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7 June 2018

To: Virgin Money Holdings (UK) plc ("**Virgin Money**") shareholders, persons with information rights and holders of securities convertible into, rights to subscribe for and/or options over Virgin Money shares.

REVISED PROPOSAL FROM CYBG PLC FOR VIRGIN MONEY AND EXTENSION OF PUSU DEADLINE TO 18 JUNE 2018

On 3 June 2018, the Boards of Virgin Money Holdings (UK) plc ("**Virgin Money**") and CYBG plc ("**CYBG**") announced that CYBG had made a revised proposal to Virgin Money regarding an all-share combination (the "**Proposed Combination**"). Discussions are ongoing regarding other terms and conditions of the Proposed Combination and reciprocal due diligence is being conducted.

CYBG's announcement of 7 May 2018 stated that, in accordance with Rule 2.6(a) of the City Code on Takeovers and Mergers (the "**Code**"), by no later than 5.00 p.m. on 4 June 2018, it was required either to announce a firm intention to make an offer for Virgin Money or to announce that it does not intend to make an offer. With the consent of the Panel on Takeovers and Mergers (the "**Takeover Panel**"), the Board of Virgin Money has agreed to an extension under Rule 2.6(c) of the Code to enable ongoing diligence and discussions to be concluded. Accordingly, by no later than 5.00 p.m. (London time) on 18 June 2018, CYBG will be required either to announce a firm intention to make an offer for Virgin Money in accordance with Rule 2.7 of the Code or to announce that it does not intend to make an offer.

On 5 June 2018 we issued a letter updating you in respect of the Proposed Combination and that letter was intended to enclose a copy of the 3 June 2018 announcement referred to above (the "**Announcement**"). Due to an administrative error, the Announcement was not enclosed with the letter and so we now enclose a copy of the Announcement. We apologise for this.

Please be aware that addresses, electronic addresses and certain other information provided by you for the receipt of communications from Virgin Money may be provided to CYBG during the offer period as required under Section 4 of Appendix 4 of the Code.

If you wish to contact Virgin Money regarding administrative matters in view of the Announcement, please contact Katie Marshall, the Company Secretary, at katie.marshall@virginmoney.com during normal London business hours.

Yours faithfully,



Irene Dorner
Chair
Virgin Money Holdings (UK) plc

Enc.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Hard copy available

If you have received this document in electronic form, you may request a copy of the document, the announcement enclosed and any information incorporated into it by reference to another source, in hard copy form and may also request that all future documents, announcements and information sent to you in relation to the Proposed Combination should be in hard copy form. Any request should be sent to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA or by calling Equiniti on 0371 384 2937 (or +44 (0) 121 415 0857 from overseas). Lines are open 8.30 am (London time) – 5.30 pm, Monday to Friday (excluding public holidays in England and Wales).

A hard copy of the document, announcement or information will not be sent to you unless so requested.

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

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

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

FOR IMMEDIATE RELEASE

3 June 2018

Revised Proposal from CYBG PLC ("CYBG") for Virgin Money Holdings (UK) plc ("Virgin Money") and extension of PUSU deadline to 18 June 2018

The Boards of Virgin Money and CYBG confirm that CYBG has made a revised proposal to Virgin Money (the "Revised Proposal") and the two companies are in discussions regarding an all-share combination (the "Proposed Combination") to create a new national competitor in UK banking.

Under the terms of the Revised Proposal, CYBG would 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 would own approximately 38%¹ of the combined group. Virgin Money shareholders would also be entitled to retain any dividend declared and paid in respect of the interim period ending 30 June 2018, subject to the reservations set out below in this announcement.

In determining that it would enter into discussions with CYBG, the Board of Virgin Money noted the improvement in the terms of the proposal (a seven per cent. increase in the exchange ratio as compared to the announcement on 7 May 2018), and, in particular, the potential for accelerated value creation through an upfront premium, coupled with the opportunity to participate in the continuing progress of the combined group, including sharing the substantial synergy potential resulting from the Proposed Combination, and benefitting from growth opportunities available to a national full-service competitor in the UK banking market.

Discussions are ongoing regarding other terms and conditions of the Proposed Combination and reciprocal due diligence is being conducted. Separate discussions and due diligence are also ongoing between CYBG and Virgin Enterprises Limited in respect of the license of the Virgin Money Brand to the combined group, which is a pre-condition to the Proposed Combination as set out below in this announcement.

Compelling Strategic Rationale

The Boards of CYBG and Virgin Money believe that the Proposed Combination would create the UK's first true national banking competitor, offering both personal and SME customers an enhanced alternative to the large incumbent banks. The Proposed Combination would provide a powerful full-service banking offer for around six million personal and business customers, bringing together the complementary strengths of CYBG and Virgin Money.

With this further strengthened customer franchise and national reach, the Boards of CYBG and Virgin Money believe the Proposed Combination would deliver increased value for shareholders and wider benefits to other stakeholders.

The Boards of CYBG and Virgin Money recognise that the Proposed Combination would offer the potential for significant synergies.

