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Clydesdale demerger and IPO Investor Presentation

8 December 2015

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CYBG Group also presents income statement data on a Management Basis and certain key non-statutory performance indicators as they reflect what CYBG Group considers to be useful supplementary information to assist in evaluating the underlying operating performance of CYBG Group. Refer to Section 3 of the Scheme Booklet for further details including the reconciliation of the CYBG HFI to the Management Basis.

Craig Drummond
Group Executive Finance & Strategy

Demerger and IPO overview

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Overview of Demerger and proposed IPO

- Facilitates strong focus on core Australian and New Zealand franchises
- Reduces the risk and complexity of NAB and supports improvements in profitability and capital generation
- CYBG Group's standalone position has been strengthened to enable separation:
  - Strong balance sheet (CET1 ratio 13.2%[1], transfer of CRE portfolio, legacy conduct issues addressed)
  - New management team with extensive experience
  - Refocussed on core retail and SME franchises to improve returns
  - Expected to have standalone investment grade senior credit rating and reduced direct funding from NAB
- Demerger achieves immediate exit and provides greater certainty of execution than other options, and distributes value to NAB shareholders who can retain potential upside from CYBG
- NAB Board unanimously recommends that shareholders vote in favour of all of the proposed resolutions in relation to the demerger
- The Independent Expert, Grant Samuel, has also concluded that the demerger is in the best interests of NAB shareholders

(1) On a UK Prudential Regulation Authority basis

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Transaction structure

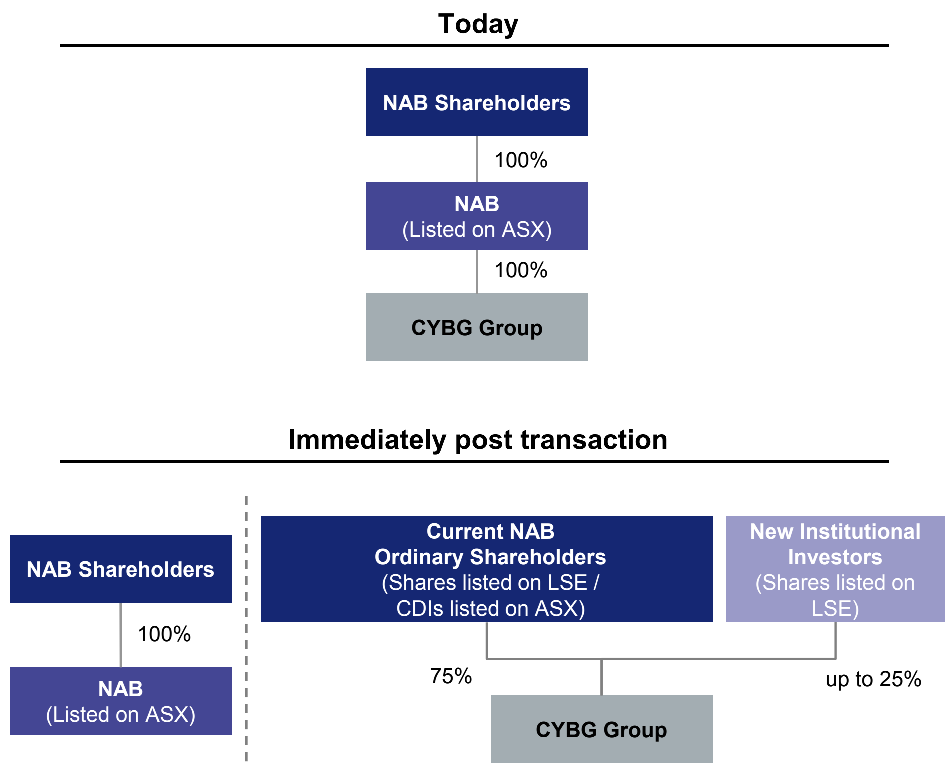
Key points

- Demerger of 75% of CYBG shares to eligible NAB shareholders
  - ratio of 1 CYBG security for every 4 NAB shares held
- Proposed sale of up to 25% of CYBG by IPO to institutional investors, creating additional liquidity on the LSE
- Demerger and proposed LSE listing is not conditional on IPO
- Proposed primary listing on LSE with ASX listing through fully fungible CHESS Depositary Interests (CDIs)
  - CDIs expected to qualify for ASX100 inclusion at Demerger
  - CYBG shares and CDIs expected to qualify for FTSE 250 inclusion in June 2016 re-balance
- Share sale facility available for NAB shareholders with 2,000 NAB shares or less

Australian tax considerations

- NAB seeking a tax ruling from the ATO confirming the Australian tax consequences of the transaction for Australian residents who hold NAB shares on capital account[1]
- On the basis of these discussions, subject to final ruling, we expect:
  - Distributions not expected to be 'assessable dividends'
  - No CGT rollover relief. Shareholders selling in first 12 months from Demerger date will not be entitled to CGT discount
  - Cost base of NAB shares will be reduced by value of CYBG distribution[2]

Structure



(1) Further information on the general Australian tax implications of the demerger are available in the Scheme Booklet. Shareholders should seek specific tax advice for individual circumstances
(2) As determined by the average VWAP of the CYBG share price for the first 5 days following listing. If cost base is reduced to zero, the excess is taxed as capital gains

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Separation of CYBG

Conduct

- £2.1bn coverage for CYBG Group for legacy conduct issues from (i) unutilised provisions (£986m as at 30 September 2015) and (ii) £1.115bn Capped Indemnity provided by NAB[1]
- Future losses to be shared 90.3%/9.7% between NAB and CYBG[1] and reported within discontinued operations
- Indemnity coverage centred on PPI, IRHP and FRTBLs with minimum thresholds before other conduct matters qualify for cover under the indemnity
- Annual review by PRA of the conduct indemnity package cap at NAB's request
- Indemnity is perpetual, though NAB and CYBG can agree to seek PRA consent to terminate the indemnity and convert the outstanding undrawn amount into CYBG shares in certain circumstances[2]
- Indemnity will not automatically cease to apply, or automatically terminate on change of control. The parties would need to facilitate an assessment by the PRA, who would determine whether the potential termination of any, part or the whole of the indemnity is appropriate

Funding and Capital

- NAB will have limited funding and capital exposure to CYBG Group post demerger
  - £382m of residential mortgage backed securities issued by a secured funding vehicle of CYBG Group
  - £450m of CYBG Group's AT1 and £475m of Tier 2 securities expected to be re-marketed to third party investors during 2016
  - NAB's derivatives exposure to CYBG has been significantly reduced and CYBG has established standalone derivatives capabilities

Transitional Services

- CYBG is substantially standalone. Transitional services in areas including risk, treasury, human resources and finance
- Intention for CYBG Group to have full standalone capabilities within 3 years of separation

(1) Assumes no further provisions are taken and funded by NAB before the demerger
(2) Principally (i) at any time where the remaining liability under the conduct indemnity has fallen below £100m; or (ii) at or after the fifth anniversary where no more than £200m (market value) of CYBG shares would be issued, provided in each case no more than 9.9% of CYBG's share capital (pre-conversion) is issued

Refer to appendix slides 119 – 130 for further detail

Accounting loss on Demerger and IPO

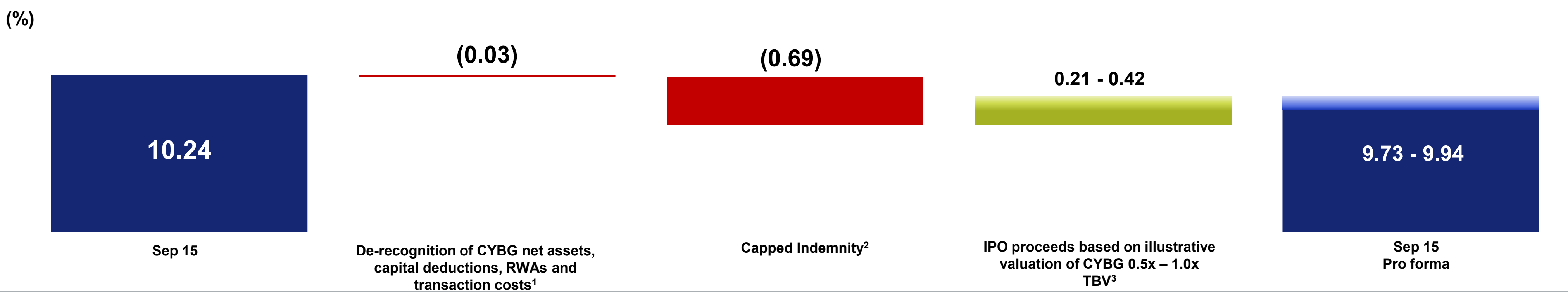
- Significant accounting loss expected on separation reflects:
  - the value of CYBG shares distributed to NAB shareholders[1] and IPO proceeds may be less than book value
  - the strengthening of the AUD against the GBP since acquisition, though captured in the foreign currency translation reserve
- Will not impact NAB's cash earnings and will be reported in Discontinued Operations
- Loss on sale will have no CET1 impact and will not impact dividend paying capacity

Multiple of CYBG Group net tangible assets ($5,902m)[2]	**0.5x**	**0.75x**	**1.0x**
($m)			
Illustrative value of CYBG Group distribution and IPO proceeds	2,951	4,427	5,902
Total fair value of CYBG Group (including fair value of AT1[3])	**3,954**	**5,430**	**6,906**
CYBG Group net assets deconsolidated[4]	7,384	7,384	7,384
Loss on demerger excluding FCTR and transaction costs	**3,430**	**1,954**	**478**
Illustrative FCTR loss at 0.4623 GBP per AUD[5]	973	973	973
Transaction costs post-tax[6]	262	262	262
Total illustrative loss on demerger and IPO	**4,665**	**3,189**	**1,713**

(1) As determined by the average VWAP of the CYBG PLC share price for the first 5 trading days following listing
(2) CYBG Group net assets as at 30 September 2015 of $7,448m less the carrying value of AT1 Notes ($973m) and intangible assets ($573m)
(3) Includes the estimated fair value of the existing CYBG Group AT1 Notes as at 30 September 2015 of $1,003 for illustrative purposes only
(4) CYBG Group net assets as at 30 September 2015 of $7,448m less accounting policy difference of $64m including the effect of AASB 9. For full details see page 83 of the Scheme Booklet for the Demerger of CYBG PLC from National Australia Bank Limited
(5) The illustrative exchange loss to be transferred from the FCTR to the income statement is based on CYBG Group net assets and related net investment hedges as at 30 September 2015 and the prevailing AUD/GBP exchange rate at 30 September 2015 of 0.4623.
(6) Transaction costs post-tax excludes $93m of transaction costs incurred in FY15

Post Demerger and IPO capital position

Group Basel III Common Equity Tier 1 Capital Position

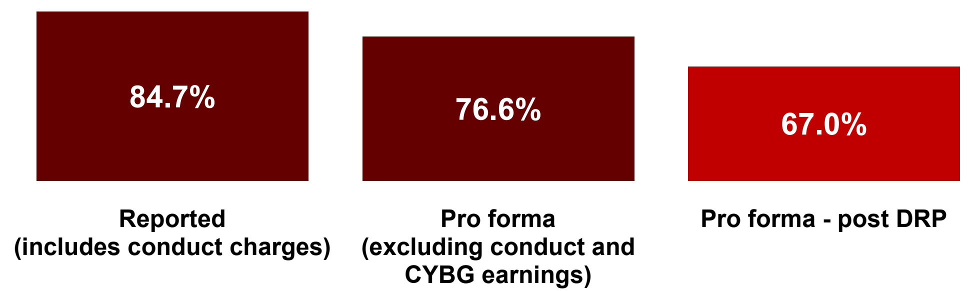


Pro forma capital position

- NAB pro forma CET1 ratio post demerger is 9.83% at 30 September 2015, based on midpoint of illustrative IPO valuation range for CYBG of 0.5x – 1.0x tangible book value as presented in Scheme Booklet
- Pro forma Sept 15 CET1 ratio of approximately 9.45% after adjusting for estimated FY16 impacts:
  - 1 July 2016 mortgage risk weight increase (-80bps)
  - Wealth debt maturity (-8bps)
  - Life insurance sale (+50bps)[4]
- CET1 operating target range of 8.75% - 9.25% unchanged

NAB FY15 dividend payout ratio

- Target dividend payout ratio range of 70-75%



(1) Based on deconsolidation of CYBG net assets of $6,407m (net assets of $7,384m adjusted for Additional Tier 1 instruments ($973m) and other inter-company balances of $4m), CYBG RWAs of $49.5bn. Also includes elimination of CYBG capital deductions of $1,484m and one-off transaction, execution and separation costs and IPO costs expected to be incurred by NAB post 30 September 2015 of $262m (post-tax)
(2) Conduct indemnity capped at £1.115bn ($2,412m) and is expected to be deducted from NAB's CET1 ratio upon completion of the demerger
(3) Assumptions include IPO size of 25% and net tangible assets of $5,902m
(4) After allowing for transaction and separation costs

NAB's financial profile post Demerger and IPO

	NAB Reported 30 September 2015	NAB (post Demerger) Pro forma 30 September 2015	Change
Cash Earnings	$5,839m	$6,457m	+10.6%
Cash Earnings (ex Specified items)	$6,718m	$6,457m	(3.8%)
Net profit for the period – Statutory basis	$6,392m	$6,914m	+8.2%
Net interest margin	1.87%	1.82%	(5bps)
Banking cost to income (CTI) ratio	50.8%	41.1%	(9.7ppts)
90+ days past due and gross impaired assets to gross loans and acceptances	0.71%	0.63%	(8bps)
Gross loans and acceptances ($bn)	584.1	523.8	(10.3%)
Risk weighted assets ($bn)	399.8	350.3	(12.4%)
Stable Funding Index	92.3%	90.6%	(1.7ppts)

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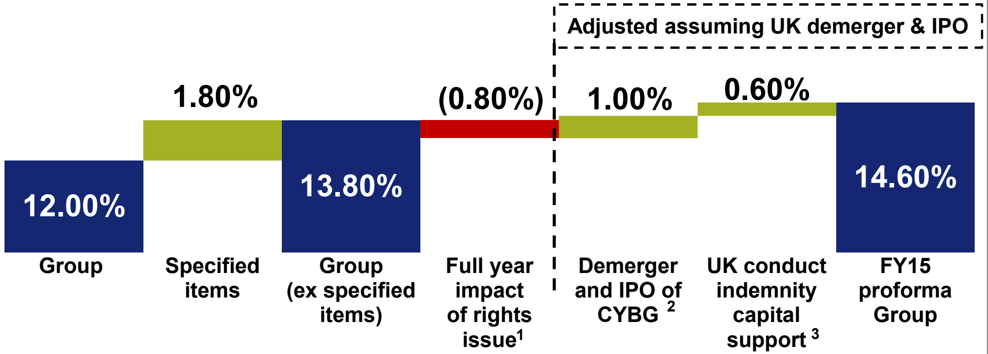
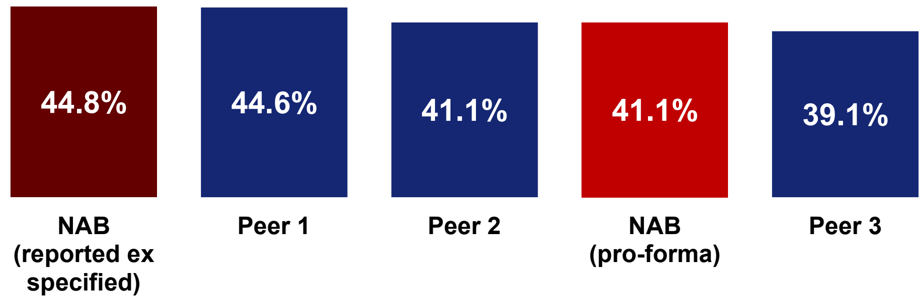
NAB's financial profile post Demerger and IPO

Adjusted FY15 return on equity of 14.6%



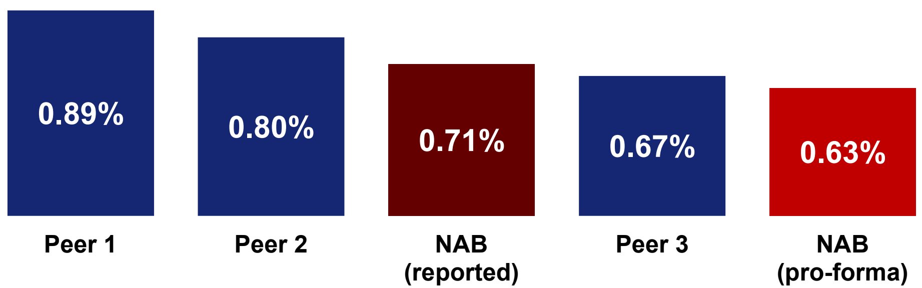
Improved CTI relative to peers

FY15 Banking cost to income

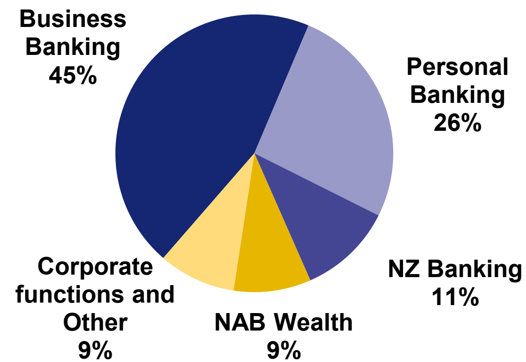


Peer leading asset quality

FY15 90+ DPD and gross impaired assets as % GLAs



FY15 pro forma revenue by Business Unit



(1) Rights issue was completed in June 2015 and reported ROE includes 4 months of the impact of the rights issue
(2) Assumptions include: UK IPO size of 25% and CYBG book value of £3,413m (which includes £450m of preference shares and the effect of AASB9)
(3) The UK Conduct Indemnity Capital support (£1.115bn) will be recorded as a contingent liability. Any future conduct costs post completion of the CYBG demerger and IPO will be reported in discontinued operations and will be a reduction to the Conduct Indemnity Capital support. Assumes FX rate of 0.4623 AUD / GBP

Indicative Demerger and IPO timetable

Key Demerger Dates[1]	
Scheme Booklet and CYBG Investor Presentation lodged on ASX	7 December 2015
Scheme materials dispatched to shareholders	By mid-December 2015
Last date for lodgement of proxy forms	25 January 2016
Shareholder vote on Demerger resolutions	27 January 2016
Second court hearing to approve the demerger	1 February 2016
Last date NAB trades cum entitlement to CYBG Shares	2 February 2016
Proposed announcement of IPO offer price	2 February 2016
CYBG shares commence conditional trading on LSE	2 February 2016
NAB shares commence trading on ASX on an ex CYBG Securities basis	3 February 2016
CYBG CDIs commence deferred settlement trading on ASX	3 February 2016
Scheme record date for determining entitlements to CYBG securities	5 February 2016
Demerger implemented and CYBG Shares / CDIs allotted to NAB Shareholders	8 February 2016
UK admission and normal settlement trading of Shares commences on LSE	8 February 2016
Normal settlement trading of CDIs commences on ASX	17 February 2016

(1) This timetable is indicative only and, among other things, is subject to necessary court and regulatory approvals and admission of CYBG securities on relevant exchanges. Any variation to the above timetable will be announced to the ASX

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Questions & Answers


David Duffy
Chief Executive Officer
Agenda and investment highlights
Clydesdale Bank
We care about here
Yorkshire Bank

Today's presenters

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*

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*

Debbie Crosbie
Chief Operating Officer

Previously Operations and IT Director at CYBG

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

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)*

Contents agenda

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***

Sector overview

David Duffy
Chief Executive Officer

Supportive market backdrop

Continued positive outlook for UK macro

- *Positive GDP growth outlook — estimates for 2015 growth revised upwards to 2.6% (vs. 2.5% in May 2015)*
- *Reduced unemployment — 2015 forecast 5.4% 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 – first rate rise now unlikely in Q1 2016 (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

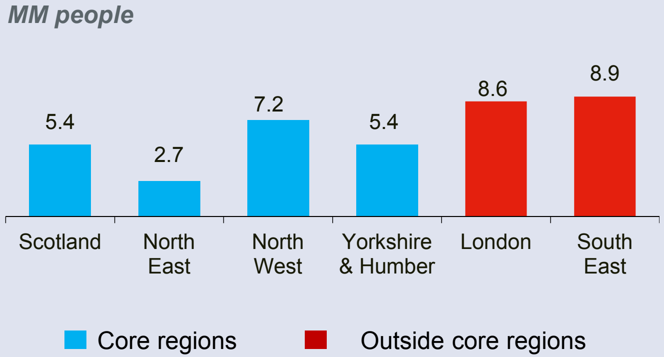
- *Business investment grew by 2.0% in 1Q15 - higher than the average quarterly rate in 2014*
- *Investment expected to grow relatively strongly in 2015/16 — forecasts for subsequent years revised up*
- *Y-o-y growth in lending to SMEs turning positive in April 2015 — first time since 2009*
- *North East and Yorkshire & the Humber saw a stronger uptick SME lending in Q2 vs Q1 compared to other regions*
- *Attractive margins in niche segments where larger banks are not competing*

1. 3rd party forecast – Global Insight (15 Oct 2015)

CYBG's core regions present attractive dynamics

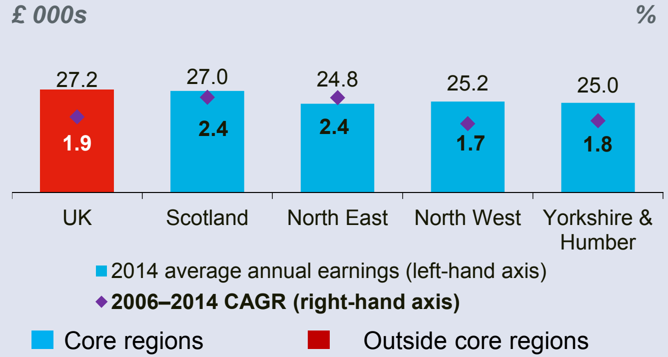
- ***20.7m population in CYBG's core regional markets***
- ***Sustained increase in average earnings across core regions supporting confidence and spending***
- ***House price growth in CYBG core geographies more muted, driving further upside potential***
- ***Stable SME lending volumes in CYBG core regions — Yorkshire & Humber growing***

20.7 MM population in CYBG's core markets



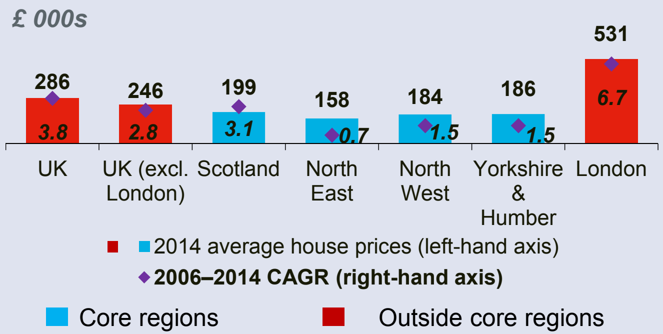
Source: Office for National Statistics

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



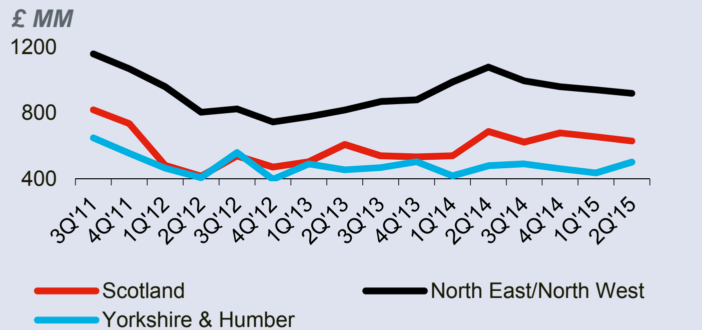
Source: Office for National Statistics

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



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*
- *Potential FPC[2] recommendations and directions – housing market and unsecured lending*

1. The Competition and Market Authority (“CMA”), 2. Financial Policy Committee (“FPC”)

CYBG overview & strategy

David Duffy
Chief Executive Officer

Our business at a glance

Significant scale *(2015)*

2.8 MM retail and business customers	*£ 29 Bn customer loans*	*£ 26 Bn customer deposits*

Full service product range

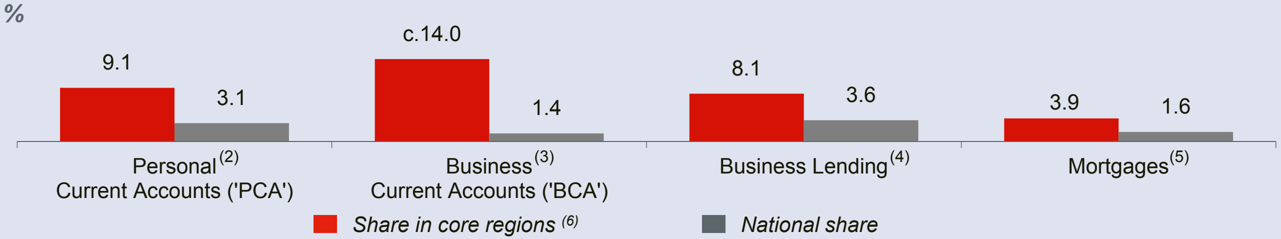
Retail

PCAs	Savings Accounts & Term Deposits	
Mortgages	Personal Loans	Credit Cards & Overdrafts

