CYBG PLC

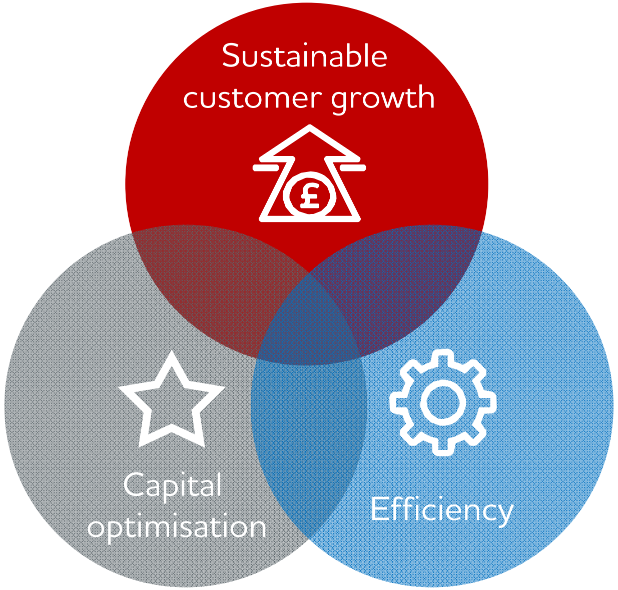
PRELIMINARY FINANCIAL RESULTS

Strategic progress

David Duffy

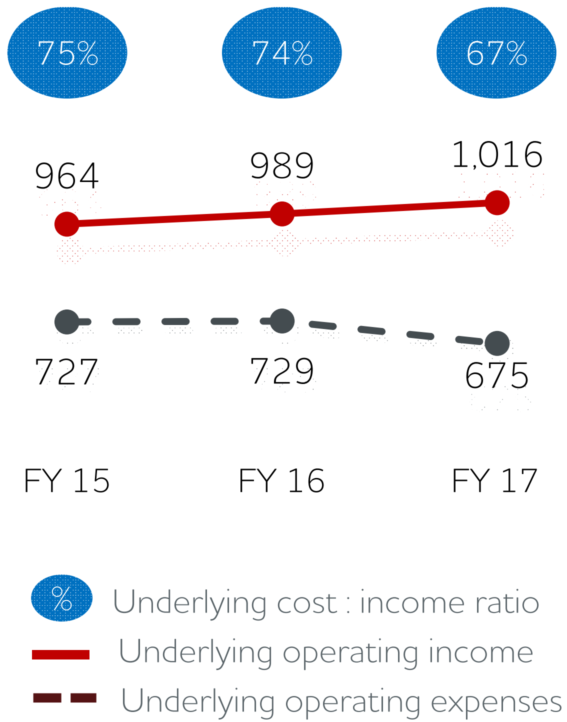
Chief Executive Officer

CLEAR STRATEGIC DIRECTION...

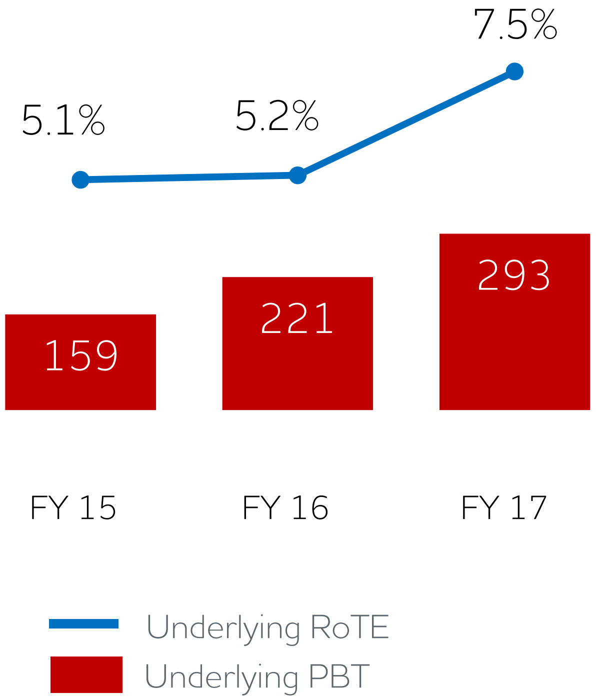


Underpinned by digital transformation

...DRIVING REVENUE / COST JAWS...



...AND ULTIMATELY RETURNS



BUSINESS TRANSFORMATION CONTINUES TO ENHANCE THE CUSTOMER EXPERIENCE

GROWTH

Expanded product & channel suite

New flagship branches

Fintech collaborations

Reduced site footprint

Procurement capability enhanced

Streamlined mortgage approval process

EFFICIENCY

Financial results

Ian Smith

Chief Financial Officer

STRONG PROFIT GROWTH

Income statement	Year to		Change
£m	30 Sep 2017	30 Sep 2016	FY17 vs. FY16
Net interest income	844	806	+5%
Non-interest income	172	183	(6)%
Total operating income	**1,016**	**989**	**+3%**
Total operating and administrative expenses	(675)	(729)	(7)%
Operating profit before impairment losses	**341**	**260**	**+31%**
Impairment losses on credit exposures	(48)	(39)	+23%
Underlying profit on ordinary activities before tax	**293**	**221**	**+33%**

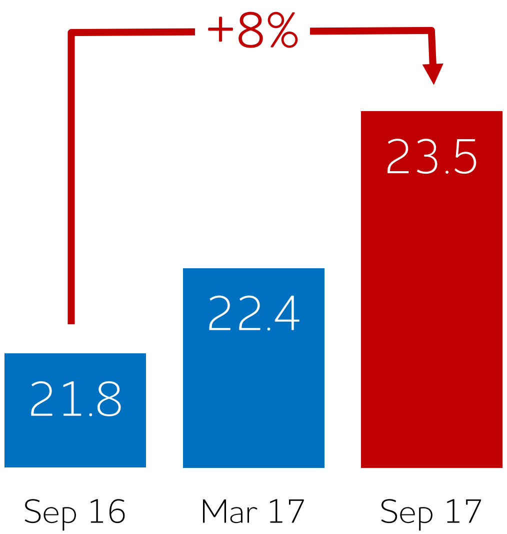
NIM	227 bps	226 bps	+1 bps
Cost of risk	14 bps	9 bps	+5 bps
Underlying cost income ratio	67%	74%	(7) %pts
Underlying RoTE	7.5%	5.2%	+2.3 %pts
Underlying EPS (pence)	21.5	16.2	+33%
Dividend per share (pence)	1.0	-	n/a

FIRST STATUTORY PROFIT IN OVER 5 YEARS

Statutory profit	Year to	
£m	30 Sep 2017	30 Sep 2016
Underlying profit on ordinary activities before tax	**293**	**221**
Exceptional Items		
- Conduct charges	(58)	(51)
- Restructuring expense	(67)	(45)
- Gain on defined benefit pension scheme reforms	88	-
- Gain on disposal of Vocalink	20	-
- Other	(8)	(48)
Statutory profit on ordinary activities before tax	**268**	**77**
Tax charge	(86)	(241)
Statutory profit for the period	**182**	**(164)**

