

CONFORMED COPY

CYBG PLC
AND
VIRGIN MONEY HOLDINGS (UK) PLC

COOPERATION AGREEMENT

RELATING TO THE OFFER FOR VIRGIN MONEY
HOLDINGS (UK) PLC BY CYBG PLC

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This Agreement is made on 18 June 2018 between:

- (1) **CYBG PLC**, a public limited company incorporated in England & Wales whose registered office is at 20 Merrion Way, Leeds, West Yorkshire, LS2 8NZ with registered number 09595911 ("**CYBG**"); and
- (2) **VIRGIN MONEY HOLDINGS (UK) PLC**, a public limited company incorporated in England & Wales whose registered office is at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL with registered number 03087587 ("**Virgin Money**"),

together referred to as the "**parties**" and each as a "**party**" to this agreement (the "**Agreement**").

Whereas:

- (A) Immediately following execution of this Agreement the boards of CYBG and Virgin Money propose to announce that they have agreed the terms of a recommended all-share offer to be made by CYBG for Virgin Money, on the terms and subject to the conditions set out in the Press Announcement (as defined below) (the "**Offer**").
- (B) The parties intend that the Offer will be implemented by way of a scheme of arrangement of Virgin Money pursuant to Part 26 of the Act (the "**Scheme**"), but CYBG reserves the right, as set out in (and subject to the terms and conditions of) the Press Announcement and this Agreement, to elect to implement the Offer by way of a contractual takeover offer as defined in Chapter 3 of Part 28 of the Act (the "**Takeover Offer**").
- (C) The parties have agreed to take certain steps to effect completion of the Offer and wish to enter into this Agreement to record their respective rights, commitments and obligations relating to such matters.

IT IS AGREED as follows:

1. **INTERPRETATION**

1.1 In this Agreement:

"**Acceptance Condition**" means, if applicable, the acceptance condition to the Takeover Offer as specified in Clause 8.2.1;

"**Act**" means the Companies Act 2006 as amended from time to time;

"**Agreed Switch**" has the meaning given to it in Clause 8.1.1;

"**Business Day**" means a day, other than a Saturday or Sunday or public or bank holiday, on which banks in London are generally open for business;

"**Clean Team Agreement**" means any clean team agreement entered into between CYBG and Virgin Money in connection with the Offer;

"**Clearances**" means all approvals, consents, clearances, permissions, confirmations, comfort letters and waivers that may need to be obtained, all filings that may need to be made and all waiting periods that may need to have expired, from or under any Laws

or practices applied by any Relevant Authority (or under any agreements or arrangements to which any Relevant Authority is a party), in each case that are necessary and/or expedient to satisfy one or more of the Regulatory Conditions; and any reference to any Clearance having been "**satisfied**" shall be construed as meaning that the foregoing has been obtained, or where relevant, made or expired;

"**Code**" means the UK City Code on Takeovers and Mergers as from time to time amended and interpreted by the Panel;

"**Conditions**" means the conditions to implementation of the Offer set out in Appendix 1 to the Press Announcement and "**Condition**" shall be construed accordingly;

"**Confidentiality Agreement**" means the confidentiality agreement entered into between CYBG and Virgin Money in relation to the Offer dated 21 May 2018;

"**Control**" has the same meaning as under the Virgin Money LTIP and the Virgin Money DBSP;

"**Court**" means the High Court of Justice in England and Wales;

"**Court Meeting**" means the meeting or meetings of the holders of the Virgin Money Shares which are in issue as at the Voting Record Time or any class or classes thereof to be convened by order of the Court pursuant to section 896 of the Act for the purpose of considering, and if thought fit, approving (with or without modification) the Scheme, including any adjournment, postponement or reconvention thereof;

"**CYBG Board**" means the board of directors of CYBG from time to time;

"**CYBG Board Recommendation**" means a unanimous and unconditional recommendation by the CYBG Board to CYBG Shareholders to approve the Offer;

"**CYBG Board Recommendation Change**" means the withdrawal, adverse qualification or adverse modification of the CYBG Board Recommendation (it being understood that the issue of any holding statement(s) issued to CYBG Shareholders following a change of circumstances (so long as any such holding statement (i) contains an express statement that such recommendation is not withdrawn, qualified or modified and (ii) does not contain a statement that the CYBG Board intends to, or may or is considering whether to, withdraw, qualify or modify such recommendation) shall not constitute a withdrawal, qualification or modification of such recommendation for purposes of this definition);

"**CYBG Circular**" means the circular to be sent by CYBG to the CYBG Shareholders in connection with the Offer and including notice convening the CYBG General Meeting (and including any supplementary circular);

"**CYBG Directors**" means the directors of CYBG from time to time;

"**CYBG General Meeting**" means the general meeting of the CYBG Shareholders (including any adjournment thereof) to be convened and held in connection with the Offer to consider, and if thought fit, approve the CYBG Resolutions;

"**CYBG Group**" means CYBG and its subsidiaries and subsidiary undertakings from time to time and "**member of the CYBG Group**" shall be construed accordingly;

"**CYBG Prospectus**" means the prospectus required to be published by CYBG in respect of the New CYBG Shares, including any supplementary prospectus;

"**CYBG Resolutions**" means such shareholder resolutions of CYBG as are necessary to approve, implement and effect the Offer;

"**CYBG Shareholders**" means the registered holders of CYBG Shares from time to time;

"**CYBG Shares**" means the ordinary shares of 10 pence each in the capital of CYBG from time to time;

"**DC Option**" means the option over Virgin Money Shares granted to Sir David Clementi by Virgin Money on 7 October 2011;

"**Effective Date**" means the date upon which either:

- (a) the Scheme becomes effective in accordance with its terms; or
- (b) if CYBG elects to implement the Offer by way of the Takeover Offer, the Takeover Offer becomes or is declared unconditional in all respects;

"**FCA Handbook**" means the Financial Conduct Authority's Handbook of rules and guidance as amended from time to time;

"**FSMA**" means the Financial Services and Markets Act 2000 (as amended from time to time);

"**Independent Virgin Money Directors**" means 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;

"**Law**" means any applicable statutes, common law, rules, ordinances, regulations, codes, orders, judgments, injunctions, writs, decrees, directives, governmental guidelines or interpretations having the force of law or bylaws, in each case, of a Relevant Authority;

"**Listing Rules**" means the listing rules, made by the FCA under Part 6 FSMA, as amended from time to time;

"**London Stock Exchange**" means the London Stock Exchange plc or its successor;

"**Long Stop Date**" means 31 January 2019 or such later date as may be agreed by the parties in writing (with the Panel's consent and as the Court may approve (if such consent and/or approval is/are required));

"**New CYBG Shares**" means the CYBG Shares proposed to be issued to Virgin Money Shareholders in accordance with the terms of the Offer;

"**Notice**" has the meaning given to it in Clause 14.1;

"**Offer**" has the meaning given to it in Recital (A);

"**Offer Document**" means, in the event CYBG elects to implement the Offer by means of the Takeover Offer, the document setting out (among other things) details of the Offer and the full terms and conditions of the Takeover Offer to be sent to (among others) the Virgin Money Shareholders, including any revised or supplementary offer document;

"**Official List**" means the Official List maintained by the FCA pursuant to Part 6 of FSMA;

"**Panel**" means the UK Panel on Takeovers and Mergers;

"**Press Announcement**" means the press announcement to be released by CYBG and Virgin Money pursuant to Rule 2.7 of the Code in relation to the Offer, in substantially the form set out in Schedule 2 (Press Announcement);

"**Regulatory Conditions**" means the Conditions set out in paragraphs 6 to 9 (inclusive) of Appendix 1 to the Press Announcement (so far as, in the case of paragraphs 8 and 9, the relevant third party under that condition is a Relevant Authority);

"**Regulatory Information Service**" means a regulatory information service as defined in the FCA Handbook;

"**Relevant Authority**" means any central bank, ministry, governmental, quasi-governmental, national, supranational (including the European Union), statutory, regulatory, environmental, administrative, supervisory, fiscal or investigative body or authority (including any antitrust, competition or merger control authority, any sectoral ministry or regulator and any foreign investment review body), tribunal, court, trade agency, association, institution, employee representative body or any other body or person whatsoever in any jurisdiction, including the Panel;

"**Relevant Third Parties**" has the meaning given to it in Clause 20.1;

"**Sanction Hearing**" means the hearing of the Court of the petition to sanction the Scheme pursuant to section 899 of the Act, including any adjournment thereof;

"**Scheme**" has the meaning given to it in Recital (B), and reference to Scheme also includes any modified, renewed or revised scheme;

"**Scheme Conditions**" means the Conditions which relate to the Scheme becoming effective in accordance with its terms, set out in paragraph 2 of Appendix 1 to the Press Announcement;

"**Scheme Document**" means the circular to be sent to (among others) Virgin Money Shareholders setting out (among other things) details of the Offer, the full terms and conditions of the Scheme and the explanatory statement required pursuant to Part 26 of

the Act and incorporating the notice convening the Court Meeting and the Virgin Money General Meeting, including any revised or supplementary circular;

"**Switch**" has the meaning given to it in Clause 8.1;

"**Takeover Offer**" has the meaning given to it in Recital (B), and reference to Takeover Offer also includes any increased, renewed or revised offer;

"**UK Listing Authority**" means 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;

"**Virgin Group**" means Virgin Group Holdings Limited a company incorporated in the British Virgin Islands whose registered office is at Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands with registered number 650373;

"**Virgin Money Board**" means the board of directors of Virgin Money from time to time;

"**Virgin Money DBSP**" means the Virgin Money Deferred Bonus Share Plan;

"**Virgin Money Directors**" means the directors of Virgin Money from time to time;

"**Virgin Money EBT**" means the Virgin Money Employee Benefit Trust established in 2011;

"**Virgin Money General Meeting**" means the general meeting of Virgin Money Shareholders (including any adjournment thereof) to be convened and held in connection with the Offer to consider, and if thought fit, approve the shareholder resolutions necessary to enable Virgin Money to implement the Offer, including any shareholder resolutions required pursuant to Rule 16 of the Code and (if required) Listing Rule 11;

"**Virgin Money Group**" means Virgin Money and its subsidiaries and subsidiary undertakings from time to time and "**member of the Virgin Money Group**" shall be construed accordingly;

"**Virgin Money LTIP**" means the Virgin Money 2015 Long Term Incentive Plan;

"**Virgin Money Shareholders**" means the registered holders of Virgin Money Shares from time to time;

"**Virgin Money Share Plans**" means the Virgin Money LTIP, the Virgin Money DBSP and the DC Option;

"**Virgin Money Shares**" means the ordinary shares of 0.01 pence each in the capital of Virgin Money from time to time; and

"**Voting Record Time**" means the date and time specified as such in the Scheme Document or such later time and/or date as the parties may agree in writing.

1.2 In this Agreement, except where the context otherwise requires:

- 1.2.1 the expression "**group**", in relation to a party, means that party together with its subsidiaries and subsidiary undertakings from time to time;
- 1.2.2 the expressions "**subsidiary**" and "**subsidiary undertaking**" shall have the meanings given in the Act;
- 1.2.3 the expression "**acting in concert**" shall be construed in accordance with the Code;
- 1.2.4 a reference to an enactment or statutory provision shall include a reference to any subordinate legislation made under the relevant enactment or statutory provision and is a reference to that enactment, statutory provision or subordinate legislation as from time to time amended, consolidated, modified, re-enacted or replaced;
- 1.2.5 references to one gender include other genders;
- 1.2.6 words in the singular shall include the plural and vice versa;
- 1.2.7 a reference to a "**person**" shall include a reference to an individual, an individual's executors or administrators, a partnership, a firm, a body corporate, an unincorporated association, government, state or agency of a state, local or municipal authority or government body, a joint venture or association (in any case, whether or not having separate legal personality);
- 1.2.8 a reference to a Recital, Clause or Schedule (other than to a schedule to a statutory provision) shall be a reference to a recital, clause or schedule (as the case may be) to this Agreement;
- 1.2.9 references to times are to London time;
- 1.2.10 any reference to a "**day**" (including within the phrase "**Business Day**") shall mean a period of 24 hours running from midnight to midnight;
- 1.2.11 references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates the English legal term in that jurisdiction;
- 1.2.12 references to "**writing**" shall include any modes of reproducing words in any legible form and shall include email except where otherwise expressly stated;
- 1.2.13 a reference to "**includes**" or "**including**" shall mean "includes without limitation" or "including without limitation" respectively;
- 1.2.14 references to "**£**" and "**pounds sterling**" are to the lawful currency of the United Kingdom;
- 1.2.15 the rule known as the *ejusdem generis* rule shall not apply and accordingly general words introduced by the word "other" shall not be given a restrictive

meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;

1.2.16 general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words;

1.2.17 a reference to any other document referred to in this Agreement is a reference to that other document as amended, varied, novated or supplemented at any time; and

1.2.18 references to this Agreement include this Agreement as amended or supplemented in accordance with its terms.

1.3 The headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.4 The Schedules form part of this Agreement and shall have the same force and effect as if set out in the body of this Agreement and any reference to this Agreement shall include the Schedules.

2. PUBLICATION OF THE PRESS ANNOUNCEMENT AND TERMS OF THE OFFER

2.1 The obligations of the parties under this Agreement, other than Clause 1, this Clause 2.1 and Clauses 11.2 to 26 (inclusive), shall be conditional on the release of the Press Announcement via a Regulatory Information Service at or before 8.00 a.m. on the date of this Agreement, or such later date and time as the parties may agree (and, where required by the Code, the Panel may approve). Clause 1, this Clause 2.1, and Clauses 11.2 to 26 (inclusive) shall take effect on and from execution of this Agreement.

2.2 The terms of the Offer shall be as set out in the Press Announcement, together with such other terms as may be agreed by the parties in writing (save in the case of an improvement to the terms of the Offer, which shall be at the sole discretion of CYBG) and, where required by the Code, approved by the Panel. The terms of the Offer at the date of posting of the Scheme Document shall be set out in the Scheme Document. Should CYBG elect to implement the Offer by way of a Takeover Offer in accordance with Clause 8, the terms of the Offer shall be set out in the announcement of the switch to a Takeover Offer and in the Offer Document.

3. REGULATORY CLEARANCES

3.1 Each party undertakes to co-operate with the other party and their respective professional advisers and use all reasonable efforts (including by taking any actions which would not have a material adverse impact on the Virgin Money Group, the CYBG Group or (following the Effective Date) the enlarged CYBG Group) to secure the Clearances as soon as reasonably practicable following the date of this Agreement and in any event in sufficient time to enable the Effective Date to occur by the Long Stop Date.

