



24 May 2016

CYBG PLC

Interim Results 2016

CYBG will be hosting a presentation for analysts and investors on the interim results for the 6 months ended 31 March 2016 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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An aerial photograph of the London skyline at sunset. The sun is low on the horizon, casting a warm, golden glow over the city. The River Thames is visible on the left, and the dense urban landscape is filled with various buildings. The Gherkin and other modern skyscrapers are prominent in the center.

CYBG

CYBG PLC INTERIM RESULTS

SIX MONTHS TO 31 March 2016

24 May 2016



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Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.....



INTRODUCTION

Jim Pettigrew, Chairman

BUSINESS UPDATE

David Duffy, Chief Executive Officer

FINANCIAL REVIEW

Ian Smith, Chief Financial Officer

LOOKING AHEAD

David Duffy, Chief Executive Officer

Q & A

An aerial photograph of a stone viaduct spanning a river valley. The landscape is lush green with fields and trees. A small cluster of houses is visible near the river. A red speech bubble-like shape is overlaid on the left side of the image, containing the text 'David Duffy CEO'. A small red square with the text 'CYBG' is in the top right corner.

CYBG

David Duffy
CEO



CYBG - AN EXECUTION STORY

- Successfully completed demerger and IPO
- Delivering on our financial targets
- Leadership Team complete; refreshed Board
- Building high performing, customer-centric Bank
- Simplifying the business for our customers
- Clear progress on Omni channel strategy, B launched

DELIVERING ON OUR TARGETS

- Asset growth in line with medium term targets
- NIM stable
- Underlying costs ahead of guidance
- Underlying profits up on prior half
- Solid CET1 supporting growth

Financial highlights

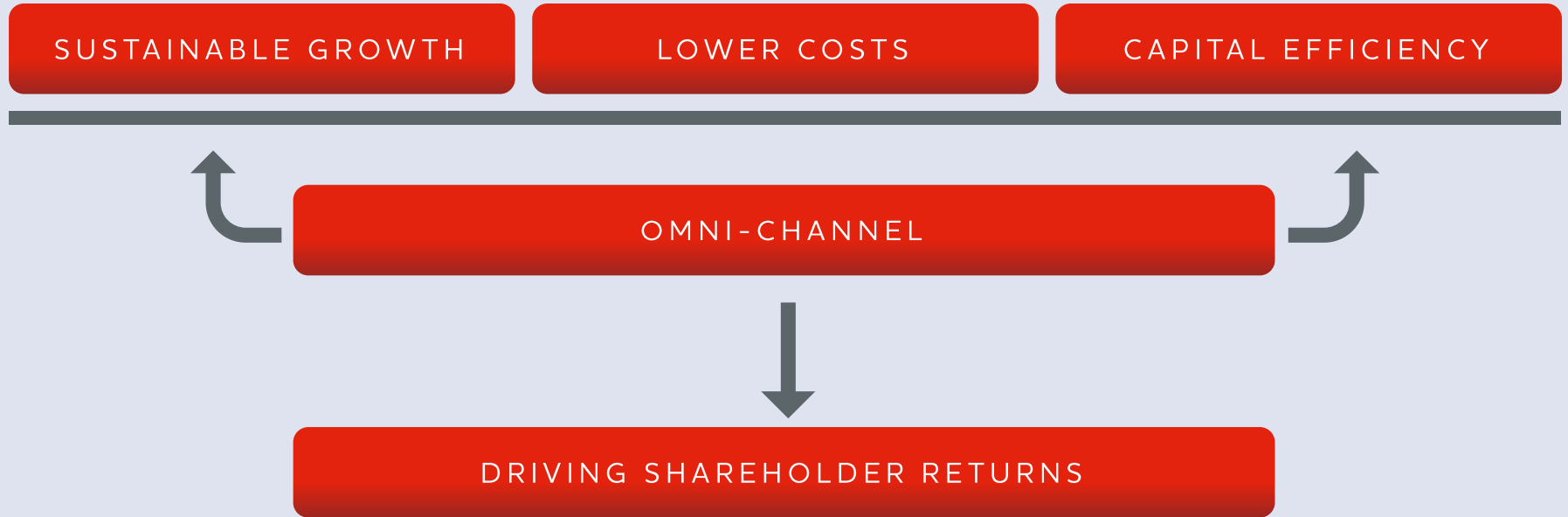
Mortgage growth ¹	9.8%	✓
SME Core book ²	Stable	✓
NIM	225 bps	✓
CIR ³	72%	✓
PBT ^{2,3}	£107m	✓
CET 1	13.2%	✓

¹ Annualised growth rate vs September '15

² vs. September 2015

³ Underlying basis

DRIVING IMPROVED PERFORMANCE



DRIVING IMPROVED PERFORMANCE: SUSTAINABLE GROWTH

Mortgages

- Exceeded growth targets
- Re-balance towards OO
- Continued focus on affordability