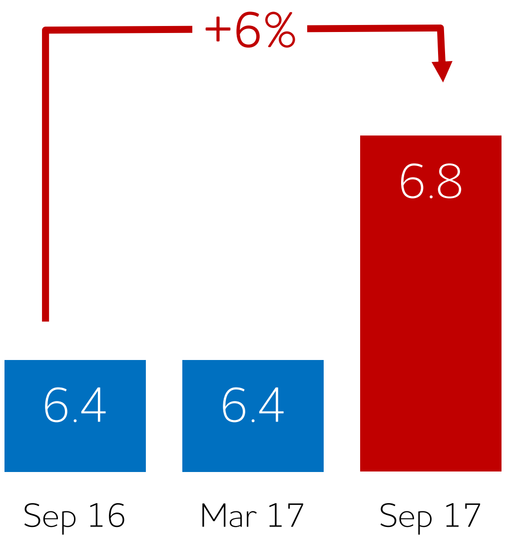
SUSTAINABLE ASSET GROWTH AS PLANNED

Mortgages
£bn



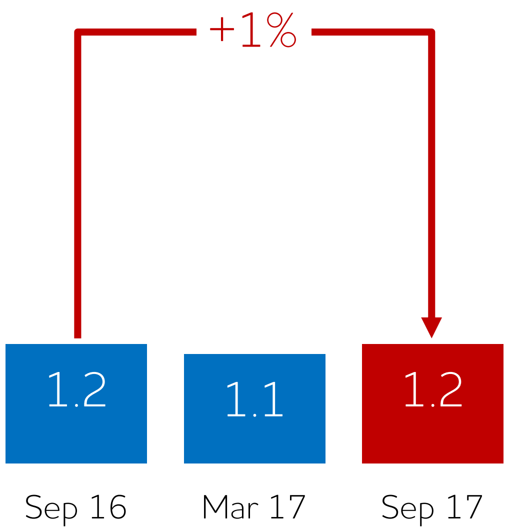
Sustainable growth ahead of market

Core SME
£bn



Strong new business volumes

Unsecured personal
£bn

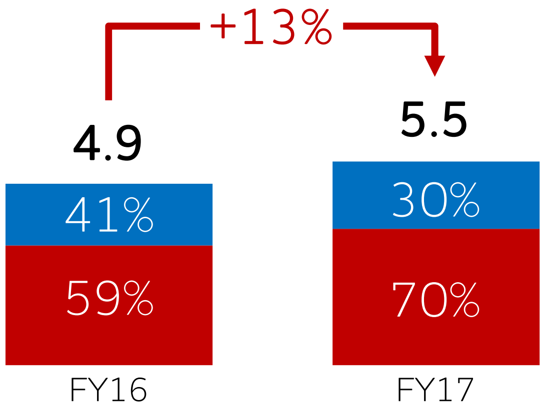


Disciplined origination in complex environment

STRONG NEW BUSINESS FLOWS WITHIN RISK APPETITE

Strong growth ahead of market

Mortgage origination
£bn

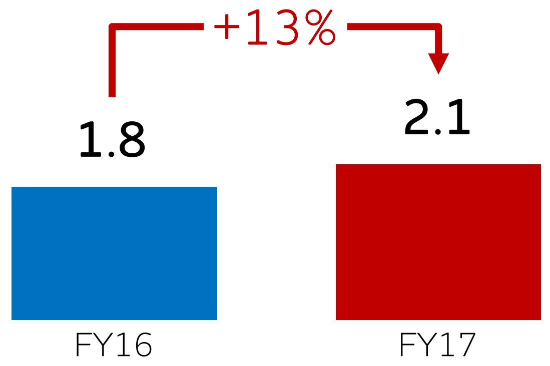


	FY16	FY17
Front book LTV	69%	71%
Front book LTI	2.72	2.93

Owner occupied   BTL

Increased new business drawdowns

SME drawdowns
£bn

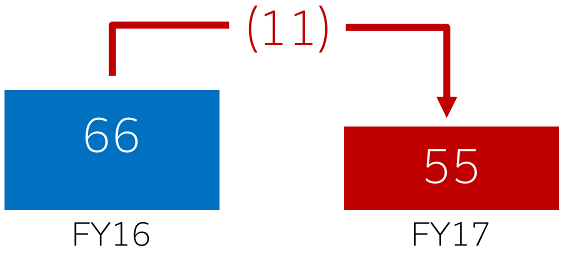


- Origination pace maintained: £2.1bn approvals (FY16: £2.2bn)
- Stable internal risk rating
- Lower average probability of default

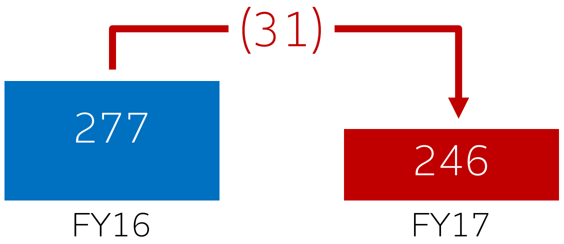
PRICING REFLECTS COMPETITIVE ENVIRONMENT

Mortgage market continues to be competitive…

Front book mortgage swap rates
(bps)

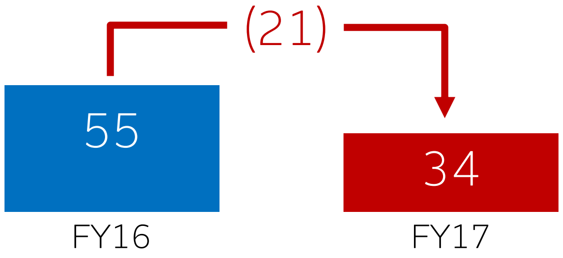


Mortgage front book GIM
(bps)

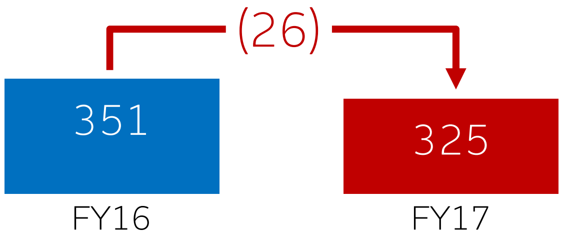


…though SME pricing remains robust

Average 3-month LIBOR
(bps)



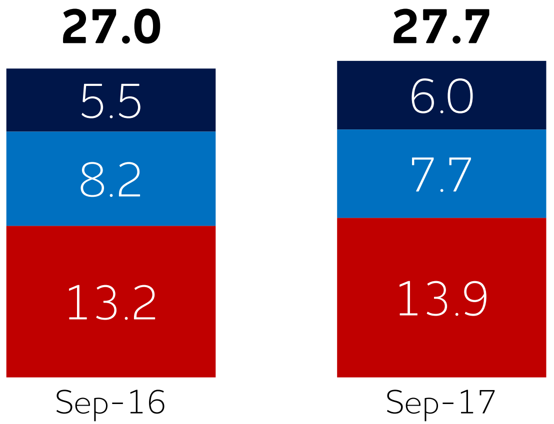
SME front book GIM
(bps)



