

**CYBG PLC**  
**(Company)**

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11 October 2018

**CYBG PLC – IRB accreditation received**

The Board of CYBG PLC (“CYBG” or the “Group”) is pleased to announce that the Group has received IRB accreditation from the PRA for both its Mortgage and SME/Corporate portfolios. This is a significant milestone for the Group and represents the successful delivery, on schedule, of one of the major commitments made in the three-year strategy set out by the Group in 2016.

IRB accreditation means the Group is now authorised to use its own internal risk models in determining credit Risk Weighted Assets (“RWAs”) and the application of those models delivers a significant reduction in the RWAs held for the two portfolios.

For illustration, the Group’s credit RWAs on an IRB basis, as of 30 June 2018, would have been c.£4.5 billion lower in the Mortgage portfolio and c.£0.8 billion lower in the SME/Corporate portfolio. These reductions would have resulted in a pro forma increase in CYBG’s Common Equity Tier 1 ratio of approximately 390 basis points to c.15.3% as at 30 June 2018.

Following the RWA reduction the average risk weight density of the Mortgage portfolio would have been c.16.5%, within the range previously guided by management. Over time, and with the benefit of further use and experience, the Group expects the average risk weight density to reduce as elements of conservatism in the modelling are no longer required, similar to the reduction experienced by peer banks as they have matured as IRB institutions. CYBG also notes that the default definition used in its modelling is already aligned with the 90 days past due default trigger required under the EBA requirements, which is due to be implemented from December 2020.

The changes to RWAs and other impacts of IRB accreditation will take effect in the first quarter of the Group’s 2019 financial year, ending 31 December 2018.

IRB accreditation will provide the Group with a number of additional benefits in the future, including the ability to target segments of the lending market where previously it was difficult to compete effectively due to a disparity in capital requirements, a lower MREL debt issuance requirement and an enhanced risk management framework that further strengthens the Group’s prudent risk approach.

As previously indicated, the Group’s revised regulatory capital requirements and the target operating level for its key capital ratios going forward will now be determined in the context of both IRB accreditation and the expected completion of the acquisition of Virgin Money Holdings (UK) plc. The Group will update the market with further details as appropriate.

The Group continues to progress its Retail Unsecured lending IRB application.

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

“I am delighted the PRA has approved CYBG’s applications for IRB accreditation across our Mortgage and SME/Corporate portfolios in what is an incredibly important milestone for the

Group. It reinforces our capital efficiency as we cement our position as a true national banking competitor with a full-service offering to millions of retail and SME customers across the country.

“This achievement also means we have delivered, on schedule, one of the major targets we set ourselves back in 2016 as part of the Group’s three-year strategy. This would not have been possible without the hard work carried out by colleagues across the Group in what has been a complex, multi-year project. As a result, we are now well-positioned to compete even more effectively across the market.”

For further information, please contact:

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**Forward looking statements**

The information in this announcement may include forward looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward-looking statements, as well as those included in any other material discussed at any presentation, are subject to risks, uncertainties and assumptions about the CYBG Group and its securities, investments and the environment in which it operates, including, among other things, the development of its business and strategy, trends in its operating industry, changes to customer behaviours and covenant, macroeconomic and/ or geopolitical factors, changes to law and/ or the policies and practices of the Bank of England, the Financial Conduct Authority and/ or other regulatory bodies, inflation, deflation, interest rates, exchange rates, changes in the liquidity, asset position and/ or credit ratings of the CYBG Group, the repercussions of the UK's referendum vote to leave the European Union, and future capital expenditures and acquisitions.

In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. Forward-looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward-looking statements. There can be no assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/ or discussed at any presentation. All forward-looking statements should be viewed as hypothetical. No representation or

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### **No profit forecasts or estimates**

Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per ordinary share in CYBG (each, a "CYBG Share") for the current or future financial years, will necessarily match or exceed the historical published earnings per CYBG Share.