CYBG PLC
(Company)

LEI: 213800ZK9VGCYYR6O495

16 May 2017

Interim Financial Report 2017

The Company will be hosting a presentation for analysts and investors on the Interim Financial Report for the six months ended 31 March 2017 at its offices at 15 Floor, 122 Leadenhall Street, London EC3V 4AB, starting at 08.30 BST today (17.30 AEST).

The meeting will be webcast live. A copy of the presentation is available at www.cybg.com and is attached.

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CYBG PLC 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

CYBG PLC

INTERIM FINANCIAL RESULTS

16 May 2017

Welcome

- Strategic Progress
- Financial Results
- iB Platform
- Outlook and Summary
- Q & A

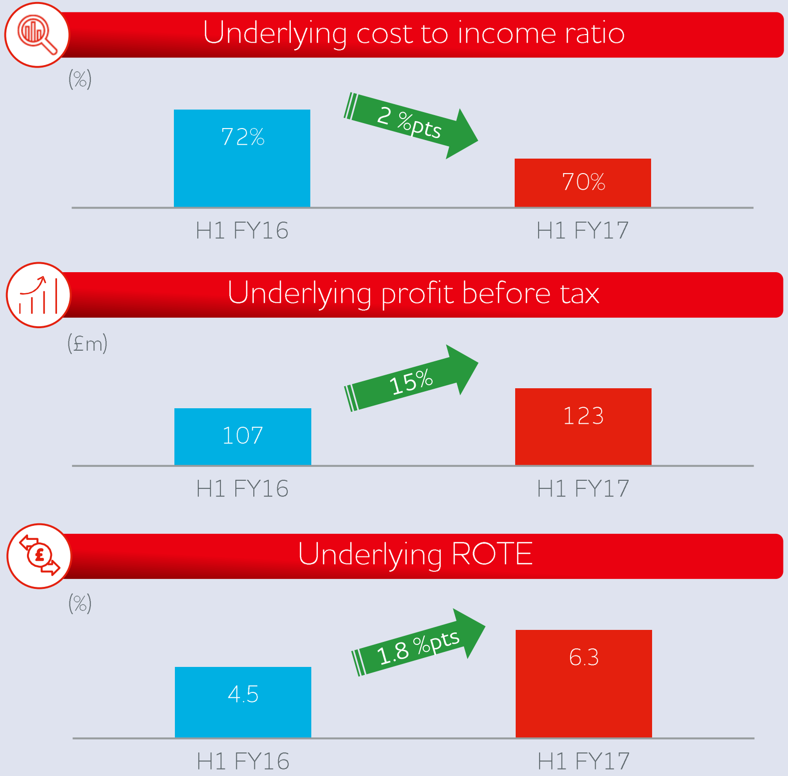
Jim Pettigrew
Chairman

Strategic Progress

David Duffy
Chief Executive Officer

MOMENTUM IN BUSINESS PERFORMANCE

- Delivering sustainable income growth while actively managing margin
- Cost reduction programme gaining momentum
  - Restructuring costs in line with expectations
- Positive 'jaws' with both income growth and cost reduction
- Delivering improved shareholder returns



CYBG

CONTINUED DELIVERY OF OUR STRATEGIC OBJECTIVES…

- Annualised **mortgage growth of 5%**
- **Core SME balances +7%** year on year
- Dynamic **margin and portfolio** management – stable NIM
- Digital usage up **27%** annually (1)

- Cost Programme on track – **down 7%** half on half
- **8 out of 22** Customer Journeys completed
- Core FTE **reduction of 10%** year on year
- Momentum in **cost reduction** into H2'17

- **IRB waiver application submitted to PRA** and overall programme on track
- Consultation underway to **close defined benefit scheme** to future accrual
- **IRB modelling development** and data assessment improvements ongoing

(1) Mobile App, B App, Retail Internet Banking and Business Online

...AND BUILDING OUR FRANCHISE CAPABILITIES

Strong customer focused culture

- Commitment to lend **£6bn to SMEs** over next 3 years
- Customer-focused propositions – **over 40% of B app users from younger more affluent target market**
- **Launched Leadership Framework** and new values and behaviours developed

Omni-channel capabilities

- **Innovation Lab "Studio B"** and flagship branches opened
- Continuous upgrades to digital functionality – **online account opening launched**
- Branch automation and refurbishment ongoing – **c.100 smart ATMS now available across the network**

Prudent risk management and governance

- Robust asset quality: **15bps Cost of Risk in H1**
- Continued reweighting of mortgage front book to **owner occupier: 64% in H1**
- Ongoing investment in **enhanced cyber security strategy**

Robust change management and investment

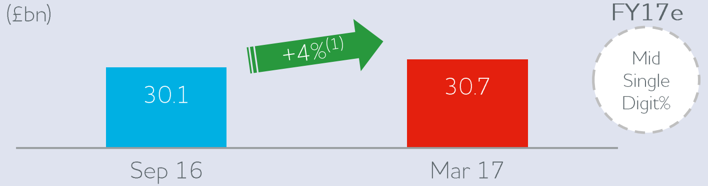
- Time for mortgage application to offer **reduced to best in industry 10 days** as part of pilot
- TSA programme **milestones successfully delivering with 21 of 29 now complete**
- Business Banking[1] account opening **reduced from 20 days to 1 day**

(1) Sole trader

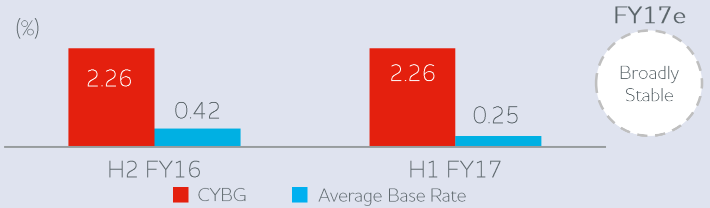
ON TRACK TO DELIVER FY17 TARGETS

- Delivering sustainable growth with momentum into H2 2017
- Stable NIM profile despite low rate environment and competitive pressures
- Confidence and momentum building in cost reduction programme
- 117% LDR remains within guidance, including TFS
- CET1 of 12.5% – robust and in line with guidance
- Economic conditions consistent with planning assumptions

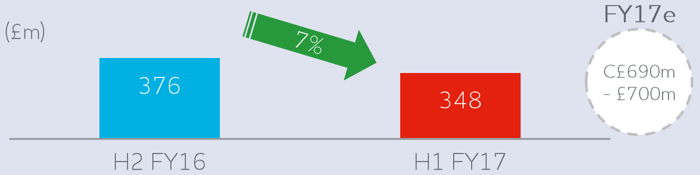
Total Loan Growth



NIM



Underlying Costs



(1) Annualised basis

Financial Results

Ian Smith
Chief Financial Officer

IMPROVED OPERATING PERFORMANCE

Income statement	6 months to		Change
£m	31 March 2017	31 March 2016	HY17 vs. HY16
Net interest income	411	400	3%
Non-interest income	86	91	(5)%
Total operating income	**497**	**491**	**1%**
Total operating and administrative expenses	(348)	(353)	(1)%
Operating profit before impairment losses	**149**	**138**	**7%**
Impairment losses on credit exposures [(1)]	(26)	(31)	(14)%
Underlying profit on ordinary activities before tax	**123**	**107**	**15%**

NIM [(2)]	226 bps	225 bps	1 bps
Cost of risk	15 bps	19 bps	(4) bps
Underlying RoTE	6.3%	4.5%	+1.8 %pts
Underlying EPS (pence)	9.0	7.2	25%

(1) Relate solely to loans and advances to customers and exclude the credit risk adjustments on loans at fair value through profit or loss which are incorporated in the movement in other assets and liabilities at fair value within non-interest income.
(2) NIM is defined as net interest income divided by average interest earning assets for a given period (excluding short term repos used for liquidity management purposes, amounts received under the conduct indemnity and not yet utilised, and any associated income).