MAINTAINING A BROAD MIX OF FUNDING SOURCES

Restructured deposit portfolio…

Deposit balances
£bn

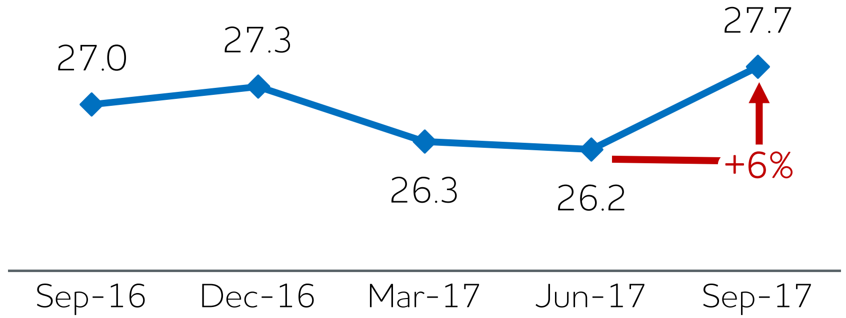


	Sep-16	Sep-17
Cost (bps)	72	47
LDR	112%	115%

■ Current accounts ■ Savings ■ Term deposits

…with strong H2 deposit growth

Deposit balances
£bn



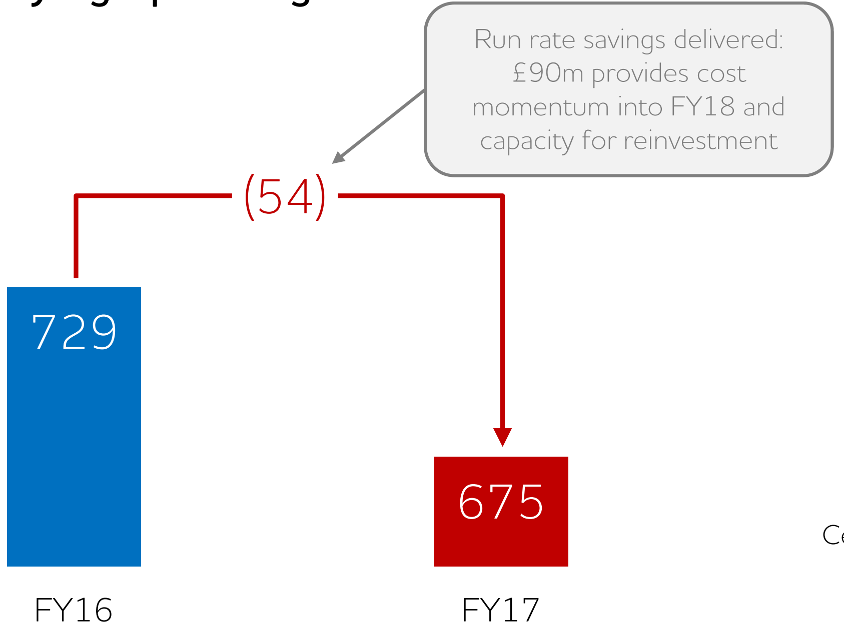
…and lower funding costs

- Wholesale funding cost 151bps (FY16: 196bps)
- No TFS drawdowns in H2, £1.9bn drawn at 30-Sep
- Inaugural £300m MREL issuance completed in June

COST SAVINGS RUNNING AHEAD OF SCHEDULE

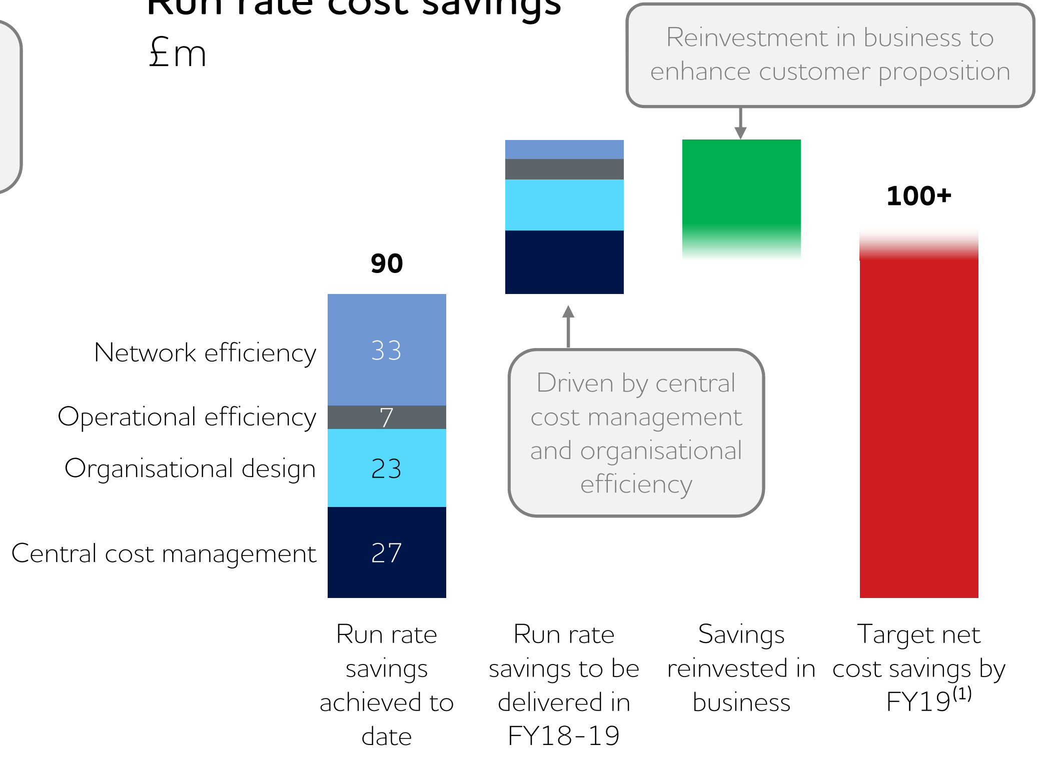
One year in, 2/3rds of initiatives delivered

Underlying operating costs
£m



Cost savings facilitating reinvestment

Run rate cost savings
£m



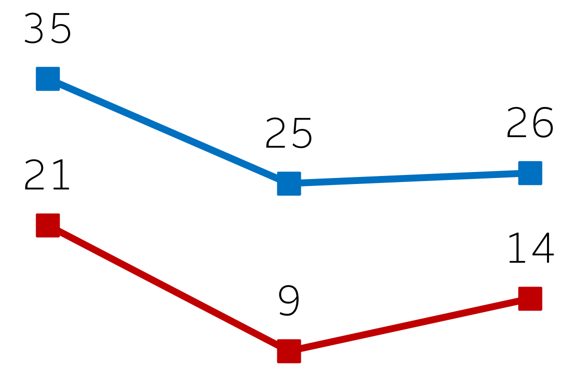
(1) Relative to FY16

NO COMPROMISE ON ASSET QUALITY

Credit performance remains stable…

Cost of risk (1)

