

**FIRST SUPPLEMENT DATED 13 MAY 2020  
TO THE BASE PROSPECTUS DATED 5 FEBRUARY 2020**



**VIRGIN MONEY UK PLC**

*(incorporated with limited liability in England and Wales)*

**CLYDESDALE BANK PLC**

*(incorporated with limited liability in Scotland)*

**£10,000,000,000**

**Global Medium Term Note Programme**

Virgin Money UK PLC (the "**Company**") and Clydesdale Bank PLC (the "**Bank**" and, together with the Company, the "**Issuers**" and each an "**Issuer**"), have prepared this supplement dated 13 May 2020 (the "**Supplement**") to the base prospectus dated 5 February 2020 (the "**Base Prospectus**") with respect to the £10,000,000,000 Global Medium Term Note Programme of the Issuers (the "**Programme**"). This Supplement constitutes a supplement to the Base Prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**").

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), as a base prospectus supplement issued in compliance with the Prospectus Regulation.

Terms defined in the Base Prospectus shall have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus. A copy of this Supplement will be made available for inspection at the offices of each Issuer for so long as the Programme remains in existence. This Supplement will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>. This Supplement will also be available for viewing on the UK National Storage Mechanism at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Each of the Issuers accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuers, the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

Save as disclosed in this Supplement, no significant new factor, material mistake or material inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

**Purpose of this Supplement**

The purpose of this Supplement is to:

- a) incorporate by reference the following sections of the Company's 2020 Interim Financial Report available at <https://www.virginmoneyukplc.com/investor-relations/results-and-reporting/financial-results/> in the Base Prospectus:

- (i) the section entitled "*Chief Executive Officer's statement*" on pages 5 to 7, excluding the paragraphs entitled "*Resilient H1 operating performance*" and the last two paragraphs of "*Outlook*";
- (ii) the following sections of the "*Chief Financial Officer's Overview*":
  - a) the table headed "*Key portfolio metrics*" and the sections entitled "*Mortgages (82% of Group lending, £59.5bn)*" and "*Business (11% of Group lending, £8.3bn)*" on page 8;
  - b) the sections entitled "*Personal (7% of Group lending, £5.3bn)*", "*COVID-19 impairment provision*" and "*Resilient capital base and prudent funding and liquidity position*" on page 9;
  - c) the last two paragraphs under the heading "*Costs*" on page 11;
  - d) the paragraph headed "*Integration and transformation costs*" on page 13, excluding the final sentence;
  - e) the paragraph headed "*Continued customer balance growth*" and "*Wholesale funding and liquidity*" on page 14; and
  - f) the paragraph headed "*MREL*" on page 15;
- (iii) the section entitled "*Risk management*" on pages 19 to 47, excluding columns entitled "*Pro-forma 12 months to 30 Sept 2019 (unaudited)*" and "*Pro-forma 6 months to 31 March 2019 (unaudited)*"; and
- (iv) the unaudited consolidated financial statements of the Company and the independent auditor's review on pages 49 to 79 and the Abbreviations set out on page 82,

(together, the "**2020 Company Interim Results**");

- b) incorporate by reference the following sections of the Bank's 2020 Interim Financial Report available at [https://www.rns-pdf.londonstockexchange.com/rns/0361M\\_1-2020-5-5.pdf](https://www.rns-pdf.londonstockexchange.com/rns/0361M_1-2020-5-5.pdf) in the Base Prospectus:

- (i) the section entitled "*Risk report*" on pages 8 to 30 other than the columns entitled "*Pro-forma 12 months to 30 Sept 2019 (unaudited)*" and "*Pro-forma 6 months to 31 March 2019 (unaudited)*"; and
- (ii) the unaudited consolidated financial statements of the Bank and the independent auditor's review on pages 32 to 62 and the Glossary set out on page 64,

(together, the "**2020 Bank Interim Results**" and together with the 2020 Company Interim Results, the "**Issuers' 2020 Interim Results**");