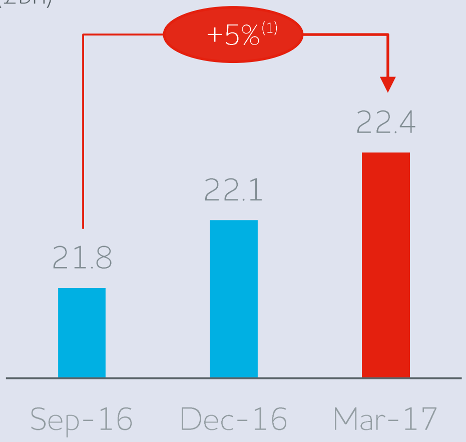
STATUTORY EARNINGS

Statutory profit	Six months to	
£m	31 March 2017	31 March 2016
Underlying profit on ordinary activities before tax	123	107
Exceptional Items - Conduct - Restructuring - Other	 (19) (53) (5)	 (46) - (3)
Statutory profit on ordinary activities before tax	46	58
Tax charge	(16)	(22)
Statutory profit for the period	30	36

ASSET GROWTH IN LINE WITH GUIDANCE

Mortgages

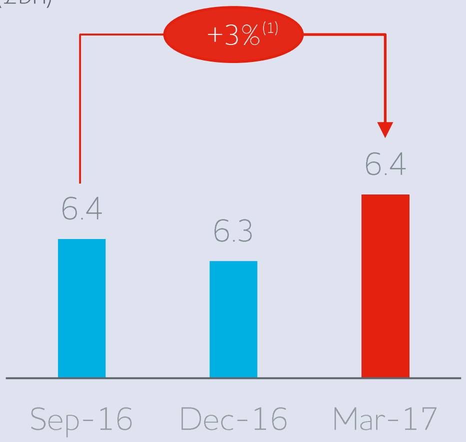
(£bn)



Sustainable growth ahead of the market

Core SME

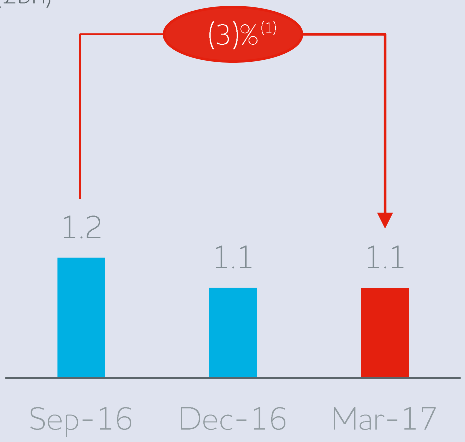
(£bn)



Strong new business volumes, net lending growth offset by Q1 redemptions

Unsecured personal lending

(£bn)



Disciplined origination in competitive rate environment

(1) Annualised basis

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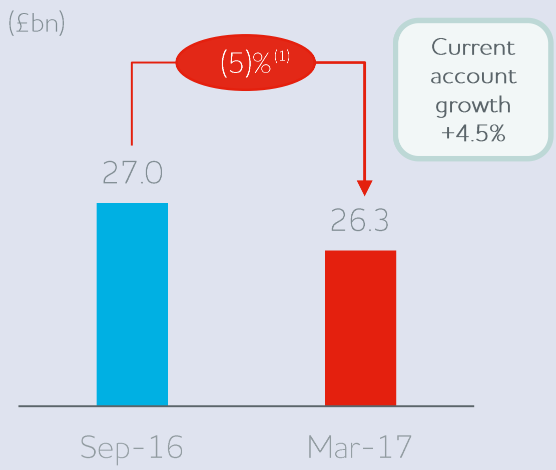
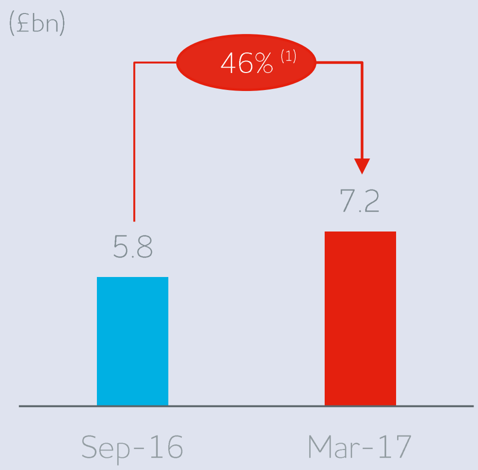
ACTIVE MANAGEMENT OF FUNDING BASE

Deposits

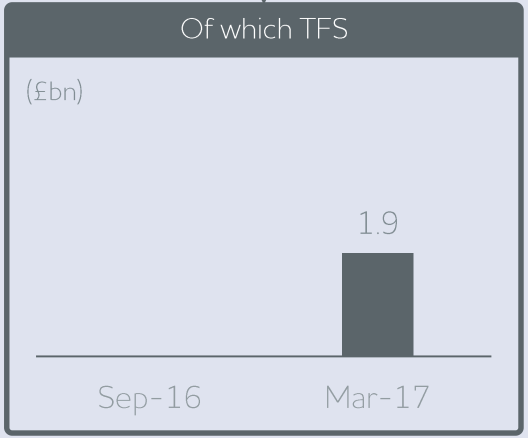


Dynamic management of margin and mix of deposit base

Wholesale funding



Secured longer term-dated funding



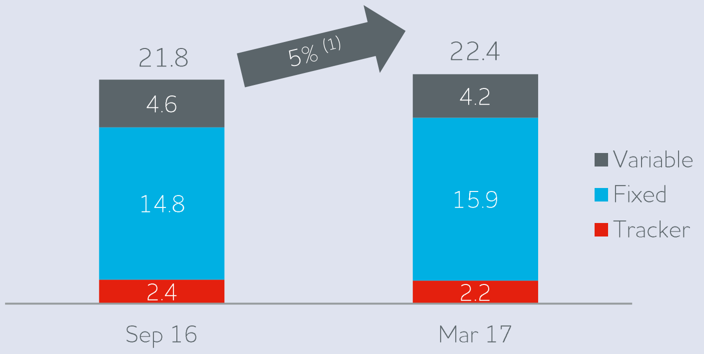
Supplementary funding strategically deployed

