THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Offer, the contents of this Circular, or as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you sell or transfer or have sold or otherwise transferred all of your CYBG Shares or CDIs, please forward this Circular, but not the personalised Form of Proxy or CDI Voting Instruction Form accompanying it, as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through or to whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. If you sell or transfer or have sold or otherwise transferred only part of your holding of CYBG Shares or CDIs, you should retain this Circular and accompanying documents and consult with the bank, stockbroker or other agent through or to whom the sale or transfer was effected, as to the action you should take. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular or any accompanying document into any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

Your attention is drawn to the letter from James Pettigrew, the Chairman of CYBG PLC ("CYBG" or the "Company"), which is set out in Part I (*Letter from the Chairman of CYBG PLC*) of this Circular in which the Board of CYBG PLC unanimously recommends that you vote in favour of the CYBG Resolutions to be proposed at the CYBG General Meeting. You should read this Circular in its entirety and consider whether to vote in favour of the CYBG Resolutions in light of the information contained in this Circular, including the risk factors set out in Part II (*Risk Factors*) of this Circular.

This Circular is not a prospectus but a shareholder circular relating to the Offer which has been prepared in accordance with the Listing Rules and does not constitute an offer or invitation to purchase or subscribe for any securities or a solicitation of an offer or invitation to purchase or subscribe for any securities pursuant to this Circular. This Circular has been approved by the Financial Conduct Authority (the "FCA"). No action has been taken by CYBG to obtain any approval, authorisation or exemption to permit the possession or distribution of this Circular (or any other publicity material relating to the Offer) in any jurisdiction, other than in the United Kingdom and Australia. The reliance, publication or distribution of this Circular in, into or from jurisdictions other than the United Kingdom and Australia may be restricted by the laws of those jurisdictions. Therefore persons into whose possession this Circular and any accompanying document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with any applicable restrictions may constitute a violation of the securities laws of the relevant jurisdiction.

This Circular should be read in conjunction with the Prospectus relating to CYBG dated 31 July 2018 in connection with the Offer and which has been published on CYBG's website at www.cybg.com/cybg-update/.

CYBG PLC

(a public limited company incorporated and registered in England and Wales under number 9595911)

PROPOSED ACQUISITION OF VIRGIN MONEY HOLDINGS (UK) PLC

and

NOTICE OF GENERAL MEETING

Notice of the CYBG General Meeting to be held at Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ at 10.00 a.m. on 10 September 2018 is set out at the end of this Circular. A Form of Proxy or a CDI Voting Instruction Form (as applicable) for use in connection with the CYBG General Meeting is enclosed with this Circular, or will be sent separately to those CYBG Shareholders who have elected, or are deemed to have elected, to receive documents and notices from CYBG electronically. **The action to be taken by CYBG Shareholders in respect of the CYBG General Meeting is set out on pages 24 and 25 of this Circular.** Whether or not you intend to be present at the CYBG General Meeting, you are requested to complete and sign the Form of Proxy or the CDI Voting Instruction Form in accordance with the instructions printed on it so as to be received, in the case of a Form of Proxy, by the Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible and, in any event, no later than 10.00 a.m. on 6 September 2018 or, in the case of a CDI Voting Instruction Form, by the Registrar, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, Victoria 3001, Australia, as soon as possible and, in any event, no later than 7.00 p.m. (AEST) on 6 September 2018 (or, in the case of an adjournment, not later than two Business Days before the time fixed for the holding of the adjourned meeting).

If you hold CYBG Shares listed on the London Stock Exchange and you hold those CYBG Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar, Computershare Investor Services PLC (CREST participant ID 3RA50). Alternatively, you may give proxy instructions by logging on to www.investorcentre.co.uk/eproxy. To appoint a proxy electronically you will be asked to provide your Control Number, Shareholder Reference Number and PIN, which are detailed on your Form of Proxy. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by no later than 10.00 a.m. on 6 September 2018 (or, in the case of an adjournment, not later than two Business Days before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the CYBG General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

If you hold CDIs quoted on the ASX, you may appoint CDN to exercise the voting rights attached to the CYBG Shares it holds on your behalf by completing Option A of the CDI Voting Instruction Form. You may also instruct CDN to appoint you (or another person) as its proxy by completing Option B of the CDI Voting Instruction Form. You may submit your CDI Voting Instruction Form by mailing it to the Registrar, Computershare Investor Services Pty Limited, at GPO Box 242, Melbourne, Victoria 3001, Australia as soon as possible and, in any event, no later than 7.00 p.m. (AEST) on 6 September 2018 (or, in the case of an adjournment, no later than two Business Days before the time fixed for the holding of the adjourned meeting). Alternatively, you may submit your CDI Voting Instruction Form electronically by logging on to www.investorvote.com.au. CDI Voting Instruction Forms submitted electronically must be submitted as soon as possible and, in any event, so as to be received by no later than 7.00 p.m. (AEST) on 6 September 2018 (or, in the case of an adjournment, no later than two Business Days before the time fixed for the holding of the adjourned meeting). In order to attend and vote in person at the CYBG General Meeting, you must choose Option B of the CDI Voting Instruction Form and instruct CDN to appoint you as its proxy. If you do not complete Option B in this way you will only be able to attend the meeting and speak but not be able to vote.

Capitalised words and expressions used in this Circular shall have the meanings given to them in Part VII (*Definitions*) of this Circular.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Circular or that the information in it is correct as of any subsequent time.

Morgan Stanley & Co. International plc ("**Morgan Stanley**") is authorised by the Prudential Regulation Authority (the "**PRA**") and regulated in the United Kingdom by the PRA and the FCA. Deutsche Bank AG, London Branch ("**Deutsche Bank**" and together with Morgan Stanley, the "**Financial Advisers**") is authorised under German Banking Law (competent authority: European Central Bank) and in the United Kingdom, by the PRA. 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 PRA and the FCA. Details about the extent of Deutsche Bank's authorisation and regulation by the PRA, and regulation by the FCA, are available on request or from www.db.com/en/content/eu_disclosures.htm. Deutsche Bank is a corporation domiciled in Frankfurt am Main, operating in the United Kingdom under branch registration number BR000005, acting through its London Branch. Macquarie Capital (Europe) Limited ("**Macquarie**") is authorised and regulated in the United Kingdom by the FCA. Each of the Financial Advisers and Macquarie has been appointed by CYBG and are acting exclusively for CYBG and for no one else in connection with the Offer. None of the Financial Advisers or Macquarie will regard any other person (whether or not a recipient of this Circular) as their client in relation to the Offer or any other matter referred to in this Circular. The Financial Advisers and Macquarie will not be responsible to anyone other than CYBG for providing the protections afforded to clients of the Financial Advisers or Macquarie nor for providing advice in relation to the Offer or any other matter referred to in this Circular. The Financial Advisers and Macquarie have not independently verified the contents of this Circular. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and no responsibility is accepted by the Financial Advisers or Macquarie as to the accuracy, completeness or verification of the information contained in, or incorporated by reference into, this Circular, and nothing contained in, or incorporated by reference into, this Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Financial Advisers and Macquarie disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Circular or any such statement.

For a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the CYBG Resolutions, see Part II (*Risk Factors*) of this Circular.

The New CYBG Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and accordingly may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to registration under the US Securities Act or an applicable exemption from, or transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of New CYBG Shares in the United States. Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New CYBG Shares or passed on the adequacy of this Circular. Any representation to the contrary is a criminal offence in the United States.

If you have received this document in electronic form or have been notified that this document is available to view on the CYBG website (ww.cybg.com/cybg-update/), you may request a hard copy of this document (and any information incorporated by reference to another source) by contacting CYBG's registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS13 8AE 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.

Nothing contained in this Circular shall be deemed to be a forecast, projection or estimate of the future financial performance of CYBG, Virgin Money, the CYBG Group, the Virgin Money Group or, following Completion, the Combined Group and no statement in this Circular should be interpreted to mean that earnings per CYBG Share for the current or future years will necessarily match or exceed historical published earnings per CYBG Share, except where otherwise stated. CYBG does not intend or undertake any obligation to update any information contained in this Circular except as required by law.

The Circular and accompanying documents have been prepared to comply with English law and applicable regulations and information disclosed may not be the same as that which would have been disclosed if the Circular or the accompanying documents had been prepared in accordance with the laws of jurisdictions outside of the UK.

Dated: 31 July 2018

CONTENTS

FORWARD-LOOKING STATEMENTS

This Circular contains "forward-looking statements" which are based on the beliefs, expectations and assumptions of the CYBG Directors and other members of senior management about CYBG's and the Combined Group's businesses and the Offer. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance, and although CYBG believes that they are reasonable there can be no assurance that the expectations reflected in such forward-looking statements will prove to have been correct. Rather, they are based on current beliefs, expectations and assumptions and involve known and unknown risks and uncertainties, many of which are outside the control of CYBG and the Combined Group and are difficult to predict, that may cause actual results, performance or events to differ materially from those expressed or implied in such forward-looking statements. Any forward-looking statement contained in this Circular based on past or current trends and/or activities of the CYBG Group and/or the Virgin Money Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this Circular is intended to be a profit forecast or to imply that the earnings of CYBG, the CYBG Group or the Combined Group for the current year or future years will match or exceed the historical or published earnings of CYBG. 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. Each forward-looking statement speaks only as of the date of the particular statement and is not intended to provide any representations, assurances or guarantees as to future events or results. To the extent required by the Listing Rules, the Prospectus Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and other applicable regulation, CYBG will update or revise the information in this Circular. Otherwise, CYBG undertakes no obligation to update or revise any forward-looking statements or other information, and will not publicly release any revisions it may make to any forward-looking statements or other information that may result from events or circumstances arising after the date of this Circular. Shareholders should note that this paragraph is not intended to qualify the statement as to working capital set out in paragraph 15 of Part VI (*Additional Information*) of this Circular.

PRESENTATION OF FINANCIAL INFORMATION

References to "£", "GBP", "pounds", "pounds sterling", "p" and "pence" are to the lawful currency of the United Kingdom. References to "$", "USD", "US$", "US dollars" and "dollars" are to the lawful currency of the United States of America.

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial and numerical data have been rounded, and, as a result of this rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of CYBG's and Virgin Money's websites do not form part of this Circular.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Offer are indicative only and are based on CYBG's current expectations and may be subject to change (including as a result of changes to the regulatory timetable and/or the process for implementation of the Offer). If any times and/or dates change, CYBG will give notice of the revised times and/or dates to CYBG Shareholders by issuing an announcement through a Regulatory Information Service.

All references to time in this Circular are to London time unless otherwise stated.

Announcement of the Offer	18 June 2018
Publication of this Circular and the Prospectus	31 July 2018
Publication of Scheme Document	31 July 2018
Latest time and date for receipt of Form of Proxy for the CYBG General Meeting	10.00 a.m. on 6 September 2018
Latest time and date for receipt of CDI Voting Instruction Forms for the CYBG General Meeting	7.00 p.m. (AEST) on 6 September 2018
Voting record time for the CYBG General Meeting	7.00 p.m. on 6 September 2018
CDI voting instruction record time for the CYBG General Meeting	11.00 p.m. (AEST) on 6 September 2018
CYBG General Meeting	10.00 a.m. on 10 September 2018
Court Meeting	11.00 a.m. on 10 September 2018
Virgin Money General Meeting	11.15 a.m. on 10 September 2018[(1)]
Court Hearing	A date expected to be in calendar Q4 2018 subject to satisfaction (or, where applicable, waiver) of the relevant Conditions ("**D**")[(2)]
Last day of dealings in, for registration of transfers of, and disablement in CREST of, Virgin Money Shares	D*[(2)]
Scheme Record Time	6.00 p.m. on D*[(2)]
Effective Date	D+1*[(2)(3)]
New CYBG Shares issued to Virgin Money Shareholders	By 8.00 a.m. on D+1*[(2)]
Admission and commencement of dealings in the New CYBG Shares on the London Stock Exchange	By 8.00 a.m. on D+1*[(2)]
Cancellation of listing of Virgin Money Shares on the premium segment of the Official List and the Main Market of the London Stock Exchange	By 8.00 a.m. on D+1*[(2)]
CREST accounts of Virgin Money Shareholders credited with New CYBG Shares	On or soon after 8.00 a.m. on D+1*[(2)] but no later than 14 days after the Effective Date
CREST accounts credited with any cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements	Within 14 days of the Effective Date[(2)]
Despatch of share certificates for New CYBG Shares and cheques for any cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements for those Virgin Money Shareholders who do not hold their Virgin Money Shares in CREST	Within 14 days of the Effective Date[(2)]
Long Stop Date	31 January 2019[(4)]

Notes:

(1) To commence at the time fixed or, if later, immediately after the conclusion or adjournment of the Court Meeting.

(2) The date of the Court Hearing to sanction the Scheme and each of the subsequent dates set out in the timetable will depend on, among other things, the date on which: (i) the relevant Conditions to the Scheme are satisfied or, if capable of waiver, waived; (ii) the Court sanctions the Scheme; and (iii) a copy of the Court Order sanctioning the Scheme is delivered to the Registrar of Companies.

(3) Scheme to become Effective by 8.00 a.m. and before the subsequent events set out in the timetable.

(4) This is the latest date by which the Scheme may become Effective. However, the Long Stop Date may be extended to such later date as may be agreed in writing by CYBG and Virgin Money (with the Panel's consent and as the Court may approve (if required)).

(*) All references to "D+1" are to the day falling one Business Day after the actual date which is "D".

INDICATIVE SHARE CAPITAL STATISTICS

Number of New CYBG Shares to be issued for each Virgin Money Share	1.2125
Number of CYBG Shares in issue as at 27 July 2018, being the Latest Practicable Date	886,010,853
Number of New CYBG Shares to be issued pursuant to the Offer	546,954,891
New CYBG Shares as a percentage of the issued share capital of CYBG immediately following Completion	approximately 38 per cent.
Number of CYBG Shares in issue immediately following Completion	1,432,965,744

Note:

These figures are calculated assuming that the numbers of CYBG Shares and Virgin Money Shares in issue and to be issued on a fully diluted basis as at close of business on 27 July 2018 (being the latest practicable date before publication of this Circular (the "**Latest Practicable Date**")) do not change and that no issues of CYBG Shares, other than those described above, occur between the Latest Practicable Date and Completion.

CYBG DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

CYBG Directors	James Pettigrew, Chairman David Bennett, Deputy Chairman and Senior Independent Non-Executive Director David Duffy, Executive Director and Chief Executive Officer Ian Smith, Executive Director and Group Chief Financial Officer Debbie Crosbie, Executive Director and Group Chief Operating Officer Clive Adamson, Independent Non-Executive Director Paul Coby, Independent Non-Executive Director Adrian Grace, Independent Non-Executive Director Fiona MacLeod, Independent Non-Executive Director Dr Teresa Robson-Capps, Independent Non-Executive Director Tim Wade, Independent Non-Executive Director The business address of all of the CYBG Directors is the head office of Clydesdale Bank PLC at 30 St Vincent Place, Glasgow G1 2HL
Proposed Directors	Darren Pope, Independent Non-Executive Director Geeta Gopalan, Independent Non-Executive Director Amy Stirling, Non-Executive Director, nominated by VEL pursuant to the Brand Licence Agreement
Secretary	Lorna McMillan
Registered Office	20 Merrion Way Leeds LS2 8NZ
Financial Adviser, Corporate Broker and Sponsor	Morgan Stanley & Co. International plc 25 Cabot Square London E14 4QA
Financial Adviser	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB
Corporate Broker	Macquarie Capital (Europe) Limited Ropemaker Place 28 Ropemaker Street London EC2Y 9HD
Legal Adviser to CYBG	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ
Legal Adviser to the Sponsor	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
Auditor and Reporting Accountant	Ernst & Young LLP 1 More London Place London SE1 2AF
Reporting Accountant	Deloitte LLP 1 New Street Square London EC4A 3HQ
UK Registrar	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS13 8AE
Australian Registrar	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067 Australia

PART I
LETTER FROM THE CHAIRMAN OF CYBG PLC

Registered Office:
20 Merrion Way
Leeds
LS2 8NZ

Registered number: 9595911

CYBG Directors and Officers:
James Pettigrew
David Bennett
David Duffy
Ian Smith
Debbie Crosbie
Clive Adamson
Paul Coby
Adrian Grace
Fiona MacLeod
Dr Teresa Robson-Capps
Tim Wade

31 July 2018

To Shareholders and, for information only, to CYBG share option holders and persons with information rights

Dear member,

RECOMMENDED ACQUISITION OF VIRGIN MONEY HOLDINGS (UK) PLC

and

NOTICE OF GENERAL MEETING

1. Introduction

On 18 June 2018, the boards of CYBG and Virgin Money announced that they had reached agreement on the terms of a recommended all-share offer to be made by CYBG for Virgin Money by way of a Court-sanctioned scheme of arrangement 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 terms of the Co-operation Agreement) (the "**Offer**").

Under the terms of the Offer, which is subject to the Conditions (as described below) and the further terms and conditions set out below and in the Scheme Document, the Virgin Money Shareholders at the Scheme Record Time will be entitled to receive:

1.2125 New CYBG Shares in exchange for each Virgin Money Share

Based on the Closing Price of 338 pence per CYBG Share on the Latest Practicable Date, the Offer values each Virgin Money Share at 410 pence and Virgin Money's issued ordinary share capital on a fully diluted basis at approximately £1.8 billion, representing a premium of:

- 31 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
- 48 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, Virgin Money Shareholders will own approximately 38 per cent. of the Combined Group (on a fully diluted basis). As a result, the voting rights of the Existing CYBG Shareholders will be diluted such that the Existing CYBG Shareholders would, immediately after the Effective Date, hold voting rights of approximately 62 per cent. of the total voting rights they held immediately prior to Completion. Please see paragraph 19 of this Part I (*Letter from the Chairman of CYBG PLC*) for details of how the dilution statistics are calculated.

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

The CYBG Board is also seeking authority from the CYBG Shareholders at the CYBG General Meeting to allot CYBG Shares in the event of the occurrence of a CET1 Trigger Event in respect of the existing Virgin Money AT1 Securities following Completion, and, as is becoming customary for UK banks, a general authority to give the CYBG Directors the flexibility to issue additional AT1 Securities where the CYBG Directors consider that such an issuance would be necessary or desirable in connection with, or for the purpose of complying with, or maintaining compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time.

On Completion, all of the current Virgin Money Directors will resign as directors of Virgin Money and will be replaced by David Duffy, Debbie Crosbie and Ian Smith, who will join the Virgin Money Board on Completion, subject to the usual regulatory approvals. Darren Pope and Geeta Gopalan, who are currently independent non-executive directors of Virgin Money will join the CYBG Board as independent non-executive directors on Completion, subject to the usual regulatory approvals. In addition, on Completion, Amy Stirling, who is currently a non-executive director of Virgin Money, will become a non-executive director of CYBG pursuant to the right of Virgin Enterprises Limited ("**VEL**") to appoint a director under the terms of the Brand Licence Agreement, subject to the usual regulatory approvals.

Jayne-Anne Gadhia, currently the CEO of Virgin Money, will step down from the Virgin Money Board and she has agreed, in principle, to support the Combined Group as a senior adviser to David Duffy, the CEO of the Combined Group, in a consultancy role for a period of up to 18 months with effect from Completion, on terms to be agreed.

Further details are set out in paragraph 10 (*Information on the Combined Group*) below.

The purpose of this letter is to give you further details of the Offer, including the background to and reasons for it, to explain why the CYBG Board considers it to be in the best interests of CYBG and the CYBG Shareholders as a whole and to seek your approval of the CYBG Resolutions.

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[1] billion customer loans, and £59.3[1] billion customer deposits.

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[1] Based on CYBG's unaudited interim financial statements for the six months ending 31 March 2018 and Virgin Money's audited annual financial statements for the year ending 31 December 2017. The calculations of these pro forma amounts are set out in Part IV (*Unaudited Pro Forma Financial Information Relating To The Combined Group*) of this Circular.

- 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 +37 (as at 30 June 2018).
- 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. 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 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 will be supported, guided and challenged by the CYBG Directors, the Proposed Directors and the CYBG Senior Managers. The team will 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 3 (*Potential synergies and integration planning*) 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 £59.3[2] billion equates to approximately 74 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 (comprising, £2.3 billion for CYBG as at 31 March 2018 and £6.4 billion for Virgin Money as at 30 June 2018), which represents 10.9 per cent. of total funding and will mature in 2021-2022. 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 Scheme), savings growth, and ongoing wholesale issuance including MREL.
- On a pro forma basis, the Combined Group has £83.8[2] billion of total assets and a £69.5[2] billion total customer loan portfolio. The loan portfolio includes £57.8[2] 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[2] billion of SME and corporate lending; a £3.5[2] billion credit card portfolio; and other unsecured lending of £0.8[2] 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 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 capital position:

- The CYBG Directors believe the Combined Group will have a strong capital position following Completion. At Completion, 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. In calculating this figure, the CYBG Directors have projected the expected capital positions of each of CYBG and Virgin Money at Completion taking into account factors including underlying capital generation, impairment charges, asset growth, investment, and restructuring spend. The expected capital position of the Combined Group does not assume that CYBG achieves IRB accreditation before Completion. In addition, the CYBG Directors have estimated the potential impact on Virgin Money's assets and liabilities which will be determined as part of the fair value exercise to be undertaken following

[2] Based on CYBG's unaudited interim financial statements for the six months ending 31 March 2018 and Virgin Money's audited annual financial statements for the year ending 31 December 2017. The calculations of these pro forma amounts are set out in Part IV (*Unaudited Pro Forma Financial Information Relating To The Combined Group*).

Completion. The expected CET1 ratio does not take into account any discussions between CYBG and the PRA.

- Based on the latest disclosed Pillar 2A requirements for both CYBG, as at 31 March 2018, and Virgin Money, as at 30 June 2018, the Combined Group's fully loaded CRD IV CET1 ratio minimum requirement at Completion is estimated to be 10.7 per cent. (including Pillar 1, Pillar 2A, CCB and CCYB buffers).
- 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 in October 2018 (subject to completion by CYBG and review by the PRA of certain remediation actions). On 5 July 2018, Virgin Money announced that it had received a decision from the PRA on improvements to its mortgage risk weight models. The impact at 30 June 2018 of the agreed model improvements was an increase of over 250 basis points in its CET1 ratio to 16.3 per cent. (as set out in the Virgin Money Interim Report 2018).

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. **Potential synergies and integration planning**

The Announcement included statements of estimated cost savings and synergies expected to arise from the Offer.

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. The estimated cost synergies referred to above reflect both the beneficial elements and the relevant costs.

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, contract break fees to be recognised in the third year following Completion, and the optimisation of branches and office locations to be achieved in years two and three following Completion. 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 Part V (*Quantified Financial Benefits Statement*) of this Circular for further details on the above Quantified Financial Benefits Statement (including the supporting bases of belief and the principal assumptions). References in this Circular to the Quantified Financial Benefits Statement should be read in conjunction with Part V of this Circular. The Quantified Financial Benefits Statement set out above was reported on under the Takeover Code by Deloitte, and by CYBG's financial advisers, Morgan Stanley and Deutsche Bank.

