

Clydesdale Bank PLC

Statement of Financial Crime Policies and Principles

Clydesdale Bank PLC maintains a Financial Crime framework comprising of an overarching Group Policy Statement, supporting Policy Standards, as well as systems and controls to protect the Bank's customers, employees, shareholders and the Bank itself from four key Financial Crime Risks.

These are risks associated with Money Laundering and Terrorist Financing, Sanctions and Embargoes, Bribery and Corruption, and Fraud and Cyber-enabled Crime.

Clydesdale Bank PLC Financial Crime Policy Standards

The Chief Compliance Officer for Clydesdale Bank PLC is responsible for the overarching Policy Statement.

The Money Laundering Reporting Officer (MLRO) is responsible for the Policy Standards which cover:

1. Anti-Money Laundering & Counter Terrorist Financing;
2. Sanctions & Embargoes;
3. Anti-Bribery & Corruption; and
4. Suspicious Activity and Legal Orders

The Senior Manager Fraud Strategy is responsible for the Policy Standard covering:

1. Prevention Fraud and Cyber-enabled Crime

Whilst exposure to potential Financial Crime risks are limited by the above Policy Standards, Clydesdale Bank PLC also conducts annual risk assessments over all business areas in respect of the above to identify, control and mitigate any potential risks.

Governance

The overarching Policy Statement and Policy Standards are subject to regular review, at least on an annual basis.

Changes to the Policy Statement or Policy Standards must be approved through the Bank's Governance channels. The Financial Crime Framework, which includes the above Policy Statement and Policy Standards, is subject to periodic review by Internal Audit and from time to time by the Financial Conduct Authority (FCA). This provides senior executive Governance Committees with the necessary assurance regarding the operational effectiveness of the control framework relating to the Policy Statement and supporting Policy Standards.

Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Policy Standard

Money laundering and terrorist financing represent an ongoing threat to the UK and the international financial services community. Consequently, the UK, in common with many other countries, has passed legislation designed to prevent money laundering and to combat terrorism. This legislation, together with FCA guidance for management of financial crime, regulatory rules and industry guidance, forms the cornerstone of AML and CTF obligations for firms in the UK. It also outlines the offences and penalties for failing to comply.

Clydesdale Bank PLC's AML and CTF Policy Standard is designed to comply with the UK's legal and regulatory framework.

The AML and CTF Policy Standard sets out the minimum control requirements which must be complied with by all Clydesdale Bank PLC employees and includes:

- The requirement for the MLRO, in their role as the Senior Manager Function (SMF17), to assume responsibility for the Bank's compliance with its AML and CTF obligations and to act as the focal point for the Bank's AML and CTF activities;
- Establishing and maintaining a Risk Based Approach (RBA) to identify, assess, manage and monitor the money laundering and terrorist financing risks to Clydesdale Bank PLC;
- Establishing and maintaining risk based customer due diligence, identification, verification and know your customer (KYC) procedures, including enhanced due diligence (EDD) for higher risk customers such as Politically Exposed Persons (PEPs);
- Establishing and maintaining risk based systems and procedures to monitor customer transactional activity;
- Procedures for reporting suspicious activity internally and to relevant law enforcement authority as appropriate;
- Maintenance of appropriate records for the minimum prescribed periods;
- Training and awareness for all relevant employees must be completed at least once a year; and
- Provision of appropriate management information, including the Annual MLRO Report to senior management via Governance committee to comply with requirements.

Sanctions and Embargoes Policy Standard

Clydesdale Bank PLC's Sanctions and Embargoes Policy Standard has been developed to ensure that the Bank complies with applicable sanctions and embargoes requirements.

At on-boarding, all new to bank customers and employees are screened against UK Treasury, United Nations, European Union, Australian Government, and US Office of Foreign Assets Control (OFAC) sanctions lists as well as Politically Exposed Persons. Further screening takes place when there are any material changes to key information. Payments are also screened against the aforementioned sanctions lists and additionally, to detect sanctioned and embargoed activities.

All employees complete on-line training at least once a year, with more detailed training for those employees whose roles involve heightened sanctions risks. Failure to comply with the Sanctions and Embargoes Policy Standard may give rise to disciplinary action.

Anti-Bribery & Corruption (ABC) Policy Standard

Clydesdale Bank PLC has a zero tolerance towards bribery and corruption – including activities conducted by an external party supplying services for or on behalf of the Bank or acting on the Bank's behalf. Clydesdale Bank PLC is committed to applying high standards of honesty and integrity across the Bank's operations and in its business dealings.

