CYBG PLC INTERIM RESULTS 2016

SIX MONTHS TO MARCH 2016
COMPANY NUMBER: 095959111

(Formerly known as Pianodove PLC)

Interim financial report

For the six months ended 31 March 2016

Contents

Overview

CYBG PLC (the "Company"), together with its subsidiary undertakings (which together comprise the "Group"), operate under both the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and SME customers through retail branches, Business Banking centres, direct and online banking and brokers.

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

The forward looking statements disclaimer can be found on page 84.

Well positioned to deliver enhanced returns as an independent company

Highlights

- Successfully completed demerger and Initial Public Offering ("IPO"). On 8 February 2016 CYBG PLC ("CYBG") became an independent company listed on the London Stock Exchange ("LSE") and the Australian Securities Exchange ("ASX")
- Leadership team complete with recruitment of Mark Thundercliffe as Chief Risk Officer[1] and Board strengthened with Clive Adamson and Paul Coby appointed as independent Non-Executive Directors
- Delivering on key metrics
    - Net Interest Margin ("NIM") in line with guidance at 225 bps, 2 bps increase vs FY 2015
    - 9.8% annualised growth in mortgages
    - SME core book stable. Over £1 billion of new loans and facilities in H1, an increase of 10%
    - CET1 ratio remains strong at 13.2%
- Progress on cost reduction - full year expectation now £730 million down from £762 million
- Simplifying and streamlining the business
- Building a high performing, customer centric organisation
- Launched omnichannel strategy

(1) Subject to regulatory approval

Jim Pettigrew, Chairman, commented:

"I'm delighted to deliver our first set of results as an independent company after our demerger and IPO in February this year and I would like to thank everyone at CYBG for their hard work in delivering a successful outcome. We have a strong international shareholder base who have shown great support for our business, a high calibre leadership team which is now complete and we have refreshed and strengthened the Board with new Non-Executive Director appointments.

We're focussed on building a high performing, customer centric organisation with strong productivity and efficiency. Becoming an independent PLC has been a catalyst for our ongoing cultural transformation.

In the first half we have demonstrated good progress in delivering on our strategy. Going forward we believe sustainable growth, lower costs and capital efficiency will drive improved performance and enhanced returns for shareholders."

David Duffy, Chief Executive, commented:

"I am very pleased to report good progress on all fronts in our first set of results as we execute our strategy as an independent company.

We have a strong momentum in our business, continuing to grow ahead of the market in mortgages and over £1 billion of SME loans and facilities were made available in the first half.

We have also seen encouraging growth in current accounts, with a number of our new products leading the field and making it quicker, simpler and more convenient for customers to access our services. Online account opening can now be completed in under 15 minutes, and we were excited to launch our B digital proposition, including current account, savings account and debit card to help customers with budgeting, saving and tracking how they spend their money. In the coming months we will add further functionality including "financial projections" and mortgages.

We are also progressing with our plans to become a more efficient, responsive and productive business, and now expect our costs for the year to be £730million, materially below our previous guidance as we begin to see the benefits of actions we have taken to lower the cost base and standalone and separation costs which were lower than expected.

Across CYBG we are focusing on the future now with confidence. Delivering great service to our customers is at the heart of our bank and over the next six months I am confident we will show continued progress against our targets and delivery of commitments for our customers, our people and our shareholders.

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CYBG will be hosting a presentation for analysts and investors on the interim results for the 6 months ended 31 March 2016 at its offices at 15 Floor, 122 Leadenhall Street, London EC3V 4AB, starting at 08:30 BST today (17:30 AEST). The meeting will be webcast live and along with a copy of the presentation will be available at www.cybg.com. Webcast participants will be able to send questions into the meeting. Alternatively there is a conference call facility to listen to the meeting. Dial in details:

UK Freefone:	0800 6781161
UK Direct: Australia toll free: Australia local: USA toll free: USA local:	+44 (0) 1296 311600 18 0003 5387 +61 (0) 2 8223 9237 1866 804 8688 +1 718 354 1175

Passcode: 459 905

Please dial in approximately 10 minutes before the start time.

For a full list of access numbers please go to: www.btconferencing.com/globalaccess/?bid=54_attended

A recording of the webcast and conference call will be made available on the website www.cybg.com shortly after the meeting.

Business and financial review

Key performance indicators

	6 months to 31 Mar 2016	6 months to 31 Mar 2015*	12 months to 30 Sep 2015*
Profitability:			
NIM (1)	2.25%	2.25%	2.23%
Underlying return on tangible equity ("ROTE") (2) (3)	4.5%	7.8%	5.1%
Underlying cost to income ratio (4)	72%	71%	75%
Underlying return on assets (5)	0.45%	0.47%	0.35%
Underlying basic earnings per share (6)	7.2p	11.2p	14.3p
Statutory ROTE (7)	0.9%	11.8%	(10.3)%
Statutory cost to income ratio (8)	82%	66%	120%
Statutory return on assets (9)	0.19%	0.71%	(0.59)%
Statutory basic earnings per share (10)	1.4p	16.9p	(28.7)p
As at:	31 Mar 2016	31 Mar 2015	30 Sep 2015
Asset Quality:			
Bad and doubtful debt charge to average customer loans (11)	0.19%	0.16%	0.21%
90+ days past due ("DPD") to customer loans (12)	0.50%	0.61%	0.50%
Gross impaired assets to customer loans (13)	0.93%	0.99%	0.91%
Specific provision to gross impaired assets (14)	36.9%	36.6%	39.2%
Total provision to customer loans (15)	0.90%	0.97%	0.93%
Indexed loan-to-value ("LTV") of mortgage portfolio (16)	55.9%	58.3%	55.3%
Regulatory Capital:			
CET1 ratio (17) (24)	13.2%	12.1%	13.2%
Tier 1 ratio (18) (24)	15.6%	14.6%	15.7%
Total capital ratio (19) (24)	19.0%	17.8%	18.9%
Leverage ratio (20) (24)	7.1%	6.5%	7.1%
Funding and Liquidity:			
Loan to deposit ratio ("LDR") (21)	113%	112%	109%
Liquidity coverage ratio ("LCR") (22)	112%	135%	131%
Net stable funding ratio ("NSFR") (23)	117%	113%	120%

* As explained further in note 1: Basis of preparation, the results shown for the six months ended 31 March 2016 comprise the results of CYBG PLC consolidated with those of its subsidiaries. The comparative figures provided are those of the CYB Investments Limited Group ("CYBI").

Business and financial review (continued)

Key performance indicators (continued)

(1) NIM is defined as net interest income divided by average interest earning assets for a given period (excluding short term repos used for liquidity management purposes, amounts received under the conduct indemnity and not yet utilised, and any associated income). Comparative disclosures (previously 31 March 2015: 2.21% and 30 September 2015: 2.20%) have been amended to conform with the current period's presentation. As a result of the change in approach, average interest earning assets used as the denominator have reduced by £618m (6 months to 31 March 2015: £599m; 12 months to 30 September 2015: £464m) and the net interest income numerator by £1.3m (6 months to 31 March 2015: increased by £0.1m; 12 months to 30 September 2015: reduced by £0.2m).

(2) Underlying ROTE is defined as underlying profit after tax (as defined in footnote 3) less preference share and other distributions as a percentage of average tangible equity (total equity less intangible assets excluding minorities, Additional Tier 1 securities ("AT1") and preference shares) for a given period.

(3) Underlying profit after tax is defined as underlying profit before tax less tax charge (or plus tax credit, as the case may be), less dividends and distributions and was equal to £63m (31 March 2015: £91m and 30 September 2015: £121m). The underlying tax credit/(charge) is calculated by applying the statutory tax rate for the relevant period to the taxable items adjusted on the underlying basis. Average tangible equity has been calculated using the tangible equity spot balances at each of the month ends of the applicable period.

(4) Underlying cost to income ratio is defined as underlying total operating expenses as a percentage of underlying total operating income for a given period.

(5) Underlying return on assets is defined as underlying profit after tax (as defined in footnote 3) as a percentage of average assets for a given period. Average assets have been calculated using the asset spot balances at each of the month ends in the applicable period.

(6) Underlying basic earnings per share is defined as the underlying profit/(loss) attributable to ordinary equity shareholders including tax relief on any distributions made to other equity holders divided by the weighted average number of ordinary shares in issue for a given period.

(7) Statutory ROTE is defined as profit/(loss) after tax less preference share and non-controlling interest distributions as a percentage of average tangible equity (total equity less intangible assets excluding minorities, AT1 and preference shares) for a given period. Average tangible equity has been calculated using tangible equity spot balances at each of the month ends of the applicable period.

(8) Statutory cost to income ratio is defined as total operating expenses as a percentage of total operating income for a given period.

(9) Statutory return on assets is defined as profit/(loss) after tax as a percentage of average assets for a given period.

(10) Statutory basic earnings per share is defined as the statutory profit/(loss) attributable to ordinary equity shareholders including tax relief on any distributions made to other equity holders divided by the weighted average number of ordinary shares in issue for a given period.

(11) Bad and doubtful debt charge to average customer loans (defined as loans and advances to customers, other financial assets at fair value and due from customers on acceptances) is defined as impairment losses on credit exposures plus credit risk adjustment on fair value loans to average customer loans.

(12) 90+ DPD to customer loans is defined as customer loans that are more than 90 days overdue as a percentage of total customer loans at a given date.

(13) Gross impaired assets to customer loans is defined as gross impaired assets as a percentage of total customer loans at a given date.

(14) Specific provision to gross impaired assets is defined as the specific impairment provision on credit exposures as a percentage of gross impaired assets at a given date.

(15) Total provision to customer loans is defined as total impairment provision on credit exposures as a percentage of total customer loans at a given date.

(16) Indexed LTV of the mortgage portfolio is defined as mortgage portfolio weighted by balance and indexed using the Halifax house price index at a given date.

(17) CET1 ratio is defined as CET1 capital divided by risk-weighted assets at a given date.

(18) Tier 1 ratio is defined as Tier 1 capital resources divided by risk-weighted assets at a given date.

(19) Total capital ratio is defined as total capital resources divided by risk-weighted assets at a given date.

(20) Leverage ratio is defined as Tier 1 capital divided by the total on and off balance sheet exposures expressed as a percentage. The Basel Committee proposed to test a minimum requirement of 3% for the leverage ratio during a parallel run period from 1 January 2013 to 1 January 2017, with a view to migrating to a Pillar 1 treatment on 1 January 2018 based on appropriate review and calibration.

(21) LDR is defined as customer loans as a percentage of customer deposits at a given date.

(22) The Group monitors the LCR based on its own interpretations of current guidance available for CRD IV LCR reporting. Therefore, the reported LCR may change over time with regulatory developments. Due to possible differences in interpretation of the rules, the Group's ratio may not be directly comparable with those of other financial institutions. This excludes Pillar 2 add-ons.

(23) The Group monitors the NSFR based on its own interpretations of current guidance available for CRD IV NSFR reporting. Therefore, the reported NSFR may change over time with regulatory developments. Due to possible differences in interpretation of the rules, the Group's ratio may not be directly comparable with those of other financial institutions.

(24) The capital ratios include unverified profits. Comparative disclosures have been amended to conform with the current period's presentation.

Business and financial review (continued)

Overview

The Group operates a full service UK-focused retail and commercial banking business under the brand names "Clydesdale Bank" and "Yorkshire Bank", in Scotland, the North of England and selected other sites. The Group delivers these services through a network of 274 retail branches, 40 Business Banking centres, direct and online banking and broker channels and employs 7,268 staff. The Group is an "authorised person" under the Financial Services and Markets Act 2000 and is regulated by the PRA and the Financial Conduct Authority ("FCA").

On 8 February, CYBG PLC became an independent company listed on the London Stock Exchange and the ASX in Australia. As a result Clydesdale and Yorkshire Banks are independent for the first time since 1920.

Chief Executive's Review

Delivering on Strategic Objectives

During the demerger and IPO transaction earlier in the year we set out our strategy as an independent business. – to leverage our capabilities in our existing core markets, continue our successful national growth strategy in selected products, deliver a superior performance for customers by moving to an omni-channel model, and deliver enhanced shareholder returns. This will be underpinned by a cultural transformation of our business, and the simplification and streamlining of operations and processes to enhance productivity. We have already identified 22 key process or customer journeys where we see great opportunity to simplify, introduce more automation and digitise.

In the first half we have demonstrated good progress in delivering this strategy, with 9.8% annualised growth in mortgages, stabilisation of our core SME book, over £1 billion of new loans and facilities for SMEs made available and continued growth in current accounts. We have also delivered on key financial metrics with a stable net interest margin and costs running below expectations.

We have begun the process of adapting and streamlining our operational model, while continuing to invest to deliver a better service to customers. We launched a number of new products during the period, culminating with the launch of B in early May, our new digital platform. We are moving the business towards being more focused on customers, being more commercial and more accountable.

Going forward sustainable growth, lower costs and capital efficiency will drive improved performance and enhanced returns for our shareholders.

