the total voting rights in the Company as at 27 July 2018 were 446,067,336.
14. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a nominated person) may, under an agreement between him/her and the member by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for this meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
15. The statements of the rights of Scheme Shareholders in relation to the appointment of proxies in this notice do not apply to **nominated persons**. Those rights can only be exercised by Scheme Shareholders. If you are receiving this notice as such a nominated person, you are reminded that your main contact in terms of your investment remains as it was (the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration of it) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters which are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.
16. The venue is wheelchair accessible. Please let the Company know in advance if any attendee will need wheelchair assistance or has any other needs to ensure appropriate arrangements are in place. Anyone accompanying a member in need of assistance will be admitted to this meeting. Other guests will only be admitted at the discretion of the Company.
17. The Company thanks the attendees in advance for their co-operation with the security staff at the venue and kindly requests that each attendee provides one piece of identification, such as photographic ID or a bank card. The Company does not permit cameras or recording equipment at this meeting and should be grateful if attendees would ensure that they switch off their mobile telephone before the start of this meeting. The Company does not permit behaviour which may interfere with anyone's safety or the orderly conduct of this meeting.

**PART 10**  
**NOTICE OF GENERAL MEETING**  
**VIRGIN MONEY HOLDINGS (UK) PLC**

Notice is given that a general meeting of Virgin Money Holdings (UK) plc (the **Company**) will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 11.15 a.m. on 10 September 2018 (or as soon thereafter as the meeting of the holders of Scheme Shares (as defined in the Scheme as referred to in Resolution 3 set out below) convened for 11.00 a.m. on the same day and at the same place, by an order of the High Court of Justice, shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 2 will be proposed as ordinary resolutions of the Independent Virgin Money Shareholders (as defined in the document of which this notice forms a part), Resolution 3 will be proposed as a special resolution of all shareholders of the Company and Resolution 4 will be proposed as an ordinary resolution of all shareholders of the Company.

**ORDINARY RESOLUTIONS**

1. THAT, for the purposes of Note 2 to Rule 16 of the City Code on Takeovers and Mergers the amendment and restatement of the trade mark licence deed dated 1 October 2014, as amended and restated on 25 July 2016, and as made between the Company and Virgin Enterprises Limited, pursuant to, and in the form attached to, a deed of novation, amendment and restatement between the Company, Virgin Enterprises Limited and CYBG PLC dated 18 June 2018 be and hereby is approved.

(Resolution 1)

2. THAT, for the purposes of Listing Rule 11.1.7R(3) the amendment and restatement of the trade mark licence deed dated 1 October 2014, as amended and restated on 25 July 2016, and as made between the Company and Virgin Enterprises Limited, pursuant to, and in the form attached to, a deed of novation, amendment and restatement between the Company, Virgin Enterprises Limited and CYBG PLC dated 18 June 2018 be and hereby is approved.

(Resolution 2)

**SPECIAL RESOLUTION**

3. THAT for the purpose of giving effect to the scheme of arrangement dated 31 July 2018 (as amended or supplemented) between the Company and the holders of Scheme Shares (as defined in said scheme of arrangement), a print of which has been produced to this meeting and for the purposes of identification signed by the chair of this meeting, in its original form or subject to such modification, addition, or condition as may be agreed between the Company and CYBG PLC and approved or imposed by the Court (the **Scheme**):
  - (a) the directors of the Company (or a duly authorised committee of the directors) be authorised to take all such actions as they may consider necessary or appropriate for carrying the Scheme into effect; and
  - (b) with effect from the passing of this resolution, the articles of association of the Company be and are amended by the adoption and inclusion of the following new article 131:

**“Scheme of Arrangement**

- (a) In this article, references to the **Scheme** are to the Scheme of Arrangement under Part 26 of the Companies Act 2006 between the Company and the holders of Scheme Shares (as defined in the Scheme dated 31 July 2018 (as amended or supplemented)) and as approved by the holders of the Scheme Shares at the meeting convened by the Court (as defined in the Scheme) and as may be modified or amended in accordance with its terms, and expressions defined in the Scheme shall have the same meanings in this article.
- (b) Notwithstanding either any other provision of these articles or the terms of any resolution whether ordinary or special passed by the Company in general meeting, if the Company issues any ordinary shares (other than to CYBG PLC (the **Offeror**) or its nominee(s)) on or after the adoption of this article and on or before the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the original or any subsequent holder or holders of such ordinary shares shall be bound by the Scheme accordingly.

