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.