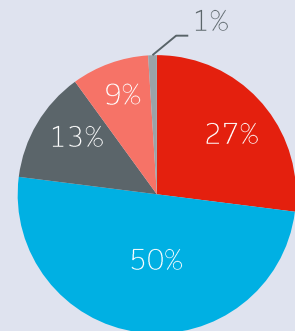
Flow	OO	BTL
Q1 '16	63%	37%
Q2 '16	53%	47%
H1 '16	58%	42%

SME

- Growth in facilities and drawdowns
- Core customers, sustainable pricing

£m	H1 '15	H1 '16
Facilities	£941	£1,031
Drawdown ¹	£537	£824

SME Gross new loans & facilities H1 '16



- Overdrafts
- Term lending
- Asset Finance
- Invoice Finance
- Treasury and Trade Finance

Current accounts

- c. 45,000 new PCA's (c. 48,000) and 13,000 BCAs (c. 8,000)
- 35% of new customers in target segments vs 23% of existing base

DRIVING IMPROVED PERFORMANCE: LOWER COSTS

Distribution

- 26 branches closing in H2
- 70% co-located

Process improvement

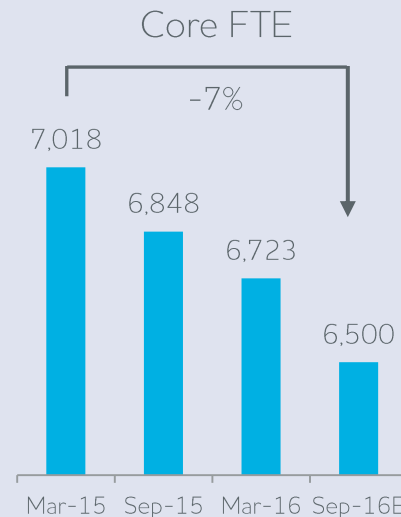
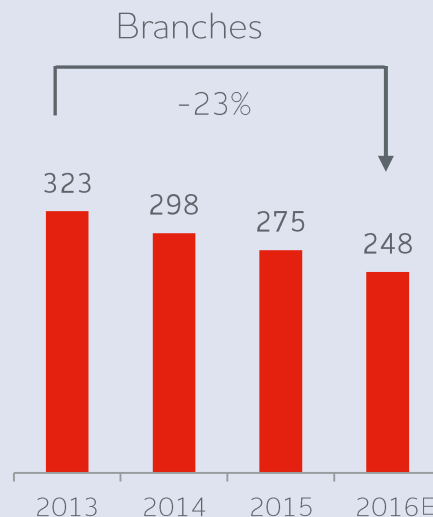
- Simplified mortgage process
- Online account opening

Organisational efficiency

- Organisation design simplification

Procurement / 3rd party spend

- Contract review
- Improved focus on value for money



COST GUIDANCE FOR FY16 LOWERED TO £730M (-4%)

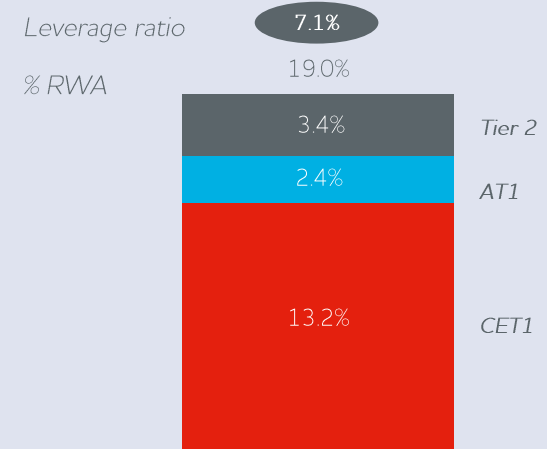
DRIVING IMPROVED PERFORMANCE: CAPITAL EFFICIENCY

Strongly capitalised – CET1 ratio and absolute levels

Focus on capital efficiency

- Portfolio management approach
- Rigorous returns analysis across the business
- IRB programme launched

Well placed to deal with regulatory agenda



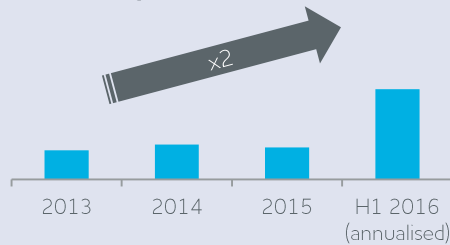
March 2016

Total CET1 (£ Bn)	2.4
Total RWAs (£ Bn)	18.5
Credit RWAs (£ Bn)	16.5
Credit RWAs / Loans (%)	56%
Total RWAs / Assets (%)	48%

DRIVING IMPROVED PERFORMANCE: OMNI CHANNEL LAUNCHED

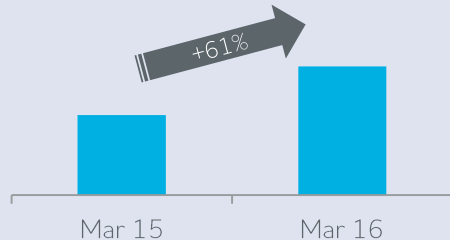
Growth of sales through digital channels

