

The logo for CYBG, consisting of the letters 'CYBG' in white, sans-serif font, centered within a red, rounded rectangular shape that tapers at the bottom.

CYBG

CYBG PLC ANALYST PRESENTATION

24 FEBRUARY 2016



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Today's agenda

Time	Topic	Presenter	Page Number
13:30 – 14:00	Lunch		
14:00 – 15:30	Session 1		
	<i>Investment highlights</i>	<i>David Duffy</i>	5
	<i>UK banking sector overview</i>	<i>David Duffy</i>	8
	<i>CYBG overview and strategy</i>	<i>David Duffy</i>	12
	<i>Retail banking</i>	<i>Gavin Opperman / Helen Page</i>	22
	<i>SME banking</i>	<i>Gavin Opperman</i>	33
15:30 – 15:45	Break		
15:45 – 17:30	Session 2		
	<i>Operating platform</i>	<i>Debbie Crosbie</i>	45
	<i>Risk management</i>	<i>Derek Treanor & Debbie Crosbie</i>	51
	<i>Financial performance and outlook</i>	<i>Ian Smith</i>	64
	Q&A	All	

Leadership team here today



David Duffy
Chief Executive Officer

Previously Chief Executive of Allied Irish Banks, p.l.c.

- Almost three decades of international banking experience
- Former CEO of Standard Bank International and Head of Global Wholesale Banking Network with ING Group



Helen Page
Propositions and Marketing Director

Previously Managing Director for Marketing and Customer Experience at RBS

- Head of Brand Marketing at Argos and Head of Marketing Abbey (now Santander)



Ian Smith
Chief Financial Officer

Previously a partner for 13 years at Deloitte specialising in financial services

- Deputy Group CFO of HBOS PLC in 2008 and Lloyds Banking Group PLC in 2009



Gavin Opperman
Director Customer Banking

Previously Regional Head of Consumer banking at Standard Chartered

- Held a number of senior positions across Asia in 20 year career at Barclays Group
- Over 30 years of leadership experience in risk, operations and front line digital, retail and commercial banking



Debbie Crosbie
Chief Operating Officer

Previously Operations and IT Director at CYBG

- Variety of positions at CYBG since 1997, including Chief Information Officer



Derek Treanor
Acting Chief Risk Officer

Previously Chief Credit Officer at CYBG

- Variety of positions at CYBG since 1995, including Head of Internal Audit and Head of Financial Governance



Fergus Murphy
Products Director

Previously Director of Corporate and Institutional Banking at AIB

- Variety of key roles at AIB 2011 – 2015
- Formerly CEO of EBS Building Society
- Over 20 year experience in financial services

CYBG

David Duffy
Chief Executive Officer

Investment highlights



Investment highlights

⇒ Strong fundamentals underpin the CYBG value proposition

1 Differentiated proposition relative to the UK challengers

- ❖ *Largest of the mid-sized banks* — 2.8m customers, £29bn loans, 275 branches
- ❖ *175 years of regional presence* — two trusted brands, recognised service quality, leading regional market shares
- ❖ *Full service Retail and SME capability* — established SME franchise underpinned by strong customer relationships
- ❖ *High regional market shares* — 9.1% PCAs, c.14.0% BCAs, 8.1% Business Lending and 3.9% Mortgages
- ❖ *11 year track-record in intermediary channel* — strong mortgage growth nationally through selective broker partnerships

2 Robust and de-risked balance sheet

- ❖ *Well capitalised relative to peers* — 13.2% CET1 ratio and 7.1% leverage ratio
- ❖ *Legacy conduct issues addressed* — £2.1bn total cover across provisions and conduct indemnity
- ❖ *Improved funding and liquidity position* — 109% LDR, 120% NSFR, all NAB senior funding repaid
- ❖ *Robust asset quality and provision coverage* — 21bps CoR; 55% average LTV; 66% coverage on 90+DPD

3 Proven ability to attract and retain low cost customer deposits

- ❖ *c. 50% of deposits in the form of low cost current account balances* — £13bn in FY2015
- ❖ *CA and savings balance growth ahead of market* — 6% CAGR in CAs, 14% CAGR in Savings ('12-'15)
- ❖ *Loyal and sticky customer deposit base* — 78% PCA customers and 54% BCA customers with us > 10 years

4 Track-record of strong asset growth, while maintaining asset quality

- ❖ *Growth in mortgage book ahead of market* — 10% CAGR ('12-'15)
- ❖ *Award winning propositions in key products* — winner “first time buyers” proposition with Moneyfacts 2 years running
- ❖ *Strong front book asset quality driven by tight lending controls* — manual underwriting, no self-cert, affordability stress testing

5 Standalone and scalable full service operating platform

- ❖ *Standalone core operating and IT platform post separation* — limited TSAs with NAB
- ❖ *Proven scalability delivering operating leverage* — ability to expand 2x peak transaction capacity at low cost
- ❖ *Track-record of investment, stepped up to support growth in 2015* — c. £300m investment spend 2015/2016

Investment highlights

⇒ Upside from execution

1 *Highly experienced management team, leading a newly independent CYBG*

- ❖ *Cultural transformation from subsidiary mind-set ongoing*
- ❖ *Strengthened leadership team for a standalone environment, with clear delivery accountability*
- ❖ *Reward structures being aligned to strategic goals and positive customer outcomes*
- ❖ *Focus on governance framework, with new board appointments to complement existing talent*

2 *Disciplined investment plan, delivering cost and efficiency savings*

- ❖ *Investment spend closely linked to the omni-channel strategy and growth agenda*
- ❖ *Focus on cost reduction and simplification initiatives*
- ❖ *Targeted measures to increase staff and network productivity*

3 *Omni-channel strategy underpinned by comprehensive digital agenda*

- ❖ *Focus on optimisation of the branch footprint and delivering next generation layout / automation*
- ❖ *Launch of “B” platform in early 2016, supporting target customer acquisition at lower costs*
- ❖ *Digitising internal and customer processes — end-to-end process simplification driving reduced delivery time, improved satisfaction*
- ❖ *Improved customer data analytics — delivering product propositions tailored to customer needs*

4 *Clear strategy to drive growth and deliver double digit RoTE*

- ❖ *40-50% asset growth targeted across the Retail book and 15 – 25% across the SME book, supported by targeted ongoing growth in low cost deposits*
- ❖ *Capital release from run-off of lower yielding SME corporate and mortgage tracker books – redeployed in higher margin segments*
- ❖ *<60% cost income ratio target, with positive jaws targeted after FY2016*
- ❖ *Well positioned for a rise in rates, with £7.2 Bn non / low interest bearing balances*

David Duffy
Chief Executive Officer

Sector overview



Supportive market backdrop



Continued positive outlook for UK macro

- ⇒ *Positive GDP growth – 2.2% in 2015, 2016 estimate 2.4%¹*
- ⇒ *Reduced unemployment — 5.4% in 2015 below long term average*
- ⇒ *Real earnings growth (core regions almost equal or ahead of London since 2006), driving an increase in consumer confidence*
- ⇒ *Inflation expected to remain below 2% target from BoE*
- ⇒ *More measured base rate increase expected⁽¹⁾*



Retail banking continues to show recovery and growth

- ⇒ *Sustained momentum in the housing market – transaction volumes still below pre-crisis levels*
- ⇒ *Credit environment remains strong*
- ⇒ *Strong growth in mortgage lending, particularly BTL*
- ⇒ *Gradual growth in personal lending and credit card originations reflecting improved sentiment*
- ⇒ *Continued growth in deposits, with shift from term to PCAs in low rate environment*
- ⇒ *PCAs continue to represent the anchor relationship banking product*



Momentum rebuilding in SME and commercial

- ⇒ *Gross monthly lending flows in 2015 +8% vs. 2014*
- ⇒ *Investment expected to grow relatively strongly in 2015/16 — forecasts for subsequent years revised up*
- ⇒ *Y-o-y growth in lending to SMEs turning positive in April 2015 — first time since 2009*
- ⇒ *North East and Yorkshire & the Humber saw a stronger uptick SME lending in Q2 vs Q1 2015 compared to other regions*
- ⇒ *Attractive margins in niche segments where larger banks are not competing*



CYBG's core regions present attractive dynamics

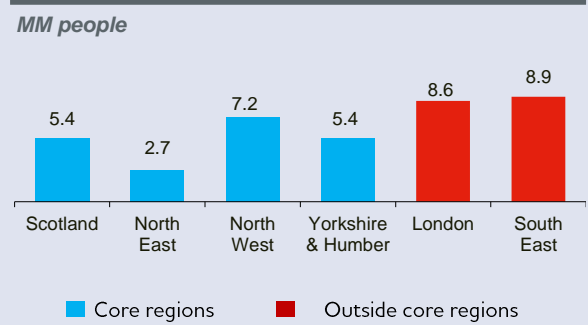
✓ **20.7m population in CYBG's core regional markets**

✓ **Sustained increase in average earnings across core regions supporting confidence and spending**

✓ **House price growth in CYBG core geographies more muted, driving further upside potential**

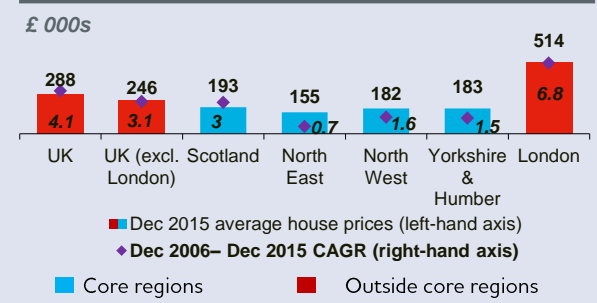
✓ **Stable SME lending volumes in CYBG core regions — Yorkshire & Humber growing**

20.7 MM population in CYBG's core markets



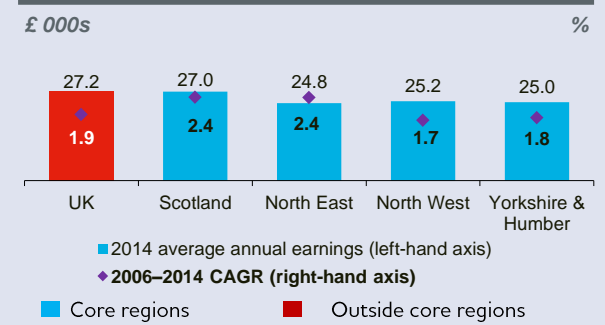
Source: Office for National Statistics

Greater scope for further house price increases in core regions vs. London



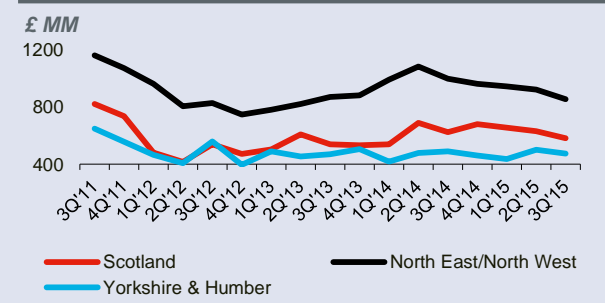
Source: Office for National Statistics

Core regions earnings growth rates have equalled or surpassed that in London since 2006



Source: Office for National Statistics

Core regions reflect marginal improvement in the value of new lending to SMEs



Source: British Banking Association

Regulatory environment continues to evolve

- ⇒ ***Focus on competition amongst banks in the UK market — creation of the CMA⁽¹⁾ in 2014***
- ⇒ ***Introduction of PCA switching service in 2013, supporting switch away from top 5 banks***
- ⇒ ***Early adoption of Basel III / CRDIV requirement***
- ⇒ ***Continued focus on best practice conduct and customer fairness***
- ⇒ ***Ring-fencing and resolution frameworks driving increased stability***
- ⇒ ***Enhanced stress testing hurdles, further strengthening bank balance sheets***
- ⇒ ***Macro prudential measures in focus – RWA floors, higher capital requirements, path to IRB***
- ⇒ ***Potential FPC⁽²⁾ recommendations and directions – housing market and unsecured lending***

The background of the slide is a high-angle photograph of the Golden Gate Bridge in San Francisco, California. The bridge's iconic red-orange steel lattice structure is prominent, extending from the bottom left towards the right. In the distance, the blue waters of the bay surround Alcatraz Island, which is a small, rocky island with several white, rectangular buildings and patches of green grass. The sky is a clear, light blue.

CYBG

David Duffy
Chief Executive Officer

CYBG overview & strategy

Our business at a glance

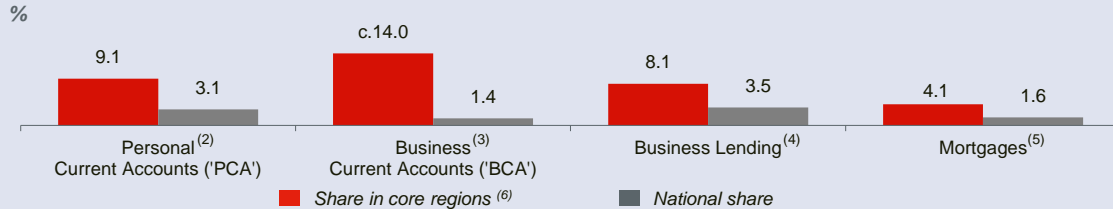
Significant scale (2015)



Full service product range

Retail			SME		
PCAs	Savings Accounts & Term Deposits		Payment & Transaction Services	BCAs & Deposits	Term Lending
Mortgages	Personal Loans	Credit Cards & Overdrafts	Working Capital Solutions ⁽¹⁾	Overdrafts	Savings

Strong market shares in core regions



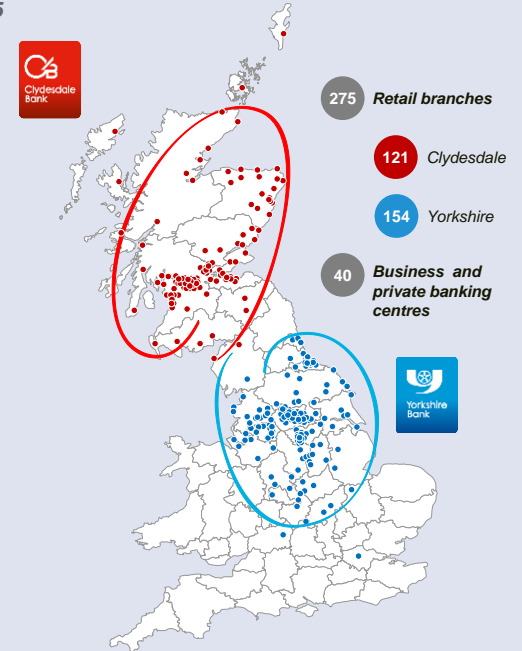
Source: BBA, CACI, CMA, BoE, CML

Broad channel distribution capability



Established regional franchise

2015

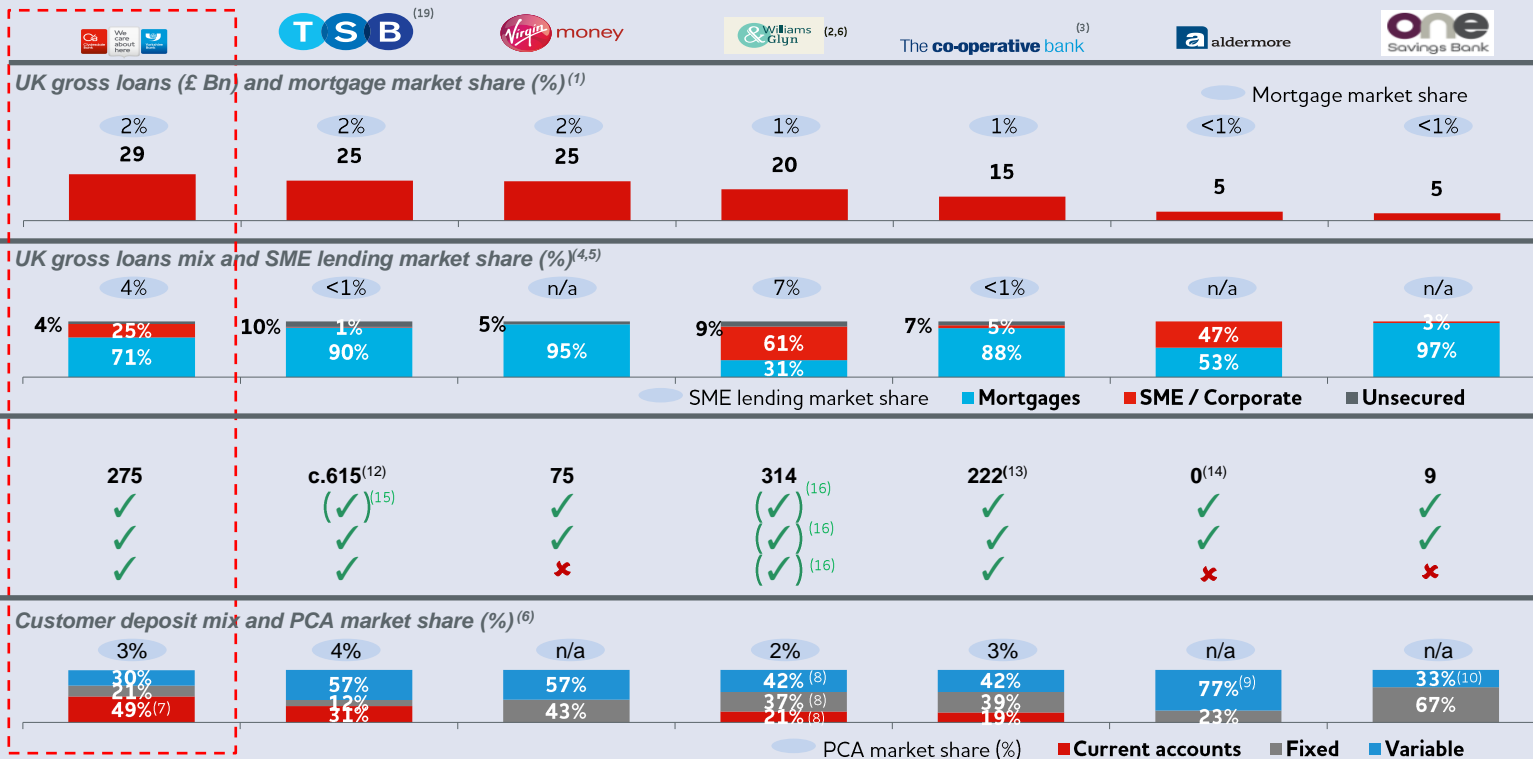


→ Population of c.18 MM within a 10 minute drive of a Clydesdale / Yorkshire retail branch⁽⁷⁾

1. Defined as asset finance, invoice finance, trade finance, treasury solutions, payment services and international services; 2. CACI (2015); 3. Regional market share based on Scotland only as calculated by CMA review (Banking services to small and medium sized enterprises, July 2014), national market share based on BOE 2015 calculation; 4. BBA 2Q15 SME lending stock; 5. Share of stock CML (2015). Regional market share based on availability of regional loan data (c.70% of UK market); 6. Defined as Scotland, Yorkshire and the Humber and North-East and North-West England; 7. Based on Experian Branch Catchments (September 2015)

Differentiated position to UK challengers

Figures (Latest) in £ Bn unless stated otherwise⁽¹⁷⁾



Largest of the mid-sized UK banks

Full service offering with strong SME presence

Multichannel distribution
Retail branches
Intermediary
Telephony
Mobile⁽¹¹⁾

Strong current account foothold based in core regions

The only UK mid-market bank which has material scale, full service capabilities and a substantially standalone IT platform

Source: Company Information, Mintel, BBA, Bank of England

1. CYBG, TSB, Virgin, OSB, W&G, Aldermore and Co-op represent the total group; 2. W&G based on RBS FY2014 disclosure; 3. Excluding Optimum and Non Core Corporate; 4. Based on BBA postcode lending data; 5. Latest portfolio mix disclosure for W&G is as at H1 2012; 6. PCA market share based on Mintel data July 2014. For W&G, based on Santander report, August 2010 7. CYBG PCAs includes non interest bearing demand deposits 8. Represents RBS UK mix 9. Amounts repayable within one year assumed as proxy for variable; 10. Includes flexible savings 11. Defined as mobile banking app available on line with transaction functions; 12. Estimated branches adjusting for announced branch closures post Sabadell acquisition announcement. Currently at 633 branches; 13. Core branches; 14. Defined as retail branches only, not SME centres (of which there are 11); 15. Short track record, offering available only since 19 January 2015; 16. All functions embedded in RBS platform with no fully standalone capabilities; 17. Data as at FY2014, except gross loans as at 1H2015. CYBG shown on a FY15 basis; 19. TSB gross loans and loan mix pro forma for £3.3 Bn UKAR mortgage acquisition

Our strategy

Our business today

We are a **strong regional bank with established Retail and SME franchises supported by trusted local community brands**

Our strategic aims

- 1 Leverage our capabilities in existing core regional markets**
- 2 Continue our successful national growth strategy focusing on selected products and sectors where we have a strong history and established capabilities**
- 3 Deliver a consistently superior experience to our customers underpinned by our local community brands and a customer driven omni-channel strategy**
- 4 Deliver enhanced shareholder returns**

Identified opportunities for improvement

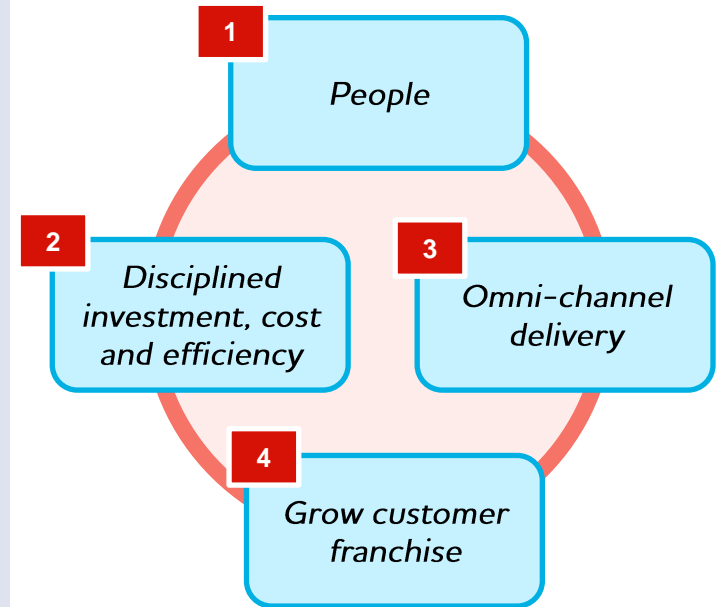
Positive dynamics ...

- ✓ **Loyal customers**
- ✓ **Motivated, engaged staff**
- ✓ **Solid financial fundamentals**

...with areas that require improvement and change

- ⇒ **Cultural transformation required to change subsidiary mind-set**
- ⇒ **Simplify internal governance and processes**
- ⇒ **Streamline operations and decrease inefficiencies**
- ⇒ **Significantly enhance productivity**

✓ Near term focus areas



1 People – cultural transformation

Priorities

Create customer centric culture

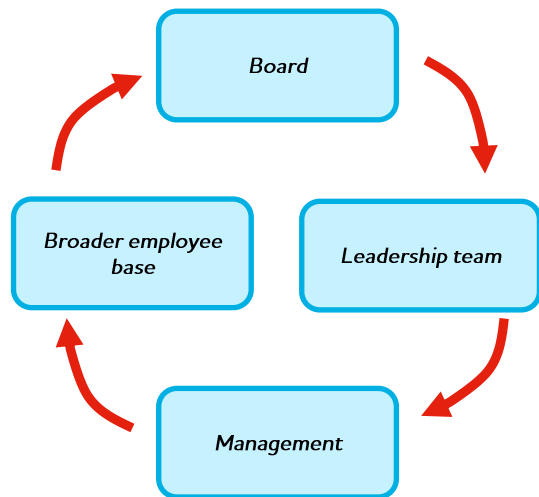
Empower & deepen cross bank talent

Drive accountability & responsibility

Appropriate reward structure

Focus on governance framework

Cross bank approach



Near term actions

- ⇒ Strengthen leadership team for standalone environment
- ⇒ Identify and fill key capability gaps
- ⇒ Full employee clarity on strategic direction
- ⇒ Reward programme aligned to strategic goals and customer

Progress

- ✓ Senior Board appointments
- ✓ Leadership team restructured
- ✓ Number of key senior positions filled
- ✓ Senior management bench strength assessment exercise ongoing
- ✓ Reduction in policies and committees
- ✓ New employee engagement approach

2 Disciplined investment, cost and efficiency

Priorities

Targeted investment in growth plan

Appropriate investment in resilience

Rigorous approach to cost control

Streamline customer and staff processes

Significantly enhanced productivity

Near term actions

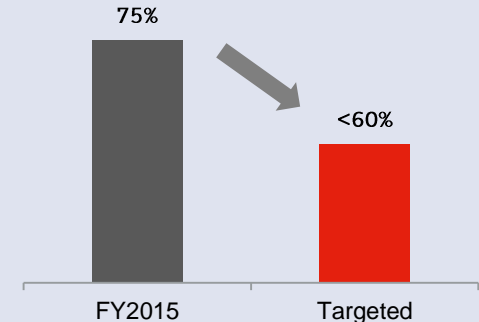
- ⇒ Review of investment spend linked to customer strategy agenda and resilience of franchise
- ⇒ Revised governance and control framework for costs
- ⇒ Targeting specific areas for cost reduction
- ⇒ End-to-end process simplification
- ⇒ Increased productivity and continued optimisation of branch network
- ⇒ Investment in data architecture

Progress

- ✓ c.£300 MM investment spend for growth and resilience across FY2015/2016
- ✓ Structural integration of retail and SME franchises
 - ✓ 24 branch closures in FY 2015 aligned to network reconfiguration
 - ✓ 70% of business centres co-located with retail branches
- ✓ Cost reduction and simplification initiatives
 - ✓ End-to-end mortgage process to be replicated in business lending
 - ✓ Targeted headcount reductions across the business

Path to improved operational efficiency

Cost-income-ratio ("CIR"), %



- ⇒ Targeting centralised costs and inefficiencies
- ⇒ Investment in growth strategy

3 Opportunity from delivery of Omni-channel strategy

Priorities

Optimise our branch footprint

Strengthen our existing digital channels

Enhance customer data and analytics

Digitise internal and customer processes

Leverage "B" platform and functionality



Deepened relationships

Broadened offering

Extended reach

Digitised operating platform

Near term actions

Distribution

- ⇒ Next generation branch format / automation - **Live**
- ⇒ Optimisation of footprint aligned to customer needs
- ⇒ Digital connectivity to non-branch channels

Processes

- ⇒ Online current account opening - **Live**
- ⇒ Mortgage end-to-end process simplification

Customer data analytics

- ⇒ "Digital Next Best Action" - **Live**

Mobile / Internet

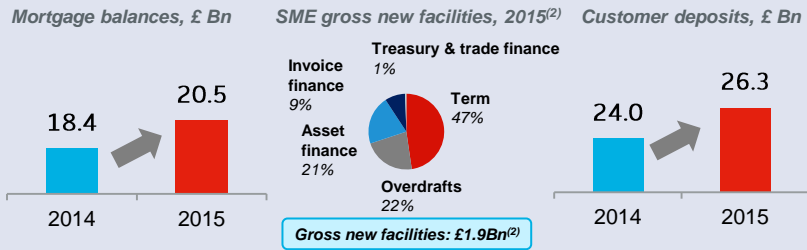
- ⇒ Enhanced mobile banking proposition
- ⇒ Public Launch of "B" platform

Consistent, superior customer experience delivered through seamless omni-channel platform

