CYBG PLC
(Company)

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30 January 2018

CYBG PLC: First Quarter Trading Update

CYBG PLC ("CYBG" or the "Group") confirms that trading in the three months to 31 December 2017 has been in line with expectations, and reiterates the Group's FY18 and medium-term guidance.

Continued sustainable growth in asset and deposit balances, despite competitive environment

- Strong mortgage growth of 7.4% (annualised) to £23.9 billion
- Core SME growth of 1.4% (annualised) with £567 million of new lending in Q1
- Deposit balances up 14.8% (annualised) driven by strong performance in current accounts and personal fixed term deposits
- Asset quality remains strong with a net cost of risk of 12 bps (annualised) in line with expectations

Q1 NIM of 216 bps in line with expected quarterly profile – impacted by strong deposit growth

- Increase in deposit balances to enable pre-funding of lending growth
- Mortgage market competition saw front book yields remain broadly stable in Q1 despite increased swap rates

On track to deliver FY18 and medium-term guidance

David Duffy, Chief Executive Officer of CYBG PLC, commented:

"We have delivered another solid quarter of growth, despite a competitive operating environment, seeing continued momentum in both mortgage and SME lending. While the economic outlook remains uncertain we remain focused on delivering sustainable and prudent growth and are confident we will deliver our guidance for 2018 and the medium term.

We also continue to take major strides in transforming CYBG into the UK's leading digitally-enabled challenger bank, positioning us strongly for the future banking landscape. Our iB technology platform is ready for Open Banking today with full 'plug and play' fintech capability, meaning we can offer real-time, integrated services for our 2.8 million customers."

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

Customer balances

(£bn)	At 31 Dec 16	At 30 Sept 17	At 31 Dec 17	YTD growth (annualised)
Mortgages	22.1	23.5	23.9	7.4%
Core SME	6.3	6.8	6.8	1.4%
Unsecured personal	1.1	1.2	1.2	6.5%
Deposits	27.3	27.7	28.7	14.8%

We saw strong growth in mortgages with balances of £23.9 billion, representing annualised growth in Q1 of 7.4%, driven by a particularly strong pipeline at year end. We anticipate that mortgage growth will ease over the remainder of FY18, although we continue to expect mid-single digit growth in balances for FY18. Front book yields remained broadly stable through the period with spreads narrowing slightly due to the increase in swap rates not being fully passed on to customers across the market. While the mortgage market remains competitive, we expect to see price stability through the remainder of FY18.

We maintained momentum in SME origination, with £567 million of gross loans and facilities written in the quarter. Strong new business drawdowns of £525 million were offset by reduced overdraft balances in our agriculture book. As a result, on an annualised basis net core lending grew by 1.4% in Q1. We continue to see a healthy pipeline to support new lending in 2018, in line with our asset growth targets and our commitment to lend £6 billion over 3 years to our customers.

Deposit balances grew by 3.7% (14.8% annualised) in Q1, driven by continued momentum in retail and SME current accounts and personal fixed rate term deposits. B continues to perform well, growing to over 150,000 customers at 31 December 2017 following a successful cashback campaign in October.

Net Interest Margin (NIM)

Q1 NIM was 216 bps (Q4 FY17: 221 bps). As guided at our FY17 results, we saw a reduction in NIM for the quarter due to higher than normal levels of liquidity (driven by strong growth in deposits pre-funding asset origination) and continued competition in the mortgage market.

We continue to expect the Group to deliver on its NIM guidance of c. 220 bps for FY18.

Asset quality

Asset quality remained strong with an annualised net cost of risk of 12 bps in the three months to 31 December 2017 (FY17: 14 bps).

Capital

The CET1 ratio was 12.4% at 31 December 2017, comfortably within the Group's operating range and consistent with the FY17 year-end position. Growth in credit RWAs and continued investment in the business was funded by organic capital generation.

The Group continues to progress its IRB accreditation programme in line with its plans.

Outlook

Despite the ongoing uncertainty in relation to the terms of the UK's withdrawal from the European Union and its potential impact on the outlook for the UK economy, we remain confident in our ability to deliver the Group's FY18 and medium-term guidance.

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