(bps)



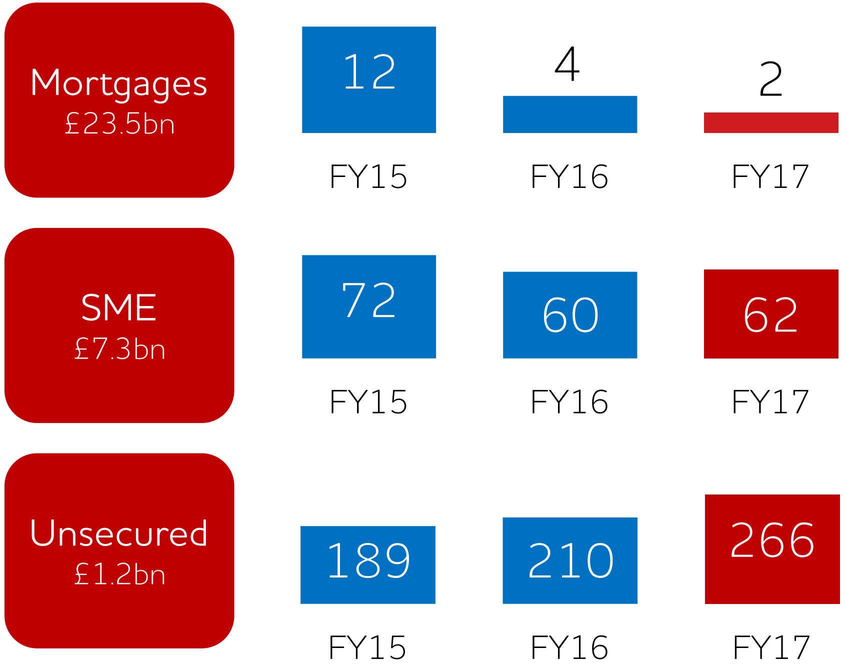
	2015	2016	2017
Impairment charge	£78m	£39m	£48m

Net Gross (2)

…across our key asset classes

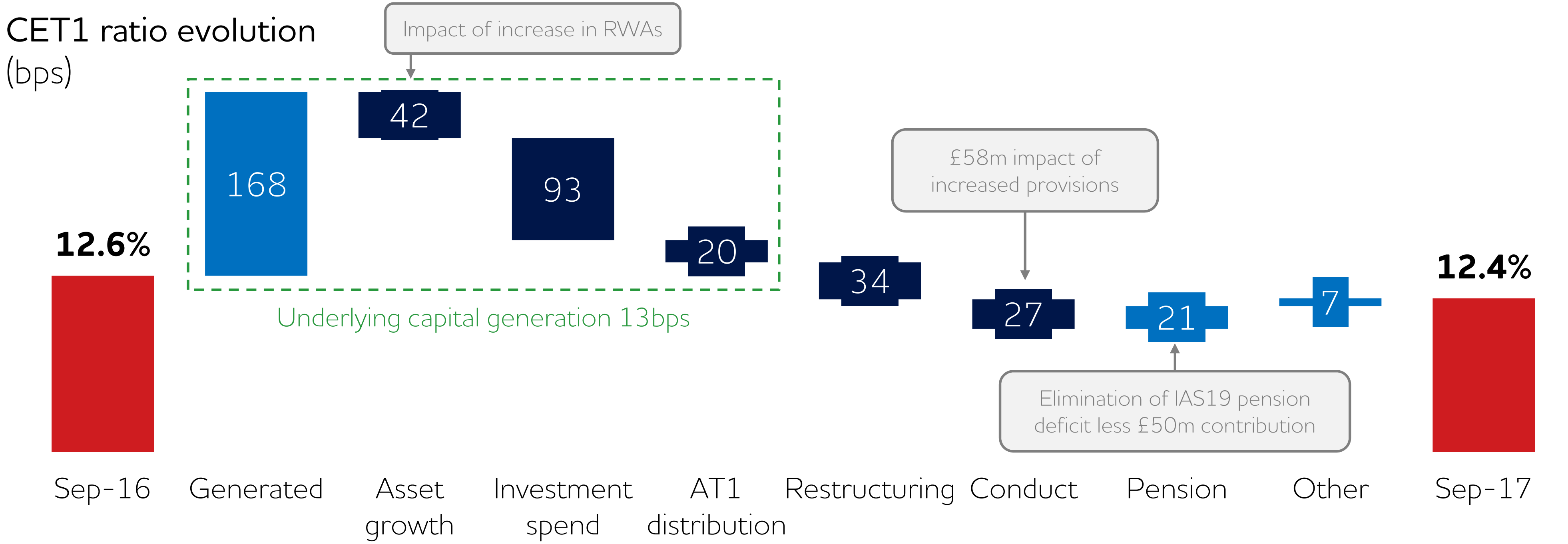
Gross cost of risk (2)

(bps)



(1) Cost of risk includes credit risk adjustment on loans at fair value
(2) Excluding provision releases/recoveries and debt sales

CAPITAL GENERATION SUPPORTING GROWTH AND RESTRUCTURING



18.2%	Total capital	17.9%
6.8%	Leverage ratio	6.3%

OPTIMISING OUR CAPITAL

Management action on pensions delivering clear benefits

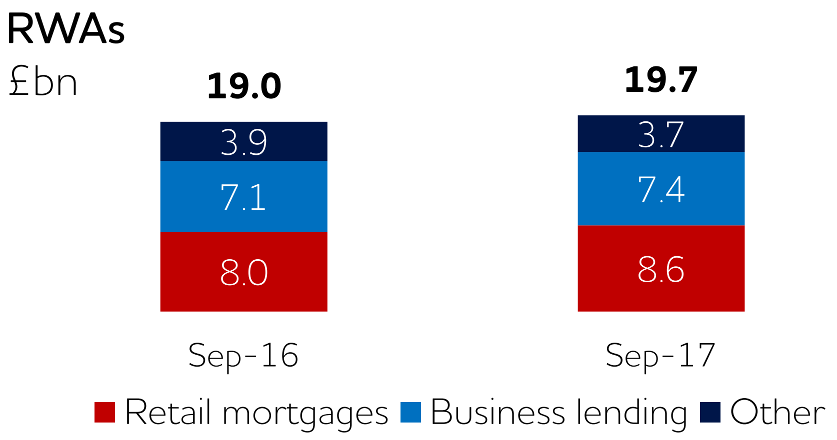
DB scheme closed to future accruals

- Harmonised colleagues' pension benefits
- Cost savings reinvested in colleague rewards
- Scheme liabilities reduced
- Improves deficit, reduces capital risk

Triennial valuation agreed

- Deficit reduced from £450m to £290m
- Contribution plan of c.£50m per annum from FY19 to FY23
- Route to fully-funded scheme agreed

Targeted lending growth increased RWAs....