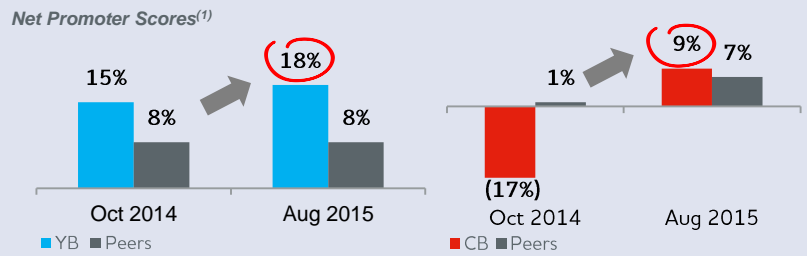
4 Grow customer franchise

Momentum in delivery

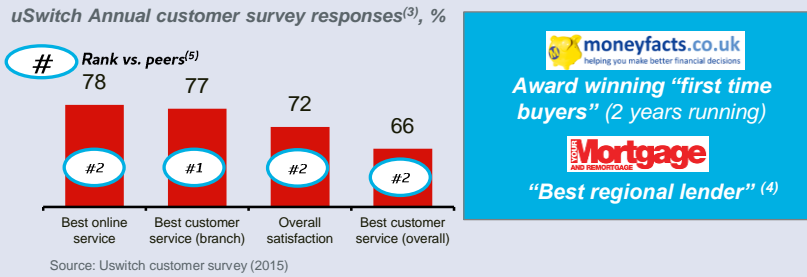
Positive trends in Retail & SME



Improved customer advocacy⁽¹⁾



Recognised service quality



Source: Uswitch customer survey (2015)

Near term actions

Distribution and products

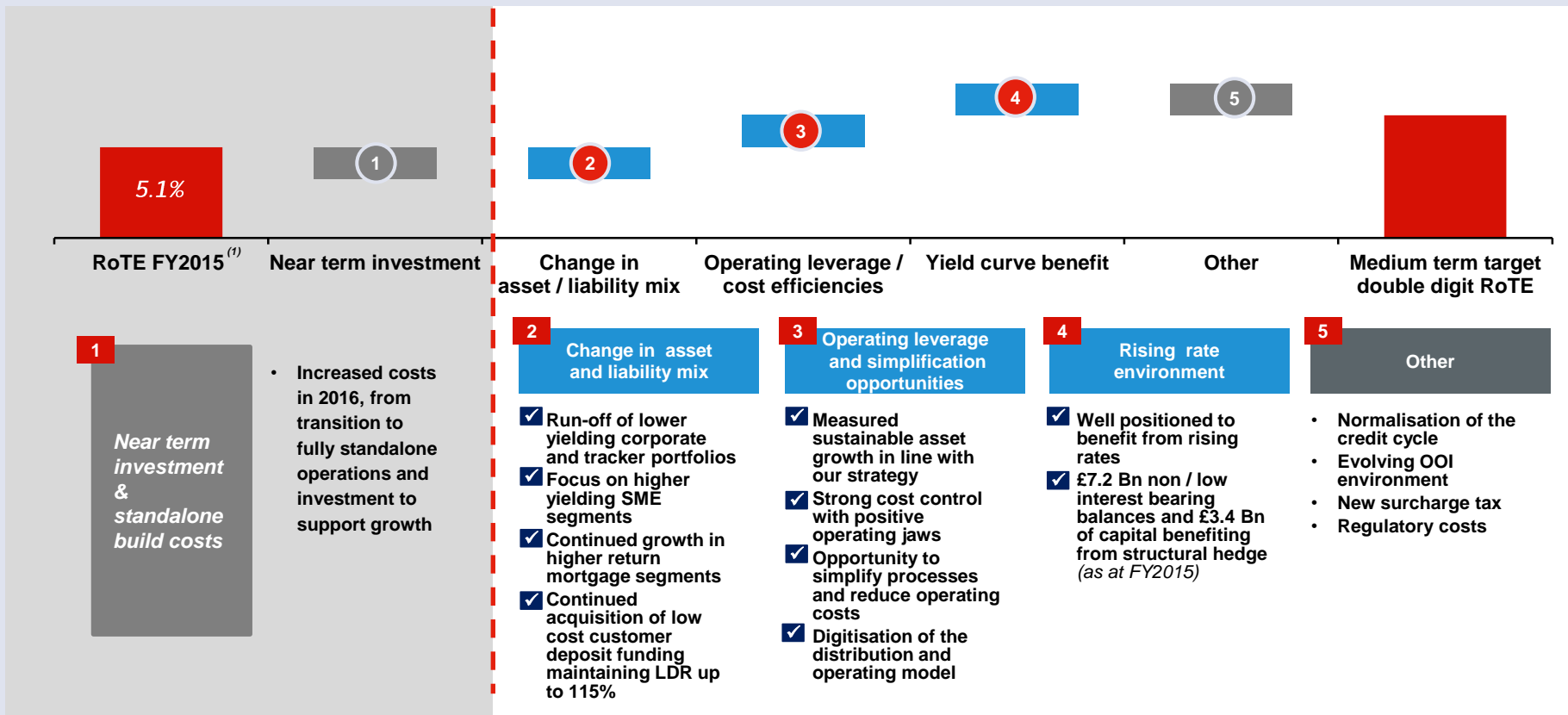
- ⇒ Growth in SME business leveraging existing areas of expertise
- ⇒ Step change in branch productivity
- ⇒ Greater focus on proprietary mortgage volumes
- ⇒ Continued focus on balanced deposit growth
- ⇒ Prudent approach to intermediary mortgage volumes

Customers

- ⇒ Investment in target segments, geographies and propositions
- ⇒ Improve customer experience through "B"

(1) Peers: YB - Barclays, Co-Op, Halifax, HSBC, Lloyds, Nationwide, NatWest, Santander, TSB / CB - Bank of Scotland, RBS, Santander, TSB; 2. Gross new facilities accepted and available to customers; 3. Based on 10,000 current account customers survey during 9th to 16th March 2015. Ranking and response pertaining to Clydesdale Bank only not CYBG; 4. Awards as at 2015 for Yorkshire Bank; 5. Survey consists of First Direct, Nationwide Building Society, Clydesdale Bank, TSB, Santander, Yorkshire Bank, Co-op, Halifax, Bank of Scotland, NatWest, Lloyds, Barclays, HSBC and RBS

Clear strategy to deliver growth and shareholder returns



CYBS

Retail banking

Gavin Opperman
Director Customer Banking

Helen Page
*Propositions and Marketing
Director*



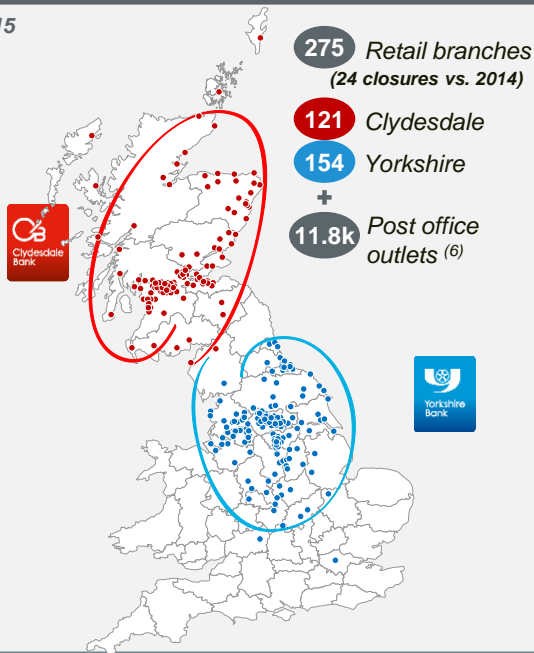
We
care
about
here



175 years of retail presence in core regional markets

✓ Strong regional network

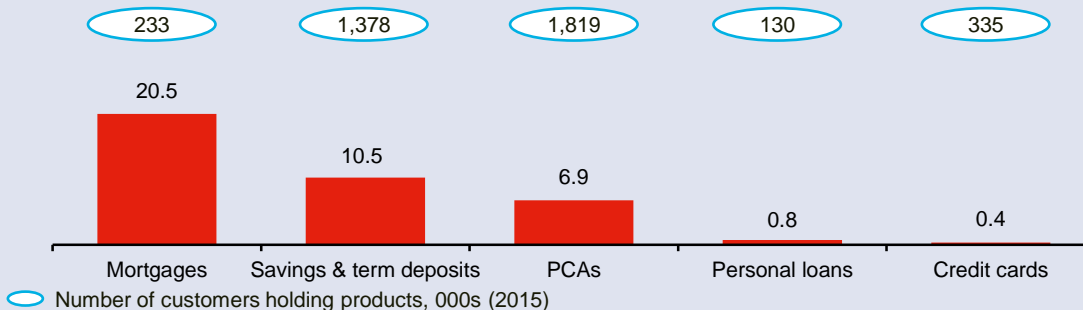
2015



- ✓ Presence in 7 of top 10 Retail sites in GB ⁽¹⁾
- ✓ c.18 MM customers within a 10 minute drive of a Clydesdale / Yorkshire retail branch ⁽³⁾

✓ Well-established proposition for 2.6 MM customers⁽²⁾

Gross customer balances (2015, £ Bn)⁽⁹⁾



✓ Accessed through an omni-channel distribution proposition

Data shown below represents 2015

Network	Intermediary	Digital	Contact Centre
<ul style="list-style-type: none"> • 81% of PCA openings⁽⁴⁾ • 125 face to face mortgage specialists (intention to fill vacancies) • 14% of gross new mortgage lending ^{(4) (5)} 	<ul style="list-style-type: none"> • 11 years track record • 74% of gross new mortgage lending ⁽⁴⁾ (£3.7 Bn) • Invitation-only panel 	<ul style="list-style-type: none"> • 973k RIB & mobile registrations⁽⁷⁾ • 41% of PLs new lending ⁽⁴⁾ • Mobile app • Internet banking • Presence on 21 aggregator sites 	<ul style="list-style-type: none"> • 2 main contact centres⁽⁸⁾ • 10% of gross new mortgage lending ^{(4) (5)} • 46 mortgage specialists (intention to fill vacancies) • 19% of PLs new lending ⁽⁴⁾

1. Cushman & Wakefield Retail Centre Rankings; 2. As at September 2015; 3. Based on Experian Branch Catchments (September 2015); 4. As at September 2015; 5. Includes private banking sales. Note that mortgage sales attributed to web, of 2% of total, have not been allocated to branch or voice; 6. Ability to transact through post office branches, providing access where CYBG not present in the vicinity; 7. Mobile and retail internet banking personal customer penetration (2015); 8. Supported by outsourcing agreement. Two further CYBG call centres in England to handle customer requirements; 9. Excludes overdraft

Established and trusted brands with focus on service quality

⇒ Brands refreshed, with a clear sense of purpose

✓ **Built on what customers told us a great bank should be**

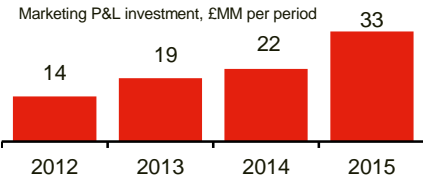


We asked c. **600,000** customers to help us become a better bank

✓ **Underpinned by strong values and behaviours**

- Get the basics right - first time, every time
- Listen, understand, respond
- Be accountable to customers and each other
- Treat customer time as more important than your own
- Know your neighbourhood

✓ **Increased marketing spend supporting brand and proposition**

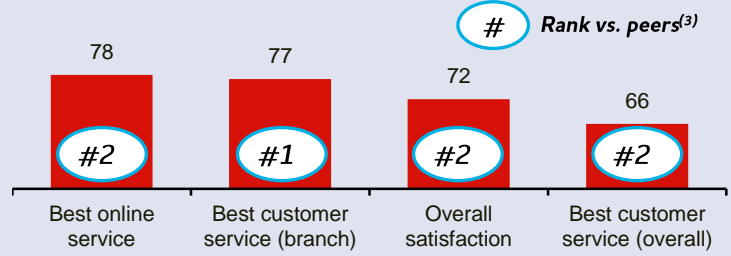


✓ **Designed to stretch across Retail and SME and beyond core regions**



⇒ Service quality recognised by the market

uSwitch Annual customer survey responses⁽²⁾, %



Source: Uswitch customer survey (2015)

⇒ Clear focus on fair customer outcomes

- ✓ **Balanced scorecard approach for all staff**
- ✓ **All staff undertake fair outcomes training – 96% of staff surveyed indicated they understand how to contribute to meeting the needs of customers (up from the previous year)⁽¹⁾**
- ✓ **19% reduction in monthly complaints, excl. PPI (FY14 vs. FY15)**

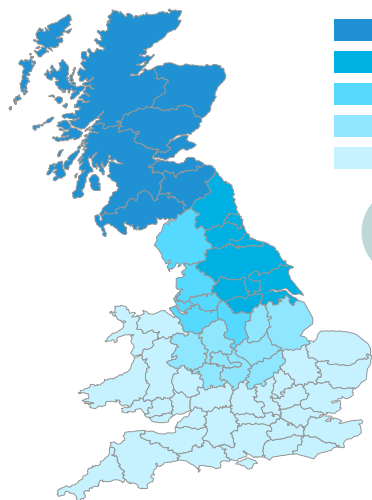
Revitalised and refreshed brands focused on delivering fair customer outcomes

1. CYBG employee engagement (retail results, 84% employee response rate), 2015; 2. Based on 10,000 current account customers survey during 9th to 16th March 2015. Ranking and response pertaining to Clydesdale Bank only not CYBG; 3. Survey consists of First Direct, Nationwide Building Society, Clydesdale Bank, TSB, Santander, Yorkshire Bank, Co-op, Halifax, Bank of Scotland, NatWest, Lloyds, Barclays, HSBC and RBS

We will continue to grow our deposit franchise, leveraging our loyal customer base in core regions

✓ 1.8 MM PCA customers

2015



- Over 30% of Customers
- 25-30% of Customers
- 20-25% of Customers
- 10-20% of customers
- <10% of Customers

Successfully executing strategy to attract new customers in target segments resulting in a marginally lower figure

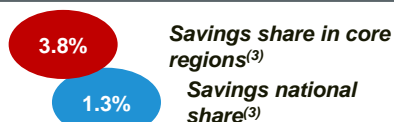
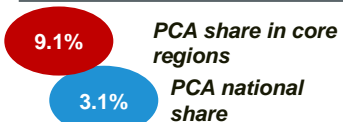
78%

PCA customers with us > 10 years

42%

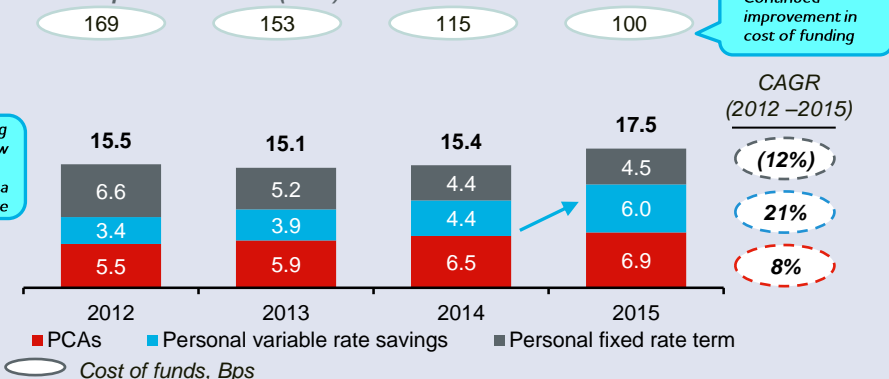
Primary PCA relationship⁽²⁾

✓ Strong regional presence⁽¹⁾



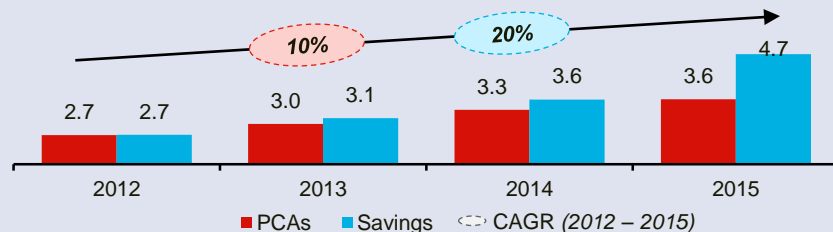
Growing lower cost personal deposit balances

Gross deposits balances (£ Bn)



Growing average balances

Average deposit balance per customer (£000s)



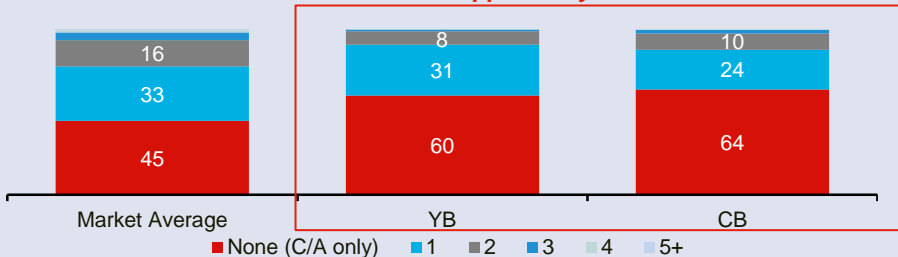
1. Core regions defined as Scotland, Yorkshire and the Humber and North-East and North-West England; CACI (June 2015), based on stock of balances; 2. Primary (i.e. main bank) customer must be party to at least one MT account of a selected product type which meets the following criteria: i) credit turnover averaging at least £1000 in the last 3 consecutive months, ii) three or more standing orders or direct debits (or a combination of the three) in place, iii) three or more customer initiated transactions (ATM, point of sale, branch counter services); 3. Market share for savings and term

Significant revenue opportunity from targeting higher value, younger customer demographics

✓ Clear opportunity to improve penetration

% of products held at main current account provider, 12 months ending Sept 2015

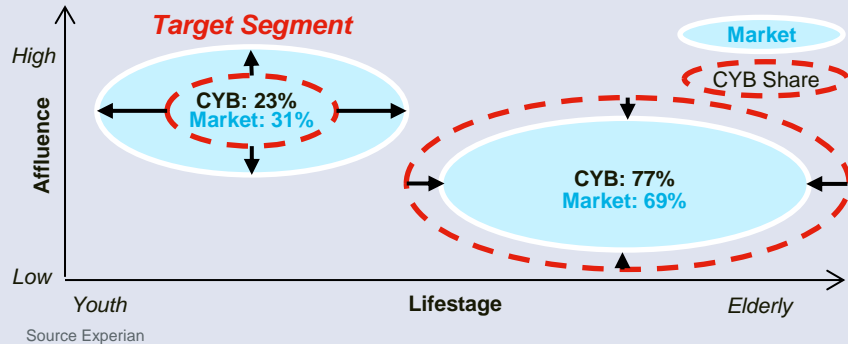
Opportunity vs. market



Source GfK Financial Research Survey (FRS), 12 months ending September 2015, 58,198 main current account customers interviewed

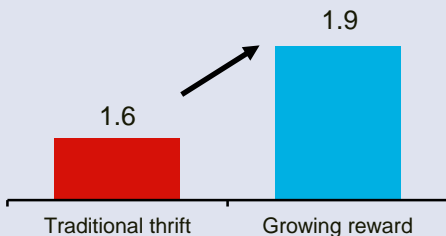
Under-weight in higher value, younger demographic

CYBG customer segmentation; 2015

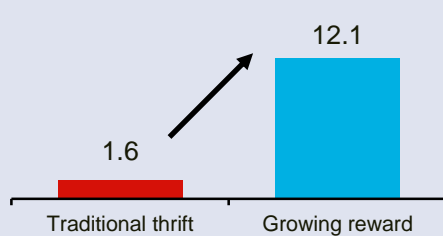


✓ Target demographic presents significant revenue opportunity

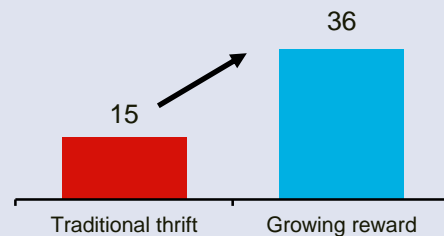
Cross-sell, (avg. product holding)



Average lending balance⁽¹⁾, (000s)



Internet usage (%)



Source Experian (September 2015)

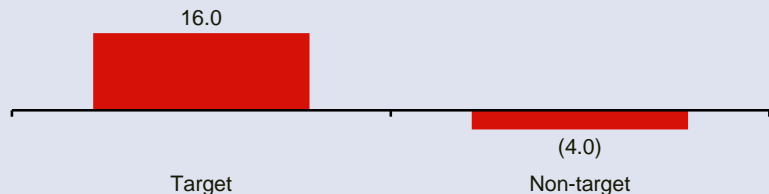
Traditional thrift
Ageing individuals with low incomes with reliance on the state

Growing reward
High income families with growing children who are making excellent financial progress

Positive trends underpinning the success of our strategy

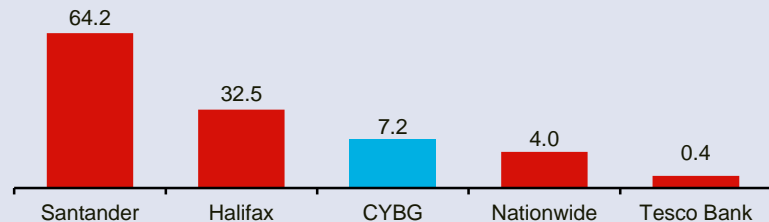
✓ Retail customers acquisition in target higher value customer segments

Total retail customers net acquisition (2015), 000s



✓ #3 switching choice in market

Net PCA switching, 000s (as at 1Q 2015)



✓ Attracting customers in target segments

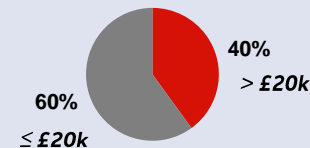
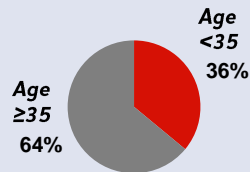


Customer age

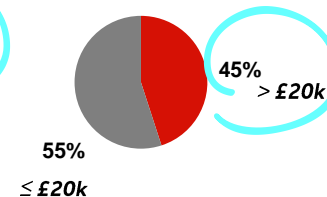
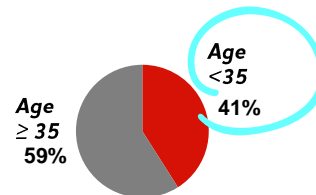


Customer income⁽¹⁾

Campaign 1
(Pre T&C change)
(Nov 2014 – March 2015)



Campaign 2
(Post T&C change)
(April 2015 – Sept 2015)

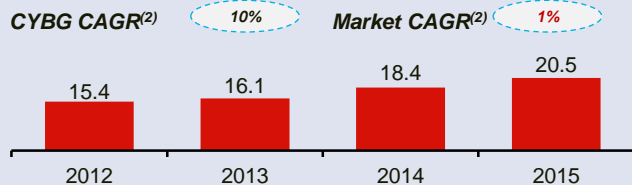


Targeting an increase in market share of PCA flow, regionally and nationally

We will continue targeting growth in mortgages

✓ Above market growth

Gross stock balances, £ Bn

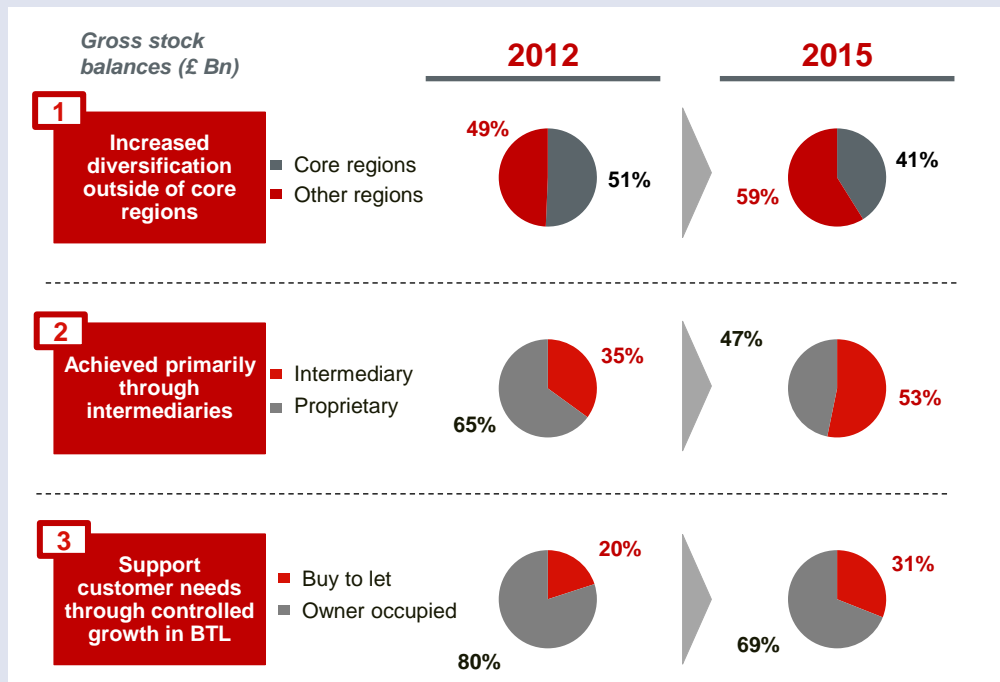


CYBG stock market shares, %



Source CML

- ✓ 4 years of above market growth
- ✓ Mortgages 70%+ of loan book
- ✓ National reach through intermediaries
- ✓ 48% of book in London and South East



Award winning “first time buyers” proposition with Moneyfacts 2 years running and “best regional lender” with Your Mortgage⁽³⁾

National capability through high quality intermediary platform with established track-record

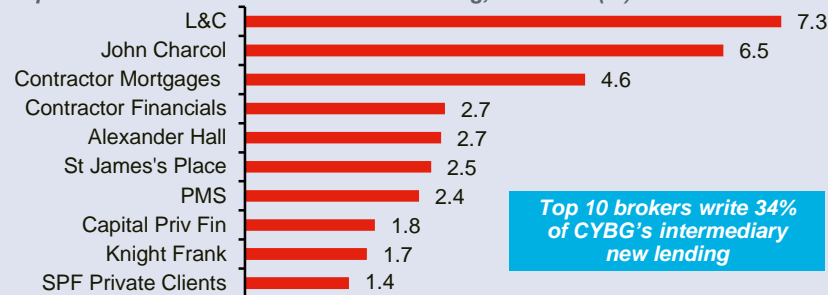
Differentiated relationship based model

- ⇒ Selective “invitation-only” panel
- ⇒ Longstanding relationships - 65% relationships > 4 years⁽³⁾
- ⇒ Business Development Management model drives higher quality, higher value originations
 - Experienced staff (16 average years experience)
- ⇒ Manual underwriting specialism
- ⇒ Strong risk controls

74% of new lending via intermediary in line with peers (88% Aldermore and 87% Virgin Money)

Leading, selective broker panel

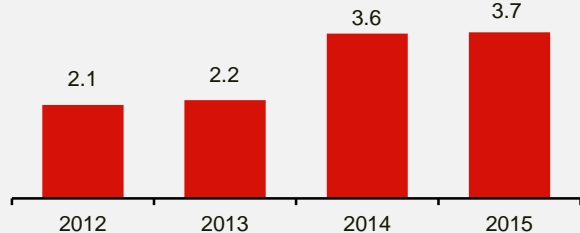
Top ten brokers share of CYBG broker lending, YTD 2015 (%)



Top 10 brokers write 34% of CYBG's intermediary new lending

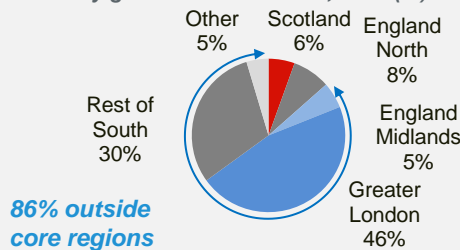
✓ Strong track-record

CYBG Intermediary gross new lending (flow) (£ Bn)



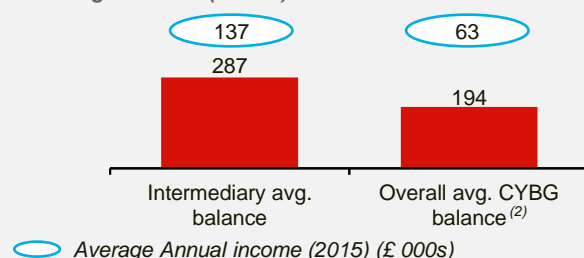
✓ Geographic diversification

Intermediary gross stock balances, 2015 (%)



✓ Higher value customers

Average balance (£ 000s)



11 years of track record in quality intermediary lending supporting current national lending share of c.3%⁽¹⁾