Focused on our customers

We remain focused on sustainable, prudent growth and are well positioned in both the retail and SME banking segments in which we operate. During the first six months we have maintained our momentum in the mortgage sector, with above market growth.

Reflecting our strength in offering attractive packages for first time buyers, we were "Best First Time Buyer Mortgage Provider" at the Moneynet awards for 2016, with Yorkshire Bank awarded Best Regional Lender at the Your Mortgage Awards for 2015. Building on that strength and working closely with our selected broker panel, we have implemented a tracking capability providing regular electronic updates through the application process to keep customers informed of progress.

We have continued to invest in our omni-channel customer strategy. We launched online account opening in November 2015, an industry leading offering which allows customers to open one of our range of current accounts in less than 15 minutes, with a positive demographic mix for customers acquired with this service -21% are within our target higher value customer segments.

Business and financial review (continued)

Focused on our customers (continued)

We were excited to launch B, our new digital platform, initially offering a current and savings account, and a debit card. We developed B in response to direct feedback from our customers, so it has intuitive and intelligent features, such as "savings pots", "accounts sweeps" and a unique timeline of transactions on all accounts to help customers in budgeting, saving and spending their money wisely. B will further develop its functionality with the addition of a mortgage product later this year, and we are in the early stages of development of a B for Business proposition to help small businesses manage their finances.

Digital channels now represent 24% of total sales (31% excluding savings) and are approximately double what they were in 2013. Monthly mobile banking log-ins have increased by c.60% year on year and are currently averaging 8 million customer log-ins per month. Following the launch of the digital next best action platform in May 2015, 100 million messages have been displayed to customers through internet banking. Our branch network remains a key element of our omni channel approach, and in April we announced changes to the network reflecting the evolving patterns in customer usage. A significant number of branches will extend their opening hours, opening on Saturdays, ensuring investment is diverted to the areas where demand is growing. A programme of refurbishments, relocations, co-locations, concept branches and digital development is ongoing, and 26 branches will close over the next six months.

Lower costs

We are making good progress in further refining our cost plans for this year and for the medium term out to 2020 which we presented during our recent IPO. In the first half underlying costs were £353 million, which puts us on track to deliver full year costs well below the £762 million we have guided to for 2016, as a result of a number of measures to reduce the cost base, including reduced standalone costs, and a reduction in core FTEs. Our expectation is that underlying operating and administrative expenses will now be £730 million for FY2016. In addition to the changes to our branch network announced in April, we implemented a voluntary severance scheme for senior grade staff. As a result c150 staff will exit the business in the second half of the year, with the vast majority expected to leave by mid July. We will continue to review our operating costs in the second half, generating further efficiency initiatives. We are focusing on four areas where we believe we can have a material impact; the distribution network; process improvement; organisational efficiency; and central cost management and procurement. We have identified 22 key processes that we can simplify, automate and then digitise, making it easier for customers to interact and do business with us, and also reduce our costs. We will provide an update on our revised medium term plans later this year in September.

Financial performance

We have delivered on our key financial metrics in the first half. Underlying profitability increased to £107 million from £48 million in the 6 months to September 2015, driven by an increase in operating income, lower costs and reduced charges for bad debts. Compared to the 6 months to 31 March 2015, underlying profitability was lower by £4 million, with higher operating income offset by higher costs incurred from being a standalone business.

Customer loans grew by just under 3%. Asset quality remains strong. The impairment charge to gross average balances was 19 bps, with categorised SME loans continuing to fall compared to September 2015 and 78% of front book mortgage origination at LTV's below 80%.

We saw a change in mortgage origination mix, as expected, with a higher proportion of owner occupied mortgages compared to buy-to-let ("BTL"), despite very strong BTL volumes at the end of the period in advance of the changes to stamp duty. Going forward we will continue to re-balance growth towards Owner Occupied.

We continue to see the majority of our business written at fixed rates and we were very pleased that Clydesdale and Yorkshire Banks were rated outstanding by Moneyfacts in September 2015 for our 3.39% five year fixed rate mortgage and 2.39% two year fixed rate product – the highest rating the Group has ever received.

Business and financial review (continued)

Financial performance (continued)

In SME, building on our strong origination performance last year we have continued to see a stabilisation of our core SME book, which was £6,002 million at 31 March, a small increase on September 2015. We continue to run-off lower yielding assets, with our non core book reducing by £170 million in the period. New loans and facilities totaled £1,031 million in the first six months of the year, an increase of 10% compared to the prior period

We have continued to see growth in both business and personal current accounts in the period with a gross 58,000 accounts opened. We saw increased momentum in business current accounts, with acquisition levels in the first half rising to 2,200 accounts per month, an 83% increase over the prior period. There was continued underlying growth in our retail and SME deposits during the period, which was offset by management actions to optimise the mix, pricing and liquidity value of the deposit base, which included the run off of large highly liquid corporate deposits. We also re-priced our ISA offering towards the end of the period, while still remaining competitive in the market. This helped reduce our overall cost of deposits to 74 bps from 78 bps in FY15

NIM was 225 bps, an increase of 2 basis points compared with FY 2015 and in line with our guidance of broadly stable. Pressure on asset yields was offset by balance sheet action on liabilities, including re-pricing of savings products and run off of non-relationship corporate deposits with low liquidity value.

Capital and funding

Whilst risk weighted assets increased by £223 million, driven by growth in mortgages, underlying capital generation of 22 bps in the half, before reflecting the net impact of the Group's proportion of the conduct provision charges, ensured the Group's CET1 ratio remained stable and robust at 13.2%.

The Group continues to have a strong funding and liquidity position and seeks to achieve an appropriate balance between profitability and liquidity risk. Our funding position remains strong. The loan to deposit ratio (LDR) increased from 109% to 113% due to growth in customer lending combined with a managed reduction in short term corporate deposits.

Economic and regulatory environment

As a full service, retail focused UK bank, we are well positioned to benefit from a sustainable recovery in the UK economy. While the current prolonged period of low interest rates has created challenges, the underlying economic market backdrop continues to be supportive, with GDP of 2.3 in 2015, and estimated growth for 2016 of 2.0%. Unemployment continues to fall, with current levels well below the long term average, along with levels of household indebtedness, and continued real earnings growth in our core regions.

As all of CYBG's operations are in the UK and all of its loans and advances are to customers in the UK, the impact of the referendum on EU membership on our business, financial condition and operational performance will be from any consequential change to macroeconomic conditions in the UK. The regulatory environment continues to evolve, with consultations emerging from the Basel Committee, as well as the PRA and FCA.

We are committed to pursuing an IRB Approach and have begun discussions with the PRA, and look forward to further updates being provided later this year.

We welcome the recent Financial Policy Committee consultation on the BTL market – we believe that BTL will continue to be an important part of the housing market in the UK. We compare favorably with the proposed underwriting criteria, stress testing affordability of mortgages to 7.45% compared to the PRA's proposal of a current minimum of 5.5%.

We continue to make progress on resolving legacy conduct issues. We have reassessed the level of provision that is considered appropriate to meet current and future expectations of costs in relation to PPI and concluded that a further charge of £450 million is required, incorporating the Group's estimate of the impact of CP 15/39 and an expected time bar for complaints in Summer 2018. It also incorporates a reassessment of the costs of processing cases and the impact of experiential adjustments. Only 9.7% of the charge impacts the Group's income statement (£44m) as a result of the conduct indemnity provided by National Australia Bank ("NAB"). We consider that, based on our updated assumptions, the total cover remaining of £1.8 billion is sufficient to cover the costs of dealing with legacy conduct matters.

Business and financial review (continued)

Economic and regulatory environment (continued)

We welcome the decision of the FCA to consult on a deadline for PPI complaints and the certainty that brings for both customers and shareholders, despite the need to raise further provisions to account for the estimated impact of the change.

People

Following the arrival of Gavin Opperman as Customer Banking Director in December, Fergus Murphy as Products Director and Kate Guthrie as Human Resources Director in January, the Executive Leadership team is now complete with the recent appointment of Mark Thundercliffe as our new Chief Risk Officer. Mark will joins us towards the end of the financial year.

On 20 May 2016 we announced that Paul Coby and Clive Adamson had been appointed independent Non-Executive Directors on the CYBG Board, further strengthening and complementing the Board's expertise and governance oversight. Paul will join on 1 June 2016 and Clive on 1 July 2016.

Becoming an independent PLC has been a catalyst for our cultural transformation, as we aim to create a high performing, customer centric organisation and drive accountability and responsibility, alongside appropriate reward structures. Key to our progress is the engagement and commitment of all of our people. To support this we have introduced an integrated communications strategy which puts our people leaders at the centre of building engagement through face to face communications with employees to help them engage in the delivery of our key strategic areas; commercial viability, customer focus and accountability. This is supported by a full suite of multi media communications through a number of different channels.

We are also undertaking a comprehensive review of reward to ensure all aspects, particularly incentives, are closely linked to the delivery of our strategy. Having the right reward framework will be key to ensuring we can attract and retain great talent, whilst also ensuring that we achieve value for money. We will simplify our performance management approach to ensure it fully aligns our colleagues' individual objectives with the Board's strategic plan. Key to success will be the continued development in the strength and capability of our leadership population.

We want to be an employer of choice, engaging and inspiring our employees to build a bank of which they can be proud. We are building on our existing strengths and capabilities by hiring the very best talent. We are developing our cultural framework to ensure that we have a clear vision and values which form the foundation of our performance management framework with clear links to reward and with diversity and respect for difference built in.

We have a long tradition of supporting local communities. So far we have raised £5 million for our chosen charity, Hospice UK, and have relationships with a number of local organisations such as Scotland's Charity Air Ambulance, Edinburgh Royal Zoological Society and Cycle Yorkshire. Through our Spirit of the Community Awards, now in their 4th Year, we will donate £150,000 to 30 charities this year and we have an active volunteering programme. We encourage every employee to take two days paid leave for volunteering and provide Employee Volunteer Grants for those who volunteer in their own time. A fifth of our people donate to charity via Payroll Giving.

Business and financial review (continued)

Outlook

For the current financial year we expect underlying costs will now be £730 million, while the remainder of our guidance remains unchanged. We continue to expect NIM to be broadly flat vs. FY15, and growth in our loan book to be in line with our current medium term targets. We expect our loan to deposit ratio to remain under 115% and CET1 to be in the 12% - 13% range.

We will release our Q3 trading update on Thursday 28 July, followed by a Capital Markets Day on 13 September this year. This will be a deep dive on our future strategy, focused on growth, costs, investment and capital, to update the market on our refreshed plans and improved targets.

Looking further ahead, customers increasingly expect a full range of services from their bank, and to be able to interact across multiple touch points – mobile, online, in branch etc. – with consistency and continuity of experience. We are proud to offer a full suite of products to both retail and SME customers, unencumbered by other activities such as investment banking, and with the launch of B and execution of our omni-channel approach, we believe we will be able to deliver a high level of service to all our customers. Our flexible approach to pricing and product mix will help us compete successfully in the market and grow our mortgage book well above the market rate, as we have done in the past, while maintaining asset quality, and a move to IRB will help us compete more effectively across a wider range of products, for example lower LTV mortgages. In an environment where the expectation for interest rates is to be lower for longer, we will drive harder on costs to maintain our commitment to improve returns, while adjusting our pricing of deposits and driving current account growth to lower our cost of funds. Finally our conservative approach to underwriting, diversified loan book, and robust asset quality makes us well placed to deal with capital and other requirements in a developing regulatory framework, as does our simple, straightforward retail banking model.

Across CYBG we are focusing on the future with confidence. Delivering brilliantly simple service to our customers is at the heart of our bank and over the next six months we are confident we will show continued progress against our targets and delivery of commitments for our customers, our people and our shareholders.

Business and financial review (continued)

Financial analysis

Consolidated income statement – underlying basis

	6 months to 31 Mar 2016 £m	6 months to 31 Mar 2015 £m	6 months to 30 Sep 2015 £m	Mar 16 vs Mar 15 %	Mar 16 vs Sep 15 %
Net interest income	**400**	390	397	2.5%	0.7%
Non-interest income	**91**	95	82	(3.9%)	11.4%
Total operating income	**491**	485	479	1.3%	2.6%
Total operating and administrative expenses	**(353)**	(346)	(381)	(2.2%)	7.4%
Operating profit before impairment losses	**138**	139	98	(1.0%)	41.5%
Impairment losses on credit exposures [1]	**(31)**	(28)	(50)	(10.7%)	39.0%
Underlying profit on ordinary activities before tax	**107**	111	48	(4.2%)	Large
Conduct charges	**(46)**	(21)	(465)		
Restructuring expense	**-**	(12)	(5)		
Separation costs	**(4)**	-	(10)		
Net gain on capital and debt restructuring [2]	**1**	59	2		
Pension increase exchange gain	**-**	18	-		
Loss on impairment of intangible assets	**-**	-	(10)		
Statutory profit/(loss) on ordinary activities before tax	**58**	155	(440)		
Tax (expense)/credit	**(22)**	(18)	74		
Statutory profit/(loss) attributable to equity holders	**36**	137	(366)		

(1) Impairment losses on credit exposures relate solely to loans and advances to customers (refer to notes 11 and 12 to the interim financial statements) and exclude the credit risk adjustments on loans at fair value through profit or loss which are incorporated in the movement in other assets and liabilities at fair value within non-interest income (refer to note 4 to the interim financial statements).