...with IRB programme on track

- Expectations for transition timeline and impact unchanged
  - Mortgage portfolio – 1 October 2018
  - Full bank – by 1 October 2019
- c.£5bn mortgage RWA reduction when IRB achieved (1)

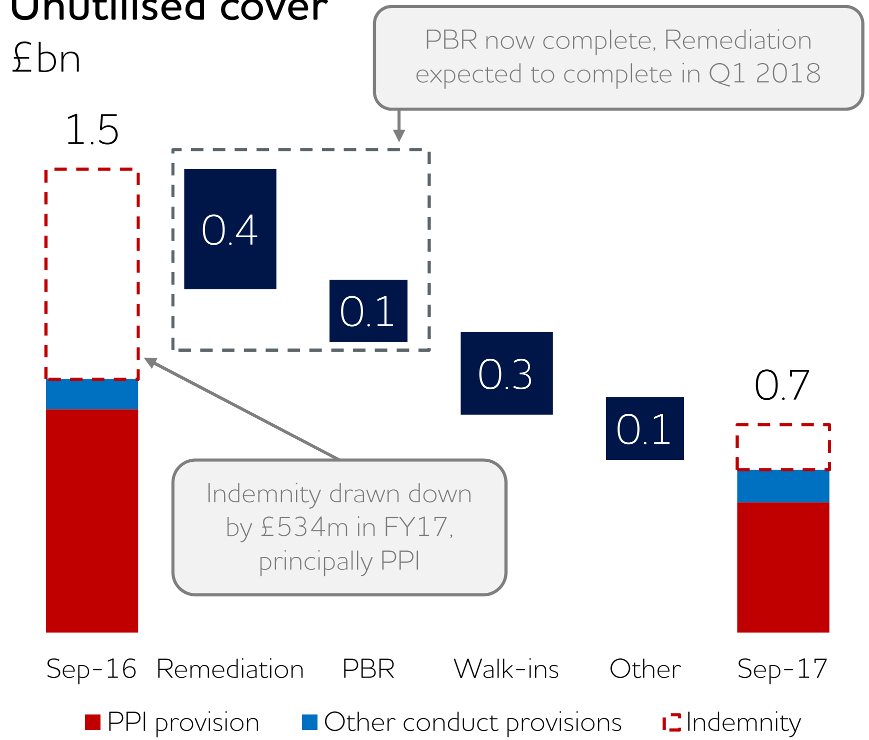
Note: More detail in appendix, slide 29

(1) Based on internal models and 31 March 2016 balance sheet

FURTHER PROGRESS ON LEGACY CONDUCT

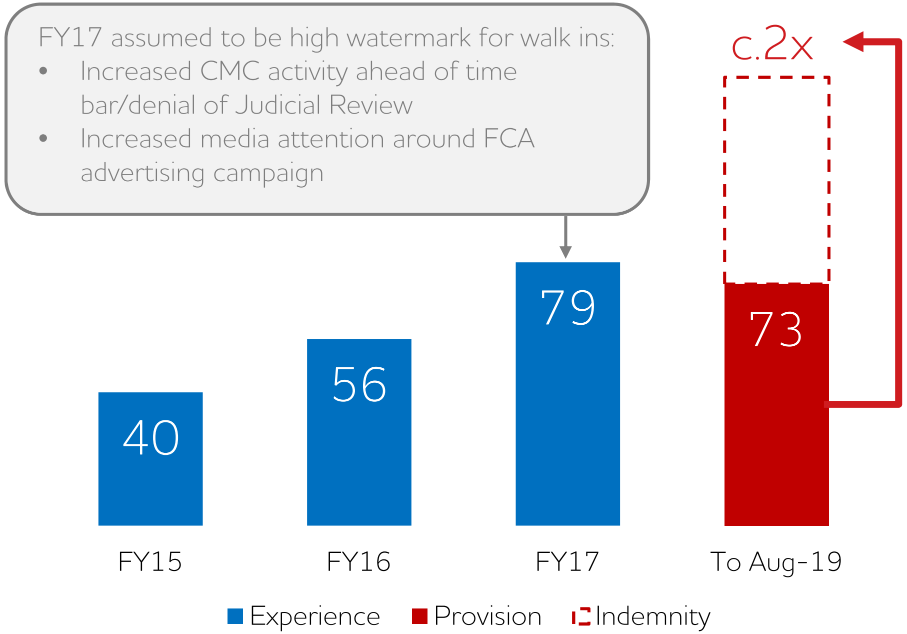
Management believe cover is sufficient...

Unutilised cover
£bn



...based on updated assumptions

PPI walk in complaints
'000



FY18 AND MEDIUM TERM GUIDANCE

Metric	FY18 guidance
NIM	c.220bps
Underlying costs	< £650m
Loan growth	Mid-single digit %
CET1	12-13%
LDR (1)	<120%

Metric	Medium term guidance
RoTE	Double digit by FY19
CIR	55% - 58% by FY19
Loan growth	Mid single digit % CAGR to FY19
CET1	12-13%
LDR (1)	< 120%
Dividend	50% pay out ratio over time

Medium term guidance on track

(1) Including TFS

Summary & outlook

David Duffy

Chief Executive Officer

CONTINUING OUR EVOLUTION

Business **transformation** is delivering improved financial performance...

IPO [1]		FY 17
75%	UNDERLYING CTI	67%
£159m	UNDERLYING PBT	£293m
(£229m)	STATUTORY PROFIT	£182m
5.1%	UNDERLYING ROTE	7.5%
£26.3bn	DEPOSITS	£27.7bn
£28.8bn	LOANS	£32.0bn

...and a **better bank** for customers and colleagues

- Clear, **customer-focused** strategy
- Expanded **channel and product** capability
- Reinvigorated **SME** business
- Reshaped **distribution** network
- Overhauled **colleague proposition**
- Embedded prudent **risk management** culture
- Built market-leading **digital platform**