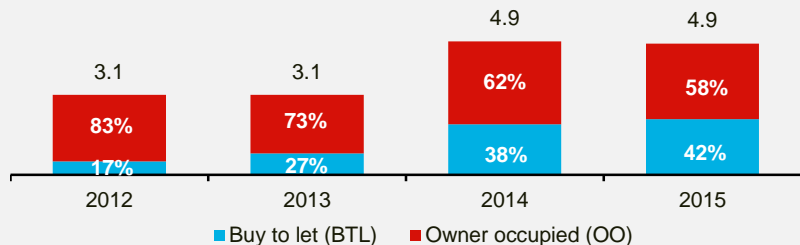
Managed growth in Buy-To-Let

Differentiated strategy

- ⇒ 11+ years experience of BTL lending
- ⇒ Manual underwriting approach; based on total customer affordability and rental cover
- ⇒ Focus on medium net worth clients
 - Main applicant average income for BTL increased to £104 k
 - 74% can afford with no recourse to rental income⁽²⁾
- ⇒ No second charge mortgages
- ⇒ 90 days past due rate better than industry and residential
 - Overall 90+ rate of 0.48%
 - Post 2007 lending at 0.27%

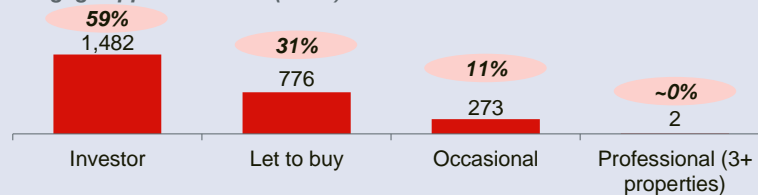
Managed growth

Gross new lending (£ Bn)



Buy to let customer segments

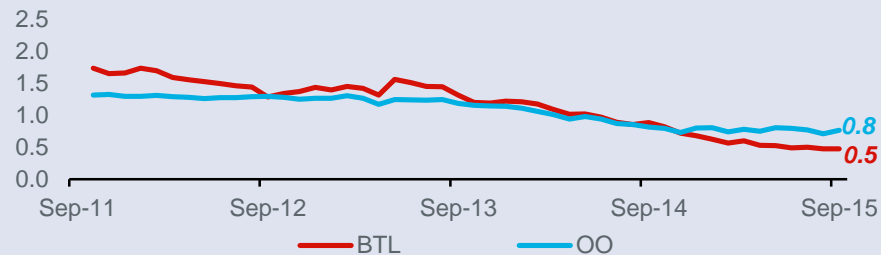
New mortgage approval values (£ MM)⁽³⁾



Portfolio (properties)	1-3	1	1-3	3-25
Characteristics	Employed; MNWI BTL as alternative savings	Employed, MNWI Facilitates moving to another primary residential property	Employed, medium income	BTL is sole source of income

Low BTL delinquency rates

Total delinquency rates⁽¹⁾ (%)



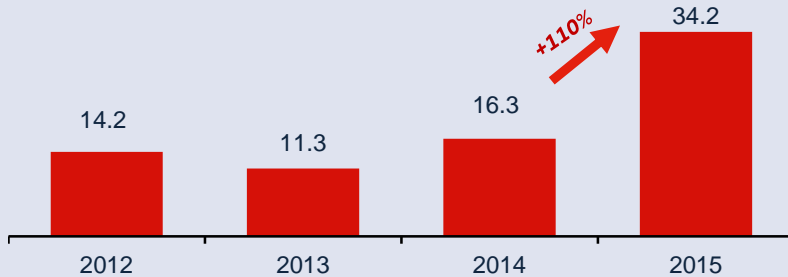
Focus on digital enablement to reinvigorate unsecured propositions



- **Digital enablement – increased sales via aggregators**
- **Competitive credit card proposition introduced – 0% offer on purchases**

✓ Credit card proposition reinvigorated

Retail new card issuance, 000s⁽¹⁾



✓ Future

- ⇒ **Continued focus on digital e.g. aggregators**
- ⇒ **Deepen existing relationships e.g. Secure Site sales and “Digital Next Best Action”**
- ⇒ **Improving end-to-end customer experience**
- ⇒ **Aligned pricing across channels with capability to differentiate by campaign**
- ⇒ **Develop new customer-centric propositions**

Introducing B

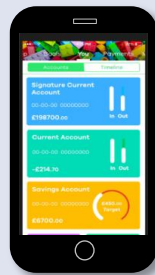
⇒ Insight

71% of millennials would rather go to the dentist than listen to what Banks are saying

Source: Millennial disruption index

Money is one of the biggest causes of emotional stress

Source: Daily Telegraph



⇒ Target market

Explorers – Young affluent, individuals looking for more engaging ways to manage their money



⇒ Customer need

- ✓ *Make managing my everyday money simple and rewarding*
- ✓ *Allow me to understand, control and manage my monthly income and expenditure better*
- ✓ *Allow me to instantly access an expert*
- ✓ *Help me make the most of my money*
- ✓ *Make registration and set-up easy*



⇒ Features & benefits

- ✓ *Easy view of payment and money tools enabling everyday money management*
- ✓ *Tagging and categorisation of spend*
- ✓ *Intelligent features and messages encouraging saving hints and tips*
- ✓ *Intelligence focussing on future rather than the past spend*
- ✓ *Simple online registration and activation*

CYBS

Gavin Opperman
Director Customer Banking

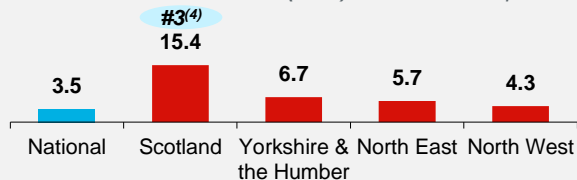
SME banking



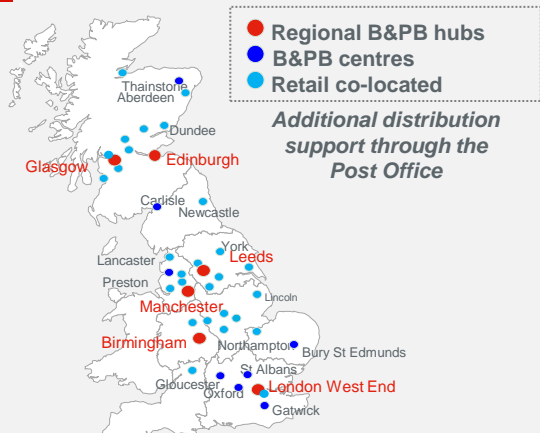
Established SME bank with regional track-record and scale

✓ Leading regional presence

% SME stock market share (BBA)⁽¹⁰⁾ Market position⁽⁴⁾



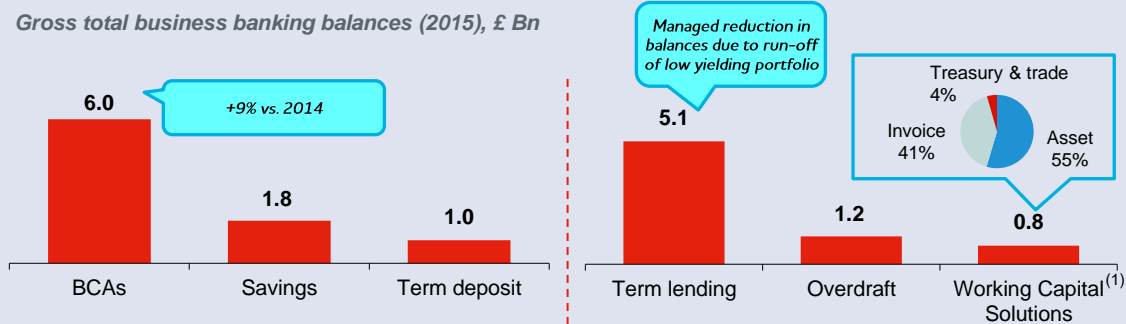
✓ Network with national reach⁽⁹⁾



40 centres including 6 Hubs
(70% of centres are co-located with Retail)

✓ Full-service product proposition aligned to 179 k customers' needs

Gross total business banking balances (2015), £ Bn



✓ Integrated omni-channel service and origination model⁽³⁾

Relationship Managers (RMs)	Product and Sector Specialists	Business Direct Platform	Digital Platform
<ul style="list-style-type: none"> 325 Business & Commercial Banking RMs⁽⁵⁾ 97 Private Banking RMs 	<ul style="list-style-type: none"> 183 Working Capital Solutions⁽⁶⁾ 177 Specialist and Acquisition Finance⁽⁷⁾ 70 Sector Specialists⁽⁸⁾ 	<ul style="list-style-type: none"> 51 k customers 79 RMs Telephony support for small business 	<ul style="list-style-type: none"> Business Online internet platform 14 k Business Online and 47 k internet banking registered users

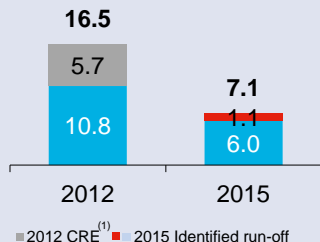
1. Defined as asset finance, invoice finance, treasury & trade finance; 2. Regional hubs deliver an integrated Commercial, Specialist and Acquisition Finance ('SAF'), Small Business and Private proposition. Glasgow and London West End are co-located; 3. As at September 2015; 4. CMA review (Banking services to small and medium sized enterprises, July 2014); 5. 325 RMs include: Business Direct (79), Commercial (140 – including 50 Agribusiness RMs), Small Business (37), SAF (45) and National Business Solutions ('NBS') (24); 6. Includes Asset Finance (46), Invoice Finance (69), Other (68 - incl Payments and Treasury Solutions) staff; 7. 69 RMs (included in 325) plus Associate Directors, Growth Finance, Origination Directors, NBS Advisers and Management. Includes 31 CSC staff transferred into SAF since March 2015; 8. 50 Agriculture RMs (included in 325) plus 12 Sector specialists and 8 CRE specialists; 9. Map excludes Orkney and Shetland; 10. BBA 2Q2015 SME lending stock

Franchise significantly de-risked and positioned for growth

Portfolio de-risked

- ✓ **Transfer of £5.7 Bn CRE to NAB⁽²⁾**
- ✓ **Business refocused on SME customers**
- ✓ **Tightened risk appetite**
- ✓ **Further run-off of £1.1 Bn low yielding business loans by 2019**

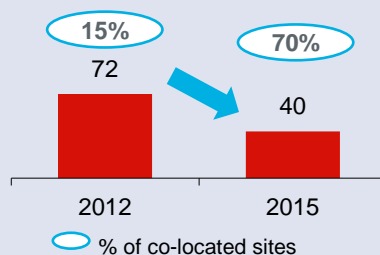
Business banking loan book (£ Bn)



Distribution restructured

- ✓ **Restructured 72 to 40 Business & Private Banking Centres⁽³⁾**
- ✓ **Established 6 regional customer service centres**
- ✓ **28 co-located business centres with Retail⁽⁴⁾**

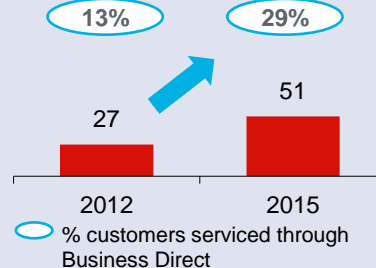
Number of Business & Private Banking Centres



Service model redesigned

- ✓ **23 k customers moved to Business Direct⁽³⁾**
- ✓ **Standardised relationship management portfolios**
- ✓ **Centralised administrative support**

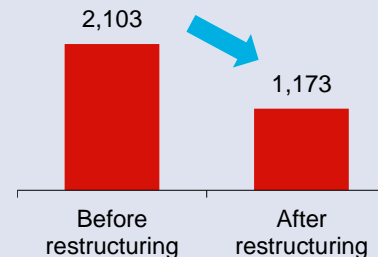
Number of BD customers (000s)



Operations right-sized

- ✓ **Reduced headcount by 44% - direct cost base reduced by c.30%**
- ✓ **Prioritised resource to targeted growth areas**
- ✓ **Exited IFA business**

Number of FTE



Solid foundations for delivering a refreshed proposition

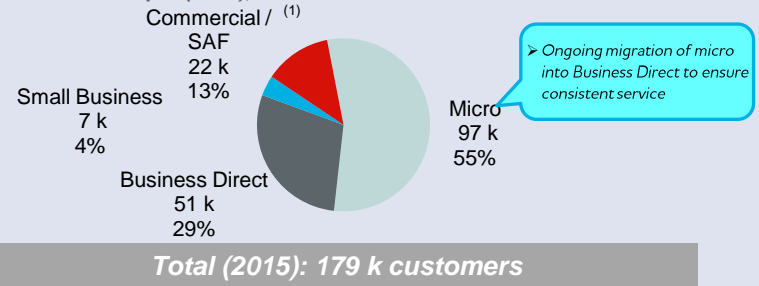
Full-service model targeting needs of diversified customers

✓ Diversified customer base across full SME spectrum

Segment	Definition
Micro	Turnover: <£120 k No lending
Business Direct	Turnover: <£750 k Lending: <£0.1 MM
Small Business	Turnover: >£750 k – £2 MM Lending: £0.1 MM-£0.25 MM
Commercial / Specialist & Acquisition Finance ('SAF')	Turnover: >£2 MM Lending: >£0.25 MM

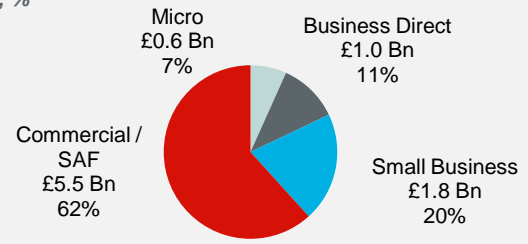


Business customers split (2015),%



✓ Deposit base supported by small and micro customer base

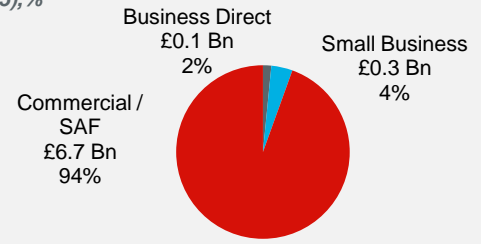
Gross stock (2015), %



Total SME Deposits (September 2015): £8.8 Bn

✓ Lending focused on higher value, lower risk commercial relationships

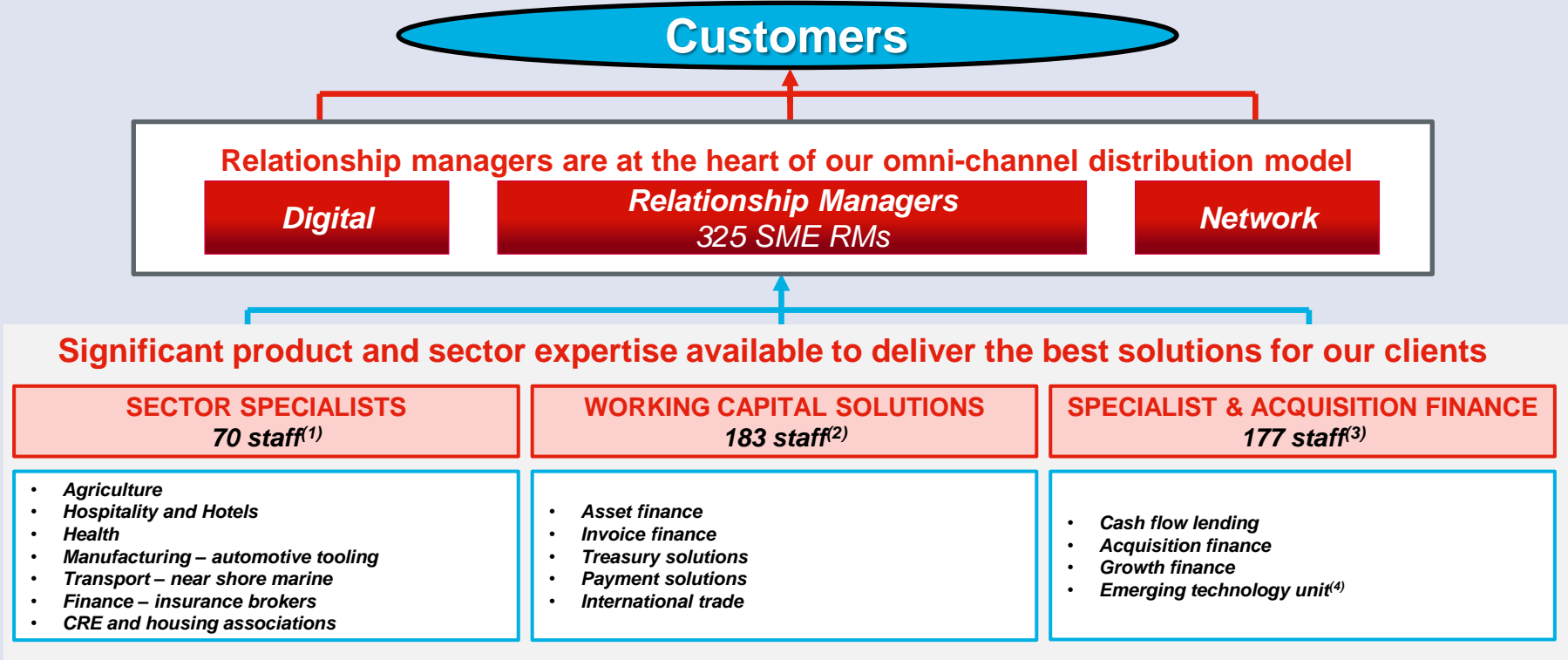
Gross stock (2015),%



Total SME Loans (September 2015): £7.1 Bn

1. Includes SAF (1,430), NBS and other customers

Relationship-driven service model integrated with extensive product and sector specialism



Note: Data as at 2015

1. 50 Agriculture RMs (included in 325) plus 12 sector specialists plus 8 CRE specialists. See page 35, footnote 5 for full RMs split; 2. Includes asset finance (46), invoice finance (69), other (68 - including payments and treasury solutions) staff not included within 325 RMs; 3. 69 RMs (included in 325) plus associate directors, growth finance, origination directors, National Business Services (NBS) advisers and management; 4. Newly established team which targets high growth early stage technology companies backed by Business Angel syndicates/VCs & PE houses

Local presence and quality face to face service drives deep understanding of customer needs



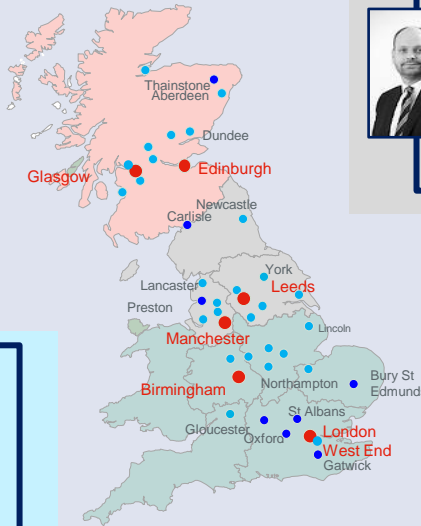
Alastair Christmas Scotland Director

- **31 years** experience, chartered banker
- **70 RMs** in team (22% of RMs)⁽¹⁾
 - **18 years** average service
- **34%** of gross new lending⁽²⁾
- **10 k** customers / **11 years** average longevity



Simon Wright East and West England Director

- **23 years** experience
- **63 RMs** in team (20% of RMs)⁽¹⁾
 - **18 years** average service
- **42%** of gross new lending⁽²⁾
- **9 k** customers / **10 years** average longevity



Andrew Falconer Business Direct Director

- **18 years** experience, chartered banker, MBA
- **79 RMs** in team (25% of RMs)⁽¹⁾
 - **8 years** average service
- **51 k** customers / **13 years** average longevity



Brian Colquhoun South & Midlands Director

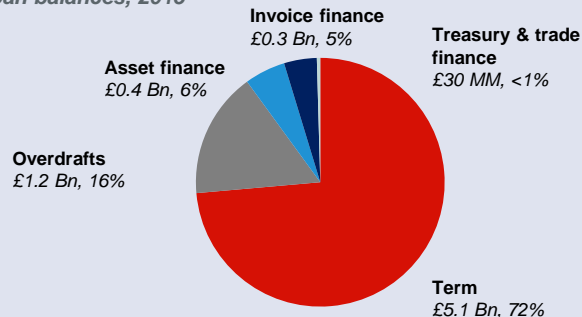
- **35 years** experience, chartered banker
- **44 RMs** in team (14% of RMs)⁽¹⁾
 - **8 years** average service
- **24%** of gross new lending⁽²⁾
- **5 k** customers / **8 years** average longevity

Quality face to face service delivered by RMs with over 15 years average experience

Lending strategy diversifying into higher return products

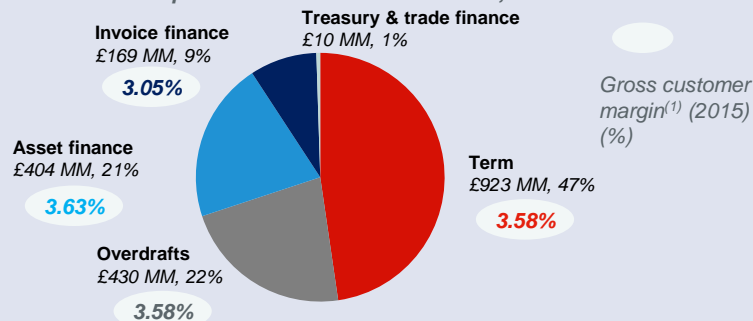
Loan book weighted to traditional term lending

Gross loan balances, 2015



Focused growth in higher return product areas

Gross new facilities accepted and available to customers, 2015

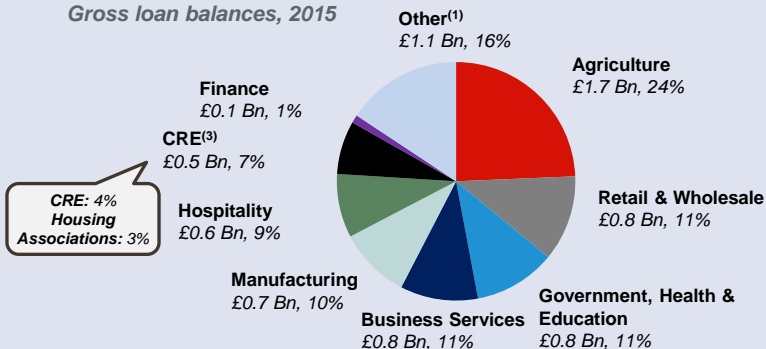


- ✓ **Strong relationships with customers** — c. 67% of originations from existing customers
- ✓ **Working capital solutions supporting increasing customer demand**
 - Invoice finance – c. 600 customers / £319 MM balances (2015)
 - Asset finance – c. 8,140 agreements / £425 MM gross balances (2015), reflecting 10% growth in origination balances
- ✓ **Specialist and acquisition finance is a key part of growth strategy**
 - SAF remains 31% of total balances
 - Acquisition finance represent only 7% of total balances

Lending in sectors with strong track-record and expertise

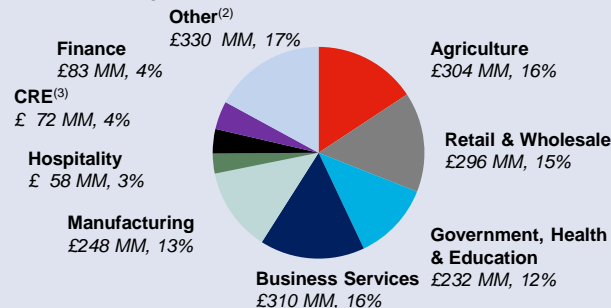
Diversified book

Gross loan balances, 2015

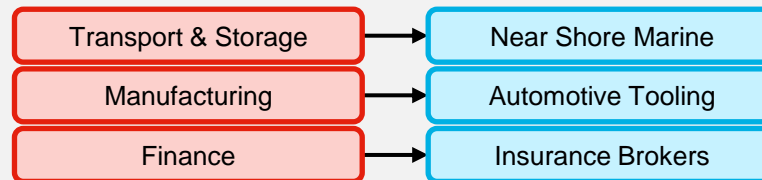
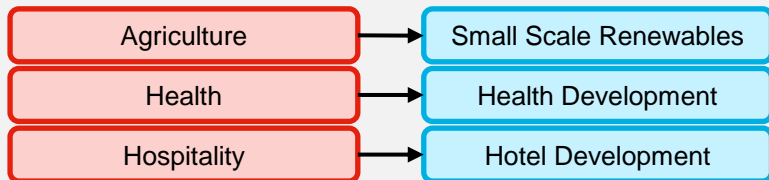


Targeted growth

Gross new facilities accepted and available to customers, 2015



- ✓ **Sector expertise** – e.g. 100 years in agriculture; 50 RMs
- ✓ **Cash-flow based lending approach supports asset-light sectors** e.g. Business Services, Retail
- ✓ **Continued focus on identifying under-served sub sectors where CYBG has expertise** - leveraging our industry knowledge to target growth in attractive niches; e.g.