(1) Annualised basis

MORTGAGES – SUSTAINABLE GROWTH ABOVE MARKET

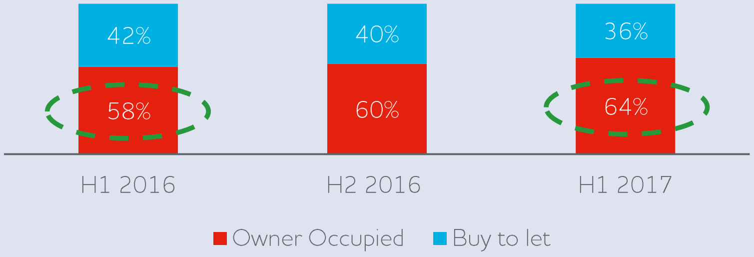
Mortgage balances

(£bn)

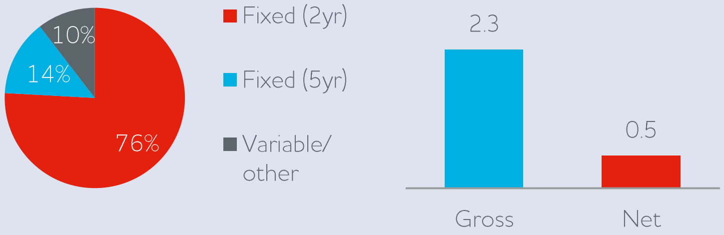


Front book (bps)	H1 2017	H2 2016	Diff.
Yield	257	274	(17)
Swap rate [2]	53	48	+5

Lending by recipient [3]



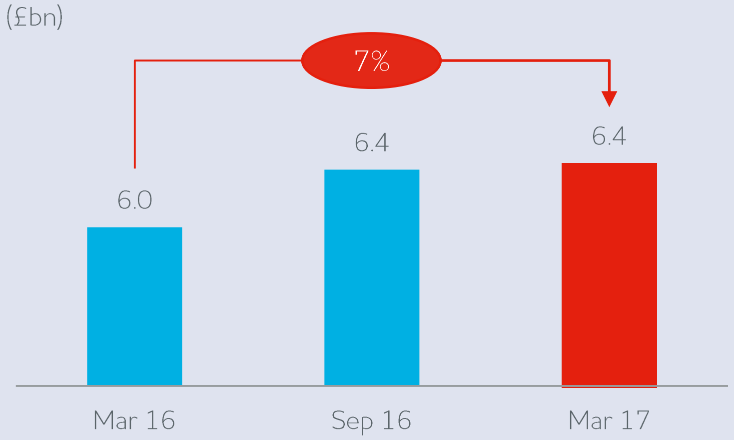
H1 2017 flow (£bn)



(1) Annualised basis
(2) Weighted average 2 yr, 5 yr
(3) Flow in period

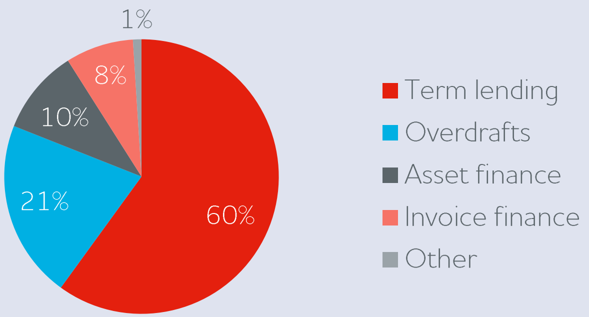
SME – UNDERLYING MOMENTUM ALIGNED TO SECTOR STRATEGY

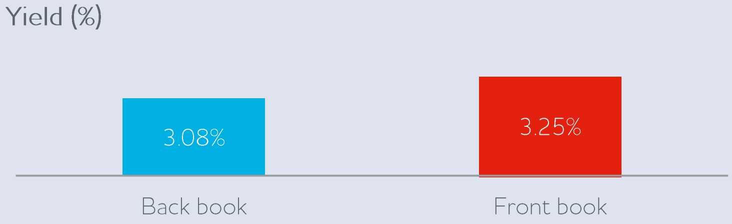
Core SME balance growth



- March 2016 inflexion point in growth
- Strong level of new business drawdowns (+5% half on half)
- Q1 2017 impacted by c.£120m of exceptional redemptions

H1 2017 – £1.1bn gross new loans & facilities

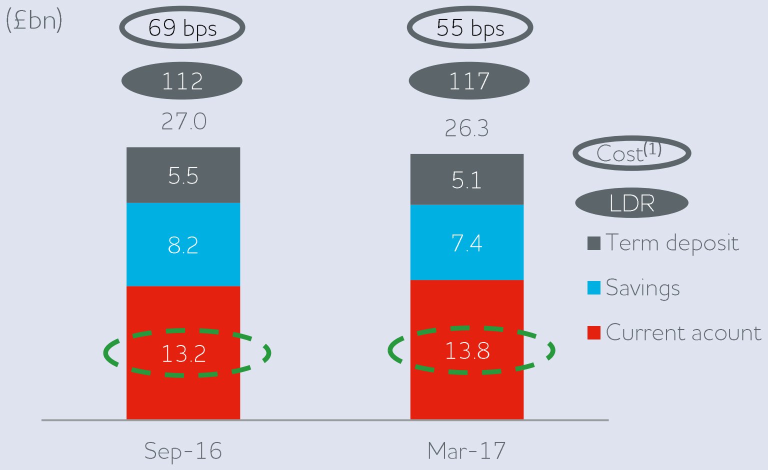




Note: Non-core SME lending declined by 7.5% from £800m to £740m

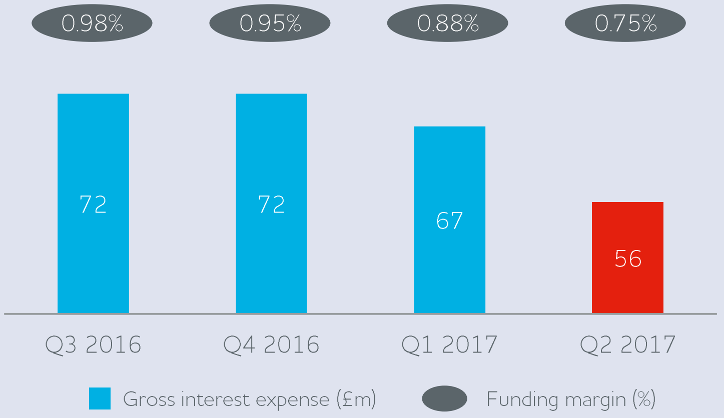
ACTIVE PORTFOLIO MANAGEMENT REDUCING FUNDING COSTS

Sustainable management of deposit base



- Current account growth of 4.5% offset by:
  - Active run-off of higher rate back book, £0.4bn reduction in TD
  - £0.8bn outflows following repricing of ISAs
  - Non-core corporate balances of £0.7bn exited