Digital¹ - 31% of total sales



Continued growth in existing mobile channel

8m Mobile banking logins



- Mobile / Tablet banking app
- B customer experience in branch
- Dedicated B contact centre
- Customers 2.7x more active

- Network optimisation
- Extended opening hours
- New branch format rolling out
- Branch automation commenced
- In-branch digital

CYBS

Ian Smith
CFO



STATUTORY INCOME STATEMENT - SUMMARY

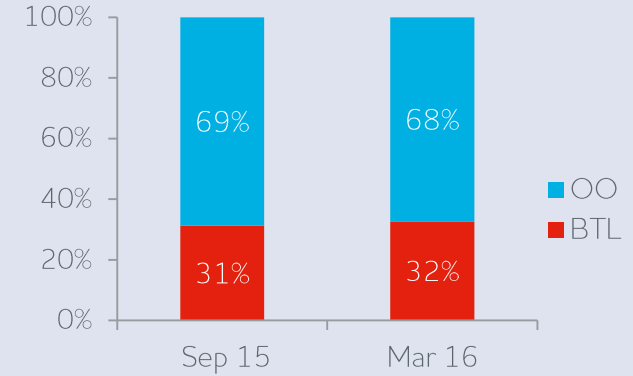
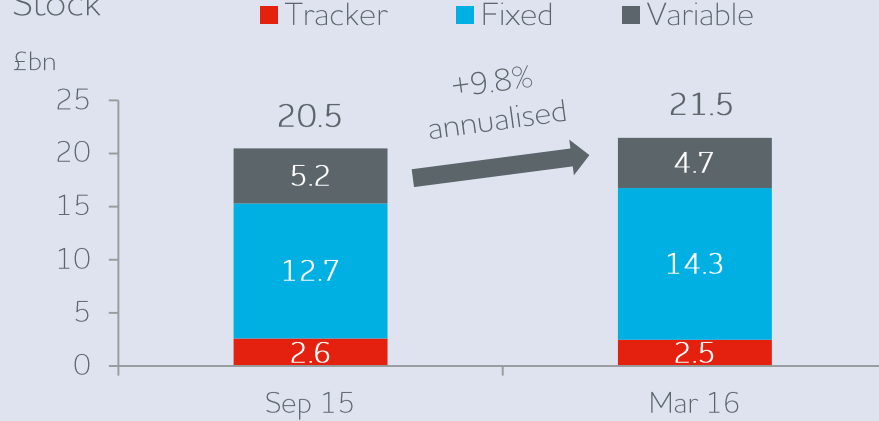
6 months to:	Mar 2016	Mar 2015	Change
Operating income	491	485	1.3%
Operating expense	(353)	(346)	(2.2%)
Impairment losses	(31)	(28)	(10.7)%
Exceptional Items			
- Conduct	(46)	(21)	
- Other	(3)	65	
Tax	(22)	(18)	
Statutory Profit	36	137	
EPS (pence)	1.4	16.9	

BALANCE SHEET SNAPSHOT – PORTFOLIO MANAGEMENT

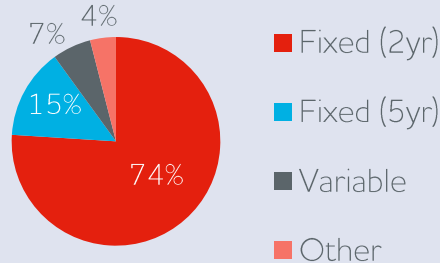
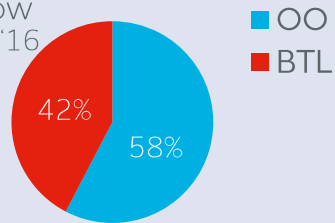
	Mar 2016	Sep 2015	Change
Mortgages (£bn)	21.5	20.5	5%
Core SME (£bn)	6.0	6.0	flat
Unsecured personal lending (£bn)	1.2	1.2	flat
Deposits (£bn)	26.2	26.3	flat
CET1	13.2%	13.2%	flat
Loan to deposit ratio (LDR)	113%	109%	4 ppts