3.2 Except where otherwise required by Law or a Relevant Authority, CYBG shall:

- 3.2.1 determine, having consulted in good faith and on a timely basis with Virgin Money, the strategy to be pursued for obtaining the Clearances;
 - 3.2.2 contact and correspond with the Relevant Authorities in relation to the Clearances, including submitting and preparing, with the assistance of Virgin Money in accordance with this Agreement, all necessary filings, notifications and submissions;
 - 3.2.3 subject to Virgin Money complying with its obligations under clause 3.5.1, engage with the CMA as soon as reasonably practicable following the date of this Agreement, and in any event within five Business Days of this Agreement; and
 - 3.2.4 be responsible for the payment of, and shall pay, all filing fees required in connection with the Clearances (for the avoidance of doubt, other than those which Virgin Group is responsible for filing).
- 3.3 Except where otherwise required by Law or a Relevant Authority, CYBG shall submit to the Relevant Authorities all necessary filings in connection with the Clearances as soon as reasonably practicable following the date of this Agreement and in any event within any mandatory time periods.
- 3.4 Except where otherwise required by Law or a Relevant Authority, each of CYBG and Virgin Money shall as promptly as reasonably practicable respond to any request for information by any Relevant Authority in connection with its examination of whether to grant any Clearances.
- 3.5 Save to the extent prohibited by Law or the Relevant Authority, Virgin Money undertakes to CYBG to:
- 3.5.1 provide as soon as reasonably practicable, following any request for the same (i) all such information as may reasonably be required by CYBG to determine in which jurisdictions any financial regulatory or other similar filing, notification or submission with a Relevant Authority may be necessary for the purposes of obtaining the Clearances, (ii) all such information as may reasonably be required for inclusion in any filings, notifications or submissions to any Relevant Authority for the purposes of obtaining the Clearances or for inclusion in any responses to any requests for further information consequent upon such filings, notifications or submissions, and (iii) all such other assistance as may reasonably be required for the purposes of obtaining the Clearances (including assistance in connection with such pre-notification contacts with the Relevant Authorities as CYBG considers desirable or appropriate in the circumstances); and
 - 3.5.2 provide as soon as reasonably practicable in consultation with CYBG such information as CYBG or any Relevant Authority may reasonably require, and co-operate with CYBG, for the purposes of making a filing, notification or submission to any Relevant Authority in connection with the Clearances.
- 3.6 Save to the extent prohibited by Law or the Relevant Authority, each party undertakes to the other party to:

- 3.6.1 promptly provide, or procure the provision of, to the other party (and/or its legal advisers) (i) draft copies of all filings, notifications, submissions, material correspondence and material communications intended to be submitted, sent or communicated to any Relevant Authority in connection with obtaining any Clearance, at such time as will allow the other party (and/or its legal advisers) reasonable opportunity to review and comment on such filings, notifications, submissions, correspondence and communications before they are submitted, sent or communicated, and (ii) copies of all filings, notifications, submissions, material correspondence and material communications sent or submitted to, or received from, any Relevant Authority in the form finally submitted, sent or communicated, including, in each case, in the case of material non-written correspondence or communications, reasonably detailed summaries of such correspondence or communications;
 - 3.6.2 have regard in good faith to such comments provided by the other party in accordance with clause 3.6.1 as are reasonable, and where it is reasonably practicable to do so within the applicable deadline or due date; and
 - 3.6.3 where permitted by the Relevant Authority and where appropriate, give the other party (and/or its legal advisers) reasonable notice of any meetings, hearings or telephone calls with any Relevant Authority in connection with obtaining the Clearances and allow the other party (and/or its legal advisers) to attend and make reasonable oral submissions during any such material meetings, hearings or telephone calls (provided such oral submissions have been discussed by the parties in advance).
- 3.7 If a provision of this Agreement obliges CYBG or Virgin Money (the "**disclosing party**") to disclose any information to the other:
- 3.7.1 which the disclosing party reasonably considers to be commercially or competitively sensitive;
 - 3.7.2 which the disclosing party is prohibited from disclosing by Law or the terms of any contract; or
 - 3.7.3 where such disclosure would result in the loss of privilege that subsists in relation to such information (including legal professional privilege),
- the disclosing party shall, to the extent permitted by Law, disclose the relevant information to the other party:
- (a) pursuant to any Clean Team Agreement;
 - (b) on an outside counsel basis; or
 - (c) where disclosure to the other party would reasonably be expected to have a material adverse effect on the disclosing party's legitimate business interest, directly to the Relevant Authority (and in such circumstances, the disclosing party shall provide, or procure the provision of, to the other a non-confidential version of such information).

- 3.8 Notwithstanding any other provision of this Agreement to the contrary, nothing contained in this Agreement shall require a party (or any person acting in concert or deemed to be acting in concert) to take, or cause to be taken, any action with respect to the divestiture of assets, properties or businesses of the CYBG Group or the Virgin Money Group, or any combination thereof, that is not conditional on completion of the Offer, except as otherwise agreed by the parties.
- 3.9 To the extent that the parties provide each other with any information, assistance and/or access to senior management for the purposes of preparing for the integration of the businesses of the CYBG Group and the Virgin Money Group after the Effective Date (which Virgin Money is under no obligation pursuant to this Agreement to provide), any competitively sensitive information shall be provided in accordance with clause 3.7.

4. **SCHEME DOCUMENT**

4.1 CYBG agrees to:

- 4.1.1 as soon as reasonably practicable provide to Virgin Money (and/or its legal advisers) all such information about itself, the CYBG Directors and the CYBG Group (including any information required by the Code or under other applicable Law, including in relation to the intentions of CYBG) as may be reasonably requested and which is required by Virgin Money (and/or its legal advisers), having regard to the Code and other Law, for inclusion in the Scheme Document or any other document required to be published by Virgin Money in connection with the Offer (including any supplementary circular that is required to be published by Virgin Money in connection with the Offer);
- 4.1.2 provide all such other assistance as may be reasonably required for the preparation of the Scheme Document, including access to, and procuring that reasonable assistance is provided by, CYBG's relevant professional advisers;
- 4.1.3 procure that the CYBG Directors accept responsibility, in the terms required by the Code, for all the information in the Scheme Document, and any other document required by the Code or other Law to be published in connection with the Scheme or the Offer, relating to themselves (and their close relatives (as defined in the Code), related trusts and companies and persons connected with them), the CYBG Group, CYBG's concert parties, information on CYBG's future plans for the Virgin Money Group and its management and employees, any statements of the opinion, belief, intention or expectation of CYBG or the CYBG Directors in relation to the Offer or the enlarged CYBG Group following the completion of the Offer and any other information in the Scheme Document for which a bidder and/or its directors are required to accept responsibility under the Code; and
- 4.1.4 correct any information provided by it for use in the Scheme Document or any supplementary circular to the extent that such information has become false or misleading as promptly as reasonably practicable after it becomes aware that such information has become false or misleading.

5. **CYBG PUBLIC DOCUMENTS AND SHAREHOLDER APPROVAL**

- 5.1 CYBG shall provide, or procure the provision of, to Virgin Money (and/or its legal advisers) draft copies of the CYBG Circular and the CYBG Prospectus at such time as will allow Virgin Money (and/or its legal advisers) a reasonable opportunity to review and comment on such drafts, and CYBG (and/or its legal advisers) shall have regard in good faith to all comments reasonably and promptly proposed by Virgin Money (and/or its legal advisers) before such drafts are submitted or sent to the UK Listing Authority or any other Relevant Authority or published in final form and provide, or procure the provision of, to Virgin Money copies of the CYBG Circular and CYBG Prospectus as sent to the UK Listing Authority.
- 5.2 Where practicable and to the extent permitted by Law, CYBG (and/or its legal advisers) shall as soon as reasonably practicable notify Virgin Money (and/or its legal advisers) of, and provide copies of, any material comments or communications received from (including, in the case of material non-written comments or communications, reasonable details of the contents of any such comments or communications) or sent to the UK Listing Authority or any other Relevant Authority in relation the CYBG Circular and/or the CYBG Prospectus.
- 5.3 CYBG shall use all reasonable endeavours to prepare and submit (i) drafts of the CYBG Prospectus for review and comment by the UK Listing Authority as promptly as reasonably practicable after the date of this agreement; and (ii) any other material document at such time as they are required in order for admission of the New CYBG Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities to occur in accordance with the timetable agreed between the parties.
- 5.4 CYBG shall, as soon as reasonably practicable, respond to any comments received from the UK Listing Authority concerning the CYBG Circular and CYBG Prospectus and shall use all reasonable endeavours to resolve such comments with the UK Listing Authority as promptly as reasonably practicable and to obtain the approval of the CYBG Prospectus as soon as reasonably practicable after the date of this Agreement.
- 5.5 The CYBG Circular shall include the CYBG Board Recommendation unless the CYBG Board has determined, following consultation with its legal advisers and financial advisers, that including a CYBG Board Recommendation would be inconsistent with any of the respective fiduciary duties of the CYBG Directors and, if and to the extent permitted by applicable law and regulation, and where reasonably practicable, before such decision is notified to the shareholders or otherwise made public, it shall give Virgin Money at least 24 hours' written notice if (i) the CYBG Circular shall not contain the CYBG Board Recommendation; or (ii) CYBG intends to make a CYBG Board Recommendation Change.
- 5.6 CYBG shall not make a CYBG Board Recommendation Change unless the CYBG Board has determined, following consultation with its legal advisers and financial advisers, that failing to make the CYBG Board Recommendation Change would be inconsistent with any of the respective fiduciary duties of the CYBG Directors.
- 5.7 Subject to Clause 3.7, Virgin Money agrees to provide to CYBG, to the extent required for CYBG to meet its legal and regulatory obligations in relation to the preparation of

the CYBG Circular and/or the CYBG Prospectus, all such information about itself, the Virgin Money Directors, the other members of the Virgin Money Group and their respective directors (including any requisite financial information and reports) as may be reasonably requested and which is required for the purpose of inclusion in (and/or submission with) the CYBG Circular and/or CYBG Prospectus and to provide all other assistance and access which may reasonably be required for the preparation of the CYBG Circular and/or CYBG Prospectus, including access to, and procuring that reasonable assistance is provided by, Virgin Money's professional advisers.

- 5.8 Virgin Money agrees to correct any information provided by it for use in the CYBG Circular and/or CYBG Prospectus or any supplementary CYBG Circular and/or CYBG Prospectus to the extent that such information has become false or misleading as promptly as reasonably practicable after it becomes aware that such information has become false or misleading.
- 5.9 CYBG shall use all reasonable endeavours to ensure that the CYBG Circular and CYBG Prospectus are dispatched and published (subject to approval from the UK Listing Authority to do the same), respectively, in accordance with the timetable agreed between the parties in writing from time to time and in any event in sufficient time to enable completion of the Offer to occur by the Long Stop Date.
- 5.10 CYBG shall use all reasonable endeavours to convene the CYBG General Meeting for the same date as the Court Meeting and the Virgin Money General Meeting and at such time as to enable CYBG General Meeting to have concluded (absent any adjournment thereof) prior to the start of the Court Meeting and the Virgin Money General Meeting (or such later date or time as may be agreed by both parties in writing).
- 5.11 Once the CYBG General Meeting has been convened, CYBG shall not, without the prior written consent of Virgin Money (not to be unreasonably withheld, delayed or conditioned), adjourn or postpone the CYBG General Meeting, unless:
- 5.11.1 in the view of the CYBG Board:
- (a) such adjournment or postponement is required by applicable Law, or reasonably necessary for the proper conduct of the CYBG General Meeting;
 - (b) it is not reasonably practicable to seek such consent because the adjournment or postponement is on account of a force majeure event or an emergency adjournment or postponement;
 - (c) the motion to adjourn is only moved and approved at the CYBG General Meeting by CYBG Shareholders (other than members of the CYBG Board or CYBG Shareholders who are party to irrevocable undertakings in relation to the CYBG Resolutions);
 - (d) at the CYBG General Meeting, there is not a quorum, in which case the CYBG General Meeting may, at CYBG's discretion, be adjourned for a period not exceeding five Business Days;

- (e) CYBG is required under the Listing Rules to publish a supplementary circular and CYBG has obtained advice from external legal counsel to that effect, in which case the CYBG General Meeting may, at CYBG's discretion, be postponed or adjourned for such period as is reasonably necessary to enable CYBG to prepare and despatch such supplementary circular, and for any waiting period under the Listing Rules to expire; or
 - (f) there has been a CYBG Board Recommendation Change; or
- 5.11.2 Virgin Money convenes, or adjourns or postpones once convened, the Court Meeting or the General Meeting to a date after the proposed date of the Virgin Money General Meeting, in which case CYBG shall be entitled also to adjourn or postpone the CYBG General Meeting to the same later date.
- 5.12 After the posting of the CYBG Circular and before the CYBG General Meeting, CYBG shall keep Virgin Money informed, on a regular basis and confidential basis, of the number and content of proxy votes received in respect of the CYBG Resolutions.
- 5.13 Subject to approval of the CYBG Resolutions at the CYBG General Meeting, CYBG shall use all reasonable endeavours to procure that all the New CYBG Shares to be issued pursuant to the Offer to Virgin Money Shareholders shall be:
- 5.13.1 credited as fully paid and rank *pari passu* with each other and all other CYBG Shares; and
 - 5.13.2 approved for listing on the Official List and to trading on the premium segment of the London Stock Exchange's main market for listed securities.

6. IMPLEMENTATION OF THE SCHEME

- 6.1 Where the Offer is being implemented by way of the Scheme, CYBG undertakes to deliver a notice in writing to Virgin Money prior to the Sanction Hearing confirming either:
- 6.1.1 the satisfaction or waiver of the Conditions (other than the Scheme Conditions); or
 - 6.1.2 its intention to invoke one or more Conditions (if permitted by the Panel) and providing reasonable details of the event which has occurred, or circumstances which have arisen, which CYBG reasonably considers entitles it to invoke such Condition or treat it as unsatisfied or incapable of satisfaction (provided that CYBG shall provide Virgin Money with reasonable opportunity, save in respect of Conditions 1 to 8, to remedy such matter within three Business Days of such notice).
- 6.2 Where the Offer is being implemented by way of the Scheme, CYBG shall instruct counsel to appear on its behalf at the Sanction Hearing and undertake to the Court to be bound by the terms of the Scheme in so far as it relates to CYBG to the extent that all the Conditions (other than the Scheme Conditions) have been satisfied or waived prior to or on the date of the Sanction Hearing.

7. CONDUCT OF BUSINESS

7.1 Subject to Clauses 7.2 and 7.3 and except: (i) as expressly contemplated by this Agreement or the Press Announcement; (ii) as consented to in writing by Virgin Money; or (iii) as required by Law, from the date of this Agreement until (and including) the Effective Date, CYBG shall not (and, in the case of Clauses 7.1.1 to 7.1.5 and 7.1.8 (inclusive) and to the extent that Clause 7.1.6 is applicable, shall procure that none of its subsidiaries or subsidiary undertakings from time to time shall):

7.1.1 authorise, declare, make or pay any dividend or other distribution or reduction or return of capital on or with respect to its shares (whether in cash, assets, shares or other securities);

7.1.2 allot or issue any shares or any securities convertible into or exchangeable for any shares or grant any rights, warrants or options to acquire or to subscribe for any shares or any such securities;

7.1.3 consolidate, sub-divide or reclassify any of its shares in a manner that would have an adverse impact on the value of the New CYBG Shares;

7.1.4 directly or indirectly, repurchase, redeem or otherwise acquire, cancel or reduce, any of its shares or any rights, warrants or options to acquire any such shares;

7.1.5 amend its constitutional documents in any manner that would have a material adverse impact on the market value of, or rights attaching to, the New CYBG Shares;

7.1.6 do or fail to do any act or thing that could reasonably be expected to prejudice CYBG's premium listing (including by proposing any resolution to de-list CYBG's shares from the Official List, or to move to a standard listing);

7.1.7 adopt a plan of complete or partial liquidation or dissolution; or

7.1.8 agree, resolve or commit to do any of the foregoing (as applicable), whether conditionally or unconditionally, where, in each case, such action would have a material adverse impact on the market value of, or rights attaching to, the New CYBG Shares.