Active management reducing funding costs

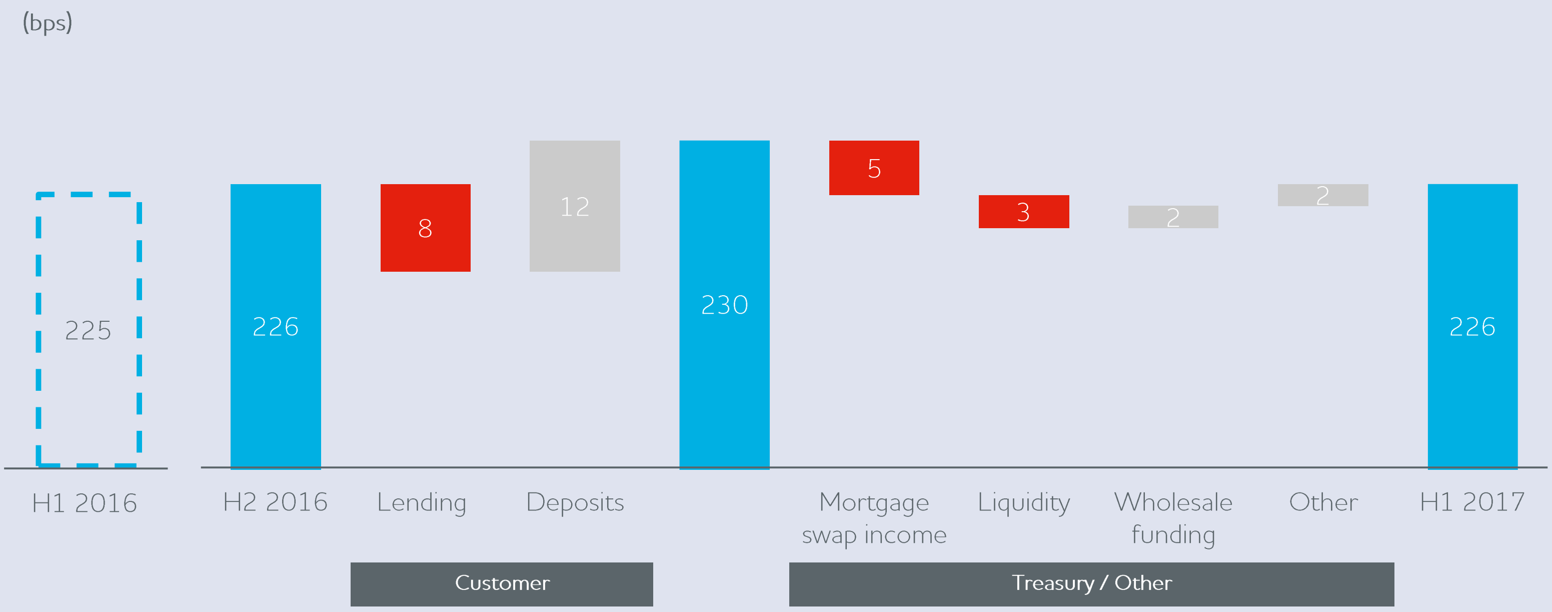


- Mix improvement alongside repricing benefits from changes made in December 2016
- Reduction in higher cost savings and term deposits, replaced by current account balance growth and TFS

(1) Over previous 6 month period

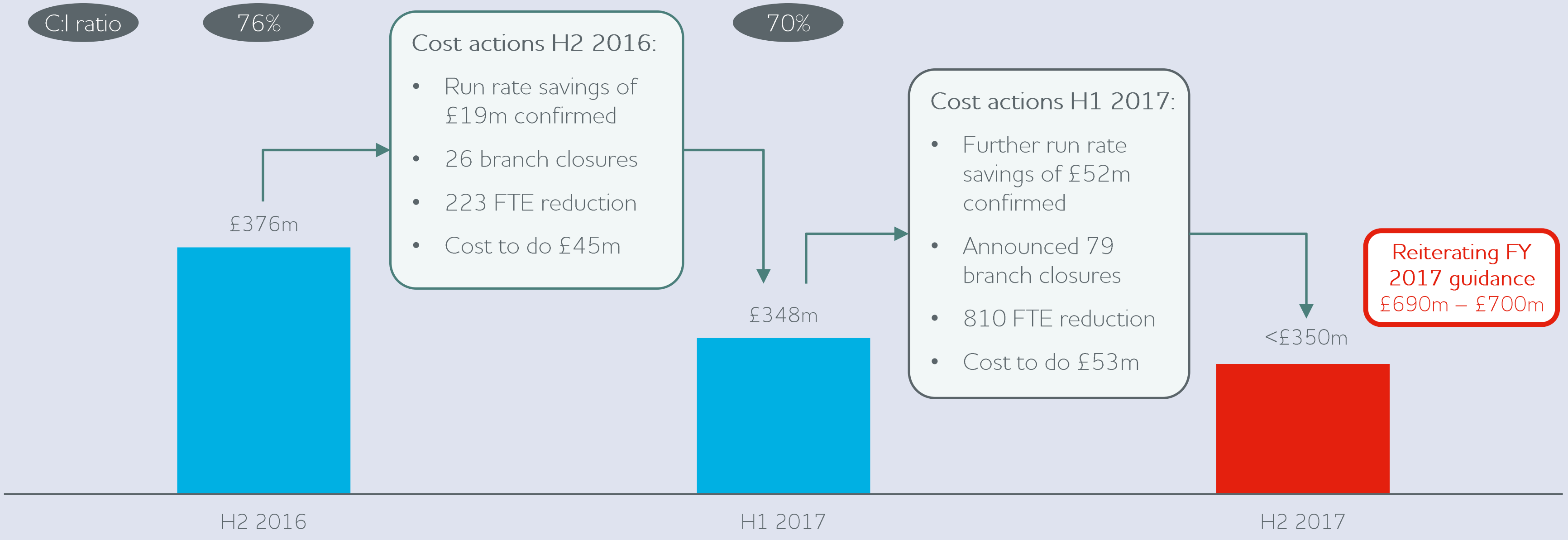
STABLE NET INTEREST MARGIN

Customer margins broadly stable with lending margin pressure offset by deposit actions



SIMPLIFYING THE BUSINESS – DELIVERING ON COSTS

'Sustain' programme driving momentum in underlying cost delivery



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SIMPLIFYING THE BUSINESS – DELIVERING ON COSTS

Target £100m+ by FY19

On track

c.25% Network efficiency
"Customer Banking Transformation"

- Further reconfiguration of network, 79 branches to close in H2
- Annualised savings c.£31m
- Continued investment in automation

c.15% Operational efficiency
"Improved Customer Service"

- 8 customer journey reviews complete
- Annualised savings c.£6m
- Implementation of major lending process enhancements to take place in H2

c.20% Organisational design
"Right Model"

- VS/OD initiatives implemented; 223 FTE reduction
- Annualised savings c.£16m
- Focus on organisation design to deliver streamlined, lower cost management model

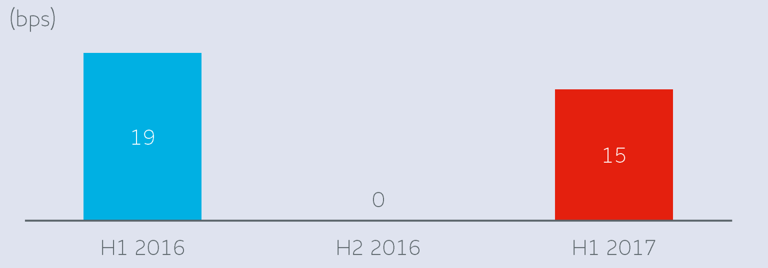
c.40% Central cost management
"More For Less"