(2) Includes a £1m gain (6 months to 31 March 2015: £Nil, and 6 months to 30 September 2015: £2m) on debt restructuring. The comparative periods include gains (6 months to 31 March 2015: £61m, and 6 months to 30 September 2015: £Nil) and losses (6 months to 31 March 2015: £2m, and 6 months to 30 September 2015: £Nil), in relation to capital restructuring (refer to notes 4, 5 and 8 to the interim financial statements).

The Group's underlying profit before tax decreased by £4m to £107m compared to the period to 31 March 2015, primarily due to a modest increase in operating and administrative expenses and impairment losses, partially offset by an increase in operating income.

Net interest income increased by £10m (2.5%). This was driven by higher income from mortgage lending growth and lower term deposit and wholesale funding costs. These were partially offset by lower SME lending income driven by a reduction in non core SME lending balances reflecting the managed run-off of lower yielding assets, and higher savings costs due to the growth in the Cash ISA book in FY15.

The NIM is in line with the six months ending 31 March 2015 at 2.25%. This was driven by benefits from continued balance sheet action on liabilities, including run off of low yielding corporate deposits, which subsequently led to a reduction in liquid assets and interest costs. This was offset by the impact of growth in mortgages which generally have a lower net interest margin than the overall lending book.

Non-interest income decreased by £4m (3.9%). The key drivers of this decrease were lower fees and commissions, a reduction in fair value movements, and a reduction in the credit risk release on loans accounted for at fair value.

Business and financial review (continued)

Financial analysis (continued)

Consolidated income statement – underlying basis (continued)

Operating and administrative expenses increased by £7m (2.2%). This was driven by costs of £14m supporting the stand alone operation of the Group as a PLC offset by cost reductions in other areas.

Impairment losses on credit exposures increased by £3m (10.7%). This was primarily driven by an increase in collective provisions related to exposures in the oil and gas dependent sectors, while overall asset quality continued to be strong and stable.

Balance sheet (average balances)

	As at				
	31 Mar 2016	30 Sep 2015	31 Mar 2015	Mar 16 vs	Mar 16 vs
	£bn	£bn	£bn	Sep 15 %	Mar 15 %
Total assets (£bn)	**38.6**	38.7	38.4	(0.6)	0.5
Interest earning assets (£bn)	**36.0**	35.8	35.3	0.6	1.8
Customer loans (£bn) [(1)]	**29.0**	28.2	28.0	2.8	3.8
Customer deposits (£bn) [(2)]	**26.3**	25.1	24.2	4.6	8.0

(1) Customer loans include gross loans and advances to customers, loans designated at fair value through profit or loss and amounts due from customers on acceptances.

(2) Customer deposits include both interest and non-interest bearing accounts and deposits.

Average customer loans, which include loans accounted for at fair value, increased by £0.8bn (2.8%) to £29.0bn. Mortgage growth was £1.3bn or 6.6%. This was partially offset by a reduction in SME lending balances of £0.5bn or 6.2%, due to the managed run-off of lower yielding assets. Average customer deposits increased by £1.2bn (4.6%) to £26.3bn compared to a £0.2m decrease in the spot balance. The average balance benefitted from strong growth throughout the period in personal and SME current account and savings balances. This was partially diluted by the targeted reduction of highly liquid corporate deposits and more expensive term deposits. The targeted reduction in corporate deposits, which is now complete, outstripped the growth in the book on a spot basis, however, underlying of this impact the book has continued to grow.

Financial analysis (continued)

Net interest margin analysis	6 months ended 31 March 2016			6 months ended 31 March 2015		
	Average balance	Interest income/ expense	Average yield/ rate [1]	Average balance	Interest income/ expense	Average yield/ rate [1]
	£m	£m	%	£m	£m	%
Interest earning assets:						
Mortgages	20,868	335	3.22	19,012	315	3.33
SME lending [2]	6,883	131	3.82	7,606	143	3.78
Unsecured personal lending	1,230	61	9.97	1,291	72	11.16
Liquid assets	6,136	17	0.55	6,474	17	0.53
Due from other banks	486	1	0.27	22	-	0.24
Due from related entities [3]	391	1	0.37	939	2	0.35
Swap income	-	4	n/a	-	5	n/a
Total average interest-earning assets	**35,994**	**550**	**3.06**	35,344	554	3.15
Total average non interest-earning assets	**2,588**	**n/a**	**n/a**	3,053	n/a	n/a
Interest bearing liabilities:						
Current accounts	10,733	(6)	(0.11)	10,223	(6)	(0.11)
Savings accounts	7,943	(32)	(0.82)	6,615	(22)	(0.67)
Term deposits	5,439	(59)	(2.16)	5,469	(68)	(2.49)
Other wholesale deposits	95	-	(0.94)	104	-	(0.79)
Debt securities in issue	3,887	(40)	(2.08)	3,894	(43)	(2.17)
Due to other banks	646	(2)	(0.59)	1,023	(4)	(0.85)
Due to related entities [3]	607	(11)	(3.48)	2,281	(21)	(1.92)
Total average interest-bearing liabilities	**29,350**	**(150)**	**(1.03)**	29,609	(164)	(1.12)
Total average non interest-bearing liabilities	**6,187**	**n/a**	**n/a**	6,226	n/a	n/a
Total average equity attributable to ordinary equity holders	**3,045**			2,562		
Net interest margin	**2.25%**			2.25%		

(1) Average yield is calculated by annualising the interest income/expense for the period.
(2) Includes deferred fee income.
(3) The average for the six months includes the related party balances with NAB for the four months to January 2016. Effective from 8 February 2016 these have moved to the relevant third party lines.

Customer loans [1]	As at		
	31 Mar 2016 £m	30 Sep 2015 £m	31 Mar 2015 £m
Mortgages	**21,513**	20,504	19,642
SME lending			
- Core	**6,002**	5,992	6,035
- Non-core	**900**	1,070	1,360
Unsecured personal lending	**1,207**	1,218	1,255
Total customer loans	**29,622**	28,784	28,292
Loans and advances to customers	**28,725**	27,687	26,952
Other financial assets at fair value	**894**	1,093	1,335
Due from customers on acceptances	**3**	4	5
Total customer loans	**29,622**	28,784	28,292

(1) Spot balances excluding accrued interest receivable.

Business and financial review (continued)

Financial analysis (continued)

Customer loans increased by £838m (2.9%) from £28,784m at 30 September 2015 to £29,622m at 31 March 2016, with growth in mortgages partially offset by a reduction in non-core SME lending.

Mortgages

Mortgages comprise the Group's largest asset portfolio and have a significant impact on its overall financial performance. The mortgage portfolio increased by 4.9% from £20,504m at 30 September 2015 to £21,513m at 31 March 2016. While the Group is focused on growing its mortgage portfolio through all distribution channels, this increase was primarily driven by an increase in mortgage lending via intermediaries. The balance of mortgage lending through the intermediary channel increased by £1,082m to £11,992m at 31 March 2016, enabling the Group to access customers across the UK including regions where the Group does not have a large branch network.

The variable rate mortgage portfolio decreased by £416m (8.0%) to £4,753m in March 2016, with the SVR element declining by £284m (9.0%) to £2,878m. This was driven by customer preference for securing low fixed rates in a macroeconomic environment where base rates are expected to increase over time. The tracker book continued to run off (to £2,486m), as a result of being withdrawn from sale to the general public in 2008. The attrition on the variable rate book has been more than offset by growth in the fixed rate book of £1,564m (12.3%) to £14,274m driven by customers switching from variable to fixed rate mortgages and growth in the buy to let book as a result of the tax changes taking effect from April 2016.

SME lending

SME lending comprises term business loans, overdrafts and other lending - predominantly asset and invoice finance. The Core portfolio has increased by 0.2% from £5,992m at 30 September 2015 to £6,002m at 31 March 2016 reflecting the stabilisation of the book through the first half and a return to growth in targeted segments. This was primarily driven by growth in the Commercial and Structured Asset Finance books. The lower yielding non-core portfolio declined by £170m (15.9%) to £900m in line with expectations as its managed run-off continued.

Unsecured personal lending

The Group's unsecured personal lending portfolio comprises credit cards, personal loans and overdrafts originated through branches or by way of digital or other direct channels. Unsecured personal lending balances decreased by 0.9% from £1,218m at 30 September 2015 to £1,207m at 31 March 2016. This was primarily due to a managed reduction in personal loan volumes via the web-based digital platform, after competitive pressures reduced margins to unattractive levels over much of the period. This impact offset an increase in origination via the branch network and direct (telephone) channel in the period and growth in credit card lending as a result of the interest free promotional campaign.

Customer deposits [1]	As at		
	31 Mar 2016	30 Sep 2015	31 Mar 2015
	£m	£m	£m
Current accounts	**12,871**	12,982	12,473
Variable rate savings accounts	**7,880**	7,790	7,258
Fixed rate term deposits	**5,344**	5,483	5,389
Other wholesale deposits	**72**	94	89
Total customer deposits	**26,167**	26,349	25,209
Due to customers	**26,114**	26,282	25,133
Other financial liabilities at fair value	**53**	67	76
Total customer deposits	**26,167**	26,349	25,209

(1) Spot balances excluding accrued interest payable.

Customer deposits decreased by £182m (0.7%), from £26,349m at 30 September 2015 to £26,167m at 31 March 2016. The core deposit book has continued to grow driven by Personal and SME current account balances and variable rate savings.

Business and financial review (continued)

Financial analysis (continued)

The overall movement was largely driven by a managed reduction in the level of short term Corporate Deposits resulting in outflows of £740m.

The Group's LDR has increased to 113% in March 2016 from 109% in September 2015, reflecting growth in personal and core SME lending and active management of customer deposits. This has delivered an improved funding mix at lower cost, with the Group successfully increasing the balance of its current accounts and savings accounts, while reducing the balance of more expensive on demand corporate deposits and other wholesale deposits.

Current accounts

Funding provided by current accounts decreased by £111m (0.9%) from £12,982m at September 2015 to £12,871m at March 2016, largely due to the targeted run-off of £740m of corporate deposits, offset by ongoing growth in personal current accounts and non-interest bearing Business accounts.

Savings accounts

Variable rate savings account balances increased by £90m (1.1%) in the same period, which included a substantial increase in instant access savings balances, and cash ISAs.

Fixed rate term deposits

Fixed rate term deposits decreased by £139m (2.5%) in the period, in line with the Bank's ongoing strategy to proactively run-off higher rate deposits.

Debt securities in issue [(1)]	As at		
	31 Mar 2016 £m	30 Sep 2015 £m	31 Mar 2015 £m
Retail mortgage backed securities ("RMBS")	3,024	3,031	2,940
Covered bonds	750	721	1,125
Subordinated debt	477	-	-
Related party [(2)]	-	382	396
Total debt securities in issue	**4,251**	4,134	4,461

(1) Spot balances excluding accrued interest payable.
(2) Lannraig note issuance to NAB are now included in RMBS as they have moved from related to third party following the demerger and IPO.

Debt securities in issue increased by £117m (2.8%) from £4,134m at 30 September 2015 to £4,251m at 31 March 2016. In the period, the USD800m Lanark 2012-2 1A note was redeemed (on 22 February 2016) in line with the scheduled programme terms.

Business and financial review (continued)

Asset quality

	As at		
Provisions for credit exposures (£m)	**31 Mar 2016**	30 Sep 2015	31 Mar 2015
Specific provision for doubtful debts	90	92	85
Collective provision for doubtful debts	144	138	131
Credit risk adjustments on loans at fair value (£m)			
Individually assessed credit risk adjustments on loans at fair value	12	11	17
Collectively assessed credit risk adjustments on loans at fair value	20	27	41
Past due and impaired assets (£m)			
90+ Days Past Due ("DPD") assets	148	143	173
Gross impaired assets [1]	277	263	280
Asset quality measures (%)			
90+ DPD plus gross impaired assets to gross loans and acceptances [1]	1.43%	1.41%	1.60%
Specific provision to gross impaired assets [1]	36.9%	39.2%	36.6%
Net write-offs to gross loans and acceptances	0.18%	0.35%	0.45%
Total provision to gross loans and acceptances [2]	0.90%	0.93%	0.97%
Impairment losses on credit exposures to credit risk-weighted assets [3]	0.38%	0.48%	0.35%
Impairment provisions on credit exposures (£m)			
SME lending (including lease finance)	172	168	165
Retail lending	62	62	51
	234	230	216

	6 months to		
	31 Mar 2016	30 Sep 2015	31 Mar 2015
Impairment losses on credit exposures	**£m**	£m	£m
SME lending (including lease finance)	20	25	20
Retail lending	11	25	8
	31	50	28
Of which:			
Specific	25	41	32
Collective	6	9	(4)
	31	50	28

(1) Gross impaired assets for March 2016, September 2015 and March 2015 include £34m, £25m and £36m gross impaired fair value assets respectively.