7.2 Notwithstanding Clause 7.1, CYBG and the other members of the CYBG Group may:

7.2.1 authorise, declare and pay a final dividend for the financial year ending 30 September 2018 consistent with its published dividend policy;

7.2.2 authorise, declare and pay dividends and distributions with reference to a record date after the Effective Date (so that, if the Offer completes, the New CYBG Shares rank for participation in such dividends or distributions rateably and equally with all other shares of CYBG then issued);

7.2.3 grant options or awards in respect of shares to employees, in the normal and ordinary course in accordance with CYBG's employee incentive, savings and investment plans where the timing and level of awards are in accordance with its normal practice; and/or

- 7.2.4 allot and issue any shares in the normal and ordinary course to employees to the extent necessary to satisfy any options or awards vesting or due to be settled in accordance with such employee incentive, savings and investment plans.
- 7.3 Clauses 7.1.1 to 7.1.4 and 7.1.7 shall not apply to any transaction or arrangement between one wholly owned member of the CYBG Group (or CYBG) and another wholly owned member of the CYBG Group (or CYBG).
8. **SWITCHING TO A TAKEOVER OFFER**

8.1 The parties intend that the Offer will be implemented by way of the Scheme. CYBG shall be entitled, with the consent of the Panel, to implement the Offer by way of the Takeover Offer rather than the Scheme (a "**Switch**") if:

8.1.1 Virgin Money provides its prior written consent (an "**Agreed Switch**"), in which case Clause 8.2 shall apply;

8.1.2 a third party announces a firm intention to make an offer (whether or not subject to the satisfaction or waiver of any pre-conditions) for all or part of the issued and to be issued share capital of Virgin Money; or

8.1.3 the Independent Virgin Money Directors withdraw, adversely qualify or adversely modify their unanimous and unconditional recommendation of (or intention to recommend) the Offer.

8.2 In the event of an Agreed Switch, unless otherwise agreed with Virgin Money or required by the Panel, the parties agree:

8.2.1 the Acceptance Condition shall be set at 90 per cent of the Virgin Money Shares to which the Takeover Offer relates (or such lesser percentage as may be agreed between the parties and the Panel, being in any case more than 50 per cent of the Virgin Money Shares to which the Takeover Offer relates); and

8.2.2 CYBG shall keep Virgin Money informed, on a regular basis (and in any event within three Business Days of a request from Virgin Money) and on a confidential basis, of the number of holders of Virgin Money Shares that have validly accepted the Takeover Offer or withdrawn their acceptance of the Takeover Offer, or incorrectly submitted their acceptance or withdrawal, the identity of such shareholders and the number of Virgin Money Shares held by such shareholders.

8.3 In the event of any Agreed Switch, the parties agree that all provisions of this Agreement relating to the Scheme and the Scheme Document and its implementation shall apply to the Takeover Offer, the Offer Document and its implementation *mutatis mutandis*, save as set out in this Clause 8.

9. **VIRGIN MONEY INCENTIVE AND EMPLOYEE MATTERS**

9.1 The parties agree that the provisions of Schedule 1 (Virgin Money Share Plans) with respect to certain employee and incentive-related matters shall be implemented in accordance with that Schedule.

9.2 The parties agree that if the Offer is implemented by way of a Scheme, the timetable for its implementation shall be fixed so far as is possible to enable options and awards under the relevant Virgin Money Share Plans which provide for exercise and/or vesting upon the sanction of the Scheme by the Court to be exercised or vest in sufficient time to enable the resulting Virgin Money Shares to be bound by the Scheme on the same terms as the Virgin Money Shares held by the Virgin Money Shareholders.

10. **DIRECTORS AND OFFICERS INSURANCE**

10.1 To the extent permitted by Law, for six years after the Effective Date, CYBG shall procure that the members of the Virgin Money Group honour and fulfil their respective obligations (if any) existing as at the date of this Agreement to indemnify their respective current directors and officers and to advance reasonable expenses, in each case with respect to matters existing or occurring at or prior to the Effective Date.

10.2 With effect from the Effective Date, CYBG shall procure provision of directors' and officers' liability insurance cover for both current and former directors and officers of the Virgin Money Group, including directors and officers who retire or whose employment is terminated as a result of the Offer, for acts and omissions up to and including the Effective Date, in the form of runoff cover for a period of six years following the Effective Date. Such insurance cover shall be with reputable insurers and provide cover, in terms of amount and breadth, substantially equivalent to that provided under the Virgin Money Group's directors' and officers' liability insurance as at the date of this Agreement.

11. **CODE AND RELEVANT LAW**

11.1 Nothing in this Agreement shall in any way limit the parties' obligations (or the obligations of the parties' respective boards of directors or other members of their respective groups) under the Code and any other Law, and any uncontested rulings of the Panel as to the application of the Code in conflict with the terms of this Agreement shall take precedence over the terms of this Agreement.

11.2 The parties agree that, if the Panel determines that any provision of this Agreement that requires Virgin Money to take or not take action, whether as a direct obligation or as a condition to any other person's obligation (however expressed), is not permitted by Rule 21.2 of the Code, that provision shall have no effect and shall be disregarded and neither Virgin Money nor any of the Virgin Money Directors shall have any obligation to take or not take any such action.

11.3 Nothing in this Agreement shall oblige Virgin Money or any of the Virgin Money Directors to recommend a Takeover Offer or a Scheme proposed by CYBG or any member of the CYBG Group.

12. **TERMINATION**

12.1 Subject to Clauses 12.2 and 12.3, this Agreement shall terminate and all rights and obligations of the parties under this Agreement shall cease, in each case immediately, as follows:

12.1.1 if agreed in writing between the parties at any time prior to the Effective Date;

- 12.1.2 if the Press Announcement is not released via a Regulatory Information Service at or before 8.00 a.m. on the date of this Agreement (unless, prior to that time, the parties have agreed another later time and date in accordance with Clause 2.1);
- 12.1.3 upon service of written notice by CYBG to Virgin Money, if one or more of the following occurs:
- (a) prior to the Long Stop Date: (a) any Condition which has not been waived is (or has become) incapable of satisfaction by the Long Stop Date and, notwithstanding that it has the right to waive such Condition, CYBG will not do so; or (b) any Condition which is incapable of waiver has become incapable of satisfaction by the Long Stop Date (in each case in circumstances where the invocation of the relevant Condition (or confirmation that the Condition is incapable of satisfaction, as appropriate) is permitted by the Panel);
 - (b) a third party announces a firm intention to make an offer or revised offer (whether or not subject to the satisfaction or waiver of any pre-conditions) for Virgin Money (a "**Competing Offer**") which (i) is recommended by the Virgin Money Board or (if applicable) the Independent Virgin Money Directors or (ii) completes, becomes effective or is declared or becomes unconditional in all respects; or
 - (c) the Court Meeting, the Virgin Money General Meeting or the Sanction Hearing is/are not held on or before the 22nd day after the expected date of such meeting or hearing as set out in the Scheme Document (or such later date as may be agreed in writing between the parties with the consent of the Panel and the approval of the Court (if such approval is required)); or
- 12.1.4 upon service of written notice by either party to the other party, if one or more of the following occurs:
- (a) Virgin Money makes an announcement prior to the publication of the Scheme Document and (if different) the circular convening the Virgin Money General Meeting that: (i) the Independent Virgin Money Directors no longer intend to recommend the Offer or intend to adversely qualify or adversely modify their recommendation of the Offer; (ii) it will not convene the Court Meeting or the Virgin Money General Meeting; or (iii) it intends not to post the Scheme Document or (if different) the circular convening the Virgin Money General Meeting (in the case of (ii) or (iii) only, other than as a result of an Agreed Switch);
 - (b) the Independent Virgin Money Directors withdraw, adversely qualify or adversely modify their unanimous and unqualified recommendation of the Offer (it being understood that the issue of any holding statement(s) issued to Virgin Money Shareholders following a change of circumstances (so long as any such holding statement (i) contains an express statement that such recommendation is not withdrawn, qualified or modified and (ii) does not contain a statement that the Independent

Virgin Money Directors intend to withdraw, qualify or modify such recommendation) shall not constitute a withdrawal, qualification or modification of such recommendation for purposes of this Clause);

- (c) the Scheme Document and (if different) the circular convening the Virgin Money General Meeting (or, following an Agreed Switch, the Offer Document) does not include, when published, a unanimous and unconditional recommendation of the Offer from the Independent Virgin Money Directors;
- (d) a Competing Offer completes, becomes effective or is declared or becomes unconditional in all respects;
- (e) CYBG makes an announcement prior to the publication of the CYBG Circular and (if different) the circular convening the CYBG General Meeting that: (i) the CYBG Board no longer intends to recommend the Offer or intends to qualify or modify its recommendation of the Offer; (ii) it will not convene the CYBG General Meeting; or (iii) it intends not to post the CYBG Circular;
- (f) the CYBG Board withdraws, qualifies or modifies its unanimous and unqualified recommendation of the Offer (it being understood that the issue of any holding statement(s) issued to CYBG Shareholders following a change of circumstances (so long as any such holding statement (i) contains an express statement that such recommendation is not withdrawn, qualified or modified and (ii) does not contain a statement that the CYBG Board intends to, or may or is considering whether to, withdraw, qualify or modify such recommendation) shall not constitute a withdrawal, qualification or modification of such recommendation for purposes of this Clause);
- (g) the CYBG Circular or (if different) the circular convening the CYBG General Meeting does not include, when published, a unanimous and unconditional recommendation of the Offer from the CYBG Board;
- (h) the CYBG Resolutions are not passed at the CYBG General Meeting;
- (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 (other than (i) where such lapse or withdrawal is as a result of the exercise of CYBG's right to effect a switch from the Scheme to the Takeover Offer under Clause 8.1; or (ii) it is otherwise to be followed within five Business Days (or such other period as Virgin Money and CYBG may agree) by an announcement under Rule 2.7 of the Code made by CYBG or any person acting in concert with CYBG (or deemed to be acting in concert with the CYBG) to implement the Offer by a different offer or scheme on substantially the same or improved terms);
- (j) if the Scheme is not approved by the Virgin Money Shareholders at the Court Meeting and/or the resolutions proposed thereat are not approved

at the Virgin Money General Meeting or the Court refuses to sanction the Scheme; or

- (k) unless otherwise agreed by the parties in writing, if the Effective Date has not occurred by the Long Stop Date.

12.2 Termination of this Agreement shall be without prejudice to the rights of either party which have or may have arisen at or prior to termination.

12.3 Clauses 1, and 11.2 to 26 (inclusive) shall survive termination of this Agreement.

13. **WARRANTIES AND UNDERTAKINGS**

13.1 Each of the parties warrants to the other on the date of this Agreement that:

13.1.1 it has the requisite power and authority to enter into and perform its obligations under this Agreement;

13.1.2 this Agreement constitutes its legal, valid and binding obligations in accordance with its terms; and

13.1.3 the execution and delivery of, and performance of its obligations under, this Agreement shall not:

- (a) result in a breach of any provision of its constitutional documents;
- (b) result in a material breach of, or constitute a material default under, any instrument (which is material in the context of the Offer) to which it is a party or by which it is bound; or
- (c) result in a breach of any order, judgment or decree of any court or governmental agency to which it is a party or by which it is bound.

13.2 No party shall have any claim against the other pursuant to clause 13.1 for breach of warranty or misrepresentation after the Effective Date (without prejudice to any liability to fraudulent misrepresentation or fraudulent misstatement).

14. **NOTICES**

14.1 A notice under or in connection with this Agreement (a "**Notice**") shall be:

14.1.1 in writing;

14.1.2 in the English language; and

14.1.3 delivered personally or sent by first class post pre-paid recorded delivery (and air mail if overseas) or by email to the party due to receive the Notice at the address specified in Clause 14.2 (or to another address specified by that party by not less than seven days' written notice to the other party).

14.2 The address referred to in Clause 14.1.3 is:

14.2.1 in the case of CYBG:

Address: 20 Merrion Way, Leeds, West Yorkshire, LS2

Email: lorna.mcmillan@cybg.com

Marked for the attention of Lorna McMillan;

and a copy to (but such copy shall not constitute Notice):

Address: 40 St Vincent Place, Glasgow, G1 2HL

Email: governance.advice@cybg.com

Marked for the attention of Company Secretary; and

14.2.2 in the case of Virgin Money:

Address: 1 Eagle Place, London, SW1Y 6AF

Email: andrew.emuss@virginmoney.com

Marked for the attention of Andrew Emuss, General Counsel;

and a copy to (but such copy shall not constitute Notice):

Address: Allen & Overy LLP, One Bishops Square, London, E1 6AD

Email: George.Knighton@AllenOvery.com / Claire.Coppel@allenoverly.com

Marked for the attention of George Knighton and Claire Coppel – Project Highgrove.

14.3 A party may change its notice details on giving notice to the other party of the change in accordance with Clauses 14.1, 14.2 and 14.4.

14.4 Unless there is evidence that it was received earlier, a Notice is deemed given:

14.4.1 if delivered personally, when left at the address referred to in Clause 14.2;

14.4.2 if sent by post, except air mail, two Business Days after posting it;

14.4.3 if sent by air mail, six Business Days after posting it; or

14.4.4 if sent by email, when sent.

Any Notice sent outside of the hours of 9am to 5.30pm shall be deemed to be given at the start of the next Business Day.

14.5 Each party shall, where it sends a Notice by email to the other party, within two Business Days send a hard copy of the relevant Notice via hand delivery or first class post to the physical address of the other party.

14.6 This Clause shall not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Agreement.

15. REMEDIES AND WAIVERS

15.1 No delay or omission by any party to this Agreement in exercising any right, power or remedy provided by Law or under this Agreement shall:

15.1.1 affect that right, power or remedy; or

15.1.2 operate as a waiver of it.

15.2 The single or partial exercise of any right, power or remedy provided by Law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

15.3 The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by Law.

15.4 Without prejudice to any other rights and remedies which either party may have, each party acknowledges and agrees that damages alone may not be an adequate remedy for any breach by either party of the provisions of this Agreement and the other party shall be entitled to seek the remedies of injunction, specific performance and other equitable remedies, for any threatened or actual breach of any such provision of this Agreement by a party hereto and no proof of special damages shall be necessary for the enforcement by either party of the rights under this Agreement.

16. VARIATION

No variation of this Agreement shall be valid unless it is in writing (which, for this purpose, does not include email) and signed by or on behalf of each of the parties.

17. INVALIDITY

17.1 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the Law of any jurisdiction, that shall not affect or impair:

17.1.1 the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

17.1.2 the legality, validity or enforceability under the Law of any other jurisdiction of that or any other provision of this Agreement,

and, if such provision would be valid and enforceable if deleted in whole or in part or reduced in application, such provision shall apply with such deletion or modification as may be necessary to make it valid and enforceable.

18. **ENTIRE AGREEMENT**

- 18.1 Save for the Confidentiality Agreement and any Clean Team Agreement (each of which remain in force) and any other agreements the parties agree in writing are deemed to be included in this Clause 18, this Agreement constitutes the whole and only agreement between the parties relating to the Offer and supersedes any previous agreement whether written or oral between the parties in relation to the Offer.
- 18.2 Except in the case of fraud, each party acknowledges that it is entering into this Agreement in reliance upon only this Agreement and that it is not relying upon any pre-contractual statement that is not set out in this Agreement.
- 18.3 Except in the case of fraud, no party shall have any right of action (including those in tort or arising under statute) against the other party arising out of or in connection with any pre-contractual statement except to the extent that it is repeated in this Agreement.
- 18.4 For the purposes of this Clause 18, "**pre-contractual statement**" means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement made or given by any person at any time before the date of this Agreement.