- Enterprise wide actions to reduce third party costs underway
- Annualised savings c.£18m
- Consultation ongoing on closure of DB scheme to future accrual

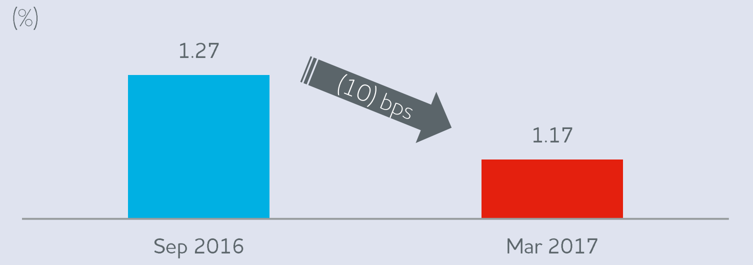
Proportion of savings reinvested in digital and growth agenda

IMPROVED ASSET QUALITY

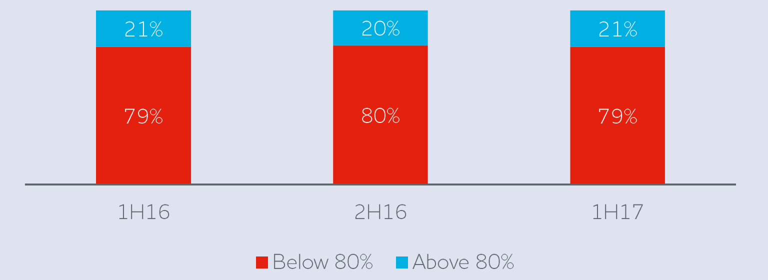
Cost of risk



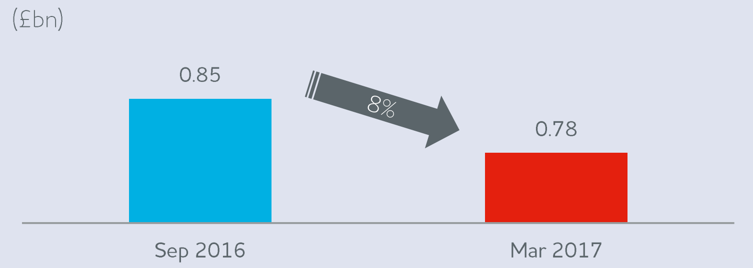
90 DPD plus impaired assets to customer loans



Mortgage front book LTVs

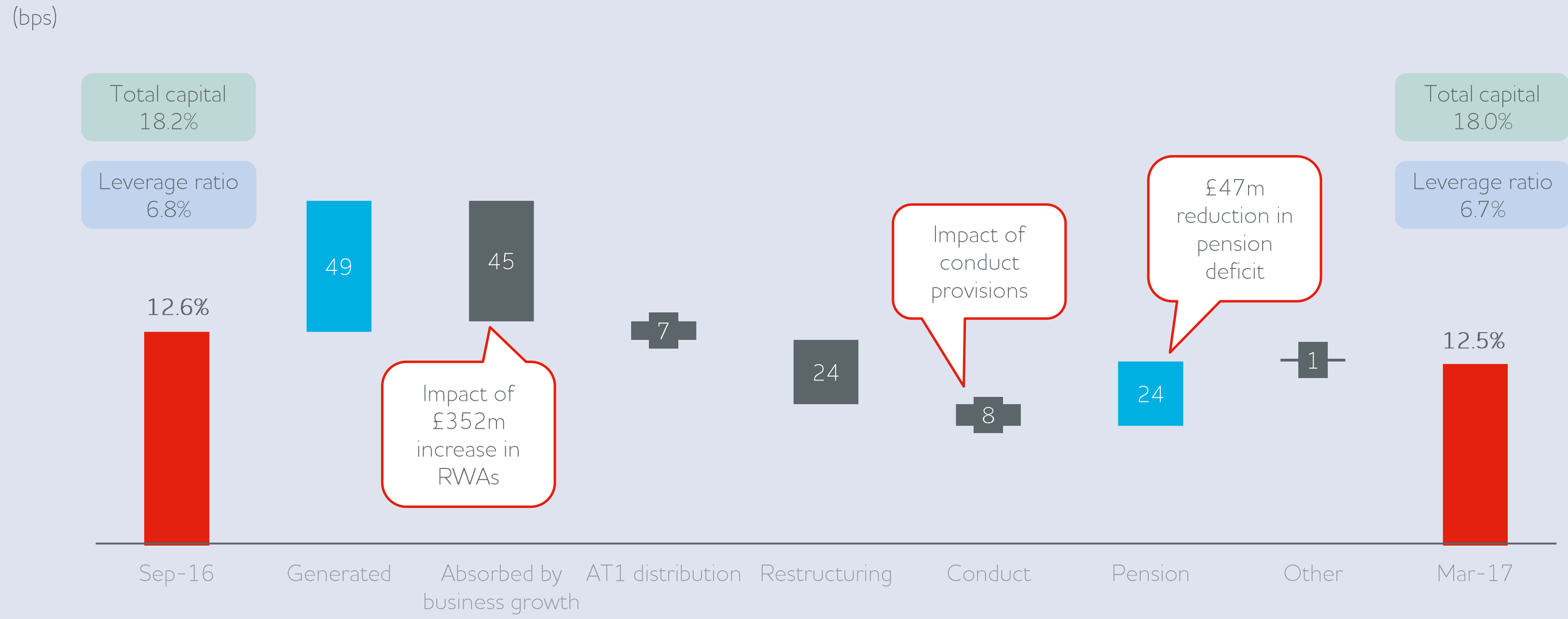


SME categorised loan balances



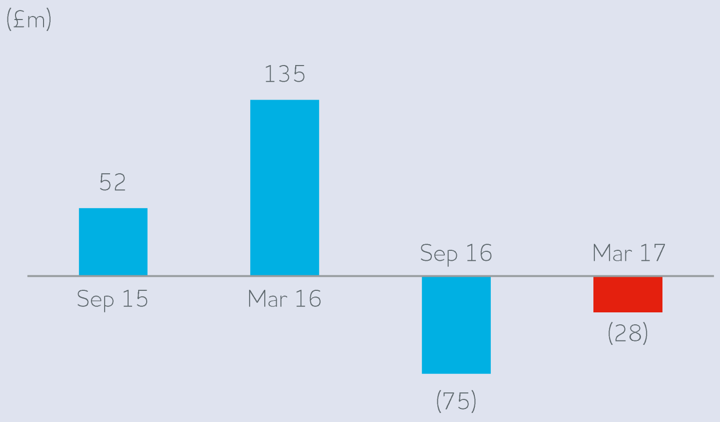
CAPITAL GENERATION SUPPORTING GROWTH AND RESTRUCTURING

CET1 ratio evolution



ACTIVE CAPITAL MANAGEMENT

IAS 19 pension accounting basis



- Consultation ongoing with staff on closure of defined benefit scheme to accrual of future benefits
- September 2016 triennial valuation underway