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. 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 VEL) 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 VEL 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 Circular, 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.

4. 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

On 18 June 2018, CYBG, Virgin Money and VEL entered into a deed in respect of the novation, amendment and restatement, effective from Completion, of the Existing Brand Licence Agreement which had been entered into between Virgin Money and VEL. As a result, with effect from Completion, 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, subject to certain exclusions and reservations of rights, 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, 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 Combined Group's relevant 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, CYBG will be liable to pay a fixed royalty as follows: up to £3 million during the period from Completion 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 Combined Group generates relevant turnover greater than £2.1 billion in Year 3 (the "**Threshold Amount**"), a one per cent. royalty on any incremental relevant turnover against Year 3 turnover.

If Combined Group relevant 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 Combined Group relevant turnover above £2.1 billion.

The Minimum Royalty is subject to indexation (calculated by reference to the percentage change in the UK Consumer Price Index during the relevant period) from the fifth year following Completion, 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 Combined Group relevant turnover. All amounts payable under the Brand Licence Agreement are exclusive of applicable VAT.

Director Nomination Right

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

Brand collaboration with VEL

CYBG and VEL 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 VEL for all third party claims brought against VEL 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, VEL 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 (including in respect to the indemnities) 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.

VEL 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 company or business which engages in any "prohibited activity" as defined in the Brand Licence Agreement. In certain circumstances, the termination of the Brand Licence Agreement by VEL 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 VEL, 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 VEL 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 Resolutions at the Virgin Money General Meeting.

Since VEL, which is a member of the Virgin Group, is a party to the Brand Licence Agreement and another Virgin Group company, Virgin Holdings, is a significant shareholder in Virgin Money, the Panel requires that the Brand Licence Agreement be approved by the Independent Virgin Money Shareholders for the purpose of Note 2 to Rule 16.1 of the Takeover Code. Virgin Holdings will not be entitled to vote on the Brand Licence Resolutions.

In addition, the novation, amendment and restatement of the Existing Brand Licence Agreement constitutes a related party transaction (as defined in the Listing Rules) as VEL (as a member of the Virgin Group and by virtue of Virgin Holdings' shareholding in Virgin Money) is a related party of Virgin Money for the purposes of the Listing Rules. For the purpose of the Listing Rules, the related party transaction must be approved by the Virgin Money Shareholders who are not interested related parties. VEL is not currently a shareholder of Virgin Money but it is a subsidiary of Virgin Holdings which is a shareholder of Virgin Money. Virgin Holdings will therefore be precluded from voting on the Brand Licence Resolutions (and to the extent VEL or any of its associates acquire a stake in Virgin Money prior to the date of the Virgin Money General Meeting, they will also not be able to vote on the Brand Licence Resolutions).

The Independent Virgin Money Directors have unanimously recommended that the Independent Virgin Money Shareholders vote in favour of the Brand Licence Resolutions. The passing of each of the Brand Licence Resolutions is a non-waivable condition and therefore if they are not passed the Offer will lapse and the transaction will not proceed to Completion. The coming into effect of the Brand Licence Agreement is also conditional upon the Offer becoming Effective. It is also a condition to the Offer that the Existing Brand

Licence Agreement has not been terminated (and notice to terminate it has not been served) prior to the Offer becoming Effective.

Further details relating to the Brand Licence Agreement are set out in paragraph 12.1(c) of Part VI (*Additional Information*) of this Circular.

(ii) Irrevocable Undertaking

CYBG has received an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Virgin Money Resolutions (other than the Brand Licence Resolutions in respect of which Virgin Holdings is conflicted) 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 the Latest Practicable Date).

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

(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;

(b) CYBG has exercised its right to implement the Offer by way of a Takeover Offer and the Takeover Offer lapses or is withdrawn;

(c) 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

(d) 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.

5. **Virgin Money recommendation and irrevocable undertakings**

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.

Accordingly, the Independent Virgin Money Directors have unanimously recommended in the Scheme Document that the Virgin Money Shareholders vote in favour of the resolutions relating to the Offer (including the Brand Licence Resolutions) 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 the Latest Practicable Date). Further detail of these irrevocable undertakings are set out in paragraph 10 of Part VI (*Additional Information*) of this Circular.

The Virgin Money Board (excluding for these purposes Jayne-Anne Gadhia and Peter Bole, who have a conflict of interest) considers that the ordinary resolution to approve the proposed amendment to the Virgin Money directors' remuneration policy (as described in paragraph 7 below), and which is to be proposed at the Virgin Money General Meeting, is in the best of interests of Virgin Money and the Virgin Money Shareholders as a whole and has unanimously recommended in the Scheme Document that the Virgin Money Shareholders vote in favour of this resolution. The passing of this resolution is not a condition to the Scheme.

6. **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 ceased as at the date of the 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 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 of the Announcement.

CYBG and Virgin Money 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 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, and which prohibit, among other things: (i) the payment by CYBG of dividends (save that it may pay a final 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 (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; or

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

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.

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. 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, 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. CYBG has also agreed to maintain Virgin Money's redundancy policies, for a period of three years from Completion.

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

Settlement Agreement

Jayne-Anne Gadhia (the "**Virgin Money CEO**") has agreed to step down from her current role upon Completion and has entered into a settlement agreement with Virgin Money Bank dated 18 June 2018 which will take effect from Completion (the "**Settlement Agreement**"). Further details of the Settlement Agreement are set out in paragraph 9 of Part VI (*Additional Information*).

The current directors' remuneration policy of Virgin Money does not provide for executive directors to receive redundancy payments on the same basis as all 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 Virgin Money 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. The passing of this resolution is not a condition to the Scheme becoming Effective and Completion occurring.

In the event that this change is not approved by Virgin Money Shareholders then the redundancy payment will not be made.

Places of business

CYBG intends that the Combined Group will maintain a substantial base in Gosforth for at least three years following Completion. 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.

The statements in this paragraph under the headings “Management and employees”, “Places of business”, “Research and development”, “Diversity” and “Virgin Money Foundation” will be treated as post-offer intention statements by CYBG for the purpose of Rule 19.6 of the Takeover Code.

8. **Current trading**

CYBG Group

The CYBG Group continued to perform in line with the CYBG Directors’ expectations in the three months to 30 June 2018.

The CYBG Group maintained sustainable balance sheet growth despite the competitive environment, with year-to-date mortgage growth of 3.8 per cent. (nine months annualised) to £24.2 billion. In line with previous guidance, there were reduced mortgage drawdowns in the three months to 30 June 2018 due to lower applications in the second quarter, stemming from servicing and fulfilment delays that arose during the implementation of a new onshore mortgage processing operation.

The CYBG Group maintained momentum in SME origination during the period, with £420 million of gross loans and facilities written in the three months to 30 June 2018. New business drawdowns in the period were £453 million, with net core SME lending growth maintained at 4.7 per cent. (nine months annualised).

The CYBG Group delivered deposit balance growth of 4.5 per cent. (nine months annualised) in the nine months to 30 June 2018, managed in line with asset growth.

Asset quality remained strong with an annualised net cost of risk of 0.12 per cent. in the nine months to 30 June 2018.

Net interest margin for the nine month period to 30 June 2018 (annualised) was maintained at 2.18 per cent., with retail asset pricing pressure offset by improved SME margins and lower liquidity costs.

The CYBG Group’s CET1 ratio strengthened to 11.4 per cent. in the three months to 30 June 2018, with approximately 15 basis points of CET1 capital generation in the period.

Virgin Money Group

In the first six months of 2018 asset growth was managed by the Virgin Money Group to protect returns in a competitive environment. The Virgin Money Group experienced strong credit performance and continued to maintain a high quality balance sheet.

The robust performance of the savings franchise underpinned the Virgin Money Group's growth and helped deliver a banking net interest margin of 164 basis points and net interest income growth of 5.1 per cent. Underlying total income increased by 4.8 per cent. as compared to the six month period ended 30 June 2017.

Further improvements in operating leverage and effective cost management resulted in a 3.1 per cent reduction in costs. This reduction in costs resulted in the cost:income ratio reducing by 4.0 percentage points as compared to the six month period ended 30 June 2017, to 49.9 per cent. The cost of risk of 0.16 per cent. continued to evidence the Virgin Money Group's commitment to prime lending segments.

Taken together, the Virgin Money Group delivered an underlying profit before tax of £141.6 million, 10.1 per cent. higher than the six month period ended 30 June 2017. As a result, return on tangible equity improved to 14.2 per cent, from 13.3 per cent in the first six months of 2017. In March 2018 an application was submitted for a reduction in mortgage risk-weights to the PRA reflecting the excellent credit quality of the Virgin Money Group's mortgage portfolio. The PRA have approved these model changes and the reduction in risk-weights is reflected within the material increase to the Virgin Money Group's CET1 ratio to 16.3 per cent.

Financial information relating to Virgin Money is set out in Part III (*Historical Financial Information relating to the Virgin Money Group*) of this Circular and ratings information relating to Virgin Money is set out in paragraph 11 of this Part I (*Letter from the Chairman of CYBG PLC*) of this Circular.

9. **Information relating to the 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 approximately 3.45 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 73 stores and eight lounges. Direct distribution is then supplemented by intermediary distribution with mortgages primarily sold through Virgin Money's intermediary partners. Certain banking services are available through any UK Post Office.

Virgin Money's operations are centred in Gosforth, Norwich and Chester with additional offices in London and Edinburgh. 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 December 2017, the Virgin Money Group had customer deposits of £30.8 billion and loans and advances to customers of £36.7 billion. As at 30 June 2018, the Virgin Money Group had customer deposits of £31.4 billion and loans to customers of £37.2 billion.

For the 12 months 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. For the six months ended 30 June 2018 the Virgin Money Group generated profits of £93.5 million and as at 30 June 2018 had gross assets of £43,696.1 million.

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.

10. **Information on the Combined Group**

CYBG 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 CDIs representing CYBG Shares will continue to trade on, the ASX.

The registered offices of CYBG and Virgin Money will remain in England following Completion, and the Combined Group will be headquartered in Glasgow, Scotland.

Board and management of the Combined Group

The existing CYBG Directors will remain in office following Completion. In particular, I will remain as Chairman of the Combined Group and David Duffy, CEO of CYBG and Ian Smith, CFO of CYBG, will retain their current positions in the Combined Group.

Jayne-Anne Gadhia, the 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 of the Combined Group (in a consultancy role) for a period of up to 18 months following Completion, on terms to be agreed.

Peter Bole will also step down from his role as CFO of Virgin Money on Completion.

On Completion, each of the other current Virgin Money Directors will also resign as directors of Virgin Money and will be replaced by David Duffy, Debbie Crosbie and Ian Smith, who will join the Virgin Money Board on Completion, subject to the usual regulatory approvals. Darren Pope and Geeta Gopalan, who are currently independent non-executive directors of Virgin Money will join the CYBG Board as independent non-executive directors on Completion, subject to the usual regulatory approvals. In addition, on Completion, Amy Stirling, who is currently a non-executive director of Virgin Money, will become a non-executive director of CYBG pursuant to VELs right to nominate a director under the terms of the Brand Licence Agreement, subject to the usual regulatory approvals.

As the integration process proceeds, so the size and composition of the Combined Group's leadership team will be kept under review.

11. **Ratings and Outlook**

As at the Latest Practicable Date, CYBG had a S&P long-term Issuer Credit Rating of BBB-, outlook Stable, and a Fitch long-term Issuer Default Rating of BBB+, outlook Stable. Its subsidiary, Clydesdale Bank PLC, had a Moody's Adjusted Baseline Credit Assessment of Baa2, on Review for Upgrade, a Moody's long-term Deposit Rating of Baa1, on Review for Downgrade, a S&P long-term Issuer Credit Rating of BBB+, outlook Stable, and a Fitch long-term Issuer Default Rating of BBB+, outlook Stable.

As at the Latest Practicable Date, Virgin Money Holdings had a Moody's long-term local- and foreign-currency Issuer Rating of Baa3, on Review for Upgrade, and a Fitch long-term Issuer Default Rating of BBB+, outlook Stable. Its subsidiary, Virgin Money plc, had a Moody's Baseline Credit Assessment and Adjusted Baseline Credit Assessment of baa2, on Review for Upgrade, a Moody's long-term local-currency Bank Deposit Rating of Baa2, on Review for Upgrade, with the outlook changed to Rating under Review from Positive, a Moody's long-term local- and foreign currency Issuer Rating of Baa2, on Review for Upgrade, with the outlook changed to Rating under Review from Stable, and a Fitch long-term Issuer Default Rating of BBB+, outlook Stable.

12. **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 of 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.

13. **Virgin Money AT1 Securities**

Virgin Money currently has in issue two series of AT1 Securities, the Virgin Money AT1 Securities, which qualify as additional tier 1 capital of the UK prudential Virgin Money consolidation group and constitute direct, unsecured obligations of Virgin Money. The Virgin Money AT1 Securities are admitted to trading on the Euro MTF market and to listing on the official list of the Luxembourg Stock Exchange. The Virgin Money AT1 Securities are currently convertible into Virgin Money Shares in the event that the common equity tier 1 ratio of the Issuer Group (as defined in the terms and conditions of the Virgin Money AT1 Securities respectively (the "**Virgin Money AT1 Securities Conditions**")) falls below a threshold specified in the Virgin Money AT1 Securities Conditions (a "**Trigger Event**").

In the event that the Offer becomes Effective, the Virgin Money AT1 Securities will remain outstanding and in issue. In accordance with the Virgin Money AT1 Securities Conditions, CYBG intends, within seven days of the Offer becoming Effective, to undertake to the trustee of each of the Virgin Money AT1 Securities that the

Virgin Money AT1 Securities will be convertible into CYBG Shares in place of Virgin Money Shares on the occurrence of a Trigger Event.

The CYBG Directors also believe that it is in the best interests of CYBG to ensure that CYBG has flexibility to issue additional AT1 Securities to comply with, or maintain compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time.

Accordingly, the CYBG Board is seeking authority from the CYBG Shareholders at the CYBG General Meeting to allot CYBG Shares in connection with the conversion of Virgin Money AT1 Securities, and disapply pre-emption rights in respect of such allotment, should a Trigger Event occur. As is becoming customary for UK banks, the CYBG Board is also seeking authority from the CYBG Shareholders to have the flexibility to allot additional AT1 Securities, and disapply pre-emption rights in respect of such allotment, if the CYBG Directors consider such an issuance would be necessary or desirable in connection with, or for the purpose of complying with or maintaining compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time.

The AT1 Resolutions are conditional on the Offer becoming Effective but are not conditions to the Offer or Scheme.

Further details relating to the AT1 Resolutions are set out in paragraph 21 of this Part I (*Letter from the Chairman of CYBG PLC*) and paragraph 5 of Part VI (*Additional Information*) of this Circular.

14. Scheme process and publication of the Scheme Document and the Prospectus

The Offer is being 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 Scheme is an arrangement between Virgin Money and the Virgin Money Scheme Shareholders and is subject to the approval of the Court. The procedure involves, among other things, an application by Virgin Money to the Court to sanction the Scheme, which will involve the Virgin Money Scheme Shares being transferred to CYBG, 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 necessary resolutions to implement the Offer at the Virgin Money General Meeting. The Scheme must also be sanctioned by the Court.

The Conditions provide that the Scheme will lapse if:

- the Court Meeting and the Virgin Money General Meeting are not held by 2 October 2018 (or such later date as may be agreed between CYBG and Virgin Money);
- the Court Hearing to approve the Scheme is not held on or before the 22nd day after the expected date of the Court Hearing set out in the Scheme Document (or such later date as may be agreed between CYBG and Virgin Money); or
- 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, approval of the Brand Licence Agreement by the Independent Virgin Money Shareholders for the purposes of Rule 16.1 of the Takeover Code and Listing Rule 11.1.7R(3) and the receipt of certain regulatory clearances and approvals. The Scheme is also subject to the other Conditions set out in Part 3 of the Scheme Document, and to the full terms and conditions set out in the Scheme Document. In relation to the CMA clearance described in Condition 6 of the Scheme Document, following consultation with the CMA, CYBG has determined that no voluntary CMA filing needs to be made at this time.

If any Condition in paragraphs 2(a) and (b) and 3 to 16 of Part 3 of the Scheme Document 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 no 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, which is expected to be sent to the Virgin Money Shareholders on or about the date of this Circular, includes full details of the Scheme, together with notices of the Court Meeting and the Virgin Money General Meeting. The Scheme Document also contains the expected timetable for the Offer, and specifies the necessary actions to be taken by the 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 amongst other things to the satisfaction of the Conditions, the Scheme is expected to become Effective during the fourth quarter of calendar year 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.

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 the Announcement, except for the dividend of 2.3 pence per Virgin Money Share which was announced by Virgin Money on 26 July 2018 and is payable in respect of Virgin Money's six month interim period ending 30 June 2018.

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, including any VAT thereon, 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 Part 3 of the Scheme Document, if any approval is given by the appropriate regulator (as defined under section 178(2A) of the 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).

15. **Dividends**

If Virgin Money announces, declares or pays any dividend or any other distribution to Virgin Money Shareholders on or after the date of the 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 the dividend of 2.3 pence per Virgin Money Share which was announced by Virgin Money on 26 July 2018 and is payable in respect of Virgin Money's six-month interim period ending 30 June 2018.

The CYBG Directors believe that given the expected strong capital generation supported by the Combination, the Combined Group should be well placed to accelerate both CBYG and Virgin Money's progressive dividend ambitions.

16. **Interests in Virgin Money**

As at close of business on the Latest Practicable Date, 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.

17. **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 Main 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.

18. **Settlement, listing and dealings in New CYBG Shares**

The consideration payable to Virgin Money Scheme Shareholders under the terms of the Scheme will be despatched by CYBG to Virgin Money Scheme Shareholders within 14 days of the Effective Date (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of awards under the Virgin Money Share Plans who receive Virgin Money Shares on the vesting of awards conditional on the Court sanctioning the Scheme).

Applications 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 Main Market 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 Effective Date.

The New CYBG Shares will be issued in registered form and will be capable of being held in certificated or uncertficated form.

Steps will be taken to allow for quotation of CDIs representing the New CYBG Shares on the ASX following Completion.

19. **Dilution**

If Completion occurs, it will result in the issue of 546,954,891 New CYBG Shares to the Virgin Money Shareholders, which would result in the Virgin Money Shareholders holding approximately 38 per cent. of the Company's enlarged issued ordinary share capital. If Completion occurs, the Existing CYBG Shareholders will experience an immediate dilution as a result of the Offer following which they will hold approximately 62 per cent. of the enlarged issued ordinary share capital of CYBG.

20. **Risk factors**

For a discussion of certain risk factors which should be taken into account when considering whether or not to vote in favour of the CYBG Resolutions, see Part II (*Risk Factors*) of this Circular.

21. **CYBG General Meeting**

The implementation of the Offer is conditional upon, amongst other things, CYBG Shareholders' approval of the CYBG Offer Resolution being obtained at the CYBG General Meeting. Accordingly, you will find, set out at the end of this Circular, a notice convening a general meeting to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London, E14 5JJ at 10.00 a.m. on 10 September 2018 at which the CYBG Offer Resolution will be proposed. A summary of the CYBG Offer Resolution is set out below. The full text of the CYBG Offer Resolution is set out in the notice.

The CYBG Offer Resolution will be proposed as an ordinary resolution requiring a simple majority of votes cast in favour.

The CYBG Offer Resolution proposes that (A) the Offer be approved and the CYBG Directors be authorised to take all steps and enter all agreements and arrangements necessary or desirable to implement the Offer and (B) subject to certain conditions of the Scheme being satisfied, the CYBG Directors be generally and unconditionally authorised in accordance with section 551 of the 2006 Act to allot New CYBG Shares to be issued in connection with the Offer, up to an aggregate nominal amount of £54,800,000 (which is equivalent to approximately 62 per cent. of the issued ordinary share capital of CYBG as at the Latest Practicable Date).

If granted, the authority conferred by the CYBG Offer Resolution will expire at the end of CYBG's annual general meeting in 2020 and will be used to allot New CYBG Shares pursuant to the Offer.

The full text of the CYBG Offer Resolution and other related matters is set out in the Notice of the CYBG General Meeting which is set out at the end of this Circular. If the CYBG Offer Resolution is not passed, the Scheme will not proceed.

The CYBG Board is also seeking authority from the CYBG Shareholders by way of Resolutions 2 and 3 (together the "**AT1 Resolutions**") at the CYBG General Meeting to allot CYBG Shares in connection with a conversion of the Virgin Money AT1 Securities into CYBG Shares on the occurrence of a Trigger Event, and, as is becoming customary for UK banks, to have the flexibility to issue additional AT1 Securities in order to comply with, or maintain compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time.

Resolution 2 proposes that the CYBG Directors be authorised to allot CYBG Shares or grant rights to subscribe for, or to convert any security into, CYBG Shares, in accordance with section 551 of the 2006 Act in connection with a conversion of the Virgin Money AT1 Securities into CYBG Shares should a Trigger Event occur or in order to comply with, or maintain compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time, up to an aggregate nominal amount of £32,000,000. Resolution 2 will be proposed as an ordinary resolution requiring a simple majority of votes cast in favour.

Resolution 3 proposes that the CYBG Directors be empowered to allot equity securities (as defined in section 560 of the 2006 Act) up to an aggregate nominal amount of £32,000,000 in relation to a conversion of Virgin Money AT1 Securities into CYBG Shares should a Trigger Event occur or in order to comply with, or maintain compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time as if section 561 of the 2006 Act (existing shareholders' right of pre-emption), to the extent applicable, did not apply to any such allotment. Resolution 3 will be proposed as a special resolution requiring at least three-quarters of votes cast in favour.

If passed, the AT1 Resolutions will expire (unless previously renewed, varied or revoked by CYBG in general meeting) at the end of CYBG's annual general meeting in 2019.

The full text of the AT1 Resolutions is set out in the Notice of the CYBG General Meeting. The AT1 Resolutions are conditional on the Offer becoming Effective but are not conditions to the Offer or Scheme.

Further details of the AT1 Resolutions are set out in paragraph 5 of Part VI (*Additional Information*) of this Circular.

Voting on the CYBG Resolutions at the CYBG General Meeting will be conducted on a poll rather than a show of hands.

22. **Action to be taken**

Your support is important to us. Please vote on the CYBG Resolutions. If you hold CYBG Shares, you will find enclosed with this Circular a Form of Proxy for use at the CYBG General Meeting or any adjournment thereof. A Form of Proxy will be sent separately to those holders of CYBG Shares who have elected, or are deemed to have elected, to receive documents and notices from CYBG electronically. Whether or not you intend to be present at the CYBG General Meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it so as to be received by CYBG's Registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible and, in any event, no later than 10.00 a.m. on 6 September 2018 (or, in the case of an adjournment, no later than two Business Days before the time fixed for the holding of the adjourned meeting).