It is expected that cost synergies would principally arise from:

- Removing duplication across the combined group;
- Optimising IT spend and removing duplication of investment spend;

- Rationalising CYBG's and Virgin Money's operations; and
- Increasing efficiencies in central procurement and third party outsourcing costs.

In addition to these potential efficiency benefits, there is potential for further value to be created through the realisation of revenue synergies arising across an enhanced customer base and product range, as well as funding synergies that are expected to be available to the combined group in the future.

This announcement does not amount to a firm intention to make an offer under Rule 2.7 of the Code. The full terms and conditions of any offer, if made, and a quantification of the potential efficiency benefits will be set out in any announcement of a firm intention to make an offer. There can be no certainty that any transaction will occur, even if the pre-conditions referred to below are satisfied or waived.

PUSU Extension

CYBG's announcement of 7 May 2018 stated that, in accordance with Rule 2.6(a) of the Code, by no later than 5.00 p.m. on 4 June 2018, it was required either to announce a firm intention to make an offer for Virgin Money or to announce that it does not intend to make an offer.

With the consent of the Panel on Takeovers and Mergers (the "Takeover Panel"), the Board of Virgin Money has agreed to an extension of the relevant deadline under Rule 2.6(c) of the Code to enable the ongoing diligence and discussions to be concluded. Accordingly, by no later than 5.00 p.m. (London time) on 18 June 2018, CYBG will be required either to announce a firm intention to make an offer for Virgin Money in accordance with Rule 2.7 of the Code or to announce that it does not intend to make an offer, in which case such announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline may be extended further with the consent of the Takeover Panel, at Virgin Money's request, in accordance with Rule 2.6(c) of the Code.

Reservations

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

CYBG also reserves the right:

- to make an offer at any time on reduced terms than 1.2125 new CYBG shares for each Virgin Money share:
 - with the agreement or recommendation of the Board of Virgin Money;
 - if a third party announces a firm intention to make an offer for Virgin Money pursuant to Rule 2.7 of the Code, which, at that date is valued at a lower price than the value of 1.2125 new CYBG shares for each Virgin Money share;
 - if Virgin Money announces, declares or pays any dividend or any other distribution to shareholders, in which case CYBG reserves the right to make an equivalent reduction in its offer terms. This 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 and paid in respect of the interim period ending 30 June 2018; or
 - following announcement by Virgin Money of a whitewash transaction pursuant to the Code; and
- to introduce other forms of consideration and/or vary the mix or composition of consideration of any offer.

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

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

Further announcements will be made in due course as appropriate.

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on CYBG's website at <https://www.cybg.com/cybg-update/> and on Virgin Money's website at www.virginmoney.com. The content of this website is not incorporated into, and does not form part of, this announcement.

1 Based on the issuance of 548,141,670 new CYBG shares for Virgin Money's 452,075,604 ordinary shares on a fully diluted basis (including 445,442,008 Virgin Money ordinary shares currently in issue (as at 1 June 2018) and a maximum of 6,633,596 Virgin Money ordinary shares which may be issued on or after the date of this announcement on the exercise of options or vesting of awards under Virgin Money's share schemes (based on outstanding options and awards as at 1 June 2018 less 1,950,734 shares held by Virgin Money's Employee Benefit Trust, Wealth Nominees Limited as at 17 May 2018)), giving a pro forma share count for the combined group of 1,433,332,646. The actual number of Virgin Money ordinary shares issued under Virgin Money's share schemes should the Proposed Combination proceed is expected to be lower once performance conditions and any time pro rating have been applied.

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Forward looking statements

The information in this announcement may include forward looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects', 'outlooks', 'projects', 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward looking statements are subject to risks, uncertainties and assumptions about CYBG, Virgin Money, the Proposed Combination and the securities, investments and the environment in which CYBG and Virgin Money operate, including, among other things, the development of their respective businesses and strategies, trends in their operating industry, changes to customer behaviours and covenant, macroeconomic and/or geopolitical factors, changes to its board and/ or employee composition, exposures to terrorist activity, IT system failures, cyber-crime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of the BoE, the FCA and/or other regulatory and governmental bodies, inflation, deflation, interest rates, exchange rates, changes in the liquidity, capital, funding and/ or asset position and/or credit ratings, future capital expenditures and acquisitions, the repercussions of the UK's referendum vote to leave the European Union (EU), the UK's exit from the EU (including any change to the UK's currency), Eurozone instability, any referendum on Scottish independence.

In light of these risks, uncertainties and assumptions, the events in the forward looking statements may not occur. Forward looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward looking statements. No member of the CYBG or Virgin Money groups or their respective directors, officers, employees, agents, advisers or affiliates gives any assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/or discussed at any presentation. All forward looking statements should be viewed as hypothetical. No representation or warranty is made that any forward looking statement will come to pass. No member of the CYBG or Virgin Money groups or their respective directors, officers, employees, agents, advisers or affiliates undertakes any obligation to update or revise any such forward looking

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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.