Focused sector and product expertise enables targeted growth

✓ Significant breadth of knowledge and expertise across CYBG

Sector and specialist finance



- **Regional Director**
- Graeme Sands
- CA with Industry experience
- Previously at PWC



- **CRE**
- John Carter
- 30 years experience
- Property Lending Specialist



- **CRE: Housing Associations**
- Elaine Reed
- 30+ years experience
- Previously at Social Housing Regulator and Co-op



- **Agriculture**
- David Hannon
- 32 years of experience
- Previously at HSBC



- **Hospitality/ Hotels**
- Shona Pushpaharan
- 10 years of experience
- Previously Head of Hotels at AIB



- **Transport – Marine**
- Matt Smith
- 20+ years of experience
- MBA, Member of Chartered Institute of Logistics & Transport



- **Health**
- Derek Breingan
- 13+ years of experience
- Previously at RBS
- Chartered banker



- **Manufacturing**
- Kevin Rimmer
- 20+ years experience
- Previously at Lloyds TSB and ABN AMRO



- **Finance – Insurance Brokers**
- Paul Hambrook
- 17 years experience
- Previously at RBS

Working capital solutions



- **Regional Director**
- Phil Tarimo
- 20 years Corporate Banking experience
- Chartered Accountant



- **Treasury Solutions**
- David McGill
- 30 years experience
- Previously at RBS



- **Intern'l Services**
- John Brown
- 30 years of experience
- Previously at Lloyds and RBS



- **Asset Finance**
- Iain Corbett
- 30 years experience
- Previously with Fortis Lease



- **Invoice Finance**
- Martin Rothera
- 15 years of experience



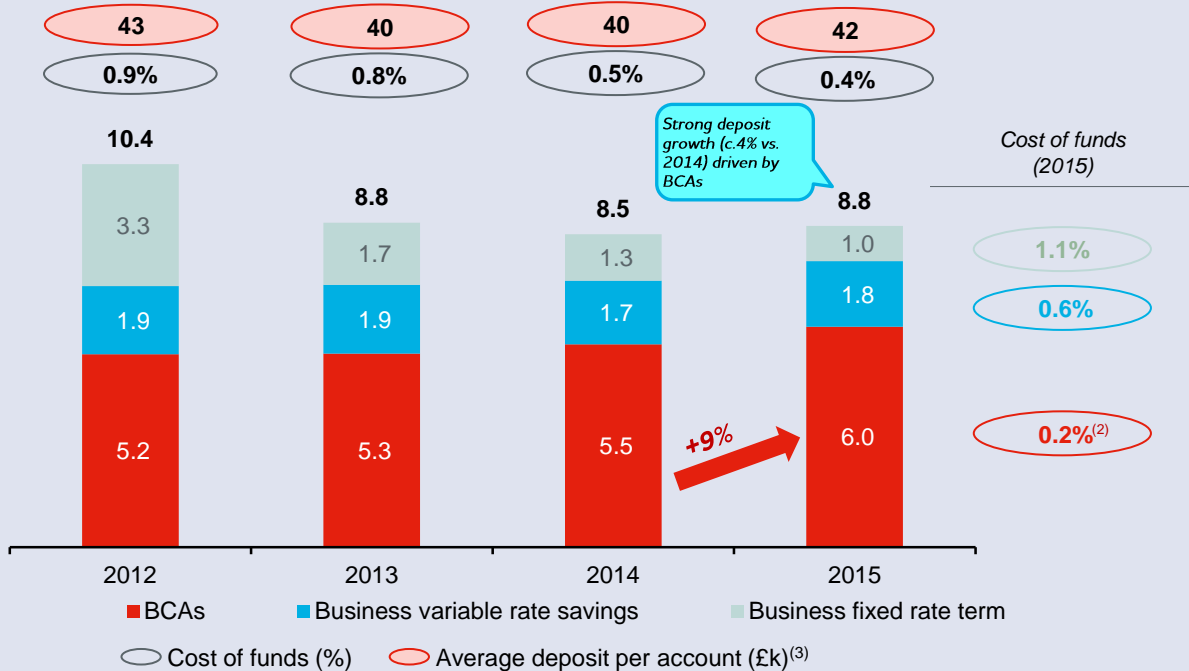
- **Payment Solutions**
- Andrea Belle
- 25+ years experience
- Extensive experience of Business & Retail Banking

Complemented by experienced underwriting capabilities with > 10 years of average expertise

Long-standing regional presence delivering stable deposits

✓ Positive deposit growth despite low yielding corporate book run off

Gross deposit balances (£ Bn)



✓ Established, long-standing regional presence⁽¹⁾

- c.14% **BCA market share in Scotland**
- #3 **BCA rank in Scotland for last 10 years**
- 1.4% **National BCA market share**

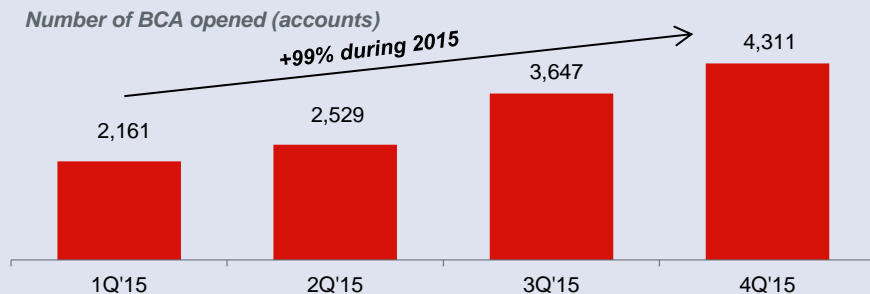
Business model based on long-standing local relationships: 54% of customers have been with us for > 10 years

Targeted acquisition of Small Business ('SB') customers through digital & direct channels

✓ Success launch of business direct

- ✓ **Cost-effective telephony platform** for lower value SMEs launched in 2012
- ✓ **Strong customer uptake** – number of calls per month CAGR (2012 – 2015) of 15%
- ✓ **Delivering deposit growth** – 26% CAGR (2012 – 2015)

✓ Strong new BCA growth for SB⁽¹⁾ customers



⇒ Progress on SB strategy

- ✓ **Continued delivery in BCA growth**
- ✓ **11% growth in lending deals drawn⁽²⁾**
- ✓ **NPS (net promoter score) up from (2) to +4⁽³⁾**

⇒ Opportunity to further develop SB⁽²⁾ relationships

- ⇒ **Low cross-sale penetration ratio** which is currently at 16% below peer average⁽⁴⁾
- ⇒ **Low lending products per customer ratio** which is currently at 62% below peer average⁽⁴⁾
- ⇒ **Lower quartile in relation to average revenues per customer**, currently 64% lower than peer average⁽⁴⁾

Targeting an increase in market share of BCA flow, regionally and nationally

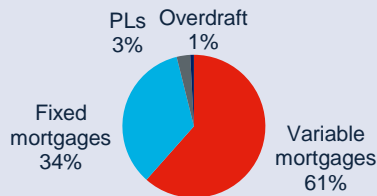
Profitable complementary Private Banking proposition

✓ Complementary proposition for business owners

- ✓ **Fee-based relationship** driven proposition aimed at higher net worth customers, **primarily business owners**
- ✓ **Distribution synergies with SME banking** and operational synergies with Retail
- ✓ **Serviced through 97 RMs** with average 19 years experience
- ✓ **Premium banking service model**

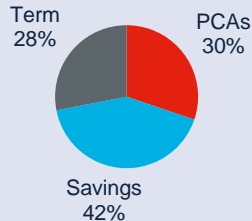
✓ Over 10% of group customer loans and deposits

Gross loan balances (2015)



Total loans £3.4 Bn
12% of group

Deposit balances (2015)



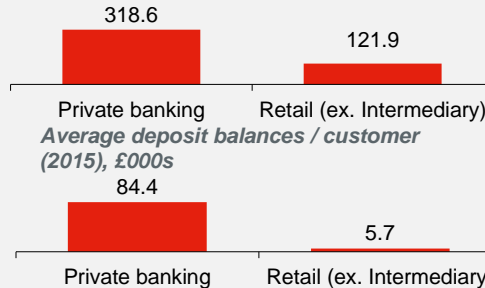
Total deposits £2.9 Bn
11% of group

✓ High quality complementary customer base

Type	Income/ Criteria	%
Business Owner	25% stake in business or specific job titles ⁽¹⁾	52%
Professionals	£75k- £200 K p.a	26%
Successful Retirees	assets > £100k	22%

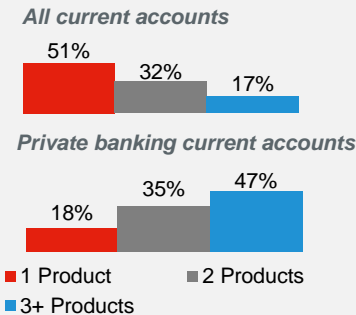
Higher value customers

Average mortgage balances / "new to bank" customer (2015), £000s⁽²⁾



Higher cross-sell

Product holding per customer (2015), %



Debbie Crosbie
Chief Operating Officer

Operating platform



Proven operating platform, with scalable infrastructure aligned to the full-service proposition

✓ Proven system capabilities (2014 – 2015)

Internet banking and digital channels

- **65 MM** mobile app logins
- **689 k** internet banking registrations
- **41%** of personal loans opened online

Everyday banking capability

- **18 MM** teller transactions p.a.
- **21.9 MM** account maintenance requests handled
- **3.4 MM** calls answered by direct banking

Full clearing bank

- **151 MM** inward UK BACS payment transactions processed
- **24.5 MM** outgoing UK faster payment transactions processed

Loan origination capability

- **39 k** mortgage completions in 2015 → **+19% CAGR (12 – 15)**
- **44 k** credit decisions made for business customers

Customer service delivery

- **99.6%** current account switches processed within Service Level Agreement (“SLA”)
- **19%** reduction in monthly complaints – *excl. PPI*

IT system operating leverage opportunity

✓ Customer facing services

- **Capability to expand peak transaction capacity 2x at low cost**

✓ Multiple brands on the same IT platform

- **Reduced cost** and complexity of regulatory / mandatory change

Proven operating model flexibility, in response to demand changes

- ✓ **Demonstrated performance against SLAs and quality targets through peaks and troughs**
- ✓ **Low cost service centres that can be flexed on demand**
- ✓ **Selective partners provide best-in-class service proposition, and demand flexibility**
- ✓ **Proven track record of mature and effective supplier management**

Core platform standalone, with clear plan for full separation

Core banking platform standalone

- ✓ All key decision-making is locally-managed by CYBG
- ✓ Limited enterprise dependencies
- ✓ TSA agreed in principle with NAB
- ✓ Last TSA to be exited by late-2018
 - Exit plans to limit business disruption
- ✓ Strong joint governance to ensure service levels are maintained
- ⇒ Net incremental impact of standalone costs is estimated to be £15 MM–£25 MM per annum

Limited enterprise dependencies covered by TSAs

Risk
(12 – 36 months)

- **Output from NAB's credit risk engine** for monthly calculation of RWAs on both standardised and FIRB basis
- **Credit risk management systems:** such as operational risk model and credit economic capital calculations
- **Liquidity, IRRBB, market risk** management and reporting systems

Treasury
(12 – 36 months)

- **Payments & processing** IT systems and applications
- **Middle and back office operational support**
- **Premises** (dealing room, infrastructure and desk space)

HR & Finance
(12 months)

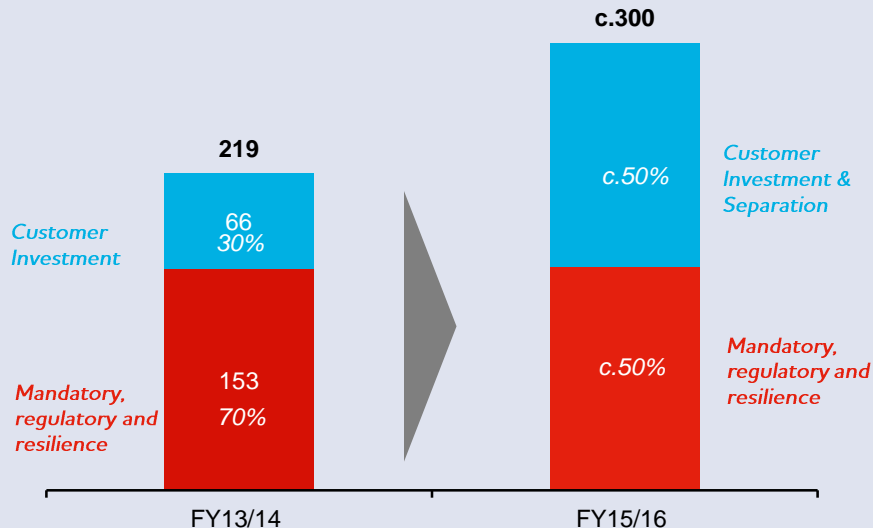
- **System support across HR reporting,** payroll and performance review
- **System support for financial consolidation and reporting**

Clear plan to be standalone, with limited TSA service provision by NAB for a 12-36 month period

Sustained investment supports growth strategy

Total investment spend

Cash spend ⁽¹⁾, split by category (£ MM)



- ✓ **Sustained historical investment spend of c.£100 MM p.a. in infrastructure and platform**

2015 investments: differentiated proposition to grow and digitise the bank

- ✓ **'Digital Next Best Action'**
- ✓ Wi-Fi enabled branches
- ✓ **Current account on-line opening**

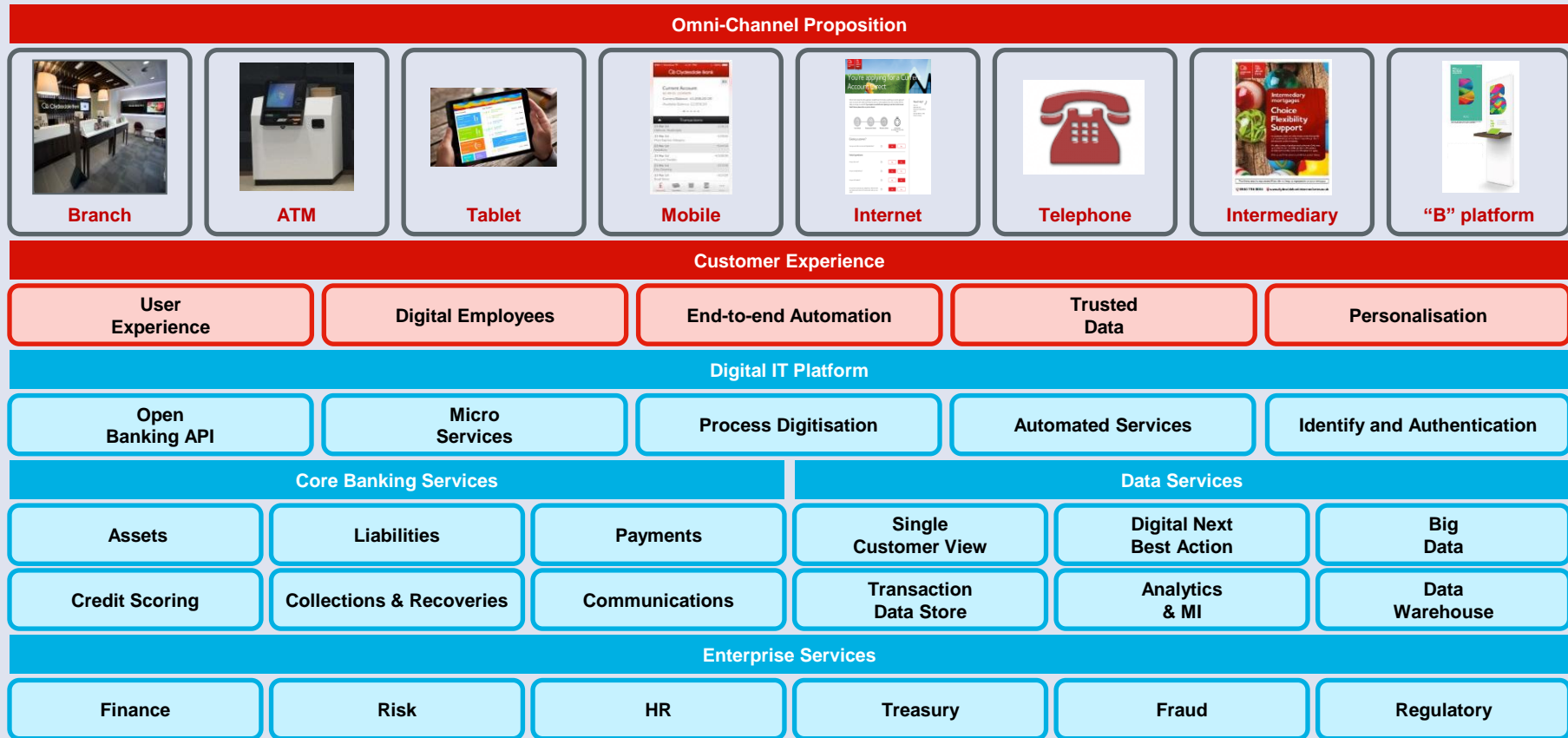
Well progressed for early 2016

- ✓ **'B'**, a digital proposition, tablet and mobile offering to help customers better understand and control their money

In development for 2016 / 2017

- ✓ SME 'Connected to You' proposition
- ✓ Additional on-line products sales, including instant access savings account
- ✓ Digitisation of on-line credit decisions
- ✓ Digitisation of on-line business capabilities
- ✓ Further B development

Platform is evolving to provide an omni-channel experience



Robust, scalable platform with operating leverage

Our business today

- ✓ ***Proven operating platform aligned to a full service customer proposition***
- ✓ ***Limited reliance on NAB and clear plan to be fully standalone***
- ✓ ***Flexible and resilient model with significant operating leverage***

Our strategic aims

- 1 Disciplined investment, supporting current growth strategy***
- 2 Future opportunity from delivery of digital Omni-channel strategy***
- 3 Future opportunity for simplification, cost and efficiency initiatives***

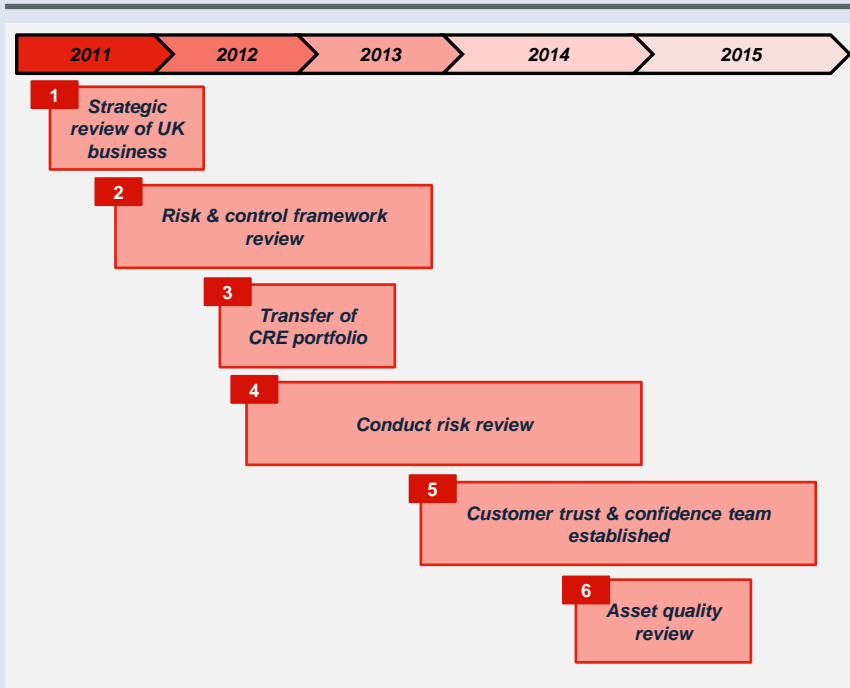
Derek Treanor
Acting Chief Risk Officers

Debbie Crosbie
Chief Operating Officer

Risk management

Enhanced Risk & Control Framework

Significant changes to strengthen risk functions



CYBG business has been de-risked

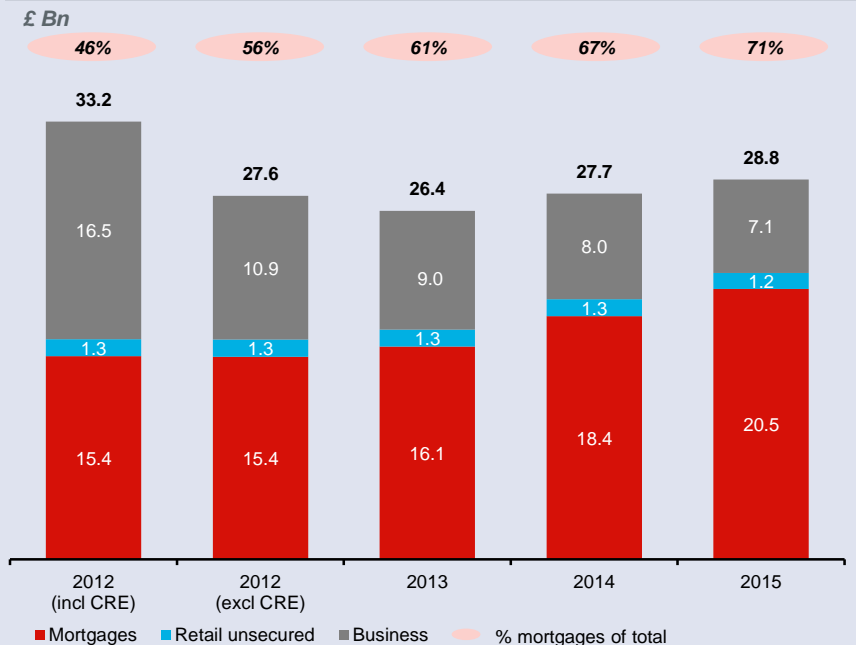
- 1** *Risk framework enhanced and tightened* following a Strategic Review of the business in 2011
- 2** *Risk & control framework review* established clear ownership and accountabilities for risk across the 3 Lines of Defence
- 3** *Business lending has been de-risked* through the transfer of a £5.7 Bn Commercial Real Estate portfolio and run-off of higher risk and unprofitable lending
- 4** *Legacy conduct risks identified, with a conduct risk mitigation package in place*
- 5** *Customer trust & confidence team* established to ensure clear accountability and a dedicated focus on fair outcomes for customers
- 6** *Asset quality review* concluded in 2015 with positive affirmation of the credit framework

431 FTEs across five distinct areas of risk – strong mix of internal promotions and lateral hires from experienced executive management teams

= Senior management with experience through the cycle and three of five Risk Leadership Team members recruited externally =

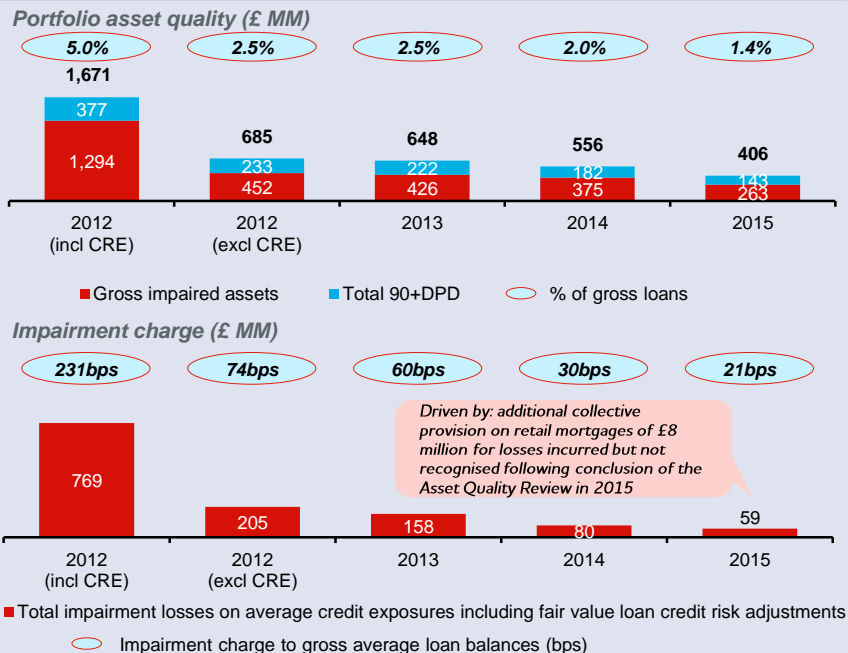
Loan portfolio performing strongly

Core portfolio breakdown by product



Reweighting to mortgages

Asset quality



Material and sustained improvement in asset quality

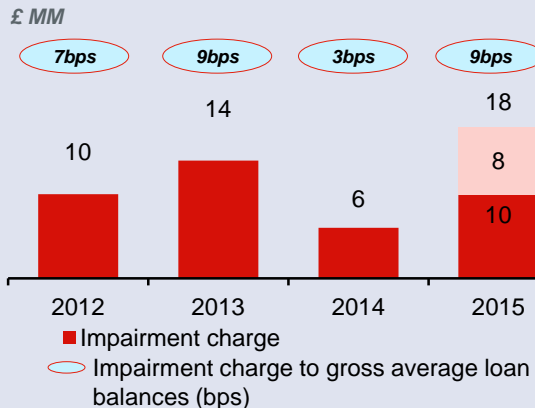
Reduced risk profile across mortgage book

Risk dynamically managed as risks and opportunities evolve

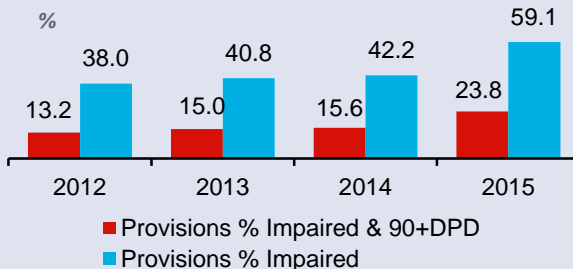
- ✓ **Continued affordability stress testing** at mortgage interest rate of 7.45%
- ✓ **No interest only sold in retail network:** restricted to private banking and broker channels since 2013
- ✓ **No self-certified Mortgages**
- ✓ **Geographic exposure diversified** through broker channel
- ✓ **All mortgages >£500 k are manually underwritten**
- ✓ **Robust manual underwriting processes** in BTL and broker channel
- ✓ **45 manual underwriting staff** with average 22 years of banking experience
- ✓ **Improved LTV profile of back book** reflecting House Price Indexation trends

Improved risk profile driven by macro environment and prudent approach

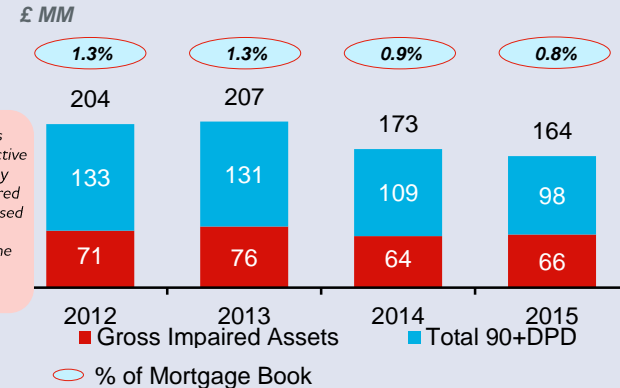
Impairment charge remains low



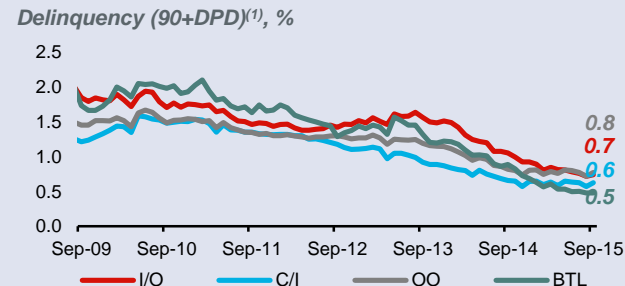
Coverage remains strong



% of defaulted loans reduced



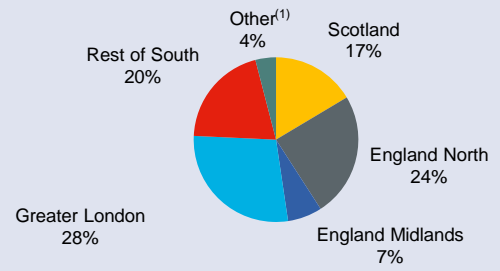
Robust quality drives declining defaulted delinquency



Retail secured lending remains diversified and prudent

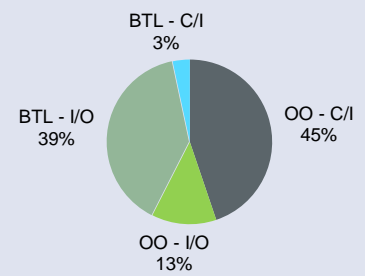
Lending is geographically diversified

Mortgage lending stock - geographic split, %



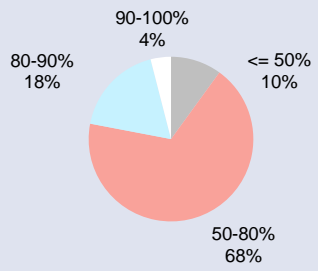
Majority of new lending continues to be owner-occupied

Gross new mortgage lending - repayment and borrower profile split, %



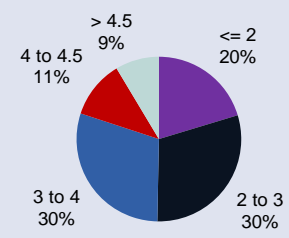
LTV remains conservative

Gross new mortgage lending - LTV breakdown (at origination), %⁽²⁾



LTI profile within risk limits

Gross new mortgage lending - loan-to-income breakdown, %⁽²⁾



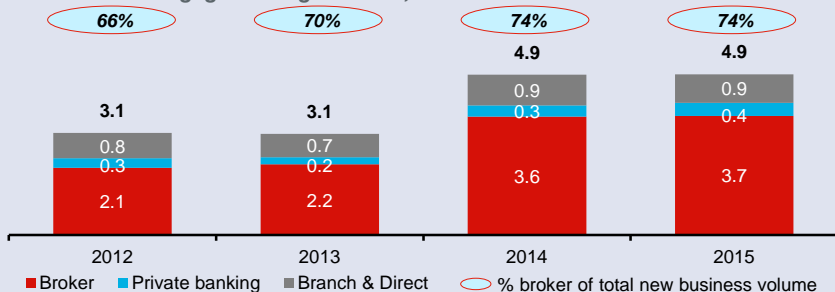
Note: All data as at 2015

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

Disciplined approach to broker origination

3/4 of new lending through broker channel

Gross new mortgage lending volumes, £ Bn

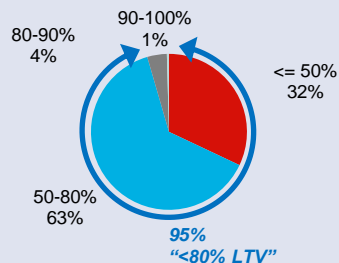


Disciplined approach to broker origination

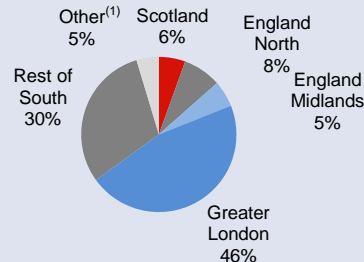
- ✓ Asset quality metrics evidence strong performance reflecting typically High Net Worth Customers
- ✓ Selective broker panel, by invitation only (c.331 from 3,500+)
- ✓ Regular reviews of Broker introducers, using MI to monitor performance, includes FCA status, Equifax assessments and fraud referral levels
- ✓ Arrears rates and subsequent losses from individual Brokers are monitored, action taken if required.
- ✓ Broker site visits regularly conducted

Low LTV, diversified book...