If you hold CYBG Shares through CREST you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to ID number 3RA50 in accordance with the procedures set out in the notice convening the CYBG General Meeting at the end of this Circular. Alternatively, you may give proxy instructions by logging on to www.investorcentre.co.uk/eproxy. To appoint a proxy electronically you will be asked to provide your Control Number, Shareholder Reference Number and PIN, which are detailed on your Form of Proxy. Proxies sent electronically (either via the CREST system or online) must also be sent as soon as possible and, in any event, so as to be received no later than 10.00 a.m. on 6 September 2018 (or, in the case of an adjournment, no later than two Business Days before the time fixed for the holding of the adjourned meeting).

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the CYBG General Meeting or any adjournment thereof, if you so wish.

If you hold CDIs, you will find enclosed with this Circular a CDI Voting Instruction Form for use in connection with the CYBG General Meeting or any adjournment thereof. A CDI Voting Instruction Form will be sent separately to those CDI holders who have elected, or are deemed to have elected, to receive documents and notices from CYBG electronically. You may appoint CDN to exercise the voting rights attached to the CYBG Shares it holds on your behalf by completing Option A of the CDI Voting Instruction Form. You may also instruct CDN to appoint you (or another person) as its proxy in respect of the CYBG Shares it holds on your behalf, so that you (or the other person) can attend the meeting in person and vote, by completing Option B of the CDI Voting Instruction Form. You may submit your CDI Voting Instruction Form by mailing it to the Registrar, Computershare Investor Services Pty Limited. at GPO Box 242, Melbourne, Victoria 3001, Australia as soon as possible and, in any event, by no later than 7.00 p.m. (AEST) on 6 September 2018 (or, in the case of an adjournment, no later than two Business Days before the time fixed for the holding of the adjourned meeting).

Alternatively, you may submit your CDI Voting Instruction Form electronically by logging on to www.investorvote.com.au. CDI Voting Instruction Forms submitted electronically must be submitted as soon as possible and, in any event, so as to be received by no later than 7.00 p.m. (AEST) on 6 September 2018 (or, in the case of an adjournment, no later than two Business Days before the time fixed for the holding of the adjourned meeting).

In order to attend and vote in person at the CYBG General Meeting, you must choose Option B of the CDI Voting Instruction Form and instruct CDN to appoint you as its proxy. If you do not complete Option B in this way you will only be able to attend the meeting and speak but not be able to vote.

23. Further information

Your attention is drawn to the further information contained in Part II (*Risk Factors*), Part V (*Quantified Financial Benefits Statement*) and to Part VI (*Additional information*) of this Circular, together with the Prospectus and the Scheme Document. In particular, CYBG Shareholders are advised to read the whole of this document and not merely rely on the summarising information set out in this letter.

24. Financial Advice

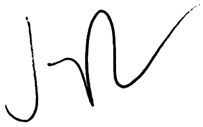
The CYBG Board has received financial advice from Morgan Stanley and Deutsche Bank in relation to the Offer. In providing their advice to the CYBG Board, Morgan Stanley and Deutsche Bank have taken into account the commercial assessments of the CYBG Board.

25. Recommendation

The CYBG Board considers the Offer and the CYBG Resolutions to be in the best interests of CYBG and the CYBG Shareholders as a whole and unanimously recommends that CYBG Shareholders vote in favour of the CYBG Resolutions 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 599,837 CYBG Shares (representing approximately 0.068 per cent. of the issued ordinary share capital of CYBG as at the Latest Practicable Date).

The Offer has also been unanimously recommended by the Independent Virgin Money Directors, with the Independent Virgin Money Directors who hold Virgin Money Shares having irrevocably undertaken to vote in favour of the Scheme in respect of their own beneficial holdings.

Yours faithfully,



Jim Pettigrew
Chairman

PART II
RISK FACTORS

RISKS RELATING TO THE ACQUISITION

There are risks that the Offer will not be implemented on a timely basis or at all. The implementation of the Offer is subject to the satisfaction of certain conditions and those conditions may not be satisfied.

The implementation of the Offer is subject to the satisfaction, or, where permitted, waiver of certain conditions including among other things, approvals of the CYBG Shareholders, the relevant Virgin Money Shareholders (including in respect of the Brand Licence Agreement), sanction of the Scheme by the court, and receipt of certain regulatory clearances and approvals. Further information on the conditions to implementation of the Offer are set out in paragraph 14 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular. The conditions to Completion are to be satisfied by 31 January 2019 (or, where permitted, waived) (or such later date as may be agreed). However, the Offer is currently expected to complete in during the fourth quarter of calendar year 2018.

There is no guarantee that these conditions will be satisfied (or, where permitted, waived). In granting their consent, the regulatory authorities have discretion in imposing conditions and restrictions to their consent which could result in a delay in Completion of, or a decision not to complete, the Offer or could have a material adverse effect on the business and results of operations of the Combined Group following Completion. Failure to satisfy any of these conditions may result in the Offer not being completed. In particular, certain of the conditions cannot be waived by CYBG. If the Offer does not complete, the CYBG Group would nonetheless be obliged to pay approximately £12.2 million (excluding VAT) of transaction costs (primarily advisory and legal fees) incurred in connection with the Offer. Failure to complete the Offer may also have an adverse impact on the financial condition, future operating results and/or prospects of the CYBG Group and the trading price of CYBG Shares may be adversely affected.

The prospect of Completion could cause disruptions in the businesses of the CYBG Group and/or the Virgin Money Group, which could have material adverse effects on their business, financial condition, results of operations and prospects, as well as on the business, financial condition, results of operations and prospects of the Combined Group

The prospect of Completion could cause disruptions in the businesses of the CYBG Group and that of the Virgin Money Group. For example, either or both of the CYBG Group's or the Virgin Money Group's current and prospective customers may, in response to the announcement of the Offer, terminate, change or defer their custom, any such termination, change or deferral by current and prospective customers could materially and adversely impact the revenues, profits of the CYBG Group or the Virgin Money Group and/or any anticipated growth in the revenues could be lower than expected. Furthermore, both during the Offer process and if the Offer is completed, some current and prospective employees of the CYBG Group or the Virgin Money Group may experience uncertainty about their future roles within the Combined Group, which may adversely affect the CYBG Group's and the Virgin Money Group's abilities to retain or recruit key managers and other employees. Also, market reaction to and/or speculation regarding the likelihood of Completion could increase the volatility of the price of CYBG Shares and Virgin Money Shares.

If the CYBG Group and the Virgin Money Group fail to manage these risks effectively, the business and financial results of the CYBG Group, the Virgin Money Group and the Combined Group could be adversely affected. The CYBG Group may incur higher than expected transaction and Offer related costs. CYBG will incur legal, accounting and transaction fees and other costs related to the Offer, which are expected to amount to approximately £34 million (excluding VAT, but including stamp duty estimated to be approximately £9 million), in aggregate. Some of these costs are payable regardless of whether the Offer is completed, and such costs may be higher than anticipated.

Synergy benefits resulting from the Offer may fail to materialise or be materially lower than have been estimated

CYBG believes the combination of the businesses of the CYBG Group and the Virgin Money Group will achieve significant operational cost savings for the Combined Group. However, there is a risk that the projected cost savings will fail to materialise, including if the Offer is not completed as contemplated, or that they may be materially lower than have been estimated, which would have a significant impact on the profitability of the Combined Group in the future.

Integration of the Virgin Money Group into the CYBG Group may be more time consuming and costly than expected and unforeseen difficulties may arise

The integration process following Completion may be more complex than anticipated. Successful integration will require a significant amount of management time and may affect or impair the ability of the management team of the Combined Group to run the business effectively during the period of integration and to execute the CYBG Group's existing strategic priorities. If the integration process proves more difficult than is being anticipated or if the Offer is not completed as contemplated, there is a risk to the operational performance of the Combined Group.

The integration of the Virgin Money Group into the CYBG Group exposes, if the Offer is completed, the Combined Group to the following risks:

Retention of key staff

The success of the Combined Group will in part depend on its ability to retain, but also attract hire and train qualified management as well as qualified technical and sales personnel. In the course of the integration process, key staff may leave the Combined Group in favour of competing entities. The inability to retain key staff could impair the ability of the Combined Group to properly execute the integration of the Virgin Money Group with the Combined Group.

Integration of employee groups

The merger of the employee groups of the CYBG Group and the Virgin Money Group will include, amongst other things, integration of unionised and non-unionised employees, restructuring of staff structures and possibly harmonisation of employment terms. Such merger and integration may result in labour related actions and employees terminating their employment with the Combined Group which may in turn disrupt the integration process.

Disruption or failure of systems

The integration of the Virgin Money Group into the CYBG Group may cause disruptions or failures in the IT systems of the Combined Group. Such disruptions or failures could damage the reputation of the Combined Group, result in loss of customers and revenues and may adversely affect the integration process. In addition, integration of the networks and IT systems of the Virgin Money Group into the CYBG Group could be subject to risks caused by cyber enabled crime and fraud (for further information, see the risk factor below entitled "*The CYBG Group and, following Completion, the Combined Group are exposed to risks associated with cyber-enabled crime and fraud*") and misappropriation, misuse, leakage and accidental release or loss of information maintained in the IT systems, which may be in breach of personal data legislation, and which may result in loss of customers, customer dissatisfaction or financial claims.

Disruption to management

The integration of the businesses could divert management's time and focus from operating the business of the CYBG Group and the Virgin Money Group and, following Completion, the Combined Group. Any negative impact on management's ability to focus on running the respective businesses could have a material adverse effect on the CYBG Group, and following Completion, the Combined Group's business, results of operations, financial condition or prospects.

Integration of brands and legal entities

The integration of businesses including assets, businesses and their operations, technologies and employees may expose the CYBG Group and, following Completion, the Combined Group to operating difficulties and expenditure associated with integrating the "Virgin Money" brand. As a result, there is a risk of customer confusion, in particular during the transition period and merging of the brands may expose the Combined Group to increased regulatory scrutiny.

Impact on customer growth

The integration of the Virgin Money Group into the CYBG Group may result in the Combined Group having a higher risk portfolio due to either (i) changes in its customer base as a result of the Combination, or (ii) by targeting a more diverse set of segments following Completion. Any such negative impact on the Combined Group's risk portfolio could lead to a material adverse effect on the CYBG Group, the Virgin Money Group and, following Completion, the Combined Group's rate of medium term customer growth.

As a result of the above and/or other risks, it is possible that the costs of integration of the Virgin Money Group into the CYBG Group may be materially higher than anticipated, which would adversely affect the expected synergy benefits and in particular exceed anticipated cost savings as a result of the Offer. In addition, the integration may take longer than is expected, or difficulties relating to the integration, including of which the CYBG Board are not yet aware, may arise. In such circumstances, the profitability of the Combined Group might be detrimentally affected, which could have a negative impact on the price of the CYBG Shares as well as a material adverse effect on the business, financial condition and result of operations of the Combined Group.

Change of control provisions in the CYBG Group's and the Virgin Money Group's agreements may be triggered upon Completion and may lead to adverse consequences

The CYBG Group and the Virgin Money Group are party to contracts, agreements and instruments that contain change of control provisions that may be triggered upon Completion. Usually these provisions, if any, may be waived with the consent of the other party, and the CYBG Group and Virgin Money Group will consider whether they will seek such waivers. In absence of these waivers, the operation of the change of control provisions, if any, could result in the loss of significant contractual rights and benefits, the termination of significant agreements or the payment of a termination fee. In addition, employment agreements or other employee benefit arrangements with the CYBG Group's and the Virgin Money Group's employees may contain change of control provisions providing for additional payments following a change of control.

Shareholders in CYBG will experience a dilution of their ownership of the Combined Group

Pre-emption rights do not apply to the issue of the New CYBG Shares to the Virgin Money Shareholders pursuant to the Offer. Following Completion, Existing CYBG Shareholders will experience dilution in their proportionate ownership and voting interest in the Combined Group compared to their proportionate ownership and voting interest in CYBG immediately prior to Completion because of the issue of the New CYBG Shares to the Virgin Money Shareholders.

RISKS RELATING TO THE COMBINED GROUP WHICH RESULT FROM OR ARE IMPACTED BY THE OFFER

The reputation of the CYBG Group and, following Completion, the Combined Group and their brands (including the "Virgin Money" brand) may be damaged by the actions, behaviour or performance of numerous persons

The CYBG Group offers its full service retail and SME banking proposition through its "Clydesdale Bank", "Yorkshire Bank" and "B" brands. CYBG has reached an agreement with VEL that, following Completion, the Combined Group will have, subject to certain exclusions and reservations of rights, exclusive and perpetual access to use of the "Virgin Money" brand in respect of all banking and financial services and products which are offered in the ordinary course of business by UK clearing banks, challenger banks, all investment or savings products and services, and all insurance products and services, as well as certain related non-exclusive rights to use the "Virgin" trade marks. Any event or circumstance that causes damage to the CYBG Group and, following Completion, the Combined Group or their brands could have a material adverse effect on their business, results of operations, financial condition and prospects.

The CYBG Group's and, following Completion, the Combined Group's brands may be damaged by the actions, behaviour or performance of their employees, affiliates, suppliers, counterparties, regulators, customers, and/or other activists, or the financial services industry generally. A risk event, such as compliance breaches, cyber enabled crime and fraud (for further information, see the risk factor below entitled "*The CYBG Group and, following Completion, the Combined Group are exposed to risks associated with cyber-enabled crime and fraud*"), or a significant operational or technology failure, or a fall in customer service levels, or demonstrations by customes and/or other activists, may cause business disruption or adversely affect the perceptions of the CYBG Group and, following Completion, the Combined Group held by the public, shareholders, investors, customers, employees, regulators or rating agencies. A risk event itself may expose the CYBG Group and, following Completion, the Combined Group to direct losses as a result of litigation, fines and penalties, remediation costs or loss of key personnel as well as potential impacts on CYBG's share price. There is also a risk that customers may not support or be deterred by the rebranding of CYBG's business and/or the ongoing use of the "Virgin Money" brand, which may adversely impact the CYBG Group or, following Completion, the Combined Group.

In particular, the "Virgin" brand is used in a wide range of different economic sectors in the UK and internationally. Following Completion, the Combined Group will be exposed to the risk that others associated with the "Virgin" brand, including Sir Richard Branson and his family or other companies which use the "Virgin" brand, may bring the brand into disrepute. The "Virgin" brand is positioned as an innovative brand and many of the ventures to which it is attached are in the public eye. Following Completion, the Combined Group faces the risk that should any of such innovative activities not be successful, this will be heavily reported and there may be a negative effect on the reputation and the strength of the "Virgin" brand which may have similar consequences on the "Virgin Money" brand or the Combined Group and its brands generally. Furthermore, should Sir Richard Branson cease to be connected to the "Virgin" brand, for example, through exiting the business or upon his death, the goodwill of the "Virgin" brand, especially the brand's popularity with consumers, may suffer a decline which may have similar consequences on the "Virgin Money" brand.

Reputational damage to the CYBG Group or its brands may adversely impact the CYBG Group's and, following Completion, the Combined Group's ability to attract and retain customers or employees in the short and long-term and the ability to pursue new business opportunities. It may also result in a higher risk premium being applied to the CYBG Group and, following Completion, the Combined Group, which could adversely impact the cost of funding their operations and their financial condition.

The CYBG Group, and following Completion, the Combined Group, may lose the right to use the "Virgin" and "Virgin Money" brands (which it will not own)

Following Completion, in order for the Combined Group to use the "Virgin" and "Virgin Money" names and brands (which it will not own), the Combined Group will be required to comply with certain obligations under the Brand Licence Agreement. The Brand Licence Agreement has a perpetual term. VEL will have the right to terminate the Brand Licence Agreement in certain circumstances, including, amongst other things: (i) if CYBG challenges VEL's ownership of, entitlement to license and/or the validity of the Licensed Trade Marks; (ii) on CYBG's insolvency; (iii) upon CYBG's material, unremedied breach of the Brand Licence Agreement; (iv) if CYBG undergoes a change of control and the acquirer is a direct competitor of VEL (or any of its licensees) in the UK, or an entity involved in any business or activity, or possessing a reputation or financial standing which would be reasonably likely to materially damage the value or reputation of the "Virgin Money" or "Virgin" brands; and (v) CYBG's failure to comply with the must-use requirement under the Brand Licence Agreement (which requires, following the rebranding period, at least 80 per cent. of the Combined Group's turnover to be generated under the marks licensed by VEL). In certain circumstances, the termination of the Brand Licence Agreement by VEL for cause entitles it to receive a termination fee from CYBG in lieu of a damages claim. Loss of the Combined Group's rights to use the "Virgin" and "Virgin Money" names and brands under the Brand Licence Agreement could have a material adverse effect on the Combined Group's business, financial condition, results of operations and/or prospects. Further information on the Brand Licence Agreement is set out in paragraph 12.1(c) of Part VI (*Additional Information*) of this Circular.

VEL may allow other VEL licensees to use the "Virgin" name and brand for financial products and services in certain defined circumstances. The use by any other VEL licensee of the "Virgin" name in relation to financial services and products may represent a dilution of the Combined Group's exclusivity in the financial services field, and could: (i) cause customer confusion; and (ii) create potential reputational damage if the VEL licensee providing the ancillary financial products or services does anything that damages the goodwill of the brand.

The strength and recognition of the CYBG Group's existing brands may diminish following Completion

As, following the rebranding period, at least 80 per cent. of the Combined Group's turnover is required to be generated under the marks licensed by VEL, there is a risk that the strength and recognition of CYBG Group's existing "B", "Clydesdale Bank" and/or "Yorkshire Bank" brands could be diminished.

Whilst the CYBG Group intends to use the "Virgin Money" brand for its retail operations and the CYBG Directors believe that the brand has potential in the SME market, particularly in light of its entrepreneurial spirit, a decision as to whether to use the "Virgin Money" brand for SME operations will only be made following a period of testing with existing CYBG Group SME customers. If the CYBG Group decides not to use the "Virgin Money" brand for its SME operations and to continue to use its existing "B", "Clydesdale Bank" and/or "Yorkshire Bank" brands, there is a risk that the strength of those brands and their recognition in the market could be diminished due to the CYBG Group's other products and operations no longer carrying the same brands.

Furthermore, in the event that the CYBG Group is required to (or decides to) cease use of the "Virgin" or "Virgin Money" brands in the future, there is a risk that its existing "B", "Clydesdale Bank" and "Yorkshire Bank" brands will no longer benefit from the same level of customer recognition in the market which they currently receive, which could affect the CYBG Group's competitive position and dampen growth prospects. In addition, if CYBG ceases to use its current brands for a period of five years, the trade mark registrations for those brands will become vulnerable to revocation and the CYBG Group will lose the ability to enforce them against third parties.

The CYBG Group is and, following Completion, the Combined Group will be exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events

The CYBG Group's business is and, following Completion, the Combined Group's business will be exposed to operational risks related to inadequate or failed internal processes, people and systems and from external events. Operational risks are inherent in the day-to-day operational activities of the CYBG Group and, following Completion, the Combined Group, which may result in direct or indirect losses and could adversely impact the CYBG Group's and, following Completion, the Combined Group's business, financial condition, results of operations and prospects. These losses may result from both internal and external events, and risks. Internal risks include, but are not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, failure of security and physical protection (including the health and safety of employees), fraud, deficiencies in employees' skills and performance or human error, or other idiosyncratic components of operational risk that are related to the CYBG Group's and, following Completion, the Combined Group's particular size, nature and complexity. External events include, but are not limited to, operational failures by third-party providers (including offshored and outsourced providers), actual or attempted external IT security breaches from parties with criminal or malicious intent, natural disasters, extreme weather events, political, security and social events and failings in the financial services industry. The CYBG Group is and, following Completion, the Combined Group will be exposed to extreme but plausible events that are unpredictable and may result in a material or systemic loss, business interruption or significant reputational damage. Operational risks may be increased as a direct consequence of the process of integrating Virgin Money into the Combined Group, in particular due to problems with migrating data, systems (such as IT systems) or processes. For more details, please refer to the risk factor above entitled "*Integration of the Virgin Money Group into the CYBG Group may be more time consuming and costly than expected and unforeseen difficulties may arise*".

The CYBG Group is and, following Completion, the Combined Group will be dependent on their information systems and technology from a system stability, data quality and information security perspective. The CYBG Group and, following Completion, the Combined Group are also dependent on payments systems and technology that interface with wider industry infrastructure; for example, the CYBG Group is, and, following Completion, the Combined Group, in common with other banks, will be dependent on various industry payment systems and schemes (including CHAPS, BACS, Faster Payments and SWIFT) for making payments between different financial institutions on behalf of customers. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or be adequately protected) could adversely impact the CYBG Group's and, following Completion, the Combined Group's ability to conduct their daily operations and their business, financial condition, results of operations and prospects.

In addition, financial models are used extensively in the conduct of the CYBG Group's business; for example, in calculating capital requirements and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions and judgements, this may adversely affect the CYBG Group's and, following Completion, the Combined Group's business, financial condition, results of operations and prospects.

The CYBG Group and, following Completion, the Combined Group may look to implement new operational processes and systems to assist in responding to market developments, such as the move towards Open Banking which is designed to enable personal customers and small businesses to share their data securely with other banks and with third parties, allowing them to compare products on the basis of their own requirements and to manage their accounts without having to use their bank, or to reflect changes in regulations, such as the General Data Protection Regulation whereby the CYBG Group and, following Completion, the Combined Group must be able to report at any time to the ICO all locations where personal identifiable information is stored (for example within systems and databases) and provide a justification of why such personal identifiable information is needed. Due to the scale and complexity of such projects, the CYBG Group and, following Completion, the Combined Group may be required to invest significant management attention and resources, which may divert attention away from normal business activities and other ongoing projects. Additionally, where changes are undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are magnified, which may impact the reputation and financial condition of the CYBG Group and, following Completion, the Combined Group. There is also a risk that implementation may not be completed within expected timeframes or budget, or that such changes do not deliver some or all of their anticipated benefits.

While the CYBG Group does have operational resilience, IT disaster recovery and business continuity contingency plans in place, these are not, and are not intended to be, a full duplication of the CYBG Group's operational systems and premises. Additionally, the CYBG Group is and, following Completion, the Combined Group, will be exposed to risks associated with an increase in the cost or lack of available insurance provision for the Combined Group (including any run off policies), which could have an adverse impact on profitability. The occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems or premises could have a material adverse effect on the CYBG Group and, following Completion, the Combined Group' business, financial condition, results of operations and prospects. Any actual or perceived inadequacies, weaknesses or failures in the CYBG Group and, following Completion, the Combined Group systems or processes could have a material adverse effect on their business, financial condition, results of operations and prospects.

The CYBG Group and, following Completion, the Combined Group may be exposed to losses if critical accounting judgements or estimates are subsequently found to be incorrect or inaccurate

The preparation of the CYBG Group's and the Virgin Money Group's financial statements requires management to make estimates and assumptions and to exercise judgement in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IFRS as adopted by the EU. Some areas involving a higher degree of judgement, or where assumptions are significant to the financial statements, include financial assets and liabilities at fair value through profit or loss, impairment provisions on credit exposures, deferred tax, PPI redress provision and other conduct related matters, retirement benefit obligations and effective interest rate assumptions. For information on the CYBG Group's critical accounting policies, see note 1.8 to the financial statements in the CYBG Annual Report 2017, which is incorporated by reference into this Circular.