19. **LANGUAGE**

- 19.1 Each Notice or other communication under or in connection with this Agreement shall be in English.

20. **THIRD PARTY RIGHTS**

- 20.1 Clause 10.1 is intended to confer benefits on and be enforceable by the third parties referred to therein (the "**Relevant Third Parties**").
- 20.2 Subject to Clause 20.1, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of term of, or enjoy any benefit under, this Agreement.
- 20.3 The parties may terminate, rescind, vary, amend or waive any provision of this Agreement without the consent of the Relevant Third Parties, except that any variation, amendment or waiver of Clause 10.1 shall require the consent of any affected Relevant Third Party.

21. **NO PARTNERSHIP**

No provision of this Agreement creates a partnership between any of the parties or makes a party the agent of another party for any purpose. A party has no authority or power to bind, to contract in the name of, or to create a liability for another party in any way or for any purpose.

22. **ASSIGNMENT**

- 22.1 No party shall be entitled to assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge, declare itself a trustee for a

third party of, or otherwise dispose of (in any manner whatsoever) the benefit of this Agreement (or any part of it) or sub-contract in any manner whatsoever its performance under this Agreement without the prior written consent of the other party.

23. COSTS AND EXPENSES

23.1 Save as expressly provided otherwise, each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement and any matter contemplated by it.

24. FURTHER ASSURANCE

24.1 Each party shall, at its own cost, use reasonable endeavours to, or procure that any relevant third party shall, do and/or execute and/or perform all such further deeds, documents, assurances, acts and things as may reasonably be required to give effect to this Agreement.

25. COUNTERPARTS

25.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

25.2 Delivery of an executed counterpart signature page of this Agreement by email (pdf) shall be as effective as delivery of a manually executed counterpart of this Agreement. In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorises the attachment of such counterpart signature page on the final text of this Agreement, such counterpart signature page shall take effect with such final text as a complete authorised counterpart.

26. GOVERNING LAW AND JURISDICTION

26.1 This Agreement is to be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

26.2 The parties irrevocably submit to the exclusive jurisdiction of the courts of England and Wales in respect of any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above.

EXECUTED BY

acting for and on behalf of
CYBG PLC

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/S/ Ian Smith

acting for and on behalf of
CYBG PLC

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/S/ Lorna McMillan

EXECUTED BY)
)

Print name: Jayne-Anne Gadhia)
acting for and on behalf of)
Virgin Money Holdings (UK) plc)

Signature: /S/ Jayne-Anne Gadhia

SCHEDULE 1
VIRGIN MONEY SHARE PLANS AND BONUS

PART 1 - SHARE PLANS

Provisions of general application

1. CYBG and Virgin Money agree that the following arrangements will apply to the Virgin Money Share Plans as detailed below.
2. In the event of an Agreed Switch, references in this schedule to the date on which the Scheme is sanctioned by the Court ("**Court Sanction Date**") will be read as references to the date on which CYBG obtains Control of Virgin Money as a result of a Takeover Offer.
3. CYBG and Virgin Money agree that:
 - 3.1 subsisting share awards ("**Awards**") under the Virgin Money Share Plans will vest in connection with the Offer in accordance with the rules of the applicable Virgin Money Share Plan;
 - 3.2 CYBG will acquire the Virgin Money Shares to which participants in the Virgin Money Share Plans become entitled on vesting on the same terms and for the same consideration as offered to other Virgin Money Shareholders under the Offer;
 - 3.3 CYBG and Virgin Money shall co-operate to write to participants in the Virgin Money Share Plans on, or as soon as practicable after, the posting of the Scheme Document to inform them of the impact of the Scheme on their Awards and the extent to which the Awards will vest as a result of the Offer. Such communications will be agreed between CYBG and Virgin Money before they are despatched; and
 - 3.4 in the event that there is no Agreed Switch, the articles of association of Virgin Money will be amended, subject to the approval of Virgin Money Shareholders, so that any Virgin Money Shares issued or transferred after the Scheme Record Time (as defined in the Press Announcement) will be automatically transferred to, or to the order of, CYBG in exchange for the provision by CYBG of the same consideration payable per Virgin Money Share under the Scheme (or such other consideration as may be agreed between CYBG and Virgin Money and disclosed in the Scheme Document).

Virgin Money DBSP

4. CYBG acknowledges that outstanding Awards under the Virgin Money DBSP shall vest in full on the Court Sanction Date and that the Virgin Money remuneration committee has determined that time pro rating will not apply to the Awards.
5. CYBG Shares received under the Scheme in exchange for the Virgin Money Shares vesting on the Court Sanction Date will remain subject to deferral, malus, clawback and other regulatory requirements as applicable under the Prudential Regulation Authority's remuneration rules.

Virgin Money LTIP

6. CYBG acknowledges that outstanding Awards under the Virgin Money LTIP shall vest on the Court Sanction Date and that the Virgin Money remuneration committee has determined that:
 - 6.1 time pro rating will not apply to the Awards; and
 - 6.2 the performance targets applicable to the Awards will be deemed to have been met at 80% of maximum.
7. CYBG Shares received under the Scheme in exchange for the Virgin Money Shares vesting on the Court Sanction Date will remain subject to deferral, malus clawback and other regulatory requirements as applicable under the Prudential Regulation Authority's remuneration rules.

DC Option

8. The DC Option shall lapse to the extent not exercised on the day following the Effective Date (or if there is an Agreed Switch, the date on which CYBG obtains Control of Virgin Money as a result of a Takeover Offer).

Source of Virgin Money Shares

9. As at the date of this Agreement, the Virgin Money EBT holds approximately £364.00 in cash (the "**Cash Amount**") and 1,979,319 Virgin Money Shares. CYBG and Virgin Money agree that the trustee of the Virgin Money EBT will be requested to use the Virgin Money Shares that it holds to satisfy Awards as far as possible. To the extent there are insufficient Virgin Money Shares in the Virgin Money EBT to satisfy Awards, Virgin Money will request the trustee to use the Cash Amount to the extent necessary to subscribe for new Virgin Money Shares in order to satisfy Awards.
10. To the extent there are insufficient Virgin Money Shares in the Virgin Money EBT to satisfy Awards, Virgin Money may issue new Virgin Money Shares up to a maximum of 5,622,593 Virgin Money Shares.

PART 2 – ANNUAL BONUS

11. CYBG acknowledges that:
 - 11.1 bonuses for the Virgin Money 2018 financial year will be paid in accordance with normal Virgin Money policy and that the Virgin Money remuneration committee has determined that bonuses will pay out at 90% of target and will not be subject to time pro-rating;
 - 11.2 if the Effective Date occurs after the end of the Virgin Money 2018 financial year, bonus determinations for any period from 1 January 2019 up to the Effective Date will be undertaken by Virgin Money in line with normal Virgin Money policy; and

- 11.3 Virgin Money employees will be eligible to participate in a CYBG bonus plan with effect from the later of 1 January 2019 and the Effective Date.

PART 3 – EMPLOYEES

12. CYBG will, on and following the Effective Date, fully observe and comply with:
- 12.1 the existing contractual and statutory employment rights, including in relation to pensions, of Virgin Money's management and employees in accordance with applicable law; and
 - 12.2 the existing Virgin Money redundancy policy as it applies to all Virgin Money's management and employees for a period of three years following the Effective Date.

SCHEDULE 2
PRESS ANNOUNCEMENT

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY CYBG AND VIRGIN MONEY 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 WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION

THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR PROSPECTUS EQUIVALENT DOCUMENT AND INVESTORS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW CYBG SHARES EXCEPT ON THE BASIS OF INFORMATION IN THE PROSPECTUS AND THE SCHEME DOCUMENT WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE

FOR IMMEDIATE RELEASE

18 JUNE 2018

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

Summary

- The Boards of CYBG PLC ("**CYBG**") and Virgin Money Holdings (UK) plc ("**Virgin Money**") are pleased to announce that they have agreed the terms of a recommended all-share offer to be made by CYBG for Virgin Money (the "**Offer**") to create the UK's first true national banking competitor to the status quo.
- Under the terms of the Offer, Virgin Money Shareholders will receive:

1.2125 New CYBG Shares in exchange for each Virgin Money Share

- Based on the Closing Price of 306 pence per CYBG Share on 15 June 2018 (being the last Business Day before the date of this Announcement), the Offer values each Virgin Money Share at 371 pence and Virgin Money's ordinary shares on a fully diluted basis at approximately £1.7 billion, representing a premium of:
 - 19 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
 - 35 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).
- The Offer is expected to be effected by means of a court-sanctioned scheme of arrangement between Virgin Money and the Virgin Money Shareholders under Part 26 of the Companies Act 2006, although CYBG reserves the right to effect the Offer by way of a Takeover Offer.
- If Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of this 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 a dividend of up to 2.3 pence per Virgin Money Share in the event that such a dividend is declared by the Virgin Money Directors and paid in respect of Virgin Money's six month interim period ending 30 June 2018.

Strategic and Financial Rationale for the Offer

- The CYBG Directors believe the combination of CYBG and Virgin Money (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 future of UK banking, with a full-service product offering across retail and SME, established and innovative technology and the iconic Virgin Money national brand that is underpinned by a strong customer service culture.
- The CYBG Directors believe the Combination has a strong strategic and financial rationale as described below, creating a compelling opportunity for both sets of shareholders:

Strategic

- *Scale and national presence:* Creation of a national competitor with scale and an attractive service and product offering that will be available digitally and supported by a national branch network;
- *Full-service offering:* Greater breadth of retail and SME propositions and products offered to the Combined Group's enlarged customer base, with a strong PCA and BCA offering that provides enhanced opportunities to deepen multi-product customer relationships;
- *Iconic national brand and customer-focused cultures:* Virgin Money's iconic national brand and both CYBG's and Virgin Money's complementary customer-focused cultures and award-winning customer service provide the foundations for strong, digitally-led customer acquisition and retention across the UK;
- *Innovative and modern technology:* CYBG's established, proven, scalable and resilient Open Banking-enabled technology platform provides a strong foundation for further growth and enhanced services and propositions for customers, particularly when coupled with Virgin Money's brand; and

- *Low-complexity integration plan and management strength:* Execution risk will be reduced by a detailed, phased migration and re-branding plan, to be delivered by a highly capable team drawn from two organisations with strong track records in large-scale transformation, and further mitigated by the relatively low complexity of the Virgin Money product offering, and in particular the small number of Virgin Money personal current accounts.

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 excellence in financial services.

Financial

- *Significant synergy and value creation potential:* The Combination is expected to generate £120 million of annual pre-tax cost synergies, run rate by the end of the financial year ending 30 September 2021. CYBG also expects additional value creation through avoidance of planned future Virgin Money digital bank running costs, and revenue synergies and funding synergies over time, which have not been quantified for reporting under the Takeover Code;
- *Diversified, low-risk balance sheet:* The Combination brings together two low-risk balance sheets and creates a broader-based, less concentrated combined mortgage and unsecured lending portfolio, while retaining a diversified funding model and a clear funding strategy with further opportunities to extend CYBG's personal and business account offering across the Virgin Money customer base;
- *Strong pro forma capital position:* The Combined Group is expected to have a pro forma day one CET1 ratio in excess of 12 per cent. and to retain a significant surplus to regulatory capital minimum requirements with further upside potential from near-term capital optimisation initiatives, including CYBG's ongoing application for mortgage IRB accreditation and Virgin Money's stated objective to reduce its mortgage risk weighting;
- *Reinforces delivery of existing financial targets:* CYBG continues to expect to perform strongly against its existing medium-term guidance, including meeting its sustainable growth ambition, being at the lower end of its cost income ratio target range, and delivering its guidance for a double digit return on tangible equity in FY19;
- *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; and
- *Strong capital generation accelerates progressive dividend ambitions:* 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.

Arrangements with Virgin Group

- 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.
- Accordingly, CYBG has entered into an agreement with Virgin Enterprises Limited ("**Virgin Enterprises**") in relation to the use, conditional on completion of the Offer, of the "Virgin Money" brand.
- The key terms of the Brand Licence Agreement include (in summary):
 - An exclusive, perpetual, royalty-bearing licence for the CYBG Group to use the "Virgin Money" brand for financial services in respect of retail, SME and corporate customers in the UK;
 - A fixed yearly minimum royalty payable by CYBG, which increases from £12 million in the first year following the First Quarter Date up to £15 million in the fourth year following the First Quarter Date, plus an additional yearly royalty (calculated by reference to incremental CYBG Group turnover at a rate of one per cent.) beginning in the fifth or, if the turnover of the CYBG Group reaches a threshold amount, the fourth year;
 - Virgin Enterprises is entitled to nominate one person to be a non-executive director of CYBG; and
 - Virgin Enterprises has termination rights for cause and insolvency of CYBG, in case of serious brand damage, and in respect of certain changes of control of CYBG. In certain circumstances, the termination right for cause (if exercised) entitles Virgin Enterprises to a termination fee in lieu of a damages claim. CYBG has termination rights covering serious brand damage and insolvency of Virgin Enterprises. Upon a change of control of CYBG, the Brand Licence Agreement may be terminated at the option of CYBG upon payment of a termination fee and if not so terminated, the acquirer of CYBG is required to guarantee certain of CYBG's obligations under the Brand Licence Agreement.

Further details of the Brand Licence Agreement are set out in paragraph 3 of this Announcement.

- The Brand Licence Agreement is conditional upon the passing of an ordinary resolution of the Independent Virgin Money Shareholders (which requires more than 50 per cent. of the votes cast by Independent Virgin Money Shareholders on a poll to be cast in favour) to approve the Brand Licence Agreement (the "**Brand Licence Resolution**"). The Brand Licence Agreement is also conditional upon completion of the Offer.
- Virgin Holdings has also provided an irrevocable undertaking to support the Offer in respect of its holding of 155,120,454 Virgin Money Shares (representing approximately 34.8 per cent. of the issued ordinary share capital of Virgin Money as at 15 June 2018, being the last Business Day before the date of this Announcement).

Details of this undertaking together with the circumstances in which it ceases to be binding are set out in Appendix 3 of this Announcement.

The Combined Group

- Following completion of the Offer:
 - 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, CEO of Virgin Money 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 has agreed, in principle, to support the Combined Group as a senior adviser to the CEO (in a consultancy role) for a period of time beyond completion of the Offer, on terms to be agreed;
 - It has been agreed that two of the non-executive directors currently on the Virgin Money Board, as well as one non-executive director nominated by Virgin Enterprises pursuant to its rights under the Brand Licence Agreement, will become members of the CYBG Board on completion of the Offer, subject to the usual regulatory approvals;
 - CYBG's shares will continue to have their primary listing on the Official List and will continue to trade on the London Stock Exchange. CYBG will continue to have a secondary listing on, and CHESS Depositary Interests representing CYBG Shares will continue to trade on, the Australian Securities Exchange; and
 - 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.

Recommendations and irrevocable undertakings

- For the purpose of considering the Offer, Virgin Money constituted a committee of independent directors, comprising all of the executive and non-executive directors of Virgin Money other than Amy Stirling and Patrick McCall who represent Virgin Holdings and Virgin Enterprises, respectively (the "**Independent Virgin Money Directors**").
- 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 Independent Virgin Money Directors intend unanimously to recommend that the Virgin Money Shareholders vote in favour of the resolutions to be proposed at the Virgin Money Meetings, as the Independent Virgin Money Directors who hold 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 15 June 2018, being the last Business Day before the date of this Announcement).