- c) update the section of the Base Prospectus entitled "*Risk Factors – Risks Relating to the Group – Business and Economic Risks*" commencing on page 14 of the Base Prospectus, to include the following language above the risk factor entitled "*The Group is subject to risks arising from macro-economic conditions in the UK or globally*":

**"Risks relating to the impact of COVID-19**

The global COVID-19 pandemic and the widespread and rapid implementation of measures to contain it including severe restrictions on movement of individuals are causing widespread disruption to normal patterns of business activity and to financial markets in the UK and across the world. As a result, COVID-19 has emerged as a multi-faceted risk with a variety of implications for the Group. The impact of the pandemic, the steps taken to control it and the measures introduced to support the economy in the UK and elsewhere create new credit, operational, conduct, regulatory, financial crime and financial risks which could have a material adverse effect on the business, financial condition, capital position, results of operations, execution of its medium-term growth strategy, customer proposition development and prospects of the Group.

The Group is exposed to a variety of risks resulting from a downturn in the UK economic environment caused by the impact of the COVID-19 pandemic. The precise duration and depth of the economic

downturn in the UK is uncertain, but risks to credit and margin performance of the Group are expected and significant disruption to both business supply and demand has already been seen. The efficacy of monetary and fiscal policy and the speed and ability with which the UK can return to normal operating conditions will determine the overall economic impact for the UK and the Group.

Although the impact on the Group's retail and business credit portfolios is yet to be fully manifest, it is clear that credit risk has heightened, with the Group granting increased levels of capital repayment holidays, forbearance, extensions of credit, including through the Coronavirus Bounce Back Loan Scheme ("**BBLs**"), Coronavirus Business Interruption Loan Scheme ("**CBILs**") and the Coronavirus Large Business Interruption Loan Scheme and other forms of support to its customers. There is a risk that levels of default, provisions and impairments will increase over time which could have a material adverse effect on the business and financial condition of the Group.

Additional capital may be required by the Group to absorb the impact of heightened levels of credit risk and any increase of impairment levels over time resulting from the COVID-19 pandemic. If the pandemic causes dislocation in wholesale markets or a reduction in investor appetite for holding its securities, this may adversely affect the Group's ability to access capital and funding or require it to access funds at a higher cost, or on unfavourable terms. Additionally, customers' use of deposits may change as a result of the pandemic, particularly amongst businesses and the taking of loan repayment holidays may alter cashflows for the management of liquidity by the Group all of which could have a material adverse effect on the business, financial condition, capital position, results of operations and prospects of the Group.

Other potential risks include credit rating migration and increase in credit losses which could negatively impact the Group's risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to decreased customer deposits, notwithstanding the significant initiatives that the UK government and Bank of England have put in place to support funding and liquidity. Governmental and central bank actions and support measures taken in response to the pandemic may also limit management's flexibility in taking action in relation to capital distribution and capital allocation.

There is a risk that increased remote working, the implementation of new processes and pressure on customer support areas as a result of the pandemic could lead to increased errors or delays and subsequent loss for the Group. Enabling working from home can increase risk of internal fraud due to reduced control over restricted access to systems and there is an increased risk of cyber-attacks, due to phishing emails which use a COVID-19 theme. There is an increased risk of fraud, as fraudsters take advantage of the vulnerabilities created by the current situation. Any breach of the Group's systems could disrupt the Group's business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage its reputation and/or brands, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The spread of COVID-19 and measures taken to contain it may also have a direct impact on colleague health as well as causing longer term wellbeing risks, such as impact on mental health resulting in absence increasing pressure on the workforce in the Group and reducing skills available in key areas. The unavailability of staff could harm the Group's ability to perform critical functions and adversely impact the quality and continuity of service to customers and the reputation of the Group. In addition there is a risk that failure to recognise the impact of COVID-19 on vulnerable customers or those in financial difficulties could lead to claims for conduct matters or regulatory censure which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group continues to operate in a highly competitive environment, with growth across a number of digital-only providers and emerging signs of participation from large technology companies. Forced changes in customer behaviour, as a result of COVID-19, could make it easier and faster for these digital companies to enter the UK financial services market placing increasing competitive pressure on the Group which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group may also be exposed to regulatory risk where it has had to introduce new or shortened processes in response to the requirements of government schemes, such as