If the judgements, estimates and assumptions used by the CYBG Group and, following Completion, the Combined Group in preparing their consolidated financial statements are subsequently found to be incorrect there could be a significant loss to them beyond that anticipated or provided for or an adjustment to those consolidated financial statements, which could have a material adverse effect on the CYBG Group's and, following Completion, the Combined Group's business, financial condition and results of operations. For information on the Virgin Money Group's critical accounting policies, see note 1.9 to the audited consolidated financial statements in the Virgin Money Annual Report 2017, which is incorporated by reference into this Circular.

The adoption of new accounting standard, IFRS 9 'Financial Instruments', is expected to impact all UK financial institutions, including the CYBG Group and, following Completion, the Combined Group, and is expected to have a material effect on financial statements. The new standard applies to all accounting periods beginning on or after 1 January 2018 and will be implemented by the CYBG Group and the Combined Group with effect from 1 October 2018.

The CYBG Group and, following Completion, the Combined Group are exposed to risks associated with cyber-enabled crime and fraud

The CYBG Group is and, following Completion, the Combined Group will be subject to the risk of actual or attempted IT security breaches from parties with criminal or malicious intent. Should their intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur in a system for which there is no duplication, there may be a material adverse effect on their business, financial condition, results of operations and prospects.

The CYBG Group continues to invest in its information security controls in response to emerging threats, such as cyber-enabled crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the CYBG Group and, following Completion, the Combined Group and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. The CYBG Group and, following Completion, the Combined Group cannot be certain that their infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the CYBG Group's and, following Completion, the Combined Group's operational performance and reputation. The CYBG Group and, following Completion, the Combined Group's strategy to increase their digital presence may expose the CYBG Group and, following Completion, the Combined Group to increased risks associated with cyber-enabled crime and fraud. For information on their digital strategy, please refer to the risk factor entitled "*Risks associated with the CYBG Group's and, following Completion, the Combined Group's digital strategy*".

Any breach in security of the CYBG Group's and, following Completion, the Combined Group's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with customer accounts, could disrupt their business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage their reputation and/or brands.

The CYBG Group and, following Completion, the Combined Group may fail to attract or retain executives, senior managers or other key employees

The CYBG Group's and, following Completion, the Combined Group's success depends on the continued service and performance of their key employees, particularly their executives and senior managers, and their ability to attract, retain and develop high calibre talent. The CYBG Group and, following Completion, the Combined Group may not succeed in attracting new talent and retaining key personnel for a variety of reasons, including if they do not identify or engage with the CYBG Group's and, following Completion, the Combined Group's brand and values, which represents a major component of their overall strategy, or they do not wish to be located or relocate to the CYBG Group's and, following Completion, the Combined Group's key locations. The CYBG Group competes and, following Completion, the Combined Group will compete for talented people with skills that are in relatively short supply and they may not have sufficient scale to offer employees rates of compensation or opportunities to advance within the organisation comparable to their larger competitors, particularly at more senior levels. The CYBG Group and, following Completion, the Combined Group may also allocate resources improperly within their newly developed standalone functions or otherwise which could create operational inefficiencies and risks and/or lead to de-motivated senior employees. Each of these factors could have an adverse effect on the CYBG Group's and, following Completion, the Combined Group's ability to recruit new personnel and retain key employees, which could, in turn, adversely affect the CYBG Group's and, following Completion, the Combined Group's business. In addition, external factors such as macro-economic conditions, the regulatory environment developing to increase direct liabilities for bank employees, regulatory restrictions on incentivisation and/or continued negative media attention on the financial services industry may adversely affect employee retention, sentiment and engagement. Any failure to attract and retain key employees, including executives and senior managers, could have a material adverse effect on the CYBG Group's and, following Completion, the Combined Group's business, financial condition, results of operations and prospects.

There will be a period of uncertainty for individuals, and therefore an increased retention risk, during the pre-completion integration planning phase, during which both the CYBG Group and the Virgin Money Group continue to be bound by the strict requirements limiting its or their confirmation, communication or publication of the proposed post-Completion organisational structure, plans and potential impact on roles. Following the Completion, there may be other factors during the integration phase, until 'end state' model and synergies are achieved, that may also impact retention. Internal restructuring, transfer of employees under TUPE or measures arising from a transfer, collective consultation involving assessment and selection, cultural factors and leadership behaviour or other 'interim' arrangements, may all potentially impact the Combined Group's ability to retain key talent.

Any future issue of CYBG Shares, including in connection with an offering, the conversion of AT1 Securities issued by the CYBG Group including, following Completion, the Virgin Money AT1 Securities or MREL eligible securities into CYBG Shares or any future acquisitions, any share incentive or share option plan or otherwise will further dilute the holdings of the then current CYBG Shareholders and could adversely affect the market price of CYBG Shares

CYBG may issue additional CYBG Shares in the future for a number of reasons. Any such future issue will further dilute the holdings of the then current CYBG Shareholders and could adversely affect the market price of CYBG Shares.

Other than pursuant to the Offer, CYBG has no current plans for an offering of CYBG Shares. However, it is possible that CYBG may decide to offer additional CYBG Shares in the future either to raise capital or for other purposes. If the then current CYBG Shareholders did not take up such offer, or were not eligible to participate in such offer, their proportionate ownership and voting interests in CYBG would be reduced.

Both the CYBG Group and the Virgin Money Group have issued AT1 Securities to meet their respective capital requirements. AT1 Securities issued by a company are subordinated obligations of that company but would rank ahead of the company's shares in any winding-up of that company. Any such securities issued include a provision whereby if the CET1 ratio of that company falls below a specified percentage, distributions accrued and unpaid on the AT1 Securities would be cancelled and converted into the company's shares (depending on the terms of the instrument issued). Similarly, any MREL eligible securities issued by the CYBG Group, or following Completion, the Combined Group, must enable the Bank of England to convert them into equity in the event of resolution of the CYBG Group or the Combined Group (as the case may be). As a result, CYBG's then existing shareholders could suffer dilution in their percentage ownership upon any conversion of convertible securities such as AT1 Securities, MREL eligible securities or similar securities issued by the CYBG Group (including, following Completion, the Virgin Money AT1 Securities) into CYBG Shares.

The CYBG Group may also seek to raise financing to fund future acquisitions and other growth opportunities. CYBG may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. CYBG's then existing shareholders would suffer dilution in their percentage ownership if they did not participate, or were not eligible to participate in, any such issues pro rata to their existing holdings.

PART III
HISTORICAL FINANCIAL INFORMATION RELATING TO THE VIRGIN MONEY GROUP

Section A: Historical financial information

The audited consolidated financial information of Virgin Money Group for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 and the unaudited interim consolidated financial statements for the six month period ended 30 June 2018, together with the unqualified independent audit or accountants reports thereon, is set out in Part VII (*Historical Financial Information relating to the Virgin Money Group*) of the Prospectus, which is incorporated by reference into, and forms part of this Circular.

The CYBG Directors confirm that no material adjustment needs to be made to the financial information of the Virgin Money Group for the years ended 31 December 2017, 31 December 2016 or 31 December 2015 to achieve consistency with the CYBG Group's accounting policies for the year ended 30 September 2017. The Virgin Money Group's accounting policies under which this financial information was prepared are not materially different to the CYBG Group's accounting policies.

Section B: Unaudited reconciliation of the Virgin Money Group's financial information for the six months ended 30 June 2018 to the CYBG Group's accounting policies

The following unaudited reconciliations summarise the material adjustments which reconcile the Virgin Money Group's net assets and profit after tax for the six month period ended 30 June 2018 to estimates of those that would have been reported had the Virgin Money Group applied the accounting policies used by the CYBG Group in the preparation of its audited consolidated financial statements for the year ended 30 September 2017.

These differences relate to methods for recognition and measurement of the amounts shown in the consolidated financial statements. The reconciliation does not seek to reflect any changes to the judgements made by the directors of Virgin Money Group in preparing the underlying Virgin Money Group financial information and does not reflect any fair value adjustments which the CYBG Directors will need to make as a result of the Combination or would have made had the Combination happened at any other date during the historical period shown.

The following unaudited reconciliations present the effect of the material differences between the Virgin Money Group's accounting policies and the CYBG Group's accounting policies; the adjustment to net assets is a cumulative adjustment whereas the adjustment to profit after tax represents the effect for the accounting period only and therefore does not correspond with the net assets adjustment amount for the corresponding accounting period.

A. Unaudited reconciliation of the Virgin Money Group's profit after tax for the six month period ended 30 June 2018:

	Note	Six months to 30 June 2018
		(£ million)
Profit/(loss) after tax for the period as reported by Virgin Money Group	1	93
Accounting policy adjustment:		
IFRS 9 expected credit loss impairment allowance replaced by the IAS 39 incurred credit loss impairment allowance	2	5
Taxation impact of accounting policy adjustments	3	(1)
Profit/(loss) after tax for the period of the Virgin Money Group under the CYBG Group's accounting policies		97

B. Unaudited reconciliation of the Virgin Money Group's net assets as at 30 June 2018:

	Note	As at 30 June 2018
		(£ million)
Group net assets as reported by Virgin Money Group	1	1,861
Accounting policy adjustments:		
IFRS 9 expected credit loss impairment allowance replaced by the IAS 39 incurred credit loss impairment allowance	2	49
Taxation impact of accounting policy adjustments	3	(11)
Group net assets of the Virgin Money Group under the CYBG Group's accounting policies		1,899

Notes:

1. The consolidated profit/(loss) of the Virgin Money Group for the six months ended 30 June 2018 and consolidated net assets of the Virgin Money Group as at 30 June 2018 have been extracted without material adjustment from the unaudited Virgin Money Interim Report 2018.
2. The adjustment reflects a difference in the timing of the adoption of IFRS 9: 'Financial Instruments'. This replaced IAS 39: 'Financial Instruments-Recognition and Measurement' for accounting periods beginning on or after 1 January 2018. Virgin Money Group's unaudited consolidated financial statements for the six months ended 30 June 2018 have been prepared on the basis of IFRS 9, which the Virgin Money Group adopted for its current financial year commencing on 1 January 2018. As such there is no requirement for Virgin Money Group to restate on this basis for any period prior to that commencing 1 January 2018. This differs from the CYBG Group's audited consolidated financial statements for the year ended 30 September 2017 (which are incorporated by reference into this Circular) which were prepared on the basis of IAS 39. CYBG Group will adopt IFRS 9 for its next financial year commencing on 1 October 2018 in line with the requirements of the new Standard. IFRS 9 changes the methodology in calculating credit losses and replaces the incurred loss model under IAS 39 with an expected loss model. IFRS 9 requires a 12 month or lifetime expected credit loss calculation in all instances and not just those where a loss event has been observed which was the case under IAS 39. Consequently, IFRS 9 will generally result in an increased level of credit impairment allowances on initial adoption.
3. Tax has been recorded on the IFRS 9 adjustment at the Virgin Money Group's effective tax rate of 26.5 per cent.

Significant accounting estimates—Effective interest rate

The CYBG Group and the Virgin Money Group both apply the effective interest rate (EIR) method under IAS 39 (and IFRS 9) to the measurement of interest on financial instruments recorded at amortised cost. The EIR rate is determined at inception based upon management's best estimate of the future cash flows of the financial instrument. These include an estimation of utilisation of available credit, transaction and repayment activity and the retention of the customer balance after the end of the promotional period. CYBG Group does not calculate EIR on its credit card portfolio as the overall portfolio balance (£382 million at 31 March 2018) is immaterial in comparison to CYBG Group's overall gross lending balance. The Virgin Money Group has a significant and material credit card portfolio ("Unsecured receivables not subject to securitisation" balance of £3,071 million at 31 December 2017) and therefore calculates and applies EIR on this balance. The application of EIR method to Virgin Money Group's credit card balance gave rise to an EIR adjustment of £159.8 million as at 31 December 2017. The Virgin Money Group models expected future cash flows over the estimated customer life, restricted to a maximum of seven years, which is supported by observed experience. This is an estimation difference within the EIR methodology and has not been reflected in the reconciliation above as it does not represent a difference in accounting policy.

PART IV
UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE COMBINED GROUP

SECTION A:
ACCOUNTANT'S REPORT IN RESPECT OF THE UNAUDITED PRO FORMA INFORMATION RELATING TO THE COMBINED GROUP

The Directors
CYBG plc
40 St Vincent Place
Glasgow
G1 2HL

31 July 2018

Dear Sirs

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in Section B of Part IV of the investment circular dated 31 July 2018 ("**Circular**"), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the acquisition of Virgin Money Holdings (UK) plc by CYBG PLC (the "**Company**") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 September 2017. This report is required by Listing Rule 13.3.3R and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other 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 Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3R as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

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 Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Yours faithfully

Ernst & Young LLP

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SECTION B:
UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE COMBINED GROUP

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the acquisition of Virgin Money on: (i) the net assets of the CYBG Group as at 31 March 2018 as if the acquisition had occurred on 31 March 2018; and (ii) the effect on the consolidated income statement of the CYBG Group for the financial year ended 30 September 2017 as if the acquisition had taken place on 1 October 2016. The unaudited pro forma financial information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the CYBG Group's actual financial position or results.

The unaudited pro forma financial information has been compiled on a basis consistent with the accounting policies of CYBG used to prepare its audited consolidated financial statements for the financial year ended 30 September 2017 and prepared in accordance with Annex II of the Prospectus Directive Regulation and on the basis of the notes set out below.

CYBG Shareholders should read the whole of this Circular and not rely solely on the unaudited financial information contained in this Section B of this Part IV. EY's report on the unaudited Pro Forma Financial Information is set out in Section A of this Part IV (*Unaudited Pro Forma Financial Information relating to the Combined Group*).

Unaudited Pro Forma Income Statement for the financial year ended 30 September 2017

			Adjustments		
	CYBG Group for the year ended 30 September 2017	Virgin Money Group for the year ended 31 December 2017	Adjustments to conform to disclosures	Acquisition Adjustments	Unaudited Pro Forma Combined Group
			(£ million)		
	Note 1	Note 2	Note 3	Note 4	Note 5
Interest income and similar income	1,075	958	—	—	2,033
Interest expense and similar charges	(231)	(363)	—	—	(594)
Net interest income	**844**	**595**	—	—	**1,439**
Gains less losses on financial instruments at fair value	6	(3)	—	—	3
Other operating income	186	42	29	—	257
Fee and commission income	—	29	(29)	—	—
Non-interest income	**192**	**68**	—	—	**260**
Total operating income	**1,036**	**663**	—	—	**1,699**
Personnel expenses	(166)	—	(198)	—	(364)
Restructuring expenses	(67)	—	—	—	(67)
Depreciation and amortisation expense	(87)	—	(35)	—	(122)
Other operating and administrative expenses	(400)	—	(123)	(92)	(615)
Operating expenses	—	(356)	356	—	—
Total operating and administrative expenses before impairment losses	**(720)**	**(356)**	—	**(92)**	**(1,168)**
Operating profit before impairment losses	**316**	**307**	—	**(92)**	**531**
Impairment losses on credit exposures	(48)	(44)	—	—	(92)
Profit on ordinary activities before tax	**268**	**263**	—	**(92)**	**439**
Tax expense	(86)	(71)	—	—	(157)
Profit for the year	**182**	**192**	—	**(92)**	**282**
Profit attributable to ordinary shareholders	146	192	—	(92)	246
Profit attributable to other equity holders	36	—	—	—	36
Profit for the year attributable to equity holders	**182**	**192**	—	**(92)**	**282**

(1) The CYBG Group's income statement for the year ended 30 September 2017 has been extracted, without material adjustment, from the CYBG Group 2017 annual financial statements set out in the CYBG Annual Report 2017, which is incorporated by reference into this Circular.

(2) The Virgin Money Group's income statement for the year ended 31 December 2017 has been extracted, without material adjustment, from the Virgin Money Group 2017 annual financial statements, set out in Part VII (*Historical Financial Information Relating to the Virgin Money Group*) of the Prospectus, which is incorporated by reference into this Circular.

(3) The following reclassifications were made to reflect the difference in accounting presentation under the CYBG Group's presentation as opposed to that of the Virgin Money Group:

(i) The Virgin Money Group discloses "Fee and commission income" separately on its income statements whereas the CYBG Group discloses this item within "Other operating income". This resulted in a £29 million reclassification between the aforementioned line items.

(ii) The CYBG Group discloses "Personnel expenses", "Depreciation and amortisation expense" and "Other operating and administrative expenses" separately on its income statement whereas the Virgin Money Group discloses these items within "Operating expenses". This resulted in a £356 million reclassification between the aforementioned line items.

(iii) The CYBG Group and the Virgin Money Group disclose equivalent income statement line items using different terms. The narrative used is summarised below:

Narrative used by the CYBG Group	Narrative used by the Virgin Money Group
"Interest income and similar income"	"Interest and similar income"
"Interest expense and similar charges"	"Interest and similar expense"
"Gains less losses on financial instruments at fair value"	"Fair value losses on financial instruments"
"Non-interest income"	"Other income"
"Total operating income"	"Total income"
"Operating profit before impairment losses"	"Profit before tax from operating activities"
"Impairment losses on credit exposures"	"Impairment"
"Tax expense"	"Taxation"

(4) Adjustments not expected to have a continuing impact:

(i) Estimated transactions costs totalling £72 million (inclusive of VAT). The adjustments relate to estimated transaction costs of £39 million (inclusive of VAT) incurred by the CYBG Group, which includes stamp duty estimated to be £9 million, and £33 million (inclusive of VAT) incurred by the Virgin Money Group, all of which are expensed; and

(ii) As a result of the Offer, the Virgin Money Group will recognise an accelerated vesting charge, subsequent to 31 December 2017, in relation to its equity settled share based payment schemes of £20 million.

(5) No adjustments have been made for the following:

(i) The unaudited pro forma income statement does not reflect the effect of any fair value adjustments which may be recorded to acquired assets and liabilities. Upon completion of the purchase price allocation exercise, which will be finalised after Completion of the Combination, additional depreciation of property plant and equipment and amortisation of intangible assets, amongst other things, may be required in the Combined Group's financial statements.

(ii) No adjustment has been made to reflect any synergies that may arise after the transaction as these are dependent upon the future actions of management; and

(iii) No adjustment has been made to reflect the trading results of the CYBG Group since 30 September 2017 or of the Virgin Money Group since 31 December 2017.

Unaudited Pro Forma Net Assets Statement as at 31 March 2018

			Adjustments		
	CYBG Group as at 31 March 2018	Virgin Money Group as at 31 December 2017	Adjustments to conform to disclosures	Acquisition Adjustments	Unaudited Pro Forma Combined Group
			(£ million)		
	Note 6	Note 7	Note 8	Note 9	Note 11
Assets					
Cash and balances with central banks	6,150	2,579	—	(72)	8,657
Due from other banks	830	—	359	—	1,189
Financial assets available for sale	1,352	1,052	—	—	2,404
Other financial assets at fair value	421	—	—	—	421
Derivative financial instruments	334	79	—	—	413
Loans and advances to customers	32,137	—	36,741	—	68,878
Loans and receivables	—	37,100	(37,100)	—	—
Due from customers on acceptances	4	—	—	—	4
Property, plant and equipment	86	74	—	—	160
Investment properties	8	—	—	—	8
Intangible assets	371	128	—	440	939
Deferred tax assets	204	12	5	—	221
Defined benefit pension assets	222	—	—	—	222
Other assets	234	84	—	—	318
Total assets	**42,353**	**41,108**	**5**	**368**	**83,834**
Liabilities					
Due to other banks	2,683	5,379	—	—	8,062
Other financial liabilities at fair value	20	—	—	—	20
Derivative financial instruments	388	94	—	—	482
Due to customers	28,463	30,808	—	—	59,271
Liabilities on acceptances	4	—	—	—	4
Provision for liabilities and charges	458	—	8	—	466
Debt securities in issue	4,447	2,737	—	—	7,184
Retirement benefit obligations	3	—	—	—	3
Deferred tax liabilities	81	—	5	—	86
Current tax liabilities	—	24	(24)	—	—
Other liabilities	2,536	241	16	—	2,793
Total liabilities	**39,083**	**39,283**	**5**	—	**78,371**
Net assets	**3,270**	**1,825**	—	**368**	**5,463**

(6) The CYBG Group's net asset information as at 31 March 2018 has been extracted, without material adjustment, from the CYBG Group 2018 unaudited interim financial statements as set out in the CYBG Interim Report 2018, which is incorporated by reference into this Circular.

(7) The Virgin Money Group's net asset information as at 31 December 2017 has been extracted, without material adjustment, from the Virgin Money Group 2017 annual financial statements set out in Part VII (*Historical Financial Information Relating to the Virgin Money Group*) of the Prospectus, which is incorporated by reference into this Circular.

(8) The following reclassifications were made to reflect the difference in accounting presentation under the CYBG Group's presentation as opposed to that of the Virgin Money Group:

(i) The Virgin Money Group discloses "Loans and receivables" separately on its balance sheet, sub categorising this balance into: "Loans and advances to banks" (£359 million), "Loans and advances to customers" (£36,741 million) and "Debt securities" (£0.3 million). The CYBG Group discloses "Due from other banks" and "Loans and advances to customers" separately on its balance sheet. £37,100 million has been reclassified from "Loans and receivables," with £359 million reclassified into "Due from other banks", £36,741 million reclassified into "Loans and advances to customers", and £0.3 million reclassified into "Other assets".

(ii) The Virgin Money Group discloses "Deferred tax assets" on a net basis whereas the CYBG Group discloses "Deferred tax assets" and "Deferred tax liabilities" on a gross basis. This resulted in £5 million reclassification between the aforementioned line items.

(iii) Within line item "Other liabilities" the Virgin Money Group has included £8 million in relation to "provisions" whereas the CYBG Group includes such items separately on its balance sheet as "Provisions for liabilities and charges". This has been reclassified between the aforementioned line items.

(iv) The Virgin Money Group discloses "Current tax liabilities" separately on its balance sheet whereas the CYBG Group discloses such items in "Other liabilities". This resulted in a £24 million reclassification between the aforementioned line items accordingly.

