

FROM: Virgin Group Holdings Limited ("**VGHL**")
TO: CYBG PLC ("**CYBG**")
and
Virgin Money Holdings (UK) plc ("**Virgin Money**")

18 June 2018

Dear Sirs

Proposed offer for Virgin Money by CYBG

1. Offer

In this undertaking (the "**Undertaking**"), the "**Offer**" means the proposed offer by or on behalf of CYBG for all the issued and to be issued ordinary share capital of Virgin Money, to be implemented by way of a court sanctioned scheme of arrangement (the "**Scheme**") under Part 26 of the Companies Act 2006 between Virgin Money and the holders of its ordinary shares, and substantially on the terms set out in the press announcement dated the same date as this Undertaking (subject to the inclusion of any alternative or additional terms and conditions as may be required to comply with the requirements of the Takeover Panel (the "**Panel**") and/or any applicable law or regulation and/or as are customarily included in offers made under the Code (the "**Press Announcement**").

2. Condition of undertaking

The terms of this Undertaking are conditional on the Press Announcement in the form attached to this Undertaking at Appendix 1 being released not later than 5 p.m. on the date of this Undertaking or such later date as we and you may agree.

3. Ownership of shares

We hereby warrant and undertake to CYBG and Virgin Money that:

- 3.1 we are the registered holder of and/or owner of beneficial interests in the number of ordinary shares of 0.01p each in the capital of Virgin Money ("**Virgin Money Shares**") specified in Part 1 of Schedule 1 (the "**Existing Virgin Money Shares**");
- 3.2 save as set out in Schedule 1, we and our subsidiary undertakings are not interested in any other securities of Virgin Money and, save as may arise under any law or the articles of Virgin Money, we do not have any rights to subscribe, purchase or otherwise acquire any securities of Virgin Money; and
- 3.3 we have full power and authority and the right (free from any legal or other restrictions), and will at all times continue to have all relevant power and authority and the right, to enter into this Undertaking, to perform the obligations in this Undertaking in accordance with its terms, to exercise (or procure the exercise of) all voting rights

attaching to the Existing Virgin Money Shares and otherwise to take all necessary actions to approve the Scheme in respect of, and to transfer, the Existing Virgin Money Shares.

4. **Dealings and undertakings**

We undertake to CYBG and Virgin Money that (other than in connection with the Scheme) before this Undertaking lapses in accordance with paragraph 9.1 below, we shall not (and (where applicable) shall procure that the registered holder shall not):

- 4.1 sell, transfer, charge, encumber, create or grant any option or lien over or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Existing Virgin Money Shares or any other shares in Virgin Money issued or unconditionally allotted to, or otherwise acquired by, us or any shares in the capital of Virgin Money in respect of which we become the registered holder or beneficial owner, before then ("**Further Virgin Money Shares**") ; or
- 4.2 vote in favour of any resolution of Virgin Money to approve an acquisition or any other transaction which is proposed by any person other than CYBG which would be reasonably expected to hinder or impede the implementation of the Scheme;
- 4.3 accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to, any offer, or approve any offer made or proposed to be implemented by way of a contractual offer, scheme of arrangement or otherwise in respect of securities in Virgin Money by any person other than CYBG; or
- 4.4 except with the prior written consent of CYBG (not to be unreasonably withheld), acquire or otherwise deal or undertake any dealing in any relevant securities of Virgin Money (or any interest therein); or
- 4.5 enter into any agreement or arrangement, incur any obligation or give any letter of intent (or permit such circumstances to occur):
 - 4.5.1 to do all or any of the acts referred to in paragraphs 4.1, 4.2, 4.3 and 4.4 above; or
 - 4.5.2 in relation to, or operating by reference to, Existing Virgin Money Shares or any Further Virgin Money Shares,

which would restrict or impede the Scheme becoming effective or our ability to comply with this Undertaking, and for the avoidance of doubt, references in this paragraph 4.5 to any agreement, arrangement or obligation shall include any such agreement, arrangement or obligation whether or not legally binding or subject to any condition, or which is to take effect upon or following the Scheme lapsing or being withdrawn, or upon or following this Undertaking ceasing to be binding, or upon or following any other event.

5. **Undertaking to vote in favour of the Scheme**

- 5.1 We hereby irrevocably undertake on the terms of this paragraph 5 in respect of the Existing Virgin Money Shares, the Further Virgin Money Shares and any other shares or interests in shares attributable to or deriving from such shares (together, the

"Shares") to, and (where applicable) to procure that the registered holder will, subject to paragraph 5.2:

- 5.1.1 exercise all voting rights attaching to the Shares to vote in favour of all resolutions to approve the Scheme, and any related matters, proposed at any general or class meeting ("**General Meeting**") and Court-convened meeting ("**Court Meeting**") of Virgin Money to be convened and held in connection with the Scheme, or at any adjournment of any such meeting, except in relation to any resolution in respect of a transaction or arrangement involving VGHL or any of its parent undertakings or subsidiary undertakings proposed pursuant to Rule 16 of the Code or Listing Rule 11; and
 - 5.1.2 in connection with our obligations in paragraph 5.1.1 above, (i) execute (or procure the execution of) all relevant forms of proxy in respect of all of our Shares validly appointing any person nominated by CYBG to attend and vote at any General Meeting or Court Meeting (or any adjournment thereof) in favour of the resolutions to approve the Scheme and any related matters (except in relation to any resolution in respect of a transaction or arrangement involving VGHL or any of its parent undertakings or subsidiary undertakings proposed pursuant to Rule 16 of the Code or Listing Rule 11); and (ii) lodge (or procure the lodgement of) such executed forms of proxy by 1.00 p.m. on the tenth business day after Virgin Money publishes the scheme document setting out the terms and conditions of the Scheme (the "**Scheme Document**") to Virgin Money shareholders;
 - 5.1.3 not to revoke or amend any proxy submitted in accordance with paragraph 5.1.2, either in writing or by attendance at any General Meeting or Court Meeting (or any adjournment thereof) or otherwise.
- 5.2 In circumstances where VGHL is not eligible to vote, or if its vote cannot be counted towards the requisite majority, at the Court Meeting, then:
- 5.2.1 the provisions of paragraph 5.1 above shall not apply to the Court Meeting and the proxy forms to be submitted in respect of, and the resolutions to be proposed at, that meeting; and
 - 5.2.2 if so requested by CYBG, we undertake (subject only to the fulfilment of the conditions to the Scheme) to undertake to the Court to be bound thereby in respect of the Shares at the Court hearing.
- 5.3 In the event that the Scheme is modified or amended pursuant to the requirements of, or with the approval of, the Court and in accordance with the terms of the Scheme, we confirm and agree that (except where such modification or amendment would, in our reasonable opinion, materially adversely affect our or any of our subsidiaries' rights or interests) this Undertaking shall continue to be binding *mutatis mutandis* in respect of the Shares.

6. **Voting Rights and Prejudicial Action**

We hereby irrevocably undertake that:

- 6.1 we shall not, without the consent of CYBG, convene or requisition, or join in convening of or requisitioning, any general or class meeting of Virgin Money;
- 6.2 we shall not exercise (or procure the exercise of) any of the voting rights attached to the Shares in favour of any resolution of Virgin Money which (i) might prevent or delay implementation of the Scheme; or (ii) purports to approve or give effect to (and we will agree not to be bound by) a proposal by a person other than CYBG to acquire (or have issued to it) any Virgin Money Shares (whether by way of scheme or arrangement or otherwise) or any assets of Virgin Money;

7. **Consents**

We agree to:

- 7.1 promptly inform you of all information you may require in order to comply with the requirements of the Code, the Panel, the Court or of other applicable law or regulation and consent to the public disclosure of such information and immediately notify you in writing of any material change in the accuracy or import of any such information;
- 7.2 the issue of the Press Announcement in the form attached to this Letter at Appendix 1 with the references to us and/or the registered holder of any of the Shares in which we have (or will have as the case may be) a beneficial interest and to particulars of this Undertaking, as contained in the Press Announcement appended to this Undertaking;
- 7.3 particulars of this Undertaking as set out in the Press Announcement appended to this Undertaking being set out in any other announcement or document issued in connection with the Offer and in the Scheme Document; and
- 7.4 this Undertaking being available for inspection during the offer (and any related competition reference period) in accordance with Rule 26.2 of the Code or the Listing Rules of the Financial Conduct Authority or its successor from time to time.

8. **Announcing and Proceeding with the Offer**

We acknowledge that the release of the Press Announcement is at CYBG's absolute discretion and nothing in this Undertaking shall oblige CYBG to announce or proceed with the Scheme or the Offer.

9. **Lapse of Undertaking**

- 9.1 Notwithstanding any other provision of this Undertaking, all of our obligations pursuant to this Undertaking will lapse and cease to have effect on the earlier of the following occurrences:

- 9.1.1 the Scheme Document is not sent to shareholders of Virgin Money within 28 days (or such longer period as the Panel may agree) after the date of the Press Announcement; or

- 9.1.2 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 (as such term is defined in section 974 of the Companies Act 2006) (a "**Takeover Offer**") or otherwise; or
 - 9.1.3 in circumstances where CYBG has exercised its right to implement the Offer by way of a Takeover Offer in accordance with the Code and this undertaking has not lapsed, the Takeover Offer lapses or is withdrawn in accordance with its terms; or
 - 9.1.4 the Scheme has not become effective by 6.00 p.m. on 31 January 2019 (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
 - 9.1.5 at any time prior to the Scheme becoming effective, any third party announces pursuant to Rule 2.7 of the Code a firm intention to make a general offer (whether made by way of an offer or a scheme of arrangement) for all shares in Virgin Money under Rule 2.7 of the Code which offer, in our reasonable opinion, represents an improvement to the terms of the Offer (but excluding, for these purposes, any amount in respect of a dividend of up to 2.3 pence per Virgin Money Share for the period ending 30 June 2018) (the "**Competing Offer**"). Where the consideration under the Offer or such third party offer includes shares or other securities, in forming such opinion the value of such shares or other securities shall be the average of the closing prices of such securities for the five trading days immediately prior to the announcement of the Rule 2.7 announcement in respect of the Competing Offer as derived from the London Stock Exchange Daily Official List or, if the share or security is principally dealt in on some other stock exchange or market, the recognised method of publication of prices for that other exchange or market (and, if applicable, using a currency exchange rate that we shall determine, acting reasonably) and any other non-cash consideration shall be valued based on a good faith assessment acting reasonably of the relevant consideration at the date of the relevant Rule 2.7 announcement.
- 9.2 If our obligations in this Undertaking lapse:
- 9.2.1 we shall have no claim against CYBG or Virgin Money and neither CYBG nor Virgin Money shall have any claim against us, other than in respect of any prior breach of any of the terms of this Undertaking; and
 - 9.2.2 we may, for the avoidance of doubt, withdraw any form(s) of acceptance or proxy (as the case may be) submitted in connection with the Offer or this Undertaking in accordance with their terms.