- The Independent Virgin Money Directors also intend unanimously to recommend that the Independent Virgin Money Shareholders vote in favour of the Brand Licence Resolution. The Brand Licence Resolution is a non-waivable condition to the Offer and if it is not passed the Offer will lapse and the transaction will not proceed to completion. The terms of the 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.
- CYBG has received an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Resolutions¹ to be proposed 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 15 June 2018, being the last Business Day before the date of this Announcement).
- Due to its size, the Offer requires the approval of the CYBG Shareholders for the purposes of the Listing Rules. Accordingly, the Offer will be conditional on the approval of the CYBG Shareholders at the CYBG General Meeting.
- The CYBG Board considers the Offer to be in the best interests of CYBG and the CYBG Shareholders as a whole and intends unanimously to recommend that CYBG Shareholders vote in favour of the resolutions to approve the Offer 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 476,988 CYBG Shares (representing approximately 0.054 per cent. of the issued ordinary share capital of CYBG as at 15 June 2018, being the last Business Day before the date of this Announcement).
- 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.

General

- It is intended that the Offer will be implemented by way of a court-sanctioned scheme of arrangement between Virgin Money and the Virgin Money Shareholders under Part 26 of the Companies Act 2006, further details of which are contained in paragraph 17 of this Announcement. However, CYBG reserves the right to implement the Offer by way of a Takeover Offer, subject to the Panel's consent and the terms of the Co-operation Agreement.

¹ Other than the Brand Licence Resolution in respect of which Virgin Holdings is conflicted.

- The Offer is subject to, among other things, approvals of the CYBG Shareholders and the relevant Virgin Money Shareholders (including in respect of the Brand Licence Resolution) and the receipt of certain regulatory clearances. The Offer is also subject to the other Conditions set out in Appendix 1 to this Announcement, and to the full terms and conditions to be set out in the Scheme Document.
- The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the Virgin Money General Meeting and the expected timetable, and will specify the actions to be taken by the Virgin Money Shareholders. Subject to the Scheme Document being posted to Virgin Money Shareholders as soon as practicable following the date of this Announcement (subject to the availability of the Court to approve the Scheme Document for posting), the Panel has consented to a posting date later than 28 days following this Announcement.
- It is expected that the Circular, containing details of the Offer and notice of the CYBG General Meeting, will be posted to CYBG Shareholders at or around the same time as the Scheme Document is posted to the Virgin Money Shareholders, with the CYBG General Meeting held at or around the same time as the Virgin Money Meetings.
- It is expected that the Prospectus, containing information about the CYBG Group, the Virgin Money Group and the New CYBG Shares, will be published at or around the same time as the Scheme Document is posted to the Virgin Money Shareholders.
- The Offer is expected to complete during calendar Q4 of 2018, subject to the satisfaction (or, where applicable, waiver) of the Conditions set out in Appendix 1 to this Announcement.

Commenting on the Offer, Jim Pettigrew, Chairman of CYBG, said:

"I am delighted we are announcing the combination of the CYBG and Virgin Money businesses. It is clear to us that the Combined Group can transform the UK banking landscape and offer real benefits to customers and communities throughout the UK.

Since our IPO in 2016, the CYBG Board and leadership team has established CYBG as a strong and sustainable business, with a track record of delivery and the credentials to deliver a transformational combination with Virgin Money.

Our recommended offer can deliver real value for all shareholders and create a powerful force in UK banking."

Commenting on the Offer, David Duffy, CEO of CYBG, said:

"The combination of CYBG and Virgin Money will create the first true national competitor to the status quo in UK banking, offering a genuine alternative for consumers and small businesses.

By combining two of the UK's leading challenger banks, we will create a national, full-service bank with the capabilities needed to compete effectively with the large incumbent banks. We are bringing together CYBG's 175-year heritage in serving retail and SME customers and advanced digital technology, with the iconic Virgin Money brand and consumer champion credentials.

Together we will serve around six million customers, with the scale, capabilities and financial muscle to disrupt the status quo – and with a clear ambition to provide our customers with the best service in the UK.

CYBG and Virgin Money have similar values, with strong roots in our regional heartlands and a shared vision for how the Combined Group can be a leading force in the banking model of the future, whilst maintaining our strong people-focused values. I am hugely positive about what we can achieve together with the talent that is available on both sides.

The strategic rationale is clear and offers both sets of shareholders real value, material earnings accretion, and enhanced capital generation for the benefit of all shareholders, together with both firms' customers, colleagues and local communities."

Commenting on the Offer, Jayne-Anne Gadhia, CEO of Virgin Money, said:

"When Virgin Money² was established in financial services in 1995, we vowed to change the world of banking for good.

We were the first UK financial services company to offer investment products directly to customers. We transformed the mortgage market and, as a result, saved customers hundreds of millions of pounds by introducing daily mortgage interest calculations. In January 2012 we successfully acquired Northern Rock and built a broader business from the solid foundations and wonderful people of the North East of England.

We aim to offer good value to customers, treat employees well, make a positive contribution to society and create value for shareholders. Since January 2012 we have more than doubled our customer lending and delivered strong and growing profitability. There are now just over 3,200 Virgin Money colleagues serving 3.4 million customers.

Since our IPO in November 2014, we have delivered against our strategic and financial objectives, demonstrating balanced organic growth while maintaining our responsible approach to lending. The operating environment since our IPO has presented many challenges and we have been delighted by how our colleagues have responded. Virgin Money's customer focus and nimble approach to distribution and pricing, coupled with a prudent focus on cost management and asset quality, have enabled us to drive strong returns for shareholders.

Our intention has always been to make everyone better off.

The Offer reflects confidence in our strategy, our track record of delivery and the complementary strengths of the two businesses. The combination of Virgin Money with CYBG will have greater scale to challenge the big banks. It will also accelerate the delivery of our strategic objectives, particularly the expansion of the products we offer to customers.

I am especially pleased that we have received a number of important commitments from CYBG. The Virgin Money Foundation will continue to contribute to essential programmes in the North East and beyond. We have obtained assurances from CYBG regarding our employees (including a commitment to leverage the best talent from both CYBG and Virgin Money) and our Gosforth headquarters. The Combined Group will remain a committed

² At the time "Virgin Direct".

voice behind the Women in Finance Charter as well as working to reduce the gender pay gap.

This is a compelling deal for our shareholders, that accelerates value delivery and represents the beginning of the next chapter of the Virgin Money story."

This summary should be read in conjunction with the following Announcement and the Appendices. The conditions to, and certain further terms of, the Offer are set out in Appendix 1. The bases and sources for certain financial information contained in this Announcement are set out in Appendix 2. Details of undertakings received by CYBG and given by the CYBG Directors are set out in Appendix 3. Information relating to the anticipated quantified financial benefits of the Combination is set out in Appendix 4. Certain definitions and terms used in this Announcement are set out in Appendix 5.

For the purposes of Rule 28 of the Takeover Code, quantified financial benefits statements contained in this Announcement are the responsibility of CYBG and the CYBG Directors. Appendix 4 sets out the anticipated quantified financial benefits statements relating to cost savings and synergies arising out of the Combination and provides underlying information and bases of belief. Appendix 4 also includes reports from CYBG's reporting accountant, Deloitte, and its joint financial advisers, Morgan Stanley and Deutsche Bank, in connection with anticipated quantified financial benefits statements, as required pursuant to Rule 28.1(a) of the Takeover Code, and provides underlying information and bases for the accountant's and advisers' respective reports. Each of Deloitte, Morgan Stanley and Deutsche Bank has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.

Analyst and investor presentation

CYBG will host a presentation for research analysts and investors at Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB and a conference call and webcast at 8:30 a.m. (UK time) and 5:30 p.m. (Sydney time) today (18 June 2018) to discuss the Offer.

To participate in this conference call, please use the following access details:

Phone Number: +61 (0)1800 092 439 (Australia); +852 (0)800 966 027 (Hong Kong); +44 (0)8445 718 892 (United Kingdom); +1 (0)8669 661 396 (United States) and +44 (0)2071 928 000 (Standard International Dial-in).

Participant Code: 4335049

To participate in the webcast, please use the following link:

Webcast Link: <https://edge.media-server.com/m6/p/fmbf2zfn>

Information on how to access the webcast of this presentation can be found at www.cybg.com/cybg-update/ and <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/>.

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CYBG

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Clifford Chance LLP is retained as legal adviser to CYBG. Allen & Overy LLP is retained as legal adviser to Virgin Money.

Further information

This Announcement is not intended to, and does not, 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 in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Scheme Document, which will contain the full terms and conditions of the Offer, including details of how to vote in respect of the Offer. Any vote or other response to the Offer should be made only on the basis of the information in the Scheme Document.

CYBG will prepare the Circular to be distributed to CYBG Shareholders and will also publish the Prospectus containing information on the New CYBG Shares and the Combined Group. CYBG urges Virgin Money Shareholders to read the Scheme Document and the Prospectus carefully when they become available because they will contain important information in relation to the Offer, the New CYBG Shares and the Combined Group. CYBG urges CYBG Shareholders to read the Circular and the Prospectus carefully when they become available. Any vote in respect of the resolutions to be proposed at the Virgin Money Meetings or the CYBG General Meeting to approve the Offer, the Scheme, the Brand Licence Resolution or related matters, should be made only on the basis of the information contained in the Scheme Document, the Prospectus and, in the case of CYBG Shareholders, the Circular.

The New CYBG Shares to be issued pursuant to the Offer are not being offered to the public by means of this Announcement.

This Announcement does not constitute a prospectus or prospectus equivalent document.

Important notices relating to financial advisers

*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 ("**Deutsche Bank**") is acting as financial adviser to CYBG and no other person in connection with this Announcement 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 Announcement. 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 Announcement, 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 Announcement 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 Announcement.*

*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 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 Announcement.*

*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 Announcement and will not regard any other person as its client in relation to the matters in this Announcement 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.*

Restricted Jurisdictions

This Announcement has been prepared in accordance with English law, the Takeover Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction. If the Offer is implemented by way of a Takeover Offer (unless otherwise determined by CYBG and permitted by applicable law and regulation), the Takeover Offer may not be communicated, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, by mail, telephonically or electronically by way of internet or otherwise) of interstate or foreign commerce of, or any facilities of a national, state or securities exchange of, any Restricted Jurisdiction and the Takeover Offer may not be capable of acceptance by any such use, means, instrumentality or otherwise.

Further details in relation to Virgin Money Shareholders in overseas jurisdictions will be contained in the Scheme Document.

Forward-looking statements

This Announcement (including information incorporated by reference in this Announcement), 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 Announcement 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 Announcement. 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 Announcement will actually occur. Forward looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this Announcement 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 Announcement 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.

Quantified financial benefits

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 Announcement 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.

Additional information for US investors

US holders of Virgin Money Shares should note that the Offer relates to the securities of a UK company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Offer will be subject to UK procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in England listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in this Announcement and other documentation related to the Offer has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If CYBG exercises its right, in the circumstances provided for in this Announcement, to implement the Offer by way of a Takeover Offer, such Takeover Offer will only be made in the United States if an exemption from the registration requirements of the US Securities Act is available.

The New CYBG Shares to be issued pursuant to the Offer have not been registered under the US Securities Act or under any laws or with any securities regulatory authority of any state, district or other jurisdiction, of the United States, and may only be offered or sold in the United States in reliance on an exemption from registration requirements of the US Securities Act including in the case of the proposed scheme of arrangement, Section 3(a)(10) thereunder.

Neither the SEC nor any US state securities commission has approved or disapproved of the New CYBG Shares to be issued in connection with the Offer or determined if this Announcement is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of Virgin Money Shares to enforce their rights and claims arising out of the US federal securities laws, since CYBG and Virgin Money are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US holders of Virgin Money Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of 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 judgement.

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 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm 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 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, 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 Announcement 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/ and on Virgin Money's website at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/> promptly and in any event by no later than 12 noon on 19 June 2018. The content of the websites referred to in this Announcement is not incorporated into and does not form part of this Announcement.

Request for hard copies

CYBG Shareholders may, subject to applicable securities laws, request a hard copy of this Announcement (and any information incorporated into it by reference to another source) by

contacting CYBG's registrars, Computershare Investor Services PLC at The Pavilions, Bridgewater Road, Bristol, BS99 6ZZ with an address to which the hard copy may be sent.

CYBG Shareholders 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.

Virgin Money Shareholders may, subject to applicable securities laws, request a hard copy of this Announcement (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 with an address to which the hard copy may be sent. Virgin Money Shareholders 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 Announcement 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 Financial Services and Markets Act 2000 (as amended) 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 Announcement 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 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.

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

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THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR PROSPECTUS EQUIVALENT DOCUMENT AND INVESTORS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW CYBG SHARES EXCEPT ON THE BASIS OF INFORMATION IN THE PROSPECTUS AND THE SCHEME DOCUMENT WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE

FOR IMMEDIATE RELEASE

18 JUNE 2018

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

1. Introduction

The Boards of CYBG PLC ("**CYBG**") and Virgin Money Holdings (UK) plc ("**Virgin Money**") are pleased to announce that they have agreed the terms of a recommended all-share offer to be made by CYBG for Virgin Money (the "**Offer**") to create the UK's first true national banking competitor.

Under the terms of the Offer, which will be subject to the conditions set out below and in Appendix 1 and to the further terms to be set out in the Scheme Document, the 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 306 pence per CYBG Share on 15 June 2018 (being the last Business Day before the date of this Announcement), the Offer values each Virgin Money Share at 371 pence and Virgin Money's ordinary shares on a fully diluted basis at approximately £1.7 billion, representing a premium of:

- 19 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

- 35 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).

It is intended that the Offer will be implemented by way of a court-sanctioned scheme of arrangement between Virgin Money and the Virgin Money Shareholders under Part 26 of the Companies Act 2006, although CYBG reserves the right to effect the Offer by way of a Takeover Offer (subject to the terms of the Co-operation Agreement).

If Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of this 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 a dividend of up to 2.3 pence per Virgin Money Share in the event that such a dividend is declared by the Virgin Money Directors and paid in respect of Virgin Money's six month interim period ending 30 June 2018.

2. **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 billion customer loans, and £59.2 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 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 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 +37³.

- 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 of the Offer. 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

³ As at 31 March 2018.

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 100,000) 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 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 4 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 £59.2 billion equates to approximately 77 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, which represents 11 per cent. of total funding. The CYBG Directors believe that the Combined Group's diversified funding model will enable it to refinance its outstanding TFS balances in 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.
- Based on the latest financial year end disclosures, the Combined Group will have £83.5 billion of total assets and a £69.5 billion total customer loan portfolio. The loan portfolio includes £57.8 billion 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 of SME and corporate lending; a £3.5 billion credit card portfolio; and other unsecured lending of £0.8 billion.
- 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 ("EIR") methodology for the Combined Group.

Strong pro forma capital position:

- The CYBG Directors believe the Combined Group will have a strong capital position following the completion of the Offer. The day one pro forma RWAs for the Combined Group are expected to be approximately £29 billion, 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.
- The Combined Group's pro forma fully loaded CRD IV CET1 ratio minimum requirement is expected to be 10.4 per cent (including Pillar 1, Pillar 2A, CCB and CCYB buffers), based on the latest disclosed Pillar 2A requirements for both CYBG, as at 31 March 2018, and Virgin Money, as at 31 December 2017.
- 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 by 1 October 2018. Virgin Money has also stated its objective to reduce its mortgage RWAs.

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;
- *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.

3. Arrangements with Virgin Group

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.

(i) Brand Licence Agreement

With effect from the completion of the Offer, CYBG's use of the Virgin Money brand will be licensed under the Brand Licence Agreement, and governed by its terms.