SME

Payment & Transaction Services	BCAs & Deposits	Term Lending
Working Capital Solutions(1)	Overdrafts	Savings

Strong market shares in core regions



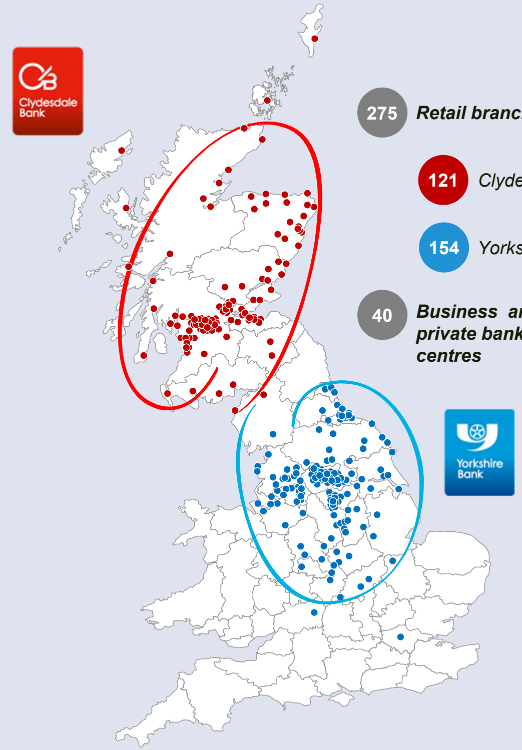
Source: BBA, CACI, CMA, BoE, CML

Broad channel distribution capability

Branch Network & Business PB Centres	Telephony / Voice	Internet Banking	Mobile Banking	Mortgage Intermediaries	ATMs	Post Office partnership

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 2Q14 SME lending stock; 5. Share of stock CML (2015). Regional market share based on availability of regional loan data (72% 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]

	CYBG	TSB[19]	Virgin Money	Williams & Glyn[2,6]	The co-operative bank[3]	aldermore	OneSavings Bank
Largest of the mid-sized UK banks — *UK gross loans (£ Bn) and mortgage market share (%)*[1]							
Mortgage market share	2%	2%	2%	1%	1%	<1%	<1%
UK gross loans (£ Bn)	29	25	25	20	15	5	5
Full service offering with strong SME presence — *UK gross loans mix and SME lending market share (%)*[4,5]							
SME lending market share	4%	<1%	n/a	7%	<1%	n/a	n/a
Unsecured	4%	10%	5%	9%	7%		
SME / Corporate	25%	1%		61%	5%	47%	3%
Mortgages	71%	90%	95%	31%	88%	53%	97%
Multichannel distribution							
Retail branches	275	c.615[12]	75	314	222[13]	0[14]	9
Intermediary	✓	(✓)[15]	✓	(✓)[16]	✓	✓	✓
Telephony	✓	✓	✓	(✓)[16]	✓	✓	✓
Mobile[11]	✓	✓	✗	(✓)[16]	✓	✗	✗
Strong current account foothold based in core regions — *Customer deposit mix and PCA market share (%)*[6]							
PCA market share (%)	3%	4%	n/a	2%	3%	n/a	n/a
Variable	30%	57%	57%	42%[8]	42%	77%[9]	33%[10]
Fixed	21%	12%	43%	37%[8]	39%	23%	67%
Current accounts	49%[7]	31%		21%[8]	19%		

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

Strategic direction clear

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

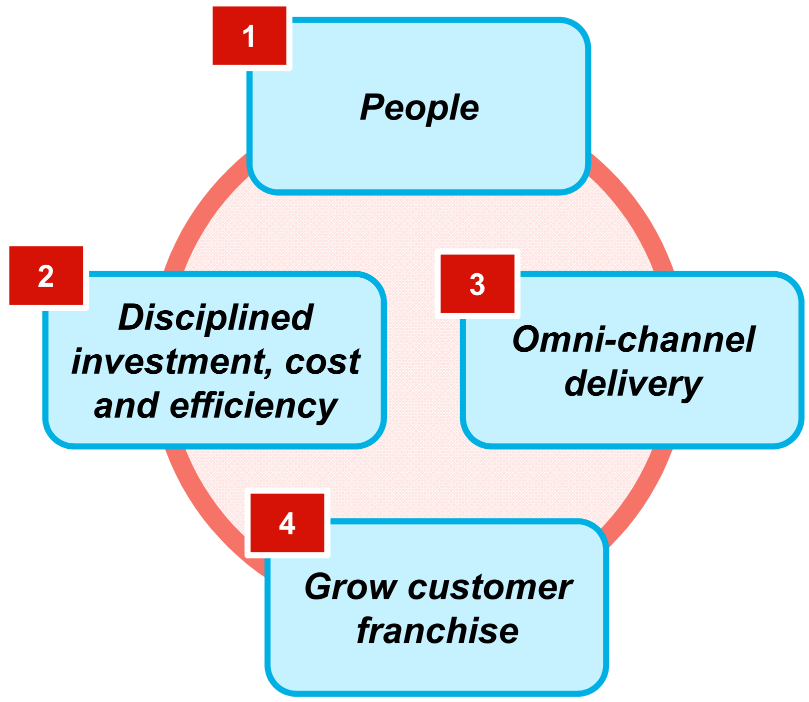
Positive dynamics …

- ✓ *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*

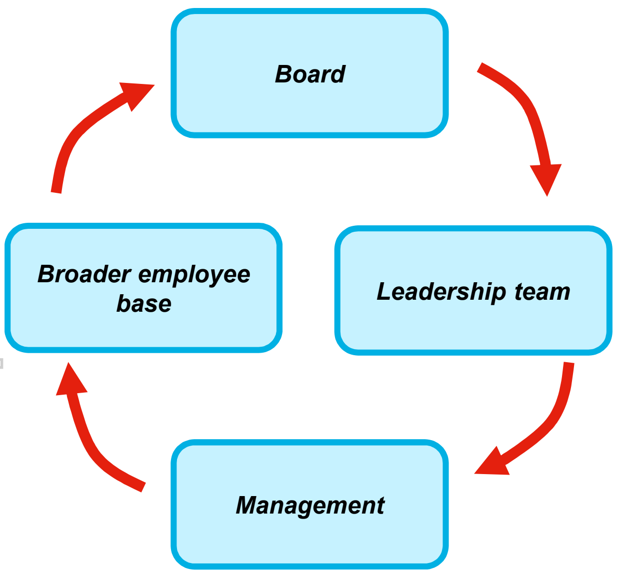
✓ Near term focus areas



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*

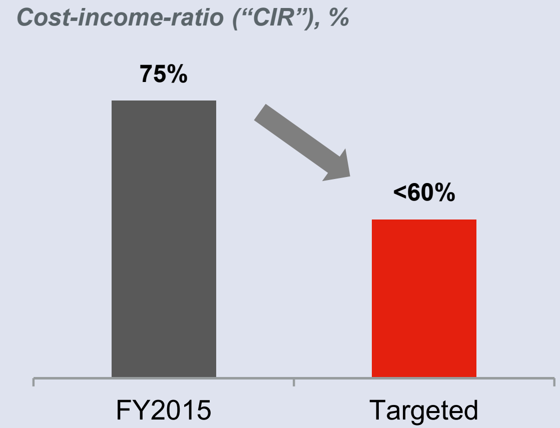
Near term actions

- **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



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

3 Omni-channel delivery

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

Consistent, superior customer experience delivered through seamless omni-channel 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

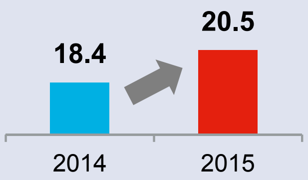
- Enhanced mobile banking proposition
- Public Launch of "B" platform

4 Grow customer franchise

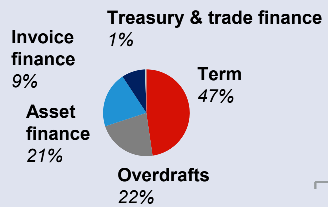
Momentum in delivery

Positive trends in Retail & SME

Mortgage balances, £ Bn

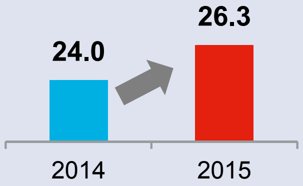


SME gross new facilities, 2015[2]



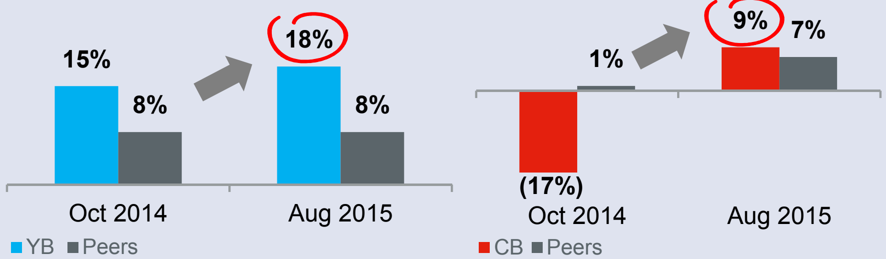
Gross new facilities: £1.9Bn[2]

Customer deposits, £ Bn



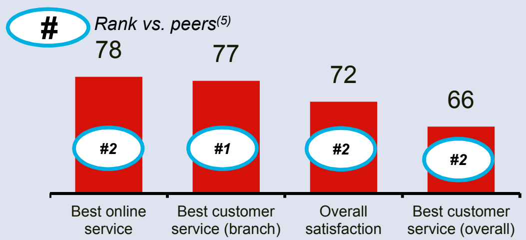
Improved customer advocacy[(1)]

Net Promoter Scores[(1)]



Recognised service quality

uSwitch Annual customer survey responses[(3)], %



Source: Uswitch customer survey (2015)

moneyfacts.co.uk helping you make better financial decisions

Award winning "first time buyers" (2 years running)

Your Mortgage and Remortgage

"Best regional lender" [(4)]

Near term actions

Distribution and products

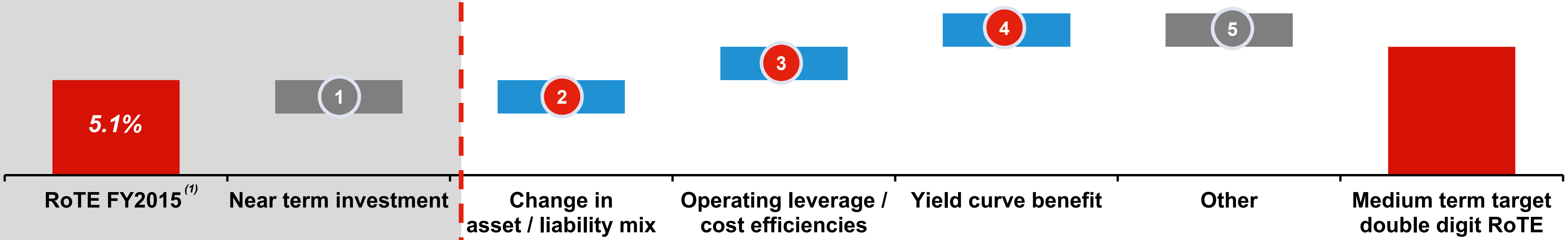
- Growth in SME business leveraging existing areas of expertise
- Step change in branch productivity
- Greater focus on proprietary mortgage volumes
- Continued focus on balanced deposit growth
- Prudent approach to intermediary mortgage volumes

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 2014 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



1 *Near term investment & standalone build costs*

- Increased costs in 2016, from transition to fully standalone operations and investment to support growth

2 Change in asset and liability mix

- ✓ Run-off of lower yielding corporate and tracker portfolios
- ✓ Focus on higher yielding SME segments
- ✓ Continued growth in higher return mortgage segments
- ✓ Continued acquisition of low cost customer deposit funding maintaining LDR up to 115%

3 Operating leverage and simplification opportunities

- ✓ Measured sustainable asset growth in line with our strategy
- ✓ Strong cost control with positive operating jaws
- ✓ Opportunity to simplify processes and reduce operating costs
- ✓ Digitisation of the distribution and operating model

4 Rising rate environment

- ✓ Well positioned to benefit from rising rates
- ✓ £7.2 Bn non / low interest bearing balances and £3.4 Bn of capital benefiting from structural hedge *(as at FY2015)*

5 Other

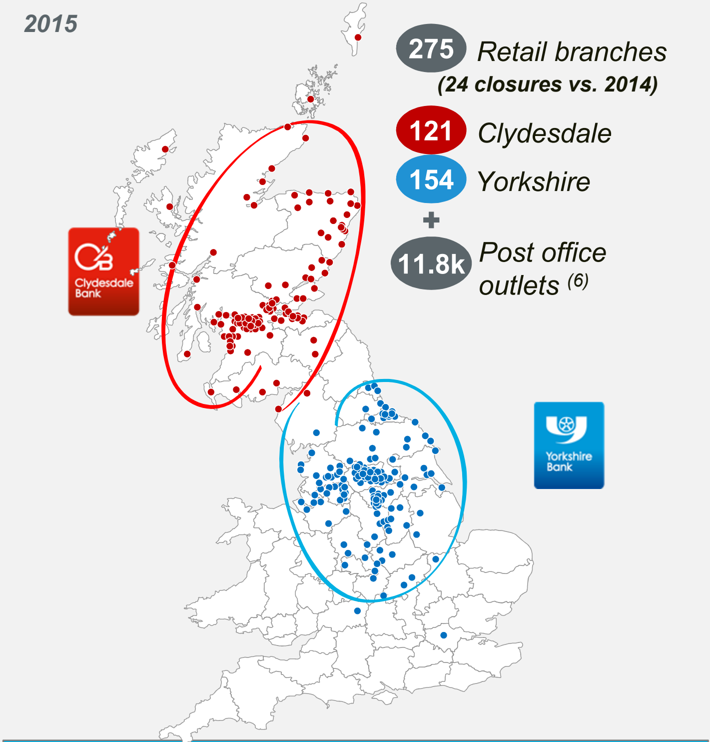
- Normalisation of the credit cycle
- Evolving OOI environment
- New surcharge tax
- Regulatory costs

1. Management basis


Helen Page
Propositions and Marketing Director
Retail banking
Clydesdale Bank
We care about here
Yorkshire Bank

175 years of retail presence in core regional markets

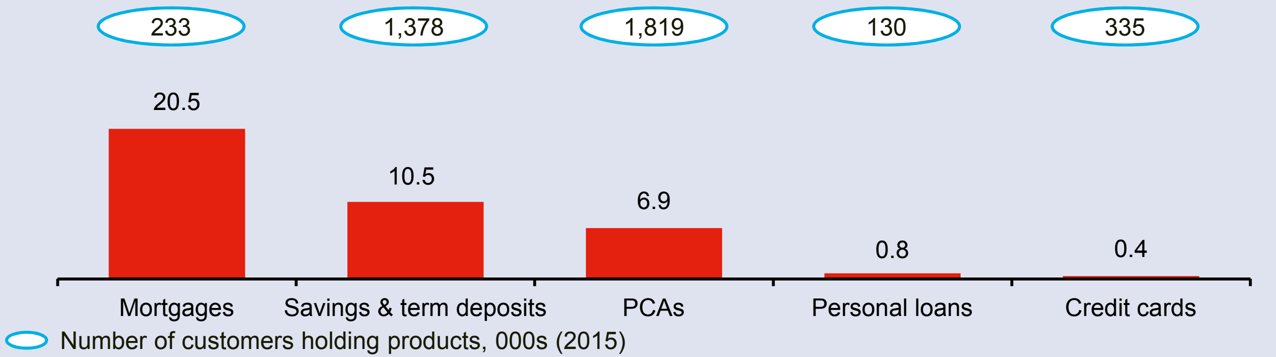
Strong regional network



✓ 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 multi-channel distribution proposition

Data shown below represents 2015

Branch	Intermediary	Digital	Voice
• 81% of PCA openings[4] • 125 face to face mortgage specialists (intention to fill vacancies) • 14% of gross new mortgage lending [4] [5]	• 11 years track record • 74% of gross new mortgage lending [4] (£3.7 Bn) • Invitation-only panel	• 973k RIB & mobile registrations[7] • 41% of PLs new lending [4] • Mobile app • Internet banking • Presence on 21 aggregator sites	• 2 main call 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

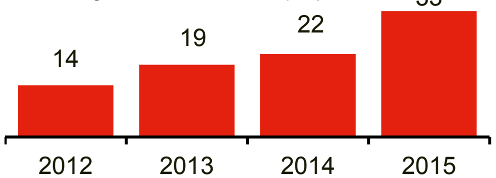
Built on what customers told us a great bank should be

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

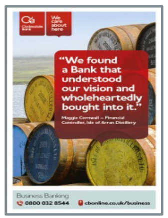
Underpinned by strong values and behaviours

- *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

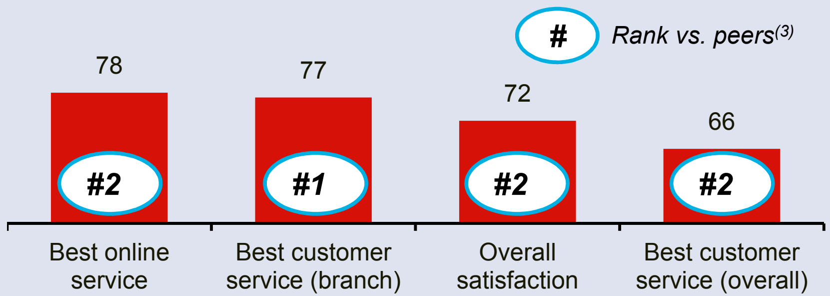


Designed to stretch across Retail and SME and beyond core regions



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)**

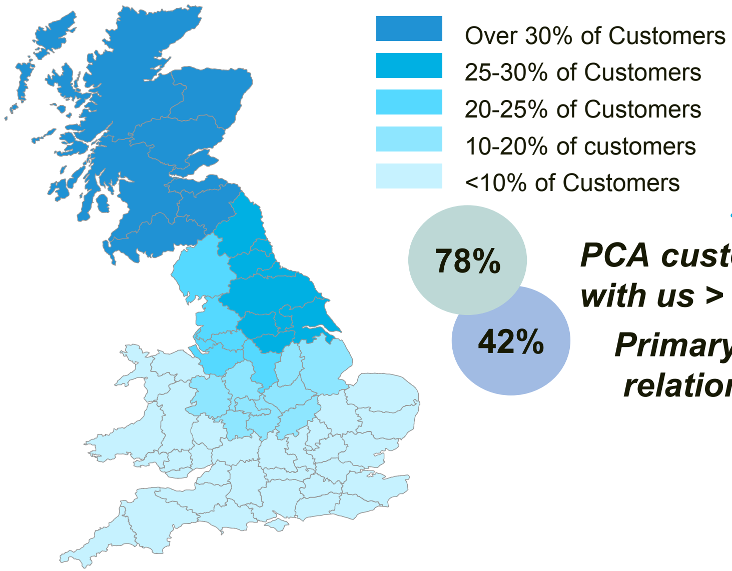
Revitalised and refreshed brands focused on delivering fair customer outcomes

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



78% *PCA customers with us > 10 years*

42% *Primary PCA relationship[2]*

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

Strong regional presence [1]

9.1% *PCA share in core regions*

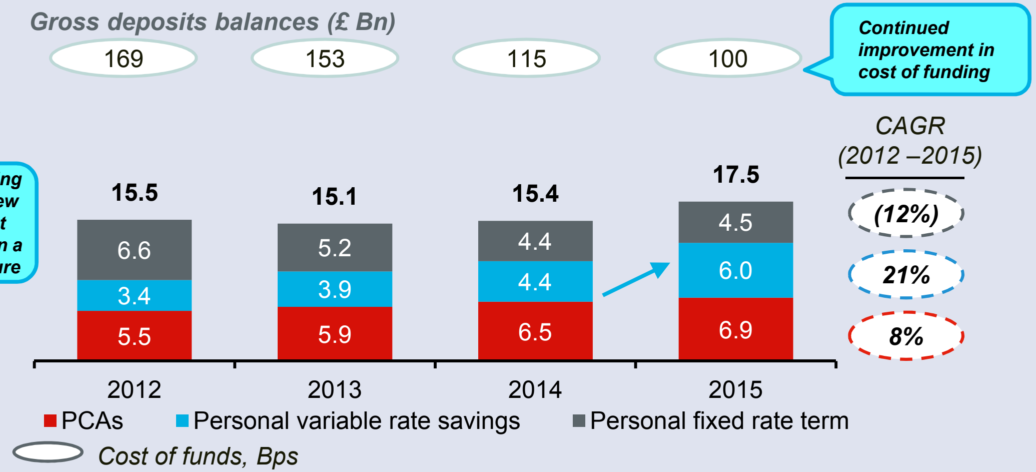
3.1% *PCA national share*

3.8% *Savings share in core regions[3]*

1.3% *Savings national share[3]*

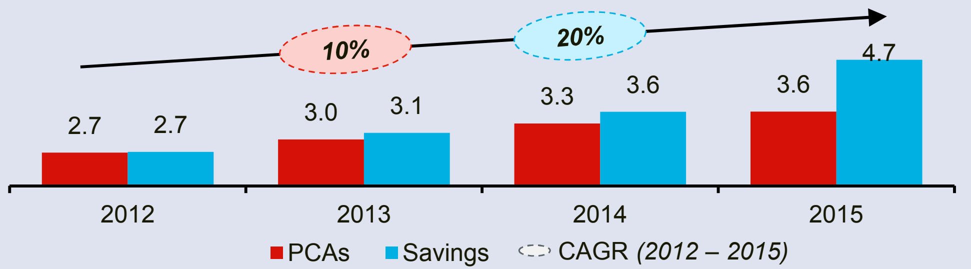
Growing lower cost personal deposit balances

Gross deposits balances (£ Bn)



Growing average balances

Average deposit balance per customer (£000s)

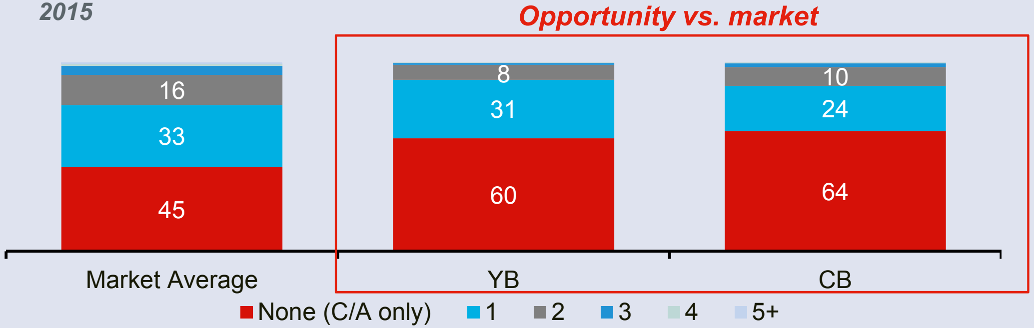


1. Core regions defined as Scotland, Yorkshire and the Humber and North-East and North-West England; CACI (June 2015), based on stock of balances; 2. Primary (i.e. main bank) customer must be party to at least one MT account of a selected product type which meets the following criteria: i) credit turnover 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

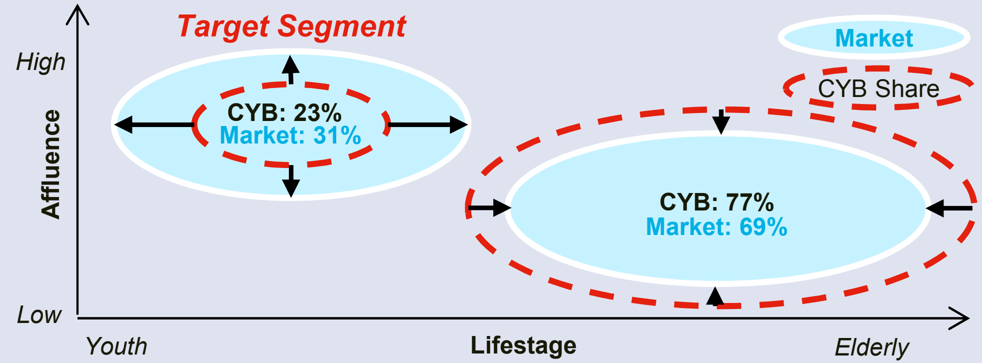
% of products held at main current account provider, 12 months ending Sept 2015