(v) The CYBG Group and the Virgin Money Group disclose equivalent balance sheet line items using different terms. The narrative used is summarised below:

Narrative used by the CYBG Group	Narrative used by the Virgin Money Group
"Cash and balances with central banks"	"Cash and balances at central banks"
"Financial assets available for sale"	"Available-for-sale financial assets"
"Property, plant and equipment"	"Tangible fixed assets"
"Due to other banks"	"Deposits from banks"
"Due to customers"	"Customer deposits"

(9) The adjustments arising as a result of the Offer are set out below:

(i) The equity consideration payable will be through an issuance of new ordinary shares by the CYBG Group (referred to as "consideration" in these notes). The consideration payable and the calculation of the adjustment to goodwill are set out below:

	(£ millions)
Estimated equity consideration	1,848
Net assets acquired of the Virgin Money Group (excluding intangible assets)	(1,697)
Estimated transaction costs incurred by the Virgin Money Group	33
Non-controlling interest—Additional Tier 1 securities	384
Goodwill and other intangible assets arising on acquisition	**568**
Virgin Money Group intangible assets already recognised	(128)
Pro forma goodwill and other intangible assets adjustment	**440**

The consideration of £1,848 million has been calculated as the issuance of 546,954,891 New CYBG Shares at a price of 338 pence per share being the Closing Price per CYBG Share as at the Latest Practicable Date. The consideration is calculated on a fully diluted basis and assumes 100 per cent. vesting of awards made under Virgin Money Share Plans, including awards where settlement is deferred. The consideration payable at Completion will be different from the consideration included in this pro forma financial information as the number of shares to be issued and the share price will be calculated at the Effective Date.

The net assets acquired of £1,697 million comprise the net assets of the Virgin Money Group as at 31 December 2017 of £1,825 million net of intangible assets of £128 million included in the Virgin Money Group balance sheet as at 31 December 2017.

The adjustment for the non-controlling interest relates to the Virgin Money AT1 Securities listed on the Luxembourg Stock Exchange and included at a carrying value of £384 million in the Virgin Money Group balance sheet as at 31 December 2017 and which have been assumed will be retained by the CYBG Group after Completion. These are classified within total equity by the Virgin Money Group and will continue to be classified within the total equity by the Combined Group after Completion. This will result in an adjustment in the calculation of goodwill attributable to the Offer.

Under IFRS acquisition accounting, it is necessary to fair value the consideration paid and all the assets and liabilities of the acquired business. In the unaudited pro forma statement of net assets, no adjustments have been made to the fair values of the individual net assets of the Virgin Money Group to reflect any re-measurement to fair value that may arise as this exercise will not be undertaken until after the effective completion date.

(ii) Estimated transaction costs of £72 million (inclusive of VAT), of which £39 million (inclusive of VAT) incurred by the CYBG Group, which includes stamp duty estimated to be £9 million, and £33 million (inclusive of VAT) incurred by the Virgin Money Group, have been shown as an adjustment to "Cash and balances with central banks".

(10) The following table illustrates the effect of the acquisition of Virgin Money on certain net asset line items of the Combined Group on a pro forma basis. This information is supplementary to the unaudited pro forma net assets statement. The details of the adjustments are described in the subsequent footnotes to the table.

	CYBG Group as at 31 March 2018	Virgin Money Group as at 31 December 2017	Unaudited Pro Forma Combined Group
		(£ million)	
	Note (a)	Note (b)	Note (c)
Assets			
Mortgages	24,139	33,685	57,824
SME lending	7,419	—	7,419
Credit cards	382	3,071	3,453
Other unsecured personal lending	809	—	809
Total gross loans and advances to customers	**32,749**	**36,756**	**69,505**
Liabilities			
Due to customers	28,463	30,808	59,271
Bank of England's Term Funding Scheme	2,252	4,236	6,488
Equity and Liabilities			
Total funding	38,863	40,749	79,612

Note (a) (i) The following financial information for the CYBG Group has been extracted, without material adjustment, from CYBG Group's unaudited interim financial statements, as set out in the CYBG Interim Report 2018: Mortgages, Credit cards, Due to customers, Bank of England's Term Funding Scheme and Total funding.

(ii) The following financial information for CYBG Group has been extracted without material adjustment from the consolidation schedules that underlie the CYBG Group's unaudited interim financial statements for the period ended 31 March 2018: SME lending, and Other unsecured personal lending.

The CYBG Group 'SME lending' balance consists of: Other term lending—SME, Lease finance, Trade finance, Financial assets at fair value through profit or loss, Due from customers on acceptances and the business overdrafts and invoice finance components of the total Overdrafts balance (£1,453 million of £1,507 million total). There are no equivalent 'SME lending' balances within Virgin Money Group.

The CYBG Group 'Other unsecured personal lending' balance consists of: Other term lending—Retail and the personal overdrafts component of the total Overdrafts balance (£54 million of £1,507 million total). There are no equivalent 'Other unsecured personal lending' balances within Virgin Money Group.

The CYBG Group 'Total gross loans and advances to customers' balance consists of: Gross loans and advances to customers and Other financial assets at fair value (the CYBG Group's portfolio of fair valued business loans).

Included within the CYBG Group's 'Due to other banks' balance is an amount relating to the Bank of England's Term Funding Scheme.

The CYBG Group 'Total funding' balance consists of: Due to customers, Due to other banks, Debt securities in issue and Total equity.

Note (b) (i) The financial information for Virgin Money Group has been extracted, without material adjustment, from the Virgin Group 2017 annual financial statements, as set out in the Virgin Money Annual Report 2017.

The Virgin Money Group 'Total gross loans and advances to customers' balance consists of: Total loans and advances to customers before allowance for impairment losses.

The Virgin Money Group 'Total funding' balance consists of: Customer deposits, Deposits from banks, Debt securities in issue and Total equity.

Included within the Virgin Money Group's 'Deposits from banks' balance is an amount relating to the Bank of England's Term Funding Scheme.

(ii) CYBG Group and Virgin Money Group disclose equivalent line items using different terms. The narrative used is summarised below:

a. The Virgin Money Group discloses "Mortgages" as "Total loans and advances to customers secured on residential property" within the notes to the financial statements

b. The Virgin Money Group discloses "Credit cards" as "Unsecured receivables not subject to securitisation" within the notes to the financial statements.

c. The Virgin Money Group discloses "Due to customers" as "Customer Deposits" on its balance sheet.

Note (c) (i) Mortgages comprise 83 per cent. of Total customer lending on a pro forma Combined Group basis.

(ii) Due to customers comprises 74 per cent. of Total funding on a pro forma Combined Group basis.

(11) No adjustment has been made to reflect the trading results of CYBG Group since 31 March 2018 or Virgin Money Group since 31 December 2017.

PART V
QUANTIFIED FINANCIAL BENEFITS STATEMENT

Paragraph 4 of the Announcement contained 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.

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 Circular 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.

Reports and confirmations

The CYBG Directors have confirmed that there have been no material changes to the Quantified Financial Benefits Statement since 18 June 2018 (being the date of the Announcement) and the Quantified Financial Benefits Statement remains valid.

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, provided the opinions required under that Rule. Copies of these reports were included at Parts B and C of Appendix 4 of the Announcement.

As required by Rule 27.2(d)(ii) of the Takeover Code, each of Deloitte, Morgan Stanley and Deutsche Bank have confirmed that their respective reports dated 18 June 2018 and produced in connection with the CYBG's Quantified Financial Benefits Statement continue to apply. Such reports were issued solely to comply with Rule 28.1(a) of the Takeover Code and do not form part of this Circular.

PART VI
ADDITIONAL INFORMATION

1. Responsibility Statement

CYBG and the CYBG Directors, whose names appear on page 6 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of CYBG and the CYBG Directors (each of whom have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated in England and Wales on 18 May 2015 with registered number 9595911 as a public company limited by shares under the 2006 Act with the name Pianodove PLC. Pianodove PLC changed its name to CYBG PLC on 1 October 2015.

The principal legislation under which the Company operates is the 2006 Act and the regulations made thereunder.

The registered office of the Company is at 20 Merrion Way, Leeds, LS2 8NZ. The head office and principal place of business in the UK of the Company is at 30 St Vincent Place, Glasgow, G1 2HL (telephone number: 0141 242 4533).

3. Treasury shares

As at the Latest Practicable Date, CYBG held no treasury shares.

4. The New CYBG Shares

The New CYBG Shares will be ordinary shares with a nominal value of £0.10 each.

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 with reference to a record date falling on or after the Effective Date.

Application will be made to the FCA for the New CYBG Shares to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for the New CYBG Shares to be admitted to trading on its Main Market for listed securities. It is expected that Admission will become effective, and that dealings in the New CYBG Shares will commence on the London Stock Exchange, by no later than 8.00 a.m. on the Effective Date, which subject to the satisfaction of certain conditions, is expected to occur in the fourth quarter of calendar year 2018. Listing of the New CYBG Shares is not being sought on any stock exchange other than the London Stock Exchange. Steps will be taken to allow for quotation of CDIs representing the New CYBG Shares on the ASX following Completion.

The New CYBG Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New CYBG Shares will be evidenced by entry in the register of members of CYBG and title to uncertificated New CYBG Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of CYBG). The registrar of CYBG is Computershare.

No share certificates will be issued in respect of the New CYBG Shares in uncertificated form. If any such shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with the CYBG Articles and applicable legislation.

If passed, the authority to allot New CYBG Shares pursuant to the CYBG Offer Resolution will exist in addition to the allotment authorities currently in existence relating to: (i) the issue of CYBG Shares up to an aggregate nominal amount of £29,498,292 pursuant to the resolution passed at CYBG's annual general meeting held on 31 January 2018; (ii) the issue of CYBG Shares up to an aggregate nominal amount of £200,000,000 pursuant to the terms of the Capped Indemnity Deed; and (iii) the issue of CYBG Shares up to an aggregate nominal amount of £450,000,000 in connection with the issue by CYBG of the existing CYBG AT1 Securities.

5. **AT1 Resolutions**

Subject to the Offer becoming Effective and the passing of the AT1 Resolutions, the Virgin Money AT1 Securities will, in accordance with, and subject to the terms of, the Virgin Money AT1 Securities Conditions, be convertible into CYBG Shares (in place of Virgin Money Shares) in the event that a Trigger Event occurs.

The CYBG Directors are therefore seeking authority to issue CYBG Shares should a Trigger Event occur and also believe that it is in the best interests of CYBG to ensure that CYBG has flexibility to issue additional AT1 Securities in the event that the CYBG Directors consider it necessary or desirable in connection with, or for the purpose of complying with, or maintaining compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time, following Completion.

If passed, Resolution 2 will give the CYBG Directors authority to allot shares in CYBG or grant rights to subscribe for, or to convert any security into, shares in CYBG, in accordance with section 551 of the 2006 Act in connection with a conversion of Virgin Money AT1 Securities into CYBG Shares should a Trigger Event occur and/or to comply with, or maintain compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time, up to an aggregate nominal amount of £32,000,000, which is equivalent to approximately 36 per cent. of the issued ordinary share capital of CYBG as at the Latest Practicable Date and approximately 22 per cent. of the expected issued ordinary share capital of the Combined Group following the Effective Date.

Subject to the Offer becoming Effective and the passing of Resolution 2, the CYBG Directors intend that, within seven days of the Scheme becoming Effective, CYBG will, in accordance with the Virgin Money AT1 Securities Conditions, undertake to the trustee of each series of Virgin Money AT1 Securities to deliver CYBG Shares to holders of Virgin Money AT1 Securities should a Trigger Event occur (the "**Commitment**"). The price at which the Virgin Money AT1 Securities convert into CYBG Shares, which will determine the amount of CYBG Shares that would be the subject of the Commitment, will be determined, and published through the Luxembourg Stock Exchange, in accordance with the Virgin Money AT1 Securities Conditions shortly following the Offer becoming Effective.

Except for the Commitment, the request for the authority in Resolution 2 should not be taken as an indication that CYBG will or will not issue or make an offer or agreement to issue any, or any given amount of, new CYBG Shares or AT1 Securities. Before deciding to use any remaining authority for the purposes of a new issue of additional AT1 Securities, the CYBG Directors would take into account a number of factors including regulatory requirements at the time, the efficiency of the Combined Group's overall capital structure and the regulatory and market assessment of appropriate capital ratios, as well as market conditions at the time and demand for the issue of AT1 Securities.

If passed, the authority to allot CYBG Shares under Resolution 2 will exist in addition to the allotment authorities described in paragraph 4 above and will expire (unless previously renewed, varied or revoked by CYBG in general meeting) at the end of the annual general meeting of CYBG to be held in 2019.

If passed, Resolution 3, which will be proposed as a special resolution, proposes that the CYBG Directors be empowered to allot equity securities (as defined in section 560 of the 2006 Act) in connection with the conversion of Virgin Money AT1 Securities into CYBG Shares and/or to comply with, or maintain compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time, up to an aggregate nominal amount of £32,000,000, wholly for cash, which is equivalent to approximately 36 per cent. of the issued ordinary share capital of CYBG as at the Latest Practicable Date and approximately 22 per cent. of the expected issued ordinary share capital of the Combined Group following the Effective Date, as if section 561 of the 2006 Act, to the extent applicable, did not apply to any such allotment.

This resolution would permit the CYBG Directors to allot equity securities pursuant to a conversion of Virgin Money AT1 Securities into CYBG Shares should a Trigger Event occur and would provide them with the flexibility to issue additional AT1 Securities in the event that the CYBG Directors consider it necessary or desirable without the need to comply with the strict pre-emption requirements of the UK statutory regime. Together with Resolution 2, Resolution 3 is intended to provide the CYBG Directors with the power to commit CYBG, if required, to issue CYBG Shares on the occurrence of a Trigger Event in accordance with the Virgin Money AT1 Securities Conditions and the Commitment, as well as the flexibility to issue additional AT1 Securities should the CYBG Directors so determine this to be necessary or desirable in connection with, or for the purposes of complying with, or maintaining compliance with, the regulatory capital requirements or targets applicable to the CYBG Group from time to time.

If passed, the disapplication of pre-emption rights under Resolution 3 will exist in addition to the disapplication of pre-emption rights currently in existence relating to: (i) the issue of CYBG Shares up to a nominal amount of £4,424,743, and a further nominal amount of £4,424,743 in connection with an acquisition or specified capital investment, passed at CYBG's annual general meeting held on 31 January 2018; (ii) the issue of CYBG Shares pursuant to the terms of the Capped Indemnity Deed and (iii) the issue of CYBG Shares in connection with the existing CYBG AT1 Securities.

If passed, the disapplication of pre-emption rights under Resolution 3 will expire (unless previously renewed, varied or revoked by CYBG in general meeting) at the end of the annual general meeting of CYBG to be held in 2019.

The AT1 Resolutions are conditional on the Offer becoming Effective but are not conditions to the Offer or Scheme.

6. Interests and Dealings

6.1 *CYBG Directors' shareholdings*

As at the Latest Practicable Date, the interests of each CYBG Director, their immediate families and related trusts and, insofar as is known to them or could with reasonable diligence be ascertained by them, persons connected (within the meaning of section 252 of the 2006 Act) with the CYBG Directors (all of which, unless otherwise stated, are beneficial) in the share capital of the Company, including interests arising pursuant to any transaction notified to the Company pursuant to the Market Abuse Regulation together with such interests as are expected to subsist immediately following Admission are set out in the following table.

	As at the Latest Practicable Date(1)		Interests immediately following Admission(1)	
CYBG Directors*	**Number of Existing CYBG Shares**	**Percentage of issued share capital of CYBG**	**Number of CYBG Shares**	**Percentage of issued share capital of Combined Group following Admission**
James Pettigrew	50,000	0.006%	50,000	0.003%
David Bennett	16,386	0.002%	16,386	0.001%
David Duffy	213,438**	0.024%	213,438**	0.015%
Ian Smith	138,070***	0.016%	138,070***	0.010%
Debbie Crosbie	140,771****	0.016%	140,771****	0.010%
Adrian Grace	16,220	0.002%	16,220	0.001%
Fiona MacLeod	7,000	0.001%	7,000	0.001%
Clive Adamson	0	0%	0	0%
Paul Coby	0	0%	0	0%
Dr Teresa Robson-Capps	0	0%	0	0%
Tim Wade	20,000	0.002%	20,000	0.001%

* David Browne, a CYBG Director at the date of the Announcement holds 5,000 CYBG Shares. David Browne is no longer a director of CYBG having stepped down following his resignation on 30 June 2018, as announced on 28 March 2018

** this includes 415 shares held via the CYBG SIP, and CDIs which represent interests in 4,080 CYBG Shares beneficially owned

*** this includes 1,218 shares held via the CYBG SIP and CDIs which represent interests in 4,502 CYBG Shares beneficially owned

**** this includes 415 shares held via the CYBG SIP

(1) Figures are calculated assuming that the interests in CYBG of the CYBG Directors as at close of business on the Latest Practicable Date do not change, that 546,954,891 New CYBG Shares are issued in connection with the Offer and that no further issues of CYBG Shares occur between the Latest Practicable Date and Admission.

6.2 *CYBG Directors' Share Plans*

As at the Latest Practicable Date, the following CYBG Directors had the following outstanding awards over Existing CYBG Shares under the CYBG Share Plans:

Name	Plan	Award date	Vesting date	Market price on date of award of CYBG Shares (£)	CYBG Shares under award at Latest Practicable Date
David Duffy	CYBG LTIP	09/03/2017	09/03/2020	2.6603	375,897
David Duffy	CYBG LTIP	24/11/2017	01/12/2020	3.132	319,284
David Duffy	CYBG DEP	11/02/2016	11/02/2019	1.9517	768,560
David Duffy	CYBG DEP	24/11/2017	20/06/2018	3.132	80,459
Ian Smith	CYBG LTIP	09/03/2017	09/03/2020	2.6603	172,912
Ian Smith	CYBG LTIP	24/11/2017	01/12/2020	3.132	146,871
Ian Smith	CYBG DEP	11/02/2016	11/02/2019	1.9517	230,568
Ian Smith	CYBG DEP	24/11/2017	20/06/2018	3.132	36,973
Debbie Crosbie	CYBG LTIP	09/03/2017	09/03/2020	2.6603	169,153
Debbie Crosbie	CYBG LTIP	24/11/2017	01/12/2020	3.132	143,678
Debbie Crosbie	CYBG DEP	11/02/2016	11/02/2019	1.9517	230,568
Debbie Crosbie	CYBG DEP	24/11/2017	20/06/2018	3.132	36,206

7. Details of CYBG Directors' service contracts

Details of the terms of the CYBG Directors' service contracts are incorporated by reference from the CYBG Annual Report 2017, under the "*Service contracts and policy on payments for loss of office*" heading in the Directors' Remuneration Report on page 105. The CYBG Annual Report 2017 is available for inspection in accordance with paragraph 20 of Part VI (*Additional Information*) of this Circular.

8. Major interests in shares

Save as in respect of the interests of the CYBG Directors set out in paragraph 6 above and save as disclosed below, the Company is not aware of any person who directly or indirectly had, as at the Latest Practicable Date, a notifiable interest in the issued share capital of the Company under Chapter 5 of the Disclosure Guidance and Transparency Rules:

Name of CYBG Shareholder	Number of issued shares held	Percentage of issued share capital	Percentage of issued share capital of the Combined Group following Completion
Coopers Investors Pty Ltd	52,888,470	5.97%	3.69%
Investors Mutual Limited	45,016,877	5.08%	3.14%
Schroders PLC	44,572,459	5.03%	3.11%
Perpetual Limited and subsidiaries	44,463,361	5.02%	3.10%
Pendal Group Limited	36,399,949	4.11%	2.54%
JCP Investments Partners Ltd	35,251,058	3.98%	2.46%
BT Investment Management Limited	27,036,329	3.05%	1.89%
AMP Life Limited, AMP Capital Investors Limited, Ipac Asset Management Limited, AMP Capital Investors (NZ) Limited	26,608,485	3.00%	1.86%

(1) This table details interests in CYBG's voting rights which have been notified to CYBG under Chapter 5 of the Disclosure Guidance and Transparency Rules as at the Latest Practicable Date. It assumes that 546,954,891 New CYBG Shares are issued to the Virgin Money Shareholders in connection with the Offer and that no further issues of CYBG Shares occur between publication of this Circular and Completion.

So far as the Company is aware, no person or persons, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

9. **Proposed Directors', Settlement Agreement and proposed senior adviser role**

Terms of appointment for Proposed Directors

It has been agreed that Geeta Gopalan, Darren Pope and Amy Stirling, each of whom are currently non-executive directors on the Virgin Money Board, will step down from the Virgin Money Board and will become members of the CYBG Board on Completion, subject to the usual regulatory approvals (the "**Proposed Directors**"). The other Virgin Money Directors will also step down from the Virgin Money Board at Completion.

Geeta Gopalan has over 25 years of experience of financial services and retail banking, particularly payments and digital innovation. Geeta was Director of Payment Services with HBOS plc and previously Managing Director, UK Retail Bank and Business Development Head EMEA at Citigroup. Geeta was formerly the Chair of Monitise Europe. She is a chartered accountant. Geeta is also a Non-Executive Director of Ultra Electronic Holdings plc and Wizink Bank SA, of which she is Chair of the Audit and Risk Committee and a Non-Executive Member and Vice Chair of the England Committee of the Big Lottery Fund. Geeta was appointed to the Virgin Money Board in July 2015.

Darren Pope has over 30 years of experience in retail banking and financial services. Darren held the post of Chief Financial Officer of TSB Bank plc, having taken a lead role in the design and divestment of the TSB business from Lloyds Bank plc and its subsequent IPO and takeover. He previously held a number of executive and senior roles at Lloyds Banking Group plc including Retail Bank Commercial Director. He is a fellow of the Chartered Institute of Certified Accountants. Darren is also Independent Non-Executive Director and Chair of Audit Committee of Equiniti Group plc. Darren was appointed to the Virgin Money Board in March 2017.

Amy Stirling has extensive board, financial and management experience from senior and board roles in a range of sectors including telecommunications, financial services and commerce. She was previously Non-Executive Director at Pets at Home and the UK Cabinet Office. Amy is a chartered accountant. Amy is also Chief Financial Officer of the Virgin Group and Non-Executive Director and Chair of the Audit and Risk Committee and the Valuation Committee at RIT Capital Partners plc. Amy was appointed to the Virgin Money Board in December 2017.

Each Proposed Director has entered into a letter of appointment with the Company which takes effect from Completion, subject to the usual regulatory approvals, as follows:

(a) Geeta Gopalan will be engaged as an independent non-executive director under an appointment letter dated 24 July 2018 and approved by the CYBG Board on 30 July 2018. She will also serve as a member of the CYBG Risk Committee and will be entitled to a fee of £70,000 per annum and an additional fee of £10,000 per annum for her role as a member of the CYBG Risk Committee;

(b) Darren Pope will be engaged as an independent non-executive director under an appointment letter dated 26 July 2018 and approved by the CYBG Board on 30 July 2018. He will also serve as a member of the CYBG Audit Committee and will be entitled to a fee of £70,000 per annum and an additional fee of £10,000 per annum for his role as a member of the CYBG Audit Committee; and

(c) Amy Stirling will be engaged as a non-executive director under an appointment letter dated, and approved by the CYBG Board on, 30 July 2018 pursuant to her nomination by VEL under the terms of the Brand Licence Agreement.

Where relevant, the fees set out above are inclusive of any further amounts due for holding additional office, directorships or committee appointments within CYBG Group.

Each of the Proposed Directors will also be appointed as a non-executive director of Clydesdale Bank PLC under separate appointment letters which also take effect from Completion, subject to the usual regulatory approvals.