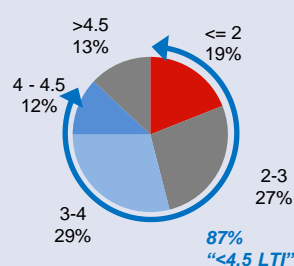
Indexed LTV Band (Value) 2015
(% of intermediary stock)⁽³⁾



Geographic split 2015
(% of intermediary stock)

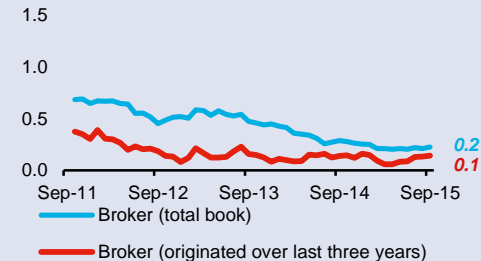


LTI split 2015
(% of intermediary stock)⁽³⁾



...with low delinquency

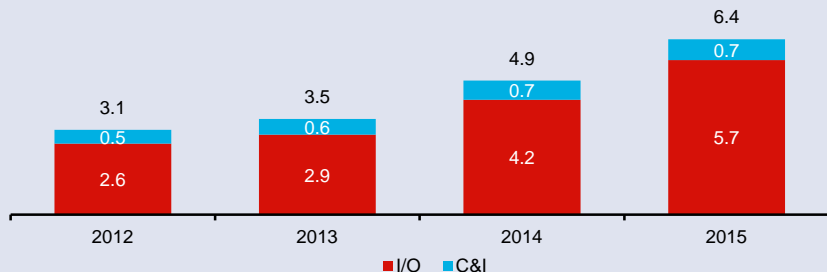
Broker Delinquency⁽²⁾, %



Conservative approach to BTL – book performing well

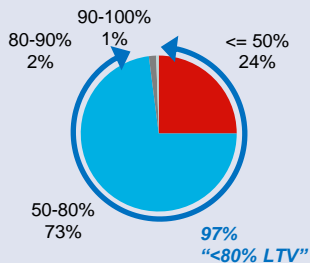
Managed growth in BTL⁽⁴⁾

BTL total stock, £ Bn

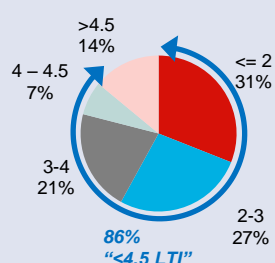


BTL profile

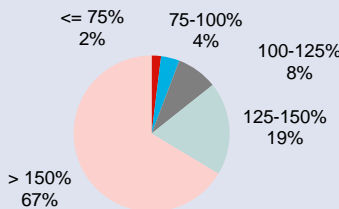
Indexed LTV (Total BTL)⁽²⁾, %



LTI (Total BTL)⁽²⁾, %

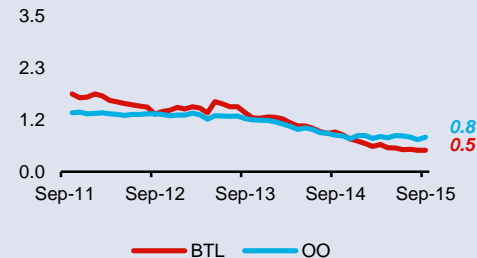


Rent cover (Total BTL)^(2,3), %



Low BTL delinquency rates

Delinquency rates⁽¹⁾, %

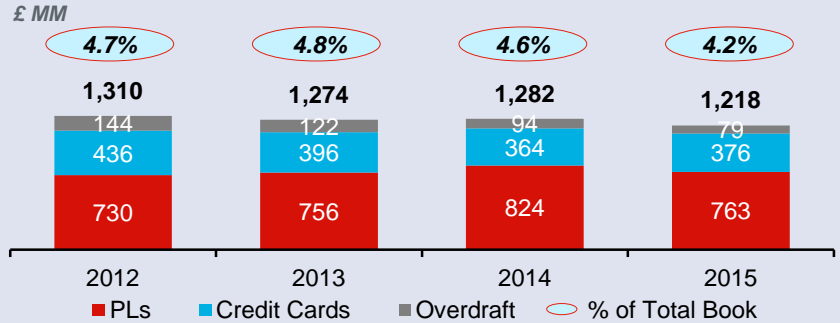


- **BTL applications are credit assessed using a full income and stressed expenditure (I&E) assessment as the primary affordability test**
 - ✓ Stressed rental cover can also be used
 - ✓ CYBG's approach favours customers seeking investment growth returns rather than rental yields
- **BTL borrowers limited to a max of three properties with CYBG**
- **Appetite, across the cycle, for a maximum of 35% of portfolio in BTL**
- **Conservative BTL LTV**
 - ✓ I/O BTL Mortgages limited to max 75% LTV
 - ✓ C&I BTL Mortgages limited to max 80% LTV

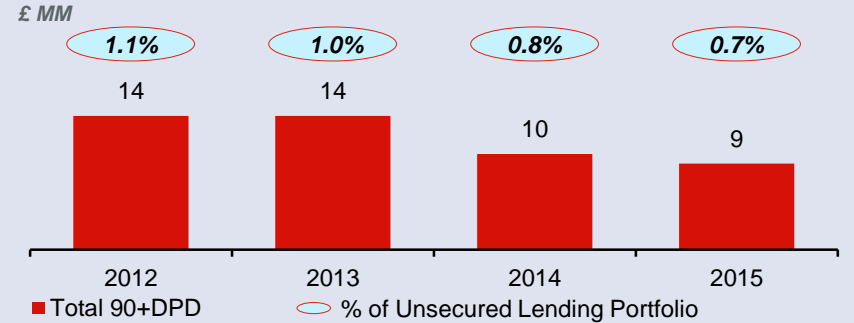
1. Sum of 90+DPD and impaired loans; 2. Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements 3. Rental cover is based on initial payment and any repayment; 4. The average back book loan size is c.£170k

Unsecured loans are a small proportion of book and performing well

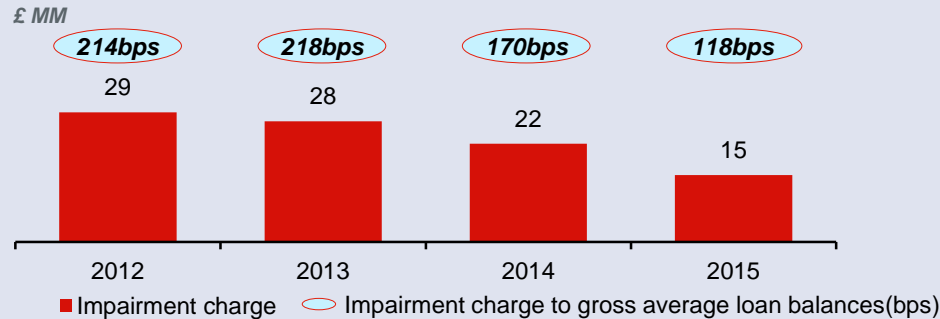
Unsecured <5% of total book



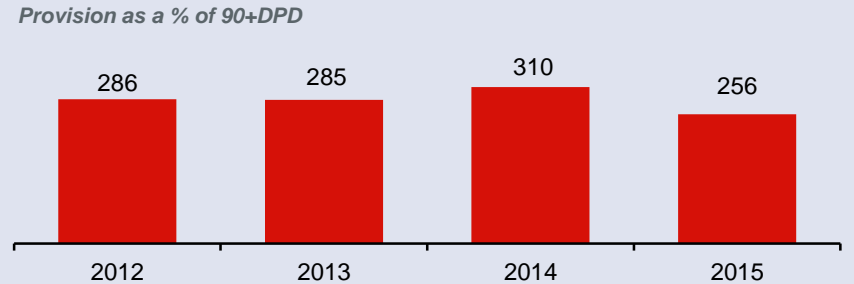
Asset quality strong



Impairment charge declined



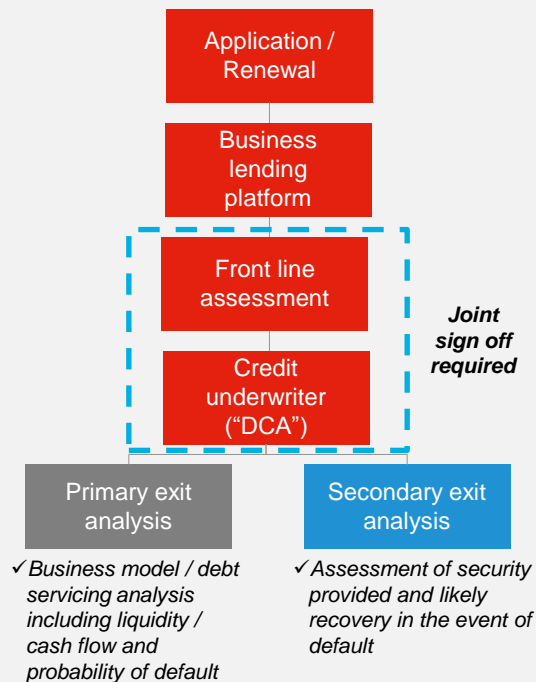
Coverage remains robust



Controlled risk appetite — UPLs >25k go through manual underwriting process

Significant experience underwriting business lending

Business Credit Assessment Process



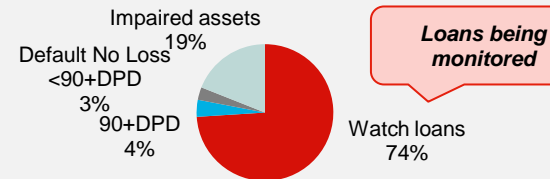
Underwriting approach

- **Majority of decisions are made by the independent credit underwriter ('DCA')** following front line Relationship Manager (RM) support for the request
 - Total of **41 business underwriting staff**, with an average of **22 years of banking experience**
 - For certain assets, underwriting is undertaken by limited number of Credit Managers with particular sector experience, e.g. Agriculture, Specialist & Acquisition Finance
- **Lending assessment focused on cash generation as primary repayment source**
 - Process supported by in-house financial forecast tool generating industry standard Cash Flow Available for Debt Service (CFADS)

"Categorised assets" identified in early stages by SBS team

- ✓ **Assets referred to SBS by RM, Credit officer or review team (1st / 2nd Line) based on:**
 - Categorised asset checklist; daily / weekly excess lists; eCRS movements; deteriorating trends; covenant breaches
- ✓ **Focus on introducing loans to SBS as early as possible to ensure appropriate course of action**
 - No reliance on 90+DPD trigger
- ✓ **All Forborne Business lending is referred to and managed by SBS**

% total categorised portfolio, % (2015)

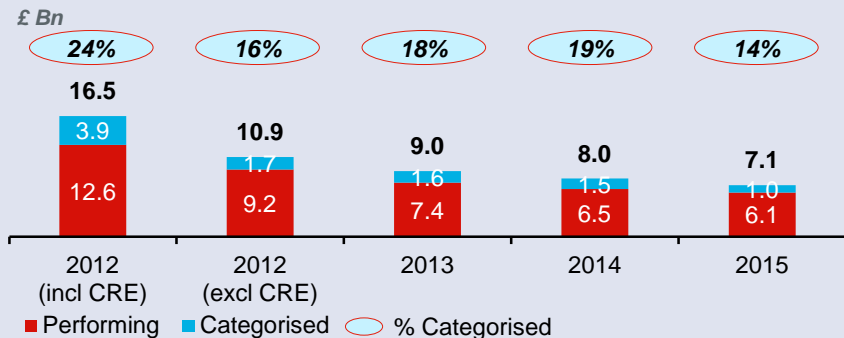


£1.0bn total, 14% of Business Lending

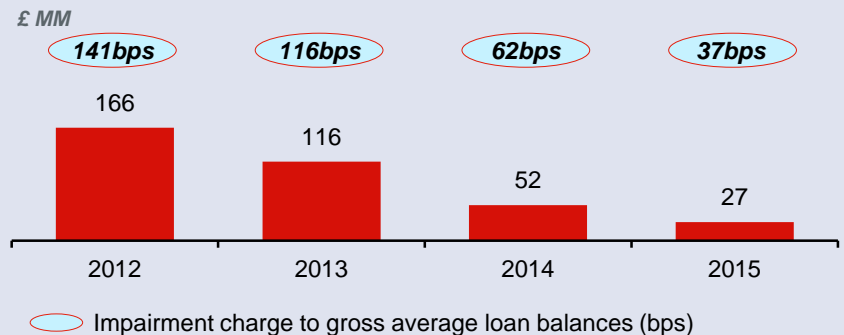
Cashflow based underwriting expertise delivered by a team of 41 dedicated staff

Positive asset quality trajectory in business book

Quantum of categorised loans reduced



Impairment charges have reduced⁽¹⁾



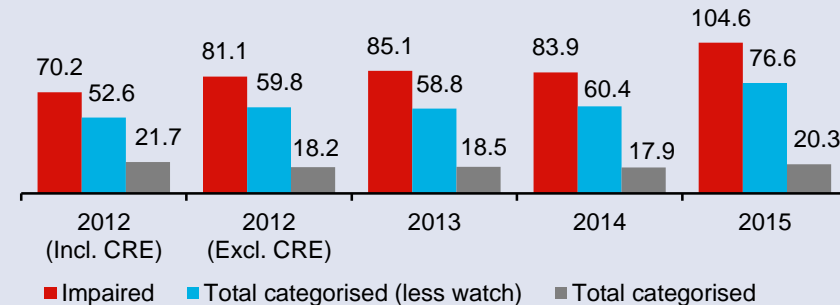
All elements of categorised loans declining

£ Bn

	2012 (incl. CRE)	2012 (excl. CRE)	2013	2014	2015
Watch	2.3	1.2	1.1	1.0	0.7
Defaulted (incl. 90+DPD)	0.4	0.1	0.2	0.2	0.1
Impaired	1.2	0.4	0.3	0.3	0.2
Total	3.9	1.7	1.6	1.5	1.0

Coverage remains robust

Total provisions as a % of the respective category



Legacy conduct exposure well addressed

⇨ **Total cover of £2.1 BN¹ across provisions and conduct indemnity**

- *Substantial unutilised provisions of £986 MM (as at 30 September 2015) in place to cover legacy conduct costs*
- *Severe stress scenario is addressed by an additional conduct indemnity of £1.115 BN¹, which covers customer redress and administrative costs relating to pre-separation conduct issues*

⇨ **Visibility on PPI outlook improving with upheld complaints on a falling trend**

- *Walk-in complaints running at approximately 3,300² per month, average redress paid circa £4,000 per upheld complaint*
- *FCA consultation on time barring potentially draws a line under the issue*
- *Substantial provisions raised for PBR³ and Back Book Remediation*

⇨ **Significant progress made on other conduct issues**

- *IRHP⁴ scheme is fully provided and closed*
- *FRTBL⁴ adequately provided and settlement progressing*
- *No other material issues identified*

⇨ **Substantial investment undertaken to reduce conduct risk in the front book**

- *Robust customer fairness model embedded to mitigate future conduct risks*

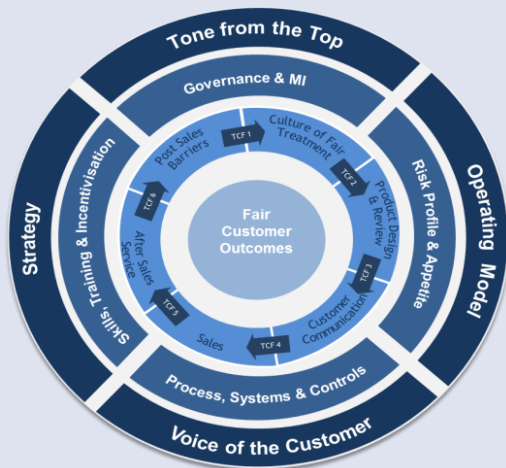
1. The indemnity provided by NAB is drawn pro rata with CYBG £120 MM risk share (CYBG risk share amount is included in CYBG's capital base)
2. Based on FY15 run rate
3. Past Business Review
4. IRHP refers to "Interest Rate Hedging Product"; FRTBL refers to "Fixed-rate Tailored Business Loan"

Complaint handling infrastructure reaching scale under experienced management, to support robust execution

- ⇒ ***Resolution of PPI represents a significant management task, exacerbated by increasing proportion of non-reportable claims¹***
- ⇒ ***New policies and processes in place, operating since August 2014 and drawing on industry best practice***
- ⇒ ***“Costs to do” remaining provisions of £203 MM represent our best estimate of future cost for handling complaints in respect of “Walk-in”, Remediation and PBR***
- ⇒ ***CYBG currently has two sites with circa 1,450 FTEs² dealing with PPI complaints including outsourced providers supporting delivery. Third site is being established to further support Remediation and PBR***
- ⇒ ***Robust governance provides oversight to PPI operations. Weekly operational updates also provided to CYBG Board and Regulators***
- ⇒ ***Operational responsibility retained by CYBG post separation from NAB, “costs to do” covered by conduct indemnity***

New roles, refreshed systems and processes in place to minimise future conduct exposure

1 Conduct Framework



A clear set of customer and operating outcomes which underpin the strategy and are assessed quarterly

2 Customer fairness model

Conduct risk organisational radar

- ✓ *Identifies current and future conduct concerns/triggers*

Fairness outcome assessment

- ✓ *Investigation of conduct concerns/triggers*

Remediation assurance framework

- ✓ *Testing & monitoring customer remediation with confidence*

Lessons learned framework

- ✓ *Improving customer centricity and cultural maturity*

Implemented in March 2014 for the identification and management of potential conduct issues

3 Enhanced product governance process

- ✓ All products (both-on and off-sale) are formally reviewed periodically
- ✓ Frequency of reviews is risk-based driven by 5 key risk factors of target market, complexity, performance, reputation and commercial risk
- ✓ 5 new product managers and 11 new senior product analyst roles created

Embeds a standardised 'best practice' across our product management intended to ensure improved and consistently delivered customer outcomes

circa 120 roles created during 2013/14 including a new Executive Director (Board level) accountable for all conduct -related matters



CYBS

Ian Smith
Chief Financial Officer

**Financial
performance**

Straightforward Retail and SME bank with clear path to improved profitability and returns

✓ **Significant actions to strengthen balance sheet**

✓ **Solid fundamentals**

- *Well capitalised to support growth*
- *Legacy conduct well addressed*
- *Diversified funding*
- *High quality asset portfolio*

✓ **Business Momentum**

- *Retail*
- *SME*
- *Deposits*

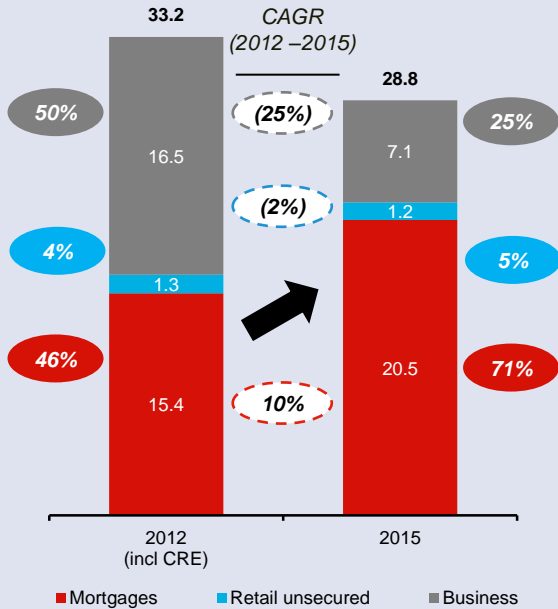
✓ **Financial Performance: 2015 & Q1 2016 trading update**

✓ **Outlook**

Management actions strengthened balance sheet

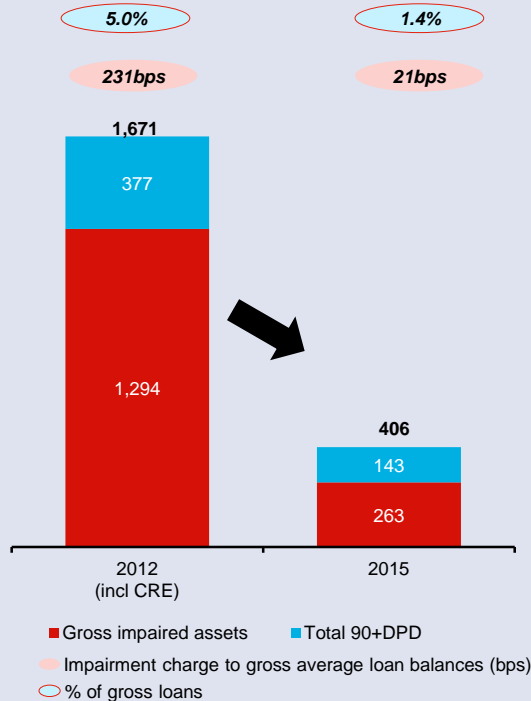
✓ Loan book reshaped

Gross stock loans, £ Bn



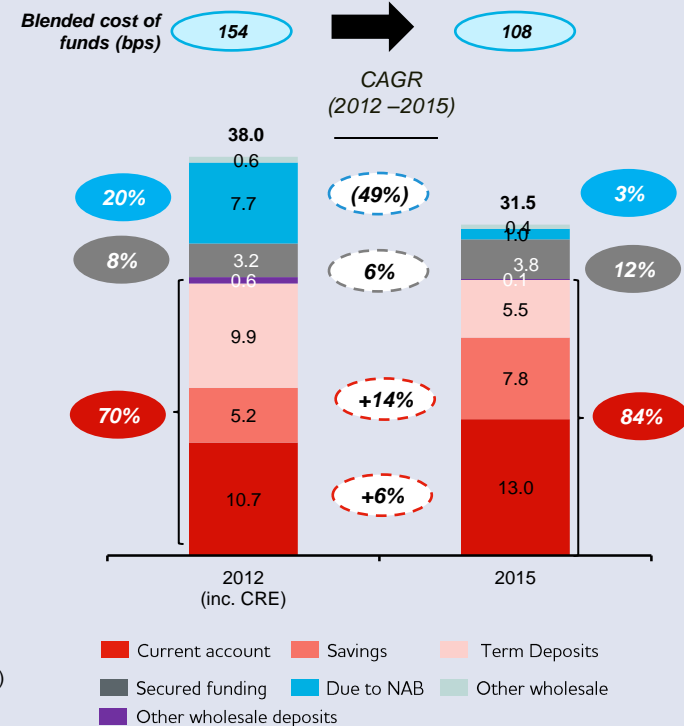
✓ Asset portfolio de-risked

Portfolio asset quality (£ MM)



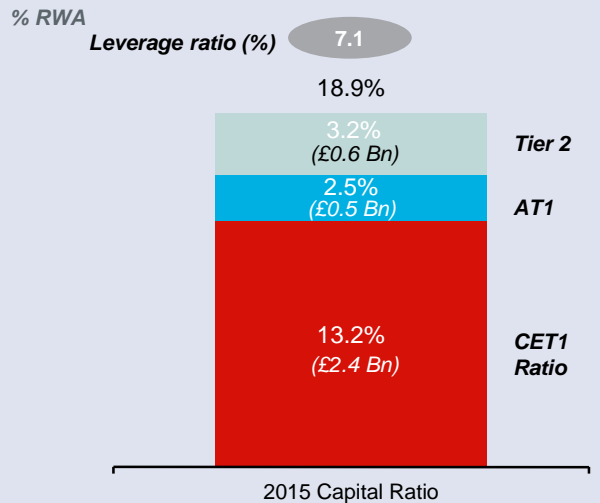
✓ Funding position improved

£ Bn



Robustly capitalised to support growth ambition

Group capital structure⁽¹⁾



2015 Total RWAs (£ Bn)	18.2
2015 Credit RWAs (£ Bn)	16.3
Credit RWAs / Loans (%)	57%
Total RWAs / Assets (%)	47%

- ✓ **Total capital and leverage ratio comfortably in excess of regulatory requirements**
 - 13.2% CET1 ratio and 7.1% leverage ratio
 - Includes pension and indemnity buffer

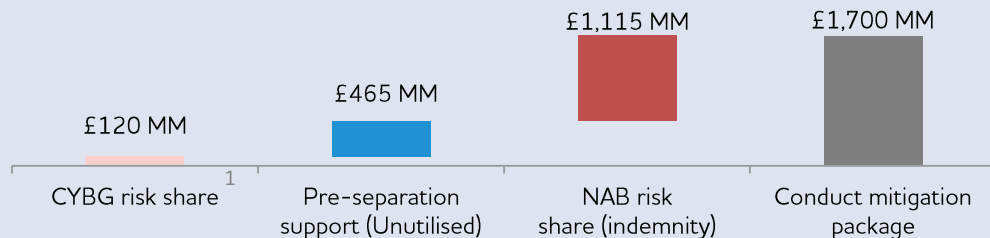
- ✓ **Standardised approach to risk weighting** ⇒ IRB upside potential

- ✓ **Additional capital protection from £1.1 Bn conduct indemnity from NAB**
 - Supplemented by existing **unutilised provision of c.£1.0 Bn**

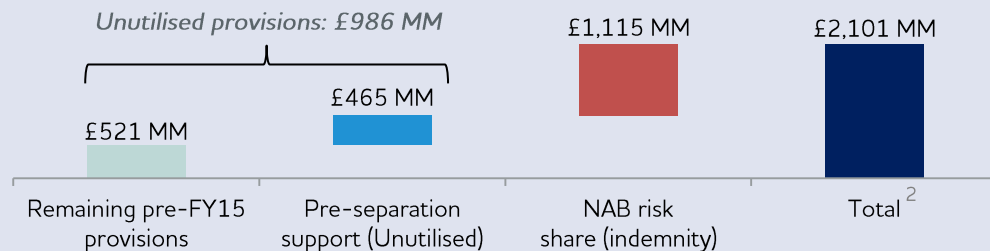
- ✓ **Existing Tier 2 and AT1 to be replaced at separation⁽²⁾**
 - NAB to remarket securities post completion of the transaction

Conduct protection: sized to provide cover in severe stress

£1.7 Bn conduct mitigation package



£2.1 Bn provisions and indemnity



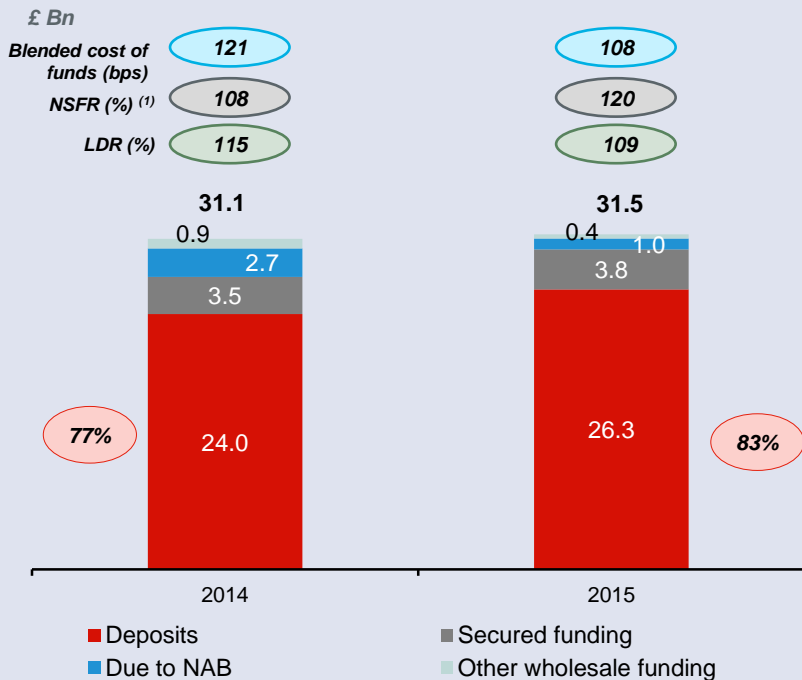
Key messages

- ⇒ **CYBG capital requirement includes £120 MM risk share, which is deployed alongside the NAB indemnity**
 - Draw downs are pro rata¹ between NAB and CYBG
- ⇒ **Mitigation package amount is the result of stress tests to CYBG's provision models and conduct exposures, and reflects:**
 - A series of extreme stresses to underlying provision assumptions
 - Multi-factor stresses
 - Potential lifetime cover

CYBG has in aggregate £2.1 Bn of unutilised provisions and indemnity (excluding £120 MM CYBG risk share) to absorb future costs arising from conduct issues, including redress and cost to do