Clydesdale Bank PLC's ABC Standard is designed to comply with (but not limited to) the UK's legal and regulatory framework.

The ABC Policy Standard sets out the minimum control requirements which must be complied with by all Clydesdale Bank PLC employees, agents and representatives, and stipulates that all must:

- Adhere to a wide range of controls which are designed to deter, detect and prevent bribery and/or corruption events from occurring;
- Not undertake or become involved in any activity which may be constituted or perceived as bribery or corruption;

- Not make or become involved in any facilitation payments (a facilitation payment is an ethically questionable payment made in order to procure or speed up the provision of services) – facilitation payments are not permitted in any circumstances as these are considered to be bribes;
- Be alert to irregular activities or requests from other employees, agents, suppliers, customers or the general public that may indicate corruption or bribery-related activity;
- Not give, promise to give, or offer a payment, gift, entertainment or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given; and
- Take timely steps to report:
 - Identified weaknesses or inadequate controls that could elevate the risk of either a bribe or corrupt activity going on unnoticed;
 - Any incident of corruption or bribery whether it is suspected or actual; and
 - Any incidents involving facilitation payments

To support its ABC framework, Clydesdale Bank PLC also has in place the following Policy Standards with regards to:

- Whistleblowing;
- Third Parties; and
- Political Contact, Communications and Donations

All employees also complete on-line training at least once a year, with more detailed training for those employees whose roles involve heightened Bribery and Corruption risks. Failure to comply with the ABC Policy Standard may give rise to disciplinary action.

Preventing Fraud and Cyber-enabled Crime Policy Standard

The Group will not knowingly conduct business with individuals or entities it believes to be engaged in fraudulent activities, or individuals or entities it believes to be engaging in, enabling, or attempting to perpetrate Cyber-enabled Crime.

The Preventing Fraud and Cyber-enabled Crime Policy Standard sets out the minimum control requirements which must be complied with by all Clydesdale Bank PLC employees and stipulates that:

- All employees must:
 - Comply with Policy Standards and other internal controls designed to prevent and detect fraudulent activities and cyber-enabled crime;
 - Report any suspected or actual incidents of fraud or cyber-enabled crime via the appropriate channel;
 - Report any weaknesses or inadequate controls that could enhance the risk of fraud or cyber-enabled crime, to the areas responsible for the implementation and management of such investigations; and that
- Employees must be:
 - Alert to irregular activities or requests from other employees, customers or the general public that may indicate cyber enabled crime or fraudulent / fraud-related activity; and
 - Vigilant when using email and other electronic communication methods (including social media) to prevent unauthorised activities.

Clydesdale Bank PLC also has Information Technology controls in place to help prevent and mitigate data loss and to alert staff to possible fraudulent activities.

Regulation

Clydesdale Bank PLC

Clydesdale Bank PLC is authorised by the Prudential Regulation Authority (PRA) and regulated by the UK Financial Conduct Authority (FCA). Financial Services Register No. 121873. Credit facilities other than regulated mortgages and regulated credit are not regulated by the FCA.

Clydesdale Bank PLC, which trades as Clydesdale Bank, Yorkshire Bank, B and Virgin Money, is a member of the Virgin Money UK group of companies ("the Group"). The Group includes Virgin Money UK PLC, each subsidiary or holding company of Virgin Money UK PLC from time to time and each subsidiary from time to time of any such holding company. A complete list is available on request.

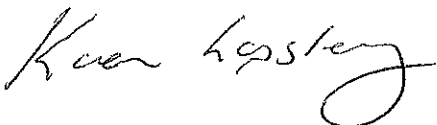
Clydesdale Bank PLC is registered in Scotland under the company number: SC001111, and has its registered office at 30 St. Vincent Place, Glasgow, G1 2HL.

VIRGIN MONEY UK PLC (formerly CYBG PLC)

Virgin Money UK PLC is listed on the London Stock Exchange (Ticker – VMUK) and (CHESS Depository Interests) on the Australian Securities Exchange (Ticker – VUK). Virgin Money UK PLC (Group) includes Clydesdale Bank PLC.

Virgin Money UK PLC Company Registration Number is 09595911 (Registered in England and Wales). The registered office is Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL.

Clydesdale Bank and Yorkshire Bank Merchant Services is a service provided by Worldpay (UK) Ltd. Registered in England No.07316500. Registered Office: The Walbrook Building, 25 Walbrook, London EC4N 8AF, United Kingdom. Worldpay (UK) Limited is authorised by the Financial Conduct Authority under the Payment Services Regulations 2009 (No 530923) for the provision of payment services.



Karen Lapsley
Money Laundering Reporting Officer
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