Each of the Proposed Directors will be engaged for an initial term of three years, but terminable by either party on not less than three months' written notice. Upon termination, the Proposed Directors are not entitled to receive any payments or benefits other than, to the extent applicable, accrued fees for past services, payment of fees in lieu of notice and reimbursement for any outstanding reasonably incurred expenses.

Each Proposed Director is eligible for directors' and officers' liability insurance cover and reimbursement of reasonable business expenses. The Proposed Directors are not entitled to participate in CYBG Group's bonus, share or other incentive arrangements.

Each Proposed Director is subject to a confidentiality undertaking without limitation in time. They are not subject to post-termination restrictive covenants.

The current intention is that on Completion, each of the CYBG Directors at that time will become directors of Virgin Money alongside the Proposed Directors, subject to any necessary regulatory approvals.

Settlement Agreement

Jayne-Anne Gadhia, the Virgin Money CEO, has agreed to step down from her current role upon Completion and has entered into a settlement agreement dated 18 June 2018 with Virgin Money Bank (the "**Settlement Agreement**"), which will take effect from Completion.

Under the terms of the Settlement Agreement, the Virgin Money CEO is entitled to certain payments and awards. These include a termination payment of £1,140,000 comprised of payments in lieu of notice for salary, role-based allowance and pension contributions. The Virgin Money CEO may also receive a redundancy payment element of £619,231. 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 Virgin Money 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. The passing of this resolution is not a condition to the Scheme becoming Effective and Completion occurring.

In the event that this change is not approved by Virgin Money Shareholders then the redundancy payment will not be made.

The Virgin Money CEO will also receive a bonus payment of £1,026,000 in respect of the financial year ending 31 December 2018 (the "**Bonus Award**") along with an allocation of 840,821 Virgin Money Shares to satisfy her outstanding awards under the Virgin Money LTIP. The Bonus Award and the allocation of the Virgin Money Shares in respect of awards under the Virgin Money LTIP are subject to the current regulatory deferral requirement that these awards should vest and be settled over a period of seven years ending in March 2026. The Bonus Award will be split as follows:

(a) 40 per cent. will be paid to the Virgin Money CEO in cash (less deductions for PAYE and national insurance contributions) on Completion;

(b) 40 per cent. will be paid to the Virgin Money CEO in shares in CYBG Shares as soon as practicable following Completion (with sufficient shares sold to satisfy any PAYE and national insurance contribution liability with the net number of shares being transferred to the Virgin Money CEO and held subject to the required regulatory holding period); and

(c) 20 per cent. will be deferred into an award over CYBG Shares (for a period of 7 years ending in March 2026).

The Virgin Money CEO will retain 121,404 Virgin Money Shares previously allocated in respect of the Virgin Money LTIP for 2015 and awards granted under the Virgin Money DBSP over 317,661 Virgin Money Shares. All of these awards will be subject to the current regulatory deferral/holding period requirements.

Proposed senior adviser role

Jayne-Anne Gadhia, the 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 of the Combined Group (in a consultancy role) for a period of up to 18 months following Completion, on terms to be agreed.

10. **Irrevocable undertakings**

Virgin Money Directors

CYBG has received irrevocable commitments from the Virgin Money Directors, as listed below, in respect of their own beneficial holdings of Virgin Money Shares and (to the extent relevant) the person to whom such shares are transferred in accordance with the terms of the irrevocable commitments, in respect of

2,612,309 Virgin Money Shares, representing in aggregate approximately 0.586 per cent. of the existing issued ordinary share capital of Virgin Money. These commitments require each person listed below to vote or procure that the registered holder of Virgin Money Shares over which they have control votes in favour of the Scheme at the Court Meeting and the Virgin Money Resolutions to approve the Scheme, and any related matters, (other than the resolution on the proposed amendment to the Virgin Money directors' remuneration policy) (or, in the event the Offer is implemented by means of a Takeover Offer, to accept, or procure acceptance of, the Takeover Offer).

Name	Number of Virgin Money Shares	Percentage of existing issued ordinary share capital
Jayne-Anne Gadhia	2,253,876	0.505%
Peter Bole	111,093	0.025%
Colin Keogh	157,260	0.035%
Norman McLuskie	90,080	0.020%
Total	2,612,309	0.586%

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) 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);

(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; or

(c) 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).

Virgin Money Shareholders

Virgin Holdings has given an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Virgin Money Resolutions relating to the Scheme (excluding the Brand Licence Resolutions) 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 ordinary share capital
Virgin Holdings	155,120,454	34.8%

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 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;

(b) 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;

(c) 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

(d) 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.

CYBG Directors

The following CYBG Directors have given irrevocable undertakings to vote in favour of the CYBG Resolutions 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%
Debbie Crosbie	140,356	0.016%
David Duffy	213,023	0.024%
Adrian Grace	16,220	0.002%
Fiona Macleod	7,000	0.001%
James Pettigrew	50,000	0.006%
Ian Smith	136,852	0.015%
Tim Wade	20,000	0.002%

In his capacity as a CYBG Director at the date of the Announcement, David Browne has given an irrevocable undertaking to vote in favour of the CYBG Resolutions at the CYBG General Meeting in respect of his own beneficial holding of 5,000 CYBG Shares. David Browne is no longer a director of CYBG, following his resignation on 30 June 2018 pursuant to the announcement made on 28 March 2018.

The obligations of the CYBG Directors (and David Browne) 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).

11. **Related party transactions**

11.1 Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) that the Company has entered into are set out below:

(A) during the financial year ended 30 September 2017, such transactions are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in notes 5.3 and 6.6 on pages 240 and 248, respectively, of the CYBG Annual Report 2017 which is incorporated by reference into this Circular; and

(B) during the financial years ended 30 September 2016 and ended 30 September 2015, such transactions are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 12 on pages 237-240 of the CYBG Annual Report 2016 which is incorporated by reference into this Circular;

11.2 During the period from 30 September 2017 up to the Latest Practicable Date, the Company entered into the following related party transactions:

Transactions with pension schemes

CYBG Group incurred costs in relation to pension scheme administration. These costs, which amounted to £0.3 million as at 30 June 2018, were charged to the CYBG Group sponsored scheme. CYBG Group has deposits of £27 million at 30 June 2018 placed by the Scheme at market rates.

Pension contributions of £14 million were made during the period to 30 June 2018 to the Yorkshire and Clydesdale Bank Pension Scheme sponsored by CYBG Group.

Save as disclosed above CYBG Group has not entered into any material related party transactions between 1 October 2017 and the Latest Practicable Date.

12. **Material contracts**

12.1 ***CYBG material contracts***

The following contracts (not being contracts entered into in the ordinary course of business) either: (i) have been entered into by CYBG or another member of the CYBG Group within the period of two years immediately preceding the date of this Circular which are or may be material to the CYBG Group; or (ii) contain any provisions under which any member of the CYBG Group has any obligation or entitlement which is, or may be, material to the CYBG Group as at the date of this Circular.

(a) **Sponsor's Agreement**

On 31 July 2018, the Company and Morgan Stanley (the "**Sponsor**") entered into a sponsor's agreement, pursuant to which the Company appointed Morgan Stanley as sponsor in connection with the applications for Admission and the publication of the Prospectus and this Circular (the "**Sponsor's Agreement**"). Under the terms of the Sponsor's Agreement, the Company has agreed to provide the Sponsor with certain customary indemnities, undertakings, representations and warranties. The indemnities provided by the Company indemnify the Sponsor and its associates against, inter alia, claims made against them or losses incurred by them in connection with the Offer, Admission or the arrangements contemplated by the Prospectus, this Circular and other relevant documents, subject to certain exceptions. In addition, the Sponsor's Agreement provides that the Sponsor may, in its absolute discretion terminate the Sponsor's Agreement before Admission in certain specified circumstances which are customary for an agreement of this nature.

(b) **Co-operation Agreement**

For a description of the principal terms of the Co-operation Agreement, please refer to paragraph 6 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular.

(c) **Brand Licence Agreement**

CYBG will be licensed to use the "Virgin Money" and "Virgin" trade marks under the Brand Licence Agreement. The Brand Licence Agreement amends and restates, from Completion, the Existing Brand Licence Agreement in place between Virgin Enterprises Limited ("**VEL**") and Virgin Money and which was entered into on 1 October 2014.

The definitive terms of the Brand Licence Agreement were agreed between CYBG and VEL on 18 June 2018. On Completion, the amendments agreed to the Existing Brand Licence Agreement will be made and at the same time that agreement will be novated from Virgin Money to CYBG ("**Novation Effective Date**").

Grant

The Brand Licence Agreement grants, subject to certain exclusions and reservations of rights, CYBG exclusive rights to use the "Virgin Money" names and logos (and several "Virgin Money" sub-brands including the "Virgin Money Giving" trade mark (together, the "**Virgin Money Trade Marks**")) for financial services and products as defined below, and certain related non-exclusive licences in respect of the "Virgin" trade marks (together with the Virgin Money Trade Marks, the "**Licensed Trade Marks**"). The licences are granted on a perpetual basis, subject to the parties' rights to terminate the Brand Licence Agreement described below. The territorial scope of the licences granted by VEL is limited to the United Kingdom (the "**Territory**").

CYBG is granted, subject to certain exclusions and reservations of rights, the exclusive right to use the Virgin Money Trade Marks in respect of all banking and financial services and products which are offered in the ordinary course of business by UK clearing banks or challenger banks, all investment or savings products and services, and all insurance products and services ("**Financial Services**").

VEL also grants certain non-exclusive licences which include the right for CYBG to use the Licensed Trade Marks in relation to:

(a) subject to certain restrictions, activities which are ancillary to or incidental to Financial Services;

(b) products or services which consist of or relate to both Financial Services provided by or on behalf of CYBG under the Licensed Trade Marks and own-branded services and products provided by a third party partner including through or as part of CYBG's branches or online portals;

(c) sponsorship activities in relation to the promotion of the CYBG Group's business;

(d) any activity carried out for the purpose of raising capital or finance to be deployed in carrying on its business (excluding for the benefit of any person outside the Combined Group), and the holding of shares or other investments in any corporate or other entity or organisation carrying out the activities licensed in respect of Financial Services or under (a) and (b) above;

(e) signage, advertisements, promotional brochures, CYBG's permitted e-presence and other materials in connection with and in the ordinary course of the activities described at (a) and (b) above;

(f) promotional products and activities whose purpose is to promote Financial Services, but which are not charged for/are for charitable purposes; and

(g) part of its business, trading or registered company name, or lender of record name and to use the same on its corporate materials and communications which bear the company name.

VEL also grants the Company: (i) an exclusive licence to use certain 'legacy' brands in relation to Financial Services in respect of credit cards until 1 October 2019; and (ii) a licence to use various domain names (including those containing the Licensed Trade Marks).

The licences granted by VEL are sub-licensable by CYBG to a member of its group, or to a third party, without the consent of VEL subject to certain conditions. Rights of first refusal also apply in certain circumstances, as described below. Sub-licences are not permitted in respect of an activity that would reasonably be considered to be immoral, unlawful or exploitative of the weak but excluding in the ordinary course the enforcement of legal rights (including repossessions and enforcement of debts) ("**Prohibited Activities**").

Must-use

CYBG will be required to operate at least 80 per cent. of its activities which fall within the scope of the Brand Licence Agreement, calculated quarterly by reference to the Combined Group's relevant turnover, under the "Virgin Money" brand, following the rebranding period (which is expected to be no later than 3 years from the Novation Effective Date).

The remaining 20 per cent. of the Combined Group's relevant turnover may be generated under non-Licensed Trade Marks through a defined set of circumstances, including:

(a) under CYBG's brands existing at the time the definitive terms of the Brand Licence Agreement were agreed as: (i) part of corporate names as at the Novation Effective Date, including in order to issue commercial bank notes in Scotland; (ii) for the purposes of maintaining CYBG's trade mark registrations; and (iii) for developing and testing new products and services, provided that an alternate brand is not promoted by CYBG as its "innovation brand";

(b) the Yorkshire and Clydesdale brands for CYBG's SME and corporate business, unless the CYBG Board decides to rebrand the SME and corporate business under the Licensed Trade Marks;

(c) in respect of acquisitions which do not result in CYBG failing to comply with the 80 per cent. must-use requirements (otherwise such acquisitions must be rebranded); and

(d) pursuant to a marketing arrangement, third party partnership or other joint venture, except for such arrangements entered into following the rebranding period.

Breaches of the must-use requirement are capable of remedy.

Rights of First Refusal and duties to mitigate the risk of confusion

The Brand Licence Agreement contains rights of first refusal in respect of VEL granting the right to a third party to offer Financial Services in any other part of the EEA as described below:

(a) if VEL: (i) has a bona fide intention to offer Financial Services in Ireland under any of the Licensed Trade Marks, or is approached by a third party that demonstrates to VEL a bona fide and credible proposal to provide Financial Services in Ireland under any of the Licensed Trade Marks; or (ii) receives an unsolicited and credible offer from a third party which operates an Irish clearing bank offering Financial Services in Ireland to rebrand its business under the Licensed Trade Marks, VEL is required to notify CYBG. CYBG shall within 30 days notify VEL whether it wishes to explore the opportunity further. If it does, the parties shall discuss the opportunity in good faith on an exclusive basis, or in the case of (ii) a non-exclusive basis, until the earlier of (a) 60 days following CYBG notifying VEL, and (b) CYBG confirming it does not wish to proceed. In the case of (ii), the periods of time can be reduced by agreement; and

(b) if VEL: (i) has a bona fide intention to offer Financial Services in the EEA other than in the United Kingdom or Ireland under any of the Licensed Trade Marks, or is approached by a third party that demonstrates to VEL a bona fide and credible proposal to provide Financial Services in the EEA under any of the Licensed Trade Marks; or (ii) receives an unsolicited and credible offer from a third party which operates a clearing bank offering Financial Services in the EEA to rebrand its business under the Licensed Trade Marks (subject to the below), VEL is required to notify CYBG. CYBG shall notify VEL within 15 days whether it wishes to explore the opportunity further, following which the parties shall discuss on a non-exclusive basis, until the earlier of (a) 30 days following CYBG notifying VEL, and

(b) CYBG confirming it does not wish to proceed. In the case of (ii), VEL is not required to notify CYBG if the third party is, in VEL's reasonable opinion, a bank which is significantly larger than CYBG.

If, following the processes described above, VEL grants a new licence to a third party to use the Licensed Trade Marks in relation to any Financial Services in the EEA, VEL is required to discuss in good faith any reasonable suggestions or concerns CYBG has to mitigate the risk of confusion with or damage to CYBG's business, and shall procure that its licensee takes all reasonable steps to mitigate any confusion.

The Brand Licence Agreement contains further rights of first refusal in respect of CYBG offering services (including under third party brands) through its branches or online portals which are licensed to another VEL licensee, or a VEL licensee offering a service ancillary to its business which constitutes a Financial Service. In each case, if a VEL licensee or CYBG (as applicable) is willing and able to offer the relevant product or service, then an offer must be obtained and the offeree must not enter into an agreement with a third party for the provision of the product or service on terms which are on aggregate less favourable than those offered by the offeror. VEL is obliged to include this right of first refusal in favour of CYBG in its future licences, and to use all reasonable endeavours to ensure its licensees comply with the right.

Governance

VEL shall at all times during the term of the Brand Licence Agreement be entitled to nominate, remove, or reappoint one person as a director of CYBG (the "**Representative Director**"). CYBG may only object to a proposed appointee by VEL if CYBG (in its reasonable opinion) determines that such appointment or continuation in office would have a material adverse effect on the reputation or good standing of CYBG.

CYBG agrees that it shall not propose any resolution to its shareholders which would, if passed, remove, reduce, restrict, impair or otherwise prejudice the rights and powers of VEL and the Representative Director set out in the governance-related provisions of the Brand Licence Agreement, the articles of association of CYBG, or any letter of appointment.

The Representative Director must resign (without the right to seek compensation) upon termination of the Brand Licence Agreement, and CYBG can terminate the appointment of the Representative Director if he or she materially breaches his or her obligations under the terms of his or her letter of appointment, is removed from office by the shareholders, or is disqualified from his or her position by operation of law.

Royalties

CYBG shall pay to VEL under the Brand Licence Agreement:

(a) a pro-rated royalty payment of up to £3,000,000 for the period from the Novation Effective Date to the First Quarter Date following the Novation Effective Date;

(b) £12,000,000 for the 12 months following the First Quarter Date (Year 1);

(c) £13,000,000 for the 12 months following the end of Year 1 (Year 2);

(d) £14,000,000 for the 12 months following the end of Year 2 (Year 3); and

(e) £15,000,000 for the 12 months following the end of Year 3 (Year 4).

Thereafter, for each 12-month period (the relevant royalty period), the royalty shall be, (A) a minimum royalty of £15,000,000 (the "**Minimum Royalty**"), plus, unless the Combined Group generates relevant turnover greater than £2.1 billion in Year 3 (the "**Threshold Amount**"), (B) a one per cent. royalty on any incremental relevant turnover against Year 3 relevant turnover.

If the Combined Group relevant turnover exceeds the Threshold Amount in Year 3, then thereafter (including in Year 4), for each relevant royalty period, the royalty shall be: (A) the Minimum Royalty; plus (B) a 1 per cent. royalty on incremental Combined Group relevant turnover above £2.1 billion.

In respect of certain material acquisitions, the Brand Licence Agreement provides for a reduced royalty on the turnover of the acquired business for a limited period following its acquisition. For the reduced royalty to apply, the turnover of the acquired business (calculated by reference to the turnover of that business in the 12-month period prior to notice of the proposed acquisition being given) must be equivalent to more than 20 per cent. of the sum of: (i) Combined Group relevant turnover; and (ii) the turnover of the acquired business. If CYBG completes such an acquisition, the royalty payable on incremental Combined Group relevant turnover which is attributable to the acquired business is reduced by 50 per cent. for the shorter of: (i) the completion of the rebrand of that business to operate under the Licensed Trade Marks; and (ii) 18 months from the completion of the acquisition.

The Minimum Royalty is subject to indexation (calculated by reference to the percentage change in the UK Consumer Price Index during the relevant period) from the fifth year following Completion, 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 Combined Group relevant turnover. All amounts payable under the Brand Licence Agreement are exclusive of applicable VAT.

Where any sub-licence is granted by the Combined Group under the Licensed Trade Marks, certain payments and revenues attributable to the sub-licensing arrangement shall be included in the Combined Group relevant turnover for the purposes of the royalty calculations described above. These include:

(a) any fee, commission or other economic benefit received by the Combined Group in connection with either: (i) any sub-licence in existence at the Novation Effective Date; or (ii) any new sub-licence entered into after the Novation Effective Date in relation to which the sub-licensee provides products or services under its own trade marks (but not under the Licensed Trade Marks); and

(b) any turnover (net of customary deductions) of a sub-licensee generated from that sub-licensee's products and services branded with the Licensed Trade Marks pursuant to any new sub-licence entered into after the Novation Effective Date.

Termination

VEL has the right to terminate the Brand Licence Agreement by written notice if CYBG:

(a) challenges VEL's ownership of, entitlement to license and/or the validity of the Licensed Trade Marks;

(b) is insolvent;

(c) is in continuing material breach which is not remedied;

(d) is in material breach through any act or omission which: (i) results in the "Virgin Money" name being brought into serious disrepute; and (ii) has a material adverse impact on the "Virgin" trade marks and VEL's group;

(e) undergoes a change of control unless the change of control is a permitted change of control, which includes any change of control arising from any sale of the shares of CYBG which has been consented to by VEL and VEL shall only be entitled to withhold consent if the purchaser is; (i) a direct competitor of VEL or any of its licensees in the Territory; or (ii) involved in any business, or activity, or possesses a reputation of financial standing, which would be reasonably likely to materially damage the value or reputation of the Licensed Trade Marks;

(f) fails to procure, where so required, that a guarantee of CYBG's payment obligations under the Brand Licence Agreement is entered into by a member of the acquirer's group within 20 business days of a permitted change of control;

(g) acquires a company or business which engages in any Prohibited Activity; or

(h) deliberately and intentionally is in a continuing material breach of the must-use requirement, or transfers a material proportion of the Combined Group's assets out of the Combined Group deliberately and intentionally to circumvent and deprive VEL of substantially all of the intended economic benefit of the Brand Licence Agreement. On termination in these circumstances becoming effective, CYBG is required to pay to VEL in lieu of damages the Exit Fee as described below.

CYBG has the right to terminate the Brand Licence Agreement if; (i) VEL, or a VEL licensee, or any of their respective employees, directors, agents or representatives, commits any act or omission which brings the "Virgin" trade marks into serious disrepute or has a material adverse impact on CYBG's business; (ii) VEL is insolvent; or (iii) CYBG undergoes a change of control provided that notice of termination is given within 60 days of the change of control and the Exit Fee as described below is paid.

On termination of the Brand Licence Agreement, CYBG is afforded a two year debranding period.

Acquisition of CYBG

On an acquisition of CYBG, CYBG can elect to terminate the Brand Licence Agreement within 60 days of completion of the acquisition, with the termination becoming effective subject to the payment of the exit fee to VEL as described below (the "**Exit Fee**").

If the Exit Fee is payable prior to the end of Year 3, it shall be £250,000,000. From Year 4 onwards, the Exit Fee shall be an amount equal to the net present value of royalties for a 40-year period from the date of termination, calculated using the following formula:

$$TP = \sum_{t=1}^{40} \frac{RP \ * (1+g)^t}{(1+(g+5\%))^t}$$

where:

TP is the termination payment;

t is the number of years over which the calculation applies, ranging from t=1, 2, 3, … up to a maximum of 40 (where 1 denotes the first anniversary of the date of termination);

RP is an amount equivalent to the royalty payments payable to VEL in the 12 month period prior to the date of termination; and

g is the long-term growth rate for royalty payments and shall be equal to the simple average of the annual nominal growth rates for UK gross domestic product for the maximum forecast period as set by the Office for Budget Responsibility in its latest Economic and Fiscal Outlook, Table Long-term economic determinants.

If CYBG does not wish to terminate the Brand Licence Agreement then it continues in full force and effect save that a suitably creditworthy member of the acquirer group can be required by VEL to provide a guarantee in respect of CYBG's payment obligations under the Brand Licence Agreement. A failure to do so constitutes a termination right for VEL (as set out above).

VEL's Reserved Rights

The Brand Licence Agreement includes a reservation of rights by VEL which covers certain services in relation to investment banking. VEL may further use, or license any VEL licensee to use, any Virgin trade mark (but not the Virgin Money Trade Marks) or any translation thereof in relation to:

(a) raising equity or debt or other finance for itself or any other VEL licensee or making its own investments;

(b) the provision of services and products other than the Financial Services to any person;

(c) the establishment and operation of any collective investment scheme either by way of any single offer or series of related offers, to be no more than 250 private customers or private investors in circumstances where such persons might reasonably be regarded as high net worth individuals, or in the case of an offer of securities for subscription or sale, such offer is deemed not to be an offer to the public in the United Kingdom; and/or

(d) the provision of banking, insurance and investment services and advice to its own employees in the form of benefits provided in the normal course of business.