MORTGAGES – MOMENTUM, SOLID UNDERWRITING

Stock

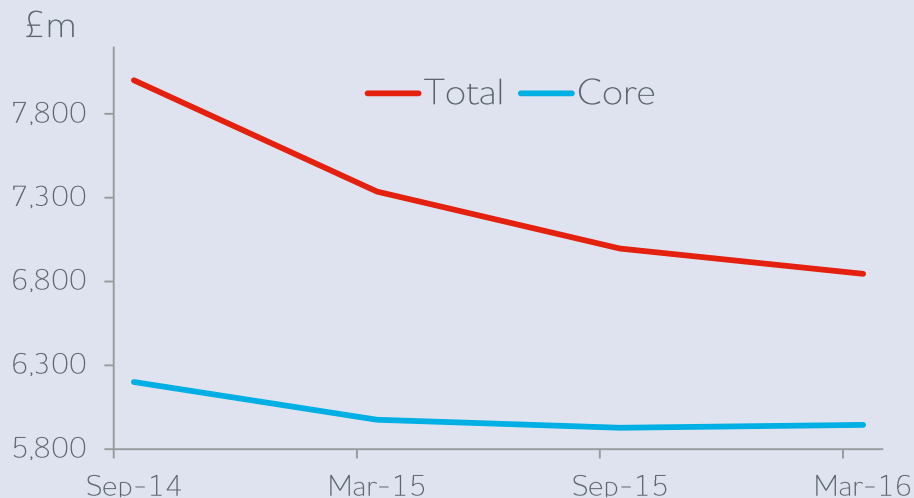


Flow
H1 '16

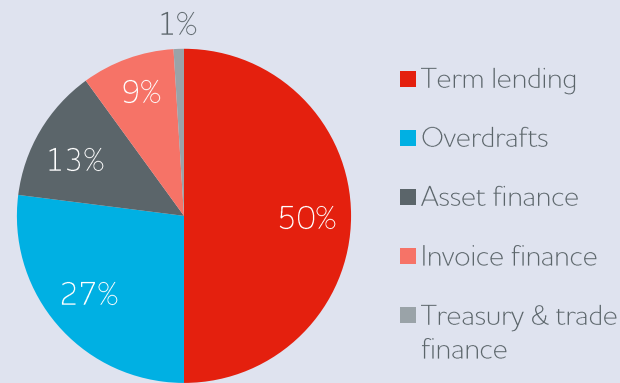


	H2 2015	H1 2016	Diff.
Front book yield	300 bps	277 bps	(23) bps
Swap rate*	103 bps	83 bps	(20) bps

SME – CORE STABILISED, BETTER MARGIN



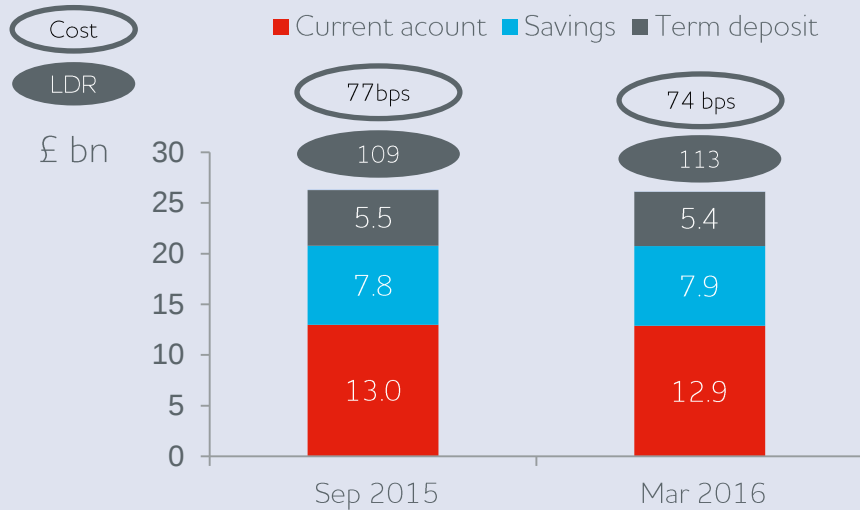
Gross new loans & facilities £1,031m (£941m)



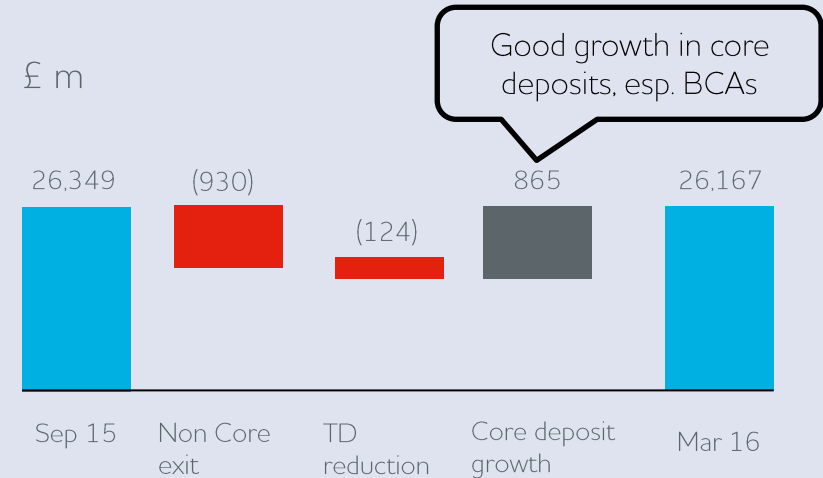
- Strong origination
- Product mix, price discipline, driving better yield
- Continued run off of non-core

H1 Front Book yield	H1 Back Book yield
365 bps	324 bps

DEPOSITS – STRONG UNDERLYING PERFORMANCE



Action to improve deposit profile



- Current account acquisition and related balance growth
- Portfolio management – 3% underlying growth in core deposits
- Cost of deposits reduced, repricing benefits expected in H2