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

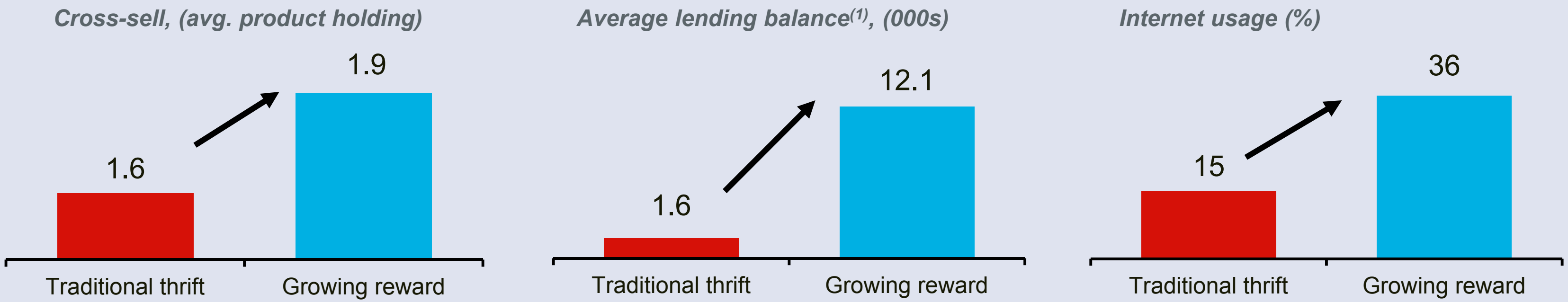


Source Experian

✓ Target demographic presents significant revenue opportunity

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



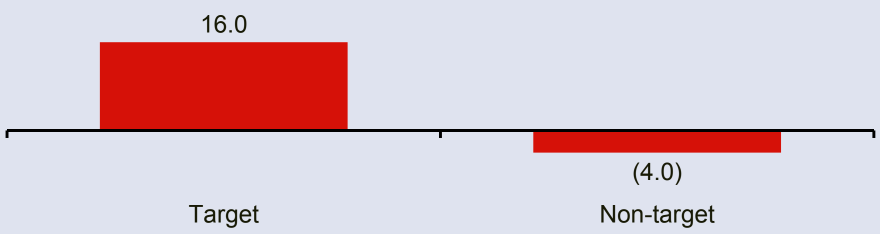
Source Experian (September 2015)

1. Unsecured personal lending balance

Positive trends underpinning the success of our strategy

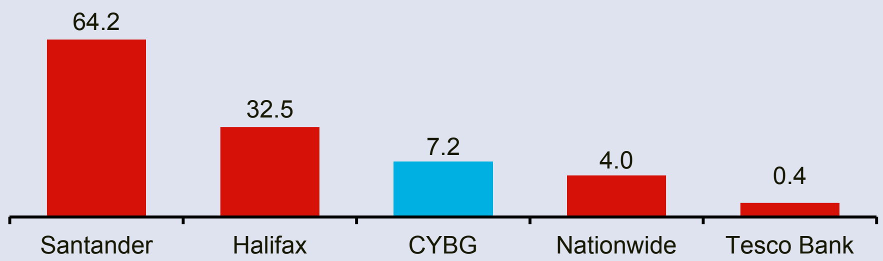
✓ Retail customers acquisition in target higher value customer segments

Total retail customers net acquisition (2015), 000s



✓ #3 switching choice in market

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

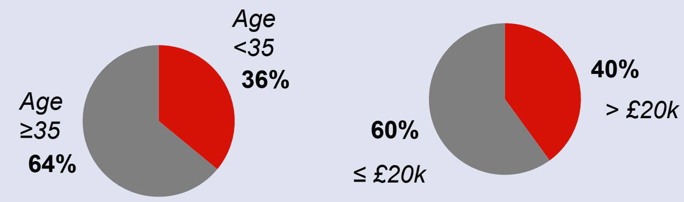


✓ Attracting customers in target segments

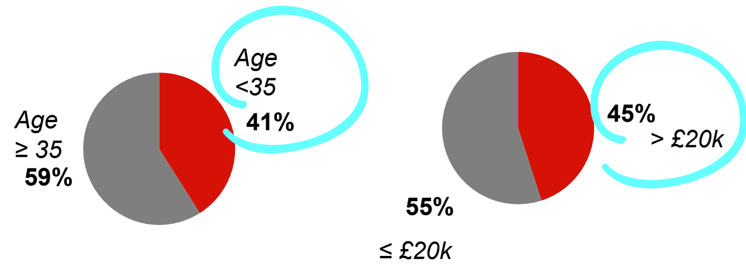
1 **Younger** — *Customer age*

2 **More affluent** — *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

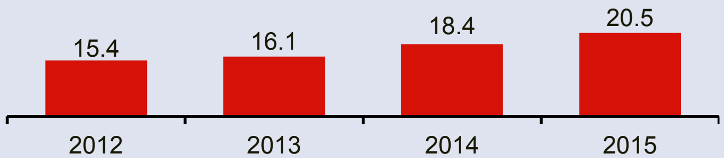
1. Income is derived from a combination of application, credit turnover and bureau data

We will continue targeting growth in mortgages

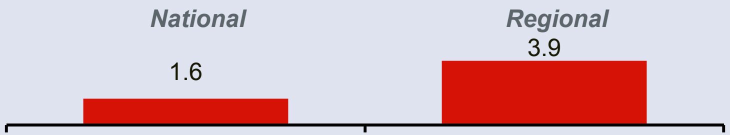
✓ Above market growth

Gross stock balances, £ Bn

CYBG CAGR[2] *10%* ***Market CAGR[2]*** *1%*



CYBG stock market shares, %



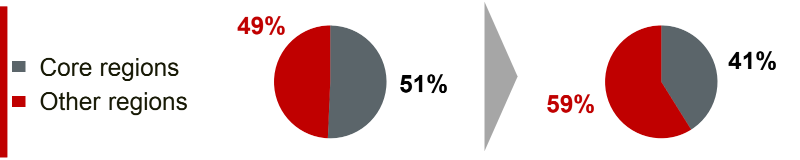
Source CML

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

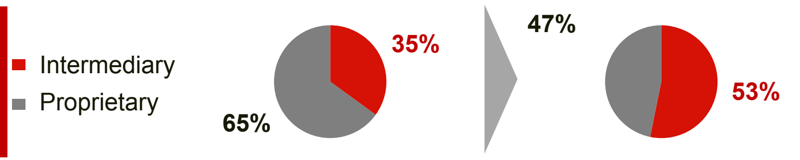
Gross stock balances (£ Bn)

2012 **2015**

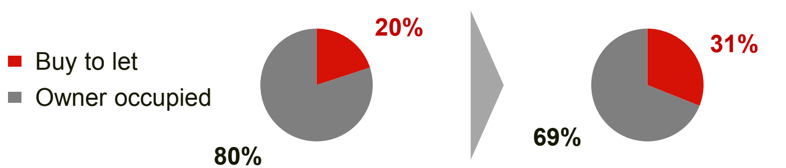
1 Increased diversification outside of core regions



2 Achieved primarily through intermediaries



3 Support customer needs through controlled growth in BTL



Award winning "first time buyers" proposition with Moneyfacts 2 years running and "best regional lender" with Your Mortgage[3]

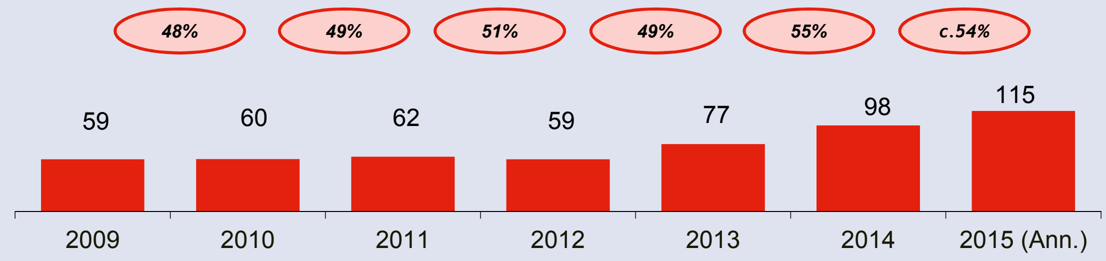
1. Share of stock CML (2015). Regional market share based on availability of regional loan data (73% of UK market).Stock market share as at 1H2015; 2. CAGR based 2012 to 2015. Market CAGR based on CML 2012 to 2015; 3. Awards as at 2014 for Yorkshire Bank

Intermediaries play a key role in the UK mortgage market

- ***Core distribution channel for UK mortgage market***
- ***Benefits of the intermediary model to banks:***
  - Broad geographical distribution
  - Scalability at low marginal cost
  - Improved asset quality
- ***Benefits of the intermediary model to customers:***
  - Face-to-face advice
  - Application processing support
  - Can access wider range of providers / shop for best deal
- ***New rules following the Mortgage Market Review (MMR) in 2014 supportive of intermediary market dynamics:***
  - Increased processes for in-branch mortgage application drove "re-direction" of flows to the intermediary market
  - Stricter affordability requirements, supporting asset quality
- ***No concentration risk*** – broker market highly fragmented
- ***Relationships with brokers are key*** – ability to differentiate through service quality
- ***Originations typically more skewed to the buy to let and first time buyer market***

Increasing driver of new business originations in mortgages

Intermediary share of gross new mortgages, £ Bn

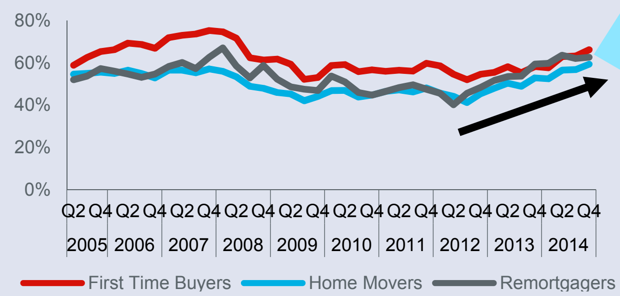


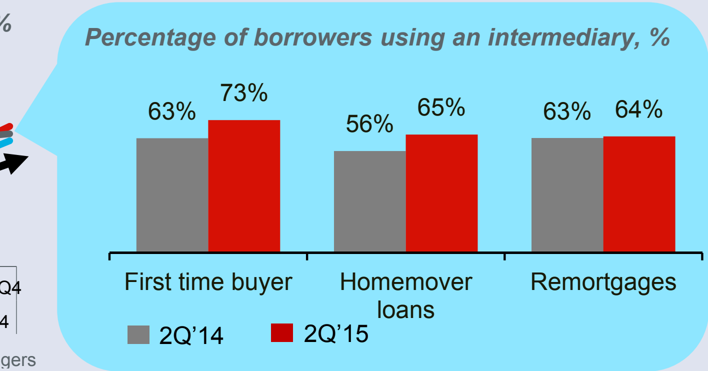
Intermediary distributed sales as a proportion of total mortgages[2]

Source: CML

Clear uptake by multiple types of buyers

Percentage of borrowers using an intermediary, %





Source: CML

Source: Regulated Mortgage Survey

1.Implied gross new mortgages based on total gross new mortgages and proportion of intermediary distributed sales (per CML). 2014 based on latest 2Q14 proportion; 2. Based on Mintel (Nov 2014), data covering the period 1 April to 31 March in each year. 2014/2015 estimated based on latest CML lending data

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

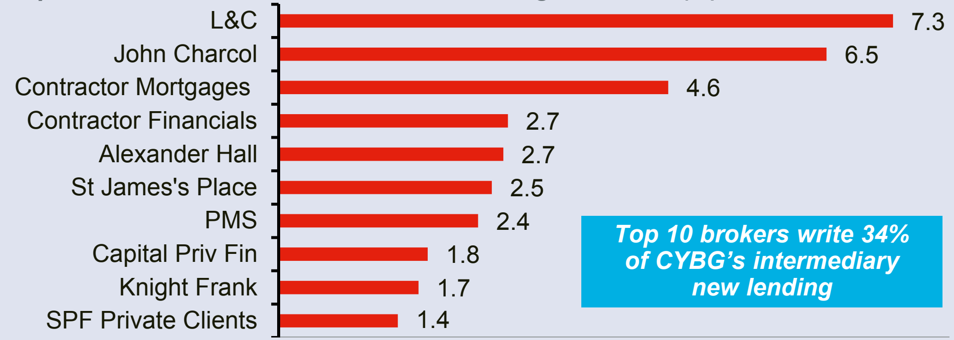
Differentiated relationship based model

- **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

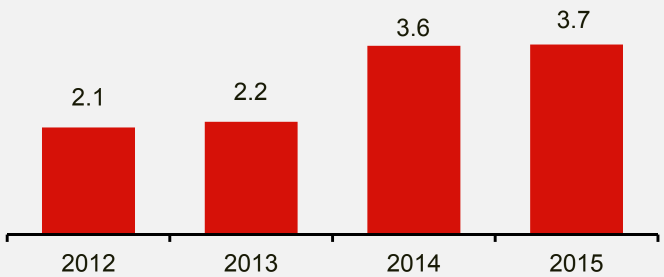
Top ten brokers share of CYBG broker lending, YTD 2015 (%)



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

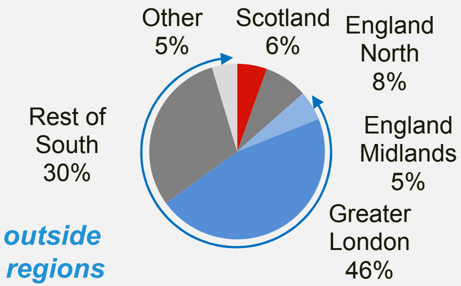
Strong track-record

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



Geographic diversification

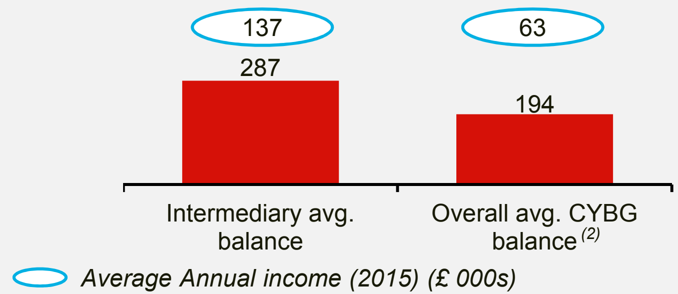
Intermediary gross stock balances, 2015 (%)



86% outside core regions

Higher value customers

Average balance (£ 000s)



***11 years of track record in quality intermediary lending supporting current national lending share of c.3%*[1]**

1. Estimate based on 60% (from CML Regulated Mortgage Survey) as proxy for overall intermediary lending as proportion of total lending (CML); 2. Average for branch, intermediary and private banking; 3. As at September 2015

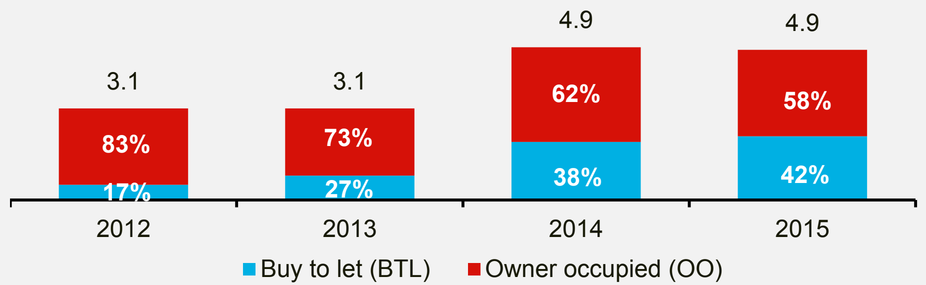
Managed growth in Buy-To-Let

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%*

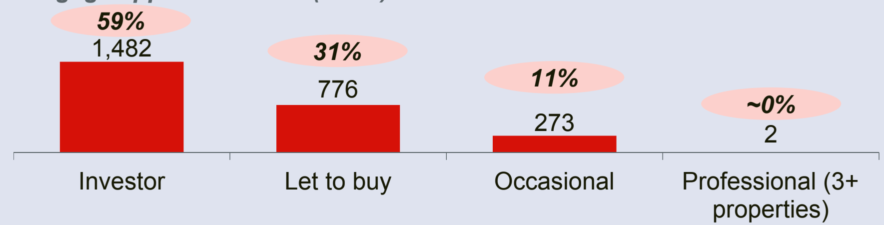
Managed growth

Gross new lending (£ Bn)



Buy to let customer segments

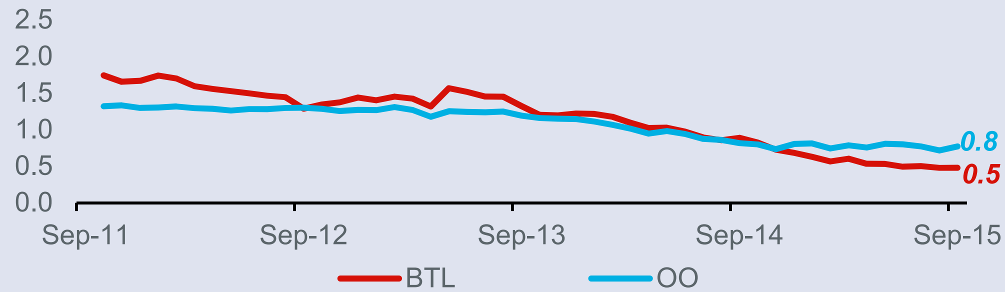
New mortgage approval values (£ MM)[3]



	Investor	Let to buy	Occasional	Professional (3+ properties)
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] *(%)*



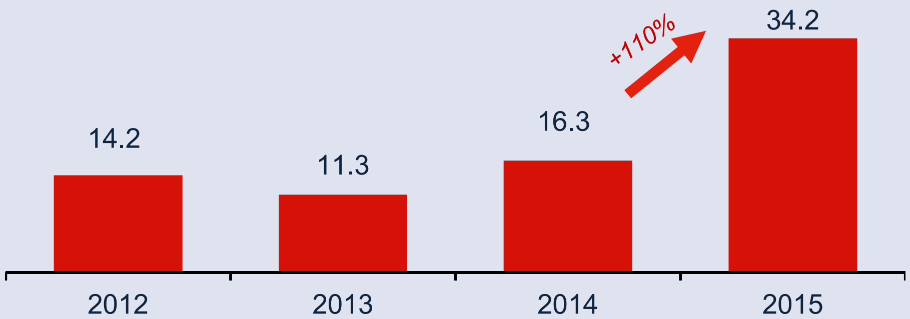
1. Sum of 90+DPD and impaired loans. Sept-11 up to Sept-15; 2. In a stressed scenario; 3. BTL sub-division analysis based on internal methodology

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]



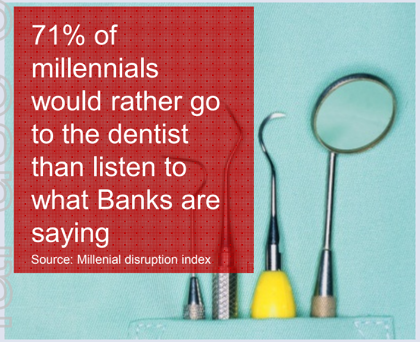
Future

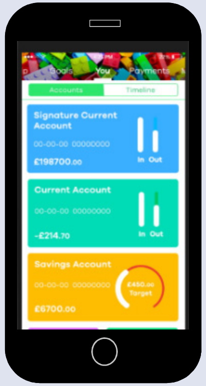
- ***Continued focus on digital e.g. aggregators***
- ***Deepen existing relationships e.g. Secure Site sales and "Digital Next Best Action"***
- ***Improving end-to-end customer experience***
- ***Aligned pricing across channels with capability to differentiate by campaign***
- ***Develop new customer-centric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

1. Includes private banking credit cards sold via face-to-face / branches; 2. Includes digital and telephony

Introducing B

Insight





Target market

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*

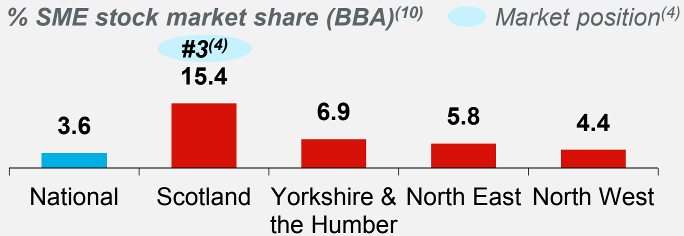
Features & benefits

- ✓ *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*

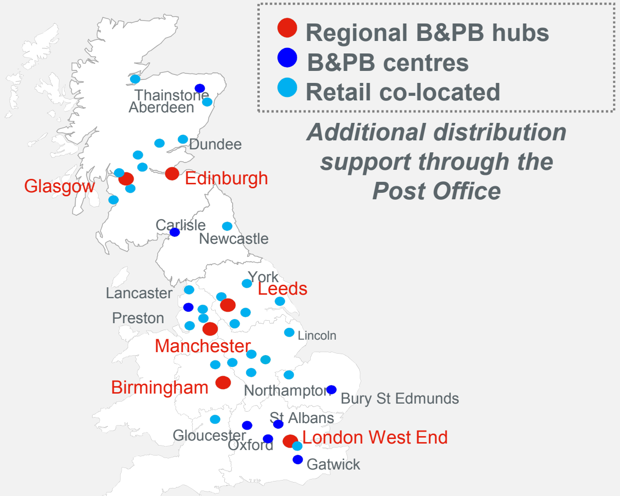

David Duffy
Chief Executive Officer
SME banking
Clydesdale Bank
We care about here
Yorkshire Bank

Established SME bank with regional track-record and scale

Leading regional presence



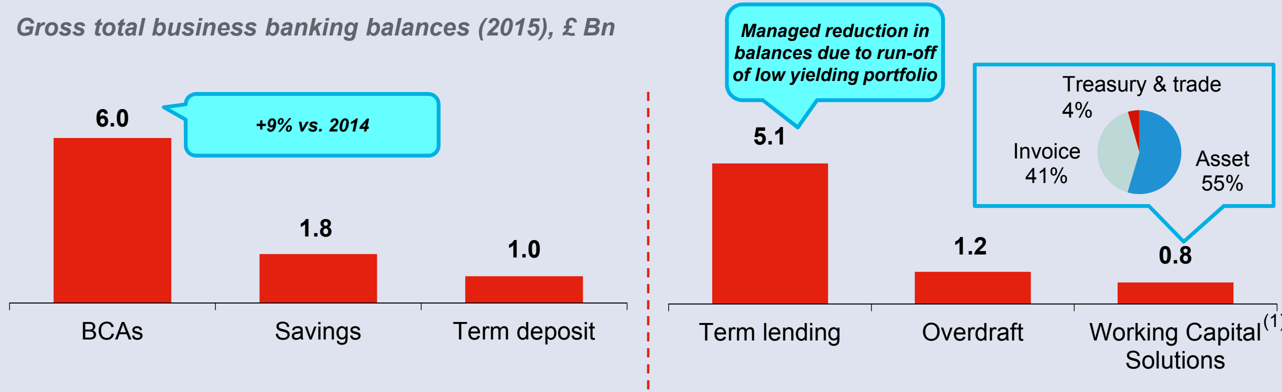
Network with national reach[9]



Additional distribution support through the Post Office

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

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



Integrated omni-channel service and origination model[3]

Relationship Managers (RMs)	Product and Sector Specialists	Business Direct Platform	Digital Platform
• *325 Business & Commercial Banking RMs[5]* • *97 Private Banking RMs*	• *183 Working Capital Solutions[6]* • *177 Specialist and Acquisition Finance[7]* • *70 Sector Specialists[8]*	• *51 k customers* • *79 RMs* • *Telephony support for small business*	• *Business Online internet platform* • *14 k Business Online and 47 k internet banking registered users*

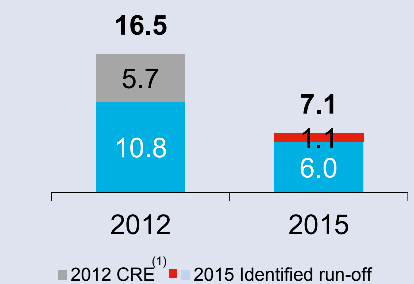
1.Defined as asset finance, invoice finance, treasury & trade finance; 2. Regional hubs deliver an integrated Commercial, Specialist and Acquisition Finance ('SAF'), Small Business and Private proposition. Glasgow and London West End are co-located; 3. As at September 2015; 4. CMA review (Banking services 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 1Q2015 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*

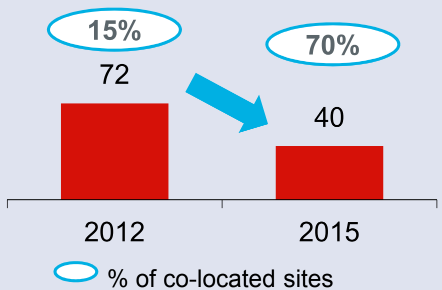
Business banking loan book (£ Bn)



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)]

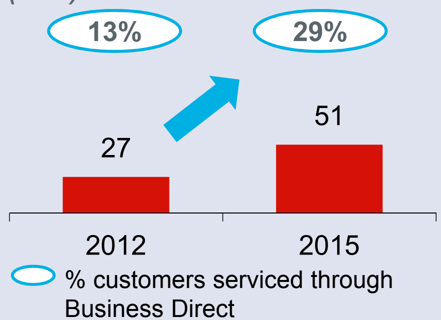
Number of Business & Private Banking Centres