- (c) Notwithstanding any other provision of these articles, if any ordinary shares are issued to any person (other than the Offeror or their nominee(s)) (the **New Member**) after the Scheme Record Time, such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) will, provided the Scheme shall have become effective, be obliged to transfer immediately all the ordinary shares held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) (the **Disposal Shares**) to the Offeror (or as the Offeror may otherwise direct) who shall be obliged to acquire all of the Disposal Shares in consideration of and conditional on the allotment and issue or transfer by or on behalf of the Offeror of the New CYBG Shares for each Disposal Share equal to the consideration that the New Member would have been entitled to had each Disposal Share been a Scheme Share.
- (d) The New CYBG Shares allotted and issued or transferred to a New Member pursuant to article 131(c) shall be credited as fully paid and shall rank pari passu in all respects with all other ordinary shares of the Offeror in issue at that time (other than as regards any dividend or other distribution payable by reference to a record date preceding the date of allotment) and shall be subject to the articles of association of the Offeror from time to time.
- (e) If the Company or the Offeror reasonably believes or is advised that the allotment and/ or issue of New CYBG Shares to a New Member pursuant to article 131(c) would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require the Company or the Offeror to comply with any governmental or other consent, or any registration, filing or other formality with which the Company or the Offeror is unable to comply or compliance with which the Company or the Offeror regards as unduly onerous, then the Offeror may in its sole discretion, require the Company to treat such Scheme Shareholder as Restricted Shareholder for the purposes of the Scheme and may either:
- (i) determine that such New CYBG Shares shall not be allotted and issued and/or transferred to such New Member, but shall instead be allotted and issued and/or transferred to a nominee appointed by the Offeror, for such New Member, on terms that the nominee shall be authorised on behalf of such Scheme Shareholder to procure that such New CYBG Shares shall, as soon as is practicable following the Effective Date, be sold on behalf of such New Member; or
  - (ii) determine that such New CYBG Shares shall be sold, in which event the New CYBG Shares shall be issued to such New Member and the Offeror shall appoint a person to act pursuant to this article 131(e)(ii) and such person shall be authorised on behalf of such New Member to procure that any New CYBG Shares in respect of which the Offeror has made such determination shall, as soon as is practicable after the Effective Date, be sold.
- (f) Any sale under article 131(e) shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any VAT thereon, incurred in connection with such sale) shall be paid to such New Member in accordance with the terms of the Scheme (as it may be modified in accordance with its terms) as if the New Member had been a Scheme Shareholder. To give effect to any sale under article 131(e) of these articles, the person appointed by the Offeror in accordance with article 131(e) shall be authorised, to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer and to give such instructions and to do all other things which he or she may consider necessary or expedient in connection with such sale. In the absence of bad faith and/or wilful default, none of the Company, the Offeror or any broker or agent of any of them shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.
- (g) On any reorganisation of, or material alteration to, the share capital of the Company or the Offeror (including, without limitation, any subdivision and/or consolidation), the value of the consideration per Disposal Share under article 131(c) above shall be adjusted by the directors of the Company and the directors of the Offeror in such manner as the auditors of the Company or an independent investment bank selected by the Company may determine to be fair and reasonable to reflect such reorganisation or alteration. References in this article to ordinary shares shall, following such adjustment, be construed accordingly.
- (h) No fraction of a New CYBG Share shall be allotted, issued or transferred to a New Member pursuant to this article. Any fraction of a New CYBG Share, to which a New Member would otherwise have become entitled, shall be aggregated with the fractional entitlements of any other New Members whose shares are being transferred under this article on the same date and sold in the market and the net proceeds of sale (after deduction of all expenses and commissions, including any VAT thereon,

incurred in connection with such sale) shall be paid to the persons entitled thereto in due proportions as soon as practicable, save that if the fractional cash entitlements amount to less than £5, such proceeds will be retained for the benefit of the enlarged group.

- (i) To give effect to any transfer required by this article, the Company may appoint any person as attorney for the New Member to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of the Offeror (or as the Offeror otherwise directs), as applicable and do all such other things and execute and deliver all such documents as may in the opinion of the attorney be necessary or desirable to vest the Disposal Shares in the Offeror (or as the Offeror otherwise directs), as applicable and pending such vesting to exercise all such rights to the Disposal Shares as the Offeror may direct. If an attorney is so appointed, the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of the Offeror) be entitled to exercise any rights attaching to the Disposal Shares unless so agreed by the Offeror. The Company may give good receipt for the purchase price of the Disposal Shares and may register the Offeror (or as the Offeror otherwise directs), as applicable as holder of the Disposal Shares and issue to them certificates for the same. The Company shall not be obliged to issue a certificate to the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for any Disposal Shares. The Offeror shall procure the allotment and issue or transfer of any share consideration in favour of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the purchase price of such Disposal Shares within 14 days of the date on which the Disposal Shares are issued to the New Member (or any nominee of such New Member).
- (j) If the Scheme shall not have become effective by the date referred to in clause 8(B) of the Scheme (or such later date, if any, as the Offeror and the Company may agree and the Court and the Panel on Takeovers and Mergers may allow, if such consent is required), this article shall be of no effect.
- (k) Notwithstanding any other provision of these articles, both the Company and the directors of the Company may refuse to register the transfer of any Scheme Shares effected between the Scheme Record Time and the effective date of the Scheme.”