Subject to the right of first refusal described above, nothing shall prevent VEL from licensing the use of any Virgin trade mark (but not the Virgin Money Trade Marks) in relation to, without limitation:

(a) the provision of payment processing, store cards and loyalty schemes;

(b) the provision of any finance, hire purchase, credit and/or insurance in relation to (but not in isolation from) the products and/or services (not being Financial Services) which that VEL licensee offers and/or sells in the ordinary course of business;

(c) the provision of vouchers and stored value cards redeemable as payment for the products and/or services which that VEL licensee offers and/or sells;

(d) access in any medium to third party branded products or services which may fall within Financial Services, provided that: (i) such use does not endorse or encourage customers to cease to use or purchase the products and services provided by CYBG and start to use or purchase similar products and services provided by VEL licensee or third party; and (ii) it is clear that such products or services are not the products or services of the relevant VEL licensee;

(e) the personal use in the Territory by a person ordinarily resident outside the Territory of Virgin branded financial products or services provided to that person pursuant to an agreement relating to a territory outside the Territory;

(f) in the case of Virgin Atlantic, Virgin Galactic, Virgin Hyperloop, and Virgin Holidays a credit card or pre-paid card made available to their customers as an ancillary part of their main business;

(g) in the case of any VEL licensee which operates an airline, aerospace or travel or holiday business, foreign exchange services and/or travel insurance services made available to their customers as an ancillary part of their main business; and/or

(h) in the case of Virgin Active, Virgin Pulse and Virgin Care, access to life and health insurance products made available to their customers as an ancillary part of their main business.

Indemnity/Liability

CYBG has agreed to indemnify VEL for all third party claims brought against VEL by reason of CYBG's carrying out of the activities licensed under the Brand Licence Agreement and/or the use of the Licensed Trade Marks by CYBG in breach of the Brand Licence Agreement (except where such claim arises due to VEL's breach of the Brand Licence Agreement).

VEL 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 (including in respect to the indemnities) is capped at £200,000,000 (save for royalties and any Exit Fee payable by CYBG).

Governing Law

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

12.2 ***Virgin Money Material contracts***

The following contracts (not being contracts entered into in the ordinary course of business) either: (i) will be entered into or have been entered into by Virgin Money or another member of the Virgin Money Group within the period of two years immediately preceding the date of this Circular which are or may be material to the Virgin Money Group; or (ii) contain any provisions under which any member of the Virgin Money Group has any obligation or entitlement which is, or may be, material to the Virgin Money Group as at the date of this Circular.

Aberdeen Standard Investments JV

As announced by Virgin Money on 20 March 2018, Virgin Money and ASI are proposing to form a new strategic joint venture for the provision of asset management services to Virgin Money customers.

As part of the joint venture transaction, Virgin Money is proposing to enter into a share sale and purchase agreement pursuant to which Virgin Money will sell 50 per cent. less one share of its shareholding in its wholly owned subsidiary, Virgin Money Unit Trust Managers Limited ("**VMUTM**") to Aberdeen Asset Management PLC ("**AAM**") (the draft agreement being the "**AAM SPA**"). The consideration payable by AAM to Virgin Money under the AAM SPA comprises £40,000,000 plus an amount equivalent to 50 per cent. of the amount of required regulatory capital of VMUTM (plus an agreed margin).

Completion of the share sale and purchase is expected to be conditional, amongst other things, on approval by the FCA of the change of control of VMUTM and certain other customary closing conditions. Subject to FCA and other relevant approvals, completion of the AAM SPA is currently expected to occur by the end of 2018.

The AAM SPA contains customary warranties provided by both Virgin Money and AAM. Virgin Money has also intends to grant AAM a customary indemnity in respect of certain specified potential VMUTM liabilities. The warranties and indemnity arrangements under the AAM SPA are expected to be subject to standard limitations including, amongst other things, aggregate caps on Virgin Money's liabilities and time limits for bringing claims.

The AAM SPA is also expected to provide that, on completion of the share sale and purchase, the parties and VMUTM will enter into a joint venture agreement ("**AAM JVA**") which will govern the relationship between the parties. It is proposed that the AAM JVA will include customary provisions for a 50:50 deadlocked joint venture including, amongst other things, provisions relating to the governance and funding of VMUTM, the termination of the joint venture and exit arrangements. The AAM SPA also contemplates that certain related commercial arrangements will be agreed and entered into by Virgin Money and/or AAM (or other entities within the ASI group) with VMUTM, subject to certain terms and conditions being satisfied.

Virgin Money is also a party to the Co-operation Agreement described in paragraph 6 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular.

13. **Litigation and other proceedings**

13.1 ***CYBG***

There are no, nor have there been any, governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which CYBG is aware) during the last 12 months prior to the date of this Circular which may have, or have had, a significant effect on CYBG's and/or the CYBG Group's financial position or profitability.

13.2 ***Virgin Money***

There are no, nor have there been any, governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which CYBG is aware) during the last 12 months prior to the date of this Circular which may have, or have had, a significant effect on Virgin Money's and/or the Virgin Money Group's financial position or profitability.

14. **Significant changes**

14.1 There has been no significant change in the financial or trading position of CYBG Group since 31 March 2018, being the date to which the last published unaudited interim financial statements of CYBG were prepared.

14.2 There has been no significant change in the financial or trading position of the Virgin Money Group since 30 June 2018, being the date to which the last published unaudited interim financial statements of Virgin Money were prepared.

15. **Working capital statement**

CYBG is of the opinion that the Combined Group has sufficient working capital for its present requirements, that is for the next 12 months from the date of this Circular.

16. **Synergy Information**

16.1 Paragraph 3 of Part I (*Letter from the Chairman*) of this Circular contains statements of estimated cost savings and synergies arising from the Offer (together the "**Quantified Financial Benefits Statements**").

16.2 The Quantified Financial Benefits Statement is set out at Part V (*Quantified Financial Benefits Statement*) of this Circular.

17. **Consents**

17.1 Each of Morgan Stanley, Deutsche Bank and Macquarie has given, and has not withdrawn, its consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

17.2 EY is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion of its report in Section A of Part IV (*Unaudited Pro Forma Financial Information Relating to the Combined Group*) of this Circular, in the form and context in which it appears.

17.3 Deloitte is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

17.4 Each of Deloitte, Morgan Stanley and Deutsche Bank has given and not withdrawn its written consent to the inclusion of its name within the confirmation statement required by Rule 27.2(d)(ii) of the Takeover Code (set out in Part I (*Letter from the Chairman of CYBG PLC*) and Part V (*Quantified Financial Benefits Statement*) of this Circular) in the form and context in which it is included. Each of Deloitte, Morgan Stanley and Deutsche Bank has given its consent solely for the purpose of complying with Listing Rule 13.4.1R(6) and for no other purpose.

18. **Information incorporated by reference**

The table below sets out the various sections of such documents which are incorporated by reference into this Circular so as to provide the information required under the Listing Rules.

Documents containing information incorporated by reference	Information incorporated by reference into this Circular	Part and paragraph in this Circular in which the document is referred to
Prospectus	The audited consolidated financial information of Virgin Money for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 and the unaudited interim consolidated financial statements for the six month period ended 30 June 2018, together with the unqualified independent audit or accountants reports thereon	Part III (*Historical Financial Information relating to the Virgin Money Group*) Part IV Part B (*Unaudited Pro Forma Financial Information relating to the Combined Group*), paragraphs (2) and (7)
CYBG Interim Report 2018	The unaudited financial statements for the CYBG Group for the six months ended 31 March 2018	Part IV Part B (*Unaudited Pro Forma Financial Information relating to the Combined Group*), paragraph (6)
CYBG Annual Report 2017	The audited consolidated financial information of CYBG for the year ended 31 December 2017	Part IV Part B (*Unaudited Pro Forma Financial Information relating to the Combined Group*), paragraph (1)
	Information on related party transactions in notes 5.3 and 6.6 on pages 240 and 248	Part VI (*Additional Information*), paragraph 11
	Details of the terms of the CYBG Directors' service contracts under the "Service contracts and policy on payments for loss of office" heading in the Directors' Remuneration Report on page 105	Part VI (*Additional Information*), paragraph 7
CYBG Annual Report 2016	Information on related party transactions in note 12 on pages 237-240	Part VI (*Additional Information*), paragraph 11

Where only parts of a document are being incorporated by reference in this Circular, the parts of the document which are not being incorporated by reference are either not relevant for the investor or are covered elsewhere in this Circular.

A copy of each of the documents listed above has been filed with the FCA and is also available for inspection in accordance with paragraph 20 below.

19. **Sources and Bases**

(a) The value of the consideration of approximately £1.8 billion is calculated by multiplying the number of CYBG Shares to be issued under the terms of the Offer (as referred to in 19(e)(ii) below) by the price per CYBG Share of 338 pence (being the Closing Price on the Latest Practicable Date).

(b) The percentage of the share capital of the Combined Group that will be owned by Virgin Money Shareholders of approximately 38 per cent. is calculated by dividing the number of New CYBG Shares to be issued under the terms of the Offer referred to in paragraph 19(e)(ii) below by the issued share capital of the Combined Group (as set out in paragraph 19(e) below) and multiplying the resulting sum by 100 to produce a percentage.

(c) The calculations regarding the existing issued ordinary share capital of Virgin Money are based on 446,067,336 Virgin Money Shares in issue on the Latest Practicable Date (none of which are held in treasury).

(d) The fully diluted ordinary share capital of Virgin Money (being £45,109.6817 comprising 451,096,817 Virgin Money Shares) is calculated on the basis of:

(i) the number of issued Virgin Money Shares in paragraph 19(c) above (none of which are held in treasury); and

(ii) any further Virgin Money Shares which may be issued on or after the date of this Circular on the vesting of awards under the Virgin Money Share Plans, amounting in aggregate to a maximum of 5,029,481 Virgin Money Shares.

(e) The issued ordinary share capital of the Combined Group (being £143,296,574.4 comprising 1,432,965,744 CYBG Shares) has been calculated as the sum of:

(i) a total number of 886,010,853 CYBG Shares in issue as at close of business on the Latest Practicable Date; and

(ii) 546,954,891 New CYBG Shares which would be issued under the terms of the Offer (being 1.2125 CYBG Shares per Virgin Money Share multiplied by the fully diluted share capital of Virgin Money as referred to in paragraph 19(d) above).

(f) Unless otherwise stated, all prices quoted for CYBG Shares and Virgin Money Shares have been derived from the Daily Official List and represent closing middle market prices on the relevant date.

(g) Unless otherwise stated:

(i) historical financial information relating to CYBG has been extracted and derived (without material adjustment) from the audited financial statements of CYBG contained in the CYBG Annual Report 2017; and

(ii) historical financial information relating to Virgin Money has been extracted and derived (without material adjustment) from the audited financial statements of Virgin Money contained in the Virgin Money Annual Report 2017, the Virgin Money Annual Report 2016 and the Virgin Money Annual Report 2015.

(h) 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 referred to in paragraph 19(g) above.

(i) The synergy numbers are unaudited and are based on analysis by CYBG's management and on CYBG's internal records. Further information underlying the Quantified Financial Benefits Statement is set out in Part V (*Quantified Financial Benefits Statement*) of this Circular.

(j) Certain figures included in this Circular have been subject to rounding adjustments.

20. **Documents available for inspection**

Copies of the following documents are available for inspection on CYBG's website at www.cybg.com/cybg-update/ and during usual business hours on Monday to Friday of each week (public holidays excepted) at the Company's registered office, 20 Merrion Way, Leeds, LS2 8NZ and at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ until close of business on the day of the CYBG General Meeting and will also be available for inspection for 15 minutes before and during the CYBG General Meeting:

(a) the CYBG Articles;

(b) the consent letters referred to in paragraph 17 of this Part VI;

(c) the irrevocable undertakings provided by Virgin Holdings and the Independent Virgin Money Directors;

(d) the CYBG Interim Report 2018;

(e) the CYBG Annual Report 2017;

(f) the CYBG Annual Report 2016;

(g) the Virgin Money Interim Report 2018;

(h) the Virgin Money Annual Report 2017;

(i) the Virgin Money Annual Report 2016;

(j) the Virgin Money Annual Report 2015;

(k) the Announcement;

(l) the Scheme Document;

(m) the Prospectus;

(n) this Circular; and

(o) the report from EY set out in Section A of Part IV (*Unaudited Pro Forma Financial Information relating to the Combined Group*) of this Circular.

PART VII
DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise.

Term	Definition
2006 Act	means the Companies Act 2006 (as amended or re-enacted);
AAM	means Aberdeen Asset Management PLC, a company registered in Scotland, with registered number SC082015 and registered address 10 Queen's Terrace, Aberdeen, Aberdeenshire, United Kingdom, AB10 1XL;
AAM JVA	means the joint venture agreement to be entered into by Virgin Money, VMUTM and AAM upon completion of the AAM SPA;
AAM SPA	means the draft share sale and purchase agreement pursuant to which Virgin Money will sell 50 per cent. less one share of its shareholding in its wholly owned subsidiary, VMUTM to AAM;
Admission	means admission of the New CYBG Shares to the premium listing segment of the Official List and to trading on the Main Market;
Announcement	means the joint announcement by CYBG and Virgin Money in relation to the Offer dated 18 June 2018 under Rule 2.7 of the Takeover Code;
APIs	means the application programming interfaces;
ASI	means Aberdeen Standard Investments Limited, a company registered in Scotland, with registered number SC559529 and registered office at Standard Life House, 30 Lothian Road, Edinburgh, United Kingdom, EH1 2DH;
ASX	means the Australian Securities Exchange;
ASX Listing Rules	means the listing rules of the ASX as amended or replaced from time to time, except to the extent of any express written waiver or exemption given by ASX;
ASX Settlement	means ASX Settlement Pty Limited as the holder of a licence to operate a clearing and settlement facility;
AT1 Resolutions	means Resolution 2 and Resolution 3 and each an "**AT1 Resolution**";
AT1 Securities	means CRD IV compliant additional tier 1 securities;
Auditing Practices Board	means the Auditing Practices Board Limited, part of the Financial Reporting Council;
BCAs	means business current accounts;
Bonus Award	means a bonus payment of £1,026,000 in respect of the financial year ending 31 December 2018 to be awarded to the Virgin Money CEO by Virgin Money;
Brand Licence Agreement	means 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 VEL, Virgin Money and CYBG, dated 18 June 2018 and effective from Completion;
Brand Licence Resolutions	together: (a) Resolution 1 as set out in the Notice of Virgin Money General Meeting to approve the Brand Licence Agreement for the purposes of Rule 16 of the Takeover Code; and (b) Resolution 2 as set out in the Notice of Virgin Money General Meeting to approve the Brand Licence Agreement for the purpose of Chapter 11 of the Listing Rules, and each a "**Brand Licence Resolution**";
BST	means British Summer Time;
Business Day	means a day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in London and Edinburgh for the transaction of normal banking business;
CAGR	means compound annual growth rate;

Term	Definition
Capability and Innovation Fund	means 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;
Capped Indemnity Deed	means the conduct indemnity deed dated 2 December 2015 and entered into between CYBG and National Australia Bank Limited in connection with the demerger of CYBG from the National Australia Bank group;
CASS	means the industry standard current account switching service;
CDI	means a CHESS depositary interest issued over ordinary shares in the capital of the Company as contemplated by the ASX Listing Rules;
CDI Voting Instruction Form	means the CDI Voting Instruction Form for use in connection with the CYBG General Meeting;
CDN	means the CHESS Depositary Nominees Pty Limited;
certificated or in certificated form	means where a share or other security is not in uncertificated form;
CET1	means Common Equity Tier 1;
CHESS	means the clearing house electronic sub-register system of share transfer operated by ASX Settlement;
CIR	means cost to income ratio;
Circular	means this Circular to CYBG Shareholders dated 31 July 2018 in connection with the Offer, including the notice convening the CYBG General Meeting;
Closing Price(s)	means 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;
Co-operation Agreement	means the co-operation agreement dated 18 June 2018 between CYBG and Virgin Money, as described in paragraph 6 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular;
Combined Group	means the enlarged group of companies which will, following Completion, comprise the CYBG Group and the Virgin Money Group;
Commitment	has the meaning given to it in paragraph 5 of Part VI (*Additional Information*) of this Circular;
Completion	means the completion of the Offer;
Condition(s)	means the conditions to the implementation of the Offer (including the Scheme) as set out in the Scheme Document;
Court	means the High Court of Justice of England and Wales;
Court Hearing	means the Court hearing at which Virgin Money will seek an order sanctioning the Scheme pursuant to Part 26 of the 2006 Act;
Court Meeting	means the meeting or meetings of Virgin Money Shareholders to be convened at the direction of the High Court of Justice of England and Wales pursuant to Part 26 of the 2006 Act at which a resolution will be proposed to approve the Scheme, with or without modification, including any adjournment, postponement or reconvention thereof;
Court Order	means the order of the Court sanctioning the Scheme under Part 26 of the 2006 Act;

Term	Definition
CRD IV	means the EU Capital Requirements Directive (2013/36/EU) and the EU Capital Requirements Regulation (575/2013);
CREST	means a computerised system for the paperless settlement of sales and purchases of securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
CREST Manual	means the manual, as amended from time to time, produced by CRESTCo Limited describing the CREST system and supplied by CRESTCo Limited to users and participants thereof;
CREST Proxy Instructions	means the instruction whereby CREST members send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote;
CREST Regulations	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as from time to time amended;
CYBG or **the Company** . .	means CYBG PLC, a company incorporated in England and Wales, with registered number 9595911 and with its registered office at 20 Merrion Way, Leeds LS2 8NZ;
CYBG Annual Report 2016	means the CYBG Group's annual report and accounts for the year ended 30 September 2016;
CYBG Annual Report 2017	means the CYBG Group's annual report and accounts for the year ended 30 September 2017;
CYBG's Articles	means the articles of association of CYBG;
CYBG AT1 Securities . . .	means the £450,000,000 fixed rate reset perpetual subordinated contingent convertible notes of CYBG;
CYBG DEP	the CYBG Deferred Equity Plan;
CYBG Directors or **CYBG Board**	means the directors of CYBG as at the date of this Circular or, where the context so requires, the directors of CYBG from time to time;
CYBG General Meeting . .	means the general meeting of the CYBG Shareholders, including any adjournments thereof, to be convened to consider and if thought fit approve, the CYBG Resolutions, notice of which is set out at the end of this Circular;
CYBG Group	means CYBG and its subsidiary undertakings from time to time;
CYBG Interim Report 2018	means the CYBG Group's unaudited interim financial report for the six months ended 31 March 2018;
CYBG LTIP	the CYBG Long Term Incentive Plan;
CYBG Offer Resolution or Resolution 1	means the ordinary resolution to be proposed at the CYBG General Meeting (and set out in the notice of meeting which appears at the end of this Circular) to, among other things, approve the Offer and to authorise the creation and allotment of the New CYBG Shares pursuant to the Offer;
CYBG Resolutions	means the CYBG Offer Resolution and the AT1 Resolutions and "**CYBG Resolution**" means any one of them;
CYBG Senior Managers . .	means those persons named in Part X1 (*CYBG Directors, CYBG Senior Managers and Corporate Governance*) of the Prospectus;
CYBG Share Plans	means the CYBG LTIP, CYBG DEP and CYBG SIP;
CYBG Shareholders	means the registered holders of CYBG Shares and CDIs;
CYBG Shares	means the ordinary shares of £0.10 each in of CYBG including, where the context requires, the New CYBG Shares;

Term	Definition
CYBG SIP	means the CYBG Share Incentive Plan as amended from time to time;
Daily Official List	means the daily official list of the London Stock Exchange;
Deloitte	means Deloitte LLP;
Deutsche Bank	means Deutsche Bank AG, acting through its London Branch;
Disclosure Guidance and Transparency Rules . . .	means the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time;
EEA	means the European Economic Area;
Effective	means 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;
Effective Date	means the date on which the Offer becomes Effective;
EIR	means effective interest rate;
EU	means the European Union;
Euroclear	means Euroclear UK & Ireland Limited, the operator of CREST;
Excluded Shares	means any Virgin Money Shares beneficially owned by CYBG or any other member of the CYBG Group immediately prior to the Scheme Record Time;
Existing Brand Licence Agreement	means the trade mark licence deed between VEL and Virgin Money dated 1 October 2014, as amended and restated on 25 July 2016;
Existing CYBG Shareholders . . .	means holders of Existing CYBG Shares;
Existing CYBG Shares . . .	means the CYBG Shares in issue at the date of this Circular;
Exit Fee	has the meaning given to it in paragraph 12.1(c) of Part VI (*Additional Information*) of this Circular;
EY	means Ernst & Young LLP;
FCA	means Financial Conduct Authority, granted powers as a regulator under the FSMA 2000, or its successor from time to time;
FCA Handbook	means the FCA's handbook of rules and guidance;
Financial Advisers	means Morgan Stanley and Deutsche Bank;
Financial Services	has the meaning given to it in paragraph 12.1(c) of Part VI (*Additional Information*) of this Circular;
First Quarter Date	means whichever of 1 January, 1 April, 1 July and 1 October is the first date to occur following Completion;
Fitch	means Fitch Ratings Limited;
Form of Proxy	means the form of proxy for use at the CYBG General Meeting;
FSMA	means the Financial Services and Markets Act 2000, as amended;
FTE	means full time equivalent employee;
Goldman Sachs	means Goldman Sachs International;
ICO	means the UK Information Commissioner's Office;

Term	Definition
IFRS	means 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	means the Virgin Money Directors who are independent of the Virgin Money 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	means the Virgin Money Shareholders excluding Virgin Holdings;
IRB	means internal ratings based;
Latest Practicable Date . .	means 27 July 2018;
Licensed Activities	means 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, as well as other ancillary services;
Licensed Trade Marks . . .	means the "Virgin Money" names and logos, as well as certain related non-exclusive rights to use the "Virgin" trade marks;
Listing Rules	means the listing rules made by the FCA under Part 6 of the FSMA;
London Stock Exchange . .	means London Stock Exchange plc together with any successors thereto;
Long Stop Date	means 31 January 2019 or such later date as may be agreed between CYBG and Virgin Money and, if required, the Panel and the Court may allow;
Macquarie	means Macquarie Capital (Europe) Limited;
Main Market	means the main market for listed securities of the London Stock Exchange;
Market Abuse Regulation .	means the Market Abuse Regulation (2014/596/EU);
Minimum Royalty	means the minimum annual royalty fee payable after Year 4 under the terms of the Brand Licence Agreement;
Moody's	means Moody's Investors Service Limited;
Morgan Stanley	means Morgan Stanley & Co. International plc;
MREL	means the minimum requirement for own funds and eligible liabilities;
New CYBG Shares	means the 546,954,891 CYBG Shares, which are proposed to be issued by CYBG to the Virgin Money Shareholders pursuant to the Offer;
Novation Effective Date . .	means the time that the Brand Licence Agreement will be novated from Virgin Money to CYBG;
Offer or **Combination** . . .	means the proposed acquisition of the entire issued share capital of Virgin Money;
Official List	means the Official List maintained by the FCA in accordance with Section 74(1) of FSMA for the purposes of Part VI of FSMA;
Open Banking	means 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;
Panel	means the UK Panel on Takeovers and Mergers;
Payment Services Directive 2	means the second Payment Services Directive ((EU) 2015/2366), as amended from time to time, which replaced the original Payment Services Directive (2007/64/EC);