(2) Total provision to gross loans and acceptances includes the credit risk adjustments on loans at fair value through profit or loss.

(3) Impairment losses on credit exposures to credit risk-weighted assets excludes credit risk adjustments on loans at fair value.

Business and financial review (continued)

Asset quality (continued)

Asset quality has remained stable over the 6 month period to 31 March 2016.

Retail asset quality remains strong with continued low default rates observed across unsecured lending. The level of impaired mortgage lending remains modest against a growing portfolio. This is reflective of the high asset quality of the portfolio supported by the prolonged period of low interest rates and improving residential house prices. The level of 90+ DPD has remained stable for both the secured and unsecured portfolios.

SME asset quality metrics remain stable. This reflects the diversified nature of the portfolio and the continued improvement in the economic environment. Nevertheless there remains sensitivity within the portfolio to changes in UK economic conditions and challenges emerging in specific sectors, such as those dependent on oil and gas with a collective provision allowance being made in the first half to respond to the risk in this sector.

Impairment losses in the period to 31 March 2016 decreased to £31m, compared with £50m for the 6 month period to 30 September 2015. This was primarily due to the lower level of defaults across the mortgage and SME portfolios.

The ratio of total provisions to customer loans decreased by 3 basis points to 0.90% at 31 March 2016. The movement in the ratio is reflective of the lower risk profile of the book due to the growth of the mortgage portfolio which has a lower provisioning requirement.

Reflecting, the ongoing growth in mortgages which increased by 4.9% during the period, the impairment losses decreased reflecting the secured nature of mortgage lending and with the low levels of credit losses, provision coverage has remained stable period on period.

Capital requirements and MREL

The Group's capital requirements are set by the PRA, consisting of an Individual Capital Guidance plus Capital Buffer Requirements and the Group had a surplus to these requirements at 31 March 2016. This included a Pillar 2A requirement set at 5.8% of Risk Weighted Assets, 3.3% of which must be met by CET1 capital. The Capital Buffer Requirements include a Capital Conservation Buffer, Counter-cyclical Buffer and PRA Buffer. In March 2016 The Bank of England (BoE) Financial Policy Committee announced that from 29 March 2017 the Counter-cyclical Buffer will be set at 0.5% in the UK from 0% currently, and the PRA confirmed a one-off adjustment to the PRA Buffer to offset the impact, for no overall increase to the Group's capital requirements arising from this change. In addition, in December 2015 the BoE announced that banks with less than £175 billion of assets will not be subject to Systemic Risk Buffer requirements.

In response to the European Recovery and Resolution Directive, the BoE launched a consultation on setting the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), which completed on 11 March 2016. A Policy Statement is expected later in 2016. The BoE proposes that MREL will be calculated as the "loss absorption amount" plus the "recapitalisation amount", with the latter calculated dependent on the agreed resolution strategy for the Group. The MREL is expected to be implemented from 1 January 2020. As they stand the proposals will lead to a requirement for increased qualifying debt issuance by CYBG, and the UK banking industry as a whole.

In March 2016 the BoE announced details of its 2016 stress test to assess the resilience of major UK banks. This included a revision to the stress test hurdle framework so that each bank will now be expected to meet its minimum Pillar 1 and Pillar 2A CET1 capital requirements after the stress, which for the Group is 7.8% as at 31 March 2016.

Capital position

Total risk-weighted assets increased by £223m, driven by growth in mortgages. Underlying capital generation of 22 basis points in the half (before reflecting the net impact of the Group's proportion of the conduct provision charges), ensured the Group's CET1 ratio remained stable and robust at 13.2%.

Capital position (continued)

In February 2016, concurrently with the demerger and IPO of the Group, a capital restructure was completed to simplify the Group's capital base and ensure that CYBG is the "single point of entry" for the purposes of Recovery and Resolution planning and MREL requirements. The Group repurchased £450m of existing AT1 and £475m of existing Tier 2 capital, and replaced this with new CRD IV compliant issuance of £450m AT1 (including an equity conversion mechanism) and £475m Tier 2 issued by CYBG. CYBG simultaneously downstreamed the proceeds in the same form to Clydesdale Bank PLC, with the only material difference being the loss absorption mechanism for Clydesdale Bank PLC which is a Permanent Write Down of the instrument not equity conversion. The repurchase took place at market value and this resulted in a net gain of £1m which was realised within the Group.

The Group's capital position at 31 March 2016 is summarised below.

Regulatory capital [(1)]

CET1 capital	31 Mar 2016 £m	30 Sep 2015 £m	31 Mar 2015 £m
Capital Instruments	88	223	2,232
Share premium account	-	670	-
Retained earnings and other reserves [(2)]	2,987	2,097	489
Regulatory adjustments and deductions:			
Prudent valuation adjustment [(3)]	(7)	(5)	(2)
Intangible assets [(4)]	(285)	(265)	(237)
Deferred tax asset ("DTA") relying on future profitability [(5)]	(246)	(273)	(210)
Defined benefit pension fund assets (net of deferred tax liabilities) [(6)]	(101)	(42)	(73)
	2,436	2,405	2,199
Tier 1 capital			
Additional Tier 1 ("AT1") capital instruments	450	450	450
Total Tier 1 capital	2,886	2,855	2,649
Tier 2 capital			
Subordinated debt	475	460	475
Credit risk adjustments	144	138	128
Excess Tier 2 capital [(7)]	-	-	(5)
	619	598	598
Total capital	3,505	3,453	3,247

(1) This table shows the capital position on a CRD IV "transitional" basis. As at 30 September 2015 this included grandfathered legacy Tier 2 instruments under the transitional rules implemented by the PRA. These instruments were replaced and are fully compliant with CRD IV at 31 March 2016, accordingly the 31 March 2016 capital also reflects the CRD IV "fully loaded" basis.

(2) Retained earnings in the table above include unverified interim profits. Comparative disclosures and associated ratios have been amended to conform with the current period's presentation.

(3) A prudent valuation adjustment is applied in respect of fair valued instruments as required under regulatory capital rules.

(4) Intangible assets do not qualify as capital for regulatory purposes.

(5) Under CRD IV, deferred tax assets that rely on future profitability are deducted from CET1 capital.

(6) Under CRD IV, defined benefit pension fund assets shall be deducted from CET1 capital (net of deferred tax liability).

(7) Under PRA requirements, institutions must meet Pillar 1 and Pillar 2A with at most 25% T2 capital. Accordingly excess Tier 2 capital is deducted.

Business and financial review (continued)

Capital position (continued)

Risk-weighted assets [1]	31 Mar 2016 £m	30 Sep 2015 £m	31 Mar 2015 £m
Retail mortgages	**7,946**	7,526	7,264
SME lending	**6,900**	7,044	7,387
Other retail lending	**953**	951	976
Other lending	**91**	113	86
Other [2]	**568**	660	633
Credit risk	**16,458**	16,294	16,346
Credit valuation adjustment	**223**	206	137
Operational risk	**1,589**	1,589	1,565
Counterparty risk	**180**	138	152
Total risk-weighted assets	**18,450**	18,227	18,200

Capital ratios			
CET1 ratio [3]	**13.2%**	13.2%	12.1%
Tier 1 ratio	**15.6%**	15.7%	14.6%
Total capital ratio	**19.0%**	18.9%	17.8%

(1) Risk-weighted assets ("RWAs") are calculated under the standardised approach.

(2) The items included in the "other" exposure class that attract a capital charge include items in the course of collection, cash in hand, fixed assets and deferred tax assets that rely on future profitability.

(3) CET1 capital is comprised of shares issued and related share premium, retained earnings and other reserves less specified regulatory adjustments.

Reconciliation of statutory total equity to regulatory capital	31 Mar 2016 £m	30 Sep 2015 £m	31 Mar 2015 £m
Statutory total equity	**3,531**	3,443	3,174
Pension regulatory adjustments	**(101)**	(42)	(73)
Deductions from capital	**(292)**	(270)	(239)
Equity-based compensation reserve	**(6)**	(3)	(3)
DTA relying on future profitability	**(246)**	(273)	(210)
Regulatory Tier 1 capital	**2,886**	2,855	2,649

Business and financial review (continued)

Capital position (continued)

Minimum Pillar 1 capital requirements	31 Mar 2016 £m	30 Sep 2015 £m
Credit risk	1,317	1,304
Operational risk	127	127
Counterparty risk	14	11
Credit valuation adjustment	18	16
Tier 1 regulatory capital requirements	1,476	1,458

Regulatory capital flow of funds	31 Mar 2016 £m	30 Sep 2015 £m
CET1 capital		
CET1 capital at 1 October	2,405	1,747
Share capital: ordinary share new issuance	-	350
Share for share exchange and nominal reduction	(135)	-
Share premium	(670)	670
Retained earnings and other reserves (including structured entities)	890	1,755
Prudent valuation adjustment	(2)	(3)
Intangible assets	(20)	(52)
DTA relying on future profitability	27	(50)
Defined benefit pension fund assets	(59)	(3)
Share capital reduction	-	(2,009)
Pension fund deficit adjustment	-	-
	2,436	2,405
Tier 1 capital		
Tier 1 capital at 1 October	450	300
Capital instruments repurchased: Perpetual Capital Notes	(450)	-
Capital instruments issued: Perpetual Subordinated Contingent Convertible Notes	450	-
Capital instruments issued: AT1 Perpetual Capital Notes	-	150
	450	450
Total Tier 1 capital		
	2,886	2,855
Tier 2 capital		
Tier 2 capital at 1 October	598	1,260
Credit risk adjustments	6	3
Subordinated debt redemption	-	(665)
Capital instruments repurchased: Subordinated Debt	(475)	-
Capital instruments issued: Subordinated Debt	475	-
Removal of minority interest deduction on Subordinated Debt	15	-
	619	598
Total capital	3,505	3,453

Risk-weighted asset flow statement	£m
Risk-weighted assets at 1 October 2015	18,227
Book size growth / (reduction)	243
Book quality (improvement) / deterioration	(20)
Methodology and policy	-
Risk-weighted assets at 31 March 2016	18,450

Business and financial review (continued)

Capital position (continued)

Capital requirements for calculating RWAs	At 31 March 2016 Capital required £m	RWA £m	Exposure £m	At 30 September 2015 Capital required £m	RWA £m	Exposure (restated) £m
Central Governments or Central Banks	-	-	6,240	-	-	6,477
Regional Governments or Local Authorities	2	22	225	2	22	222
Public Sector Entities	-	3	3	-	3	3
Multilateral development banks	-	-	199	-	-	100
Financial institutions	15	180	1,236	18	222	818
Corporates	254	3,179	3,520	262	3,264	3,621
Retail	75	932	1,243	74	930	1,240
Secured by mortgages on immovable property	893	11,167	26,260	869	10,862	25,241
Exposures in default	38	472	389	34	427	356
Collective investments undertakings (CIU)	-	3	3	-	3	3
Equity exposures	1	16	14	1	16	10
Items associated with particularly high risk	1	10	7	-	-	-
Other items	38	474	2,049	44	545	1,905
Total credit risk	1,317	16,458	41,388	1,304	16,294	39,996
Operational risk	127	1,589		127	1,589	
Counterparty risk	14	180		11	138	
Credit valuation adjustment	18	223		16	206	
	1,476	18,450		1,458	18,227	

The "Exposure" amounts disclosed above are post Credit Conversion Factors and pre Credit Risk Mitigation. Comparative disclosures have been restated to conform with the current period's presentation.

Leverage ratio	31 Mar 2016 £m	30 Sep 2015 £m
Total Tier 1 capital for the leverage ratio		
Total CET1 capital	2,436	2,405
AT1 capital	450	450
Total Tier 1	2,886	2,855
Exposures for the leverage ratio		
Total assets as per published financial statements	38,723	38,705
Adjustment for off-balance sheet items	1,983	1,998
Adjustment for derivative financial instruments	38	19
Adjustment for securities financing transactions (SFTs)	557	-
Other adjustments	(639)	(585)
Leverage ratio exposure	40,662	40,137
Leverage ratio	7.1%	7.1%

Credit ratings

The Group (then CYBI) was rated by Standard & Poor's (S&P) and Fitch for the first time in 2015. Upon demerger from NAB the ratings for CYBI were withdrawn and new ratings were published for CYBG. S&P assigned a long-term credit rating of "BBB-" to the Group, two notches below that of Clydesdale Bank PLC, reflecting their non-operating holding company methodology. Fitch assigned an issuer default rating of "BBB+", in line with that of Clydesdale Bank PLC again reflecting their holding company methodology. The outlook for both ratings is stable.