(Resolution 3)

#### ORDINARY RESOLUTION

4. THAT the directors’ remuneration policy be amended by the inclusion of the following wording in the section of the policy headed “Termination payments”:

“If an executive director is made redundant, the director will be entitled to receive a redundancy payment calculated on the same basis as is applicable to all other employees of the Company.”

(Resolution 4)

31 July 2018

By Order of the Board

**Katie Marshall**

*Company Secretary*

*Registered Office:*

Jubilee House  
Gosforth  
Newcastle upon Tyne  
NE3 4PL

Registered in England and Wales No. 03087587

Notes:

1. Pursuant to the Company’s articles of association and Regulation 41 of the Uncertificated Securities Regulations 2001 (the **Regulations**), only holders of ordinary shares of 0.01 pence in the capital of the Company registered on the register of members of the Company at 6.30 p.m. on the day which is at least

48 hours before the date of the Virgin Money General Meeting or, if the Virgin Money General Meeting is adjourned, 6.30 p.m. on the day which is 48 hours before the date of such adjourned meeting, in each case excluding any day that is not a Business Day (each, a **Shareholder**) are entitled to attend, speak and vote at this meeting and may appoint a proxy to attend, speak and vote instead of them. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at this meeting. Voting on all resolutions will be by way of a poll. Each Shareholder present at this meeting will be entitled to one vote for every ordinary share registered in his/her name and each corporate representative or proxy will be entitled to one vote for each ordinary share which he/she represents. Shareholders who submit a proxy form with voting instructions in advance of this meeting specifying the chair of the Company as their proxy, but who attend this meeting in person, need not complete a poll card unless they wish to change their vote. A Shareholder may appoint more than one proxy in relation to this meeting provided that each proxy is entitled to exercise the rights attaching to a different share or shares held by that member. A proxy need not be a member of the Company.

2. A yellow form of proxy is enclosed for use at this meeting. To be valid, completed forms of proxy should be returned in accordance with their instructions, along with the power of attorney or other authority, if any, under which they are signed or a notarially certified or office copy of such power or authority, so as to arrive at the offices of the Company's registrars, Equiniti Limited (**Equiniti**), not later than 11.15 a.m. on 6 September 2018, or if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a Business Day. If the form of proxy is not lodged by the relevant time, it will be invalid.
3. Virgin Money Nominee Service Holders should complete a yellow Form of Instruction is enclosed for use at this meeting. To be valid, completed Forms of Instruction should be completed and returned in accordance with their instructions, along with the power of attorney or other authority, if any, under which they are signed or a notarially certified or office copy of such power or authority, so as to arrive at the offices of Equiniti, not later than 11.15 a.m. on 5 September 2018, or if the meeting is adjourned, at least 72 hours before the start of the adjourned meeting, excluding any part of a day that is not a Business Day. If the Form of Instruction is not returned by the relevant time, it will be invalid.
4. A Shareholder entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A Shareholder may appoint more than one proxy in relation to this meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a Shareholder but must attend this meeting to represent him/her. A separate proxy form should be used for each proxy appointment. If you intend to appoint additional proxies, please contact Equiniti on 0371 384 2165 or on +44 (0) 121 415 0820 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate) to obtain (an) additional proxy form(s). Lines are open between 8.30 a.m. and 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. Equiniti may record calls to both numbers for security purposes and to monitor the quality of its services. Different charges may apply to calls from mobile telephones. Alternatively, you may photocopy the enclosed proxy form. A Shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding and mark the box indicating that the proxy instruction is one of multiple instructions being given. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the Shareholder may result in the proxy appointment being invalid. If the proxy form is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his/her discretion as to whether, and if so how, he/she votes. A Shareholder must inform Equiniti in writing of any termination of the authority of a proxy. If more than one valid proxy appointment is received, the appointment received last before the latest time for the receipt of the proxies will take precedence.
5. A Shareholder may, if he/she wishes, register the appointment of a proxy or proxies, and give voting instructions for this meeting, electronically by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk). He/she will need to use the series of numbers made up of his/her Voting ID, Task ID and, Shareholder Reference Number printed on his/her proxy form. Full details of the procedure are given on the website. Scheme Shareholders who have already registered with the Equiniti online portfolio service, Shareview, can appoint their proxy electronically via their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk). The proxy appointment and/or voting instructions must be received by Equiniti by no later than 11.15 a.m. on 6 September 2018 or, if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, in each case excluding any part of a day that is not a Business Day. Please note that any electronic communication sent to the