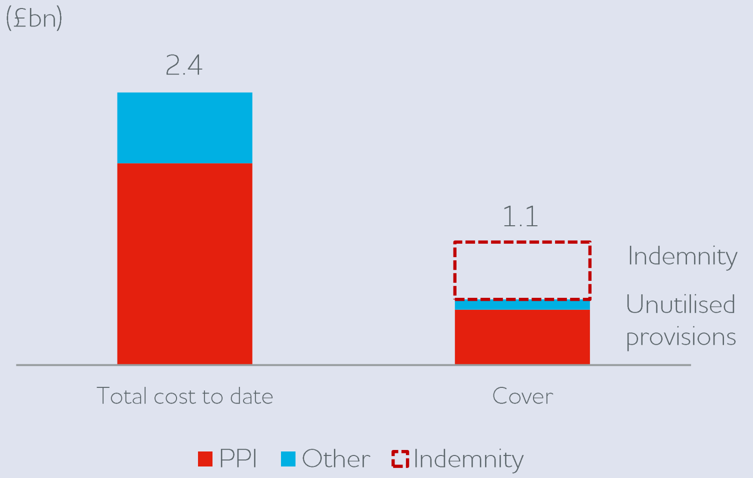
Regulatory update

- IRB programme on track
- Submitted IRB waiver application in April
- Expected IRB transition timelines unchanged:

- PRA consultations welcomed:
  - Pillar 2A (CP3/17)
  - IRB (CP5/17)

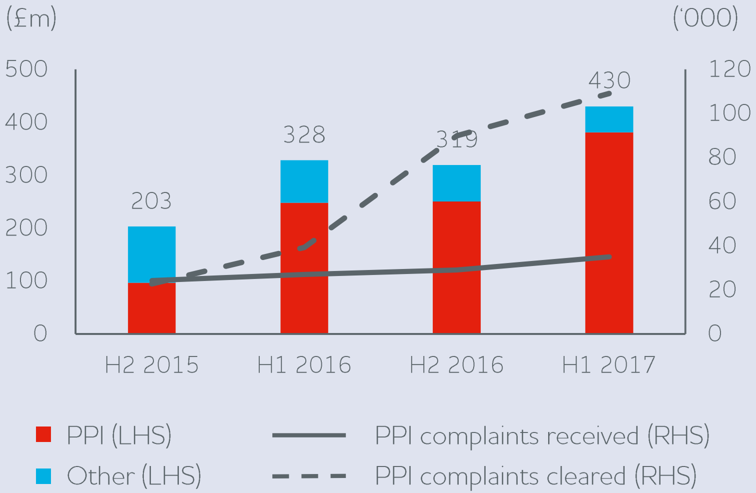
PROGRESS ON LEGACY CONDUCT

Financial cover for legacy conduct exposures (31 March 2017)



- Provisions increased by £190m, principally PPI
- Total remaining cover £1.1bn for legacy conduct exposure

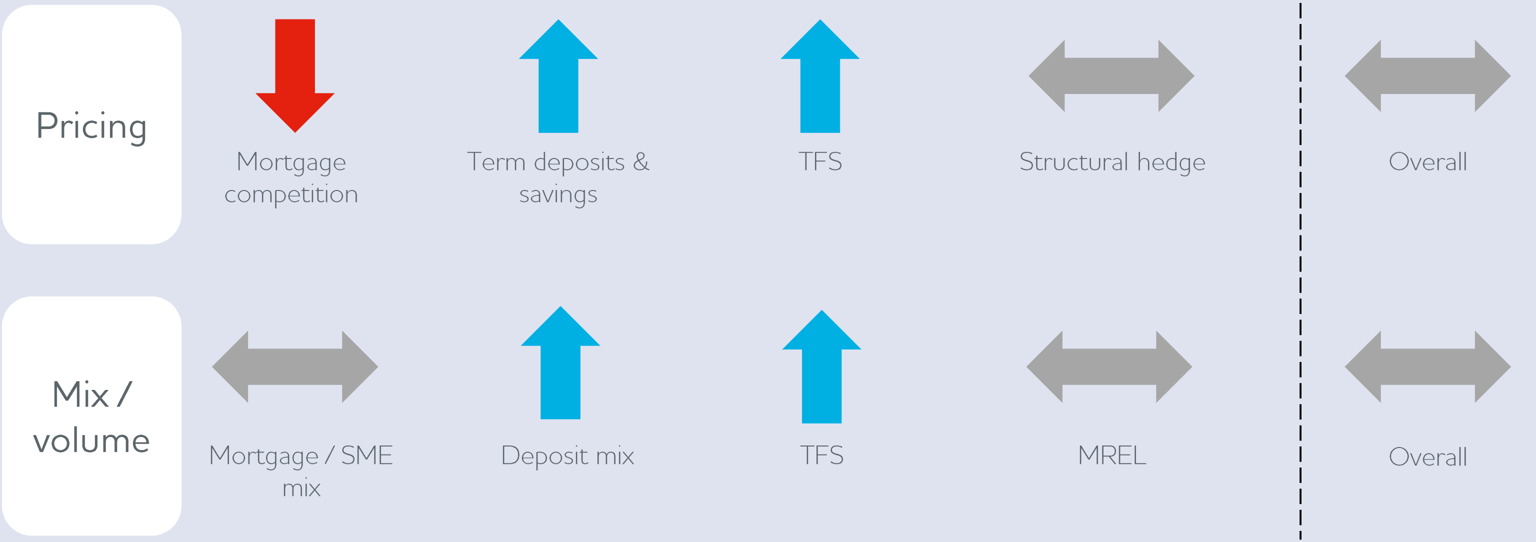
Provision utilisation



- Significant resources deployed to drive accelerated clearance of PPI claims
- PBR / Remediation "back book" exercises well progressed

NIM – HEADWINDS AND TAILWINDS

H2 2017 vs. H1 2017



FY 2017 NIM expected to be broadly stable versus FY 2016

FULL YEAR OUTLOOK UNCHANGED

Metric	H1 FY17	FY 2017
NIM	2.26%	Broadly stable vs. FY16
Underlying costs	£348m	c. £690m - £700m
Loan growth	4%(1)	Mid single digit %
LDR	117%	< 120% (2)
CET1	12.5%	12% - 13%

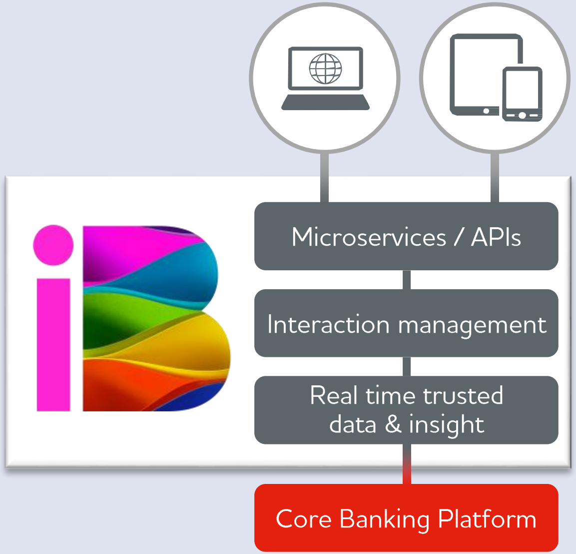
Dividend ambition remains unchanged: targeting a modest inaugural dividend with respect to FY 2017