INCOME STATEMENT¹

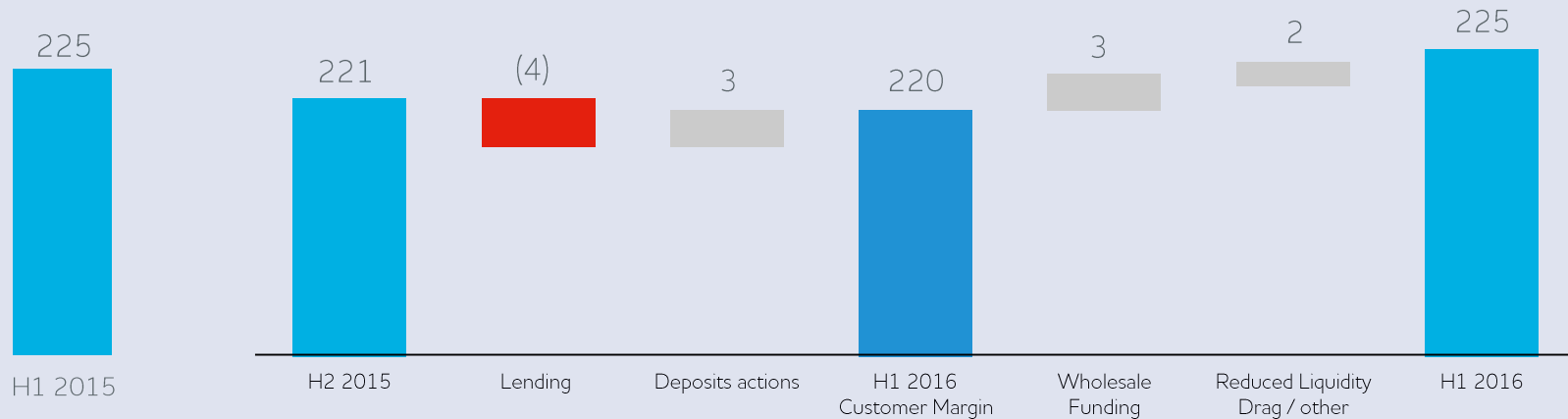
	6 months to		Change
	31 Mar 2016	31 Mar 2015	Mar 16 vs Mar 15
	£m	£m	
Net interest income	400	390	2.5%
Non-interest income	91	95	(3.9%)
Total operating income	491	485	1.3%
Total operating and administrative expenses	(353)	(346)	(2.2%)
Operating profit before impairment losses	138	139	(1.0%)
Impairment losses on credit exposures ⁽²⁾	(31)	(28)	(10.7%)
Underlying profit on ordinary activities before tax	107	111	(4.2%)
NIM ³	225 bps	225 bps	-
Impairment/Average customer loans	19 bps	16 bps	3 bps
Underlying RoTE	4.5%	7.8%	(3.3)%
Underlying EPS (pence)	7.2	11.2	

1. Management basis

2. Relate solely to loans and advances to customers (refer to notes 11 and 12 to the interim financial statements)

3. 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). Comparative disclosures have been amended to conform with the current period's presentation

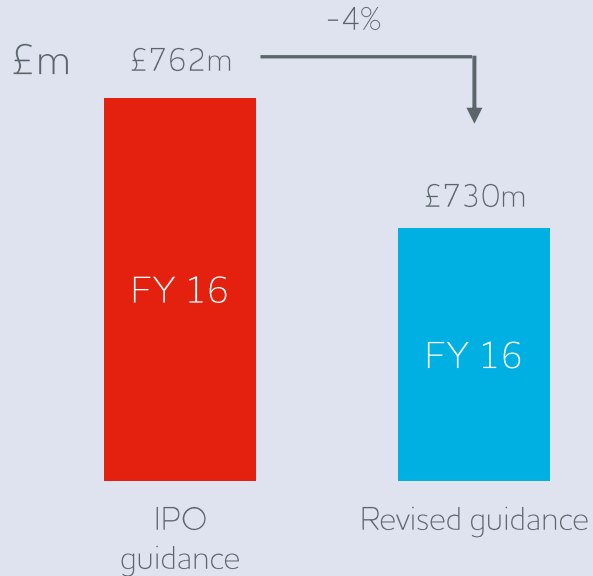
STABLE NET INTEREST MARGIN (H1 2016 VS H2 2015)



- Lending margin pressure offset by deposit actions
- Customer margin stable in H1
- Additional benefits from treasury “normalisation”