Diversified funding portfolio weighted towards lower cost customer deposits

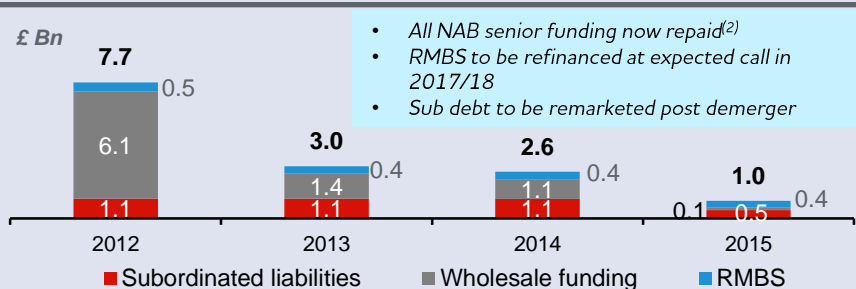
Strong growth in deposits driving improved cost of funds, NSFR and lower LDR



Benefits from strategic actions evident

- ✓ Continued improvement in funding position and mix, including strategic actions focused on attracting lower cost, stable deposits
 - Supported by strategic initiatives in products and channels
 - NSFR and LDR benefiting from growth in the retail deposit book
- ✓ Material reduction in levels of NAB funding
- ✓ Minimal overall reliance on short-term wholesale funding

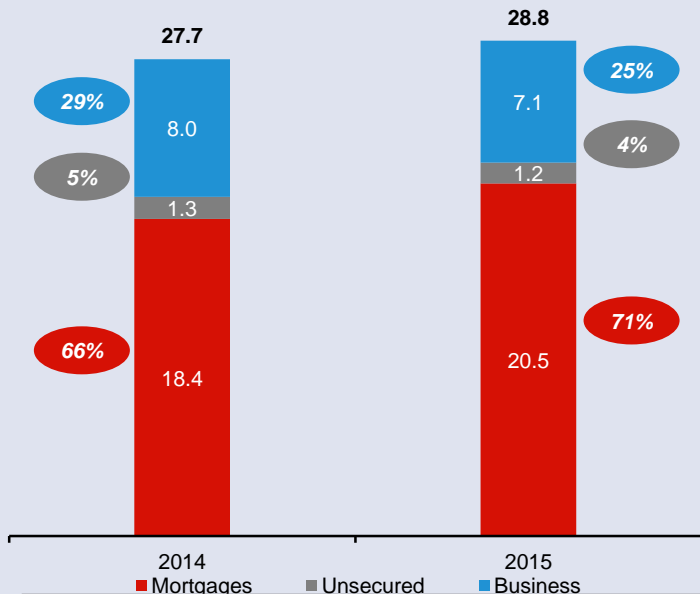
Further reducing funding from NAB



Delivering growth while maintaining robust asset quality

Continued portfolio reweighting

£ Bn



Improvement in asset quality

Metric	As at and for the year ended 30 September		
	2014	2015	% change
Total gross impaired assets and 90DPD	£557 MM	£406 MM	(27%)
Coverage: total provisions as a % of 90DPD and impaired assets	57.4%	66.0%	+8.6ppts
90DPD plus gross impaired assets to customer loans	2.0%	1.4%	(0.6)ppts
Impairment charge to average customer loans ⁽²⁾	30bps	21bps	(9)Bps
Average mortgage indexed loan-to-value ("LTV")	58.8%	55.3%	(3.5)ppts
Percentage of mortgage front book below 80% LTV	77%	76%	(1)%
Average mortgage origination loan-to-income ("LTI") ⁽¹⁾	2.65x	2.66x	-0%
SME total categorised loans	£1.5 Bn	£1.0 Bn	(33%)

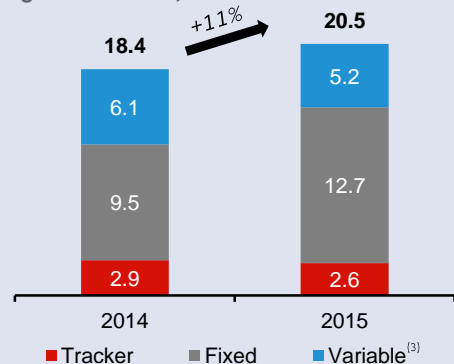
Robust asset quality reflecting strategic delivery in changing business mix

1. Average LTI is based on approvals from 2014 (September 13 to August 14, inclusive) and 2015 (September 14 to August 15, inclusive), average LTI is based on residential approvals that have a valid LTI ; 2. Defined as total impairments charge including fair value loan credit adjustments to gross average loan balances. 2014 ratio calculated on losses of £80 MM, being total losses on credit exposures of £74 MM plus fair value loan credit risk adjustment £6 MM. 2015 ratio calculated on losses of £60 MM, being total losses on credit exposures of £78 MM plus fair value loan credit risk adjustment £ (18) MM

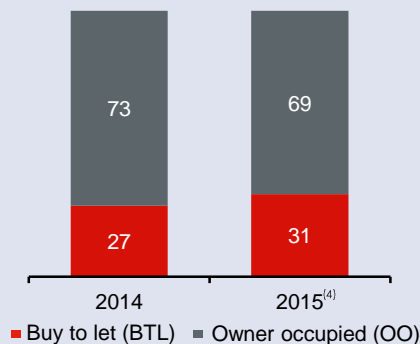
Momentum in mortgage business

Delivering sustainable growth

Spot gross balances, £ Bn

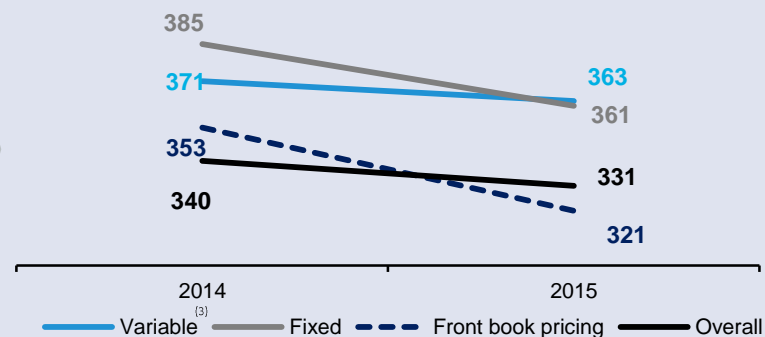


Proportional split of balances, %



- **Successful delivery of strategic growth initiatives through broker and proprietary channels**
- **Continued change in mix driven by customer behaviour in a low rate environment**
- **Increase in proportion of fixed rate ('FR') stock to 62%**
- **91% FR flow → expected to increase proportion of FR over time**
- **Reduction in legacy tracker book, running off in line with contractual maturity (£200–300 MM p.a.)**

Yield evolution in line with competitive market

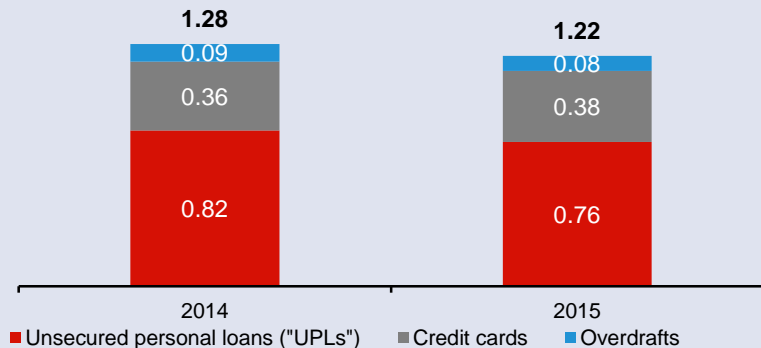
 Average yield excluding fee income, Bps⁽¹⁾


- **Market pricing remains competitive** – targeted approach to pricing / volume mix decisions
- **Diversified channel strategy is supportive of pricing decisions** – ability to tactically increase volumes
- **Back book margin evolution driven by customer product switching**
- **Total book yield benefits from continued tracker run-off⁽²⁾**

Stable unsecured balances with focus on pricing discipline

Balances broadly stable in competitive environment

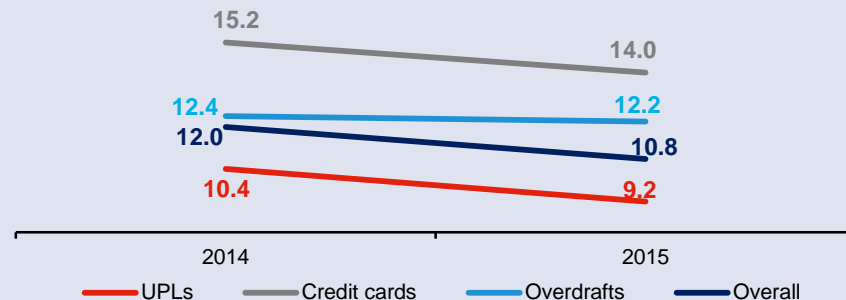
Spot gross balances, £ Bn



- Slight contraction in 2015 as a result of strategic pricing decisions in a highly competitive market
- Growth in credit card balances in 2015 reflects launch of new "Gold" proposition
- Continued improvement in risk profile: 52 bps decline in the impairment charge to 118 bps⁽¹⁾
- Continue to develop new customer-centric propositions supported by improved end to end customer experience and differentiated channel pricing campaigns

Yields reflect market competition and channel pricing alignment

Average yield, %

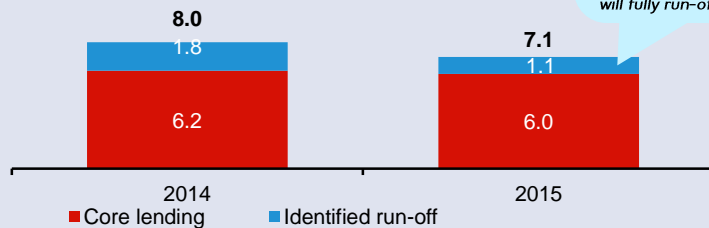


- UPLs yield decline driven by higher margin back book run off
- UPLs pricing now aligned across all channels
- Front book pricing driven by aggregator channels

Positioned for growth in SME book

Successful execution of strategic initiatives

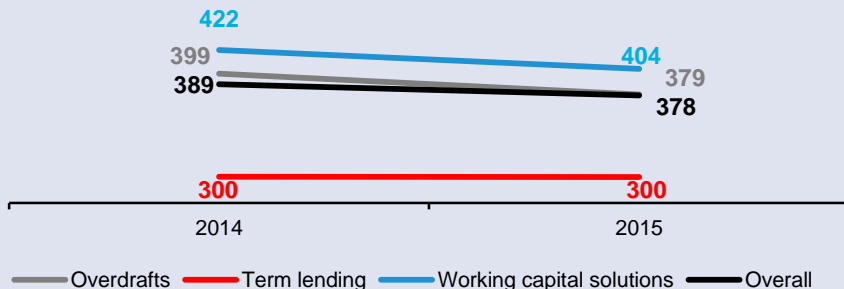
Spot gross balances, £ Bn



- Run-off portfolios identified in 2014 of £1.8 Bn, consisting of low yielding corporate book
- Run-off of £682 MM in 2015 at average NIM of c. 1.30%
- Residual £1.1 Bn largely exited by 2017, with a small tail that will fully run-off by 2019

Marginal yield compression in line with market

Average yield excluding fee income, bps⁽¹⁾

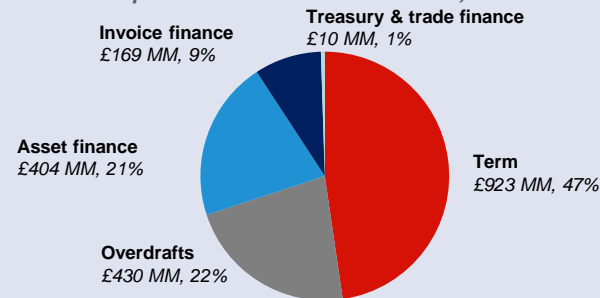


Benefits of new strategic approach evident

- Higher yield front book in selected working capital solutions products than term lending
- Selective new lending to sectors previously “closed” such as hospitality and CRE
- Target medium term loan growth in new sectors and new to bank customers
- Yield decline attributable to more conservative risk appetite, competitive market pressures and existing business rolling onto lower rates

Focused growth in higher return product areas and sectors

Gross facilities accepted and available to customers, 2015



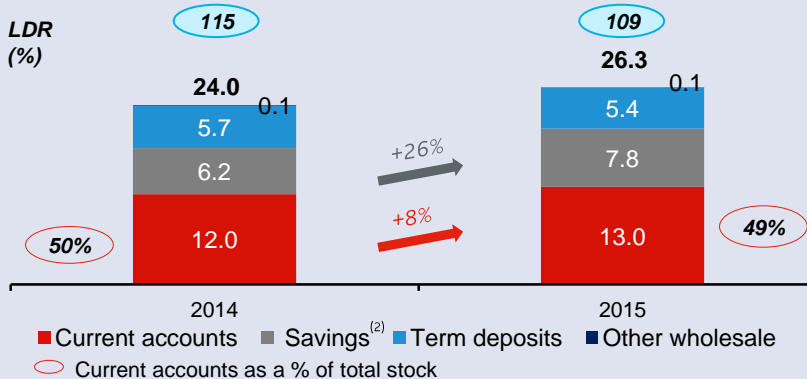
Gross new facilities: £1.9Bn

1. Deferred fee income not allocated between sub-products, hence shown in overall line only

Improved deposit mix, reflecting strategic actions

Growth in CAs and Savings balances

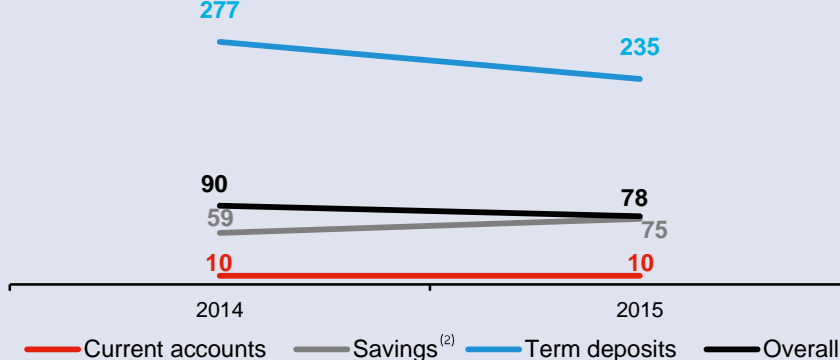
Stock of customer deposits, £ Bn



- **Continued reduction in term deposit costs as a result of run-off of more expensive back book deposits and new inflows at lower rates**
 - Expensive term deposits continue to be replaced by lower cost funding
 - PCA growth driven by low rate environment and strategic initiatives
 - Savings growth driven by competitive rates offered on linked savings and preferential cash ISAs offering⁽²⁾

Driving a reduction in customer funding costs

Average rate, Bps⁽¹⁾



- **Overall reduction mainly reflecting term deposits dynamics**
 - Maturing of balances recruited in higher interest rate periods and the effect of rolling to lower front-book interest rates
- **Current account funding costs remain low**
- **Savings cost increase driven by preferential rates offered on ISAs**

2015 performance reflects ongoing business reshaping

Income statement (management basis) ⁽¹⁾⁽²⁾

£ MM	Year Ended 30 September		
	2014	2015	% change
Net interest income	785	787	0.3%
Other operating income ("OOI")	205	175	(14.6%)
Gains and losses on financial instruments at FV	(8)	2	n.m.
Total income	982	964	(1.8%)
Operating and administrative expenses	(686)	(727)	6.0%
Operating profit before impairment losses	296	237	(19.9%)
Impairment losses (credit exposures)	(74)	(78)	5.4%
- Of which specific provisions	(95)	(73)	(23.2%)
- Of which collective provisions	21	(5) ⁽⁴⁾	n.a.
Underlying profit before tax ⁽⁵⁾	222	159	(28.4%)

NIM	2.30%	2.20%	(10)bps
Cost-to-income ratio ('CIR')	70%	75%	5ppts
Impairment/Average Customer Loans⁽⁸⁾	30bps	21bps	(9)Bps
RoTE (Underlying basis) ⁽³⁾	7.7%	5.1%	(2.6)ppts

Key trends in 2015

- ➔ **Income continues to rebase in line with expectations:**
 - Net interest income reflects growth in mortgages offset by lower business lending.
 - OOI lower due to changes to current account charging structures, lower business lending, and non-recurrence of prior period sale and leaseback gains

- ➔ **Expenses reflect increased investment:**
 - Increase compared to 2014 due to increased spend in marketing, digital platform and developing new propositions

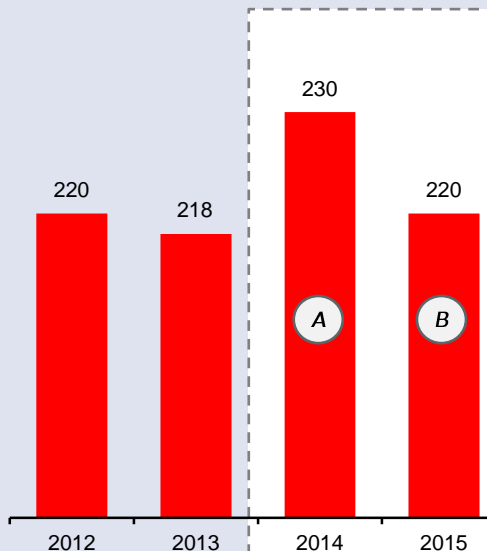
- ➔ **Low credit losses:**
 - Continued strong credit performance and prudent approach
 - GIA and 90DPD continue to decline while coverage ratios increased⁽⁶⁾
 - Through the cycle expected loss estimated at c.30 bps⁽⁷⁾

1. Presented on a management basis which represents the historical results of CYBG excluding adjustments that CYBG's Directors believe are non-recurring, or otherwise not indicative of the underlying performance of the business. These include conduct redress expenses, restructuring costs, impacts of the disposed UK CRE portfolio, impairment losses on goodwill and other one off items. Conduct charges exclude charges relating to Interest Rate Hedging Products (IRHP) in 2014. Underlying profit after tax is a non-statutory profit measure; refer to Page 96 for reconciliation to reported statutory profit; 2. Management basis also excludes the impacts of the "Insurance Intermediary Business" (the non-trading holding company National Wealth Management Europe Holdings Ltd, and its trading subsidiary National Australia Insurance Services Ltd (NAIS), the operations of which were acquired by CYBG on 30 September 2015). Total income and net profit after tax for the Insurance Intermediary Business for the year ended 30 September 2015 was £22 MM (2014: £23 MM, 2013: £31 MM, 2012: £41 MM) and £13 MM (2014: £12 MM, 2013: £17 MM, 2012: £22 MM) respectively; refer to Page 97 for further reconciliation to Insurance Intermediary business; 3. Management basis RoTE is defined as underlying profit less non-controlling, AT1 and preference share distributions as a percentage of average tangible equity (total equity less intangible assets excluding minorities, AT1 and preference shares for a given period). AT1 distributions commenced June 2015 with £18 MM paid in 2015 (£300 MM GM LIBOR+753bps, £150 MM GM LIBOR+ 690bps); 4. 2015 impairment charge includes £8 MM representing additional collective provision overlay on secured book for losses incurred but not recognised following conclusion of the Asset Quality Review in 2015; 5. Pre AT1 and preference shares distributions and minority interests 6. Total provisions as a percentage of Impaired & 90DPD 2014 = 57.4%, 2015 = 66.0%; 7. CYBG Group has, using a financial model whose key inputs are cycle neutral probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), estimated the through the cycle ("TTC") expected loss on its non defaulted customer loan portfolio as at 30 September 2015 over a one year time horizon at approximately 30 basis points. The PD/LGD/EAD model inputs are based on internal models that have not been subject to any external validation process. No assurance can be given that future losses on, or future impairment charges with respect to, CYBG Group's total customer loan portfolio, which changes over time and which includes non-defaulted and defaulted customers loans, will not exceed the TTC expected loss set forth herein; 8. Defined as total impairments charge including fair value loan credit adjustments to gross average loan balances. 2014 ratio calculated on losses of £80 MM, being total losses on credit exposures of £74 MM plus fair value loan credit risk adjustment £6 MM. 2015 ratio calculated on losses of £60 MM, being total losses on credit exposures of £78 MM plus fair value loan credit risk adjustment £ (18) MM

Stable net interest margin supported by change in mix and management actions

Stable NIM

Bps



Breakdown of NIM evolution

Bps



1 Asset pricing & mix:

- Continued shift of mix away from SME and unsecured into mortgages
- Competitive pressures on front book mortgage margins, partly offset by tracker run-off
- Unsecured environment remains competitive impacting yields and lending appetite
- Overall SME yield benefiting from run-off of low yielding corporate book
- Mix in SME front book shifting to higher yielding assets

2 Deposit pricing & mix:

- Continued run-off of expensive term deposits
- Strong growth in low cost current account and savings deposits

3 Swap unwind impact:

- Continued to reduce in 2015

↪ Near term margin outlook: broadly stable subject to market interest rates and competitive environment

OOI driven by pro-active response to regulatory backdrop and reshaping of book

Decline in contribution from OOI...

£ MM	Year Ended 30 September			
	FY12	FY13	FY14	FY15
1 Insurance income ⁽²⁾	23	12	7	5
2 Business lending	49	31	27	23
Foreign exchange brokerage	21	21	19	20
Mortgages	2	3	4	3
Credit cards	16	15	14	12
3 Current account fees	138	135	122	108
Product income	249	217	193	171
Other ⁽¹⁾	15	8	12	4
Total underlying other operating income	264	225	205	175

Note: Business lending and mortgages product fee income shown net of fees deferred under the EIR accounting methodology

...largely driven by management actions

Activities no longer undertaken

- 1** c.75% of the insurance income decline between FY12–15 driven by a reduction in income from CYBG's IFA business, which was closed in 2013

Reduction in Business lending book

- 2** Business lending OOI declined primarily due to reduction of book size and reshaped activities

Changes to Retail product T&Cs

- 3** Current account fees lower as a result of revised charging structures and customer behaviour

FY15 represents a normalised level of OOI (excluding impact of future investments from acquired Insurance Intermediary Business)²

1. Includes gain on disposal of fixed assets and other; 2. The impact to CYBG Group's results arising from the consolidation of the Insurance Intermediary business would have been additional income of £17 million in the year ending 30 September 2015 (2014: £17 million, 2013: £24 million, 2012: £31 million), additional operating expenses of £1 million (2014: £2 million, 2013: £2 million, 2012: £1 million), and a tax charge of £3 million (2014: £3 million, 2013: £5 million, £2012: £8 million).

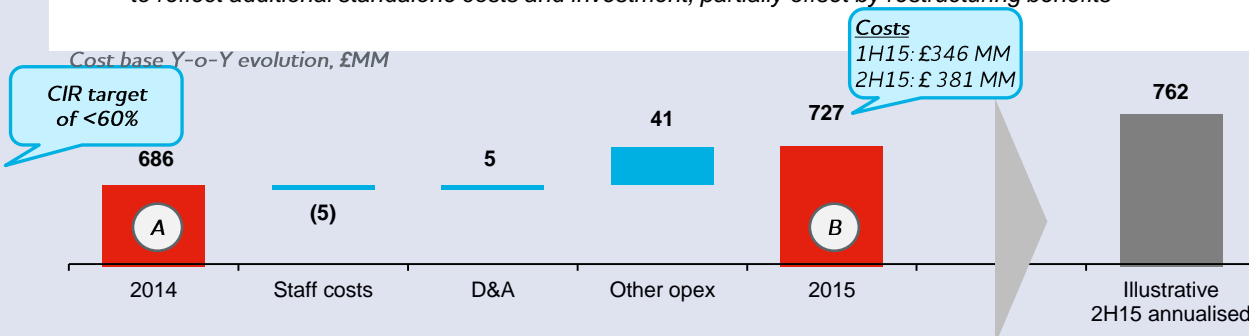
Cost base reflects increased investment

£MM	Year ended 30 September	
	2014	2015
Staff costs	287	282
Depreciation and amortisation ('D&A')	78	83
Other opex	321	362
Total costs	686 (A)	727 (B)
Cost-to-income ratio ("CIR")	70%	75%
FTE	7,278	7,244

Key trends in 2015

- ⇒ **Staff costs lower** due to ongoing restructuring and optimisation to enable right sizing and separation
- ⇒ **D&A increased** in the period as a result of **additional investment to support the growth strategy and digitisation agenda**
- ⇒ **Other opex increased** reflecting **increase in spend to support the business strategy, to support brand, marketing and refreshed proposition** and for higher intercompany charges with NAB
- ⇒ **2016 cost guidance re-iterated** – 2016 cost targeted at run rate equivalent of 2H 2015 annualised to reflect additional standalone costs and investment, partially offset by restructuring benefits

Cost base Y-o-Y evolution, £MM



Management focused on the execution of a broad based simplification and productivity agenda in parallel with rigorously targeted investment spend

Q1 trading update

- ✓ Trading in line with Board's expectations
- ✓ Momentum in loan book maintained - 6.6% annualised growth¹ in mortgages. Good growth in owner occupied
- ✓ Core SME lending balances stable
- ✓ Asset quality remains strong with continuing low impairment charges in the quarter
- ✓ 28,930 personal and business current accounts opened²
- ✓ Funding position remains strong
- ✓ Net interest margin (NIM) stable and in line with guidance at 2.20% annualised
- ✓ Management continues to focus on tight operating cost control, alongside delivery of the planned programme of investment in the franchise

Clear set of targets underpins our objectives

Current (FY2015)

Target (within 5 years)

Asset growth	<ul style="list-style-type: none"> Mortgage book CAGR 10% ⁽¹⁾ Total retail book CAGR 9% ⁽¹⁾ Core business book stable 	<ul style="list-style-type: none"> 40 – 50% growth in mortgage book 40 – 50% growth in retail lending book 15 – 25% growth in SME lending book
Funding and capital	<ul style="list-style-type: none"> £13 Bn current accounts LDR 109% CET1 13.2% 	<ul style="list-style-type: none"> LDR up to 115% CET1 range 12 – 13 %
Margins	<ul style="list-style-type: none"> 2.20% NIM 	<ul style="list-style-type: none"> Broadly stable in the near term with potential for modest widening, commensurate with expected movements in rates and competitive environment
Costs	<ul style="list-style-type: none"> 75% Cost-to-income ratio ("CIR") 	<ul style="list-style-type: none"> Positive jaws (after FY2016) CIR below 60%
RoTE	<ul style="list-style-type: none"> Targeting double digit RoTE within the five year period post admission, following a period of planned increased investment in 2015 and 2016 	
Dividend <i>(subject to regulatory approvals)</i>	<ul style="list-style-type: none"> Target modest inaugural dividend in respect of 2017 In time, intended pay-out up to c.50% of earnings (after paying AT1 distributions) 	

Subject to assumptions as to interest rates, the broader macro-economic and competitive environment and having regards to the context of the current regulatory environment

The background of the slide is a high-angle photograph of the Golden Gate Bridge in San Francisco, California. The bridge's iconic red-orange steel lattice structure is prominent, extending from the bottom left towards the right. In the distance, Alcatraz Island is visible, featuring several stone buildings and greenery. The water of the bay is a clear, vibrant blue.