(1) Annualised basis
(2) Including TFS

iB Platform

Debbie Crosbie
Chief Operating Officer

LEVERAGING OUR MARKET LEADING BANKING PLATFORM…

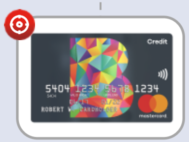


iB platform positions CYBG for future banking landscape

- Open API architecture
- Focus on Big Data and valuable customer insights
- Cross bank service & product capability

B app successfully launched and building momentum

- Digital launch of the year – FsTech awards 2017
- Driving new to bank customers and deposits



Continuous product and service capability improvements

- Migrate CB + YB customers onto iB platform – H2 2017
- New 'B' credit card in Q3
- "B for Business" by end CY17
- Android Pay for Mastercard payments by end FY17
- New packaged accounts online, in branch and through contact centre by end CY17

…AND POSITIONING THE BANK FOR FUTURE GROWTH

Studio B opened

- Insight– enables design collaboration with our customers for products and propositions
- Showcase – provides interaction and feedback on digital concepts
- Customer Banking Centre – supports range of services and trial area for new ideas

Building enriched and simultaneous functionality

- One consistent platform – multiple brands

Collaborating with FinTech…

- Developing market leading e-lending solution for small business customers
- On-going discussions with FinTech companies

…working with existing technology…

- Prototyping voice activated capability

…and positioned for open banking environment

- Planning for future regulatory and consumer market dynamics

CYBG

Outlook and Summary

David Duffy
Chief Executive Officer

FOCUSED ON MEDIUM TERM TARGETS

Overall summary

1. Strong start to FY17
2. On track to achieve our FY17 targets
3. Building strong momentum to deliver medium term guidance
4. Driving omni-channel capability and positioning business for future growth
5. Mindful of uncertain political and economic environment

Metric	H1 FY17	Medium term guidance
CIR [1]	70%	55% - 58% by FY2019e
Retail lending	5%[2]	Mid single digit % CAGR to FY2019e
SME lending	4%[3]	Mid single digit % CAGR to FY2019e
CET1	12.5%	12-13%
LDR [4]	117%	< 120%
Dividend	n/a	Targeting a modest inaugural dividend for 2017, in time 50% pay-out of earnings [5]
RoTE [1]	6.3%	Double digit by FY2019e

Inorganic opportunities considered where aligned to existing strategy and shareholder value

(1) Underlying; (2) Annualised basis; (3) Year on year; (4) Including TFS; (5) After paying additional Tier 1 (AT1) distributions

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Digital Bank of the Year
CFI Awards
(March 2017)

Bank of the Year – Highly Commended
North West Insider Awards 2016
(October 2016)

Bank of the Year (Yorkshire Bank)
Yorkshire Dealmakers' Awards
(November 2016)

Best New Challenger
The Market Gravity Corporate Entrepreneur Awards
(October 2016)

Funder of the Year
LaingBuisson Healthcare Awards
(November2016)

Q&A

Digital Launch of Year (B)
FSTech Awards
(March 2017)

Best Mortgage Lender Scotland
(Clydesdale Bank), YourMortgage Awards
(November 2016)

Best Regional Mortgage Lender
(Yorkshire Bank), YourMortgage Awards
(November 2016)

Best High Net Worth Lender
Mortgageforce Awards 2016
(November 2016)

Best current account with overdraft (B)
FairBanking Foundation
(February 2017)

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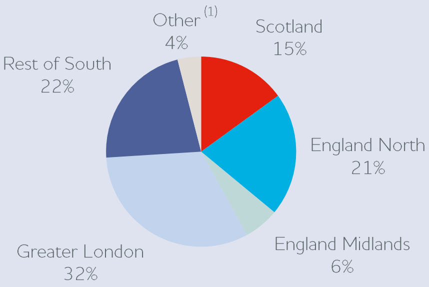
Appendix

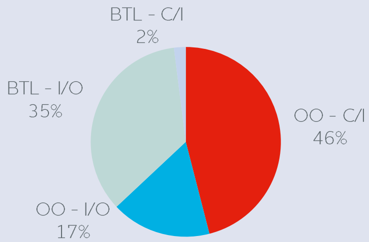
MORTGAGE PORTFOLIO – H1 2017

Mortgage lending stock



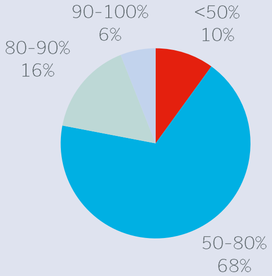
Repayment and borrower profile

Gross new mortgage lending



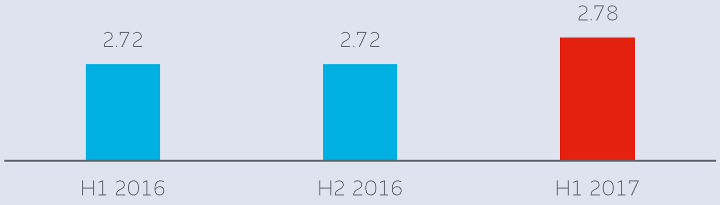
LTV of gross new mortgage lending

Gross new mortgage lending



Loan-to-income breakdown

Gross new mortgage lending

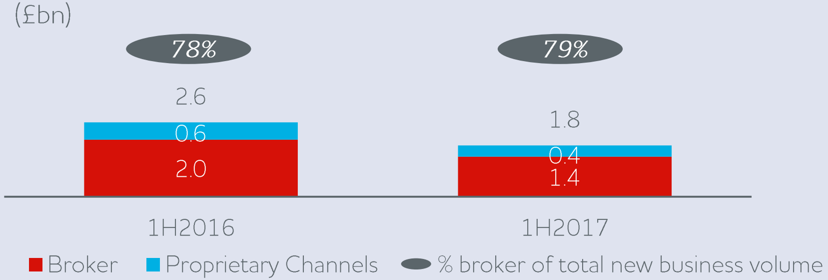


Note: Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements

(1) Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

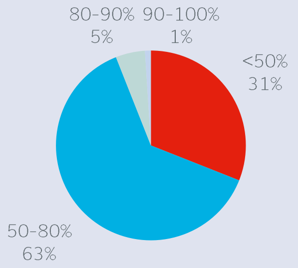
BROKER ORIGINATION – H1 2017

Gross new mortgage lending volumes



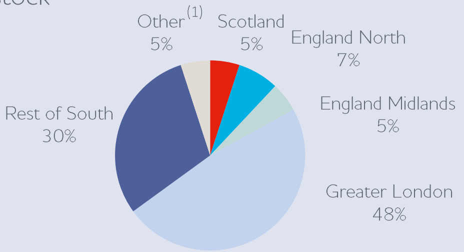
Indexed LTV band (value)