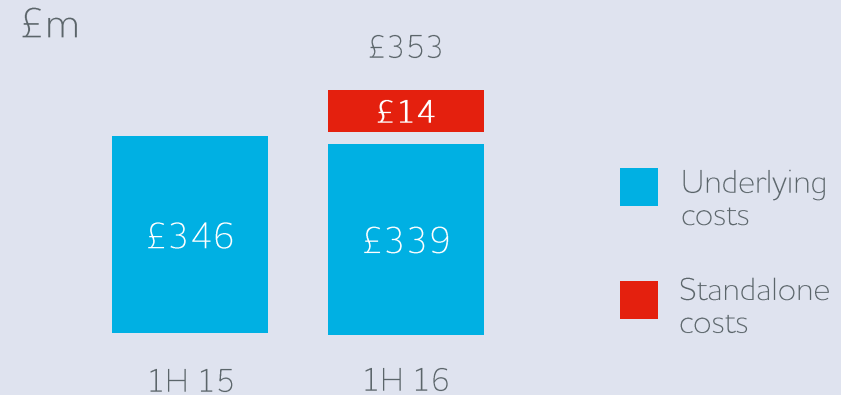
SIMPLYFYING THE BUSINESS, MANAGING COSTS

Updated underlying cost guidance



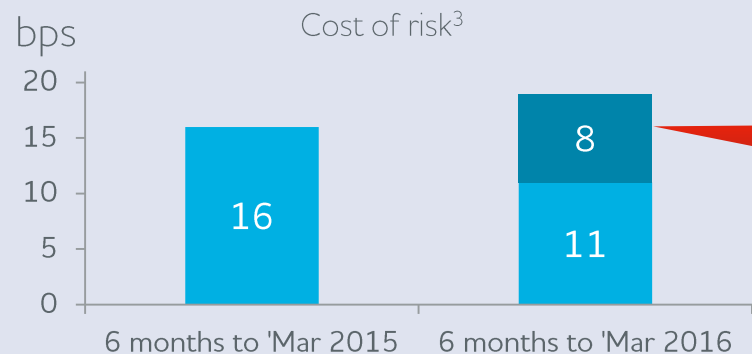
H1 performance

- Costs down 2% (ex. standalone)



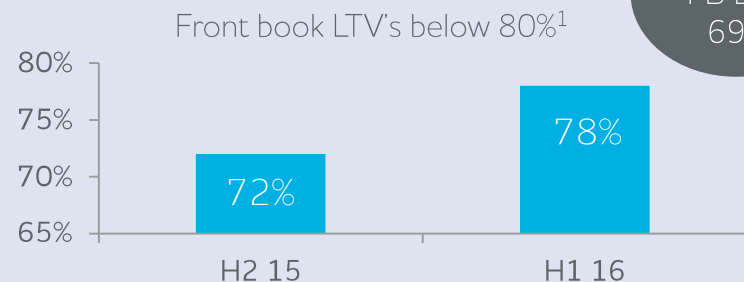
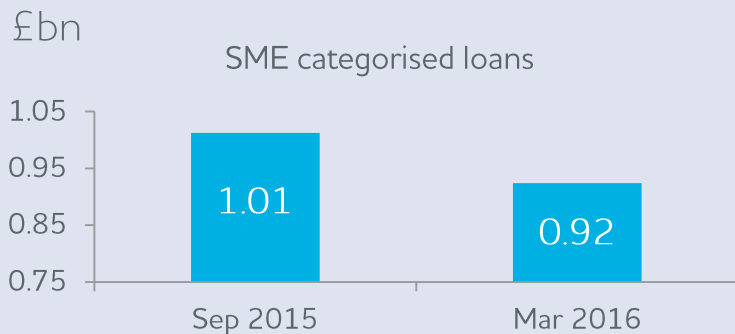
- 4% reduction in core FTE
- Cost management focus

ASSET QUALITY REMAINS STRONG

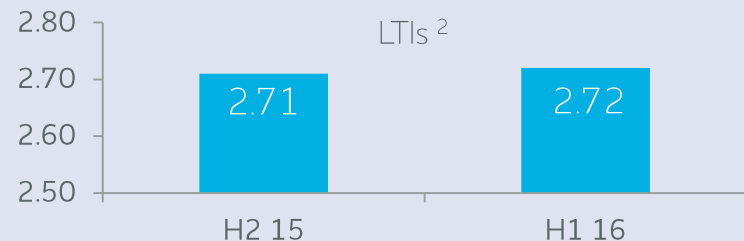


Oil and Gas Dependent Customers

- Direct SME exposure low <£100m
- Indirect SME exposure low <£400m
- Small proportion of mortgage book