CYBS

David Duffy
Chief Executive Officer

Investment highlights summary

Investment highlights summary

⇒ Strong fundamentals underpin the CYBG value proposition

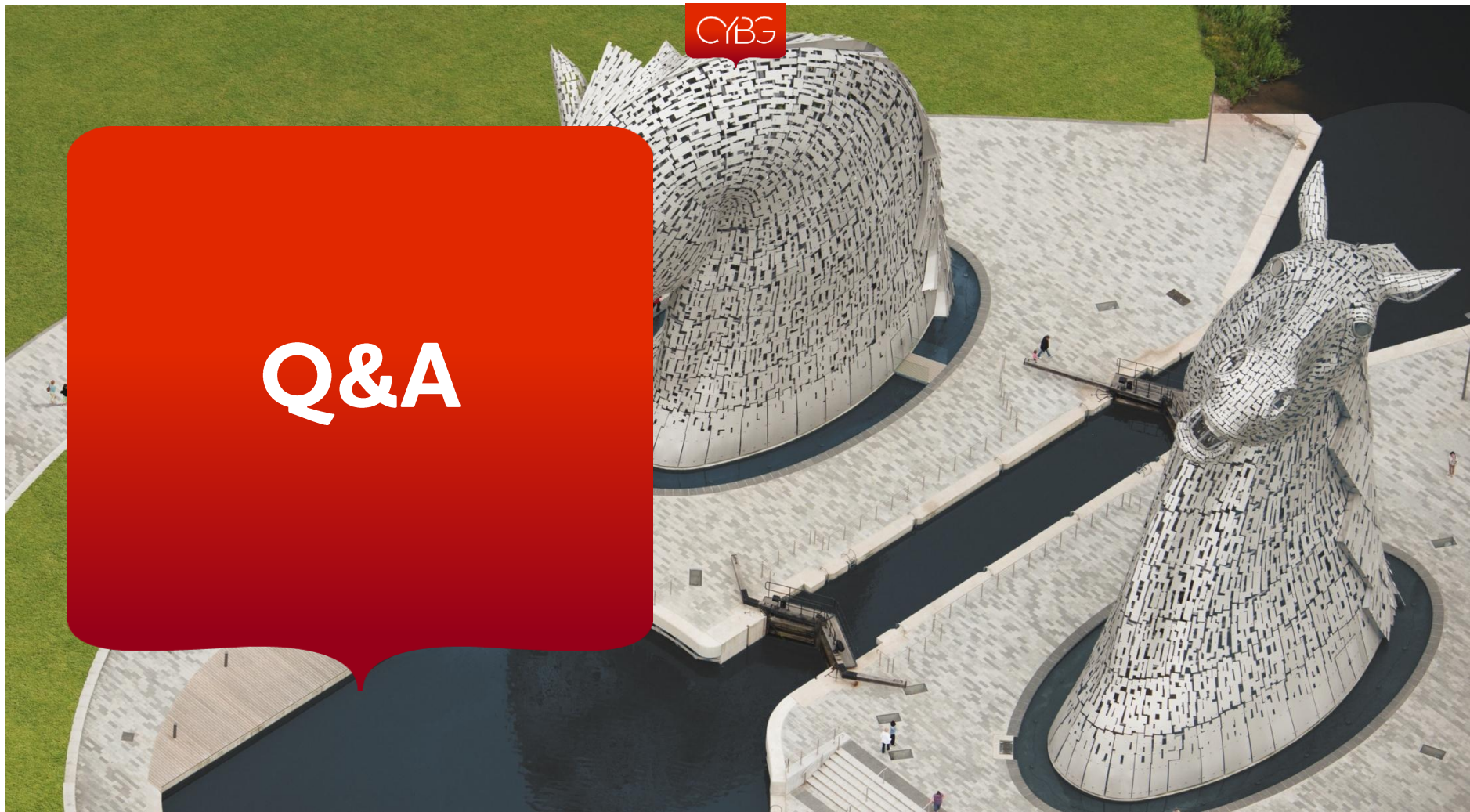
- 1 *Differentiated proposition relative to the UK challengers*
- 2 *Robust and de-risked balance sheet*
- 3 *Proven ability to attract and retain low cost customer deposits*
- 4 *Track-record of strong asset growth, while maintaining asset quality*
- 5 *Standalone and scalable full service operating platform*

⇒ Upside from execution

- 1 *Highly experienced management team, leading a newly independent CYBG*
- 2 *Disciplined investment plan, delivering cost and efficiency savings*
- 3 *Omni-channel strategy underpinned by comprehensive digital agenda*
- 4 *Clear strategy to drive growth and deliver double digit RoTE*

CYBG

Q&A

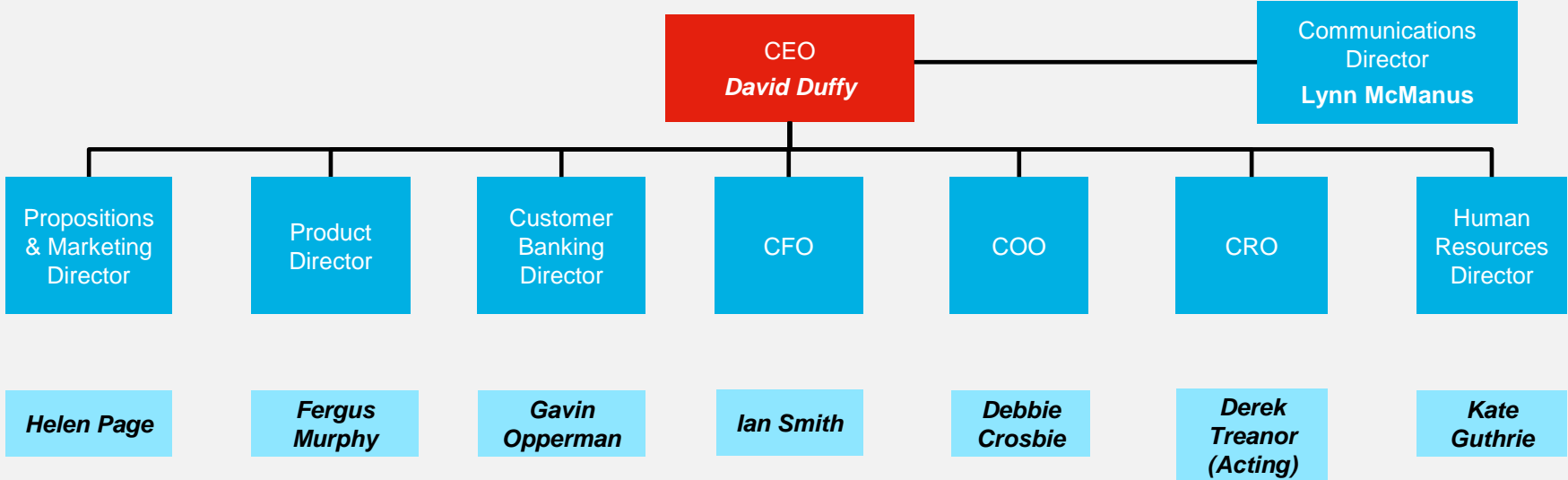


Appendix 1: additional information





Organisational Structure



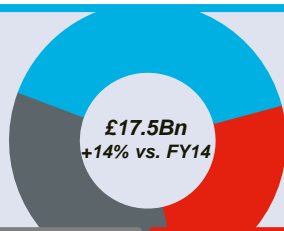
Retail: Comprehensive regional and national product proposition

⇒ Personal deposits

Retail and private banking customers (2015)

PCAs

- £6.9 Bn (39%)
- 1.8 MM customers
- £3.6 k average balance⁽⁴⁾
- 42% primary⁽²⁾
- 9.1% regional market share
- 86% in core region
- 0.1% cost of funds



Savings (variable rate)

- £6.0 Bn (34%)
- £4.7 k average balance⁽⁴⁾
- 0.8% cost of funds

Term (fixed rate)

- £4.5 Bn (26%)
- £24.4 k average balance⁽⁴⁾
- 2.4% cost of funds

- 1.4 MM customers
- 3.8% regional market share

- 83% in core region

⇒ Personal lending

Retail and private banking customers (2015)⁽¹⁾

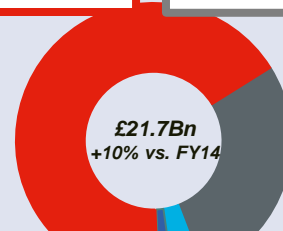
- 0.2 MM customers
- £194 k avg. mortgage⁽⁶⁾
- 3.63% variable rate average yield⁽⁵⁾
- 1.6% national market share
- 59% outside core region⁽³⁾
- 3.61% fixed rate average yield⁽⁵⁾

Residential mortgages

- £14.1 Bn (69%)

Buy-to-let mortgages

- £6.4 Bn (31%)



Credit card

- £0.4 Bn (2%)
- 0.3 MM customers
- £1.3 k average balance⁽⁴⁾
- 0.8% national market share
- 83% in core region
- 14.1% average yield

Personal loans

- £0.8 Bn (4%)
- 0.1 MM customers
- £6.8 k average balance⁽⁴⁾
- 5.6% regional market share
- 81% in core region
- 9.2% average yield

Retail: Distribution capability delivering a full product set

CUSTOMER CHANNEL	
Branch Network	<ul style="list-style-type: none"> ➤ 275 branches ➤ 28 co-located with Business & Private ➤ 2,042 FTE
Intermediary	<ul style="list-style-type: none"> ➤ London-based provides national reach
Digital (2)	<ul style="list-style-type: none"> ➤ Online banking ➤ Mobile app ➤ Text Alerts ➤ Social Media
Telephony	<ul style="list-style-type: none"> ➤ 2 main centres (UK)⁽⁴⁾ ➤ 530 operator FTE ➤ In-house & Outsourced
Total accounts opened / total gross new lending (2015)	

Enhanced origination platform launch in 2H2015

PRODUCT PROPOSITION				
% of total accounts opened (2015)			% of total gross new lending (2015)	
PCAs	Savings ⁽³⁾	Credit Cards ⁽⁵⁾	Mortgages	Loans
81%	82%	37%	14%	39%
n.a.	n.a.	n.a.	74%	n.a.
4% (1)	11% (1)	53%	3% (1)	41%
15%	7%	10%	10%	19%
81k	97k	34k	£4.9 Bn	£0.3 Bn

Omni-channel service model linked to branch and digital, enabling a comprehensive offering aligned to our customers' needs

Source: Direct Telephony FTE relates to FTE engaged directly in speaking to customers across CYBG and outsourcing provider
 1. Online form & post; 2. Includes aggregators; 3. Includes term deposits, cash ISA and instant access accounts; 4. Supported by outsourcing agreement. Two further CYBG call centres in England to handle customer requirements; 5. Includes private banking credit cards sold via face-to-face / branches

SME: Full product set to meet customer needs across segments

Segment	PRODUCT PROPOSITION						
	% Customer segment internal revenue by product (2015)						
	Overdraft & term lending	Invoice finance	Asset finance	Treasury ⁽¹⁾ & trade ⁽²⁾	Payments ⁽³⁾	Deposits / cash management ⁽⁴⁾	% of total revenue per segment
Business Direct	26%	—	1%	1%	3%	69%	10%
Small Business	36%	2%	2%	2%	5%	53%	6%
Commercial	44%	8%	5%	8%	5%	30%	53%
Specialist & Acquisition Finance ('SAF')	72%	7%	2%	5%	1%	13%	31%
% of total revenue per product	50%	6%	4%	6%	4%	30%	100%

Full service platform and capability, catering for a broad range of SME banking requirements

SME: Relationship management expertise aligned to customer needs

Branch and Direct Model

Face to face Relationship Management

	Micro	Business Direct	Small business	Commercial ⁽²⁾
# Customers	c.97k	c.51k	c.7k	c.22k
RMs	n.a	79	37	209
Service Model	<ul style="list-style-type: none"> Local support through retail branches Service capability within Business Direct 	<ul style="list-style-type: none"> Telephone based RM proposition Retail branch support 	<ul style="list-style-type: none"> Face to face relationship management in local B&PB centres Access to product and sector specialists depending on customer needs and complexity 	
Customer / RM ratio ⁽³⁾	n.a	500 (>£50k) ⁽¹⁾ 650 (<£50k)	125	70 ⁽⁴⁾
	<i>Efficient service model through the retail branch network</i>	<i>Differentiated small business service proposition, through dedicated relationship managers with average 11 years of experience and access to a comprehensive product suite</i>	<i>Supported by an extensive specialist product & sector capability</i>	

SME: Target medium term loan growth in new sectors and new to bank customers

<p>New origination growth</p>	<ul style="list-style-type: none"> • Targeting significant increase of origination volumes in the medium term by growing in line with market and leveraging sector capabilities • Including launch of centralised and specialised CRE capability 	<ul style="list-style-type: none"> ✓ “New to Bank” gross SME lending⁽²⁾ of £638m (YoY +32%) ✓ Lending origination consistent with risk appetite
<p>Development of SAF offering</p>	<ul style="list-style-type: none"> • Growth aligned to defined asset quality and sustainable returns • Cash flow lending to medium sized businesses • Focused acquisition finance origination 	<ul style="list-style-type: none"> ✓ Appointment of additional key sector specialists including: hotels and housing associations
<p>Enhanced customer knowledge</p>	<ul style="list-style-type: none"> • Free up RM time to deepen relationships and sector knowledge 	<ul style="list-style-type: none"> ✓ Positive and improving NPS (net promoter score): +12⁽¹⁾ ✓ Invested in enhanced RM training, successfully implemented
<p>Penetration of under-served markets</p>	<ul style="list-style-type: none"> • Identification of niche, under-served opportunities • Provision of development funding, leveraging the deep sector knowledge (e.g. hotels, healthcare) • Consistent with our risk appetite 	<ul style="list-style-type: none"> ✓ Launch of Emerging Technology Unit ✓ Delivering on specialist propositions with origination of £200 MM YoY ^(2,3)
<p>Refreshed conservative CRE offering</p>	<ul style="list-style-type: none"> • Experienced CRE specialists with deep sector knowledge • Centralised specialist approach • Targeted lending to good quality higher margin CRE developments and investments 	<ul style="list-style-type: none"> ✓ Recruitment of a Head of CRE and CRE Team ✓ Controlled re-entry to the CRE market in September 2015

Risk: Sector exposures are being managed

Segment of Portfolio	% Total Business Portfolio (Sep2015)	Average eCRS ⁽³⁾ (Sep2015)	% of Impaired (Sep 2015)		% of Watch (Sep 2015) ⁽⁴⁾		Business Impairment Charge (£MM) (Sep2015)
			% of respective sector portfolio	% Total Impaired Portfolio	% of respective sector portfolio	% Total Watch Portfolio	
Agriculture	24%	11.66	1%	7%	13%	29%	4
Retail & Wholesale Trade	12%	14.33	2%	8%	9%	10%	4
Government, Health & Education	11%	14.16	3%	10%	14%	14%	1
Business Services	11%	13.48	2%	8%	6%	6%	5
Manufacturing	10%	14.29	1%	2%	13%	12%	0
Hospitality	9%	16.40	12%	38%	21%	17%	16
Commercial Real Estate	7%	12.52	5%	13%	9%	6%	3 ⁽²⁾
Transport & Storage	4%	14.64	2%	3%	6%	2%	0
Resources	1%	14.71	1%	1%	1%	0%	-1
Other ⁽¹⁾	11%	12.72	2%	10%	4%	4%	5
Total	100%	13.45	3%	100%	11%	100%	37

- **Following transfer of the CRE portfolio in 2012 and deleveraging of business lending, agriculture, whilst broadly static in value terms, is the single largest sector**
- **Total impaired and watch portfolios have reduced overall, resulting in certain sectors having an increased proportionate share**
- **Whilst decreasing, the Hospitality sector remains the largest component of the impaired portfolio. The impairment charge reflects difficulties experienced by a number of customers in this sector post the Global Financial Crisis**

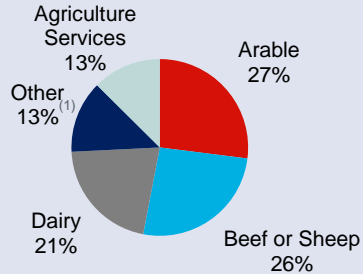
Risk: Agriculture sector exposure

Agriculture represents the largest current exposure

- ✓ *CYBG has a **long history of lending** to the agriculture sector*
- ✓ *Agriculture portfolio is **well secured and diversified** (sub-sector and individual customer)*
- ✓ *While recent challenges in key Agricultural sub-sectors have increased categorisations, the level of defaults and losses remains low*
- ➔ ***Selective growth within the portfolio, which is subject to a value cap, with concentration expected to reduce as other SME lending grows***

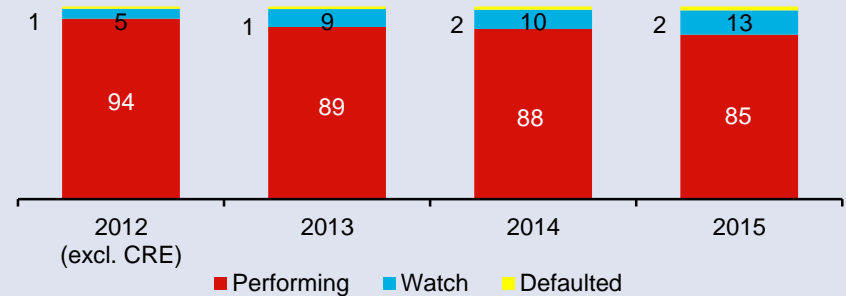
Well balanced, diversified portfolio

Agriculture sub-sector split, % (2015)



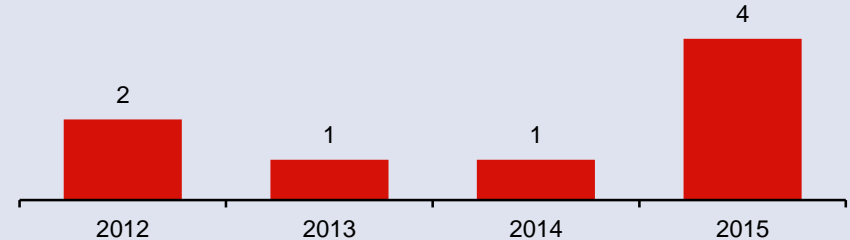
Broadly constant level of performing

% of agricultural stock loans



Minimal losses experienced

Agriculture impairment charges⁽²⁾, £ MM (2015)



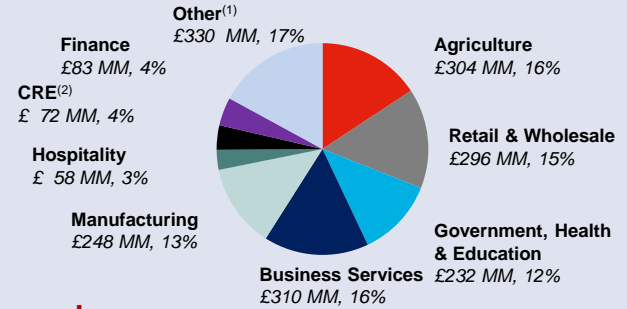
Risk: Lending growth remains diversified

Lending growth diversified

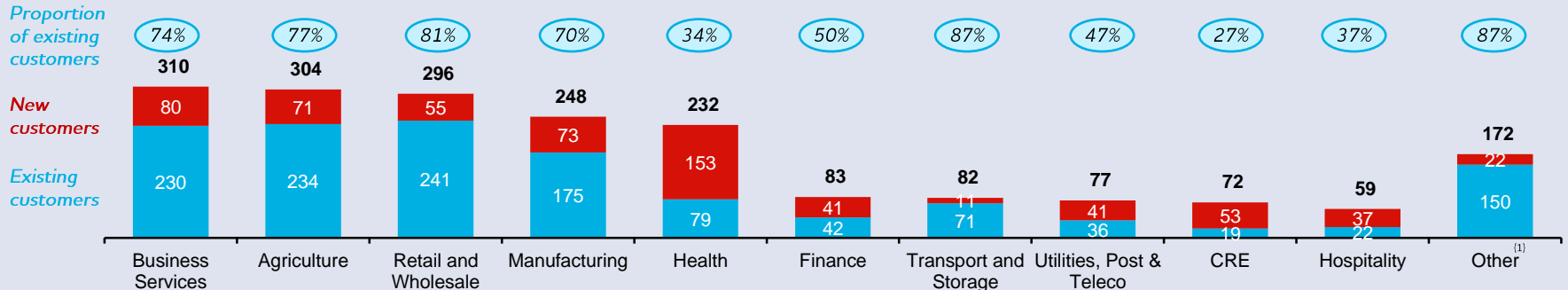
- ✓ **New lending is focussed on SME trading businesses**
- ✓ **Agriculture remains a material component of new lending; primarily supporting existing customers**
- ✓ **Selective new lending to sectors previously “closed” such as hospitality and CRE**

New lending per sector

Gross new facilities accepted and available to customers, (2015)



Strong contribution to new business origination from existing customer base



Note: New lending is defined as both New to Bank lending and increased lending to existing customers

1. Other includes transport & storage, utilities, post & telecommunications, construction and resources and entertainment and personal services; 2. Includes housing association

Financials: Focus on reshaping the balance sheet

Balance sheet

EMM	Year Ended 30 September				
	2012	2013	2014	2015	2014 vs. 2015
Consumer lending ⁽⁴⁾	16,679	17,422	19,726	21,722	10.1%
Business lending	10,896	9,002	7,970	7,061	(11.4%)
Total Customer Loans ⁽³⁾	27,575	26,424	27,696	28,783 ⁽⁸⁾	3.9%
Liquid Assets and other	8,968	7,695	7,154	7,893	10.3%
of which note cover ⁽⁵⁾	1,779	2,073	2,054	2,033	(1.0%)
Other Assets	7,839 ⁽⁶⁾	2,629	2,542	2,029	(20.2%)
Total Assets	44,382	36,748	37,392	38,705	3.5%
Customer Deposits	26,528	24,266	23,989	26,349	9.8%
Wholesale Funding ⁽⁸⁾	3,187	3,085	3,453	3,766	9.1%
NAB Funding	7,716 ⁽⁷⁾	3,036	2,677	998	(62.7%)
Notes in Circulation	1,567	1,709	1,831	1,791	(2.2%)
Other Liabilities	2,765	2,203	2,904	2,358	(18.8%)
Total Liabilities	41,763	34,299	34,854	35,262	1.2%
Equity and Reserves ⁽¹⁾	2,619	2,449	2,538	3,443	35.7%
Liabilities and Equity	44,382	36,748	37,392	38,705	3.5%
Ratios					
LDR (%)	104%	109%	115%	109%	(6ppts)
Customer Funding gap	1,047	2,158	3,707	2,434	(34.3%)
CET1 FLT ⁽²⁾	7.7%	9.6%	9.4%	13.2%	3.8ppts
Leverage Ratio	4.6%	5.1%	5.2%	7.1%	1.9ppts

Summary

- ✓ **Strong balance sheet fundamentals with continued improvement in capital, liquidity, funding and leverage metrics**
- ✓ **Strategic actions delivering shift in asset mix in line with plan**
- ✓ **Continued strength in liability franchise**

Key trends

- ✓ **Strong continued growth in mortgage book**
- ✓ **Reduction in customer funding gap driven by deposit growth**
- ✓ **Reduced utilisation of NAB funding**
- ✓ **Strong capital position**

1. Includes £200 MM non-controlling interest in 2012 and 2013, which was repaid in 2014; represents capital contribution in the form of hybrid capital notes from NAB subsidiary and £450 MM AT1 issued by CYBG to NAB; 2. Full look through; 3. The customer loans exclude accrued interest and are gross of unearned income, deferred fee income and provisions. The balances also include financial assets at fair value and acceptances; 4. Retail and private banking loans; 5. 2012 to 2014 note cover balances exclude the cover held with G4S and the Post Office, which forms part of cash balances. Balances for cover held with G4S and Post Office are: 2012 £42m; 2013 £45m; 2014 £34 MM; 6. Includes assets held for sale (i.e. disposed UK CRE portfolio) of £5,225 MM; 7. Includes £5,084 MM of NAB funding relates to the disposed UK CRE portfolio; 8. Total customer loans in AP (£28,763 MM) = £27,687 MM (gross loans and advances per note 15 in CYBI Ltd Annual Financial Report ("AFR")) plus £1,097 MM (loans and advances within other financial assets at fair value per note 13 in CYBI Ltd AFR) plus £4 MM (due from customers on acceptances) minus £5 MM (accrued interest receivable on other financial assets at fair value)

Financials: Bridge to reported earnings

Earnings reconciliation

£MM	Year Ended 30 September			
	FY12	FY13	FY14	FY15
Underlying PBT on ordinary activities	38	131	222	159
Pension scheme reform	130	-	-	-
PPI redress expense	(120)	(130)	(420)	(390)
PPI complaint handling fine	-	-	-	(21)
IRHP redress expense	-	-	-	(75)
Other conduct	(23)	(50)	(13)	-
Impairment of other intangible assets	(36)	-	(23)	(10)
Impairment losses on goodwill	(141)	-	-	-
Disposed legacy CRE portfolio result	(502)	-	-	-
Restructuring	(149)	-	-	(17)
Gain on capital & debt restructuring	-	-	-	61
Pension increase exchange gain	-	-	-	18
Separation costs	-	-	-	(10)
(Loss)/profit on ordinary activities before tax	(803)	(49)	(234)	(285)
Tax credit/(charge)	156	5	44	60
(Loss)/profit for the period	(647)	(44)	(190)	(225)

Key trends

- ⇒ **Pension scheme reform** – one-off contribution by NAB in FY12 upon its exit as a participating employer. In FY15, plan arrangements were amended, resulting in a credit within personnel expenses
- ⇒ **Payment protection insurance (PPI) redress expense** – recognition of, and revisions to, redress cost estimates
- ⇒ **Other conduct charges** – relate to a number of industry and CYBG specific issues
- ⇒ **Impairment of intangible assets** – relate to software
- ⇒ **Impairment losses on goodwill** – FY12 charge of £141 MM relating to NAGE investment in CYBG, reflecting the restructuring of the business in 2012
- ⇒ **Disposed legacy CRE portfolio result** – The legacy CRE portfolio was reclassified as held for sale at FY12 and was transferred to NAB at book value
- ⇒ **Restructuring** – Charges in FY12 and FY15 comprised provisions for redundancies, lease break and associated property vacancy and other costs
- ⇒ **Gain on capital restructuring** – relating to replacement/ redemption of non-CRD IV compliant instruments held by NAB
- ⇒ **IRHP redress** – There are no equivalent amounts in prior years as the provisions raised were offset by receivables from NAB.

Financials: Insurance Intermediary business⁽¹⁾

Income Statement

	Year Ended 30 September			
	2012	2013	2014	2015
Total Income	41	31	23	22
Operating and admin expenses	(12)	(9)	(8)	(6)
Operating profit before impairment losses	30	22	15	16
Underlying profit before tax	30	22	15	16
Tax	(8)	(5)	(3)	(3)
Profit after tax	22	17	12	13

Overview

- ***On 30 September 2015, this business was acquired by CYBG from NAB as part of the transaction, subject to regulatory approval***
- ***NAB-owned insurance intermediary for a number of third party providers of insurance and investment products, specialising in corporate lines, home insurance, motor insurance and personal lines, included within the CYBG transaction perimeter***
- ***Income generated mainly through commissions earned on the distribution of general insurance products to CYBG customers***
- ***Includes the right to collect trail commission from various investment products written before 2009 and earns commission on other insurance products.***
- ***As at 30 September 2015, the business had total assets of £8 million and total liabilities of £4 million***


Financials: Reweighting of loan book reducing RWA intensity


Shrinking risk-weighted assets...