The lower ratings than those assigned to CYBI at the full year reflect the absence of any parental support uplift in rating.

The Group's long-term credit ratings are summarised below:

	Outlook as at	As at		
	23 May 2016[1]	31 Mar 2016	30 Sep 2015	31 Mar 2015
Fitch	Stable	BBB+	A[2]	n/a
Standard & Poor's	Stable	BBB-	BBB[2]	n/a

[1] For detailed background on the latest credit opinions, including commentary on the impact of the demerger and IPO, by S&P and Fitch, please refer to the respective rating agency websites.

[2] CYBI.

Funding and liquidity

The Group continues to have a strong funding and liquidity position and seeks to achieve an appropriate balance between profitability and liquidity risk. Funding is predominantly provided by Retail and SME customers and this is supported by medium term secured funding issuance from the Group's Lanark and Lannraig securitisation programmes and its Regulated Covered Bond platform. These funding programmes are a source of strength for the Group and leverage the Group's high quality mortgage book. The Group ensures that funding is in place before lending to customers.

The LDR increased from 109% to 113% due to growth in customer lending combined with a managed reduction in short-term corporate deposits which provided little liquidity benefit to the Group.

The Group's liquid assets are calibrated to the Board's view of liquidity risk appetite and remain at a prudent level above PRA requirements. The portfolio is managed by diversifying the mix of assets held to reduce basis risk and optimise the yield. Core liquidity is held predominantly in deposits with central banks and UK Government Gilts. Total unencumbered liquid assets were managed lower from £5,542m to £3,864m. This is primarily due to a lower balance with the BoE as a result of the lending growth and deposit actions described above. The Group was compliant with all internal and regulatory liquidity metrics at 31 March 2016.

Liquid asset reserve	31 Mar 2016 £m	30 Sep 2015 £m
Cash and balances with central banks	4,974	6,431
Encumbered cash balances	(2,398)	(2,301)
	2,576	4,130
Financial assets available for sale	1,478	1,462
Encumbered available for sale securities	(190)	(50)
	1,288	1,412
Total unencumbered liquid assets	**3,864**	5,542

In addition to the above, as at 31 March 2016, the Group had £3.5bn (30 September 2015: £3.9bn) of gross eligible collateral pre-positioned with the BoE for potential use in its liquidity facilities.

Funding and liquidity (continued)

	31 March 2016			30 September 2015		
	Encumbered £m	Unencumbered £m	Total £m	Encumbered £m	Unencumbered £m	Total £m
Cash and balances with central banks	2,398	2,576	4,974	2,301	4,130	6,431
Due from related entities	-	-	-	624	162	786
Due from other banks	612	654	1,266	3	125	128
Financial assets available for sale	190	1,288	1,478	50	1,412	1,462
Loans and advances to customers	6,699	21,817	28,516	7,398	20,084	27,482
	9,899	26,335	36,234	10,376	25,913	36,289

	31 March 2016	30 September 2015
Encumbered cash and balances with central banks		
Note cover	2,131	2,033
Cash ratio deposit	45	44
EU payment system pre-funding	3	5
UK payment system collateral	219	219
	2,398	2,301
Encumbered balances due from related entities		
Structured funding - GIC account balances	-	380
Cash collateral supporting derivatives transactions	-	244
	-	624
Encumbered balances due from other banks		
Structured funding – GIC accounts	328	
Cash collateral supporting derivative transactions	282	1
Cash margin supporting repurchase (“repo”) transactions	2	2
	612	3
Encumbered investments – financial assets available for sale		
Payment system collateral [(1)]	74	50
Repurchase ("repo") transaction collateral [(1)]	116	-
	190	50
Encumbered loans and advances to customers		
Structured Programme collateral – Lanark Master Trust	3,849	4,275
Structured Programme collateral – Regulated Covered Bond	1,357	1,475
Structured Programme collateral – Lannraig Master Trust	1,493	1,648
	6,699	7,398

(1) Market value of securities posted as collateral.

Liquid assets	31 Mar 2016 £bn	30 Sep 2015 £bn	31 Mar 2015 £bn
UK Government Treasury Bills and Gilts	1.3	1.3	1.1
Cash and cash at central bank	2.9	4.4	5.1
Note cover [(1)]	2.1	2.0	2.0
Other debt securities	0.2	0.1	0.2
	6.5	7.8	8.4

(1) Note cover is excluded from PRA regulatory liquidity.

Business and financial review (continued)

Principal Risks and Uncertainties

The following section summarises the principal risks and uncertainties to which the Group is exposed, along with the Group's approach to mitigating these risks.

The principal areas of risk to the Group's business model are outlined below.

Principal risks	Key mitigating actions
Credit risk: is the risk that a counterparty, customer or obligor will fail to meet its obligations to CYBG in accordance with agreed terms and arises from the Bank's lending activities in addition to markets and trading activities.	• Significant Credit Risk strategies and Credit Risk Appetite are approved and reviewed by the Board and Board's Risk Committee where CYBG's tolerance for Credit Risk is agreed. • Strategies employed to mitigate credit risk include imposing standard underwriting policies, taking collateral over property, forbearance, where there is a realistic prospect of being repaid, and entering into derivative and master netting agreements. • The Credit Portfolio is closely monitored including risk sensitivity analysis and review of asset quality metrics with actions initiated where required.
Operational risk (excluding conduct risk) is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes supplier relationships and legal risk, but excludes strategic and reputation risks. Impacts from Operational Risks arise from the day to day activities of the Group, which may result in direct or indirect losses and could adversely impact the Group's financial performance and position.	• CYBG has an established Operational Risk Framework to enable identification, management and mitigation of operational risks. • Risk categories, aligned to Basel II, are used to categorise and facilitate the consistent identification, assessment, mitigation, monitoring and reporting of risks and events. • Supplier relationships are categorised based on criticality of the support provided. Contingency planning focuses on alternative options and management approaches in the event of an outage with regular scenario tests performed.
Regulatory risk is the risk of failing to identify, monitor, shape and implement changes and developments in the regulatory environment, and the risk of damaging CYBG's relationship with regulators and other external authorities.	• CYBG continues to proactively assess the impacts from legal and regulatory developments and participates with the various regulatory bodies and industry forums to ensure that it is able to identify and respond to proposed regulatory changes and mitigate risks to CYBG and its stakeholders. • CYBG has a Regulatory Engagement Policy designed to ensure an open and cooperative relationship is maintained with CYBG's Regulators at all times. • Continued and significant senior management focus and levels of business resource are directed towards maintaining full regulatory compliance. • The Risk Committee approves all material changes to regulatory policy and protocols. CYBG's governing principles include the management and maintenance of regulatory policies and regulatory engagement.

Business and financial review (continued)

Principal risks (continued)	Key mitigating actions
Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives, internal policies, standards, procedures and frameworks.	• The CRO and Risk Leadership Team consider compliance risk topics when setting Risk Appetite and through ongoing risk assessment, profiling and reporting. • A Risk Management Oversight and Compliance Monitoring Plan is approved by CYBG's Board's Risk Committee on an annual basis which independently assesses the Control Framework underpinning compliance with laws and regulations. • All CYBG employees are required to achieve mandated standards to meet their 'Compliance Gateway' obligations.
Conduct risk: is the risk that CYBG's operating model, culture or actions result in unfair outcomes to customers.	• CYBG has a Conduct Framework, with supporting target outcomes and operating principles to ensure its business model and supporting business practices achieve fair customer outcomes. • Products are designed and sold to meet customer needs and expectations with governance processes embedded to ensure those objectives are met. • As part of the demerger, NAB and CYBG have entered into a Conduct Indemnity Deed where NAB has agreed to provide CYBG with an indemnity in respect of certain historic liabilities relating to conduct in the period prior to the demerger date.
Balance sheet and liquidity risk is the risk of being unable to meet current and future financial obligations as they fall due at acceptable cost, including the obligation to repay deposits on demand or at their contractual maturity dates, repay borrowings and loan capital as they mature, pay operating expenses and tax, pay dividends, and the ability to fund new and existing loan commitments.	• Liquidity is managed in accordance with standards that are approved by the Board as part of the ILAAP. Liquidity is managed on a daily basis, ensuring compliance with the Group's OLAR, LCR and that normal daily cash requirements are met and adequate sources of liquidity are available to support unforeseen cash outflows. • CYBG has a designated Prudential Risk team who independently monitor, oversee and challenge Balance Sheet and Liquidity risks. • CYBG has a detailed annual funding plan intended to ensure diversification of funding sources. • CYBG has a contingency funding plan, which is used to detail actions to be taken in the event of an escalated liquidity requirement. • CYBG completes a formal annual assessment of Liquidity Adequacy which is shared with the PRA. This is prepared in conjunction with key stakeholders across CYBG, and includes analysis of key risks with consideration of stress scenarios.
Market risk is the risk associated with adverse changes in the fair value of positions held by CYBG as a result of movements in market factors such as interest rates, foreign exchange rates, volatility and credit spreads.	• Interest rate risk management is overseen by the Asset and Liability Committee with delegation for day to day management given to CYBG's treasury division, principally through the use of interest rate swaps and by cash flow netting from its assets and liabilities. • Basis risk is managed through a combination of wholesale market basis risk management products, pricing strategies and product innovation. • To inform the impact of interest rate risk on future net interest income, value at risk and earnings at risk measures are used, complemented by sensitivity and scenario analysis.

Business and financial review (continued)

Principal risks (continued)	Key mitigating actions
Strategic risk is the risk of significant loss or damage arising from business decisions that impact the long-term interests of stakeholders or from an inability to adapt to external developments.	• The CYBG Board is ultimately responsible for overseeing the execution of the strategic plan and associated strategic risk, and on the recommendation of the CEO and executive management, the Board approves CYBG's strategic and operational plans. • CYBG considers strategic risk as part of the Board's risk profile. • A consolidated report outlining the triggers and exposure to strategic risk is independently prepared and presented to the Board's Risk Committee by the CRO.
Financial crime risk: Financial crime risk is the risk of failing to understand and comply with relevant laws, regulations and supervisory requirements relating to money laundering, terrorism financing, bribery and corruption and sanctions and embargoes. It also includes risks associated with external or internal acts intended to defraud, misappropriate, and circumvent; policy, funds, information, regulations and property.	• CYBG has an established Financial Crime Framework supporting ongoing management, monitoring and mitigation of Financial Crime Risk. • CYBG maintains processes aimed at minimising the risk of financial crime through ongoing risk assessment, monitoring and reporting, appropriate KYC and the development and implementation of an anti-money laundering programme. • CYBG operates zero tolerance for internal fraud and has a control framework in place to mitigate against this risk.

Further details of these risks and the Company's risk management framework and policies are provided in the prospectus relating to the admission of the Company's ordinary shares to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange. Copies of the prospectus are available at http://www.cybg.com/investor-centre/cybg-demerger/

The Group monitors the environment in which it operates to identify emerging risks that may have an impact on its operations, the Group currently considers its top emerging risks to be:

Emerging risks	Key mitigating actions
Risks relating to the Macro-economic environment: While CYBG's Customer base is, and is expected to remain, predominantly UK based, its' business will be subject to inherent risks arising from macro-economic conditions in the UK and geo-political uncertainty; such as the Referendum on the UK's membership of the EU. The impact of the sustained low interest rate environment with delays in expected increases in the Bank of England base rate and depressed oil prices may impact economic growth and have implications relative to the Group's strategic objectives. These and other global events also have the potential to trigger changes in market risk pricing which could lead to rising funding costs.	• The CYBG credit portfolio continues to be monitored closely with appetite adjusted where appropriate and risk sensitivity analysis is conducted on an ongoing basis in higher risk areas such as Oil & Gas dependent sectors. • CYBG has applied a severe stress scenario to the Funding Plan to demonstrate the potential impact of severe market disruption with regard to possible 'Brexit' and appropriate alternative actions are agreed to prevent breaches of Risk Appetite. • Regular reviews are undertaken to assess strategic implications with adjustments made to minimise and negate potential impacts.