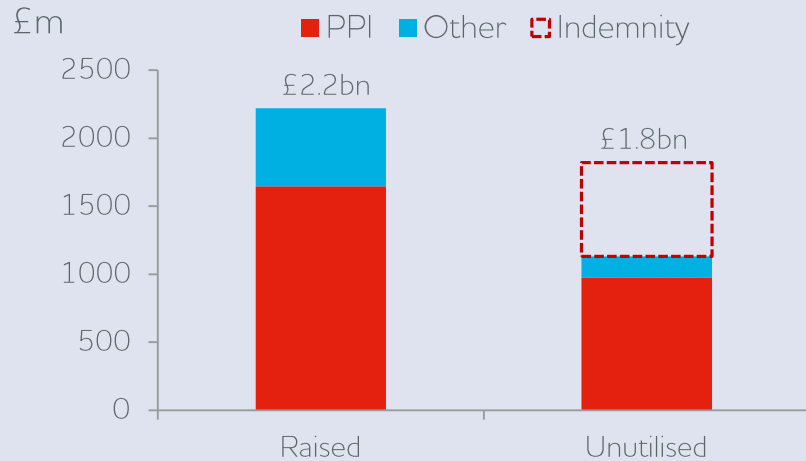


Average
FB LTV
69%



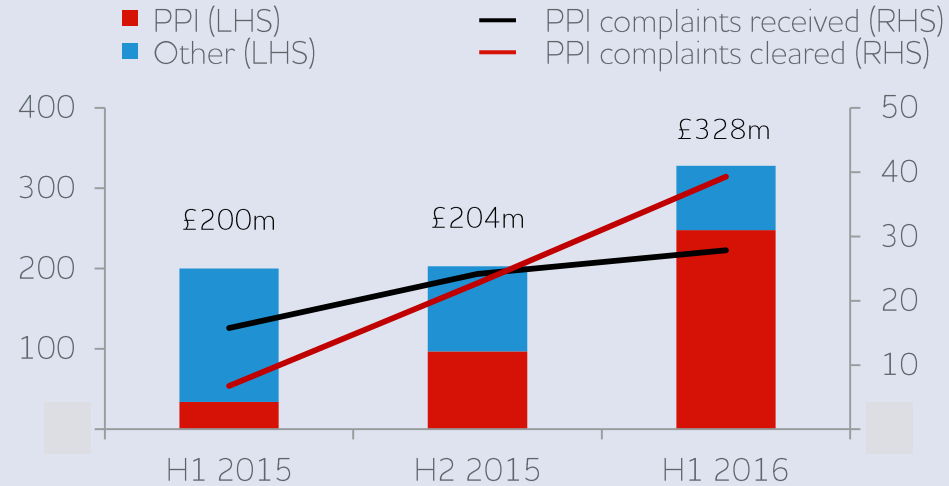
PROGRESS ON CLEARING LEGACY CONDUCT

Provisions 31 Mar '16



- PPI provision increased £450m
- Total cover £1.8bn for legacy conduct
- Stress scenarios indicate cover sufficient

Provision utilisation

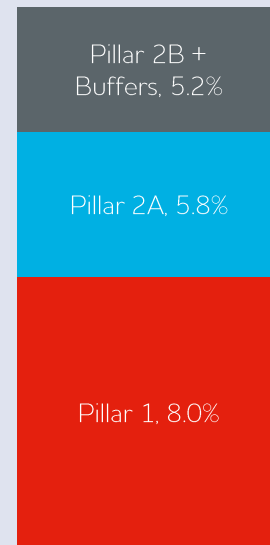


- Significant resource increase
- Accelerated clearance of PPI claims
- Focus on PBR and remediation 2016/17

STRONGLY CAPITALISED, SUPPORTING GROWTH

	Capital change (bps)	CET1
Opening %		13.20
Generated	60	
Absorbed by business growth	(28)	
AT1	(10)	
Core business net capital generated		22
Legacy conduct		(21)
Closing %		13.21

Total Capital 19.0%



Leverage ratio 7.1%

Regulatory agenda: CCyB ✓ PRA BTL ✓ RWA 2019 ? MREL 2020 ?

OUTLOOK FY16

	Guidance	Status
NIM	Broadly stable	Confirmed
Underlying costs	£730m	Improved
Mortgage growth	In line with target (40% – 50% growth by 2020)	Confirmed
SME growth	In line with target (15% – 25% growth by 2020)	Confirmed
CET1	12% - 13% range	Confirmed

An aerial photograph of a scenic landscape. A long, multi-arched stone viaduct spans a deep valley, with a river flowing beneath its arches. The surrounding area is lush with green fields and dense forests. A small village with several houses is visible in the middle ground. In the top left corner, there is a small red square logo with the letters 'CYBG' in white.

CYBG

David Duffy
CEO

FOCUS FOR H2

Sustainable growth

- Retail & SME segment / channel focus
- Retail network sales effectiveness
- Deposit product enhancements
- Persistency / attrition management
- B customer recruitment

Lower costs

- Focus on “good” costs
- People – layering
- 22 end to end customer journeys
- Process automation (robotics)
- Driving down cost of change



Structural cost reduction programme



FOCUS FOR H2

Omni channel delivery

- Network optimisation
 - Flagship branch programme
 - Smart ATM rollout
 - Interactive Teller Machine pilot
- Digital
 - Assisted digital in branches
 - Extend coverage of current account and savings
 - B enhancements
- Contact centres
 - Clustering of capability
 - Increased customer access
 - Migrate routine RM activity
- Third parties
 - Focus on OO mortgage origination
 - Mortgage broker technology development
 - Selected SME distribution via brokers

Focus on simplicity, speed and convenience for our customers



CAPITAL MARKETS DAY

- Bringing forward our planned guidance update from year end to September
- Overview of the key drivers of our strategy from the leadership team
- Update on multi-year guidance
- Focus on Sustainable growth, Investment & Lower costs, Capital efficiency
- Save the Date – 13 September, London