Term	Definition
PCAs	means personal current accounts;
Post Office	means the Post Office Ltd;
PRA	means the UK Prudential Regulation Authority or its successors from time to time;
PRA Remuneration Code	means the remuneration rules set out in the remuneration part of the PRA's Rule book;
Pro Forma Financial Information	means the pro forma financial information set out in Section B of Part IV *(Unaudited Pro forma financial information relating to the Combined Group)* of this Circular;
Prohibited Activities	has the meaning given to it in paragraph 12.1(c) of Part VI (*Additional Information*) of this Circular, and "Prohibited Activity" means any one of them;
Proposed Directors	means those directors of Virgin Money who as at the date of Completion will, subject to regulatory approval, become members of the CYBG Board, being Darren Pope, Geeta Gopalan and Amy Stirling;
Prospectus	means the prospectus to be published by CYBG at or around the same time as the Scheme Document and this Circular, with regard to the New CYBG Shares and for the purposes of Admission;
Prospectus Rules	means the prospectus rules made by the FCA under Part VI of the FSMA (as set out in the FCA Handbook), as amended;
Quantified Financial Benefits Statement	means the statement described as such and set out in Part V (*Quantified Financial Benefits Statement*) of this Circular;
Registrar or **Computershare**	means, in the case of holders of CYBG Shares, Computershare Investor Services PLC, with its registered office at The Pavilions, Bridgwater Road, Bristol BS13 8AE and, in the case of CDIs, Computershare Investor Services Pty Limited with its registered office at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia;
Registrar of Companies	means the Registrar of Companies in England and Wales;
Regulatory Information Service	means a regulatory information services authorised by the FCA to receive, process and disseminate regulatory information for listed companies;
Representative Director	means the one director of CYBG that VEL shall be entitled at all times during the term of the Brand Licence Agreement to nominate, remove or reappoint;
Resolution 2	means the ordinary resolution to authorise the creation and allotment of equity securities in connection with a conversion of Virgin Money AT1 Securities into CYBG Shares should a Trigger Event occur and/or to comply with or maintain compliance with the regulatory capital requirements or targets applicable to the CYBG Group from time to time, to be proposed at the CYBG General Meeting (and set out in the notice of meeting which appears at the end of this Circular);
Resolution 3	means the special resolution to disapply pre-emption rights in connection with a conversion of Virgin Money AT1 Securities into CYBG Shares should a Trigger Event occur and/or to comply with or maintain compliance with the regulatory capital requirements or targets applicable to the CYBG Group from time to time, to be proposed at the CYBG General Meeting (and set out in the notice of meeting which appears at the end of this Circular);
Restricted Shareholder	means a Virgin Money Scheme Shareholder whom CYBG requires to be treated as a Restricted Shareholder pursuant to clause 6 of the Scheme;

Term	Definition
RMBS	means residential mortgage backed securities;
RWA	means risk weighted assets;
S&P	means Standard & Poor's Credit Market Services Europe Limited;
Scheme	means the proposed scheme of arrangement under Part 26 of the 2006 Act between Virgin Money and the holders of the Virgin Money Shares as set out in the Scheme Document with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Virgin Money and CYBG;
Scheme Document	means the document to be sent on or around the date of this Circular to Virgin Money Shareholders and persons with information rights containing, amongst other things, the full terms and conditions of the Scheme and notices convening the Virgin Money Meetings and accompanied by proxy forms in respect of the Virgin Money Meetings;
Scheme Record Time	means the time and date specified in the Scheme Document, expected to be 6:00 p.m. on the Business Day immediately prior to the Effective Date;
Scheme Voting Record Time	means the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined;
Settlement Agreement . . .	means the settlement agreement dated 18 June 2018 entered into between Virgin Money Bank and the Virgin Money CEO which will take effect from Completion;
SMEs	means small and medium sized enterprises;
Sponsor	means Morgan Stanley & Co. International plc;
Sponsor's Agreement	means the agreement dated 31 July 2018 between the Company and Morgan Stanley in which the Company appointed Morgan Stanley as sponsor in connection with the applications for Admission and the publication of the Prospectus and this Circular;
Standards for Investment Reporting	means investment reporting standards applicable to public reporting engagements on financial information reconciliations under the Listing Rules, published by the Auditing Practices Board;
Takeover Code	means the Takeover Code issued by the Panel on Takeovers and Mergers, as amended from time to time;
Takeover Offer	means, 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;
Territory	means the United Kingdom;
TFS	means the Bank of England's Term Funding Scheme;
Threshold Amount	means the CYBG Group turnover of £2.1 billion in Year 3 following Completion;
Trigger Event	means the CET1 ratio of the Issuer Group (as defined in the Virgin Money AT1 Securities Conditions) falling below a threshold specified in the Virgin Money AT1 Securities Conditions;
TSYS	means Total System Services, Inc.;
TUPE	means the Transfer of Undertakings (Protection of Employment) Regulation 2006, as amended;

Term	Definition
UK Corporate Governance Code	means the UK Corporate Governance Code issued by the Financial Reporting Council in the UK from time to time;
UK or United Kingdom	means the United Kingdom of Great Britain and Northern Ireland;
uncertificated or in uncertificated form	in relation to shares, means recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
US or United States	means the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
US Securities Act	means the United States Securities Act of 1933, as amended from time to time;
VEL	means Virgin Enterprises Limited;
Virgin Group	means 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	means Virgin Group Holdings Limited;
Virgin Holdings Confidentiality Agreement	means the confidentiality agreement dated 22 May 2018 between CYBG and Virgin Holdings, as described in paragraph 6 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular;
Virgin Money	means Virgin Money Holdings (UK) plc, a company incorporated in England & Wales, with registered number 03087587 and with its registered office at Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL;
Virgin Money Annual Report 2015	means the Virgin Money Group's annual financial report and accounts for the year ended 31 December 2015;
Virgin Money Annual Report 2016	means the Virgin Money Group's annual financial report and accounts for the year ended 31 December 2016;
Virgin Money Annual Report 2017	means the Virgin Money Group's annual financial report and accounts for the year ended 31 December 2017;
Virgin Money AT1 Securities	means the issued and outstanding £160,000,000 fixed rate resettable additional tier 1 securities and £230,000,000 fixed rate resettable additional tier 1 securities of Virgin Money;
Virgin Money AT1 Securities Conditions	means the terms and conditions of the Virgin Money AT1 Securities respectively;
Virgin Money Bank	means Virgin Money plc, a company incorporated in England and Wales, with registered number 06952311 and with its registered office at Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL;
Virgin Money CEO	means Jayne-Anne Gadhia;
Virgin Money Confidentiality Agreement	means the confidentiality agreement dated 21 May 2018 between CYBG and Virgin Money, as described in paragraph 6 of Part I (*Letter from the Chairman of CYBG PLC*) of this Circular;

Term	Definition
Virgin Money DBSP	means the Virgin Money Deferred Bonus Share Plan;
Virgin Money Directors or Virgin Money Board . .	means the directors of Virgin Money as at the date of this Circular or, where the context so requires, the directors of Virgin Money from time to time;
Virgin Money Foundation	means The Virgin Money Foundation;
Virgin Money General Meeting	means the general meeting of Virgin Money Shareholders (including any adjournments thereof) to be convened to consider and, if thought fit, pass the Virgin Money Resolutions in relation to the Offer;
Virgin Money Group	means Virgin Money and its subsidiary undertakings from time to time and where the context permits, each of them;
Virgin Money Interim Report 2018	means the Virgin Money Group's unaudited interim financial report for the six months ended 31 March 2018;
Virgin Money LTIP	the Virgin Money 2015 Long Term Incentive Plan;
Virgin Money Meetings . .	means the Court Meeting and the Virgin Money General Meeting;
Virgin Money Resolutions	means 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 Resolutions) and Virgin Money Resolution means any one of them;
Virgin Money Scheme Shareholders	means holders of Virgin Money Scheme Shares;
Virgin Money Scheme Shares	means Virgin Money Shares: 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) . . .	means the ordinary shares of 0.01 pence each in the capital of Virgin Money;
Virgin Money Share Plans	means the Virgin Money LTIP and the Virgin Money DBSP;
Virgin Money Shareholders	means holders of Virgin Money Shares;
Virgin Money Trade Marks	means the "Virgin Money" names and logos and several "Virgin Money" sub-brands including the "Virgin Money Giving" trade mark;
VMUTM	means Virgin Money Unit Trust Managers Limited, with its registered office at Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL;
Women in Finance Charter	means the women in finance charter pledge for gender balance across financial services published by Her Majesty's Treasury in March 2016; and
£ or **pence**	means the lawful currency of the United Kingdom.

For the purpose of this Circular, "**subsidiary**", "**subsidiary undertaking**" and "**undertaking**" have the meanings given by the 2006 Act.

All times referred to are London time unless otherwise stated.

All references to legislation in this Circular are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

NOTICE OF GENERAL MEETING

CYBG PLC

(Incorporated in England and Wales with registered number 9595911)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of CYBG PLC (the "**Company**") will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London, E14 5JJ, at 10.00 a.m. (BST) on 10 September 2018 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 and 2 will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the relevant resolution. Resolution 3 will be proposed as a special resolution. This means that for this resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1–Approval of Offer and authority to allot the New CYBG Shares

THAT

(A) the proposed acquisition by the Company of the entire issued and to be issued ordinary share capital of Virgin Money Holdings (UK) plc ("**Virgin Money**"), to be effected pursuant to a scheme of arrangement of Virgin Money under Part 26 of the Companies Act 2006 (the "**Scheme**") (or by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act 2006 (the "**Act**") in the circumstances set out in the cooperation agreement entered into between the Company and Virgin Money dated 18 June 2018 (a "**Takeover Offer**")) (the "**Offer**") substantially on the terms and subject to the conditions as described in:

   (i) the circular to shareholders of the Company dated 31 July 2018 (the "**Circular**") outlining the Offer, of which this notice convening this General Meeting (the "**Notice**") forms part; and

   (ii) the prospectus prepared by the Company in connection with Admission (defined below) dated 31 July 2018,

   be and is hereby approved and the directors of the Company (the "**Directors**") (or a duly authorised committee thereof) be and are hereby authorised to do or procure to be done all such acts and things as they consider necessary, expedient or appropriate in connection with the Offer and this resolution and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Offer (provided that such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Offer for the purposes of the Financial Conduct Authority's (the "**FCA**") Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as the Directors (or a duly authorised committee thereof) may in their absolute discretion think fit; and

(B) subject to and conditional upon:

   (i) the conditions for the Scheme to become effective being satisfied, except for the conditions relating to:

      (a) the FCA having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the new ordinary shares of £0.10 each in the capital of the Company to be issued pursuant to the Scheme (or, as the case may be, the Takeover Offer) (the "**New CYBG Shares**") to listing on the premium listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the "**listing conditions**")) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied; and

      (b) the London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New CYBG Shares will be admitted to trading on the main market of the London Stock Exchange plc

   (the admission of the New CYBG Shares to listing and trading in relation to (a) and (b) together being "**Admission**"); or, as the case may be,

   (ii) a Takeover Offer becoming or being declared wholly unconditional (except for Admission),

   the Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act (in addition, to the extent unutilised, to the authority granted to the Directors at the annual general meeting of the Company held on 29 January 2018, which remains in full force and effect and without prejudice to the continuing authority of the directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which any such offer or agreement was made) to exercise all the powers of the Company to allot the New CYBG Shares and to grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £54,800,000, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit, subject always to the terms of the Offer and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Offer, and which authority shall expire at the end of the annual general meeting of the Company to be held in 2020 (unless previously revoked, renewed or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or enter into an agreement that would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

Resolution 2—Authority to allot equity securities in connection with AT1 Securities

That, subject to the Scheme becoming effective (or the Takeover Offer becoming or being declared wholly unconditional, if applicable) and, in addition to all other existing authorities to allot equity securities which remain in full force and effect, the Directors be generally and unconditionally authorised, in accordance with section 551 of the Act, to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company, up to an aggregate nominal amount of £32,000,000, provided that this authority shall be only used in connection with:

(i) the conversion of the £160,000,000 fixed rate resettable additional tier 1 securities issued by Virgin Money on 31 July 2014 and £230,000,000 resettable additional tier 1 securities issued by Virgin Money on 10 November 2016 (together the "**Virgin Money AT1 Securities**") into ordinary shares of the Company pursuant to the terms and conditions of each series of Virgin Money AT1 Securities; and/or

(ii) the issue of further additional tier 1 securities (the "**AT1 Securities**"): (a) where the Directors consider that such an issuance of AT1 Securities would be necessary or desirable, including in connection with, or for the purposes of complying with or maintaining compliance with, the regulatory requirements applicable to the Company and its subsidiaries from time to time; and (b) subject to applicable law and regulation, at such conversion prices (or such maximum and minimum conversion price methodologies) as may be determined by the Directors from time to time,

such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the annual general meeting of the Company to be held in 2019, but, in each case, the Company may, before this authority expires, make an offer or agreement which would, or might, require shares to be allotted or rights to be granted after it expires and the Directors may allot shares or grant rights in pursuant of any such offer or agreement as if this authority had not expired.

Resolution 3—Authority to disapply pre-emption rights in connection with AT1 Securities

That, subject to the Scheme becoming effective (or the Takeover Offer becoming or being declared wholly unconditional, if applicable) and to the passing of resolution 2, and in addition all other authorities, and in accordance with section 570 of the Act, the Directors be generally empowered to allot equity securities (as defined in section 560(1) of the Act) wholly for cash pursuant to the authority conferred in resolution 2 up to an aggregate nominal amount of £32,000,000 in relation to a conversion of Virgin Money ATI Securities into ordinary shares of the Company or in connection with any issue of additional AT1 Securities as if section 561 of the Act did not apply to any such allotment, such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the annual general meeting of the Company to be held in 2019, but the Company may, before this power expires, make an offer or agreement which would, or might, require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

31 July 2018

By Order of the Board

Lorna F. McMillan
Company Secretary

Registered Office:
20 Merrion Way
Leeds LS2 8NZ
Registered in England and Wales No. 9595911

Notes for the holders of CYBG Shares:

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the relevant register of members of the Company at 7.00 p.m. (BST) on 6 September 2018 or, in the event that the meeting is adjourned, in the register of members of the Company at 7.00 p.m. on the date two Business Days before the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or any adjourned meeting.

2. A holder of shares of the Company entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote on their behalf at the meeting. A Form of Proxy which may be used to make such appointment and give proxy instructions is enclosed with this notice, or will be sent separately to those holders of shares in the Company who have elected, or are deemed to have elected, to receive documents and notices from the Company electronically. If you think you may not be able to attend the meeting, please complete and return the Form of Proxy. Please indicate how you wish your votes to be cast by inserting an "X" in the appropriate box. In the event that you wish to appoint a person other than the Chairman as your proxy, delete the reference to the Chairman and insert the name and address of the person you wish to appoint in the space provided. A proxy need not be a member of the Company. Instructions for use are shown on the Form of Proxy. Completion and return of a Form of Proxy, an electronic proxy or any CREST Proxy Instruction (as described in note 9 below) will not preclude a shareholder from attending the meeting and voting there in person. If you submit more than one valid proxy appointment, the appointment last received before the latest time for receipt of proxies will take precedence.

3. If a shareholder appoints the Chairman of the meeting as proxy and does not direct the Chairman how to vote on a resolution, then when the Chairman votes as proxy on a poll, his current intention is to vote in favour of each of the proposed resolutions. The Chairman will also have discretion as to how to vote on any other resolution which may properly come before the meeting (e.g. a request for an adjournment). The Chairman's intention necessarily expresses his intention at the date this notice was printed and prior to circulation to shareholders and therefore, in exceptional circumstances, the Chairman's intention may change subsequently

4. A holder of shares of the Company entitled to attend and vote at the meeting may appoint more than one proxy provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a member of the Company but must attend the meeting to represent you. A separate Form of Proxy should be used for each proxy appointment. If you intend to appoint additional proxies, an additional form can be requested from the Company's Registrar, Computershare Investor Services PLC ("**Computershare**"), The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom. A member appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding. Failure to specify the number of shares to which each Form of Proxy relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the member may result in the proxy appointment being invalid.

5. To be effective, you should complete and return your Form of Proxy (together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority) to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom as soon as possible, but in any event so as to arrive no later than 10.00 a.m. (BST) on 6 September 2018 (or, in the event of any adjournment, so as to arrive no later than two Business Days before the time appointed for the meeting).

6. Shareholders who would prefer to register the appointment of their proxy electronically can do so by logging onto the website of the Company's Registrar: www.investorcentre.co.uk/eproxy using their Control Number, Shareholder Reference Number (SRN) and PIN (printed on the Form of Proxy). Full details of the procedures are given on the Computershare website. Electronic appointments and/or voting instructions must be received by Computershare no later than 10.00 a.m. (BST) on 6 September 2018, (or, in the event of any adjournment, so as to arrive no later than two Business Days before the time appointed for the meeting). Please note that any electronic communication sent to the Company or the Registrar that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by Computershare's conditions of use set out on the website www.investorcentre.co.uk/eproxy and may be read by logging on to that site.

7. Any person who is not a member of the Company, but has been nominated under section 146 of the Companies Act 2006 by a member of the Company (the "**relevant member**") to enjoy information rights, (the "**nominated person**") does not have a right to appoint any proxies under note 2 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the meeting. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he or she may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights.

8. The "Vote Withheld" option is provided to enable you to abstain on the specified resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" the specified resolution.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual by logging onto the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instructions as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 10.00 a.m. (BST) on 6 September 2018 (or, in the event of any adjournment, so as to arrive no later than two Business Days before the time appointed for the meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting system providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, as amended.

12. In the case of joint holders of a share the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

13. Any member attending the meeting has a right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that where more than one is appointed they do not do so in relation to the same shares. A corporate representative letter is available from Computershare on request.

Notes for the holders of CDIs:

15. Only those CDI holders entered in the register of CDI holders of the Company as at 11.00 p.m. (AEST) on 6 September 2018 or, in the event that the meeting is adjourned, in the register of CDI holders by 11.00 p.m. on the date two Business Days before the date of any adjourned meeting, are entitled to provide voting instructions to CHESS Depositary Nominees Pty Limited ("**CDN**") in respect of the number of CDIs registered in their name at that time. Changes to entries on the register of CDI holders after the relevant deadline shall be disregarded in determining the rights of any person to provide voting instructions to CDN in regard to the meeting.

16. To exercise your voting rights you must complete and return the CDI Voting Instruction Form. There are two different options on the CDI Voting Instruction Form and you must choose one if you want to exercise your rights:

Option A: Appoint CDN to exercise your voting rights

Do not select this option if you wish to attend and vote at the meeting in person

Appoint CDN to exercise the voting rights attached to the ordinary shares it holds on your behalf. If you choose this option, you must direct CDN how to vote on the resolutions by completing Section C of the CDI Voting Instruction Form.

Option B: Instruct CDN to appoint yourself or another person as its proxy

Instruct CDN to appoint yourself or any other person (i.e. the Chairman of the meeting) as its proxy in respect of the ordinary shares it holds on your behalf so that you or the other person can attend the meeting in person and vote on the resolutions. If you choose this option, you may direct the person you instruct CDN to appoint (as its proxy) how to vote on the resolutions by completing Section C of the CDI Voting Instruction Form. If you do not direct the person how to vote on a resolution, they may vote as they choose on the resolution. The person you direct CDN to appoint as its proxy does not need to be a shareholder of the Company but must attend the meeting for their vote to count.

If you instruct CDN to appoint the Chairman of the meeting as its proxy but do not direct the Chairman how to vote on a resolution, when the Chairman votes as proxy on a poll, his current intention is to vote in favour of the proposed resolution. The Chairman will also have discretion as to how to vote on any other resolution which may properly come before the meeting (e.g. a request for an adjournment). The Chairman's intention necessarily expresses his intention at the date this notice was printed and prior to circulation to shareholders and therefore, in exceptional circumstances, the Chairman's intention may change subsequently.

You must choose Option B on the CDI Voting Instruction Form and instruct CDN to appoint yourself as its proxy if you wish to attend and vote at the meeting in person. If you do not complete Option B as above you will only be able to attend the meeting and speak but not be able to vote.

17. CDI Voting Instruction Forms can be submitted by mail by sending the CDI Voting Instruction Form which is enclosed with this notice (or sent separately as applicable) to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia. Alternatively, CDI Voting Instruction Forms can be submitted by internet by **www.investorvote.com.au**. Please note that any electronic communication sent to the Company or the Registrar that is found to contain a computer virus will not be accepted.

18. To be valid, your CDI Voting Instruction Form must be received by Computershare Investor Services Pty Limited no later than 7.00 p.m. (AEST) on 6 September 2018 (or, in the event of an adjournment, no later than two Business Days before the time appointed for the meeting). If your CDI Voting Instruction Form is not received by then, it will be disregarded.

19. Voting instructions given under authority on behalf of a holder of CDIs must be submitted by mailing a CDI Voting Instruction Form. If the CDI Voting Instruction Form is signed under a power of attorney or other authority on behalf of a CDI holder, then the attorney must make sure that either the original power of attorney or other authority, or a certified copy is sent to Computershare Investor Services Pty Limited by 7.00 p.m. (AEST) on 6 September 2018 (or, in the event of any adjournment of the meeting, on the date which is two Business Days before the time of the adjourned meeting).

General notes:

20. As at 27 July 2018 (being the latest practicable date prior to the publication of this notice), the Company's share capital consisted of 886,010,853 ordinary shares of £0.10 each, carrying one vote each. The Company does not hold any ordinary shares in treasury and, therefore, the total voting rights in the Company as at 27 July 2018 were 886,010,853.
21. A copy of this notice, and other information required by s.311A of the Companies Act 2006, can be found at www.CYBG.com.
22. Shareholders and CDI holders are advised that they may not use any electronic address provided in this notice or any related documents (including the Form of Proxy or CDI Voting Instruction Form) to communicate with the Company for any purpose other than those expressly stated.
23. Voting on resolutions at this meeting will be conducted on a poll rather than a show of hands.
24. The venue is wheelchair accessible. Please let us know in advance if you will need wheelchair assistance or if you have any other needs to ensure appropriate arrangements are in place. Anyone accompanying a member in need of assistance will be admitted to the meeting. Other guests will only be admitted at the discretion of the Company.
25. We thank you in advance for your co-operation with our security staff and the security staff at the venue. You may be asked to pass through the security systems before entering the meeting. We do not permit cameras or recording equipment at the meeting and we would be grateful if you would ensure you switch off your mobile telephone before the start of the meeting. We will not permit behaviour which may interfere with anyone's safety or the orderly conduct of the meeting.

Merrill Corporation Ltd, London
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