Business and financial review (continued)

Emerging risks (continued)	Key mitigating actions
Reliance on previous parent: There is a risk that the functions and processes developed and restructured as part of the separation from NAB may not operate as intended or have not been properly created or completed which could result in operational difficulties.	• Transitional Services Agreements (TSAs) are in place with NAB to provide ongoing support for a small number of functions and processes. • Formal TSA exit plans are in place supported by appropriate governance, resource and expertise to ensure TSA exit milestones are achieved. • Other functions and processes already transitioned were tested for readiness and are now subject to oversight through the Group's Risk Management Framework.
BTL lending: Falling or flat rental rates and decreasing capital values, whether coupled with higher mortgage interest rates or not, could reduce the potential returns from BTL mortgages. Regulatory changes such as the Finance (No 2) Act 2015 proposing limits to the income tax relief on mortgage interest expense available from 6 April 2016 and additional 3% on stamp duty on the purchase of a second or subsequent residential property from 1 April 2016 may result in lower yields on BTL property investments and may negatively affect mortgage supply and demand.	• CYBG's has a balanced portfolio with growth through a number of channels and products. • CYBG focusses on customer affordability and conducts full BTL credit assessments based on the customer's net income and expenditure, as opposed to solely on rental yields. • Customer affordability is also subject to an interest rate stress at the time of application which exceeds the rate proposed in the PRA's BTL Consultation Paper. • The CYBG's credit portfolio is subject to regular monitoring and stress testing which includes scenario analysis on BTL lending. • Risk Appetite includes a number of relevant BTL measures which are continually reviewed and, where required, adjusted.
Cybercrime and IT: There is a risk that CYBG may not appropriately respond to the increased threat of cybercrime associated with digital expansion and the industry wide risk of traditional banking information technology infrastructure and digital technologies becoming obsolete. An inability to keep pace with industry trends and customer expectations may materially affect CYBG's financial and operational performance.	• CYBG continues to invest and enhance information security defences in response to emerging and known threats. • CYBG has procedures to ensure compliance with data protection regulations by its employees and third-party service providers, and implements security measures to help prevent cyber-theft.
Regulatory capital requirements: CYBG may be impacted by certain revisions in the methodology for calculating regulatory capital which may include, amongst others, changes to the approach for calculating the standardised approaches for credit risk and operational risk, on which the Basel Committee on Banking Supervision is consulting. Other revisions may include the regulatory capital treatment of interest rate risk in the banking book.	• CYBG is required to maintain minimum levels of capital and reserves relative to the balance sheet size and risk profile of its operations. • CYBG assesses the impact of changes to prudential requirements and, when appropriate, will seek to mitigate the impact of changes by applying changes to business processes. • CYBG has announced its intention to implement an Internal Ratings Based approach to managing Regulatory Capital.

<table>
<tr><th>Emerging risks (continued)</th><th>Key mitigating actions</th></tr>
<tr><td>Banking reform, ring fencing and resolution: The relevant regulatory authorities in the UK and Europe have proposed reforms to a number of aspects of the banking sector, including, among others, institutional structure, resolution procedures, payment services and deposit guarantees. While the impact of these regulatory developments remains uncertain, CYBG expects that the evolution of these and future initiatives could impact on CYBG's business, financial conditions and results of operations.</td><td>• The majority of CYBG's activities are expected to be permitted activities for ring-fenced banks under the proposed rules. To the extent that the final rules apply, CYBG does not expect to make changes to its current legal structure and it is the intention of the Group that activities which do not comply with the final rules for a ring-fenced bank will be discontinued. Based on current proposals this is not expected to have a material impact on CYBG's operations.
• CYBG assesses each publication and appropriate action is taken where required. A refresh of the Recovery and Resolution Plan is ongoing and will take account of the new rules, including incoming proposals.</td></tr>
<tr><td>Minimum Requirement for own funds and Eligible Liabilities (MREL): While not applicable until 2020, MREL has the potential to increase funding costs due to the need to hold a greater value of debt that can be subject to a bail in. The requirements remain subject to Regulatory interpretation and CYBG expects – the evolution of this could raise further potential risk.</td><td>• CYBG has responded to the PRA Consultation Paper, issued by the regulator in December 2015, and the MREL is expected to be advised to CYBG in 2016. MREL will take effect from 2020. The impact on CYBG may involve issuing forms of debt that can be bailed-in which would be expected to raise the overall cost of funds of CYBG.</td></tr>
<tr><td>Potential changes to UK corporation tax: The UK tax environment for Banking Groups is unsettled. Recent legislative changes have reduced the rate at which historic tax losses may be used to offset profits. A further reduction (from 50% to 25%) was announced in the March 2016 budget, though details, including the start date and interaction with other proposed tax changes, are not yet available.

This change, if enacted alongside further reduction in the mainstream rate of tax, will require a reassessment of the carrying value of deferred tax assets. This may result in a significant adverse impact on the total value of deferred tax assets recognised on the balance sheet. Other changes announced but not yet enacted include a proposed restriction on the tax deductibility of interest and interest-like amounts. Any restriction in interest expense could increase the tax charge. The application of this proposed change to Financial Services businesses is under consultation between the industry and HM Treasury.</td><td>• CYBG's Tax team reviews emerging legislation, assesses its likely impact, advises management and, if considered appropriate, recommends mitigating actions.
• CYBG is an active participant in industry bodies debating proposed changes. Further, CYBG responds, both through relevant industry bodies and directly, to significant published consultations. This direct engagement minimises the risk of legislation being developed without proper regard to practical circumstances that may impact CYBG and other tax payers.
• CYBG maintains ongoing relationships with professional accounting and legal advisors to ensure it is appraised of technical developments and their potential implications.</td></tr>
<tr><td>Use of data: The EU Commissions General Data Protection Regulation is to be introduced from 25 May 2018 meaning that CYBG will be subject to increased regulatory burden when processing personal Customer, employee and other data in the conduct of its business and may be subject to increased sanctions for breach. Changes to legislation may also inhibit CYBG's ability to use data to carry out its business objectives.</td><td>• CYBG has policies and controls in place for use of data relative to employees and any third-party service providers.
• Technological efficiency and automation are widely used in CYBG's business to process high volumes of transactions enabling centralised control.
• Process improvements and enhancements have been implemented to enhance data capture, data management and validation.
• CYBG continues to monitor legal and regulatory developments to ensure the Group remains compliant.</td></tr>
</table>

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge these interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

a) an indication of important events that have occurred during the six months ended 31 March 2016 and their impact on the condensed consolidated interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
b) material related party transactions in the six months ended 31 March 2016 and any material changes in the related party transactions described in the last annual report of CYBI Limited.

Signed by order of the Board

David Duffy
Chief Executive Officer
23 May 2016

Building a better
working world

Independent review report to the members of CYBG PLC

Introduction

We have been engaged by CYBG PLC to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2016 which comprises the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and the related explanatory notes 1 to 23. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to CYBG PLC a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP.

Ernst & Young LLP
Edinburgh
23 May 2016

1. The maintenance and integrity of the CYBG PLC web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Interim condensed consolidated financial statements

Contents

Interim condensed consolidated income statement
for the six months ended 31 March 2016

	Note	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Interest income and similar income		550	554	1,110
Interest expense and similar charges		(150)	(164)	(323)
Net interest income	3	400	390	787
Gains less losses on financial instruments at fair value		3	6	2
Other operating income		89	150	238
Non-interest income	4	92	156	240
Total operating income		492	546	1,027
Personnel expenses		(137)	(120)	(266)
Restructuring expenses		-	(12)	(17)
Depreciation and amortisation expense		(41)	(40)	(83)
Other operating and administrative expenses		(225)	(191)	(868)
Total operating and administrative expenses before impairment losses	5	(403)	(363)	(1,234)
Operating profit/(loss) before impairment losses		89	183	(207)
Impairment losses on credit exposures	12	(31)	(28)	(78)
Profit/(loss) on ordinary activities before tax		58	155	(285)
Tax (expense)/credit	6	(22)	(18)	56
Profit/(loss) for the period		36	137	(229)
Profit/(loss) attributable to ordinary shareholders		6	137	(247)
Profit attributable to other equity holders		30	-	18
Profit/(loss) for the period attributable to equity holders		36	137	(229)
Basic and diluted earnings per share (pence)	7	1.4	16.9	(28.7)

Comparative disclosures have been amended to conform with the current period's presentation as detailed in note 1.

All material items dealt with in arriving at the profit/(loss) before tax for the above periods relate to continuing activities.

The notes on pages 36 to 81 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of comprehensive income for the six months ended 31 March 2016

	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Profit/(loss) for the period	36	137	(229)
Items that may be reclassified to the income statement			
Change in cash flow hedge reserve			
Gains during the period	34	8	21
Transfers to the income statement	(1)	(11)	(18)
Taxation thereon	(8)	-	-
	25	(3)	3
Change in available for sale reserve			
Gains during the period	3	9	5
Transfers to the income statement	(1)	-	-
Taxation thereon	(1)	(2)	(1)
	1	7	4
Total items that may be reclassified to the income statement	26	4	7
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit pension plans	58	(6)	(36)
Taxation thereon	(15)	1	7
	43	(5)	(29)
Change in asset revaluation reserve			
Transfer to retained profits	(1)	(1)	-
Taxation thereon	-	-	-
	(1)	(1)	-
Total items that will not be reclassified to the income statement	42	(6)	(29)
Other comprehensive income/(losses) net of tax	68	(2)	(22)
Total comprehensive income/(losses) for the period net of tax	104	135	(251)
Total comprehensive income/(losses) attributable to ordinary shareholders	74	135	(269)
Total comprehensive income attributable to other equity holders	30	-	18
Total comprehensive income/(losses) attributable to equity holders	104	135	(251)

Comparative disclosures have been amended to conform with the current period's presentation as detailed in note 1.

The notes on pages 36 to 81 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated balance sheet
as at 31 March 2016

	Note	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Assets				
Cash and balances with central banks		4,974	7,084	6,431
Due from related entities	8	-	883	786
Due from other banks		1,266	227	128
Financial assets available for sale		1,478	1,197	1,462
Other financial assets at fair value	9	898	1,347	1,097
Derivative financial instruments	10	396	385	285
Loans and advances to customers	11	28,516	26,763	27,482
Due from customers on acceptances		3	5	4
Current tax assets		-	5	4
Property, plant and equipment		101	111	109
Investment properties		27	38	32
Property inventory		-	2	-
Investments in controlled entities and associates		-	2	2
Intangible assets		285	237	265
Deferred tax assets	13	381	316	389
Defined benefit pension assets	16	135	91	52
Other assets		263	232	177
Total assets		38,723	38,925	38,705
Liabilities				
Due to other banks		783	1,032	393
Other financial liabilities at fair value	9	53	79	67
Derivative financial instruments	10	522	620	534
Due to customers		26,237	25,251	26,407
Liabilities on acceptances		3	5	4
Current tax liabilities		2	-	-
Provisions for liabilities and charges	14	1,141	756	1,006
Due to related entities	8	-	1,792	998
Debt securities in issue	15	4,285	4,096	3,766
Retirement benefit obligations	16	4	4	4
Deferred tax liabilities	13	41	18	10
Other liabilities		2,121	2,098	2,073
Total liabilities		35,192	35,751	35,262
Equity				
Share capital	17	88	2,232	223
Other equity instruments	18	450	450	450
Share premium	18	-	-	670
Capital reorganisation reserve	18	(839)	-	-
Merger reserve	18	633	-	-
Other reserves	18	32	-	4
Retained earnings	18	3,167	492	2,096
Total equity		3,531	3,174	3,443
Total liabilities and equity		38,723	38,925	38,705

The notes on pages 36 to 81 form an integral part of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors on 23 May 2016 and were signed on its behalf by:

David Duffy

Chief Executive Officer

Ian Smith

Chief Financial Officer

Company name: CYBG PLC, Company number: 09595911

Interim condensed consolidated statement of changes in equity for the six months ended 31 March 2016

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reorganisation reserve £m	Merger reserve £m	Other equity instruments £m	Equity-based compensation reserve £m	Asset revaluation reserve £m	Available for sale reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
At 1 October 2014 (audited)		1,882	-	100	-	-	300	2	2	8	(16)	260	2,538
Profit for the period		-	-	-	-	-	-	-	-	-	-	137	137
Other comprehensive income/(losses)		-	-	-	-	-	-	-	(1)	7	(3)	(5)	(2)
Total comprehensive income/(losses) for the period		-	-	-	-	-	-	-	(1)	7	(3)	132	135
Capital note issued		-	-	-	-	-	150	-	-	-	-	-	150
Shares issued		350	-	-	-	-	-	-	-	-	-	-	350
Equity-based compensation expensed		-	-	-	-	-	-	4	-	-	-	-	4
Transfer from capital redemption reserve		-	-	(100)	-	-	-	-	-	-	-	100	-
Equity-based compensation settled		-	-	-	-	-	-	(3)	-	-	-	-	(3)
As at 31 March 2015 (unaudited)	17,18	**2,232**	**-**	**-**	**-**	**-**	**450**	**3**	**1**	**15**	**(19)**	**492**	**3,174**
Loss for the period		-	-	-	-	-	-	-	-	-	-	(366)	(366)
Other comprehensive income/(losses)		-	-	-	-	-	-	-	1	(3)	6	(24)	(20)
Total comprehensive income/(losses) for the period		-	-	-	-	-	-	-	1	(3)	6	(390)	(386)
AT1 distribution paid (net of tax)		-	-	-	-	-	-	-	-	-	-	(14)	(14)
Share capital reduction		(2,009)	-	-	-	-	-	-	-	-	-	2,009	-
Shares issued		-	670	-	-	-	-	-	-	-	-	-	670
Transfer to equity-based compensation reserve		-	-	-	-	-	-	1	-	-	-	(1)	-
Equity-based compensation expensed		-	-	-	-	-	-	3	-	-	-	-	3
Equity-based compensation settled		-	-	-	-	-	-	(4)	-	-	-	-	(4)
As at 30 September 2015 (audited) (1)	17,18	**223**	**670**	**-**	**-**	**-**	**450**	**3**	**2**	**12**	**(13)**	**2,096**	**3,443**
Profit for the period		-	-	-	-	-	-	-	-	-	-	36	36
Other comprehensive income/(losses)		-	-	-	-	-	-	-	(1)	1	25	43	68
Total comprehensive income/(losses) for the period		-	-	-	-	-	-	-	(1)	1	25	79	104
AT1 distribution paid (net of tax)		-	-	-	-	-	-	-	-	-	-	(18)	(18)
Insertion of new parent company		(223)	(670)	-	893	-	-	-	-	-	-	-	-
Share for share exchange		1,099	-	-	(1,732)	633	-	-	-	-	-	-	-
Share capital reduction		(1,011)	-	-	-	-	-	-	-	-	-	1,011	-
Capital note repurchase (net of tax)		-	-	-	-	-	(450)	-	-	-	-	(5)	(455)
Capital note issued		-	-	-	-	-	450	-	-	-	-	-	450
Transfer from equity-based compensation reserve		-	-	-	-	-	-	(4)	-	-	-	4	-
Equity-based compensation expensed		-	-	-	-	-	-	5	-	-	-	-	5
Equity-based compensation settled		-	-	-	-	-	-	2	-	-	-	-	2
As at 31 March 2016 (unaudited)	17,18	**88**	**-**	**-**	**(839)**	**633**	**450**	**6**	**1**	**13**	**12**	**3,167**	**3,531**

(1) The closing balances as at 30 September 2015 have been audited; however, the movements in the individual six month periods to 31 March and 30 September 2015 are unaudited.

