



[Address]

● September 2018

Dear [name]

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

1. BACKGROUND

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

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

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

1.2125 New CYBG Shares in exchange for each Virgin Money Share

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

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

2. IMPACT OF THE OFFER ON YOUR AWARDS

2.1 Court Sanction

Your DBSP Awards (and, where relevant, your LTIP Awards) will conditionally vest on Court Sanction. This means that, where performance conditions apply (i.e. in relation to LTIP Awards) the satisfaction of the

applicable performance conditions has been determined, and, save for the continuing PRA deferral requirements referred to below, all other vesting terms of your Awards will no longer apply.

2.2 Determination of performance conditions

The Virgin Money Remuneration Committee has determined the extent to which the LTIP performance conditions have been met, and the number of Virgin Money Shares in respect of which your Awards will conditionally vest on Court Sanction is set out in the Schedule.

Save for the continuing deferral requirements referred to below, there will be no other continuing vesting terms applicable to your Awards after Court Sanction.

2.3 Continuing deferral requirements

You will not become entitled to any Virgin Money Shares on Court Sanction, and your Awards will continue, conditionally vested, subject only to the applicable PRA deferral requirements (which are reflected in the original timetable of vesting of your Awards, as set out in the Schedule), until the expiry of the applicable deferral requirements, at which time your Awards will vest unconditionally. The Virgin Money Shares you will be entitled to receive on the vesting of your Awards are referred to in this Letter as your **Vested Shares**. As a reminder, you are not entitled to dividends in respect of the Virgin Money Shares subject to your Awards and this will remain the case during the deferral period.

2.4 Acquisition of Vested Shares by CYBG

Immediately following the unconditional vesting of your Awards on the expiry of the applicable deferral period, your Vested Shares will be automatically transferred to CYBG, in accordance with an amendment to Virgin Money's Articles of Association which has been approved by the shareholders of Virgin Money in connection with the Scheme. You will be entitled to 1.2125 New CYBG Shares for each of your Vested Shares, which is the same consideration due to all Virgin Money Shareholders under the Scheme.

2.5 Tax

On the unconditional vesting of your Awards on the expiry of the applicable deferral period, there will be a charge to PAYE income tax and National Insurance contributions on the market value of your Vested Shares (your **Payroll Tax Liability**). In accordance with the LTIP and DBSP rules as applicable, sufficient of your New CYBG Shares (the **Tax Shares**) may be sold on your behalf, to meet your Payroll Tax Liability and any associated share dealing costs, or alternatively, your Awards may be 'net-settled', such that the number of Virgin Money Shares to which you will become entitled on vesting is reduced by such number of Virgin Money Shares as have a value equal to your Payroll Tax Liability.

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

2.6 Settlement

The number of New CYBG Shares to which you are entitled on the unconditional vesting of your Awards (after your Payroll Tax Liability has been accounted for) will be transferred to your Equiniti Restricted Corporate Sponsored Nominee (CSN) account (or such other CSN as may be appointed to provide this service from time to time) within 14 days. Your New CYBG Shares will be subject to a holding period, in accordance

with the terms of your Awards (which is either six months or 12 months, depending on when your Awards were granted).

3. DO I NEED TO TAKE ANY ACTION?

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

4. CESSATION OF EMPLOYMENT WITH VIRGIN MONEY

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

If you cease to hold employment with Virgin Money prior to Court Sanction, your Awards may vest or may lapse in accordance with the rules of the LTIP and the DBSP as applicable, and you will be notified accordingly.

If you cease to hold employment with Virgin Money following Court Sanction, your Awards will continue and will vest following the expiry of the applicable deferral requirements, as described above.

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

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

6. WHAT IF I HAVE QUESTIONS?

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

Yours sincerely

Yours sincerely



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

Alison Kidd
on behalf of
CYBG PLC

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

TAX APPENDIX

The below tax summary is for guidance only and is based on existing UK law and current HMRC practice as at September 2018. If you are in any doubt about your tax position, and in particular if you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriately qualified independent professional advisor immediately.

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

1. Vesting of Awards

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

2. Acquisition of Vested Shares by CYBG under the Scheme

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

3. Disposal of New CYBG Shares

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