Scope

The Brand Licence Agreement grants CYBG exclusive rights in the UK to use the "Virgin Money" names and logos, as well as certain related non-exclusive rights to use the "Virgin" trade marks (together, the "**Licensed Trade Marks**"), in each case in connection with the Licensed Activities summarised below.

CYBG may use, and sub-license its rights to use in certain circumstances, the Licensed Trade Marks in respect of all banking or financial services and products

offered by UK clearing banks or challenger banks, all investment or savings products and services, and all insurance products and services, each including all such services offered by CYBG prior to completion of the Offer, as well as other ancillary services ("**Licensed Activities**").

Must use

CYBG will be required to operate at least 80 per cent. of its Licensed Activities, calculated quarterly by reference to the CYBG Group's turnover, under the "Virgin Money" brand, following the rebranding period which is expected to be no more than 3 years.

Fees payable / Royalties

Following completion of the Offer, CYBG will be liable to pay a fixed royalty as follows: up to £3 million during the period from completion of the Offer to the First Quarter Date; £12 million for the first year from the First Quarter Date (Year 1); £13 million for the second year from the First Quarter Date (Year 2); £14 million for the third year from the First Quarter Date (Year 3); and £15 million for the fourth year from the First Quarter Date (Year 4).

Thereafter, the royalty fee will comprise a minimum payment of £15 million annually (the "**Minimum Royalty**") plus, unless the CYBG Group generates turnover greater than £2.1 billion in Year 3 (the "**Threshold Amount**"), a one per cent. royalty on any incremental turnover against Year 3 turnover.

If the CYBG Group turnover exceeds the Threshold Amount in Year 3, then for each subsequent 12-month period, the royalty will comprise a minimum payment of £15 million plus a one per cent. royalty on incremental CYBG Group turnover above £2.1 billion.

The Minimum Royalty is subject to annual indexation after Year 4, 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 CYBG Group turnover.

Director Nomination Right

Virgin Enterprises is entitled to nominate one person to be a non-executive director of CYBG.

Brand collaboration with Virgin Enterprises

CYBG and Virgin Enterprises will work together collaboratively in relation to the rebranding of CYBG's business as well as in relation to the ongoing use of the "Virgin Money" brand.

Indemnity / Liability

Subject to certain exceptions, CYBG has agreed to indemnify Virgin Enterprises for all third party claims brought against Virgin Enterprises by reason of CYBG's use of

the Licensed Trade Marks in breach of the Brand Licence Agreement and/or CYBG carrying out the Licensed Activities.

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

Each party's total liability under the Brand Licence Agreement is capped at £200 million (save for royalties and any termination fee payable by CYBG).

Term and Termination Rights

The Brand Licence Agreement has a perpetual term, subject to each party's termination rights.

Virgin Enterprises is entitled to terminate the Brand Licence Agreement if CYBG, among other things: (i) materially damages the brand; (ii) is in continuing material breach; (iii) undergoes a prohibited change of control; (iv) becomes insolvent; or (v) acquires a business whose business primarily consists of a "prohibited activity" as defined in the Brand Licence Agreement. In certain circumstances, the termination of the Brand Licence Agreement by Virgin Enterprises for cause entitles it to receive a termination fee from CYBG in lieu of a damages claim.

CYBG may terminate the Brand Licence Agreement if Virgin, among other things, materially damages the brand or becomes insolvent.

Following a change of control of CYBG, the Brand Licence Agreement may be terminated at the option of CYBG upon payment of a termination fee. Otherwise, the Brand Licence Agreement continues in full force and effect and the acquirer of CYBG is required to guarantee certain of CYBG's obligations under the Brand Licence Agreement.

It is also a condition to the Offer that the Existing Brand Licence Agreement between Virgin Money and Virgin Enterprises is not terminated prior to the Effective Date.

Governing Law

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

Shareholder approval

The Brand Licence Agreement is conditional upon the passing of the Brand Licence Resolution. The Independent Virgin Money Directors intend unanimously to recommend that the Independent Virgin Money Shareholders vote in favour of the Brand Licence Resolution. The Brand Licence Resolution is a non-waivable condition and if it is not passed the Offer will lapse and the transaction will not proceed to completion. The Brand Licence Agreement is conditional upon the Offer becoming Effective. It is also a condition to the Offer that the Existing Brand Licence Agreement has not been terminated prior to the Offer becoming Effective.

The terms of the 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.

Further details relating to the Brand Licence Agreement and the Brand Licence Resolution will be set out in the Scheme Document.

(ii) Irrevocable Undertaking

CYBG has received an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Resolutions⁴ to be proposed 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 15 June 2018, being the last Business Day before the date of this Announcement).

The undertaking given by Virgin Holdings will cease to be binding in the following circumstances:

- (a) the Scheme Document is not published within 28 days (or such longer period as the Panel may agree) of the date of the Announcement;
- (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;
- (c) CYBG has exercised its right to implement the Offer by way of a Takeover Offer and the Takeover Offer lapses or is withdrawn;
- (d) 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
- (e) 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.

Further details of this irrevocable undertaking are set out in Appendix 3 to this Announcement.

4. Potential synergies and integration planning

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

⁴ Other than the Brand Licence Resolution in respect of which Virgin Holdings is conflicted.

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.

Please refer to Appendix 4 for further details on these anticipated cost synergies. The Quantified Financial Benefits Statement set out above has been reported on under the Takeover Code by Deloitte, and by CYBG's financial advisers, Morgan Stanley and Deutsche Bank. Each of Deloitte, Morgan Stanley and Deutsche Bank has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included. Copies of their reports are included in Parts B and C of Appendix 4. References in this Announcement to the anticipated synergies should be read in conjunction with Appendix 4.

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 Announcement, 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.

5. Virgin Money recommendation

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 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.

Accordingly, the Independent Virgin Money Directors intend unanimously to recommend that the Virgin Money Shareholders vote in favour of the resolutions relating to the Offer (including the Brand Licence Resolution) at the Virgin Money Meetings (or in the event that the Offer is implemented by Takeover Offer, to accept or procure acceptance of such offer), 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 15 June 2018, being the last Business Day before the date of this Announcement).

Further details of these irrevocable undertakings are set out in Appendix 3.

6. Background to and reasons for the 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 31 March 2018, Virgin Money had total loans outstanding of approximately £37 billion and just over 3,200 employees serving 3.34 million customers across 74 UK-wide stores and 8 lounges⁵.

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 per cent with a 13.8 per cent CET1 ratio as at 31 December 2017.

The Independent Virgin Money Directors 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.

⁵ Based on 78 physical locations, of which 4 are hybrid stores and lounges.

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 306 pence per CYBG Share on 15 June 2018 (being the last Business Day before the date of this Announcement), the Offer values each Virgin Money Share at 371 pence, representing⁶:
 - a premium of 19 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 35 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 IPO of 37 per cent.; and
 - a valuation multiple of approximately 1.28 times Virgin Money's Tangible Book Value per share at 31 December 2017.
- 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

⁶ At a CYBG Closing Price of 318 pence per CYBG Share on 4 May 2018 (being the last Business Day prior to the commencement of the Offer Period), the Offer values each Virgin Money Share at 386 pence representing a premium of 23 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 40 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 its IPO of 42 per cent.; and a valuation multiple of 1.33 times Virgin Money's Tangible Book Value per share at 31 December 2017.

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.

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; 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. Today's Announcement 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.

Following careful consideration of the above factors, the Independent Virgin Money Directors intend to recommend that Virgin Money Shareholders accept the Offer.

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

Throughout integration, 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.

Board of the Combined Group

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, CEO of Virgin Money 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 has agreed, in principle, to support the Combined Group as a senior adviser to the CEO (in a consultancy role) for a period of time beyond completion of the Offer, on terms to be agreed.

It has been agreed that two of the non-executive directors currently on the Virgin Money Board, as well as one non-executive director nominated by Virgin Enterprises pursuant to its rights under the Brand Licence Agreement, will become members of the CYBG Board on completion of the Offer, subject to the usual regulatory approvals. The remaining non-executive directors of Virgin Money will step down at completion of the Offer.

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.

Jayne-Anne Gadhia (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 with Virgin Money which will take effect from completion of the Offer. The settlement agreement has been agreed between the Virgin Money CEO and Virgin Money.

The current directors' remuneration policy of Virgin Money does not provide for executive directors to receive redundancy payments on the same basis as all the other employees of the Virgin Money Group in accordance with the Virgin Money Group's current redundancy policy. To remove this difference in treatment, Virgin Money will propose to Virgin Money Shareholders at the Virgin Money General Meeting an amendment to the directors' remuneration policy to permit the payment of redundancy payments to Virgin Money executive directors on the same basis as other employees. If the resolution is passed by Virgin Money Shareholders, a redundancy payment will be made to the Virgin Money CEO pursuant to the terms of the settlement agreement. Further details of the resolution to be put to the Virgin Money Shareholders (the passing of which will not be a condition to the Scheme) will be set out in the Scheme Document.

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

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 above will be treated as post-offer intention statements by CYBG for the purpose of Rule 19.6 of the Takeover Code.

8. Dividends

If Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of this 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 a dividend of up to 2.3 pence per Virgin Money Share in the event that such a dividend is declared by the Virgin Money Directors and paid in respect of Virgin Money's six month interim period ending 30 June 2018.

As noted above, given the expected strong capital generation, the CYBG Directors believe the Combined Group should be well placed to accelerate both CYBG and Virgin Money's progressive dividend ambitions.

9. Information relating to 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. Clydesdale Bank is also one of only a small number of banks in the world that issues banknotes.

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 provided 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 40 business and private customer banking centres (including 32 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 Post Office's c.11,500 branches, proprietary 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.

10. **Current trading of CYBG**

Since CYBG's Interim Financial Report was announced on 15 May 2018, the CYBG Group's financial performance has been in line with management's expectations.

11. **Information relating to 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 over 3.34 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 74 stores and eight lounges⁷. 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, with additional offices in London, Edinburgh, Norwich and Chester. 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 March 2018, Virgin Money had customer deposits of £31.1 billion and loans and advances to customers of £36.9 billion.

For the 52 weeks 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.

⁷ Based on 78 physical locations, of which 4 are hybrid stores and lounges.

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.

12. Current trading of Virgin Money

Since Virgin Money's Q1 2018 trading update announcement on 1 May 2018, Virgin Money's financial performance has been in line with management's expectations.

13. 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 Australian Securities Exchange.

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.

14. 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 ceases as at the date of this 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 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 between CYBG and Virgin Money

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 Appendix 1 to this Announcement.

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):

- (i) if CYBG and Virgin Money so agree in writing;
- (ii) upon service of written notice by either party to the other party;
 - (a) 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;

- (b) 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;
- (c) unless otherwise agreed by the parties in writing, if the Effective Date has not occurred by the Long Stop Date;
- (d) if Virgin Money makes an announcement prior to the publication of the Scheme Document that the Independent Virgin Money Directors no longer intend to recommend the Offer; or
- (e) if CYBG makes an announcement prior to the publication of the Circular that the CYBG Directors no longer intend to recommend the Offer.

15. **Ratings and Outlook**

CYBG's long-term credit ratings and outlook as at 15 June 2018 were BBB- Stable and BBB+ Stable (S&P and Fitch respectively). Its subsidiary, Clydesdale Bank PLC's, long-term credit ratings and outlook were Baa1 Positive, BBB+ Stable and BBB+ Stable, (Moody's, S&P and Fitch respectively).

Virgin Money long-term credit ratings and outlook as at 7 June 2018/5 March 2018 were Baa3 Stable/BBB+ Stable (Moody's/Fitch). Its subsidiary, Virgin Money plc, had long-term credit ratings as at 7 June 2018/7 September 2017 of Baa2 Stable/BBB+ Stable (Moody's/Fitch).

As at 18 June 2018, there had been no changes to these long-term credit ratings or outlooks since commencement of the Offer.

16. **Virgin Money Share Plans**

The Offer will extend to any Virgin Money Shares unconditionally allotted, issued or transferred prior to the Scheme Record Time to satisfy the vesting or exercise of options and awards granted under the Virgin Money Share Plans.

Appropriate proposals will be made in due course to participants in the Virgin Money Share Plans. Details of these proposals will be set out in the Scheme Document and in separate letters to be sent to the participants in the Virgin Money Share Plans.

17. **Scheme process and publication of the Scheme Document and the Prospectus**

It is intended that the Offer will be implemented by way of a Court sanctioned scheme of arrangement between Virgin Money and Virgin Money Shareholders, made under Part 26 of the 2006 Act (although CYBG reserves the right to implement the Offer by way of a Takeover Offer, subject to the Panel's consent and to the terms of the Co-operation Agreement). The procedure involves, among other things, an application by Virgin Money to the Court to sanction the Scheme, in consideration for which the Virgin Money Scheme Shareholders will receive the New CYBG Shares. 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 representing not less than 75 per cent. in value of the relevant Virgin Money Shareholders present and voting in person or by proxy at the Court Meeting, which is convened by order of the Court, and the passing of the Resolutions necessary to implement the Offer at the Virgin Money General Meeting. The Scheme must also be sanctioned by the Court.

The Conditions in paragraphs 1 and 2 of Appendix 1 to this Announcement 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 to be set out in the Scheme Document in due course (or such later date as may be agreed between CYBG and Virgin Money);
- the Court sanction hearing to approve the Scheme is not held by the 22nd day after the expected date of the Court sanction to be set out in the Scheme Document in due course (or such later date as may be agreed between CYBG and Virgin Money);
- 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).

In addition to these approvals, the Scheme is subject to (among other things) approval of the CYBG Shareholders and the receipt of certain regulatory clearances. The Scheme is also subject to the other Conditions set out in Appendix 1 to this Announcement, and to the full terms and conditions to be set out in the Scheme Document.

If any Condition in paragraphs 2(a) and (b) and 3 to 16 of Appendix 1 to this Announcement is not capable of being satisfied by the date specified therein, 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 date so specified, 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.

Upon the Scheme becoming Effective: (i) it will be binding on all Virgin Money 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 Virgin Money Scheme Shareholders no later than 14 days after the Effective Date.

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the Virgin Money General Meeting. The Scheme Document will also contain the expected timetable for the Offer, and will specify the necessary actions to be taken by the Virgin Money Shareholders. Subject to the Scheme

Document being posted to Virgin Money Shareholders and, for information only, to persons with information rights and to holders of options granted under the Virgin Money Share plans, as soon as practicable following the date of this Announcement (subject to the availability of the Court to approve the Scheme Document for posting), the Panel has consented to a posting date later than 28 days following this Announcement.

CYBG will be required to make the Prospectus available to the public in accordance with the Prospectus Rules. The Prospectus will contain information on the Combined Group and the New CYBG Shares. It is intended that the Prospectus will be published at the same time as the Scheme Document is posted to Virgin Money Shareholders.

Once the necessary approvals from Virgin Money Shareholders and CYBG Shareholders have been obtained and the other Conditions have been satisfied or (where applicable) waived and the Scheme has been approved by the Court, the Scheme will become Effective upon delivery of the Court Order to the Registrar of Companies. Subject to the satisfaction of the Conditions, the Scheme is expected to become Effective during calendar Q4 of 2018.

The Scheme will be governed by English law and will be subject to the jurisdiction of the Courts of England and Wales. The Scheme will also be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.

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 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.

In relation to the Condition in paragraph 7(b) of Appendix 1, 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).