Service model redesigned

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

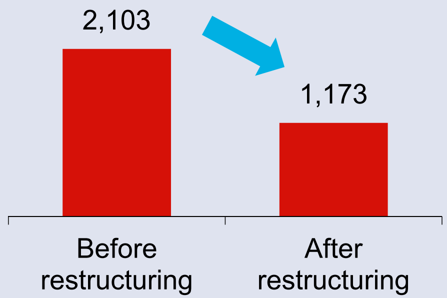
Number of BD customers (000s)



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

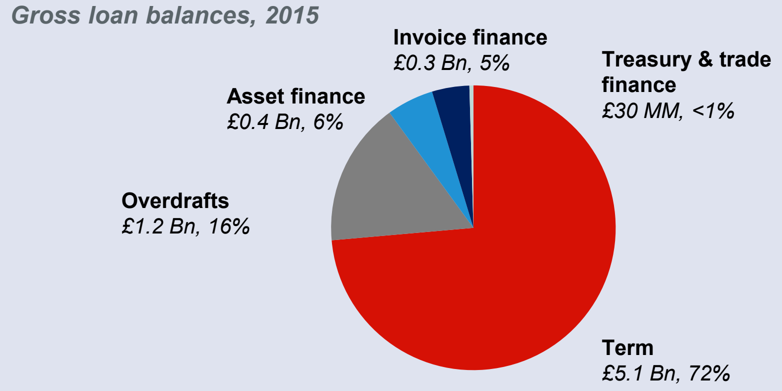


Solid foundations for delivering a refreshed proposition

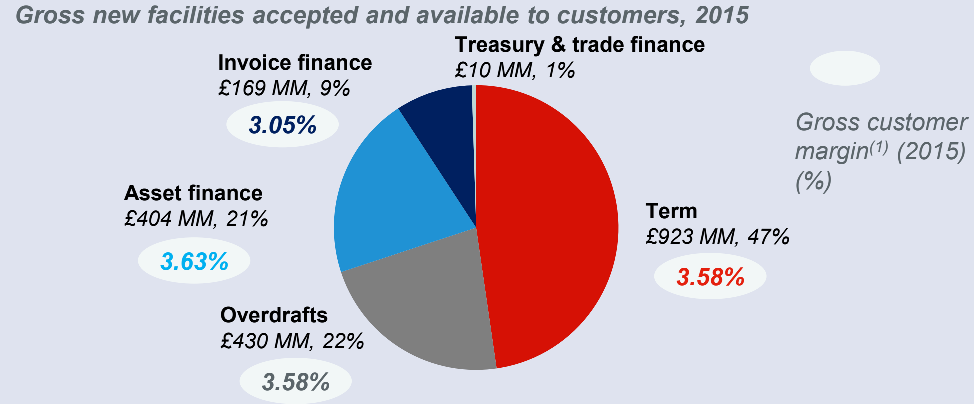
1. Low-yielding run-off was only identified in 2014; 2. In 2012; 3. Sept 2012 to Sept 2015; 4. Latest (Sept 2015); 5. One centre marked for closure in 2016

Lending strategy diversifying into higher return products

Loan book weighted to traditional term lending



Focused growth in higher return product areas



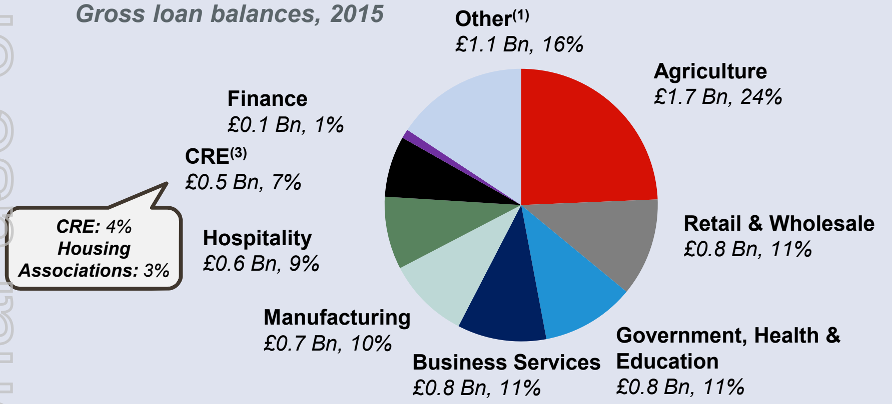
- ***Strong relationships with customers** — c. 67% of originations from existing customers*
- ***Working capital solutions supporting increasing customer demand***
  - *Invoice finance – c. 600 customers / £319 MM balances (2015)*
  - *Asset finance – c. 8,140 agreements / £425 MM gross balances (2015), 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*

1. Gross customer margin for front book, not portfolio stock

Lending in sectors with strong track-record and expertise

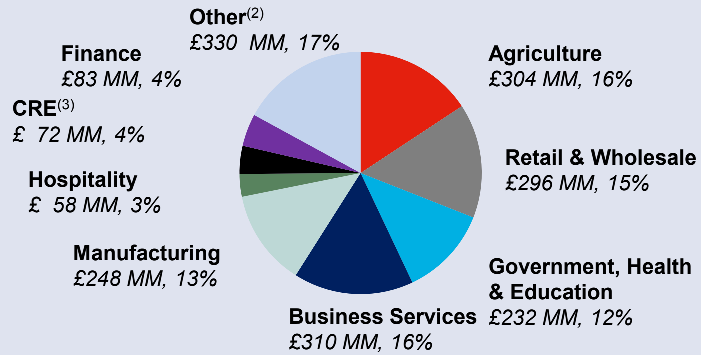
Diversified book

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.*

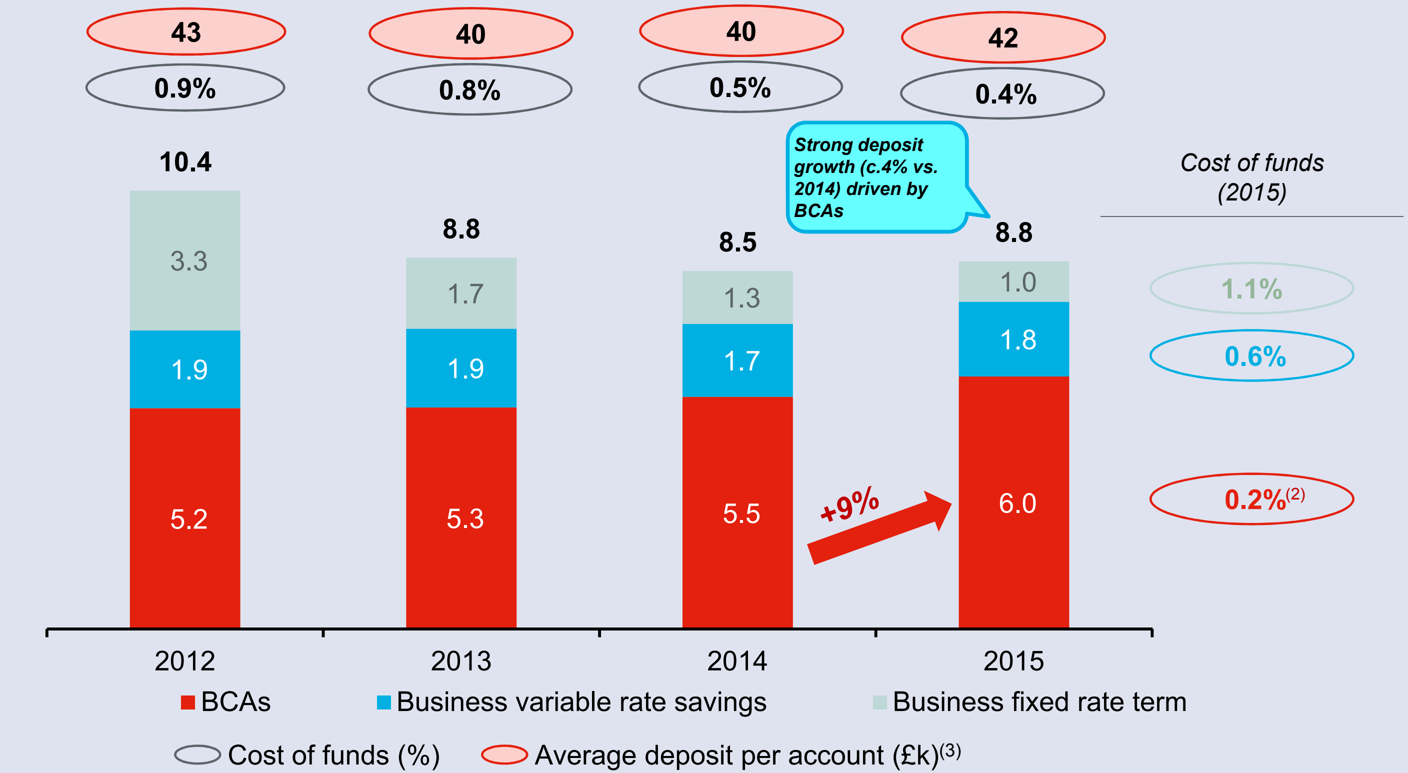
Agriculture	Small Scale Renewables
Health	Health Development
Hospitality	Hotel Development
Transport & Storage	Near Shore Marine
Manufacturing	Automotive Tooling
Finance	Insurance Brokers

1. Other includes transport & storage, utilities, post & telecommunications, construction, resources and entertainment and personal services; 2. Other includes transport & storage, utilities, post & telecommunications, construction and resources and entertainment and personal services; 3. Includes housing association

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

1. 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; 2. Cost of funds of all BCAs, where as cost of funds of interest bearing BCAs of 0.2% and cost of funds of non-interest bearing BCAs of 0.0%; 3. Deposit only SME accounts

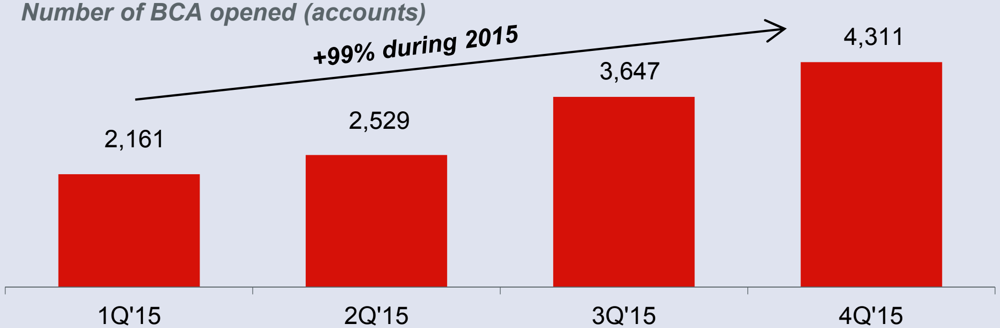
Targeted acquisition of Small Business ('SB') customers through digital & direct channels

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

Number of BCA opened (accounts)



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

1. Defined as micro customers, business direct and small business customers with turnover <£2.0m and lending <£0.25m 2. 4Q2015; 3. April to August 2015; 4. Finalta Small Business Benchmarking Survey


Debbie Crosbie
Chief Operating Officer
Operating platform
Clydesdale Bank
We care about here
Yorkshire Bank

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)*

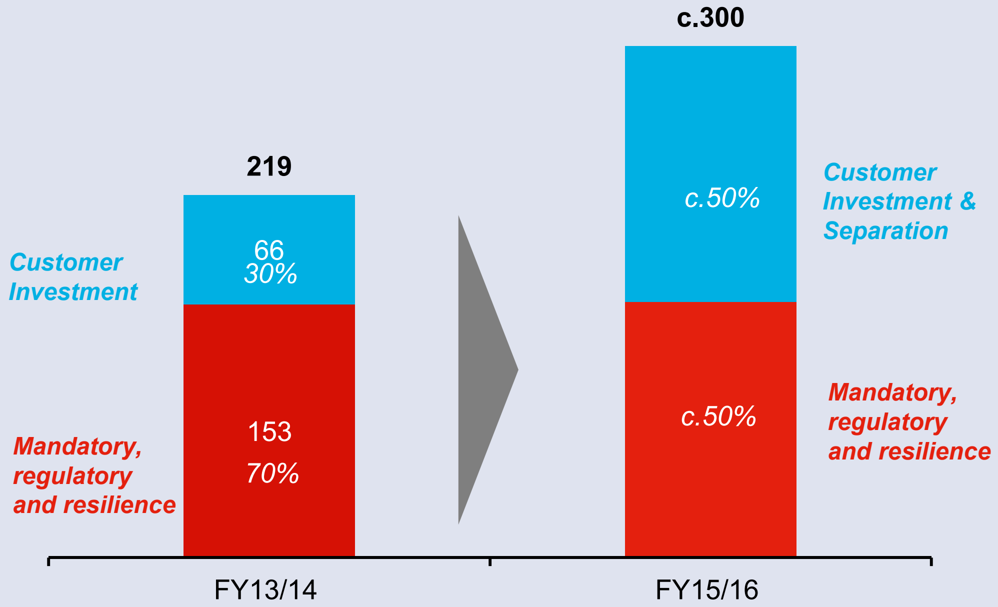
- **System support across HR reporting**, payroll and performance review
- **System support for financial consolidation and reporting**

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

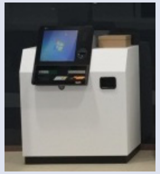
- ✓ SME 'Connected to You' proposition
- ✓ Additional on-line products sales, including instant access savings account
- ✓ Digitisation of on-line credit decisions
- ✓ Digitisation of on-line business capabilities
- ✓ Further B development

1. Historically split 30% Opex 70% Capex

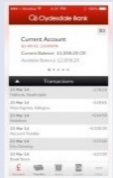
Platform is evolving to provide an omni-channel experience

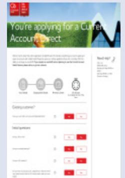
Omni-Channel Proposition


Branch

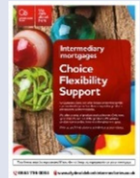

ATM

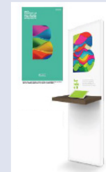

Tablet


Mobile


Internet


Telephone


Intermediary


"B" platform

Customer Experience

- User Experience
- Digital Employees
- End-to-end Automation
- Trusted Data
- Personalisation

Digital IT Platform

- Open Banking API
- Micro Services
- Process Digitisation
- Automated Services
- Identify and Authentication

Core Banking Services			Data Services		
Assets	Liabilities	Payments	Single Customer View	Digital Next Best Action	Big Data
Credit Scoring	Collections & Recoveries	Communications	Transaction Data Store	Analytics & MI	Data Warehouse

Enterprise Services

- Finance
- Risk
- HR
- Treasury
- Fraud
- Regulatory

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***

Risk management

Ian Smith
Chief Financial Officer

Debbie Crosbie
Chief Operating Officer

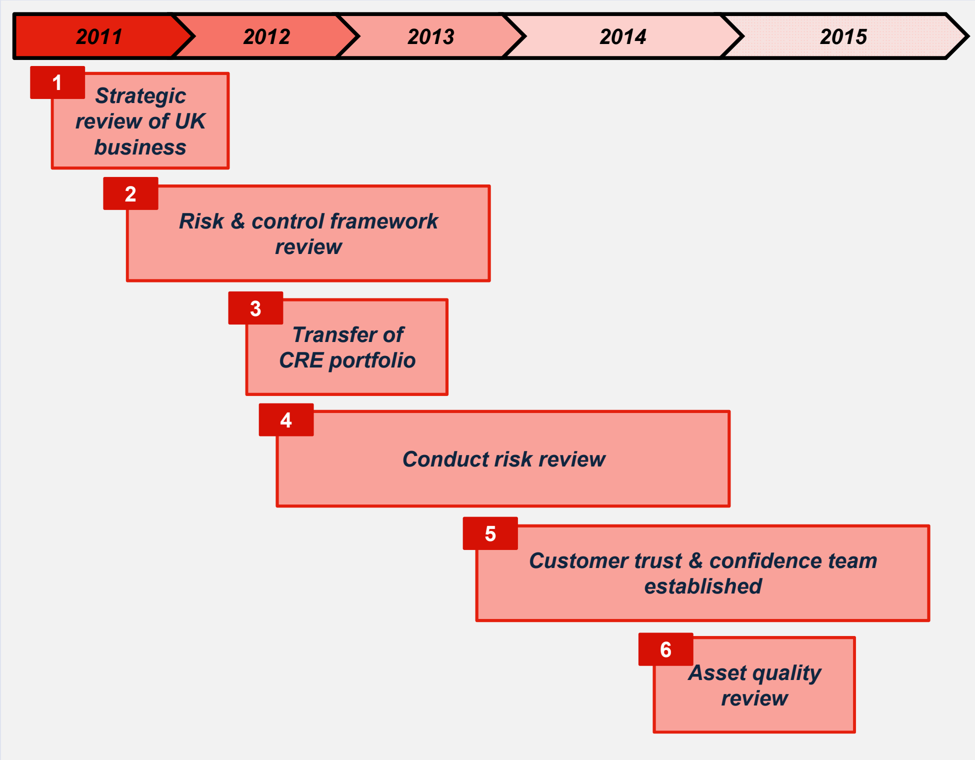
Clydesdale Bank

We care about here

Yorkshire Bank

Enhanced Risk & Control Framework

Significant changes to strengthen risk functions



CYBG business has been de-risked

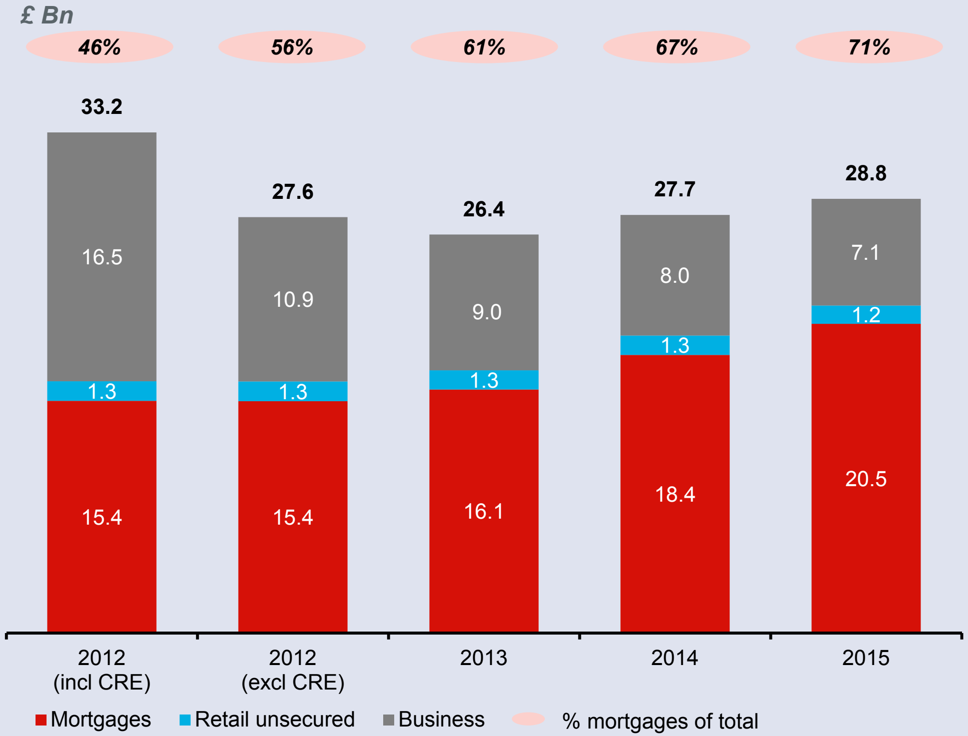
1. ***Risk framework enhanced and tightened*** *following a Strategic Review of the business in 2011*
2. ***Risk & control framework review*** *established clear ownership and accountabilities for risk across the 3 Lines of Defence*
3. ***Business lending has been de-risked*** *through the transfer of 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

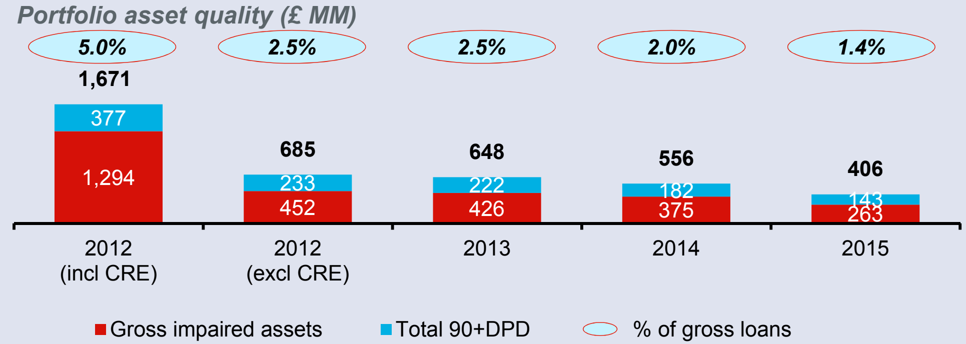
Core portfolio breakdown by product



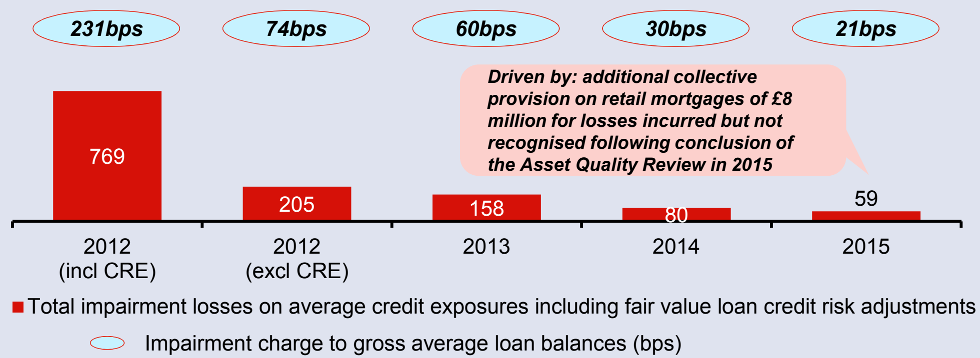
Reweighting to mortgages

Asset quality

Portfolio asset quality (£ MM)



Impairment charge (£ MM)



Material and sustained improvement in asset quality

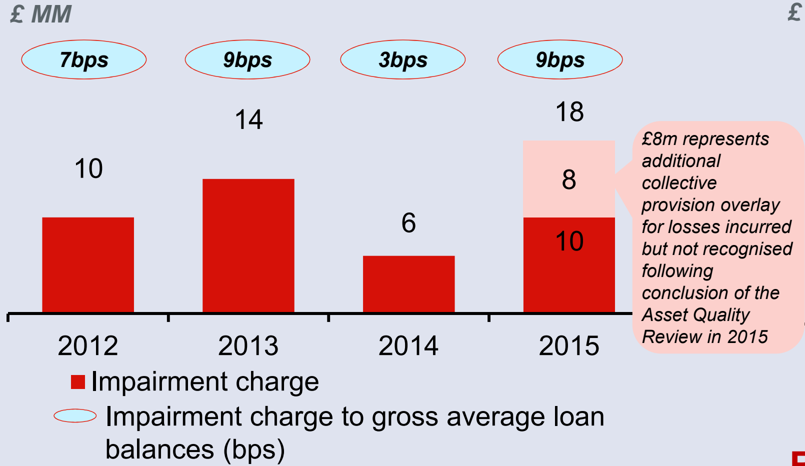
Reduced risk profile across mortgage book

Risk dynamically managed as risks and opportunities evolve

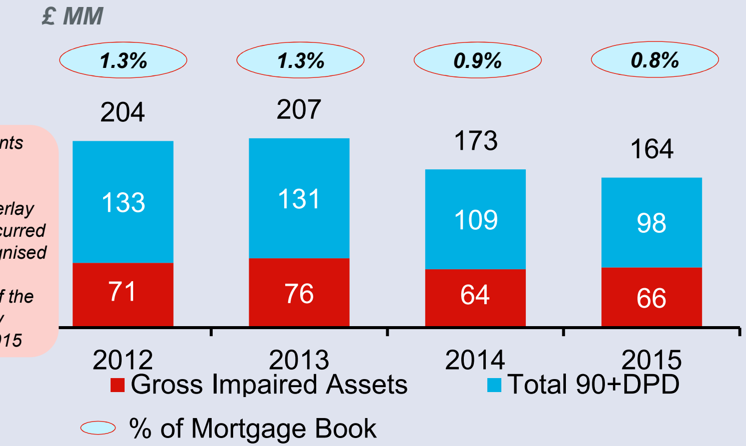
- ✓ ***Continued affordability stress testing*** *at mortgage interest rate of 7.45%*
- ✓ ***No interest only sold in retail network:*** *restricted to private banking and broker channels since 2013*
- ✓ ***No self-certified Mortgages***
- ✓ ***Geographic exposure diversified*** *through broker channel*
- ✓ ***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