10. **Scheme of Arrangement or Takeover Offer**

We note that CYBG reserves the right to implement the Offer by way of a Takeover Offer in certain circumstances. In the event that it is so implemented, we confirm and agree that this Undertaking shall continue to be binding *mutatis mutandis* in respect of the Shares and all references to the Scheme shall, where the context permits, be read as references to the Takeover Offer (or to both the Scheme and the Takeover Offer, as

appropriate) and, in such circumstances, notwithstanding the generality of the foregoing, references in this Undertaking:

- 10.1 to voting in favour of or undertaking to be bound by the Scheme (as applicable) and voting in favour of the resolutions to be proposed at the Court Meeting and/or the General Meeting shall be read and construed as references to accepting the Takeover Offer, which acceptances in such circumstances shall be tendered within ten business days of publication of the formal document containing the Takeover Offer (the "**Offer Document**") to Virgin Money shareholders and even if the terms of the Takeover Offer give accepting shareholders the right to withdraw acceptances, we shall not withdraw (nor shall we procure the withdrawal of) our acceptances in respect of the Shares;
- 10.2 to the Scheme becoming effective shall be read as references to the Takeover Offer becoming unconditional in all respects; and references to the Scheme lapsing or being withdrawn shall be read as references to the closing or lapsing of the Takeover Offer; and
- 10.3 to the Scheme Document shall be read as references to the Offer Document.

11. **Other**

- 11.1 Any time, date or period referred to in this Undertaking may be extended by mutual agreement but as regards any time, date and period originally fixed or as extended, time shall be of the essence.
- 11.2 We acknowledge that damages may not be an adequate remedy for breach of this Undertaking and, accordingly, CYBG may be entitled to the remedies of specific performance, injunction or other equitable remedies.
- 11.3 The *eiusdem generis* principle of construction shall not apply to this Undertaking. Any phrase introduced by the terms "other", "including", "include" and "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words following or preceding those terms.
- 11.4 In this Undertaking, references to:
 - 11.4.1 "**Code**" means the UK Takeover Code as amended from time to time;
 - 11.4.2 "**business day**", "**dealing**" and "**offer period**" shall be interpreted in accordance with the Code as from time to time amended and interpreted by the Panel;
 - 11.4.3 being "**interested in**" or having "**interests in**" shares or securities shall be construed in accordance with the Code as from time to time amended and interpreted by the Panel and Part 22 of the Companies Act 2006;
 - 11.4.4 "**Offer**" shall include any new, increased, renewed or revised acquisition proposals made by or on behalf of CYBG; and
 - 11.4.5 "**relevant securities**" shall be construed in accordance with the Code as from time to time amended and interpreted by the Panel.

12. **Governing Law and Jurisdiction**

This Undertaking and all non-contractual obligations arising from or in connection with this Undertaking are governed by and construed in accordance with English law. We submit to the exclusive jurisdiction of the English courts to settle any dispute arising from or connected with this Undertaking (a "**Dispute**") (including a dispute regarding the existence, validity or termination of this Undertaking or relating to any non-contractual or other obligation arising out of or in connection with this Undertaking or its formation). We agree that the English courts are the most appropriate and convenient courts to settle any Dispute and accordingly, will not argue to the contrary.

SCHEDULE 1

PART 1

Existing Virgin Money Shares

1	2	3
No. of ordinary shares of 0.01p in Virgin Money	Exact name(s) and address(es) of registered holder as appearing on the register of members#	Beneficial owner#
155,120,454	Virgin Group Holdings Limited Craigmuir Chambers PO Box 71 Road Town Tortola BVI	Virgin Group Holdings Limited

Where more than one, indicate number of shares attributable to each.

Dated 18 June 2018

Executed as a deed by)
Virgin Group Holdings Limited)
acting by Tatenda Gotosa who, in) /S/ Tatenda Gotosa
accordance with the laws of the territory) (Authorised signatory)
in which Virgin Group Holdings Limited)
is incorporated, is acting under the)
authority of Virgin Group Holdings)
Limited)

Appendix 1 – Press Announcement