

CYBG PLC
(Company)

LEI: 213800ZK9VGCYR6O495

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY CYBG PLC TO CONSTITUTE INSIDE INFORMATION AS STIPULATED UNDER THE MARKET ABUSE REGULATION NO 596/2014. UPON THE PUBLICATION OF THIS ANNOUNCEMENT VIA REGULATORY INFORMATION SERVICE, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE.

FOR IMMEDIATE RELEASE

07 May 2018

Announcement regarding Virgin Money Holdings (UK) plc ("Virgin Money")

CYBG PLC ("CYBG") notes the announcement made by Virgin Money and confirms that it has today made a preliminary approach regarding a potential all share combination of CYBG and Virgin Money (the "Proposal").

Under the terms of the Proposal, CYBG would acquire all the issued and to be issued ordinary share capital of Virgin Money on the basis of an exchange ratio of 1.1297 new CYBG shares for each Virgin Money share. Under the terms of the Proposal, Virgin Money shareholders would own approximately 36.5%¹ of the combined group.

The Proposal provides the Virgin Money shareholders with an attractive up-front premium and the opportunity to participate in the continuing progress of the combined group, including sharing in the opportunity for value creation from the substantial synergy potential resulting from the combination.

CYBG recognises the strength and appeal of the Virgin Money brand. Our proposal would ensure that the Virgin Money brand would play a significant role in the combined group, subject to reaching agreement with Virgin Group Holdings Limited.

CYBG believes the combination would create the UK's leading challenger bank offering both personal and SME customers a genuine alternative to the large incumbent banks. The combination would provide a powerful full-service banking offer, including leading digital and mobile banking services, for 6 million personal and business customers, bringing together the complementary strengths of CYBG and Virgin Money. With this further strengthened customer franchise and national reach, CYBG believes the combination would deliver increased value for shareholders and wider benefits to other stakeholders.

Further announcements will be made in due course as appropriate, but there can be no certainty that a formal offer will be made. The Board will only proceed with a transaction if it is in line with CYBG's strategic objectives and is in the best interests of CYBG shareholders.

In accordance with Rule 2.6(a) of the Code, by not later than 5.00 p.m. on 04 June 2018, CYBG will be required to either announce a firm intention to make an offer for Virgin Money in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case such announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline will only be extended with the consent of the UK Takeover Panel in accordance with Rule 2.6(c) of the Code.

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on CYBG's website at

www.cybg.com/investor-centre/company-announcements/. The content of this website is not incorporated into, and does not form part of, this announcement.

In accordance with Rule 2.9 of the Code, CYBG confirms that, as at close of business on 4 May 2018, it had 885,151,593 ordinary shares of 10 pence each in issue (held as ordinary shares and CHESS Depositary Interests (CDIs) (each CDI representing 1 ordinary share)). The ordinary shares are admitted to trading on the main market for listed securities of the London Stock Exchange plc with the International Securities Identification Number (ISIN) GB00BD6GN030. The CDIs are admitted to trading on the Australian Securities Exchange with the ISIN AU000000CYB7. CYBG holds no shares in treasury.

Reservations

The Proposal does not impose any obligation on CYBG to make an offer, nor does it evidence a firm intention to make an offer within the meaning of the Code. CYBG does not, therefore, regard it as forming the basis for an announcement pursuant to Rule 2.2(a) of the Code.

CYBG also reserves the right:

- to make an offer at any time on reduced terms than 1.1297 new CYBG shares for each Virgin Money share:
 - o with the agreement or recommendation of the Board of Directors of Virgin Money;
 - o if a third party announces a firm intention to make an offer for Virgin Money pursuant to Rule 2.7 of the Code, which, at that date is valued at a lower price than the value of 1.1297 new CYBG shares for each Virgin Money share;
 - o if Virgin Money announces, declares or pays any dividend or any other distribution to shareholders, in which case CYBG reserves the right to make an equivalent reduction in its offer terms; or
 - o following announcement by Virgin Money of a whitewash transaction pursuant to the Code; and
- to introduce other forms of consideration and/or vary the mix or composition of consideration of any offer.

Any firm offer in accordance with Rule 2.7 of the Code will be subject to, amongst other things, satisfactory completion of due diligence, the recommendation of Virgin Money's Board of Directors and reaching agreement with Virgin Group Holdings Limited in relation to the brand. CYBG reserves the right to waive any or all of these pre-conditions in whole or in part.

Any firm offer will also be subject to customary terms and conditions for a transaction governed by the Code and the UK listing rules, including regulatory and CYBG shareholder approval.

¹ Based on the issuance of 509,812,684 new CYBG shares for Virgin Money's 451,262,132 ordinary shares on a fully diluted basis (including 445,442,008 ordinary shares currently in issue and 5,820,124 ordinary shares to be issued on the exercise of options or vesting of awards under Virgin Money's share schemes), giving a pro forma share count for the combined group of 1,394,964,277.

Enquiries:

Investors and Analysts

Andrew Downey, Head of Investor Relations
Owen Price, Senior Manager Investor Relations

+44 7823 443150
+44 7484 908949

Media (UK)

Anthony Thompson, Head of Corporate Affairs
Press Office

+44 7484 046 241 / anthony.thompson@cybg.com
+44 800 066 5998 / press.office@cybg.com

Powerscourt

Victoria Palmer-Moore +44 7725 565 545 / +44 207 250 1446 / yvm@powerscourt-group.com
Justin Griffiths +44 7899 967 719 / justin.griffiths@powerscourt-group.com

Citadel Magnus (Media Australia)

James Strong +61 448 881 174 / jstrong@citadelmagnus.com

Morgan Stanley & Co. International plc

William Chalmers +44 20 7425 8000
Shirav Patel

Deutsche Bank AG, London Branch

Tadhg Flood +44 20 7545 8000
James Arculus

Important Notice

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, whether pursuant to this announcement or otherwise.

The release, publication or distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and, therefore, persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

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 announcement. 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 announcement 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. Deutsche Bank AG, acting through its London branch ("DB London") is acting as financial adviser to CYBG and no other person in connection with this announcement or any of its contents. DB London will not be responsible to any person other than CYBG for providing any of the protections afforded to clients of DB London, nor for providing any advice in relation to the matters set out in this announcement. Neither DB London 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 DB London in connection with the matters set out in this announcement, any statement contained herein or otherwise.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% 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 (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th 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 Code, any person who is, or becomes, interested in 1% 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 (London time) 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 Takeover Panel's website at 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.

CYBG is registered in England and Wales (company number: 09595911) and as a foreign company in Australia (ARBN 609 948 281) and has its registered office at 20 Merrion Way, Leeds, West Yorkshire LS2 8NZ.