Company or Equiniti that is found to contain a computer virus will not be accepted. The use of the internet service in connection with this meeting is governed by Equiniti's conditions of use set out on the websites, [www.sharevote.co.uk](http://www.sharevote.co.uk) and [www.shareview.co.uk](http://www.shareview.co.uk), and may be read by logging on to those sites.

6. Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for this meeting or any adjournment of this meeting by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service providers, who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's (**Euroclear**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) not later than 11.15 a.m. on 6 September 2018 or, if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a Business Day. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.
9. Completion and return of a form of proxy, or the appointment of proxies through CREST, will not preclude a Shareholder from attending and voting in person at this meeting, or any adjournment of this meeting.
10. In the case of joint holders of ordinary shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding (the first named being the most senior).
11. You may not use any electronic address provided either in this notice or in any related documents (including the enclosed proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at this. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
13. As at 27 July 2018 (being the latest practicable date before publication of this notice), the Company's issued share capital consisted of 446,067,336 ordinary shares, carrying one vote each and 10,052,161 non-voting deferred shares. The Company does not hold any ordinary shares in treasury, and therefore the total voting rights in the Company as at 27 July 2018 were 446,067,336.
14. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **nominated person**) may, under an agreement between him/her and the member by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for this meeting. If a nominated person has no such proxy appointment right or does

not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

15. The statements of the rights of Shareholders in relation to the appointment of proxies in this notice do not apply to nominated persons. Those rights can only be exercised by Shareholders. If you are receiving this notice as such a nominated person, you are reminded that your main contact in terms of your investment remains as it was (the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration of it) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters which are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.
16. The venue is wheelchair accessible. Please let the Company know in advance if any attendee will need wheelchair assistance or has any other needs to ensure appropriate arrangements are in place. Anyone accompanying a member in need of assistance will be admitted to this meeting. Other guests will only be admitted at the discretion of the Company.
17. The Company thanks the attendees in advance for their co-operation with the security staff at the venue and kindly requests that each attendee provides one piece of identification, such as photographic ID or a bank card. The Company does not permit cameras or recording equipment at this meeting and should be grateful if attendees would ensure that they switch off their mobile telephone before the start of this meeting. The Company does not permit behaviour which may interfere with anyone's safety or the orderly conduct of this meeting.
18. Under Section 319A of the Companies Act 2006, any Shareholder attending this meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at this meeting but no such answer need be given if:
  - (a) to do so would interfere unduly with the preparation for the this meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of this meeting that the question be answered.
19. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/>.



## APPENDIX 1

### QUANTIFIED FINANCIAL BENEFITS STATEMENT

Paragraph 5 of Part 2 of this document contains statements of estimated cost savings and synergies expected to arise from the Offer (together, the **Quantified Financial Benefits Statement**).

A copy of the Quantified Financial Benefits Statement is set out below:

*The CYBG Directors, having reviewed and analysed the potential synergies of the Combined Group, as well as taking into account the factors they can influence, believe that the Combined Group can deliver shareholder value through expected realisation of approximately £120 million of annual pre-tax cost synergies. Incremental to these quantified cost synergies, the Combined Group will benefit from avoiding planned future Virgin Money digital bank running costs, given the existing CYBG capabilities.*

*It is currently envisaged that the approximately £120 million of annual pre-tax cost synergies will be realised principally from:*

*i) **Organisational design:** Reduction of FTEs across the Combined Group, removing duplication of senior management roles, delivering approximately £35 million of run rate cost savings.*

*ii) **Central cost management:** Approximately £35 million of run rate cost savings generated by rationalisation of the Combined Group's central functions locations; with scale efficiencies in IT, central procurement costs, third party outsourcing and other operating expenses. Central cost management savings are net of incremental trademark licence fees related to the use of the Virgin Money brand.*

*iii) **Operational efficiency:** Reduction of FTEs across the Combined Group through removing duplication of central functions roles, integrating customer service operating models and driving efficiencies through increased digitisation and automation, delivering approximately £35 million of run rate cost savings.*

*iv) **Network efficiencies:** Optimisation of the Combined Group's branch network, delivering approximately £15 million of run rate cost savings.*