(1) Financials as at 30 September 2015

DELIVERING GROWTH BY LEVERAGING OUR STRONG BRANDS AND DIGITAL PLATFORM…

Three brands, one digital platform…

Dynamic, digital brand

Proud Scottish heritage since 1838

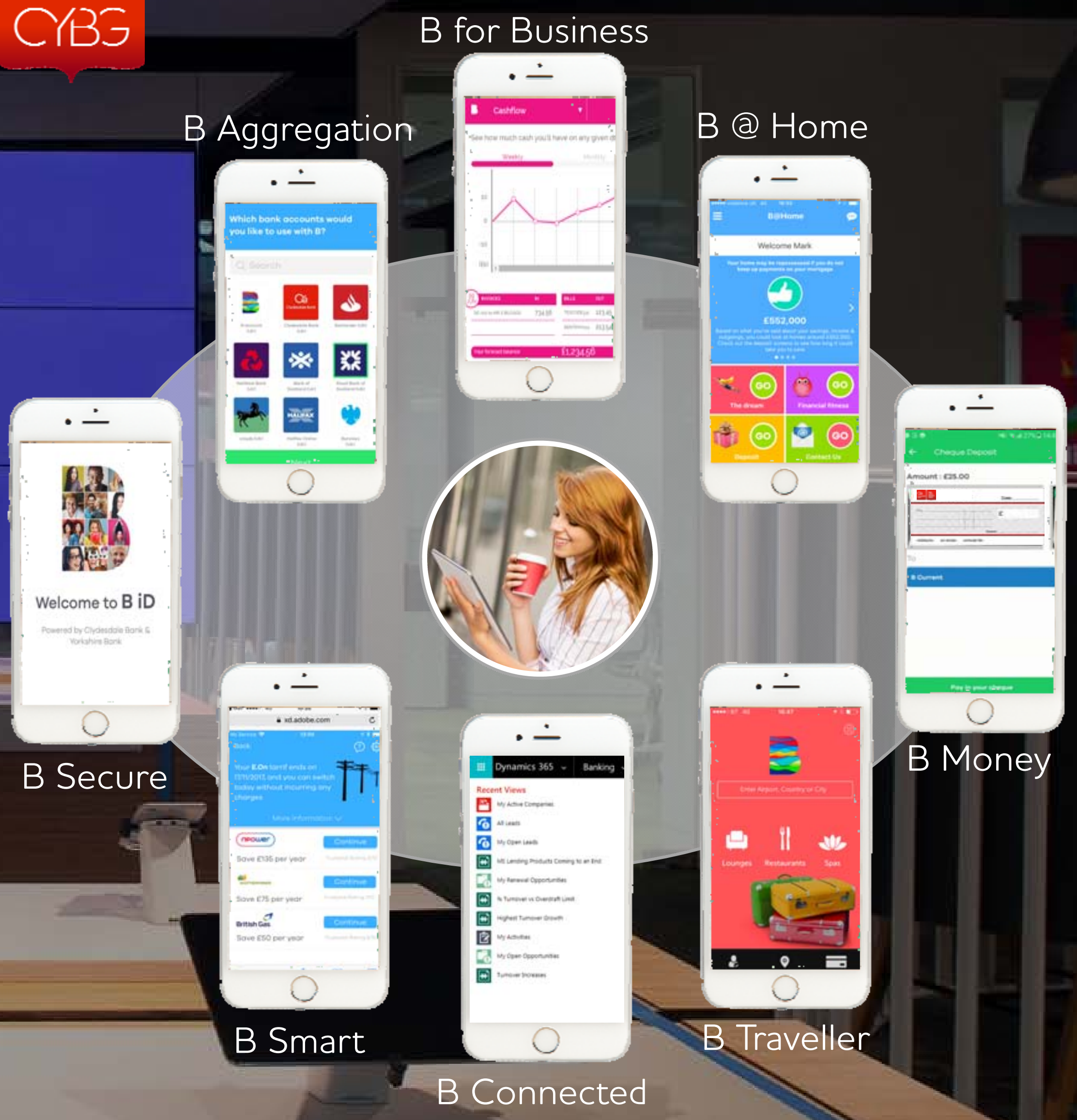
Powerful regional brand since 1859

…powering national customer growth

National Digital Presence

...AND WE'RE READY FOR THE

FUTURE TODAY



CYBG


You
Payments
Spending
Savings Pots
Alerts
Help
Your accounts
B Current
00-00-00 | 00000000
£4,481.00 current
£4,481.00 available
B Instant Savings
£356.00 current
Current Account
00-00-00 | 00000000
£4,481.00 current
£2,300.00 available
Your Timeline
Today
Boots the Chemist
Debit Card
Starbucks Heathrow Airport
Contactless
First Great Western Trains
Debit Card
Monday 22nd
Uniqlo (Europe)
Debit Card
PayPal - Playstation
Direct Debit
Debit Card
Blythswood Square
Debit Card
Amazon UK Retail
Debit Card
Shopping
-£4.56
Shopping
-£3.20
Getting Around
-£34.90
Shopping
-£54.30
Entertainment
-£9.99
-£6.33
Travel & Accomodation
-£124.56
Shopping
-£29.99

Q&A

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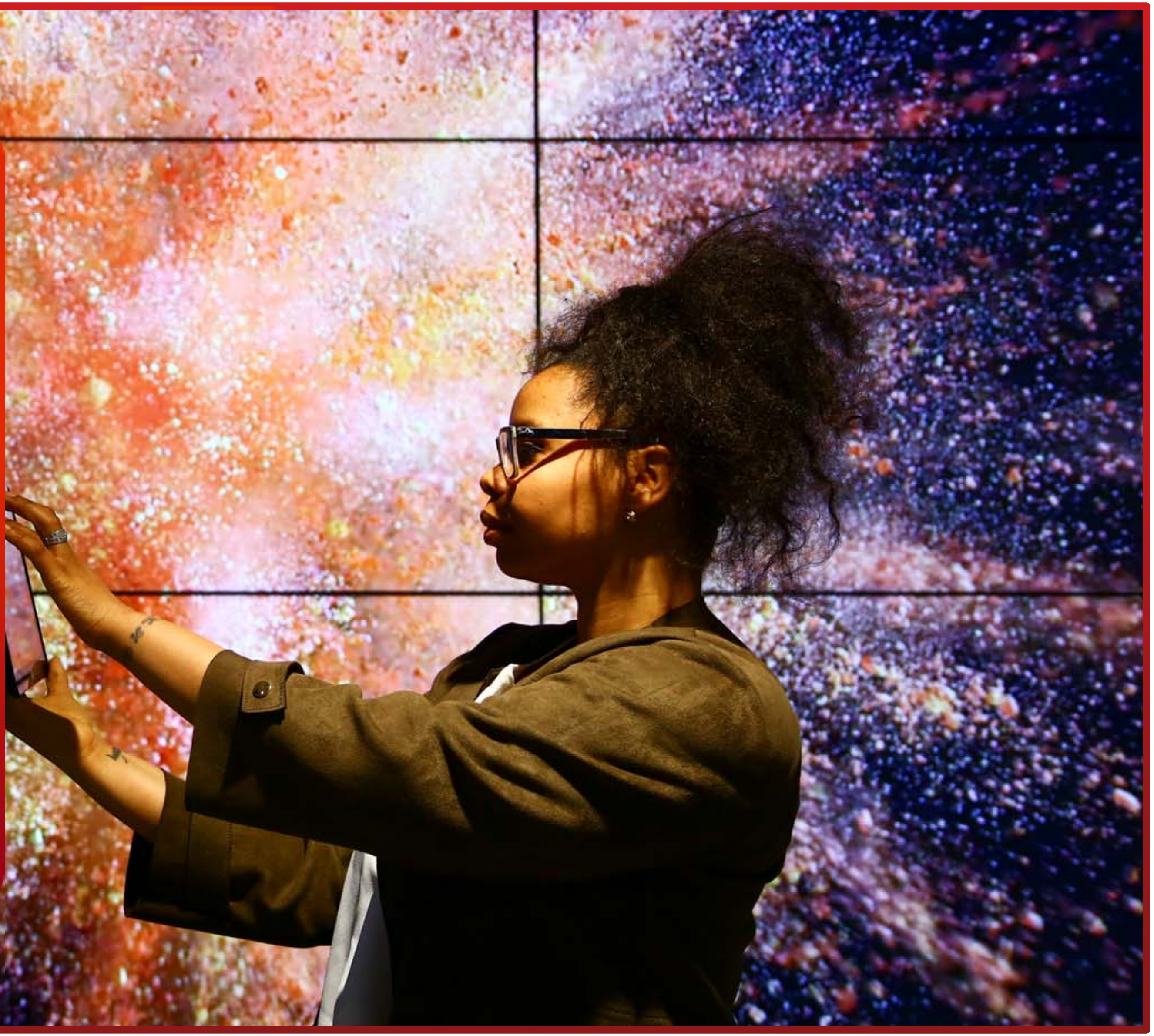
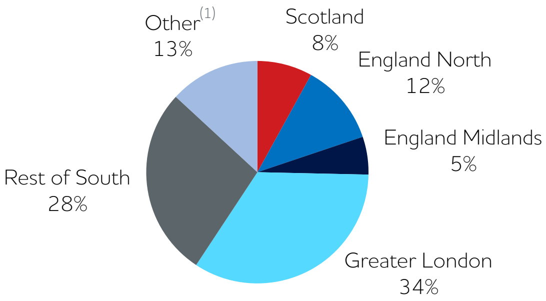