Comparative disclosures have been amended to conform with the current period's presentation as detailed in note 1.
The notes on pages 36 to 81 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows
for the six months ended 31 March 2016

	Note	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Operating activities				
Profit/(loss) on ordinary activities before tax		**58**	155	(285)
Adjustments for:				
Non-cash or non-operating items included in profit/(loss) before tax		**(327)**	(386)	(679)
Changes in operating assets		**(1,990)**	(1,024)	(1,494)
Changes in operating liabilities		**343**	1,237	1,983
Interest received		**534**	577	1,257
Interest paid		**(98)**	(203)	(418)
Tax repayment received		**-**	-	5
Tax received/(paid) – group relief		**5**	(13)	(20)
Net cash (used in)/provided by operating activities		**(1,475)**	343	349
Cash flows from investing activities				
Interest received		**7**	4	8
Proceeds from sale or maturity of investments		**101**	-	-
Proceeds from sale of tangible fixed assets [(1)]		**8**	8	17
Purchase of tangible fixed assets [(1)]		**(7)**	(5)	(19)
Purchase of investments		**(100)**	-	(269)
Purchase and development of intangible assets		**(49)**	(51)	(119)
Net cash used in investing activities		**(40)**	(44)	(382)
Cash flows from financing activities				
Interest received		**1**	2	3
Interest paid		**(51)**	(64)	(122)
Proceeds from ordinary shares issued	17	**-**	350	1,020
Proceeds from other equity instruments issued	18	**450**	150	150
Repurchase of other equity instruments	18	**(457)**	-	-
Redemption of medium-term notes		**-**	-	(427)
Repurchase of subordinated debt	8	**(474)**	(591)	(591)
Redemption, principal repayment and other movements on residential mortgage backed securities and covered bonds		**(435)**	(123)	(921)
Issuance of residential mortgage backed securities and covered bonds		**-**	709	1,207
Issuance of subordinated debt	15	**475**	-	-
Net decrease in amounts due from related entities		**786**	588	686
Net decrease in amounts due to related entities		**(115)**	(143)	(512)
AT1 distributions		**(23)**	-	(18)
Net cash provided by financing activities		**157**	878	475
Net (decrease)/increase in cash and cash equivalents		**(1,358)**	1,177	442
Cash and cash equivalents at the beginning of the period		**6,337**	5,895	5,895
Cash and cash equivalents at the end of the period [(2)]		**4,979**	7,072	6,337

(1) Tangible fixed assets include property, plant and equipment, investment properties and property inventory.

(2) Cash and cash equivalents is cash and balances with central banks less mandatory deposits plus cash equivalents within other assets, less due to other banks, due to related entities and other liabilities.

The notes on pages 36 to 81 form an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

1. Basis of preparation and accounting policies

On 8 February 2016, CYBG PLC became the new holding company for the CYBI Group by way of a share for share exchange and was unconditionally listed on the London Stock Exchange. On the basis that the transaction was effected by creating a new parent that is itself not a business, the transaction is considered to be outside the scope of IFRS 3 Business Combinations. It has therefore been accounted for using the pooling of interest method as a continuation of the existing Group. The condensed consolidated interim financial statements of CYBG PLC Group ("the Group") for the six months ended 31 March 2016 comprise the results of CYBG PLC consolidated with those of its subsidiaries, including CYBI. The comparative figures provided are those of the CYBI Group.

These interim condensed consolidated financial statements for the six months ended 31 March 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU"). They do not include all the information required by International Financial Reporting Standards ("IFRS") in full annual financial statements and should be read in conjunction with the annual report and consolidated financial statements of CYBI for the year ended 30 September 2015, which were prepared in accordance with IFRS as adopted by the EU. Copies of the CYBI 2015 annual report and consolidated financial statements are available upon request from Investor Relations, CYBG PLC, 20 Merrion Way, Leeds, Yorkshire, LS2 8NZ.

The information in these interim condensed consolidated financial statements is unaudited and does not constitute annual accounts within the meaning of Section 434 of the Companies Act 2006 ("the Act"). Statutory accounts for the period ended 30 September 2015 have been delivered to the Registrar of Companies and contained an unqualified audit report under Section 495 of the Act, which did not draw attention to any matters by way of emphasis and they did not contain any statements under Section 498 of the Act.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business and financial review section of these interim condensed consolidated financial statements. This should be read in conjunction with the comments in the strategic report which can be found in the annual report and consolidated financial statements of CYBI Group for the year ended 30 September 2015. In addition, note 40 to those financial statements includes the Group's risk management objectives and note 22 of this Interim financial report highlights the Group's objectives, policies and processes for managing its capital.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

Accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with, and are a continuation of, those policies followed in the preparation of the CYBI annual report and consolidated financial statements for the year ended 30 September 2015. Reflecting the changes in the Group resulting from its demerger and IPO, newly applicable accounting policies in relation to earnings per share, updates to the Group's policies on share based payments, the equity-based compensation reserve and the presentation of tax on AT1 distributions are detailed below:

Earnings per share

Basic earnings per share is calculated by taking the profit attributable to ordinary shareholders of the parent company and dividing this by the weighted-average number of ordinary shares outstanding during the period. Any own shares held in employee benefit trusts are excluded from this calculation.

Diluted earnings per share requires that the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These arise from awards made under share-based incentive schemes. Share awards with performance conditions attaching to them are not considered to be dilutive unless these conditions have been met at the reporting date.

Notes to the interim condensed consolidated financial statements (continued)

1. Basis of preparation and accounting policies (continued)

Equity based compensation

The Group engages in share-based payment transactions in respect of services received from certain of its employees and to provide long term incentives. The fair value of the services received is recognised as an expense. The total amount to be expensed is measured by reference to the fair value of the CYBG shares, performance options or performance rights granted, including, where relevant, any market performance conditions and any non-vesting conditions.

The impact of any service and non-market performance vesting conditions are not included in the fair value and instead are included in estimating the number of awards or options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. A corresponding credit is recognised in the equity-based compensation reserve. In some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between start of the service period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of shares, performance options and performance rights that are expected to vest based on the non-market and service vesting conditions. The impact of the revision to original estimates, if any, is recognised in the income statement, with a corresponding adjustment to the equity-based compensation reserve.

Equity-based compensation reserve

The Group's equity-based compensation reserve records the value of equity-settled share based payment benefits provided to the Group's employees as part of their remuneration that has been charged through the income statement adjusted for deferred tax.

In comparative periods the equity-based compensation reserve represented the outstanding fair value amount in respect of share based payment expense recharged by the Group's former ultimate parent, NAB, which had been charged through the income statement and adjusted for deferred tax.

At the date of the demerger, current and former employees of the Group held awards granted in previous periods for which vesting is subject to continuing employment, and in some instances specified performance criteria being met. Following the demerger, existing unvested awards remain in place. NAB will settle the awards granted to Group employees in previous periods in accordance with the original terms of the grant. The Group will compensate NAB for the cost of the awards provided to the Group's employee. Subsequent to the demerger, the amounts payable to NAB in respect of such awards no longer meet the definition of share based payments under IFRS 2: *Share based payment*. Consequently, amounts within the equity-based compensation reserve relating to outstanding NAB awards were reclassified to *Due to other banks* in the consolidated balance sheet immediately following the demerger.

Conduct Indemnity

As part of the demerger, NAB and the Company have entered into a Conduct Indemnity Deed. The accounting for this matter is discussed in note 14.

Presentation of tax on AT1 distributions

In comparative periods, the tax deduction associated with AT1 distributions was recognised in the income statement rather than directly in equity. Whilst this approach is permitted under IFRS, it is not aligned with other UK banks. Accordingly, the accounting policy has been revised to require recognition of the AT1 distributions directly in equity, net of any tax relief. This has resulted in a restatement of comparative amounts as described below.

1. Basis of preparation and accounting policies (continued)

Restatement of comparative amounts

The change in the accounting policy in relation to AT1 distributions has resulted in the tax credit associated with the distributions now being recognised directly in equity rather than in the income statement. The profit after tax attributable to other equity holders of £30m (31 March 2015: £Nil and 30 September 2015: £18m) is partly offset in reserves by a tax credit attributable to ordinary shareholders of £5m on AT1 dividends (31 March 2015: £Nil and 30 September 2015: £4m) and a £1m tax credit attributable to ordinary shareholders on the refinancing of the AT1 debt (31 March 2015: £Nil and 30 September 2015: £Nil).

The impact on the Group's result for the year ended 30 September 2015 was a decrease in the Tax credit by £4m from £60m to £56m, increasing the loss for the year from £225m to £229m. There was a corresponding decrease in the amounts taken to Retained earnings in relation to AT1 distributions by £4m from £18m to £14m. In addition, note 6 'Taxation' has been impacted by the restatement. There has been no impact on the Group's total assets, net assets or closing reserves as a result of the change.

Accounting developments

No new IASB pronouncements have been adopted in the period.

An overview of pronouncements that will be relevant to the Group in future periods (including IFRS 9) is provided on pages 41 to 43 of CYBI's annual report and consolidated financial statements for the year ended 30 September 2015. An update on the Group's implementation of IFRS 9 is also provided below.

The IASB has subsequently issued the following further pronouncements relevant to the Group. The impact of these pronouncements is being assessed by the Group.

- IFRS 16 *"Leases"*, issued January 2016 and effective for financial years beginning on or after 1 January 2019. The new standard requires lessees to recognise a right of use asset and a liability for future payments arising from a lease contract. Lessor accounting requirements remain aligned to the current approach under IAS 17.
- Amendments to IAS 12: Recognition of deferred tax on unrealised losses, issued January 2016 and effective for financial years beginning on or after 1 January 2017. The amendments clarify the requirements on the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7: Statement of cash flows, issued January 2016 and effective for financial years beginning on or after 1 January 2017. The amendments are part of the IASB's "disclosures initiative" and require additional disclosure about an entity's financing activities.
- Clarifications to IFRS 15: Revenue from Contracts with Customers, issued in April 2016 and effective for financial years beginning on or after 1 January 2018 (the same effective date as IFRS 15 itself). The amendments clarify certain underlying principles of IFRS 15 and provide additional transitional relief options.

Update on the implementation of IFRS 9

The Group has mobilised an IFRS 9 project to ensure implementation in line with the effective date within the standard and, where applicable to the scope, scale and nature of the Group's objectives, other regulatory guidance. The primary objectives of the project include defining accounting policies and approaches, ensuring risk models meet the required specifications; delivery of data and system changes; and updating the operating model and overall governance framework.

The project has representation from both the Finance and Risk functions with a steering committee and a formal project control board in place to provide the necessary oversight.

The project is in the process of defining and confirming appropriate methodologies with the intention of building a number of risk models during 2016/17 in order to allow sufficient time to perform detailed testing during 2017. This will be followed by a parallel run ahead of our adoption date on 1 October 2018 (assuming the standard has been endorsed for adoption in the EU prior to that date).

Notes to the interim condensed consolidated financial statements (continued)

1. Basis of preparation and accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that date. Although the Group has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimated.