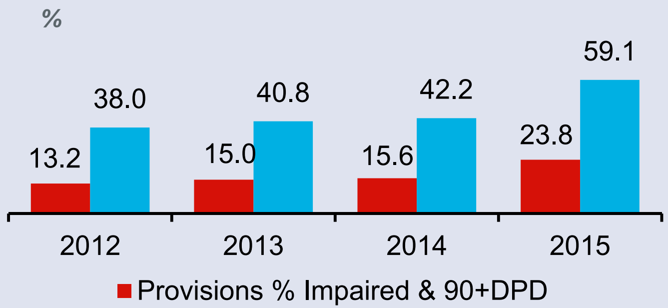
Impairment charge remains low



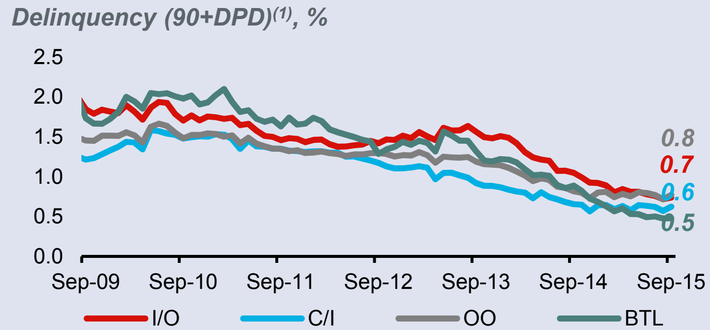
% of defaulted loans reduced



Coverage remains strong



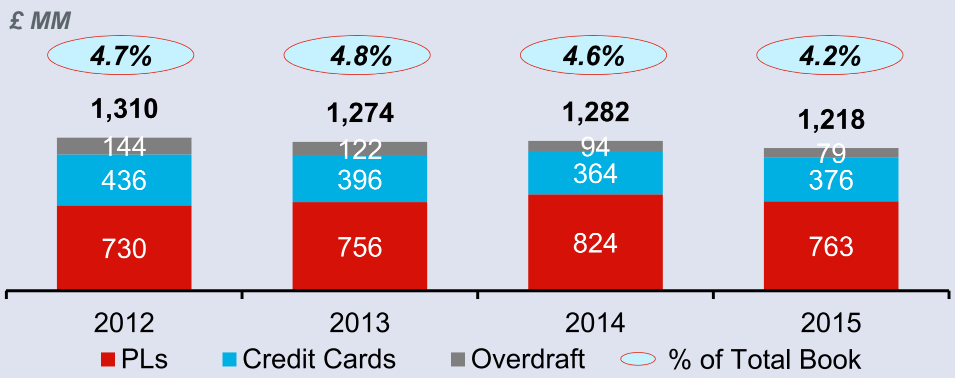
Robust quality drives declining defaulted delinquency



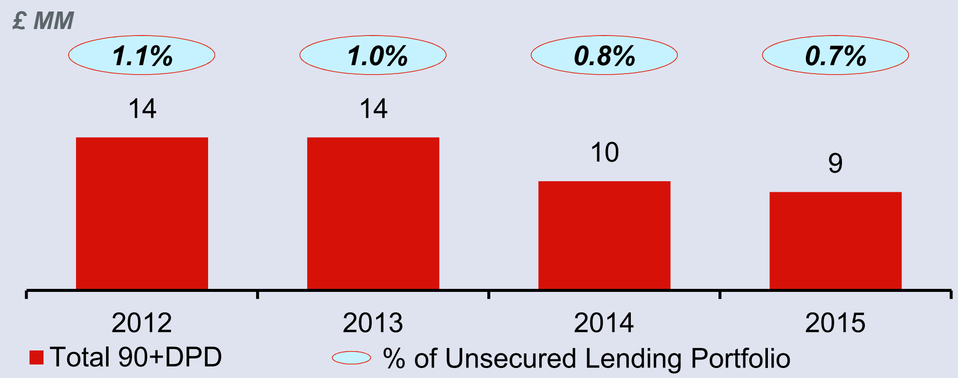
1. Sum of 90+DPD and impaired loans

Unsecured loans are a small proportion of book and performing well

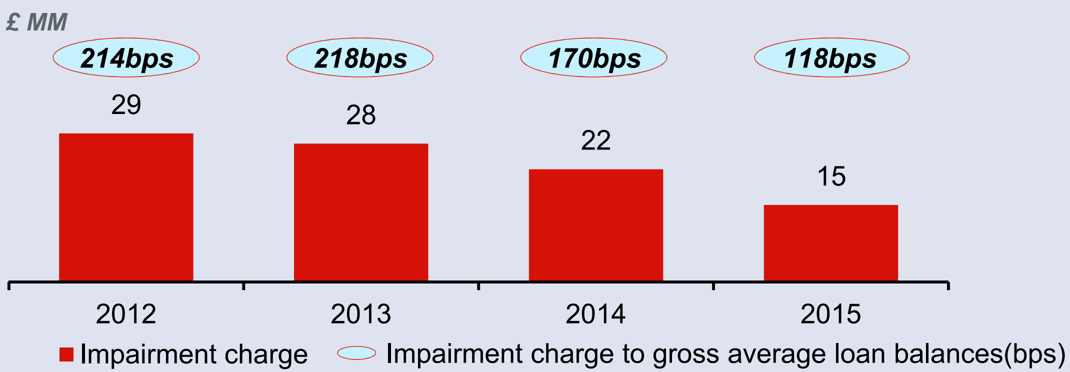
Unsecured <5% of total book



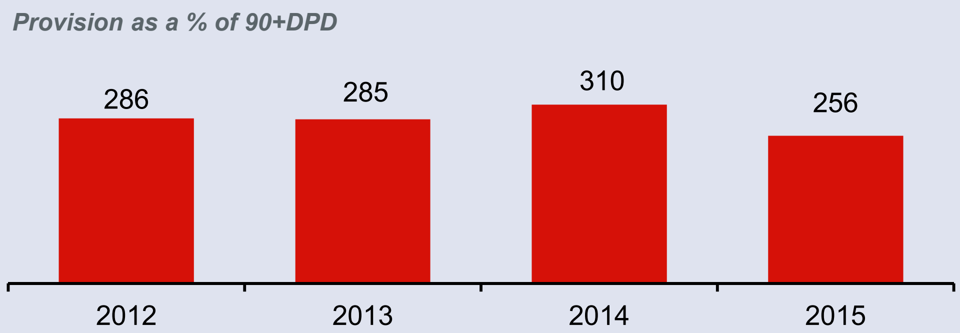
Asset quality strong



Impairment charge declined



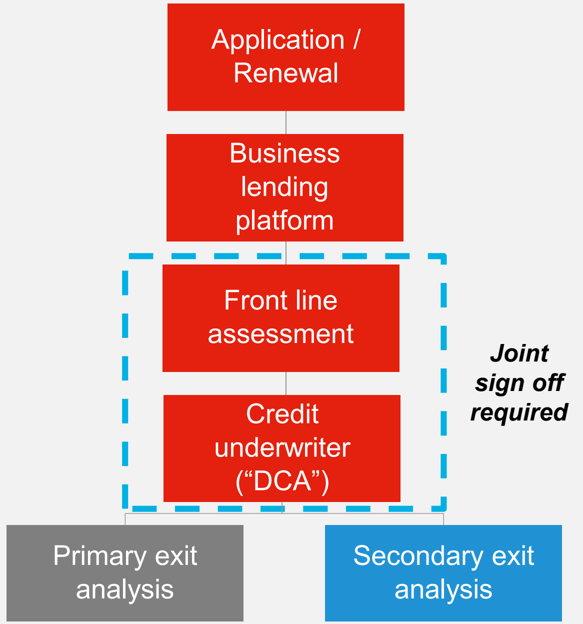
Coverage remains robust



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

Significant experience underwriting business lending

Business Credit Assessment Process



✓*Business model / debt servicing analysis including liquidity / cash flow and probability of default*

✓*Assessment of security provided and likely recovery in the event of default*

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)

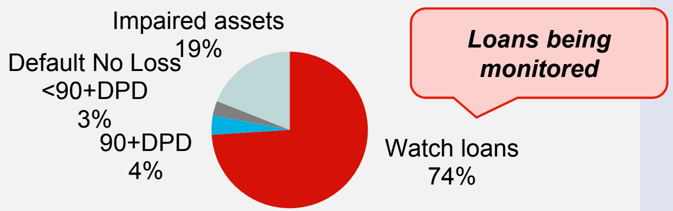
"Categorised assets" identified in early stages by SBS team

✓ **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)



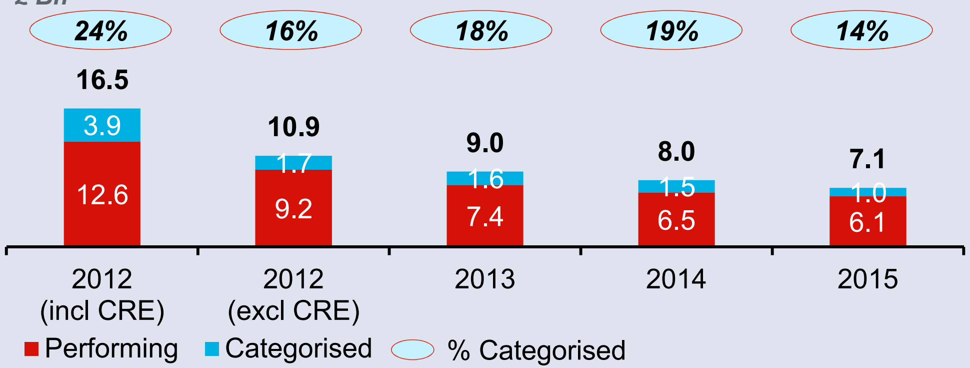
£1.0bn total, 14% of Business Lending

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

Positive asset quality trajectory in business book

Quantum of categorised loans reduced

£ Bn



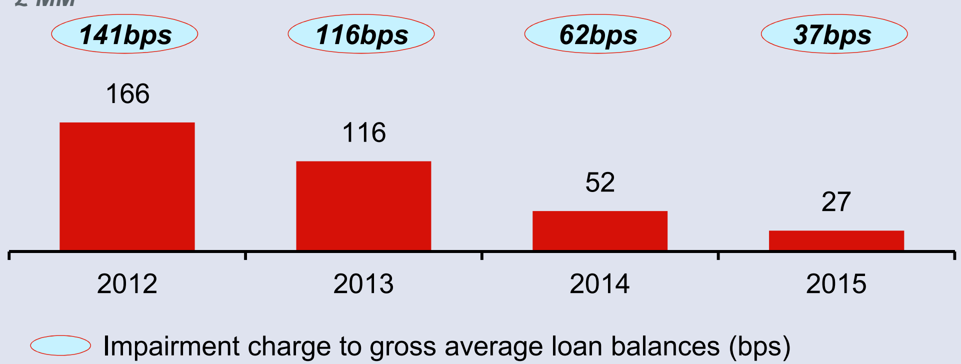
All elements of categorised loans declining

£ 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**

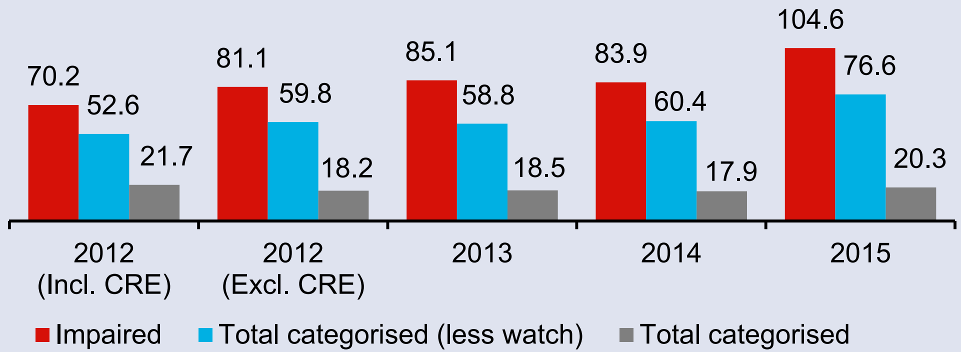
Impairment charges have reduced[1]

£ MM



Coverage remains robust

Total provisions as a % of the respective category



1. Impairment charge includes gains and losses on financial instruments at FV comprises: fair value gains and losses on derivatives held for economic hedging activities, ongoing hedge ineffectiveness and movement of fair value loans that are no longer sold; Business impaired loans of £381 in 2012 (excluding CRE), £350 in 2013, £311 in 2014 and £197 in 2015

Legacy conduct exposure well addressed

- ***Total cover of £2.1 BN[1] 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 BN[1], 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 3,300[2] 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 PBR[3] and Back Book Remediation*
- ***Significant progress made on other conduct issues***
  - *IRHP[4] scheme is fully provided and closed*
  - *FRTBL[4] 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 claims[1]***
- ***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 FTEs[2] 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***

1. Non-reportable claims includes claims where there is no evidence of a PPI sale
2. FTEs engaged in complaint handling including outsourced providers. Funded by provision. 312 FTEs relate to CYBG employees

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


Ian Smith
Chief Financial Officer
Financial performance
Clydesdale Bank
We care about here
Yorkshire Bank

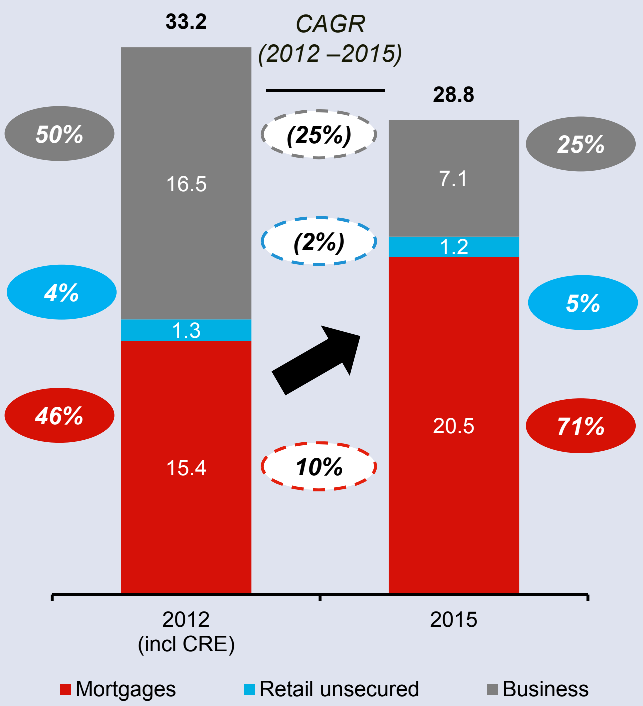
Straightforward Retail and SME bank with clear path to improved profitability and returns

- ✓ ***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***
- ✓ ***Outlook***

Management actions strengthened balance sheet

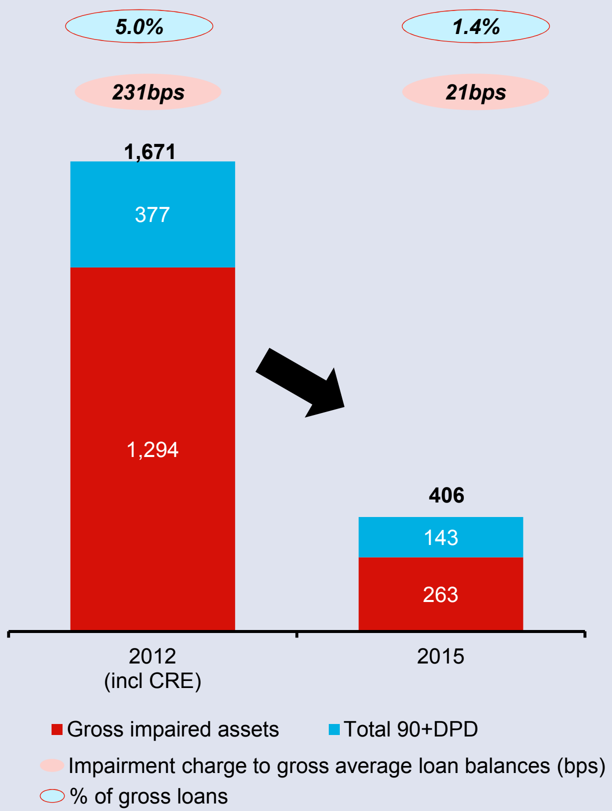
✓ Loan book reshaped

Gross stock loans, £ Bn



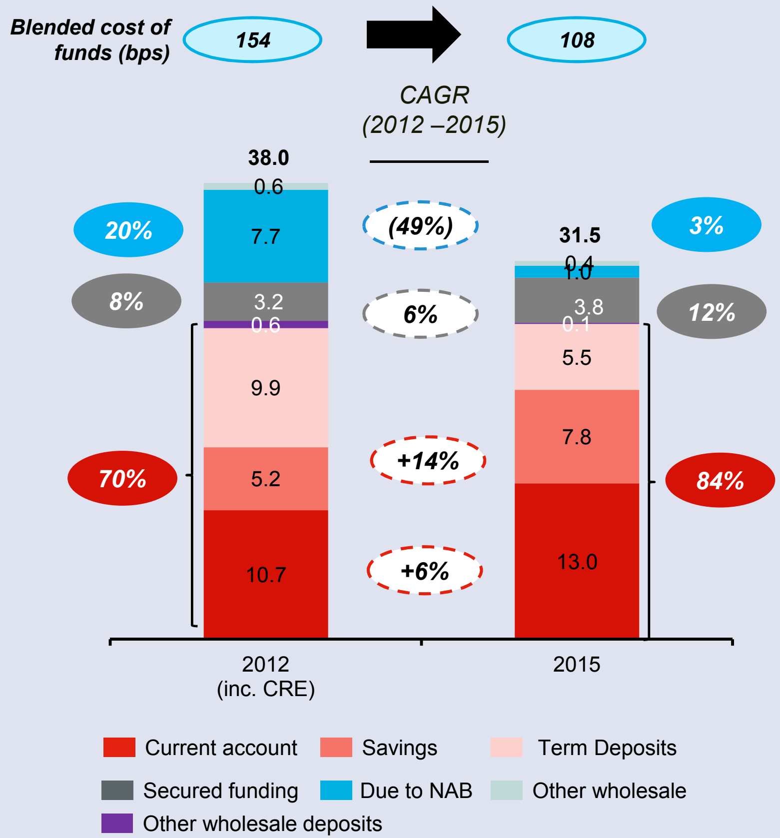
✓ Asset portfolio de-risked

Portfolio asset quality (£ MM)



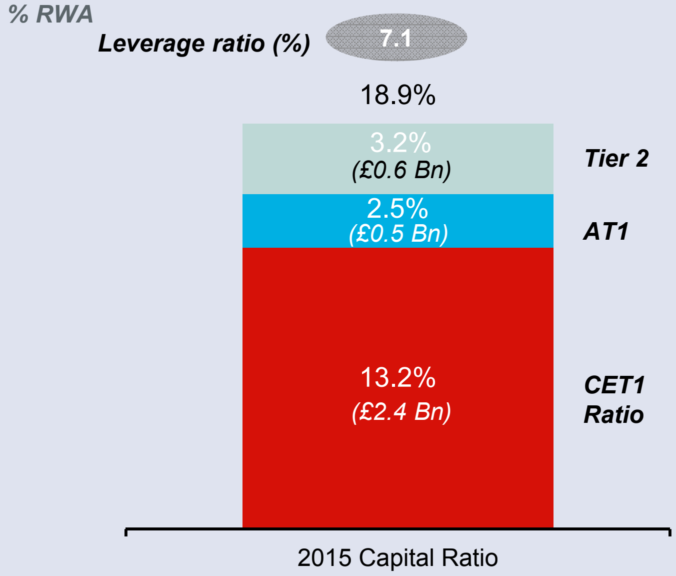
✓ Funding position improved

£ Bn



Robustly capitalised to support growth ambition

Group capital structure[1]



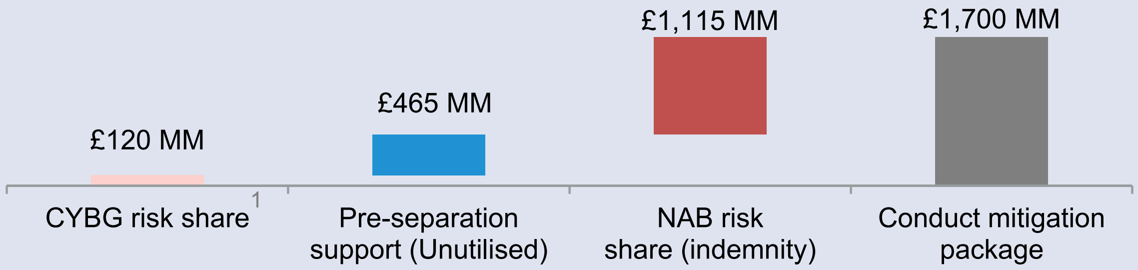
2015 Total RWAs (£ Bn)	**18.2**
2015 Credit RWAs (£ Bn)	**16.3**
Credit RWAs / Loans (%)	**57%**
Total RWAs / Assets (%)	**47%**

- ***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*

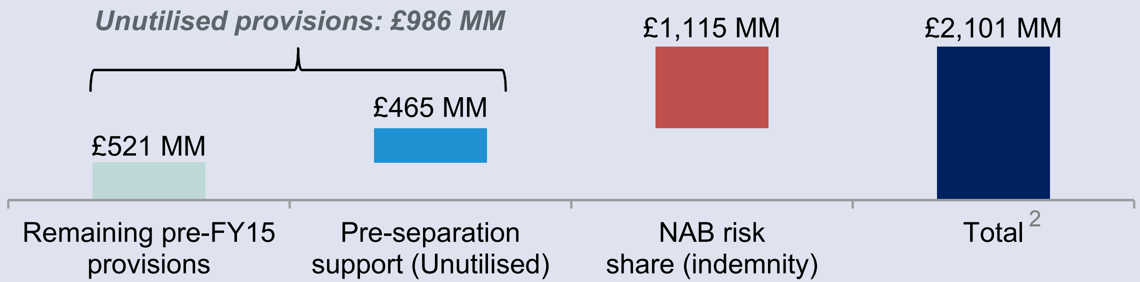
1. Capital structure of CYB Investments Limited at 30 September 2015. Capital structure in CYBG will mirror after 3 corner demerger and AT1 / Tier 2 repurchase and reissue; 2. Tier 2 £475 MM 10NC5 5% coupon & AT1 £450 MM PNC7 8% coupon

Conduct protection: sized to provide cover in severe stress

£1.7 Bn conduct mitigation package



£2.1 Bn provisions and indemnity



Key messages

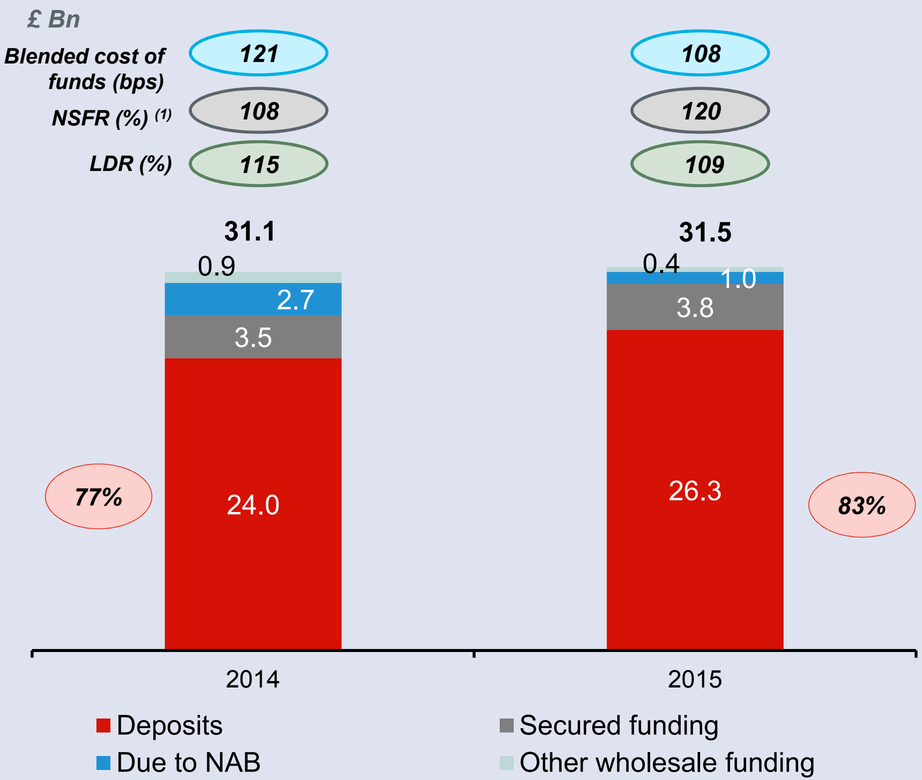
- ***CYBG capital requirement includes £120 MM risk share, which is deployed alongside the NAB indemnity***
  - ***Draw downs are pro rata[1] between NAB and CYBG***
- ***Mitigation package amount is the result of stress tests to CYBG's provision models and conduct exposures, and reflects:***
  - ***A 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

1. 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%
2. This excludes CYBG £120 MM risk share. The indemnity provided by NAB is drawn pro rata with CYBG risk share