S U M M A R Y

- Successfully completed demerger and IPO
- Delivering on our financial targets
- Leadership Team complete; refreshed Board
- Building high performing, customer-centric Bank
- Simplifying the business for our customers
- Clear progress on Omni channel strategy, B launched



CYBS

Q&A

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Appendix





FTE BREAKDOWN

	March 15	Sept 15	March 16
Core FTE	7,018	6,848	6,723
Legacy conduct	231	396	545
FTE	7,249	7,244	7,268

RECONCILIATION OF MANAGEMENT TO STATUTORY EARNINGS

£m	H1 2015	H2 2015	H1 2016
Underlying profit on ordinary activities before tax	111	48	107
Conduct charges	(21)	(465)	(46)
Restructuring expenses	(12)	(5)	-
Separation costs	-	(10)	(4)
Net gain on capital and debt restructuring	59	2	1
Pension increase exchange gain	18	-	-
Loss on impairment of intangible assets	-	(10)	-
Profit/(loss) on ordinary activities before tax	155	(440)	58
Tax (expense)/credit	(18)	74	(22)
Profit/(loss) for the year attributable to equityholders	137	(366)	36

OTHER OPERATING INCOME EVOLUTION

£ m	H1 15	H1 16	% change
Insurance income	3	11	large
Business lending	12	9	(25.0)
Foreign exchange brokerage	11	10	(9.1)
Mortgages	1	2	large
Credit cards	6	4	(33.3)
Current account fees	52	52	-
Product income	85	88	3.5
Other	4	-	large
Total underlying other operating income	89	88	(1.1)

BALANCE SHEET

£m			
	September 2015	March 2016	2016 vs. 2015
Customer lending (excl. SME)	21,722	22,720	998
SME - Core Book	5,992	6,002	10
SME – Non-Core Book	1,070	900	(170)
Total Customer Loans	28,784	29,622	838
Liquid Assets and other	7,893	6,452	(1,441)
Other Assets	2,028	2,649	621
Total Assets	38,705	38,723	18
Customer Deposits	26,349	26,167	(182)
Wholesale Funding	3,766	4,285	519
NAB Funding	998	0	(998)
Other Liabilities	4,149	4,740	591
Total Liabilities	35,262	35,192	(70)
Equity and Reserves	3,443	3,531	88
Liabilities and Equity	38,705	38,723	18
Ratios			
LDR	109%	113%	
CET1	13.2%	13.2%	
Leverage Ratio	7.1%	7.1%	

RWA SUMMARY

£m	September 2015	March 2016	Growth
Retail mortgages	7,526	7,946	420
Business lending	7,044	6,900	(144)
Other retail lending	951	953	2
Other lending	773	659	(114)
Total credit risk	16,294	16,458	164
Credit valuation adjustment ⁽¹⁾	206	223	17
Operational risk	1,589	1,589	-
Counterparty risk	138	180	42
Market risk	-	-	-
Total RWAs	18,227	18,450	223
Total Loans	28,784	29,622	838
Credit RWAs / total loans	57%	56%	(1%)
Total RWA / Assets	47%	48%	1%



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 2016) — CYBG PLC

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

Credit Rating Summary (March 2016) — Clydesdale Bank PLC

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

ECONOMIC OUTLOOK

Indicator	Region	Source	2014	2015	2016	2017	2018	2019	2020
House Price Index	UK	ONS	9.9	6.8	6.5	2.9	3.0	3.6	4.2
	Greater London	Oxford Economics	17.4	7.7	7.4	3.7	3.2	3.6	4.6
	Scotland	Oxford Economics	4.7	2.5	4.0	2.2	2.2	2.7	3.3
	South East	Oxford Economics	9.9	8.4	8.2	2.7	3.2	4.1	4.3
	Yorkshire & Humberside	Oxford Economics	5.6	3.9	6.6	3.3	2.5	2.8	3.4
GDP	UK	ONS	2.9	2.3	2.0	2.3	2.2	2.0	2.3
	Greater London	Oxford Economics	4.2	3.3	2.8	2.9	2.8	2.7	3.0
	Scotland	Oxford Economics	3.8	1.4	1.2	1.7	1.7	1.5	1.9
	South East	Oxford Economics	2.4	1.8	2.3	2.6	2.5	2.3	2.6
	Yorkshire & Humberside	Oxford Economics	2.0	1.2	1.9	2.0	1.9	1.7	2.0
Unemployment	UK	ONS	6.2	5.4	5.2	5.2	5.1	5.0	5.0
	Greater London	Oxford Economics	6.9	6.3	6.0	5.9	5.9	5.9	5.8
	Scotland	Oxford Economics	5.9	5.8	5.7	5.7	5.6	5.5	5.4
	South East	Oxford Economics	4.6	4.0	3.7	3.7	3.7	3.7	3.7
	Yorkshire & Humberside	Oxford Economics	7.2	6.2	6.0	6.0	6.0	5.9	6.0
Financial liabilities, household sector, as a % of disposable income	UK	ONS	-0.8	0.1	-1.4	-1.0	0.1	0.5	-0.2

Source: Oxford Economics & Office for National Statistics (ONS)