Appendix

MORTGAGE PORTFOLIO – 2017

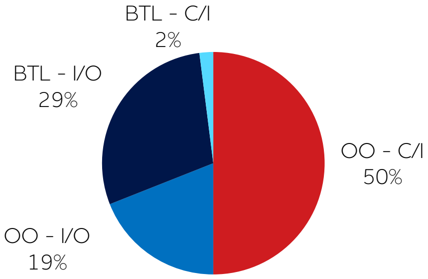
Mortgage lending location

Gross new mortgage lending



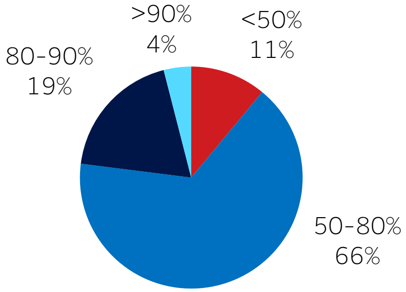
Repayment and borrower profile

Gross new mortgage lending



LTV of gross new mortgage lending

Gross new mortgage lending



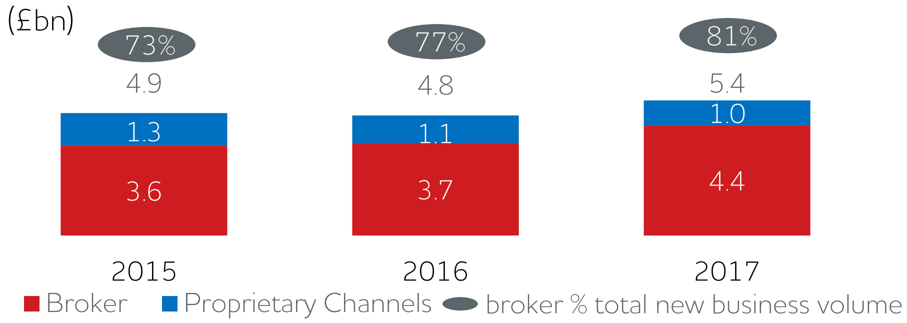
Loan-to-income breakdown

Gross new mortgage lending [(2)]

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
(2) Excludes BTL portfolio

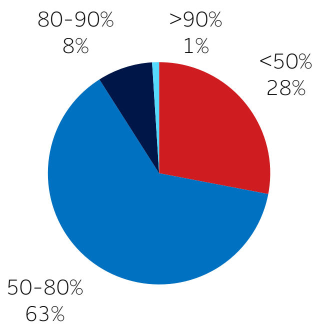
BROKER ORIGINATION – 2017

Gross new mortgage lending volumes



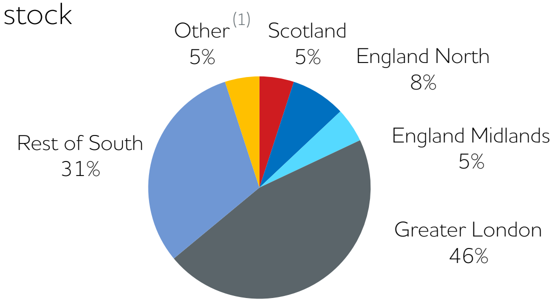
Indexed LTV band (value)

Intermediary stock



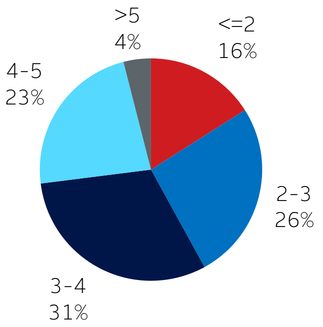
Geographic split

Intermediary stock



LTI split

Intermediary stock

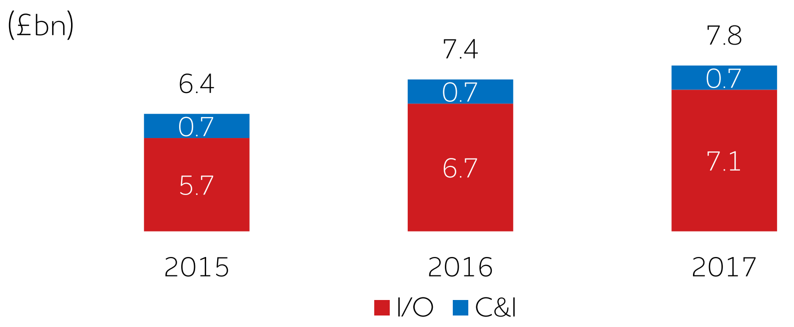


Note: Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements

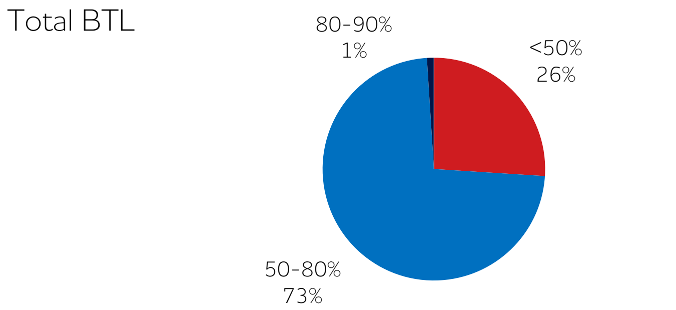
(1) Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