Intermediary stock



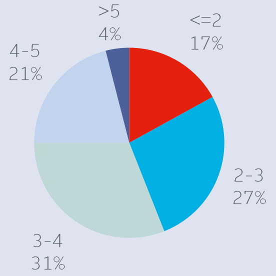
Geographic split

Intermediary stock



LTI split

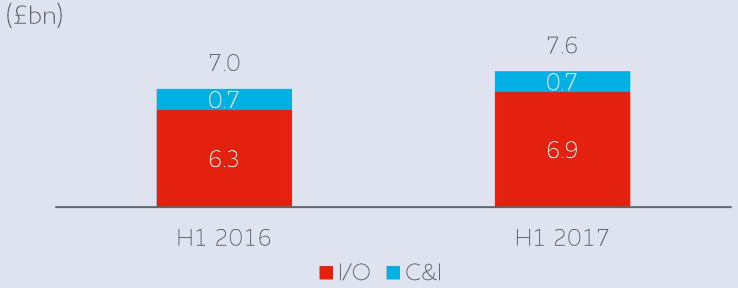
Intermediary stock



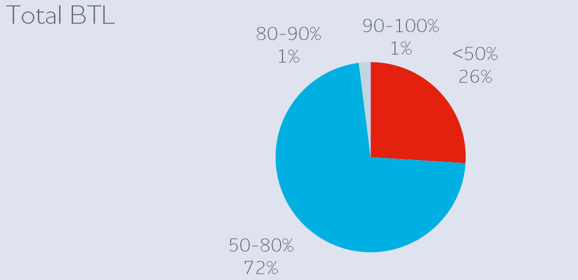
Note: Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements
(1) Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

BTL LOAN BOOK – H1 2017

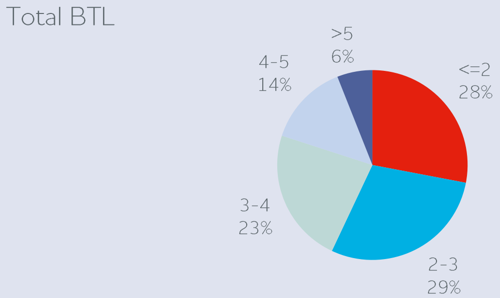
BTL stock



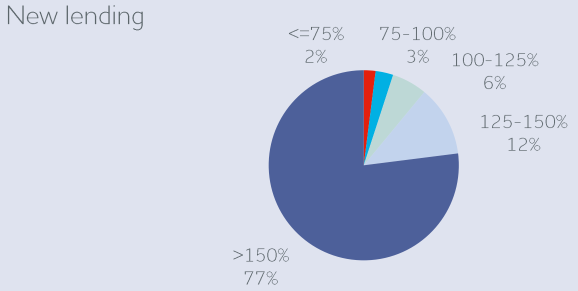
Indexed LTV



LTI split



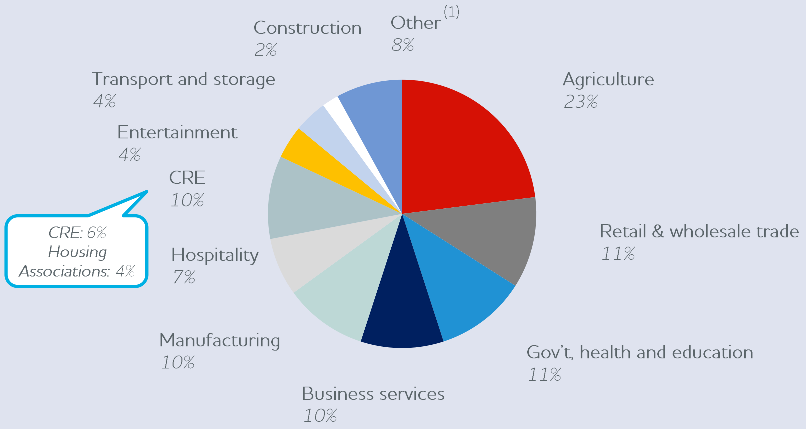
Rent cover



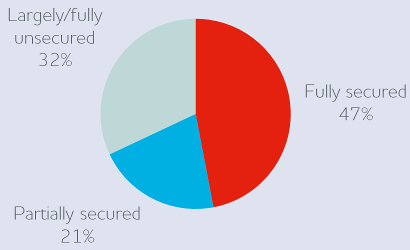
Note: Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements
(1) Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

SME LOAN BOOK – H1 2017

SME book

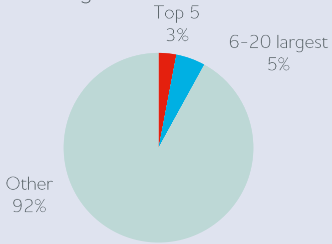


Business lending portfolio by collateral cover



Business banking clients

% of total business lending



(1) Other includes utilities, post and telecommunications, resources and finance sectors

STRUCTURAL HEDGE BENEFIT

(£m)	H1 2016		H2 2016		H1 2017	
	Average balance	Notional income	Average balance	Notional income	Average balance	Notional income
NIBs and other	10,822	36	11,262	38	11,574	41
Equity	3,403	6	3,401	6	3,444	7
Total	14,225	42	14,663	44	15,018	48

FTE BREAKDOWN

	March 17	September 16	March 16
Core FTE	6,041	6,313	6,723
Legacy conduct FTE	585	533	545
Total FTE	6,625	6,846	7,268

BALANCE SHEET

£m	March 2017	September 2016
Mortgages	*22,376*	*21,836*
SME - Core Book	*6,439*	*6,357*
SME – Non-Core Book	*740*	*800*
Unsecured personal lending	*1,135*	*1,153*
Total Customer Loans	30,690	30,146
Liquid Assets and other	8,623	8,638
Other Assets	915	1,145
Total Assets	40,228	39,929
Customer Deposits	26,333	27,000
Wholesale Funding (excl. TFS)	5,260	5,810
TFS	1,900	-
Notes in Circulation	2,043	1,912
Other Liabilities	1,443	1,996
Total Liabilities	36,979	36,718
Equity and Reserves	3,249	3,211
Liabilities and Equity	40,228	39,929

RWAs

£m	March 2017	September 2016
Retail mortgages	8,249	7,998
Business lending	7,396	7,087
Other retail lending	907	915
Other lending	856	906
Total credit risk	17,408	16,906
Credit valuation adjustment	195	286
Operational risk	1,623	1,623
Counterparty risk	155	214
Total RWAs	19,381	19,029
Total Loans	30,690	30,147
Credit RWAs / total loans	57%	56%
Total RWAs / Assets	48%	48%

CREDIT RATINGS

- CYBG is rated by S&P and Fitch. The Investment Grade ratings reflect each agency's Holding Company methodology
- CB PLC is rated Investment Grade with all 3 rating agencies

Credit Rating Summary (March 2017) — CYBG PLC

Agency	Long-Term	Outlook	Short-term
S&P	BBB-	Negative	A-3
Fitch	BBB+	Stable	F2

Credit Rating Summary (March 2017) — Clydesdale Bank PLC

Agency	Long-Term	Outlook	Short-term
S&P	BBB+	Negative	A-2
Fitch	BBB+	Stable	F2
Moody's	Baa2	Stable	P-2