Diversified funding portfolio weighted towards lower cost customer deposits

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

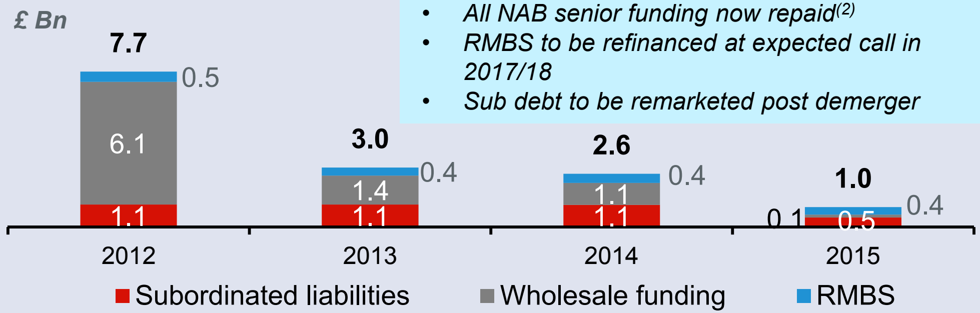


Benefits from strategic actions evident

- **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

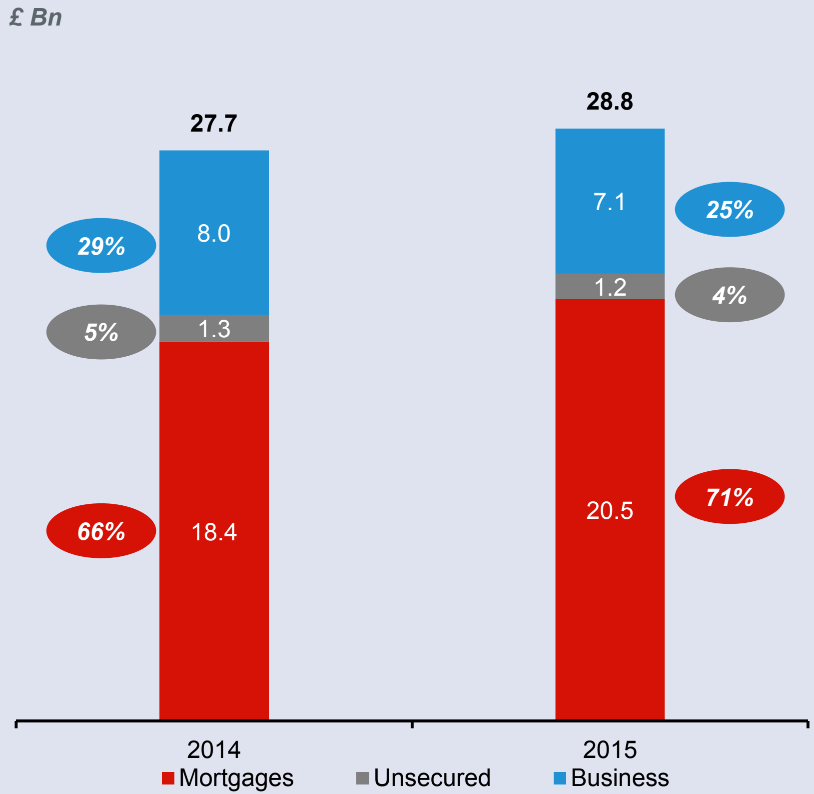
- *All NAB senior funding now repaid[2]*
- *RMBS to be refinanced at expected call in 2017/18*
- *Sub debt to be remarketed post demerger*



1. Net Stable Funding Ratio; 2. £100m loan repaid in October 2015, three months earlier than maturity date

Delivering growth while maintaining robust asset quality

Continued portfolio reweighting



Improvement in asset quality

	As at and for the year ended 30 September		
Metric	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%)*

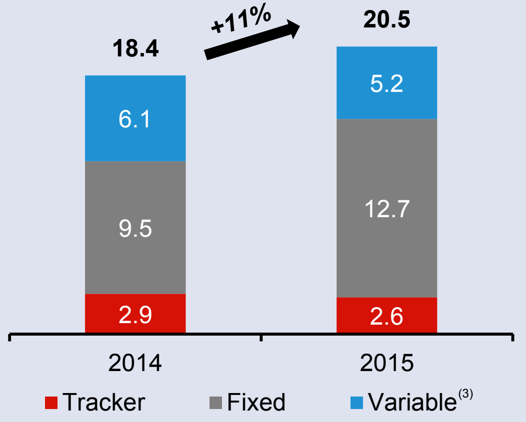
Robust asset quality reflecting strategic delivery in changing business mix

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

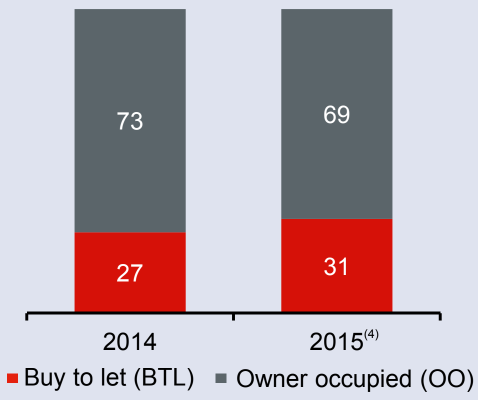
Momentum in mortgage business

Delivering sustainable growth

Spot gross balances, £ Bn



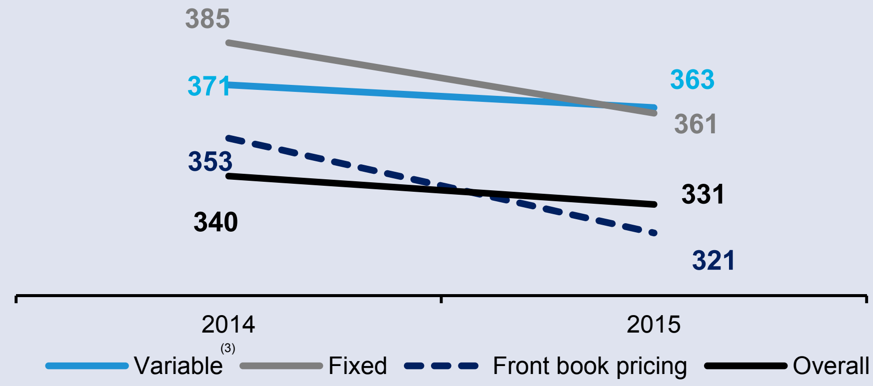
Proportional split of balances, %



- ***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]



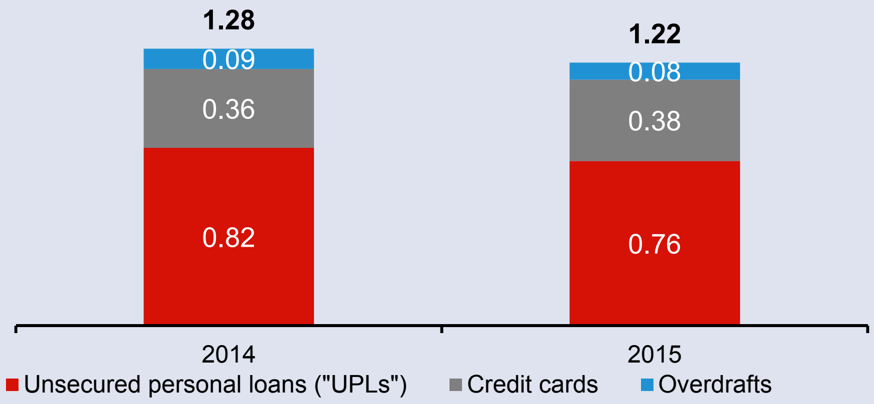
- ***Market pricing remains competitive –*** *targeted approach to pricing / volume mix decisions*
- ***Diversified channel strategy is supportive of pricing decisions*** *– ability to tactically increase volumes*
- ***Back book margin evolution driven by customer product switching***
- ***Total book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

1. Deferred fee income not allocated between sub-products, hence shown in overall line only; 2. Tracker yield constant at 142bps in 2014 and 2015; 3. SVR balance at 30 September 2015 of £3,081 MM with an average yield of 4.96% ; 4. Total mortgage book split £6.4 Bn BTL at an average yield of 3.60% and £14.1 Bn OO at an average yield of 3.21%

Stable unsecured balances with focus on pricing discipline

Balances broadly stable in competitive environment

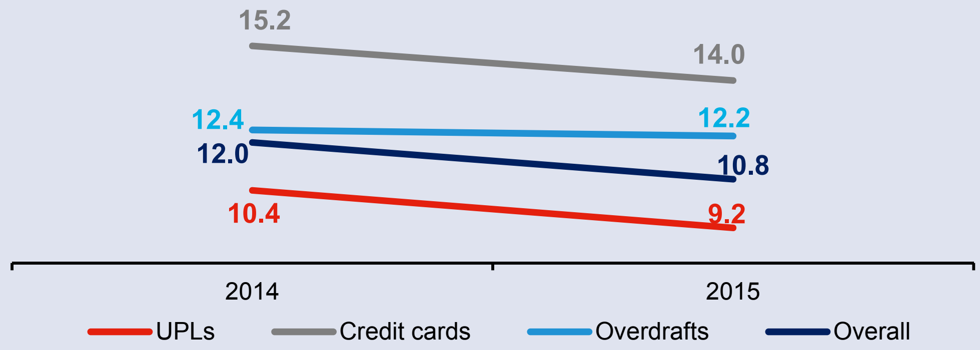
Spot gross balances, £ Bn



- ***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, %



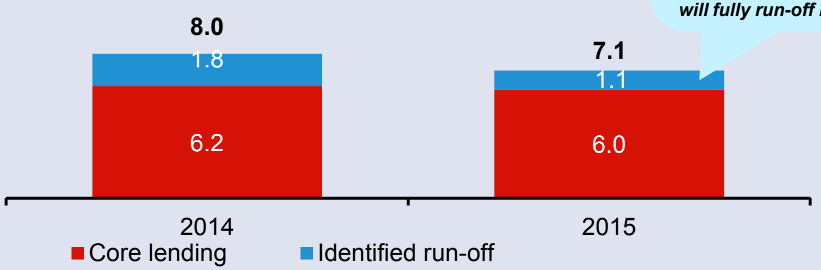
- ***UPLs yield decline driven by higher margin back book run off***
- ***UPLs pricing now aligned across all channels***
- ***Front book pricing driven by aggregator channels***

1. Delta 2015 vs. 2014, calculated as impairment charge to gross average loan balances. Corresponds to a reduction of impairment charge from £22 MM in 2014 to £15 MM in 2015

Positioned for growth in SME book

Successful execution of strategic initiatives

Spot gross balances, £ Bn



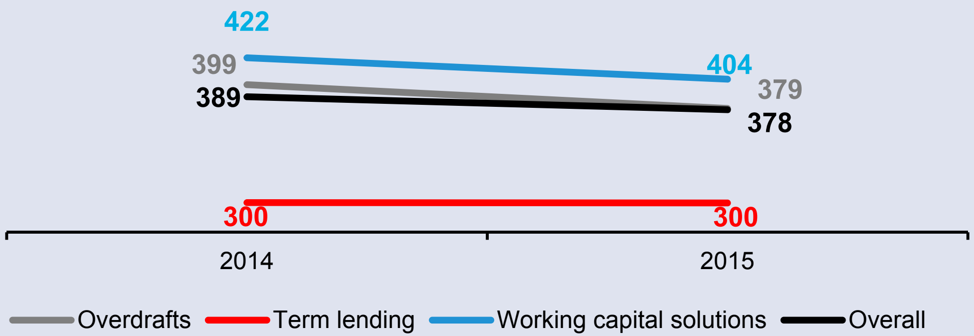
- *Run-off portfolios identified in 2014 of £1.8 Bn, consisting of low yielding corporate book*
- *Run-off of £682 MM in 2015 at average NIM of c. 1.30%*
- *Residual £1.1 Bn largely exited by 2017, with a small tail that will fully run-off by 2019*

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***

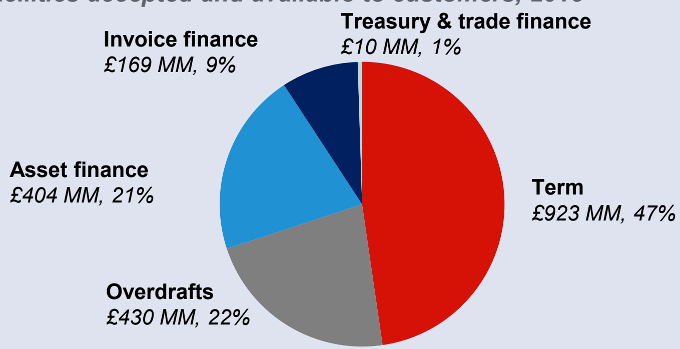
Marginal yield compression in line with market

Average yield excluding fee income, bps [1]



Focused growth in higher return product areas and sectors

Gross facilities accepted and available to customers, 2015

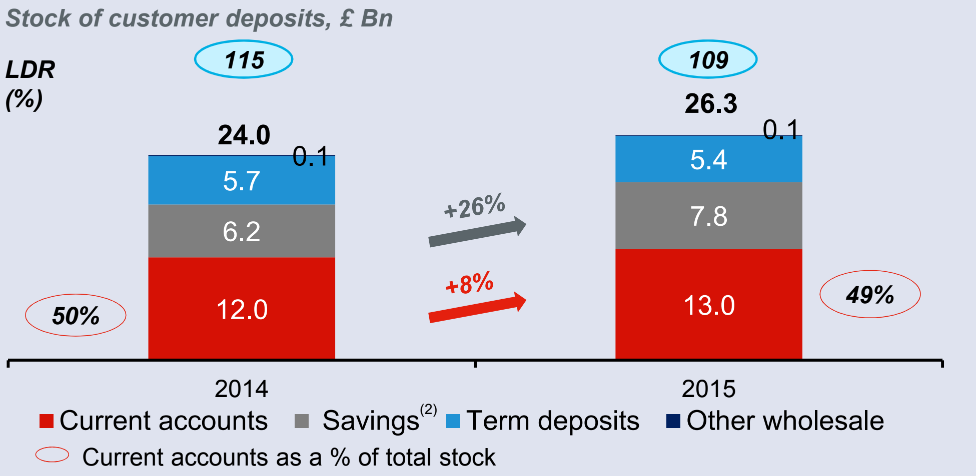


Gross new facilities: £1.9Bn

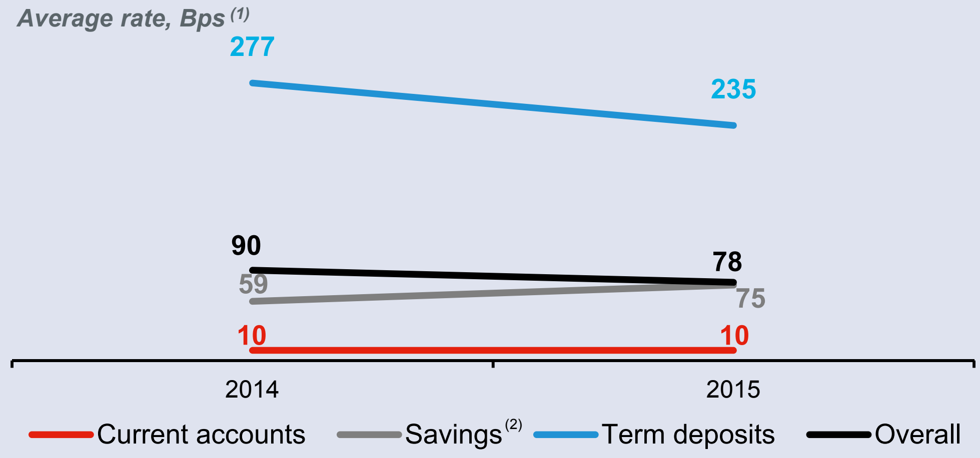
1. Deferred fee income not allocated between sub-products, hence shown in overall line only

Improved deposit mix, reflecting strategic actions

Growth in CAs and Savings balances



Driving a reduction in customer funding costs



- ***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]

- ***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***

1. Current accounts and total lines includes Non-interest bearing accounts; 2. ISA balance of £2,431m as at 30 September 2015 at an average rate of 166 bps

2015 performance reflects ongoing business reshaping

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

	Year Ended 30 September		
£ MM	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*

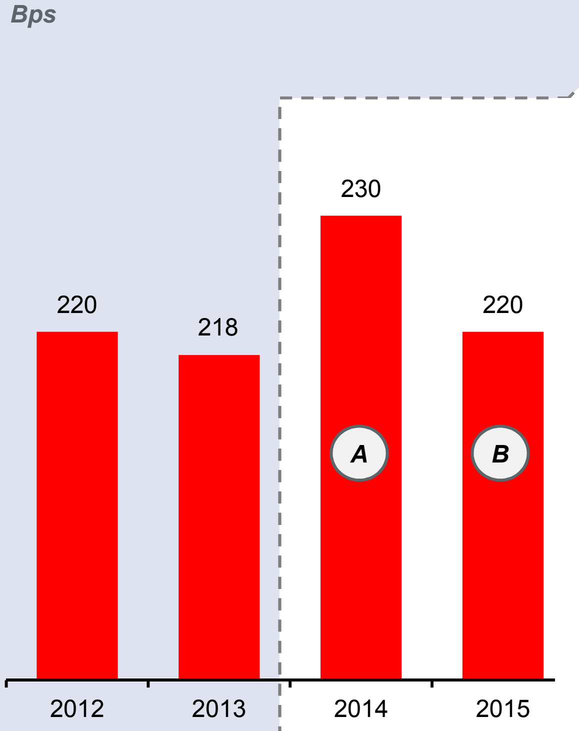
Low credit losses:

- *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]

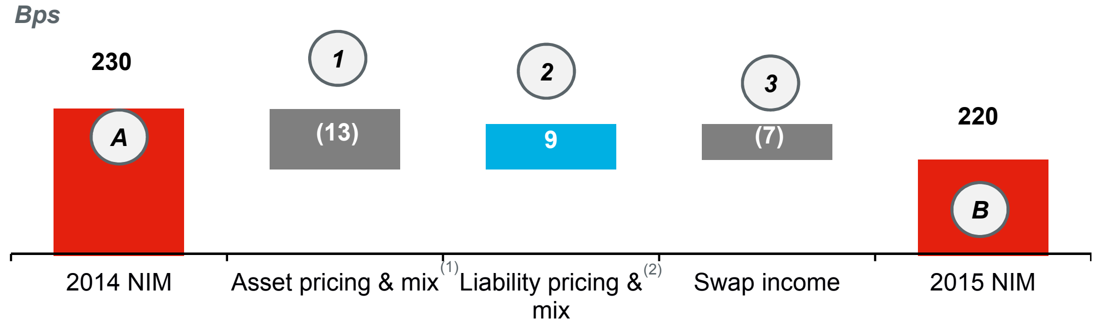
1. Presented on a management basis which represents the historical results of CYBG excluding adjustments that CYBG's Directors believe are non-recurring, or otherwise not indicative of the underlying performance of the business. These include conduct redress expenses, restructuring costs, impacts of 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 106 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 107 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 6M LIBOR+763bps, £150 MM 6M 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



Breakdown of NIM evolution



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

1. Includes liquid assets of 1.0 bps; 2. Includes wholesale funding of (1.0) bps

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

Decline in contribution from OOI…

		Year Ended 30 September			
	£ MM	FY12	FY13	FY14	FY15
1	Insurance income[2]	23	12	7	5
2	Business lending	49	31	27	23
2	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).

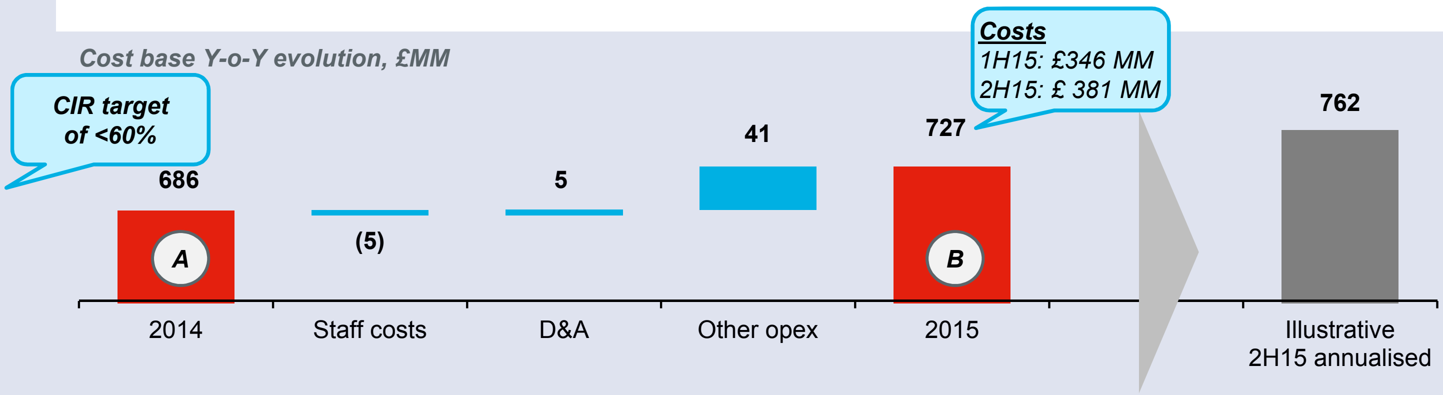
Cost base reflects increased investment

£MM	Year ended 30 September	
	2014	2015
Staff costs	**287**	**282**
Depreciation and amortisation ('D&A')	78	83
Other opex	321	362
Total costs	A **686**	B **727**
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

Clear set of targets underpins our objectives

	Current (FY2015)	**Target** (within 5 years)
Asset growth	• *Mortgage book CAGR 10% [1]* • *Total retail book CAGR 9% [1]* • *Core business book stable*	• *40 – 50% growth in mortgage book* • *40 – 50% growth in retail lending book* • *15 – 25% growth in SME lending book*
Funding and capital	• *£13 Bn current accounts* • *LDR 109%* • *CET1 13.2%*	• *LDR up to 115%* • *CET1 range 12 – 13 %*
Margins	• *2.20% NIM*	• *Broadly stable in the near term with potential for modest widening, commensurate with expected movements in rates and competitive environment*
Costs	• *75% Cost-to-income ratio ("CIR")*	• *Positive jaws (after FY2016)* • *CIR below 60%*
RoTE	• ***Targeting double digit RoTE within the five year period post admission, following a period of planned increased investment in 2015 and 2016***	
Dividend *(subject to regulatory approvals)*	• ***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

1. 2012 vs. 2015

Investment highlights summary

David Duffy
Chief Executive Officer

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*

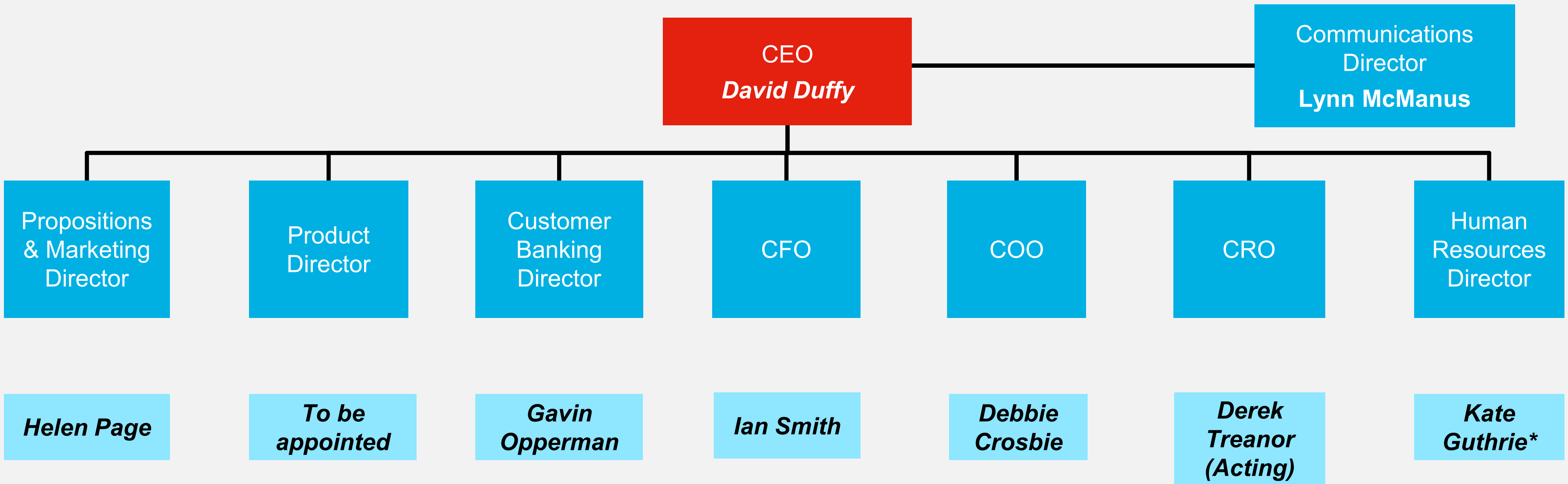
Upside from execution

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*


Q&A
Clydesdale Bank
We care about here
Yorkshire Bank

Appendix 1: *Additional information*

Organisational Structure



* subject to regulatory approval.