BTL LOAN BOOK – 2017

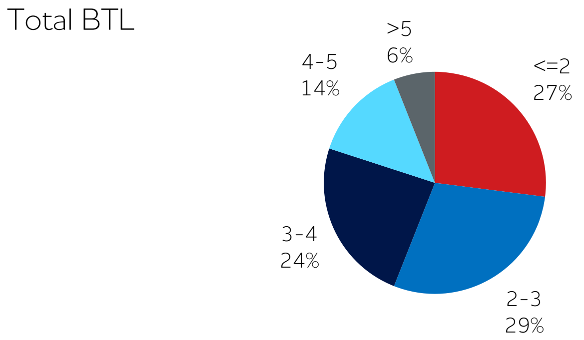
BTL stock



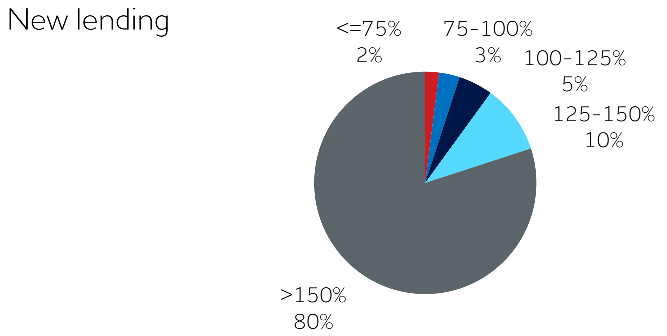
Indexed LTV



LTI split



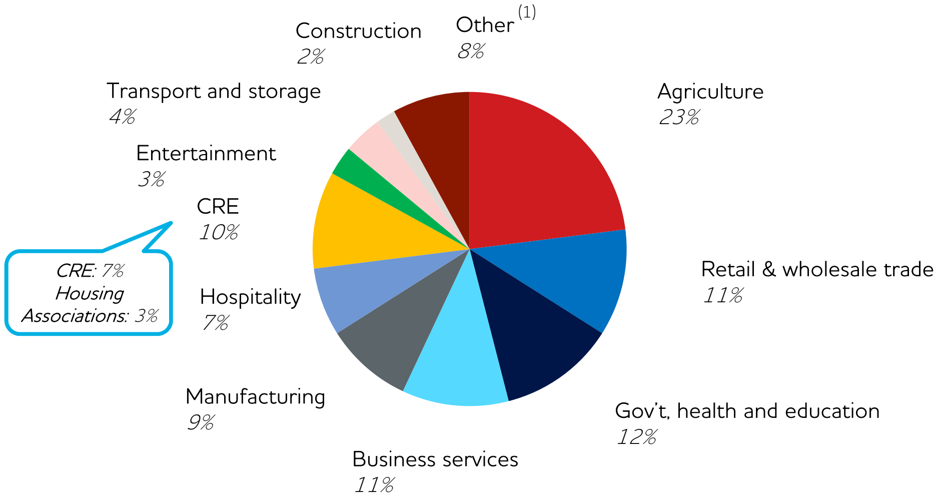
Rent cover



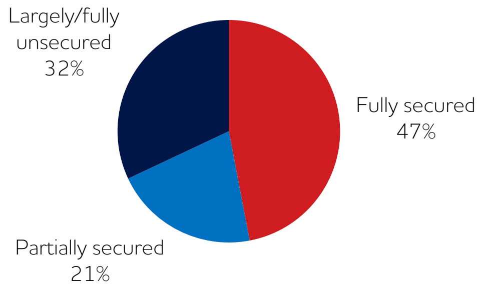
Note: Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements
(1) Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred

SME LOAN BOOK – 2017

SME book

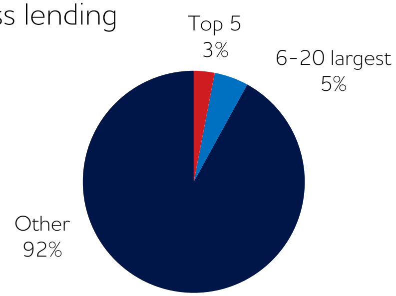


Business lending portfolio by collateral cover



Business banking clients

% of total business lending



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

SIGNIFICANT PROGRESS ON DEFINED BENEFIT SCHEME

Closure of DB scheme to future accruals

IAS 19 impact

- P&L:
  - £88m exceptional gain (pre-tax)
- Balance sheet:
  - £88m positive impact to IAS19 position
  - Positive TNAV impact of £57m

CET1 impact

- Elimination of the IAS19 deficit
  - Removal of £75m deficit has a positive CET1 impact
  - No capital benefit once in surplus, although surplus position protects CET1 ratio from future adverse actuarial movements
- Future contributions will therefore reduce capital:
  - Cash contributions reduce CET1
  - IAS 19 surplus increases are capital neutral
- Contributions are already included in CYBG's capital plan

Triennial valuation

Actuarial position

- Triennial valuation concluded by trustees of the DB scheme
- Deficit reduced from £450m to £290m
  - Agreement to close DB scheme delivered £131m reduction
- Value of contributions agreed with trustees pre-IPO is unchanged:
  - £50m in May 2017; plus
  - £50 million in each financial year 2019 to 2022; plus
  - £55 million in 2023

BALANCE SHEET

£m	September 2017	September 2016
Mortgages	23,480	21,836
SME - Core Book	6,821	6,438
SME – Non-Core Book	504	720
Unsecured personal lending	1,162	1,153
Total Customer Loans	**31,967**	**30,147**
Liquid Assets and other	9,013	7,686
Other Assets	2,251	2,096
Total Assets	**43,231**	**39,929**
Customer Deposits	27,679	27,000
Wholesale Funding (excl. TFS)	6,702	5,810
TFS	1,900	-
Notes in Circulation	2,197	1,912
Other Liabilities	1,351	1,996
Total Liabilities	39,829	36,718
Equity and Reserves	3,402	3,211
Liabilities and Equity	**43.231**	**39,929**

RWA

£m	September 2017	September 2016
Retail mortgages	8,646	7,998
Business lending	7,359	7,087
Other retail lending	932	915
Other lending	815	906
Total credit risk	**17,752**	**16,906**
Credit valuation adjustment	167	286
Operational risk	1,621	1,623
Counterparty risk	138	214
Total RWAs	**19,678**	**19,029**
Total Loans	**31,967**	**30,147**
Credit RWAs / total loans	**56%**	**56%**
Total RWAs / Assets	**46%**	**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 by all 3 rating agencies

Credit Rating Summary (November 2017) — CYBG PLC

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

Credit Rating Summary (November 2017) — Clydesdale Bank PLC

Agency	Long-Term	Outlook	Short-term
S&P	BBB+	Stable	A-2
Fitch	BBB+	Stable	F2
Moody's	Baa2 (1)	Review for Upgrade	P-2

(1) Long-term bank deposit rating

FTE BREAKDOWN

	September 2017	September 2016	September 2015
Core FTE	5,739	6,313	6,848
Legacy conduct FTE	621	533	396
Total FTE	6,360	6,846	7,244

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