



[Address]

● September 2018

Dear [name]

**Recommended all-share offer for Virgin Money Holdings (UK) plc (Virgin Money) by CYBG PLC (CYBG)**

**1. BACKGROUND**

On 18 June 2018, the boards of directors of CYBG and Virgin Money 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**).

The purpose of this letter (the **Letter**) is to explain the effect of the Offer on the awards (**Awards**) granted to you under the Virgin Money Deferred Bonus Share Plan (the **DBSP**) and how your Awards will be treated in relation to the Offer. A schedule (the **Schedule**) showing the details of your Awards is attached to this Letter.

Under the terms of the Offer, Virgin Money Shareholders will be entitled to receive:

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

It is intended that the Offer be implemented by way of a Court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the **Scheme**). Further information in relation to the Scheme is set out in a scheme document dated 31 July 2018 (the **Scheme Document**), a copy of which is available at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/offer-from-cybg-information/>. A copy of this Letter is also available on the same website. You should read this Letter in conjunction with the Scheme Document. Defined terms used in this Letter have the meanings given in the Scheme Document, unless otherwise defined in this Letter.

It is currently anticipated that the Court hearing to sanction the Scheme (**Court Sanction**) will take place in the final quarter of 2018, with the Scheme becoming effective shortly afterwards (the **Effective Date**). To the extent there are substantial changes to the anticipated timing for the Offer, information will be provided at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/offer-from-cybg-information/>.

## **2. IMPACT OF THE OFFER ON YOUR AWARDS**

### **2.1 Vesting of Awards**

Your Awards will vest on Court Sanction. The number of Virgin Money Shares in respect of which your Awards will vest on Court Sanction is set out in the Schedule. The Virgin Money Shares you will be entitled to receive on the vesting of your Awards are referred to in this Letter as your **Vested Shares**.

### **2.2 Acquisition of Vested Shares by CYBG**

Your Vested Shares will be automatically transferred to CYBG on the Effective Date, in accordance with the terms of the Scheme. You will be entitled to 1.2125 New CYBG Shares for each of your Vested Shares, which is the same consideration due to all Virgin Money Shareholders under the Scheme.

### **2.3 Tax**

On the vesting of your Awards, there will be a charge to PAYE income tax and National Insurance contributions on the market value of your Vested Shares (your **Payroll Tax Liability**). In accordance with the DBSP rules, your Awards will be 'net-settled', such that the number of Virgin Money Shares to which you will become entitled on vesting is reduced by such number of Virgin Money Shares as have a market value equal to your Payroll Tax Liability.

Further information on the tax implications of the vesting of your Awards and the acquisition of your Vested Shares under the Scheme is set out in the Tax Appendix to this Letter.

### **2.4 Settlement**

The number of New CYBG Shares to which you are entitled (after your Payroll Tax Liability has been accounted for) will be transferred to your Equiniti Restricted Corporate Sponsored Nominee (CSN) account within 14 days of the Effective Date. Your New CYBG Shares will be subject to a holding period, in accordance with the terms of your Awards (which is either six months or 12 months, depending on when your Awards were granted).

## **3. DO I NEED TO TAKE ANY ACTION?**

No, you are not required to take any action. Your Awards will vest automatically on Court Sanction and your Vested Shares will be automatically acquired by CYBG in exchange for New CYBG Shares, as described above.

## **4. CESSATION OF EMPLOYMENT WITH VIRGIN MONEY**

If you have already ceased to hold employment with Virgin Money, you will already have been notified of the vesting or lapse of your Awards under the rules of the DBSP.

If you cease to hold employment with Virgin Money prior to Court Sanction, your Awards may vest or may lapse in accordance with the rules of the DBSP.

If you cease to hold employment with Virgin Money following Court Sanction, you will retain your New CYBG Shares (which will remain subject to their holding period).

**5. WHAT IF THE SCHEME IS NOT SANCTIONED BY THE COURT?**

If, for whatever reason, the Scheme is not sanctioned by the Court and the Offer does not proceed, your Awards will not vest on Court Sanction. Your Awards will remain in place on their existing terms in accordance with the rules of the DBSP.

**6. WHAT IF I HAVE QUESTIONS?**

If you have any questions regarding the information set out in this Letter, please contact Simon Leeming on 01603 215 792 or Will Thompson on 0191 279 5049. Please note that no legal, tax, financial or investment advice on the Offer can be provided by Virgin Money or CYBG.

Yours sincerely



**Katie Marshall**  
on behalf of  
Virgin Money Holdings (UK) plc

Yours sincerely



**Alison Kidd**  
on behalf of  
CYBG PLC

**In the event of a conflict between this Letter and the terms of the DBSP, or any relevant legislation, the terms of the relevant plan or the legislation will prevail.**

## TAX APPENDIX

**The below tax summary is for guidance only and is based on existing UK law and current HMRC practice as at September 2018. 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 advisor immediately.**

The summary below relates to the vesting of your Awards as a result of the Scheme, and to the acquisition of Vested Shares by CYBG under the Scheme. Any Virgin Money Shares which you may already hold (however acquired) are referred to below as your Existing VM Shareholding.

### 1. Vesting of Awards

On the vesting of your Awards, there will be a charge to PAYE income tax and National Insurance contributions (your **Payroll Tax Liability**) on the market value of your Vested Shares, for which your employing company is liable to account to HMRC. In accordance with the DBSP rules, your Awards will be ‘net-settled’, such that the number of Virgin Money Shares to which you will become entitled on vesting is reduced by such number of Virgin Money Shares as have a market value equal to your Payroll Tax Liability. Virgin Money will account to HMRC for your Payroll Tax Liability under PAYE.

### 2. Acquisition of Vested Shares by CYBG under the Scheme

The acquisition of your Vested Shares in exchange for New CYBG Shares will not be treated as a disposal for CGT purposes. Instead, the New CYBG Shares you receive should be treated as the same asset, acquired at the same time and for the same consideration as your Vested Shares. As such, the acquisition cost of your New CYBG Shares will be calculated as at the vesting date of your Award (i.e. the date of Court Sanction) by reference to the market value of your Vested Shares. To the extent you have an Existing VM Shareholding, your New CYBG Shares will be added to the “pool” of New CYBG Shares acquired in exchange for your Existing VM Shareholding under the terms of the Scheme, and you should note that CGT “share identification rules” will apply on any subsequent disposal of your New CYBG Shares (see below).

### 3. Disposal of New CYBG Shares

On the disposal of your New CYBG Shares, you will be subject to CGT on the amount by which your disposal proceeds exceed your acquisition cost (which, to the extent you held an Existing VM Shareholding prior to the Scheme, will be impacted by the CGT “share identification rules” and you are advised to consult a professional advisor or accountant). Any liability to CGT must be accounted for by you to HMRC under self-assessment.