Executive Management Compensation aligned to best market practice

- ***The remuneration structure designed to align interests of employees and shareholders***

- ***The framework adopts a balance scorecard approach aligned to individual objectives and business strategy***

- ***Key elements of compensation structure***
  - *Base Salary*
  - *Short term incentive based on scorecard outcomes.*
  - *Long term incentive plan is in the form of equity*
  - *Long term equity is subject to a vesting period with further retention requirements*

  Executive directors subject to minimum shareholding requirements
  - *CEO subject to minimum ordinary shareholding requirements of 200% of base pay*
  - *Executive Directors subject to minimum ordinary shareholding requirements of 150% of base pay*

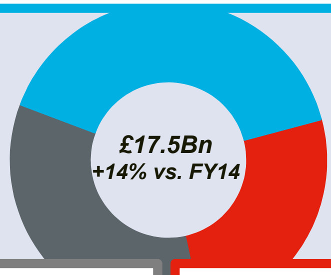
- ***All short and long term incentives subject to malus and clawback provisions***

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

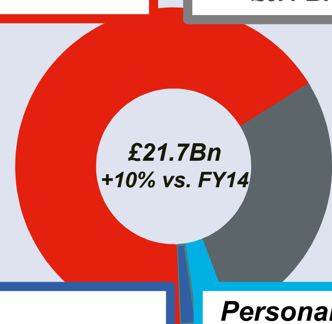
Personal lending

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

1. Overdraft not shown above; 2. Primary (i.e. main bank) customer must be party to at least one current 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. Based on mortgage balances geographic split; 4. Defined as average balance per customer; 5. In addition to 1.42% tracker rate average yield; 6. Average of mortgage size based on intermediary, private banking and branch/ direct

RETAIL: Comprehensive distribution capability delivering a full product set

CUSTOMER CHANNEL

Branch Network	➢ 275 branches ➢ 28 co-located with Business & Private ➢ 2,042 FTE
Intermediary	➢ London-based provides national reach
Digital (2)	➢ Online banking ➢ Mobile app ➢ Text Alerts ➢ Social Media
Telephony	➢ 2 main centres (UK)(4) ➢ 530 operator FTE ➢ In-house & Outsourced

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
Branch Network	81%	82%	37%	14%	39%
Intermediary	*n.a.*	*n.a.*	*n.a.*	74%	*n.a.*
Digital (2)	4% (1)	11% (1)	53%	3% (1)	41%
Telephony	15%	7%	10%	10%	19%
Total accounts opened / total gross new lending (2015)	*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 outsource provider

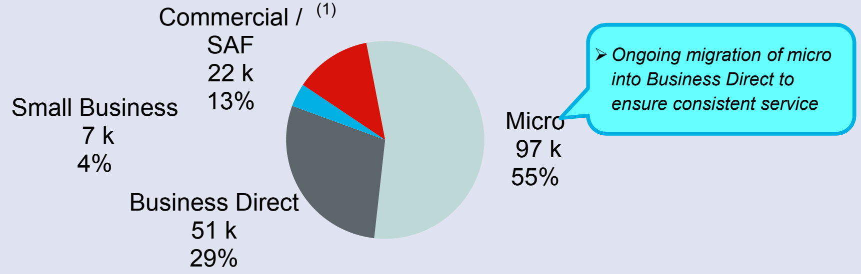
1.Online form & post; 2. Includes aggregators; 3. Includes term deposits, cash ISA and instant access accounts; 4. Supported by outsourcing agreement. Two further CYBG call centres in England to handle customer requirements; 5. Includes private banking credit cards sold via face-to-face / branches

SME: Full-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

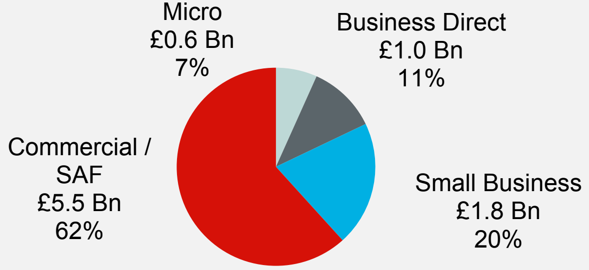
Business customers split (2015),%



Total (2015): 179 k customers

Deposit base supported by small and micro customer base

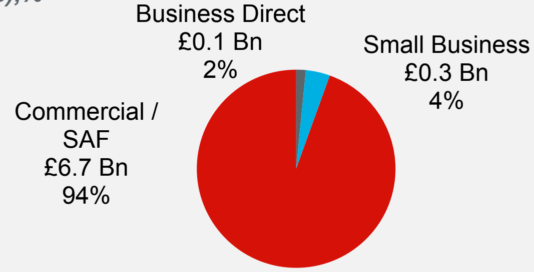
Gross stock (2015), %



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

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	• *Local support through retail branches* • *Service capability within Business Direct*	• *Telephone based RM proposition* • *Retail branch support*	• *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]
	Efficient service model through the retail branch network	***Differentiated small business service proposition, through dedicated relationship managers with average 11 years of experience and access to a comprehensive product suite***		***Supported by an extensive specialist product & sector capability***

1. Customer/ RM ratio analysed by level of customer exposure; 2. Includes SAF and NBS; 3. Indicative ratio based on lending customers; 4. Based on commercial customers only; SAF customers / RM ratio of c. 20

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

Customers

Relationship managers are at the heart of our omni-channel distribution model

Digital	Relationship Managers 325 SME RMs	Branch/ Post Office

Significant product and sector expertise available to deliver the best solutions for our clients

SECTOR SPECIALISTS 70 staff(1)	WORKING CAPITAL SOLUTIONS 183 staff(2)	SPECIALIST & ACQUISITION FINANCE 177 staff(3)
• Agriculture • Hospitality and Hotels • Health • Manufacturing – automotive tooling • Transport – near shore marine • Finance – insurance brokers • CRE and housing associations	• Asset finance • Invoice finance • Treasury solutions • Payment solutions • International trade	• Cash flow lending • Acquisition finance • Growth finance • Emerging technology unit(4)

Note: Data as at 2015
1. 50 Agriculture RMs (included in 325) plus 12 sector specialists plus 8 CRE specialists. See page 45, 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

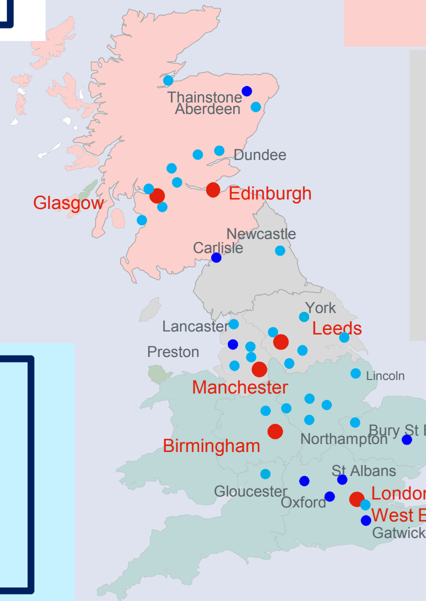
SME: Local presence and quality face to face service drives deep understanding of customer needs

Paul Shephard
Director Business and Private Bank
- *23 years experience*
- *Joined CYBG in 1992; previously Divisional Director for Corporate & Structured Finance*

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*

Alan Young retired



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

Note: Data as at September 2015; Map excludes Orkney and Shetland; 1. 177 Commercial (including Agriculture RMs) and Small Business RMs and 79 Business Direct RMs (total 256) included in 325 RMs; 2. Commercial lending excluding SAF

SME: Full product set to meet customer needs across segments

PRODUCT PROPOSITION

% Customer segment internal revenue by product (2015)

Segment	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

1. Treasury solutions defined as currency, interest rate and commodity risk management products. Prior to 1 March 2015, B&PB allocation of treasury income was 30%; however, from 1 March 2015 100% is now allocated to B&PB; 2. International Trade defined as banking services to import / export companies; 3. Payments defined as merchant services and business online; 4. Includes personal deposits and fee income

SME: 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

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

New origination growth	• ***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***	✓ ***"New to Bank"*** *gross SME lending*[2] *of* ***£638m (YoY +32%)*** ✓ *Lending origination consistent with risk appetite*
Development of SAF offering	• ***Growth aligned*** *to defined asset quality and sustainable returns* • ***Cash flow lending*** *to medium sized businesses* • ***Focused acquisition finance origination***	✓ ***Appointment of additional key sector specialists*** *including: hotels and housing associations*
Enhanced customer knowledge	• ***Free up RM time*** *to deepen relationships and sector knowledge*	✓ ***Positive and improving NPS*** *(net promoter score): +12*[1] ✓ *Invested in* ***enhanced RM training****, successfully implemented*
Penetration of under-served markets	• ***Identification of niche, under-served opportunities*** • ***Provision of development funding****, leveraging the deep sector knowledge (e.g. hotels, healthcare)* • ***Consistent with our risk appetite***	✓ *Launch of* ***Emerging Technology Unit*** ✓ ***Delivering on specialist propositions with origination of £200 MM YoY*** [2,3]
Refreshed conservative CRE offering	• ***Experienced CRE specialists*** *with deep sector knowledge* • ***Centralised specialist approach*** • ***Targeted lending to good quality higher margin CRE*** *developments and investments*	✓ *Recruitment of a Head of CRE and CRE Team* ✓ ***Controlled re-entry to the CRE market in September 2015***

1.NPS for B&PB moved from (21) to +12 in 2015; 2. Facilities accepted and available to customer; 3. £185m since formal launch on 1 February 2015

SME: Profitable complementary Private Banking proposition

✓ Complementary proposition for business owners

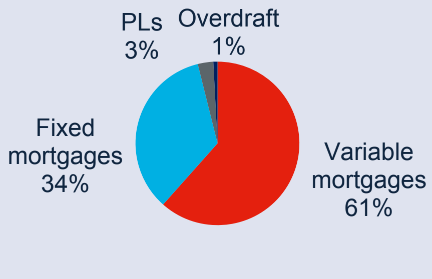
- ✓ **Fee-based relationship** driven proposition aimed at higher net worth customers, **primarily business owners**
- ✓ **Distribution synergies with SME banking** and operational synergies with Retail
- ✓ **Serviced through 97 RMs** with average 19 years experience
- ✓ **Premium banking service model**

✓ 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%

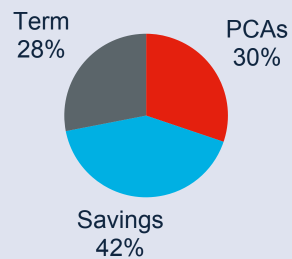
✓ Over 10% of group customer loans and deposits

Gross loan balances (2015)



Total loans £3.4 Bn
12% of group

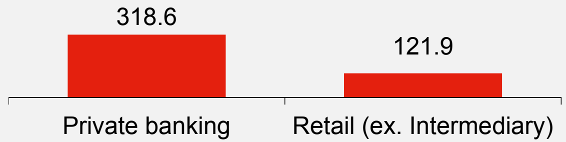
Deposit balances (2015)



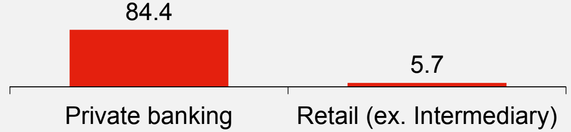
Total deposits £2.9 Bn
11% of group

Higher value customers

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

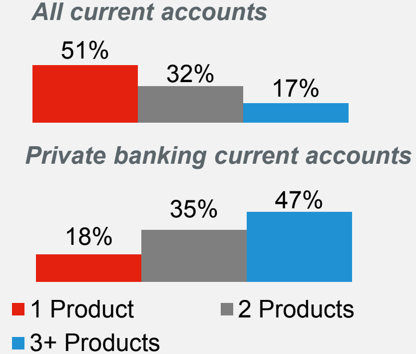


Average deposit balances / customer (2015), £000s



Higher cross-sell

Product holding per customer (2015), %

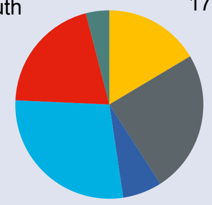


1. The reference "specific job titles" includes roles such as Chairman, Managing Director, Chief Executive, Group Chief Executive Officer, Owner, Proprietor, Interim Chief Executive, Partner; 2. Includes Direct. Retail excludes intermediary customers and micro

Risk: Retail secured lending remains diversified and prudent

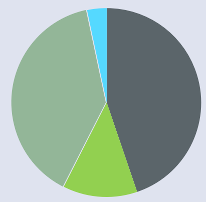
Lending is geographically diversified

Mortgage lending stock - geographic split, %



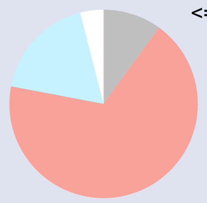
Majority of new lending continues to be owner-occupied

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



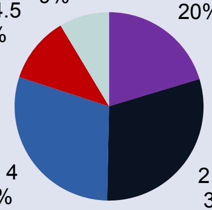
LTV remains conservative

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



LTI profile within risk limits

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



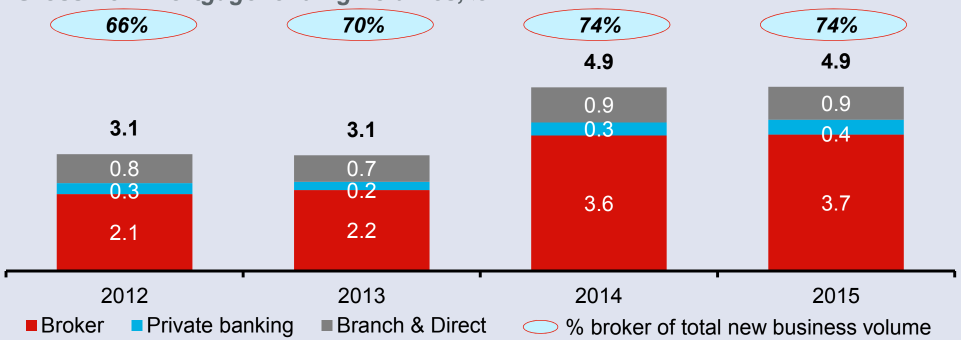
Note: All data as at 2015

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

Risk: Disciplined approach to broker origination

3/4 of new lending through broker channel

Gross new mortgage lending volumes, £ Bn

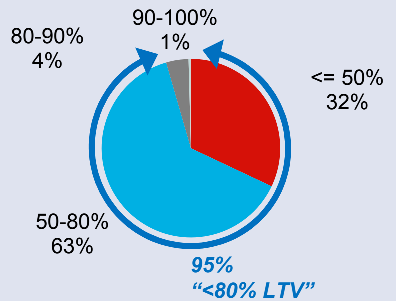


Disciplined approach to broker origination

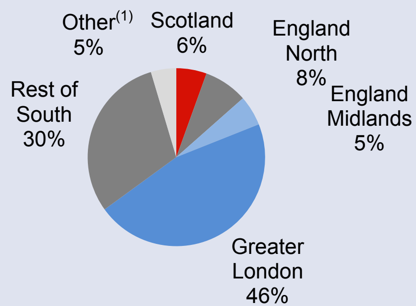
- ✓ **Asset quality metrics evidence strong performance reflecting typically High Net Worth Customers**
- ✓ **Selective broker panel, by invitation only** (c.331 from 3,500+)
- ✓ **Regular reviews of Broker introducers,** using MI to monitor performance, includes FCA status, Equifax assessments and fraud 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...

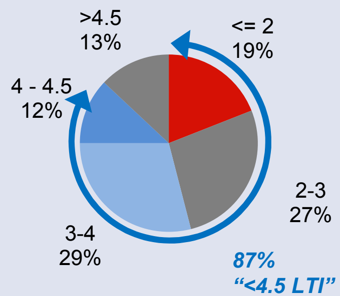
Indexed LTV Band (Value) 2015 (% of intermediary stock)[(3)]



Geographic split 2015 (% of intermediary stock)

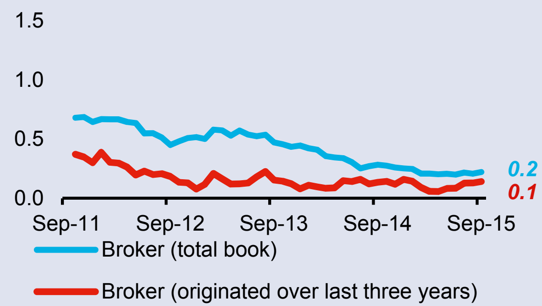


LTI split 2015 (% of intermediary stock)[(3)]



...with low delinquency

Broker Delinquency [(2)], %

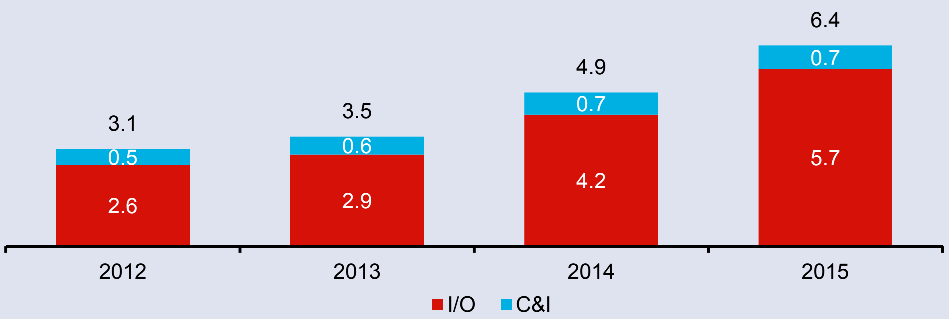


1. Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred; 2. Sum of 90+DPD and impaired loans; 3. Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements

Risk: Conservative approach to BTL – book performing well

Managed growth in BTL[4]

BTL total stock, £ Bn

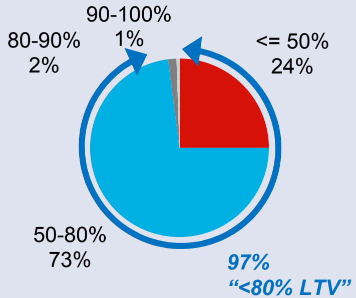


Conservative approach to BTL origination

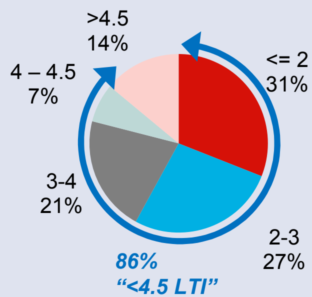
- **BTL applications are credit assessed using a full income and stressed expenditure (I&E) assessment as the primary affordability test**
  - ✓ Stressed rental cover can also be used
  - ✓ CYBG's approach favours customers seeking investment growth returns rather than rental yields
- **BTL borrowers 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

BTL profile

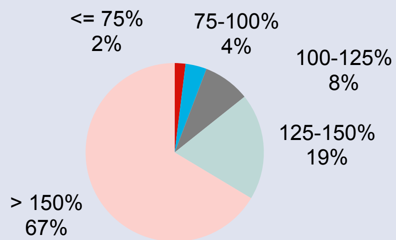
Indexed LTV (Total BTL)[2], %



LTI (Total BTL) [2], %

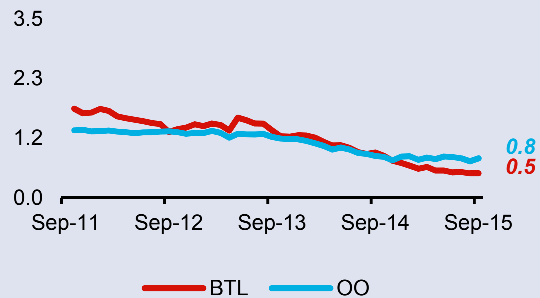


Rent cover (Total BTL) [2,3], %



Low BTL delinquency rates

Delinquency rates [1], %



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

Risk: Sector exposures are being managed

Segment of Portfolio	% Total Business Portfolio (Sep2015)	Average eCRS (Sep2015) [3]	% 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***

1. Other includes entertainment and personal services, utilities, post and telecommunications, construction and finance sectors; 2. Charge relates to a trading business which retained a property element within a broader exposure; 3. A rating system used to assess a customer's probability of default within the following 12 month period using a scale of 1 to 23 (and two default rates); 4. Loans being monitored

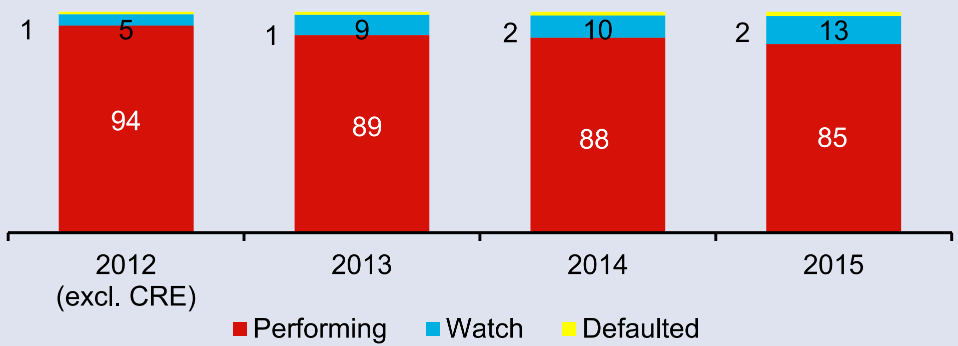
Risk: Agriculture sector exposure

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***

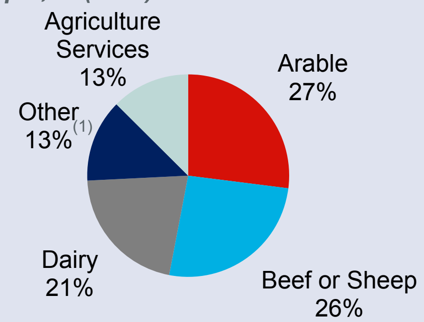
Broadly constant level of performing

% of agricultural stock loans



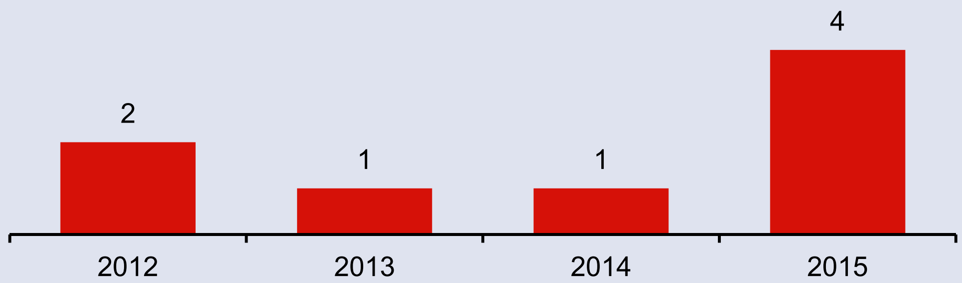
Well balanced, diversified portfolio

Agriculture sub-sector split, % (2015)



Minimal losses experienced

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



1. Others include: Poultry (6%), Pig Farming (2%), Forestry & Fishing (3%) Horticulture & Fruit Growing (1%) and other Agriculture (2%); 2. Specific impairment charges, excludes collective

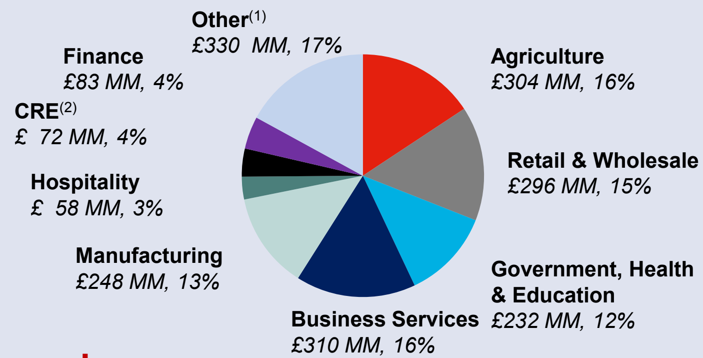
Risk: Lending growth remains diversified

Lending growth diversified

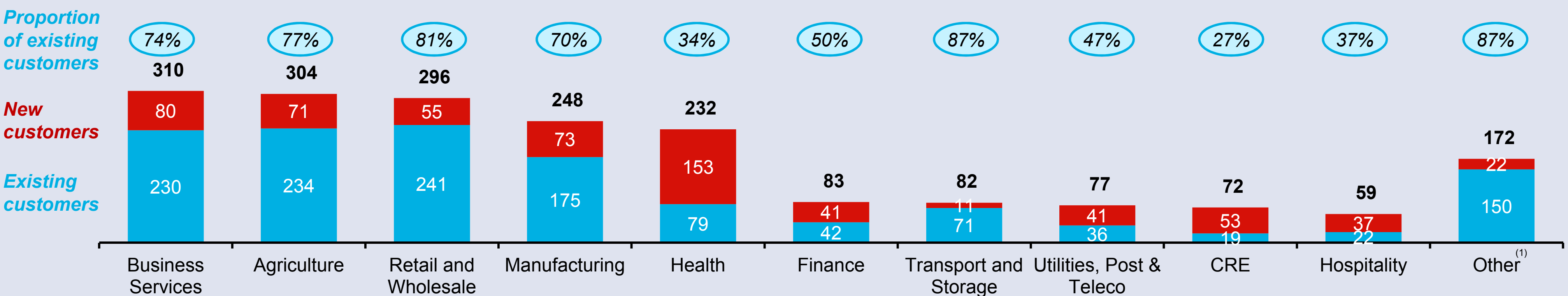
- ***New lending is focussed on SME trading businesses***
- ***Agriculture remains a material component of new lending; primarily supporting existing customers***
- ***Selective new lending to sectors previously "closed" such as hospitality and CRE***