CBILS and BBLS, or in its own commitment to provide urgent support to customers.";

- d) amend the section entitled "*Directors of the Issuers*" commencing on page 139 of the Base Prospectus by replacing the table under paragraph 3 of this section with the following table:

<b>Name</b>	<b>Position</b>	<b>Principal directorships</b>
David Bennett	Chairman	Ashmore Group PLC Paypal (Europe) S.à.r.l et Cie S.C.A.
David Duffy	Chief Executive Officer	UK Finance Limited
Ian Smith	Group Chief Financial Officer	67 Pall Mall Limited
Paul Coby	Independent Non-Executive Director	—
Geeta Gopalan	Independent Non-Executive Director	Wizink Bank S.A. Ultra-Electronics Holdings PLC Funding Circle Holdings PLC
Fiona MacLeod	Independent Non-Executive Director	Denholm Oilfield Services Limited
Darren Pope	Independent Non-Executive Director	Equiniti Group PLC Network International Holdings PLC
Dr Teresa Robson-Capps	Independent Non-Executive Director	Hastings Group Holdings PLC FIL Investment Services (UK) Limited FIL Holdings (UK) Limited PPL PRS Limited
Amy Stirling	Non-Executive Director	Virgin UK Holdings Limited VIRGIN.COM LIMITED Virgin Management Limited Virgin Holdings Limited VEL Holdings Limited Classboss Limited Barfair Limited VM Advisory Limited RIT Capital Partners PLC Necker Holdings (BVI) Limited
Tim Wade	Interim Senior Independent Non-Executive Director	The Coeliac Trading Company Limited Chubb Underwriting Agencies Limited RBC Europe Limited

; and

- e) update the no significant and no material adverse change statements of the Issuers on page 162 of the Base Prospectus.

## **Documents Incorporated by Reference**

By virtue of this Supplement, the Issuers' 2020 Interim Results shall be deemed to be incorporated in, and form part of, the Base Prospectus.

Any information contained in the documents specified above which is not incorporated by reference in the Base Prospectus is either not relevant for prospective investors for the purposes of Article 6(1) of the Prospectus Regulation or is covered elsewhere in the Base Prospectus.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference into the Base Prospectus, the statements referred to in (a) above will prevail.

If documents which are incorporated by reference into this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement or the Base Prospectus for the purposes of the Prospectus Regulation, except where such information or other documents are specifically incorporated by reference into this Supplement.

## **The Risk Factors and Directors of the Issuer Sections**

With effect from the date of this Supplement, the sections of the Base Prospectus entitled "*Risk Factors – Risks Relating to the Group – Business and Economic Risks*" and "*Directors of the Issuers*" shall be amended as set out in this Supplement.

## **No Significant Change Statement**

With effect from the date of this Supplement, the statement in paragraph 4 in the section "*Significant/Material Change*" on page 162 of the Base Prospectus shall be deleted and replaced with the following:

*"There has been no significant change in the financial position or financial performance of the Group since 31 March 2020, being the date to which each Issuer's last published financial statements were prepared."*

## **No Material Adverse Change Statement**

With effect from the date of this Supplement, the statement in paragraph 5 in the section "*Significant/Material Change*" on page 162 of the Base Prospectus shall be deleted and replaced with the following:

*"There has been no material adverse change in the prospects of either of the Issuers since 30 September 2019, being the date to which each Issuer's last published audited financial statements were prepared, except for as disclosed in the risk factor headed "Risks relating to the impact of COVID-19" in this Base Prospectus."*