

CYBG PLC  
(Company)

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FOR IMMEDIATE RELEASE

07 May 2018

### **Announcement regarding Virgin Money Holdings (UK) plc ("Virgin Money")**

CYBG PLC ("CYBG") notes the announcement made by Virgin Money and confirms that it has today made a preliminary approach regarding a potential all share combination of CYBG and Virgin Money (the "Proposal").

Under the terms of the Proposal, CYBG would acquire all the issued and to be issued ordinary share capital of Virgin Money on the basis of an exchange ratio of 1.1297 new CYBG shares for each Virgin Money share. Under the terms of the Proposal, Virgin Money shareholders would own approximately 36.5%<sup>1</sup> of the combined group.

The Proposal provides the Virgin Money shareholders with an attractive up-front premium and the opportunity to participate in the continuing progress of the combined group, including sharing in the opportunity for value creation from the substantial synergy potential resulting from the combination.

CYBG recognises the strength and appeal of the Virgin Money brand. Our proposal would ensure that the Virgin Money brand would play a significant role in the combined group, subject to reaching agreement with Virgin Group Holdings Limited.

CYBG believes the combination would create the UK's leading challenger bank offering both personal and SME customers a genuine alternative to the large incumbent banks. The combination would provide a powerful full-service banking offer, including leading digital and mobile banking services, for 6 million personal and business customers, bringing together the complementary strengths of CYBG and Virgin Money. With this further strengthened customer franchise and national reach, CYBG believes the combination would deliver increased value for shareholders and wider benefits to other stakeholders.

Further announcements will be made in due course as appropriate, but there can be no certainty that a formal offer will be made. The Board will only proceed with a transaction if it is in line with CYBG's strategic objectives and is in the best interests of CYBG shareholders.

In accordance with Rule 2.6(a) of the Code, by not later than 5.00 p.m. on 04 June 2018, CYBG will be required to either announce a firm intention to make an offer for Virgin Money in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case such announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline will only be extended with the consent of the UK Takeover Panel in accordance with Rule 2.6(c) of the Code.

CYBG is registered in England and Wales (company number: 09595911) and as a foreign company in Australia (ARBN 609 948 281) and has its registered office at 20 Merrion Way, Leeds, West Yorkshire LS2 8NZ.

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on CYBG's website at [www.cybg.com/investor-centre/company-announcements/](http://www.cybg.com/investor-centre/company-announcements/). The content of this website is not incorporated into, and does not form part of, this announcement.

In accordance with Rule 2.9 of the Code, CYBG confirms that, as at close of business on 4 May 2018, it had 885,151,593 ordinary shares of 10 pence each in issue (held as ordinary shares and CHESS Depositary Interests (CDIs) (each CDI representing 1 ordinary share)). The ordinary shares are admitted to trading on the main market for listed securities of the London Stock Exchange plc with the International Securities Identification Number (ISIN) GB00BD6GN030. The CDIs are admitted to trading on the Australian Securities Exchange with the ISIN AU000000CYB7. CYBG holds no shares in treasury.

## Reservations

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

CYBG also reserves the right:

- to make an offer at any time on reduced terms than 1.1297 new CYBG shares for each Virgin Money share:
  - o with the agreement or recommendation of the Board of Directors of Virgin Money;
  - o if a third party announces a firm intention to make an offer for Virgin Money pursuant to Rule 2.7 of the Code, which, at that date is valued at a lower price than the value of 1.1297 new CYBG shares for each Virgin Money share;
  - o if Virgin Money announces, declares or pays any dividend or any other distribution to shareholders, in which case CYBG reserves the right to make an equivalent reduction in its offer terms; or
  - o following announcement by Virgin Money of a whitewash transaction pursuant to the Code; and
- to introduce other forms of consideration and/or vary the mix or composition of consideration of any offer.

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

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

<sup>1</sup> Based on the issuance of 509,812,684 new CYBG shares for Virgin Money's 451,262,132 ordinary shares on a fully diluted basis (including 445,442,008 ordinary shares currently in issue and 5,820,124 ordinary shares to be issued on the exercise of options or vesting of awards under Virgin Money's share schemes), giving a pro forma share count for the combined group of 1,394,964,277.

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## Disclosure requirements of the Code

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

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

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

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

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

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