*The run rate of these annual pre-tax cost synergies will be fully achieved by the end of the financial year ending 30 September 2021, with approximately 28 per cent. achieved as at 30 September 2019 and approximately 67 per cent. as at 30 September 2020. It is therefore expected that the first year of full run rate cost synergies will be the financial year ending 30 September 2022. The cost synergies recognised during the financial year ending 30 September 2019 are expected to be approximately £20 million and approximately £50 million recognised during the financial year ending 30 September 2020.*

*The identified recurring cost synergies will accrue as a direct result of the Combination and would not be achieved on a standalone basis.*

*It is expected that the realisation of these cost synergies would result in one-off pre-tax costs to achieve of approximately £240 million. These are expected to be phased broadly evenly across a three year period: employee restructuring costs and IT migration strategy phased over all three years following completion of the Offer, contract break fees to be recognised in the third year following completion of the Offer, and the optimisation of branches and office locations to be achieved in years two and three following completion of the Offer. Aside from these one-off exceptional costs and the incremental trademark licence fees incorporated into the assessed cost synergies, no material dis-synergies are expected in connection with the Combination.*

*These statements relating to identified synergies and estimated savings relate to future actions or circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.*

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

#### **Bases of Belief and Principal Assumptions**

Following initial discussions regarding the Combination, a CYBG synergy development team was established to assess the potential synergies arising from the Combination.

The team, which comprises senior CYBG strategy and financial personnel has worked to identify, challenge and quantify potential synergies as well as the potential costs to achieve such synergies. The team has worked with the relevant functional heads and other personnel at both CYBG and Virgin Money to test synergies assumptions and identify synergy initiatives.

In preparing the Quantified Financial Benefits Statement, both CYBG and Virgin Money have shared certain operating and financial information to facilitate the analysis in support of evaluating the potential synergies available from the creation of the Combined Group. However, as is typical of these exercises, confidentiality and regulatory considerations have limited the extent of the sharing of data and information. Where the sharing of data has been limited, the synergy development team has made estimates and assumptions to aid its development of individual synergy initiatives. The assessment and quantification of the potential synergies have, in turn, been informed by the CYBG management's industry experience and knowledge of the existing businesses.

The cost base used for the quantified financial benefits exercise is the combination of the CYBG cost base contained in its 30 September 2017 full year results and the Virgin Money cost base contained in its 31 December 2017 full year results.

In addition to these potential quantified synergies, the CYBG Directors believe that further value can be created through realisation of revenue and funding synergies, as well as the avoided planned future digital bank running costs. These incremental potential synergies have not been quantified for the purposes of reporting under the Takeover Code.

The integration of the businesses will require combining the Virgin Money businesses and group functions with CYBG's business and group functions. It is anticipated that the customer facing brand for the Combined Group will transition to Virgin Money over time.

The CYBG Directors have, in addition, made the following assumptions, all of which are outside their influence:

(A) There will be no material impact on the underlying operations of either CYBG or Virgin Money or their ability to continue to conduct their businesses.

(B) There will be no material change to macroeconomic, political, regulatory or legal conditions in the markets or regions in which CYBG and Virgin Money operate that will materially impact on the implementation or costs to achieve the proposed cost savings.

(C) There will be no change in tax legislation or tax rates or other legislation in the UK that could materially impact the ability to achieve any benefits.

In addition, the CYBG Directors have assumed that the cost synergies are substantively within their control, albeit that certain elements are dependent in part on negotiations with third parties.

### **Reports and confirmations**

On 18 June 2018, Deloitte, as reporting accountants to CYBG, and Morgan Stanley and Deutsche Bank, as financial advisers to CYBG, gave the opinions required by Rule 28.1(a) of the Takeover Code. Copies of these reports were included in Parts B and C of Appendix 4 to the Announcement.

The CYBG Directors have confirmed that:

1. there have been no material changes to the Quantified Financial Benefits Statement since 18 June 2018, and the Quantified Financial Benefits Statement remains valid; and
2. each of Deloitte, Morgan Stanley and Deutsche Bank has confirmed to CYBG that their respective reports produced in connection with the Quantified Financial Benefits Statement continue to apply.

### **Notes**

These statements are not intended as a profit forecast and should not be interpreted as such. These statements of estimated synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the estimated synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the Quantified Financial Benefits Statement nor any other statement in this document should be construed as a profit forecast or interpreted to mean that CYBG's earnings in the first full year following the Effective Date, or in any subsequent period, will necessarily match or be greater than or be less than those of CYBG or Virgin Money for the relevant preceding financial period or any other period.

Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting synergies may be materially greater or less than those estimated.