18. Interests in Virgin Money

As at close of business on 14 June 2018 (being the last practicable date prior to the date of this Announcement), neither CYBG, nor any of the CYBG Directors, nor any member of the CYBG Group, nor, so far as the CYBG Directors are aware, any person acting in concert with CYBG for the purposes of the Offer, had:

- (a) any interest in, or right to subscribe for, any relevant securities of Virgin Money;

- (b) any short position in (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 of, any relevant securities of Virgin Money; or
- (c) borrowed or lent, or entered into any financial collateral arrangements or dealing arrangements in respect of, any relevant securities of Virgin Money.

19. CYBG General Meeting and CYBG recommendation

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

It is expected that the Circular, containing details of the Offer and notice of the CYBG General Meeting, will be posted to CYBG Shareholders at or around the same time as the Scheme Document is posted to Virgin Money Shareholders, with the CYBG General Meeting held at or around the same time as the Virgin Money Meetings.

The CYBG Board considers the Offer to be in the best interests of CYBG and the CYBG Shareholders as a whole and intend unanimously to recommend that CYBG Shareholders vote in favour of the resolutions to approve the Offer 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 476,988 CYBG Shares (representing approximately 0.054 per cent. of the issued ordinary share capital of CYBG as at 15 June 2018, being the last Business Day before the date of this Announcement).

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.

Details of undertakings given by the CYBG Directors are set out in Appendix 3.

20. Delisting and cancellation of trading

It is intended that the London Stock Exchange and the FCA will be requested respectively to cancel trading in Virgin Money Shares on the Main Market and the listing of the Virgin Money Shares from the Official List on the Effective Date.

If the Offer is effected by way of a Takeover Offer, it is anticipated that the cancellation of Virgin Money's listing on the Official List and admission to trading on the London Stock Exchange's market for listed securities will take effect no earlier than 20 Business Days following the date on which the Takeover Offer becomes or is declared unconditional in all respects provided CYBG has obtained 75 per cent. or more of the voting rights of Virgin Money.

Delisting would significantly reduce the liquidity and marketability of any Virgin Money Shares not assented to the Offer at that time. If the Offer is effected by way of a Takeover Offer and such Takeover Offer becomes or is declared unconditional in all

respects and sufficient acceptances are received, CYBG intends to exercise its rights to acquire compulsorily the remaining Virgin Money Shares in respect of which the Takeover Offer has not been accepted.

21. Listing and dealings

Application 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 first Business Day following 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.

22. Overseas Shareholders

The availability of the Offer and the New CYBG Shares and the distribution of this Announcement to Virgin Money Shareholders who are not resident in the United Kingdom or the United States may be affected by the laws of the relevant jurisdiction in which they are located. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. Virgin Money Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement does not constitute an offer for sale for any securities or an offer or an invitation to purchase any securities. Virgin Money Shareholders are advised to read carefully the Scheme Document and related forms of proxy once these have been dispatched.

23. Documents

Copies of the following documents will be available promptly on CYBG's and Virgin Money's websites, subject to certain restrictions relating to persons residing in Restricted Jurisdictions, at www.cybg.com/cybg-update/ and <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/> respectively and in any event by no later than noon on 19 June 2018:

- (a) this Announcement;
- (b) the irrevocable undertakings listed in Appendix 3;
- (c) the Virgin Money Confidentiality Agreement;
- (d) the Virgin Holdings Confidentiality Agreement; and
- (e) the Co-operation Agreement.

The content of any website referred to in this Announcement is not incorporated into and does not form part of this Announcement.

24. General

The Offer will be on the terms and subject to the conditions set out herein and in Appendix 1, and to be set out in the Scheme Document.

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 after the date of this Announcement.

The New CYBG Shares to be issued pursuant to the Offer are not being offered to the public by means of this Announcement.

Morgan Stanley is acting as financial adviser and corporate broker to CYBG. Deutsche Bank is also acting as financial adviser to CYBG. Macquarie is acting as corporate broker to CYBG. Deloitte is acting as reporting accountants for CYBG. Clifford Chance LLP is acting as legal adviser to CYBG.

Goldman Sachs is acting as lead financial adviser and corporate broker to Virgin Money. Citi is acting as financial adviser and corporate broker to Virgin Money. Allen & Overy LLP is acting as legal adviser to Virgin Money.

The bases and sources for certain financial information contained in this Announcement are set out in Appendix 2. Details of undertakings received by CYBG and given by the CYBG Directors are set out in Appendix 3. Information relating to the anticipated quantified financial benefits of the Offer is set out in Appendix 4. Certain definitions and terms used in this Announcement are set out in Appendix 5.

For the purposes of Rule 28 of the Takeover Code, quantified financial benefits statements contained in this Announcement are the responsibility of CYBG and the CYBG Directors. Appendix 4 sets out the anticipated quantified financial benefits statements relating to cost savings and synergies arising out of the Offer and provides underlying information and bases of belief. Appendix 4 also includes reports from CYBG's reporting accountant, Deloitte, and its joint financial advisers, Morgan Stanley and Deutsche Bank, in connection with anticipated quantified financial benefits statements, as required pursuant to Rule 28.1(a) of the Takeover Code, and provides underlying information and bases for the accountant's and advisers' respective reports. Each of Deloitte, Morgan Stanley and Deutsche Bank has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.

Enquiries:

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Clifford Chance LLP is retained as legal adviser to CYBG. Allen & Overy LLP is retained as legal adviser to Virgin Money.

Further information

This Announcement is not intended to, and does not, 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 in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Scheme Document, which will contain the full terms and conditions of the Offer, including details of how to vote in respect of the Offer. Any vote or other response to the Offer should be made only on the basis of the information in the Scheme Document.

CYBG will prepare the Circular to be distributed to CYBG Shareholders and will also publish the Prospectus containing information on the New CYBG Shares and the Combined Group. CYBG urges Virgin Money Shareholders to read the Scheme Document and the Prospectus carefully when they become available because they will contain important information in relation to the Offer, the New CYBG Shares and the Combined Group. CYBG urges CYBG Shareholders to read the Circular and the Prospectus carefully when they become available. Any vote in respect of the resolutions to be proposed at the Virgin Money Meetings or the CYBG General Meeting to approve the Offer, the Scheme, the Brand Licence Resolution or related matters, should be made only on the basis of the information contained in the Scheme Document, the Prospectus and, in the case of CYBG Shareholders, the Circular.

The New CYBG Shares to be issued pursuant to the Offer are not being offered to the public by means of this Announcement.

This Announcement does not constitute a prospectus or prospectus equivalent document.

Important notices relating to financial advisers

*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 ("**Deutsche Bank**") is acting as financial adviser to CYBG and no other person in connection with this Announcement 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 Announcement. 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 Announcement, 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 Announcement 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 Announcement.

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 will not be responsible to anyone other than Virgin Money for providing the protections afforded to clients of Goldman Sachs International, or for giving advice in connection with the Offer or any matter or arrangement referred to in this Announcement.

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 Announcement and will not regard any other person as its client in relation to the matters in this Announcement 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.

Restricted Jurisdictions

This Announcement has been prepared in accordance with English law, the Takeover Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction. If the Offer is implemented by way of a Takeover Offer (unless otherwise determined by CYBG and permitted by applicable law and regulation), the Takeover Offer may not be communicated, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, by mail, telephonically or electronically by way of internet or otherwise) of interstate or foreign commerce of, or any facilities of a national, state or securities

exchange of, any Restricted Jurisdiction and the Takeover Offer may not be capable of acceptance by any such use, means, instrumentality or otherwise.

Further details in relation to Virgin Money Shareholders in overseas jurisdictions will be contained in the Scheme Document.

Forward-looking statements

This Announcement (including information incorporated by reference in this Announcement), 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 Announcement 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 Announcement. 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 Announcement will actually occur. Forward looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this Announcement 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 Announcement 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.

Quantified financial benefits

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 Announcement 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.

Additional information for US investors

US holders of Virgin Money Shares should note that the Offer relates to the securities of a UK company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Offer will be subject to

UK procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in England listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in this Announcement and other documentation related to the Offer has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If CYBG exercises its right, in the circumstances provided for in this Announcement, to implement the Offer by way of a Takeover Offer, such Takeover Offer will only be made in the United States if an exemption from the registration requirements of the US Securities Act is available.

The New CYBG Shares to be issued pursuant to the Offer have not been registered under the US Securities Act or under any laws or with any securities regulatory authority of any state, district or other jurisdiction, of the United States, and may only be offered or sold in the United States in reliance on an exemption from registration requirements of the US Securities Act including in the case of the proposed scheme of arrangement, Section 3(a)(10) thereunder.

Neither the SEC nor any US state securities commission has approved or disapproved of the New CYBG Shares to be issued in connection with the Offer or determined if this Announcement is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of Virgin Money Shares to enforce their rights and claims arising out of the US federal securities laws, since CYBG and Virgin Money are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US holders of Virgin Money Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of 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 judgement.

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 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm 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 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, 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 Announcement 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/ and on Virgin Money's website at <https://uk.virginmoney.com/virgin/investor-relations/offer-from-cybg/> promptly and in any event by no later than 12 noon on 19 June 2018. The content of the websites referred to in this Announcement is not incorporated into and does not form part of this Announcement.

Request for hard copies

CYBG Shareholders may, subject to applicable securities laws, request a hard copy of this Announcement (and any information incorporated into it by reference to another source) by contacting CYBG's registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ with an address to which the hard copy may be sent.

CYBG Shareholders 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.

Virgin Money Shareholders may, subject to applicable securities laws, request a hard copy of this Announcement (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 with an address to which the hard copy may be sent. Virgin Money Shareholders 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 Announcement 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 Financial Services and Markets Act 2000 (as amended) 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 Announcement 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 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.

APPENDIX 1

CONDITIONS AND CERTAIN FURTHER TERMS OF THE OFFER

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

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 will be 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 to be set out in the Scheme Document in due course (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 to be set out in the Scheme Document in due course (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 to be set out in the Scheme Document in due course (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 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 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 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 2006 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, 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;
- (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

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 2006 Act to acquire compulsorily any outstanding Virgin Money Shares to which such Takeover Offer relates.

Part 4: Certain further terms of the Offer

1. 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.
2. 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 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.
3. 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 this Announcement. Save for an interim dividend of up to 2.3 pence (net) per Virgin Money Share in respect of the period ending 30 June 2018, if any dividend or other distribution is announced, declared, made or paid in respect of the Virgin Money Shares on or after the date of this Announcement, CYBG reserves the right to reduce the terms of the Offer by the aggregate amount of any such dividend or other distribution. To the extent that a dividend or other distribution is announced, declared, made or paid 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.
4. The Offer will lapse if there is a Phase 2 CMA Reference before the Virgin Money Meetings. In such event, Virgin Money will not be bound by the terms of the Scheme.
5. 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 Virgin Money Meetings. In such event, Virgin Money will not be bound by the terms of the Scheme.

6. The Offer will be governed by English law and be subject to the jurisdiction of the English courts and to the Conditions set out in this Announcement and in the Scheme Document.
7. 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 this Announcement is accurate or complete. Any representation to the contrary is a criminal offence.

APPENDIX 2

SOURCES AND BASES OF INFORMATION

Unless otherwise stated in this Announcement:

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 546,915,829 New CYBG Shares for Virgin Money's 451,064,601 ordinary shares on a fully diluted basis (comprising 445,442,008 Virgin Money Shares currently in issue, at 15 June 2018, being the latest Business Day before the date of this Announcement, and a maximum of 5,622,593 Virgin Money Shares which may be issued on or after the date of this Announcement on the exercise of options or vesting of awards under the Virgin Money Share Plans (based on outstanding options and awards of 7,601,912 as at 15 June 2018 less 1,979,319 shares held by Virgin Money's Employee Benefit Trust, Wealth Nominees Limited as at 15 June 2018)), giving a pro forma share count for the Combined Group of 1,432,106,805.
2. Based on an exchange ratio of 1.2125 New CYBG Shares in exchange for each Virgin Money Share and the Closing Price of 306 pence per CYBG Share on 15 June 2018 (being the last Business Day before the date of this Announcement), the Offer values each Virgin Money Share at 371 pence and Virgin Money's ordinary shares on a fully diluted basis at approximately £1.7 billion.
3. Based on 885,190,976 CYBG Shares in issue as of 15 June 2018 and the Closing Price of 306 pence per CYBG share on 15 June 2018 (being the last Business Day before the date of this Announcement), the market capitalisation of CYBG is approximately £2.7 billion.
4. On the date of this Announcement 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 audited consolidated 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.
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 Benefits Statement contained in this Announcement is provided in Appendix 4 to this Announcement.
12. The reference in paragraph 7 of this Announcement 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.
13. Certain figures included in this Announcement have been subject to rounding adjustments.

APPENDIX 3
DETAILS OF IRREVOCABLE UNDERTAKINGS

1. Virgin Money Directors

The following Virgin Money Directors have given irrevocable undertakings to vote in favour of the resolutions relating to the Offer at the Virgin Money Meetings in respect of their own beneficial holdings (or those Virgin Money Shares over which they have control) of Virgin Money Shares:

Name	Total Number of Virgin Money Shares	Percentage of existing issued share capital
Jayne-Anne Gadhia	2,253,876	0.506%
Peter Bole	111,093	0.025%
Norman McLuskie	90,080	0.020%
Colin Keogh	157,260	0.035%

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) the Scheme Document is not published within 28 days (or such longer period as the Panel may agree) of the date of the Announcement;
- (b) CYBG publicly announces before the Scheme Document is posted, that it does not intend to proceed with the Offer and no new, revised or replacement Scheme or Takeover Offer is contemporaneously announced by CYBG and/or Virgin Money;
- (c) 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);
- (d) the Circular does not contain a unanimous recommendation from the Virgin Money Board to Virgin Money Shareholders to approve the Resolutions proposed at the Virgin Money General Meeting;
- (e) 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
- (f) 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).

2. Virgin Holdings

Virgin Holdings has given an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Resolutions (excluding the Brand Licence Resolution) at the Virgin Money General Meeting in respect of its holdings of Virgin Money Shares:

Name	Total Number of Virgin Money Shares	Percentage of existing issued share capital
Virgin Holdings	155,120,454	34.82

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 Document is not published within 28 days (or such longer period as the Panel may agree) of the date of the Announcement;
- (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;
- (c) 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;
- (d) 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
- (e) 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.

3. 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):

Name	Total Number of CYBG Shares	Percentage of existing issued share capital
David Bennett	16,386	0.002%
David Browne	5,000	0.001%
Debbie Crosbie	110,475	0.012%
David Duffy	144,846	0.016%

Adrian Grace	16,220	0.002%
Fiona Macleod	7,000	0.001%
Jim Pettigrew	50,000	0.006%
Ian Smith	107,061	0.012%
Tim Wade	20,000	0.002%

The obligations of the CYBG Directors under the irrevocable undertakings 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; or
- (b) 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).

APPENDIX 4 QUANTIFIED FINANCIAL BENEFITS STATEMENT

PART A - QUANTIFIED FINANCIAL BENEFITS STATEMENT

Paragraph 4 of this Announcement 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

As required by Rule 28.1(a) of the Takeover Code, Deloitte, as reporting accountants to CYBG, and Morgan Stanley and Deutsche Bank, as financial advisers to CYBG, have provided the opinions required under that Rule. Copies of these reports are included at Parts B and C of this Appendix 4. Each of Deloitte, Morgan Stanley and Deutsche Bank has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.

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 Announcement 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.