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

£MM	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 (£28,783 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***

1. These results comprise the gross income and expense for this business, which includes an expense for existing income share arrangements with CYBG Group

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*

1. Credit risk on derivatives from CRD IV implementation; 2. 2015 vs. 2012 balances; 3. Including CRE portfolio

Rating agency considerations

- ✓ ***Already investment grade rated by all agencies, with and without parental support notches***
- ✓ ***Prospective Rating Agency assessment post separation already published - reinforced by strengthened balance sheet and capital***

Credit Rating Summary (May 2015) — CYB Investments Limited

Agency	Long-Term	Outlook	Short-term	Parental Support Notches
S&P	BBB	Negative	A-3	*0*
Fitch	A	Negative	F1	*2*

Credit Rating Summary (June 2015) — Clydesdale Bank PLC

Agency	Long-Term	Outlook	Short-term	Parental Support Notches
S&P	BBB+	Negative	A-2	*0*
Fitch	A	Negative	F1	*2*
Moody’s	Baa2	Stable Outlook	P-2	*1*

Wholesale funding split

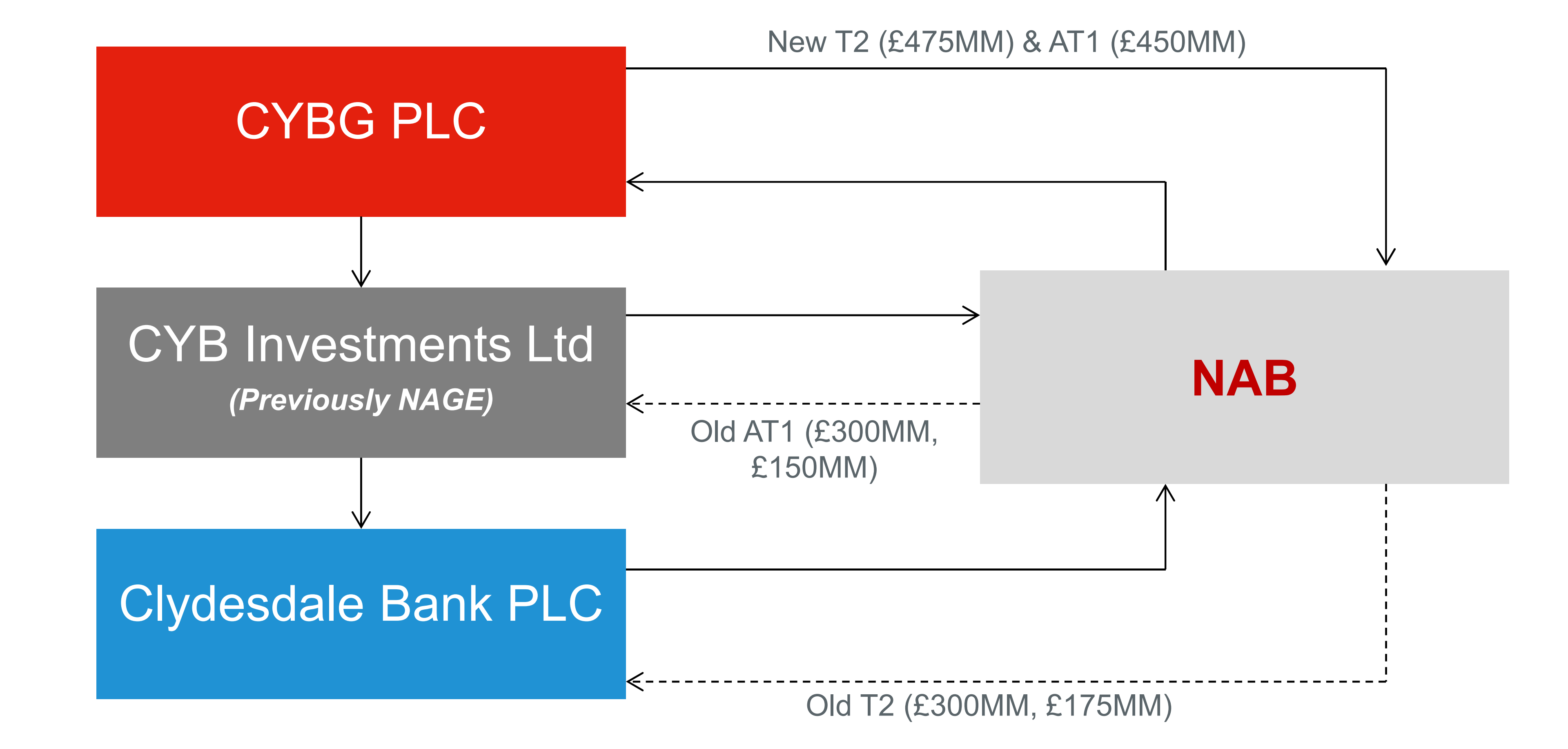
Bonds and notes

£MM	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

£MM	As at 30 September			
	2015	2014	2013	2012
Subordinated liabitlies	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*

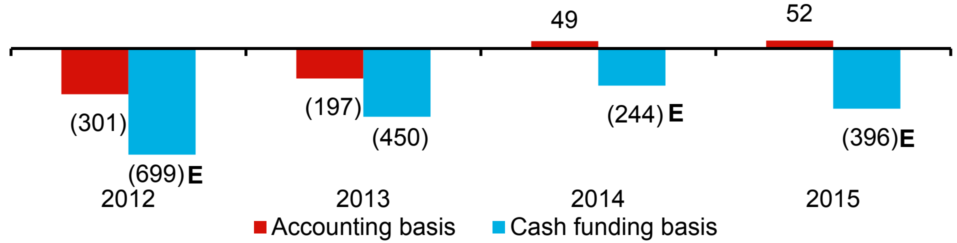
Metric	Impact on defined benefit obligation £m	Impact on pension cost £m
Discount Rate		
+0.25%	(178)	(8)
-0.25%	192	10
Inflation		
+0.25%	162	8
-0.25%	(152)	(6)
Life Expectancy		
+1 year	113	6
-1 year	(113)	(4)

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: *Implications of dual listing*

Dual listing considerations

CYBG Shares and CDIs fully fungible between markets

- ✓ CYBG ASX-listed CDIs can be converted into LSE-listed shares, and vice versa
- ✓ Holders can effectively choose to trade in either the LSE or ASX market
- ✓ CDIs are a depository receipt which provide the holder with beneficial ownership of the underlying CYBG share (1 CDI to 1 share)

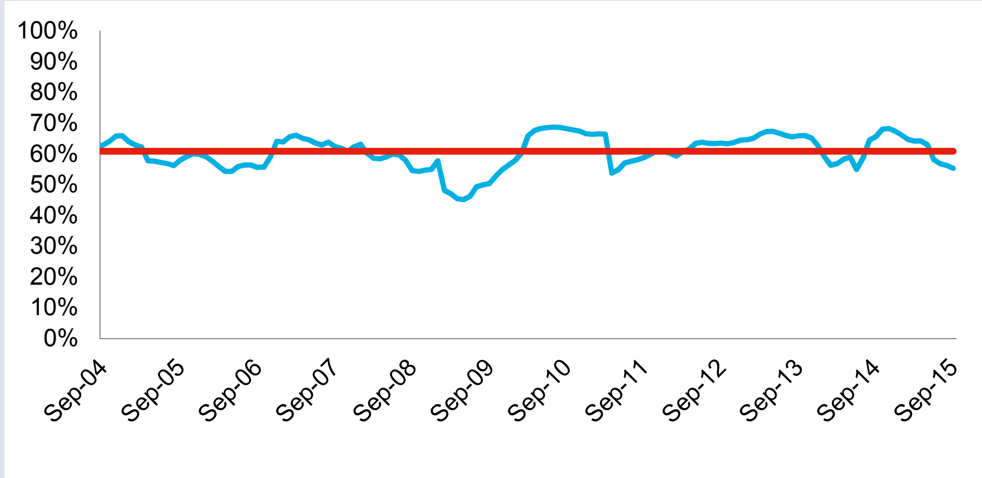
Sale facility to provide additional liquidity

- ✓ Sale facility offered to small shareholders
- ✓ Sale facility may help reduce number of smaller shareholders on the register (expected to be available for up to ~75% of NAB shareholders by number representing up to ~8% of CYBG post-IPO TSO)
- ✓ Sale agent can sell shares on either LSE or ASX market

Track Record of CDI Ownership by ASX Investors

Case Study: Henderson

Henderson CDI's as a % of TSO



- ✓ Henderson ASX-listed CDIs made up 67% of TSO on listing (Dec 2003), and have remained broadly at this level (61% average to Oct 2015)

Source: Public company filings

Index inclusion

CYBG eligible for full FTSE and S&P/ASX Index Inclusion

FTSE Index Inclusion

✓ Expected to qualify for full FTSE index inclusion:

- Full Inclusion: Both free float shares on LSE and the CDI component
- Index: Likely to rank Q2 in the FTSE 250
- Timing: Expected to be included at the first rebalance date post-Demerger (i.e. in the June 2016 rebalance)

S&P/ASX Index Inclusion

✓ CDIs expected to qualify for S&P/ASX index inclusion

- CDI Inclusion: CDI component to qualify for index inclusion
- Index: Expected to qualify for inclusion in both the ASX 100 and ASX 200 indices. Likely to rank in Q3 or Q4 quartile of the ASX 100
- Timing: Expected to be included in the index at time of the demerger. S&P index treatment expected to be announced 2-5 days prior to the ex-distribution date (i.e. in late January 2016)

Appendix 3: *Conduct*

Legacy conduct exposure well addressed

- ***Total cover of £2.1 BN[1] 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 BN[1], 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 3,300[2] 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 PBR[3] and Back Book Remediation*
- ***Significant progress made on other conduct issues***
  - *IRHP[4] scheme is fully provided and closed*
  - *FRTBL[4] 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"

Financial snapshot

Summary – As of 30 September 2015

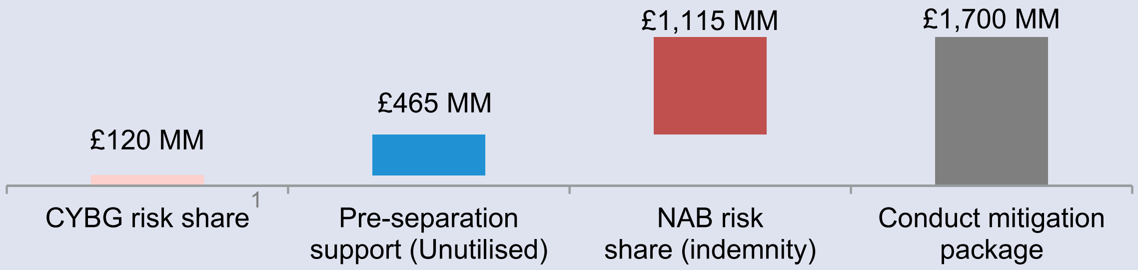
(£ MMs)		Total provisions raised	Total provisions utilised	Unutilised provisions remaining
PPI				
Redress:	Walk ins / PBR	578	277	301
	Remediation	270	0	270
Costs to do[1]:		348	145	203
	Total PPI	***1,196***	***422***	***774***
IRHPs/FRTBLs		**506**	**314**	**192**
Other[2]		48	28	20
Total (excl. indemnity)		**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 MM[3]***

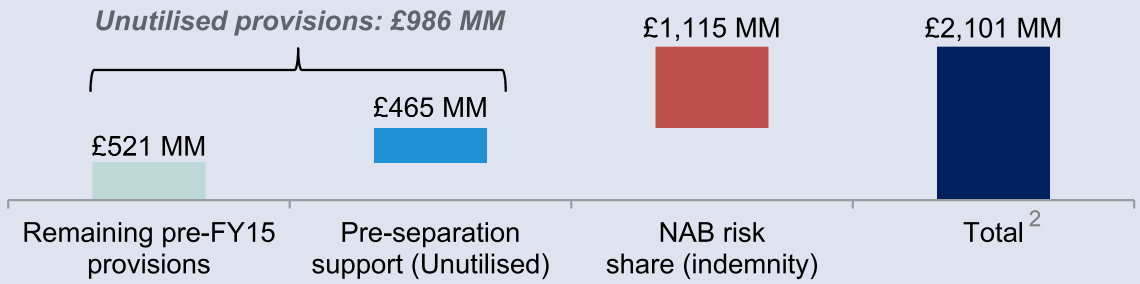
1. Total expected administrative costs for remediating customer complaints
2. Excluding provisions previously raised and resolved
3. This excludes CYBG £120 MM risk share. The indemnity provided by NAB is drawn pro rata with CYBG risk share

Conduct protection: sized to provide cover in severe stress

£1.7 BN conduct mitigation package



£2.1 BN provisions and indemnity



Key messages

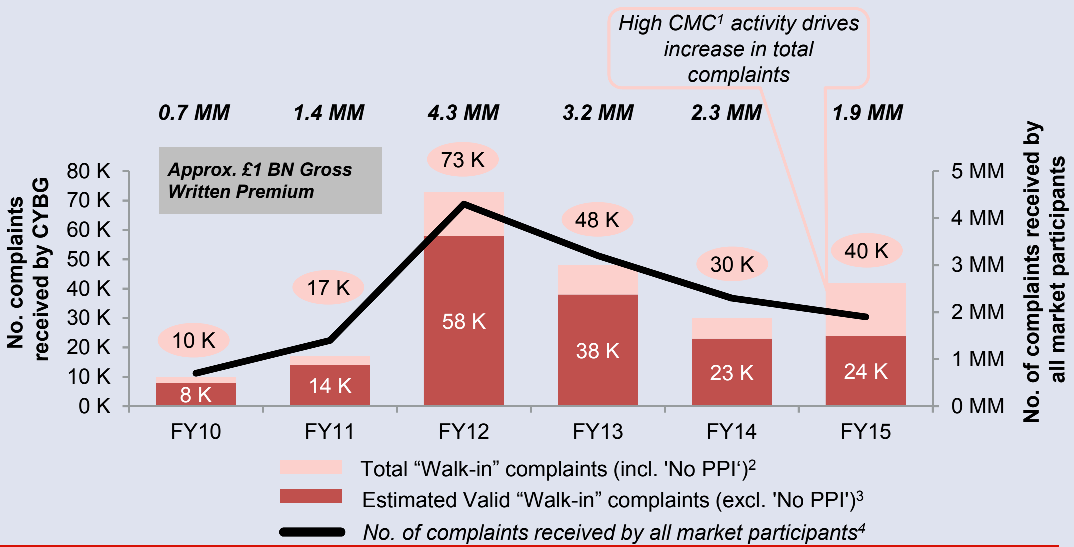
- ***CYBG capital requirement includes £120 MM risk share, which is deployed alongside the NAB indemnity***
  - ***Draw downs are pro rata[1] between NAB and CYBG***
- ***Mitigation package amount is the result of stress tests to CYBG's provision models and conduct exposures, and reflects:***
  - ***A 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

1. 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%
2. 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 remaining[6]	**301**

- ***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 claims[7], including PBR customer mailing***
- ***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***

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

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 K[1] 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 MM[3] (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*

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"

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 claims[1]***
- ***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 FTEs[2] 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***

1. Non-reportable claims includes claims where there is no evidence of a PPI sale
2. FTEs engaged in complaint handling including outsourced providers. Funded by provision. 312 FTEs relate to CYBG employees

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 indemnity[1]***

1. With respect to the indemnity, conduct matters other than PPI, IRHP and FRTBL are subject to minimum thresholds of £2.5 MM for industry-wide schemes and £5 MM and 50 customers for CYBG-specific issues

Conduct indemnity mechanics

- ***CYBG PLC will acquire the CYB Investments group[1] 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 indemnity[2]*** *– 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*

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 127 '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	■ 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	■ Perpetual until fully utilised or PRA agrees no longer required or termination arrangements implemented
Scope	■ 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	■ 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	■ Annual review of indemnity limit adequacy by PRA. The indemnity limit cannot be increased
Customer Redress	■ Conduct claims are managed by CYBG
Cash Security	■ NAB risk share is 100% cash collateralised at Bank of England
Governance	■ 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

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

Key takeaways

- ***Total cover of £2.1 BN[1] 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***

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)

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

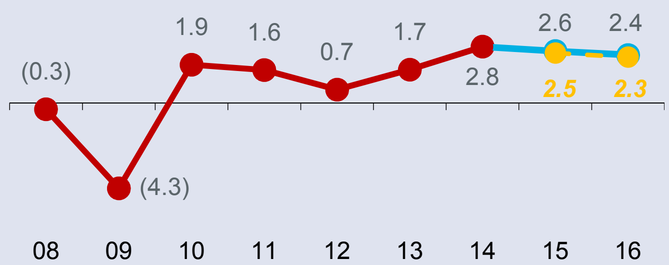
Appendix 4: *Detailed macro information*

Positive UK macroeconomic outlook

- ***Continued improvement in 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 – first rate rise now unlikely in Q1 2016 (1)***

Strong UK GDP growth outlook

UK GDP growth rate, %

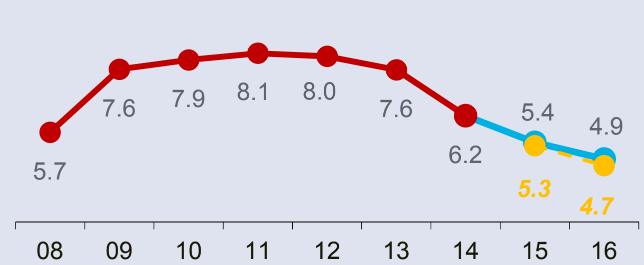


Revised forecasts as of Sept 2015 Forecasts as of May 2015

Source: 3rd party forecast – HMT (Forecasts for the UK Economy)

Continued unemployment decline

UK unemployment rate, %



Revised forecasts as of Sept 2015 Forecasts as of May 2015

Source: 3rd party forecast - EIU (Sept 2015)

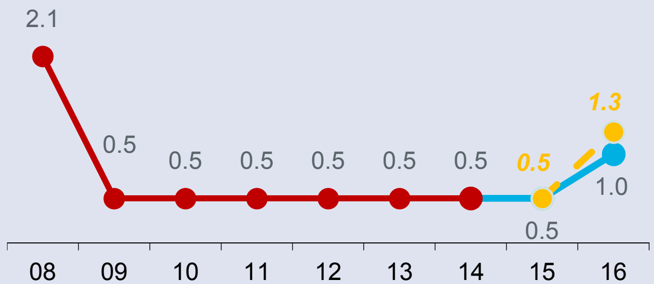
Sharp rise in consumer confidence

UK Consumer Confidence Index, %

Source: GFX

More gradual rise in rates expected

UK base rates, %



Revised forecasts as of Sept 2015 Forecasts as of May 2015

Source: 3rd party forecast - Global Insight (15 Oct 2015)

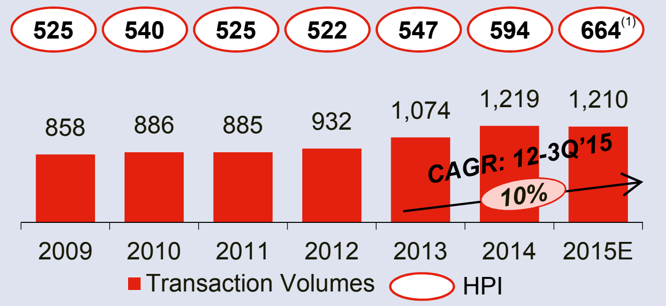
1. 3rd party forecast – Global Insight (15 Oct 2015)

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

£ Bn



Source: CML, Halifax

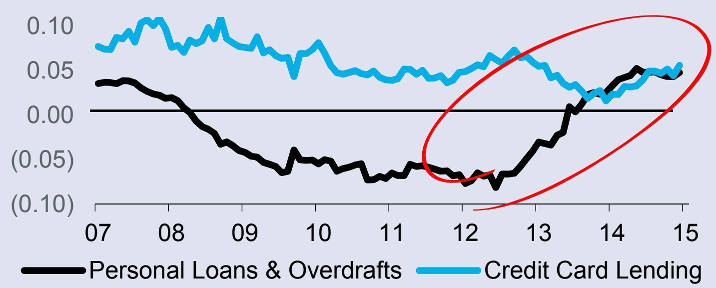
New originations remain strong, particularly in BTL

New mortgage lending by type, £ Bn

Source: CML, Bank of England

Clear improvement in unsecured lending

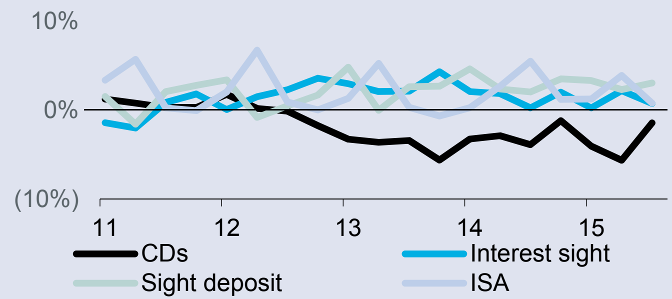
Annual Growth Rates, %



Source: BBA

Positive growth in personal deposits

Annual Growth Rates, %



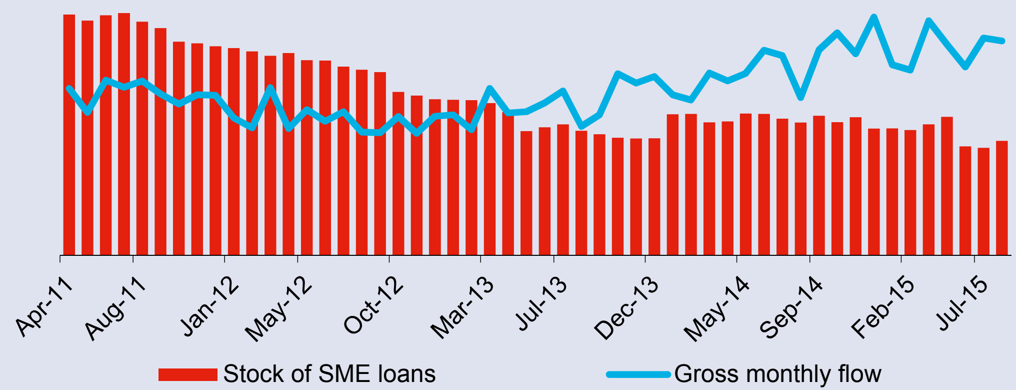
Source: BoE

Momentum rebuilding in SME and commercial market

- ***Business investment grew by 2.0% in 1Q15 - higher than the average quarterly rate in 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 compared to other regions***
- ***Attractive margins in niche segments where larger banks are not competing***

Momentum building with flows increasing

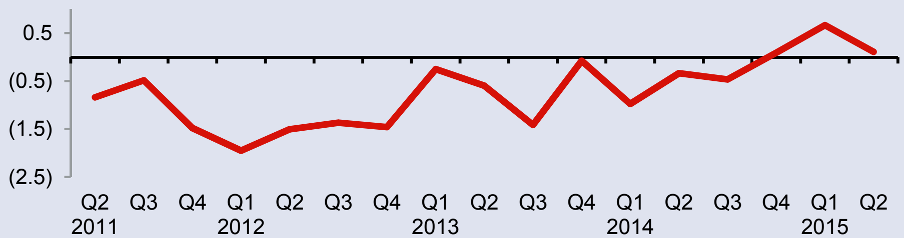
SME stock (LHS) and gross flows (RHS)



Source: Bank of England

Net lending inflection point reached

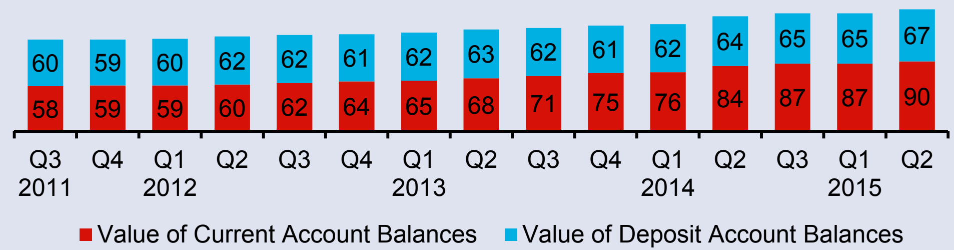
Quarterly changes in net loans to SMEs, £ Bn



Source: BBA

SMEs further strengthening balance sheets

Total deposits from SMEs, £ Bn



Source: Bank of England