£ MM

	2012 ⁽³⁾	2013	2014	2015	Growth ⁽²⁾
Retail mortgages	6,139	6,319	6,917	7,526	23%
Business lending	15,805	9,694	7,961	7,044	(55%)
Other retail lending	1,104	1,071	1,030	951	(14%)
Other lending	1,137	878	855	773	(32%)
Total credit risk	24,185	17,962	16,763	16,294	(33%)
Credit valuation adjustment ⁽¹⁾	-	-	137	206	—
Operational risk	1,905	1,684	1,564	1,589	(17%)
Counterparty risk	370	170	181	138	(63%)
Market risk	1	1	-	-	—
Total RWAs	26,461	19,817	18,645	18,227	(31%)
Total Loans	33,227	26,424	27,696	28,783	(13%)
Credit RWAs / total loans	73%	68%	61%	57%	(16ppts)
Total RWA / Assets	60%	54%	50%	47%	(13ppts)

...on the back of management actions

- 
Reduction in credit RWAs as mix shifts from higher capital intensity business lending to secured mortgages

- 
Pillar I non-credit RWAs reduced due to business simplification

- 
Continued focus as part of portfolio optimisation strategy

Rating agency considerations

- ✓ **CYBG is rated Investment Grade on a stand-alone basis by S&P and Fitch**
- ✓ **CB PLC remains investment grade after demerger on Stable outlook with all 3 rating agencies**

Credit Rating Summary (February 2016) — CYBG PLC

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

Credit Rating Summary (February 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

Wholesale funding split

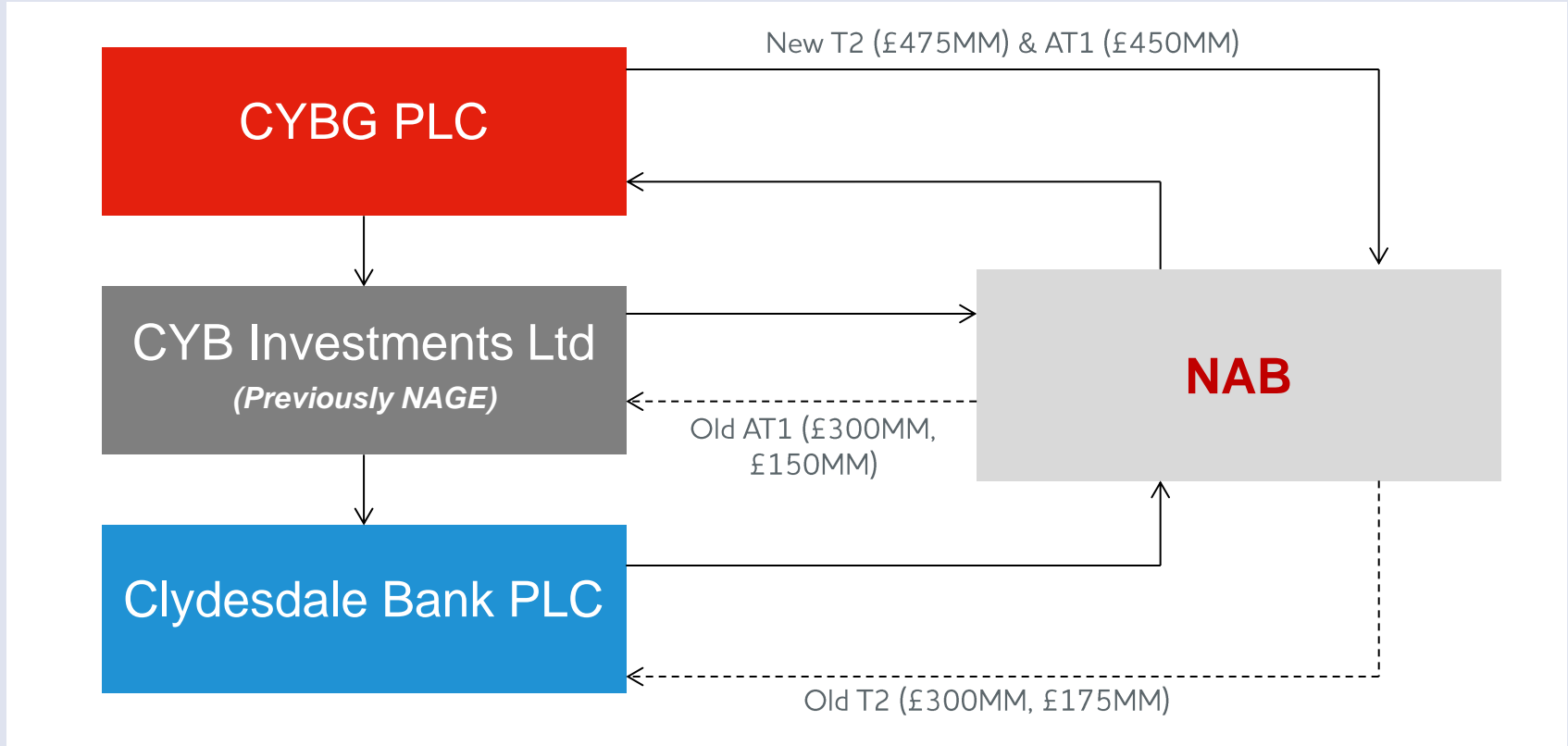
Bonds and notes

EMM	As at 30 September			
	2015	2014	2013	2012
RMBS	3,017	2,421	2,039	2,094
Covered bonds	697	1,097	1,096	1,096
Total	3,714	3,518	3,135	3,190
Fair value hedge adjustments	38	(85)	(64)	(27)
Total securitised notes and covered bonds	3,752	3,433	3,071	3,163
Accrued interest payable	14	20	14	24
Total bonds and notes	3,766	3,453	3,085	3,187

Breakdown of amounts due to related entities

EMM	As at 30 September			
	2015	2014	2013	2012
Subordinated liabilities	478	1,131	1,125	1,125
Deposits	125	1,097	1,434	6,077
Bonds and notes	382	410	442	475
Other Payables	13	39	35	39
Total securitised notes and covered bonds	998	2,677	3,036	7,716

Capital structure: overview of sub-debt



DB pension scheme: Overview

⇒ **Defined pension:** Provides defined benefits based on years of service and career averaged revalued earnings for benefits. A liability or asset in respect of the defined benefit scheme is recognised in the balance sheet and is measured as the PV of the defined benefit obligation less the fair value of the defined benefit scheme assets at the reporting date

⇒ **Defined contribution:** Receives fixed contributions from Group companies. Obligation recognised as an expense in P&L as incurred. Prepaid contributions are recognised as an asset

DB scheme closed to new entrants

- **DB scheme** with 3,083 active members (Sept'15)
- Subject to **Cash Funding valuation every 3 years**
- **Last formal cash funding valuation at 30 Sept'13**
 - Identified actuarial funding deficit of £450 MM
 - Next valuation effective 30 Sept'16
- **Schedule of contributions agreed**
 - Cumulative contributions of £215 MM in FY13/14
 - £50 MM per annum due Oct 2017 through Oct 2021
 - Final payment of £55 MM due Oct 2022
 - Remove deficit on a Cash funding basis by 2022
- Sensitivities:

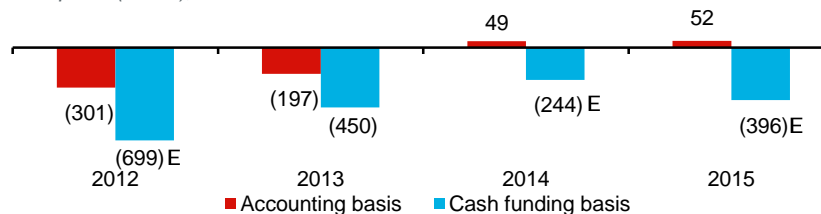
Metric	Impact on defined benefit obligation £m	Impact on pension cost £m
Discount Rate		
+0.25%	(178)	(8)
-0.25%	192	10
Inflation		
+0.25%	162	8
-0.25%	(152)	(6)
Life Expectancy		
+1 year	113	6
-1 year	(113)	(4)

Significant actions to reduce risk & capital charge

- ✓ **Benefit reforms:**
 - Close to new entrants (2004)
 - Basis moved to “career average salary” (2006)
 - Introduced employee contributions (2012)
 - Launched Pension Increase Exchange (“PIE”, 2014)
- ✓ **Changed asset allocation:**
 - Increase in ‘matching’ assets / fixed income (equates 37% (2012) 24% (2015))
 - Interest rate and inflation Hedging – current hedge ratio of 50%
- ✓ **Further strategies considered on ongoing basis**

Deficit being actively managed

Surplus / (deficit), £ MM



Pension scheme de-risked: P&L and capital volatility reduced

Appendix 2: supplementary conduct materials

Financial snapshot

Summary – As of 30 September 2015

(£ MM)		Total provisions raised	Total provisions utilised	Unutilised provisions remaining
PPI				
	Redress: Walk ins / PBR	578	277	301
	Remediation	270	0	270
	Costs to do ¹ :	348	145	203
	Total PPI	1,196	422	774
IRHPs/FRTBLs				
		506	314	192
	Other ²	48	28	20
	Total (excl. indemnity)	1,750	764	986
	Conduct Indemnity – Unutilised			1,115
	Total (incl. indemnity)³			2,101

⇒ **£465 MM additional conduct costs recognised in FY15 – £390 MM PPI and £75 MM IRHP / FRTBL. PPI increase largely relates to inclusion of PBR and refresh of costs to do**

⇒ **£986 MM unutilised provisions represent 56% of total provisions raised**

- **This includes £270 MM unutilised PPI Remediation provisions relating to previously closed complaints that are being reassessed**

⇒ **£1,115 MM of additional unutilised conduct indemnity protecting against severe stress scenario**

- **Covers PPI, IRHP, FRTBL and other conduct matters subject to minimum thresholds**

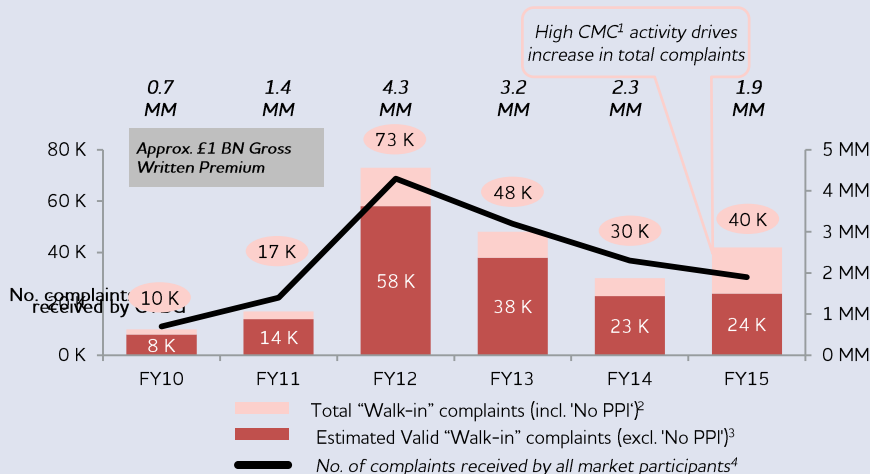
⇒ **Total cover for legacy conduct of £2,101 MM³**

103

1. Total expected administrative costs for remediating customer complaints
2. Excluding provisions previously raised and resolved
3. This excludes CYBG £120 MM risk share. The indemnity provided by NAB is drawn pro rata with CYBG risk share

Valid PPI “Walk-in” complaints declining since 2012

PPI complaints trend



Redress provisions for walk-ins/ PBR (as of 30 Sept 2015)

£ MMs

Provisions raised to date	578
Provisions utilised to date ⁵	(277)
Unutilised provisions remaining⁶	301

1. Claims Management Companies
2. Chart excludes pre-2010 complaints
3. The status of valid "Walk-in" complaint is based on the initial assessment when the complaint is received, this could change up to when the complaint is closed
4. Data for CYBG is financial years ended 30 September. Industry data is for years ended 31 December. For FY 15 industry data a pro rata figure is provided based on 2H 2014
5. Total costs of remediation for pre-August 2014 complaints will ultimately include costs arising from the Remediation exercise
6. Excluding "costs to do"
7. Includes coverage for 'No PPI' Walk-in complaints

⇒ 226 K “Walk-in” complaints received to 30 September 2015, around 180 K of the complaints are being reassessed for potential remediation

⇒ Provision covers estimated cost of PBR and additional walk in complaints assuming declining rate over time

⇒ Provision covers circa 175 K further claims⁷, including PBR
 all market participants
 customer mailing
 No. of complaints received by

⇒ As an illustration, other things being equal, the indemnity would allow a redress exercise, in addition to completed redress and existing provisions, of the same scale to that which has already been undertaken and provisioned for

⇒ Impact of Plevin and time barring consultation by the FCA is unclear at this stage

PBR and Remediation are well understood, provisioned for, with redress commencing next year

Past Business Review (“PBR”)

- ⇒ **CYBG’s approach to PBR is similar to that of the Big 5 banks**
- ⇒ **A proactive initiative by CYBG**
 - **114 K¹ customers expected to be contacted, with an estimated customer response rate of 40%²**
 - **For each 1% movement in the estimated response rate, provisions change by circa £5 MM**
- ⇒ **£390MM additional provision for PPI in August 2015 includes estimated cost of PBR**
- ⇒ **Expect to commence customer mailing in 2016**

Remediation

- ⇒ **s166 FCA review outcome in April 2014 into historical complaint handling procedure led to root and branch review of processes**
- ⇒ **Provisions of £270 MM³ (100% unutilised) raised in 2014 to remediate, as required, circa 180 K previously closed complaints as at the end of July 2014**
 - **Estimated to provide additional redress in circa 60% of cases**
 - **For each 1% movement in the estimated cases to be remediated, provisions change by circa £8 MM**
- ⇒ **Remediation expected to commence in 2016**

105

1. This is the total number of customers in scope for PBR. There will be some overlap with the future “Walk-in” levels
2. Compared to the FCA TR14/14 industry wide response rate of 35%
3. Excluding “costs to do”

IRHP / FRTBL exposure assessed and settlement is well progressed

Interest Rate Hedging Products (IRHPs)

- ⇒ ***Scheme is fully provided and now closed*** – outstanding offers of redress are expected to settle by Q1 2016
- ⇒ ***Remediation relating to IRHPs was driven by both a regulator review process and Bank proactivity***
- ⇒ ***Redress activity has been underway since 2012 when CYBG agreed with the FSA, alongside 8 other banks, to undertake a review of IRHPs dating back to 2001***
- ⇒ ***Risk of reopening the issue is low***

Total provisions incl. "costs to do" (as of 30 Sept 2015)	£ MMs
Total provisions raised to date	268
Total provisions utilised to date	(213)
Unutilised provisions remaining	55

Fixed-rate Tailored Business Loans (FRTBLs)

- ⇒ ***CYBG has been undertaking a complaints-led review of FRTBLs since 2012*** – encompasses new 'Walk-in' and previously closed complaints
- ⇒ ***The number of new complaints received has been trending down quarter on quarter since Q1 2015***
- ⇒ ***Complaints expected to tail off. On that profile, we estimate the current unutilised provisions to cover circa 18 months of redress***
- ⇒ ***Responded to March 2015 Treasury Select Committee report***

Total provisions incl. "costs to do" (as of 30 Sept 2015)	£ MMs
Total provisions raised to date	238
Total provisions utilised to date	(101)
Unutilised provisions remaining	137

Other conduct issues are currently immaterial with downside covered by conduct indemnity

Other conduct issues

⇒ **Back Book:**

- *All products have been reviewed to assess risks and where required more detailed review has been undertaken*
- *No significant new issues identified to date requiring proactive redress*

⇒ **Packaged Accounts:** *Not a material issue at this stage*

⇒ **Consumer Credit Act:** *Not a material issue at this stage*

Key messages

⇒ **Conduct risks relating to both Packaged Accounts and Consumer Credit Act are not material at this stage and are currently below the minimum threshold for cover under the conduct indemnity¹**

Conduct indemnity mechanics

- ⇒ **CYBG PLC will acquire the CYB Investments group¹ and will be the entity that is listed to achieve the demerger of the CYBG group from NAB**
- ⇒ **NAB will indemnify CYBG PLC for certain conduct costs (including customer redress and costs to do) relating to conduct issues arising prior to separation. Indemnity is intended to be sufficient to deal with all pre-separation conduct issues**
- ⇒ **All redress to customers will be managed by and paid direct by CYBG PLC. Responsibility for redress programme retained by CYBG**

Overview of NAB indemnity mechanics



- ⇒ **CYBG will claim under the indemnity as new provisions are required – indemnity claim from NAB is P&L-neutral for CYBG**
- ⇒ **CYBG risk share is £120 MM and will be drawn pro rata with the indemnity² – P&L expense but already included in CYBG capital**
- ⇒ **NAB risk share is 100% collateralised at Bank of England**
- ⇒ **A joint CYBG and NAB Conduct Review Committee has been established – an indemnity governance and oversight committee that meets on quarterly basis**
- ⇒ **Annual review of limit adequacy by PRA – the indemnity limit cannot be increased**

108 1. Formerly called National Australia Group Europe Ltd
 2. Based on £1.115 BN of indemnity, CYBG's risk share is a fixed 9.7% of each relevant conduct cost. If there is no further specific support provided by NAB prior to implementation of the Demerger, the risk share will stay at 9.7% (see page 114 'Key indemnity terms and conditions' for more information)

Key terms in relation to indemnity termination

- ⇒ **Conduct indemnity is perpetual unless otherwise agreed by the PRA**

- ⇒ **At or after the fifth anniversary, NAB and CYBG PLC can agree to seek PRA consent to terminate the conduct indemnity, with CYBG PLC consent not to be unreasonably withheld where the proposal is to convert the outstanding undrawn indemnity into ordinary shares in CYBG PLC, provided:**
 - *No more than £200 MM of shares (market value) to be issued; and*

 - *The share issue is capped such that not more than 9.9% of CYBG PLC's share capital (pre-conversion) is issued*

- ⇒ **If the amount of NAB's remaining liability under the conduct indemnity cover has fallen below £100 MM, at any time, NAB has the right to seek PRA consent to terminate by the conversion of the outstanding undrawn indemnity into ordinary shares in CYBG PLC provided:**
 - *The share issue is capped such that not more than 9.9% of CYBG PLC's share capital (pre-conversion) is issued*

- ⇒ **3 year run off period for an existing provision at time of equity termination; any remaining unutilised cash will be returned to NAB**

Key indemnity terms and conditions

Key terms	Description
Structure and Amount	<ul style="list-style-type: none"> Up to £1.7 BN support - risk share of £120 MM for CYBG, £1.115 BN indemnity from NAB plus capital support of £465 MM provided by NAB in September 2015. Pre-separation capital support is not subject to the risk sharing arrangements CYBG responsible for a portion of conduct liabilities that equate to the portion that £120 MM bears to the sum of £1.115 BN plus £120 MM. Liability therefore to be shared 90.3% / 9.7% between NAB and CYBG, assuming no further support provided by NAB for conduct matters pre-separation
Term	<ul style="list-style-type: none"> Perpetual until fully utilised or PRA agrees no longer required or termination arrangements implemented
Scope	<ul style="list-style-type: none"> Covers all conduct costs arising from pre-separation activities subject to certain limitations: inclusion of conduct matters other than PPI, IRHP and FRTBL subject to minimum thresholds of (i) £2.5 MM for industry-wide schemes, and (ii) £5 MM and 50 customers for CYBG-specific issues
Claims and Payments	<ul style="list-style-type: none"> Claims can be made under the indemnity when new provisions for relevant pre-separation conduct matters are raised or existing provisions for pre-separation conduct matters are increased CYBG may utilise amount paid by NAB pursuant to the indemnity on a quarterly basis if and when it pays a conduct cost. Amounts in respect of excess provisions to be applied against other relevant conduct matters or returned to NAB
Annual Review	<ul style="list-style-type: none"> Annual review of indemnity limit adequacy by PRA. The indemnity limit cannot be increased
Customer Redress	<ul style="list-style-type: none"> Conduct claims are managed by CYBG
Cash Security	<ul style="list-style-type: none"> NAB risk share is 100% cash collateralised at Bank of England
Governance	<ul style="list-style-type: none"> Joint CYBG and NAB conduct review committee established plus information rights for NAB and agreed dispute resolution process to provide governance in respect of the conduct indemnity

Key takeaways

- ⇒ ***Total cover of £2.1 BN¹ across provisions and conduct indemnity***
- ⇒ ***Visibility on PPI outlook improving with upheld complaints on a falling trend***
- ⇒ ***Significant progress made on other conduct issues***
- ⇒ ***Substantial investment undertaken to reduce conduct risk in the front book***

Historical evolution of conduct provisions

Provisions raised

(£ MM)	Pre FY12	FY12	FY13	FY14	FY15	Total
PPI	136	120	130	420	390	1,196
IRHPs/FRTBLs ¹	–	31	36	364	75	506
Other industry and bank specific issues	–	18	18 ²	12	-	48
Total	136	169	184	796	465	1,750

1. The income statement effect of these provisions was nil in FY12, FY13 and FY14 due to the recognition of an offsetting receivable from NAB. In FY15 capital was contributed by NAB

112 2. Includes £18 MM relating to a provision where there is an offsetting receivable from NAB

Appendix 3: detailed macro information



Positive UK macroeconomic outlook

✓ **Positive GDP growth outlook**

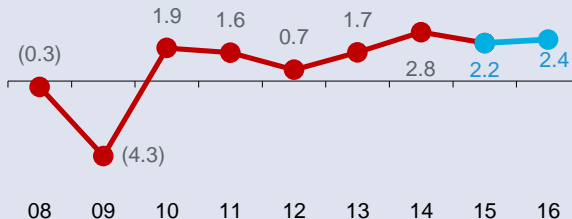
✓ **Reduced unemployment and increase in consumer confidence, coupled with real earnings growth**

✓ **Inflation expected to remain below 2% target from BoE**

✓ **More measured base rate increase expected**

Strong UK GDP growth outlook

UK GDP growth rate, %

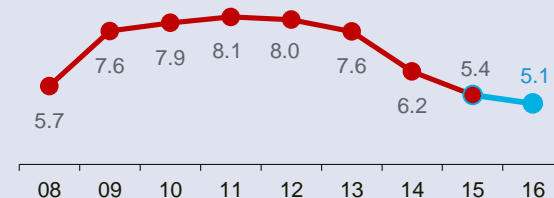


● Forecasts as of Feb 2016

Source: Oxford Economics

Continued unemployment decline

UK unemployment rate, %



● Forecasts as of Feb 2016

Source: Oxford Economics (Feb 2016)

Sharp rise in consumer confidence

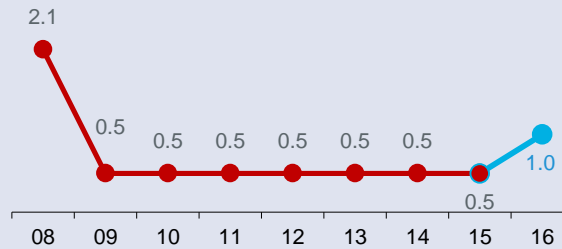
UK Consumer Confidence Index, %



Source: GfK

More gradual rise in rates expected

UK base rates, %



● Forecasts as of Feb 2016

Source: Oxford economics (Feb2016)

UK retail banking continues to show recovery and growth

✓ **Sustained momentum in the housing market – transaction volumes still below previous levels**

✓ **Credit environment remains strong**

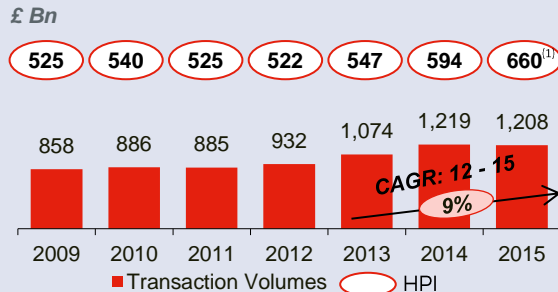
✓ **Strong growth in mortgage lending, particularly BTL**

✓ **Growth in personal lending and credit card originations reflecting improved sentiment**

✓ **Continued growth in deposits, with shift from term to PCAs in low rate environment**

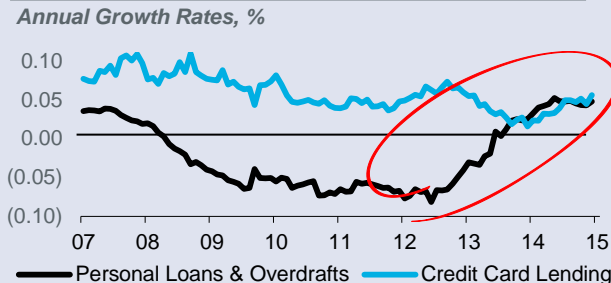
✓ **PCAs continue to represent the anchor relationship banking product**

Continued house price increases and strong transaction volumes



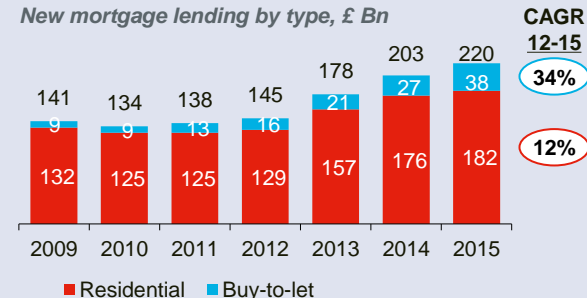
Source: CML, Halifax

Clear improvement in unsecured lending



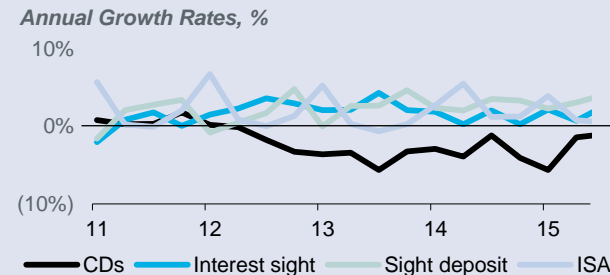
Source: BBA

New originations remain strong, particularly in BTL



Source: CML, Bank of England

Positive growth in personal deposits



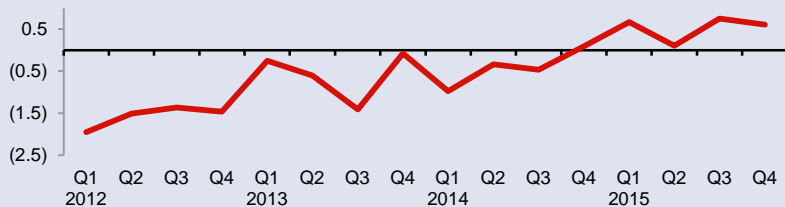
Source: BoE

Momentum rebuilding in SME and commercial market

- ✓ **Gross monthly lending flows in 2015 +8% vs. 2014**
- ✓ **Investment expected to grow relatively strongly in 2015/16 — forecasts for subsequent years revised up**
- ✓ **Y-o-y growth in lending to SMEs turning positive in April 2015 — first time since 2009**
- ✓ **North East and Yorkshire & the Humber saw a stronger uptick SME lending in Q2 vs Q1 2015 compared to other regions**
- ✓ **Attractive margins in niche segments where larger banks are not competing**

Net lending inflection point reached

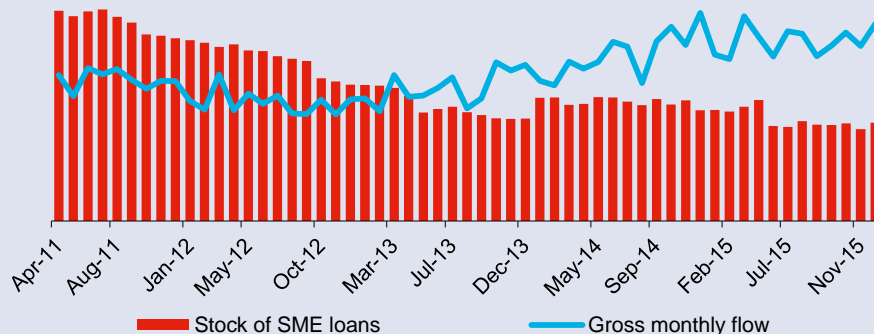
Quarterly changes in net loans to SMEs, £ Bn



Source: Bank of England

Momentum building with flows increasing

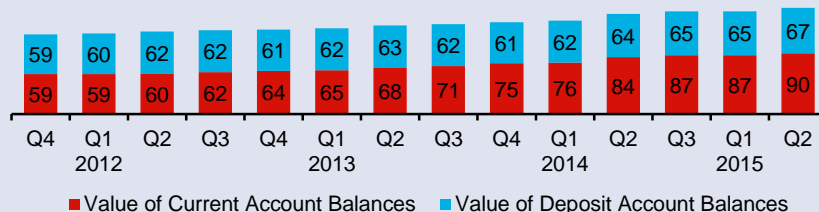
SME stock (LHS) and gross flows (RHS)



Source: Bank of England

SMEs further strengthening balance sheets

Total deposits from SMEs, £ Bn



█ Value of Current Account Balances █ Value of Deposit Account Balances

Source: BBA

UK Macroenvironment and Interest rate assumptions

%	2015	2016	2017	2018	2019	2020
Macroenvironment						
Real G... Growth	2.30%	2.20%	2.30%	2.30%	2.30%	2.30%
Consumer Price Index	0.50%	1.40%	2.00%	2.10%	2.20%	2.20%
Unemployment Rate	5.60%	5.30%	5.20%	5.10%	4.90%	4.90%
Interest Rate						
BoE Base Rate (Average)	0.50%	0.73%	1.10%	1.38%	1.50%	1.58%
3 Month Libor (Average)	-	0.97%	1.44%	1.73%	1.77%	1.84%
Forward 2 Year Swap Rate	-	1.34%	1.64%	1.75%	1.81%	1.90%
Forward 5 Year Swap Rate	-	1.57%	1.74%	1.83%	1.89%	1.97%

Note: All figures relate to financial years. Assumptions underpinning business plan. Compiled from various sources