PART B - REPORT FROM DELOITTE



Deloitte LLP
Athene Place
66 Shoe Lane
London
EC4A 3BQ

The Board of Directors
on behalf of CYBG PLC
40 St Vincent Place
Glasgow
G1 2HL

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

Deutsche Bank AG, London Branch
Winchester House
Great Winchester Street
London
EC2N 2DB

18 June 2018

Dear Sirs

OFFER FOR VIRGIN MONEY HOLDINGS (UK) PLC (the "Target") BY CYBG PLC (the "Offeror")

We report on the statement made by the directors of CYBG PLC (the "Directors") of synergy benefits set out in Part A of Appendix 4 to the Rule 2.7 Announcement (the "Announcement") issued by the Offeror (the "Quantified Financial Benefits Statement" or the "Statement"). The Statement has been made in the context of the disclosures within Part A of Appendix 4 setting out, inter alia, the basis of the Directors' belief (identifying the principal assumptions and sources of information) supporting the Statement and their analysis, explanation and quantification of the constituent elements.

Responsibilities

It is the responsibility of the Directors to prepare the Statement in accordance with Rule 28 of the City Code on Takeovers and Mergers (the "Takeover Code").

It is our responsibility to form our opinion, as required by Rule 28.1(a) of the Takeover Code, as to whether the Statement has been properly compiled on the basis stated and to report that opinion to you.

This report is given solely for the purposes of complying with Rule 28.1(a)(i) of the Takeover Code and for no other purpose. Therefore, to the fullest extent permitted by law we do not assume any other responsibility to any person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the Takeover Code, consenting to its inclusion in the Announcement.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

Our work included considering whether the Statement has been accurately computed based upon the disclosed bases of belief (including the principal assumptions). Whilst the bases of belief (and the principal assumptions) upon which the Statement is based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the bases of belief (or principal assumptions) adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Statement have not been disclosed or if any basis of belief (or principal assumption) made by the Directors appears to us to be unrealistic. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Quantified Financial Benefits Statement has been properly compiled on the basis stated.

Since the Statement (and the principal assumptions on which it is based) relates to the future, the actual synergy benefits achieved are likely to be different from those anticipated in the Statement and the differences may be material. Accordingly, we can express no opinion as to the achievability of the synergy benefits identified by the Directors in the Statement.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. We have not consented to the inclusion of this report and our opinion in any registration statement filed with the SEC under the US Securities Act of 1933 (either directly or by incorporation by reference) or in any offering document enabling an offering of securities in the United States (whether under Rule 144A or otherwise). We therefore accept no responsibility to, and deny any liability to, any person using this report and opinion in connection with any offering of securities inside the United States of America or who makes a claim on the basis they had acted in reliance on the protections afforded by United States of America law and regulation.

Opinion

In our opinion, based on the foregoing, the Quantified Financial Benefits Statement has been properly compiled on the basis stated.

Yours faithfully

Deloitte LLP

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PART C - REPORTS FROM MORGAN STANLEY AND DEUTSCHE BANK

The Directors,
CYBG PLC,
40 St Vincent Place,
Glasgow,
G1 2HL

18 June 2018

Dear Ladies and Gentlemen,

Quantified Financial Benefits Statement of CYBG PLC ("CYBG")

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the "**Statement**") as set out in Part A of Appendix 4 of the Rule 2.7 announcement dated 18 June 2018 (the "**Announcement**"), for which the board of directors of CYBG (the "**Directors**") are solely responsible under Rule 28.3 of the UK City Code on Takeovers and Mergers (the "**Code**").

We have discussed the Statement (including the assumptions, bases of calculation and sources of information referred to therein) with the Directors and those officers and employees of CYBG who developed the underlying plans as well as with Deloitte LLP ("**Deloitte**"). The Statement is subject to uncertainty as described in the Announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of CYBG, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the quantified financial benefits identified by the Directors.

We have also reviewed the work carried out by Deloitte and have discussed with them the opinion set out in Part B of Appendix 4 of the Announcement addressed to yourselves and ourselves on this matter, and the bases of calculation for the Statement.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to CYBG or its shareholders or any person other than the Directors in respect of the contents of this letter. We are acting exclusively as financial advisers to CYBG and no one else in connection with the offer by CYBG for Virgin Money and it was for the purpose of complying with Rule 28.1(a)(ii) of the Code that CYBG requested Morgan Stanley & Co. International plc and Deutsche Bank AG, London Branch to prepare this report on the Statement. No person other than the Directors can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this

letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which you as the Directors are solely responsible for purposes of Rule 28 of the Code, has been prepared with due care and consideration.

Yours faithfully,

Morgan Stanley & Co. International plc

Deutsche Bank AG, London Branch

APPENDIX 5 DEFINITIONS

The following definitions apply throughout this Announcement unless the context otherwise requires:

"2006 Act"	the Companies Act 2006, as amended from time to time
"Admission"	the admission of the New CYBG Shares by the FCA to the Official List and to trading on the London Stock Exchange's main market for listed securities
"Announcement"	this announcement
"Annual Report and Accounts of CYBG"	the annual report and audited accounts of CYBG for the year ended 30 September 2017
"Annual Report and Accounts of Virgin Money"	the annual report and audited accounts of Virgin Money for the year ended 31 December 2017
"API"	application programming interface
"associated undertaking"	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)
"ASX"	the Australian Securities Exchange
"Authorisations"	authorisations, orders, grants, recognitions, confirmations, consents, licences, clearances, certificates, permissions or approvals
"BCA"	business current accounts
"Brand Licence Agreement"	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
"Brand Licence Resolution"	approval of the Brand Licence Agreement for the purposes of Rule 16 of the Takeover Code and Chapter 11 of the Listing Rules

"Business Day"	a day, not being a public holiday, Saturday or Sunday, on which banks in London and Edinburgh are open for normal business
"Capability and Innovation Fund"	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
"Circular"	the circular to be sent by CYBG to the CYBG Shareholders summarising the background to and reasons for the Offer which include a notice convening the CYBG General Meeting
"Citi "	Citigroup Global Markets Limited
"Closing Price(s)"	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
"CMA"	the Competition and Markets Authority of the UK
"Combined Group"	the enlarged group following the Offer comprising the CYBG Group and the Virgin Money Group
"Condition(s)"	the conditions of the Offer, as set out in Appendix 1 to this Announcement and to be set out in the Scheme Document
"Co-operation Agreement"	the co-operation agreement dated 18 June 2018 between CYBG and Virgin Money, as described in paragraph 14 of this Announcement
"Court"	the High Court of Justice of England and Wales
"Court Hearing"	the Court hearing at which Virgin Money will seek an order sanctioning the Scheme pursuant to Part 26 of the Companies Act
"Court Meeting"	the meeting or meetings of Virgin Money Shareholders to be convened at the direction of the Court pursuant to Part 26 of the 2006 Act at which a resolution will be proposed to approve the Scheme, including any adjournment,

	postponement or reconvention thereof
"Court Order"	the order of the Court sanctioning the Scheme under Part 26 of the 2006 Act
"CREST"	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
"CYBG"	CYBG PLC
"CYBG Directors" or "CYBG Board"	the directors of CYBG as at the date of this Announcement or, where the context so requires, the directors of CYBG from time to time
"CYBG General Meeting"	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
"CYBG Group"	CYBG and its subsidiary undertakings from time to time and where the context permits, each of them
"CYBG Shareholders"	holders of CYBG Shares
"CYBG Shares(s)"	the existing CYBG ordinary shares of 0.1 pence each in the capital of CYBG
"Daily Official List"	means the daily official list of the London Stock Exchange
"DC Option"	the option over Virgin Money Shares granted to Sir David Clementi by Virgin Money on 7 October 2011
"Dealing Disclosure"	an announcement pursuant to Rule 8 of the Takeover Code containing details of dealings in relevant securities of a party to an Offer
"Deloitte"	Deloitte LLP
"Deutsche Bank"	Deutsche Bank AG, acting through its London Branch
"Disclosed"	the information which has been fairly disclosed by or on behalf of Virgin Money: (i) prior to the date of this Announcement to CYBG or CYBG's

	<p>professional advisers (in their capacity as such in relation to the Offer); (ii) in the Annual Report and Accounts of Virgin Money; (iii) in this Announcement; or (iv) in any other public announcement made by Virgin Money prior to the date of this Announcement in accordance with the Market Abuse Regulation, Listing Guidance and Disclosure Guidance and Transparency Rules after 31 December 2017 and prior to the date of this announcement in accordance with the Market Abuse Regulation, Listing Rules, Disclosure Guidance and Transparency Rules</p>
"Disclosure Guidance and Transparency Rules"	<p>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</p>
"EC"	<p>the European Commission of the European Union</p>
"Effective"	<p>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</p>
"Effective Date"	<p>the date on which the Offer becomes Effective</p>
"EIR"	<p>Effective Interest Rate</p>
"Eurozone"	<p>the Member States of the European Union that have adopted the euro as their common currency and sole legal tender</p>
"Excluded Shares"	<p>any Virgin Money Shares beneficially owned by CYBG or any other member of the CYBG Group</p>
"Existing Brand Licence Agreement"	<p>the trade mark licence deed between Virgin Enterprises and Virgin Money dated 1 October 2014, as amended and restated on 25 July 2016</p>
"Existing CYBG Shares"	<p>the CYBG Shares in issue as at the date of this Announcement</p>

"FCA"	Financial Conduct Authority or its successor from time to time
"FCA Handbook"	the FCA's Handbook of rules and guidance as amended from time to time
"First Quarter Date"	whichever of 1 January, 1 April, 1 July and 1 October is the first date to occur following completion of the Offer
"FSMA"	the Financial Services and Markets Act 2000 (as amended from time to time)
"FTEs"	full time equivalent employees
"Goldman Sachs"	Goldman Sachs International
"IFRS"	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
"Independent Virgin Money Directors"	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
"Independent Virgin Money Shareholders"	the Virgin Money Shareholders excluding Virgin Holdings
"Initial Period"	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
"Intra-Virgin Money Group Transactions"	transactions between Virgin Money and its wholly owned subsidiaries or between such wholly owned subsidiaries within the Virgin Money Group
"IRB"	Internal Ratings Based
"Listing Rules"	the listing rules, made by the FCA under Part 6 FSMA, as amended from time to time
"Long Stop Date"	31 January 2019

"London Stock Exchange"	the London Stock Exchange plc or its successor
"LSE Admission Standards"	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to trading on the London Stock Exchange's market for listed securities
"Macquarie"	Macquarie Capital (Europe) Limited
"Main Market"	the Main Market of the London Stock Exchange
"Market Abuse Regulation"	Regulation (EU) No. 597/2014 of the European Parliament and the Council of 16 April 2014 on market abuse
"Merger Notice"	a notice to the CMA in the prescribed form as contemplated by section 96 Enterprise Act 2002
"Morgan Stanley"	Morgan Stanley & Co. International plc
"New CYBG Shares"	the CYBG Shares proposed to be issued credited as fully paid pursuant to the Offer
"Offer" or "Combination"	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
"Offer Period"	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
"Official List"	the Official List maintained by the FCA pursuant to Part 6 of FSMA
"Open Banking"	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
"Opening Position Disclosure"	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
"Overseas Shareholders"	shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom

"Panel"	the Panel on Takeovers and Mergers
"Payment Services Directive 2"	the second Payment Services Directive ((EU) 2015/2366), as amended from time to time, which replaced the original Payment Services Directive (2007/64/EC)
"PCA"	personal current accounts
"Phase 2 CMA Reference"	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
"Post Office"	Post Office Ltd
"PRA"	the Prudential Regulation Authority or its successor from time to time
"Prospectus"	the prospectus relating to CYBG to be published in respect of the New CYBG Shares to be issued in connection with the Offer
"Quantified Financial Benefits Statement"	the statement described as such and set out in Appendix 4
"Registrar of Companies"	the Registrar of Companies in England and Wales
"Regulatory Information Service"	a regulatory information service as defined in the FCA Handbook
"relevant securities"	shall be construed in accordance with the Takeover Code
"Resolutions"	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)
"Restricted Jurisdiction(s)"	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
"RWA"	risk weighted assets

"Scheme"	the proposed scheme of arrangement under Part 26 of the 2006 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
"Scheme Document"	the document to be sent to Virgin Money Shareholders and persons with information rights containing, amongst other things, the Scheme and notices of the Virgin Money Meetings and proxy forms in respect of the Virgin Money Meetings
"Scheme Record Time"	the time and date to be specified in the Scheme Document, expected to be 6.00 p.m. on the Business Day immediately prior to the date of the Court Hearing
"Scheme Voting Record Time"	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined
"SME"	micro, small and medium-sized enterprises
"subsidiary", "subsidiary undertaking" and "undertaking"	shall be construed in accordance with the 2006 Act
"Takeover Code"	the Takeover Code issued by the Panel on Takeovers and Mergers, as amended from time to time
"Takeover Offer"	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 2006 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
"TSYS"	Total System Services, Inc.
"UK" or "United Kingdom"	United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	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
"US Exchange Act"	the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
"US Person"	a US person as defined in Regulation S under the US Securities Act
"US Securities Act"	the US Securities Act of 1933, as amended and the rules and regulations promulgated thereunder
"Virgin Enterprises"	Virgin Enterprises Limited
"Virgin Group"	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
"Virgin Holdings"	Virgin Group Holdings Limited
"Virgin Holdings Confidentiality Agreement"	the confidentiality agreement dated 22 May 2018 between CYBG and Virgin Holdings, as described in paragraph 14 of this Announcement
"Virgin Money"	Virgin Money Holdings (UK) plc
"Virgin Money Confidentiality Agreement"	the confidentiality agreement dated 21 May 2018 between CYBG and Virgin Money, as described in paragraph 14 of this Announcement
"Virgin Money DBSP"	the Virgin Money Deferred Bonus Share Plan
"Virgin Money Directors" or "Virgin Money Board"	the directors of Virgin Money as at the date of this Announcement or, where the context so requires, the directors of Virgin Money from time to time
"Virgin Money Foundation"	The Virgin Money Foundation
"Virgin Money General Meeting"	the general meeting of Virgin Money Shareholders including any adjournments thereof to be convened to consider and, if thought fit pass, the Resolutions in relation to the Offer (including the Brand Licence Resolution), including any adjournments thereof

"Virgin Money Group"	Virgin Money and its subsidiary undertakings from time to time and where the context permits, each of them
"Virgin Money LTIP"	the Virgin Money 2015 Long Term Incentive Plan
"Virgin Money Meetings"	the Court Meeting and the Virgin Money General Meeting
"Virgin Money Scheme Shareholders"	holders of Virgin Money Scheme Shares
"Virgin Money Scheme Shares"	Virgin Money Shares: <ul style="list-style-type: none"> a) in issue as at the date of the Scheme Document; b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and c) (if any) issued on or after the Scheme 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 thereof shall have agreed in writing to be bound by the Scheme, but in each case other than the Excluded Shares
"Virgin Money Share(s)"	the ordinary shares of 0.01 pence each in the capital of Virgin Money
"Virgin Money Share Plans"	the Virgin Money LTIP, the Virgin Money DBSP and the DC Option
"Virgin Money Shareholder(s)"	holders of Virgin Money Shares
"Voting Record Time"	the time and date to be specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined

"Wider CYBG Group"

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

"Wider Virgin Money Group"

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))

"£" or "pence"

the lawful currency of the United Kingdom

For the purposes of this Announcement, "subsidiary", "subsidiary undertaking", "undertaking" and "associated undertaking" have the meanings given by the 2006 Act.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by our under any other enactment before or after the date of this Announcement.

All times referred to are London time unless otherwise stated.