The only significant change to the bases upon which estimates have been determined, compared to those applied at 30 September 2015, relates to retirement benefit obligations. The actuarial assumptions used in the valuation of the Group's defined benefit plan have been updated to reflect market conditions at 31 March 2016. The scheme assets and defined benefit obligation are disclosed in note 16 of this report

Conduct risk provisions are discussed in note 14, deferred tax assets are discussed in note 13, further information on fair value of financial instruments is disclosed in note 20 and the pension assets and defined benefit obligation is disclosed in note 16 of this report.

2. Segment information

The Group's operating segments are operating units engaged in providing different products or services and whose operating results and overall performance are regularly reviewed by the entity's Chief Operating Decision Maker, the Chief Executive Officer.

The Group's business is organised into two principal operating segments: SME Banking and Retail Banking. The Central Functions of the Group consist of: Customer Trust & Confidence, Finance, Risk, Operations & IT, Legal & Governance, CEO Office Support, Customer Experience, Products & Marketing, Strategy & Transformation, Treasury and People & Communications.

"Other" (which in previous periods was incorporated into Central Functions) reflects certain elements of expenditure that are not recharged to the Group's two principal operating segments such as conduct related provisions and restructuring costs.

SME Banking

The Group's established regional SME franchise offers a full range of business banking products and services to meet customers' banking needs across its Business Direct, small business, commercial and specialist and acquisition finance segments.

The Group's SME franchise is comprised of micro businesses (which the Group defines as businesses with no lending outstanding and turnover of less than £120,000), Business Direct (which the Group defines as businesses with outstanding lending of less than £0.1m and turnover of less than £750,000), small businesses (which the Group defines as businesses with lending of £0.1m to £0.25m and greater than £750,000 but less than £2.0m in turnover) and commercial businesses (which the Group defines as businesses with lending of higher that £0.25m and greater than £2.0m in turnover). Across all business segments, the Group provides working capital solutions through asset finance, invoice finance, international trade, merchant acquiring and treasury services.

The Group offers a full range of lending products and services across a portfolio consisting of term lending, overdrafts and working capital solutions through its SME franchise:

- Term lending: the Group offers a wide variety of term loans, both secured and unsecured, and offers customers a range of repayment and interest rate options. The majority of the Group's business term lending is LIBOR based.
- Overdrafts: business overdrafts are the primary type of revolving variable rate credit facility offered by the Group to business customers.
- Invoice finance: the Group advances funds against the customer's trade receivables.
- Asset finance: these products provide a method of financing capital equipment purchases.

2. Segment information (continued)

- International trade services: these products facilitate transactions between a buyer and seller located in different countries. The Group offers import loans, export loans, documentary collections and currency guarantees, together with letters of credit for securing trade.
- Private banking: a fee based service targeted at higher net worth customers, primarily business owners, providing tailored solutions to meet their financial requirements.

Retail Banking

The Group has a comprehensive regional and national retail banking product proposition with a personal deposit portfolio comprising of PCAs, savings accounts and term deposits. The Group's retail loan portfolio comprises of mortgages, personal loans, credit cards and overdrafts:

- PCA: a stable source of funding with a large number of PCA customers having a tenure with the Group of more than ten years.
- Savings accounts: the Group offers a variety of savings accounts that pay a variable rate of interest. It also offers cash ISAs with competitive rates that offer depositors tax free returns.
- Term deposits (sometimes referred to as "fixed rate savings accounts" or "time deposits"): offer a fixed interest rate for a fixed term.
- Mortgages: the Group provides mortgage loans on a capital repayment basis, where the loan is required to be repaid during its life, and on an interest-only basis, where the customer pays interest during the term of the mortgage loan with the principal balance required to be repaid in full at maturity. The Group offers both owner-occupied mortgage loans (pursuant to which the borrower is the owner and occupier of the mortgaged property) and BTL loans (pursuant to which the borrower intends to let the mortgaged property).
- Personal loans: the Group provides unsecured personal loans through its branch network to retail and private banking customers and through its digital and telephone distribution channels.
- Credit cards: the Group currently offers three credit card products, Private MasterCard, Business MasterCard and Gold MasterCard.
- Overdrafts: the Group provides overdraft lending across a variety of PCA products, subject to the account holder's status. Overdrafts comprise both planned and unplanned borrowing.

Major customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

Geographical areas

The Group has no operations outside the UK and therefore no secondary geographical area information is presented.

Operating segments 6 months ended 31 Mar 2016 (unaudited)	SME Banking £m	Retail Banking £m	Central Functions £m	Other £m	Total £m
Net interest income	139	234	27	-	400
Non-interest income	39	42	10	1	92
Operating income	178	276	37	1	492
Operating and administrative expenses	(36)	(59)	(258)	(50)	(403)
Impairment losses on credit exposures [1]	(20)	(11)	-	-	(31)
Segment operating profit/(loss) before tax	122	206	(221)	(49)	58
Average interest-earning assets	10,430	18,653	6,911	-	35,994

Notes to the interim condensed consolidated financial statements (continued)

2. Segment information (continued)

Operating segments 6 months ended 31 Mar 2015 (unaudited)	SME Banking £m	Retail Banking £m	Central Functions £m	Other £m	Total £m
Net interest income	141	230	19	-	390
Non-interest income	36	46	13	61	156
Operating income	177	276	32	61	546
Operating and administrative expenses	(41)	(58)	(246)	(18)	(363)
Impairment losses on credit exposures [1]	(20)	(8)	-	-	(28)
Segment operating profit/(loss) before tax	116	210	(214)	43	155
Average interest-earning assets	11,333	16,849	7,162	-	35,344

Operating segments 12 months ended 30 Sept 2015 (audited)	SME Banking £m	Retail Banking £m	Central Functions £m	Other £m	Total £m
Net interest income	274	461	52	-	787
Non-interest income	77	94	6	63	240
Operating income	351	555	58	63	1,027
Operating and administrative expenses	(82)	(116)	(529)	(507)	(1,234)
Impairment losses on credit exposures [1]	(45)	(33)	-	-	(78)
Segment operating profit/(loss) before tax	224	406	(471)	(444)	(285)
Average interest-earning assets	10,908	17,400	7,472	-	35,780

[1] The impairment losses on Retail Banking credit exposures of £11m (31 March 2015: £8m and 30 September 2015: £33m) includes losses on certain retail products attributable to SME (private banking) customers.

3. Net interest income

	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Interest income and similar income			
Loans and advances to other banks	12	13	28
Financial assets available for sale	5	4	8
Loans and advances to customers	516	514	1,033
Financial assets at fair value through profit or loss	15	20	37
Due from related entities (note 8)	1	2	3
Other interest income	1	1	1
Total interest income and similar income	550	554	1,110
Less: Interest expense and similar charges			
Due to other banks	2	4	5
Financial liabilities at fair value through profit or loss	-	-	1
Due to customers	97	96	195
Debt securities in issue	40	42	82
Due to related entities (note 8)	11	22	40
Total interest expense and similar charges	150	164	323
Net interest income	400	390	787

4. Non-interest income

	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Gains less losses on financial instruments at fair value			
Interest rate derivatives	6	(7)	29
Other assets and liabilities at fair value	(2)	3	(29)
Ineffectiveness arising from fair value hedges	(1)	8	1
Ineffectiveness arising from cash flow hedges	-	2	1
	3	6	2
Other operating income			
Fees and commission	77	72	144
Margin on foreign exchange derivative brokerage	10	11	19
Net fair value movement on investment properties	-	-	(1)
Other income	2	67	76
	89	150	238
Total non-interest income	92	156	240

The movement in fair value of assets incorporates valuation movements for certain financial assets which are designated at inception as fair value through profit or loss. These assets are predominantly fixed interest rate loans which are measured at fair value. The movements in fair value are recognised in the income statement as part of non-interest income. The fair value of these loans is derived from the future loan cash flows using appropriate discount rates and includes adjustments for credit risk and credit losses. In general, as interest rates fall, the carrying value of the loan portfolio increases. Conversely, as interest rates rise, the carrying value of the loan portfolio decreases. Similarly, if credit spreads widen, the fair value of these loans will decrease, and vice versa. A credit risk gain associated with fair value loans of £5m has been recognised in the current period (31 March 2015: £6m and 30 September 2015: £24m). The valuation technique used is reflective of current market practice.

In the period ended 31 March 2016 other income includes a gain of £1m (31 March 2015: £Nil and 30 September 2015: £2m) on early repurchase of medium term subordinated debt (notes 8 and 15) and a gain of £Nil (31 March 2015: £61m and 30 September 2015: £61m) arising on capital restructures. A loss of £Nil arising on a capital restructure is included in related entity charges (notes 5 and 8) (31 March 2015: £2m and 30 September 2015: £2m).

In December 2014, £650m of Tier 2 subordinated debt issued was redeemed. These instruments would have become progressively ineligible for Tier 2 treatment under CRD IV's transitional rules from 1 January 2015 as well as being impacted by the introduction of a 25% capital limit under Pillar 2A. These instruments were replaced by an issue of £350m of ordinary shares and an issue of AT1 capital instruments of £150m to NAB. As a result of the redemptions, the prior year results include gains of £61m in other income arising on capital restructures and a further gain of £2m on early redemption of medium term funding on 30 September 2015, resulting in total gains in the year to 30 September 2015 of £63m.

On 8 February 2016, the Group's existing AT1 and Tier 2 Subordinated Debt were repurchased and replaced with the issuance of £450m AT1 Capital and £475m Tier 2 Subordinated Debt issued by CYBG PLC.

5. Operating and administrative expenses

	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Personnel expenses			
Salaries, wages and non-cash benefits	89	82	175
Related personnel expenses	12	10	22
Defined contribution pension expense	9	8	16
Defined benefit pension expense/(credit)	15	(3)	11
Equity based compensation	5	4	7
Other personnel expenses	7	19	35
	137	120	266
Restructuring expenses			
Restructuring expenses (note 14)	-	12	17
Depreciation and amortisation expense			
Depreciation of property, plant and equipment	13	13	26
Amortisation of intangible assets	28	27	57
	41	40	83
Other operating and administrative expenses			
Operating lease rental	15	14	32
Other occupancy charges	19	20	38
Related entity charges (note 8)	4	9	20
Impairment losses on software	-	-	10
Payment Protection Insurance redress expense (note 14)	44	-	390
Other conduct expenses (note 14)	2	-	75
Other operating and administrative expenses	141	148	303
	225	191	868
Total operating and administrative expenses	403	363	1,234

Other operating expenses includes the FSCS levy charge of £Nil (31 March 2015: £Nil and 30 September 2015: £14m). The FSCS levy is recognised in April each year in accordance with IFRIC 21.

Related entity charges include a loss on capital restructuring of £Nil (31 March 2015: £2m and 30 September 2015: £2m) (notes 4 and 8).

6. Taxation

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK (20%). A reconciliation from the expense implied by the standard rate to the actual tax expense is as follows:

	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Profit/(loss) on ordinary activities before tax	58	155	(285)
Tax expense/(credit) based on the standard rate of Corporation Tax in the UK of 20% (March and September 2015: 20.5%)	12	32	(58)
Effects of:			
Impact of Corporation Tax rate change	5	(1)	1
Disallowable expenses	5	1	8
Conduct indemnity adjustment	(4)	-	-
Regulatory capital and debt restructure	-	(12)	(12)
Deferred tax on losses not recognised	2	-	16
Non-deductible FCA fine	-	4	4
Adjustments in respect of prior years	2	(6)	(15)
Tax expense/(credit) for the period	**22**	18	(56)

Comparative disclosures have been amended to conform with the current period's presentation as detailed in note 1.

Finance Act (No2) 2015 introduced the Bank Surcharge for the banking entity within the Group from 1 January 2016, being an 8% charge on taxable profits above £25m before the offset of brought forward losses or group relief. There are no taxable profits in the underlying banking entity and accordingly no surcharge liability arises.

The 'Conduct indemnity adjustment' represents the receipt from the Group's former parent less refunds attributable in accordance with the indemnity agreement (note 14).

The impact of the corporation tax rate change is discussed in note 13 Deferred Tax.

7. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data in relation to the ordinary shares of CYBG PLC.

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (unaudited) £m
Profit/(loss) attributable to ordinary shareholders	**6**	137	(247)
Tax relief on AT1 distribution attributable to ordinary equity holders (note 1)	**5**	-	4
Tax relief on loss on repurchase of CYBI AT1 issued to NAB	**1**	-	-
Profit/(loss) attributable to ordinary equity holders for the purposes of basic and diluted EPS	**12**	137	(243)

	31 Mar 2016 (unaudited) Number of shares (million)	31 Mar 2015 (unaudited) Number of shares (million)	30 Sep 2015 (unaudited) Number of shares (million)
Weighted-average number of ordinary shares in issue			
- Basic	**880**	812	846
- Diluted	**880**	812	846
Basic earnings per share (pence)	**1.4**	16.9	(28.7)
Diluted earnings per share (pence)	**1.4**	16.9	(28.7)

The numbers of shares used for calculating the earnings per share are those of CYBG PLC. The number of CYBI shares in the comparative periods have been converted into the equivalent number of CYBG PLC shares to reflect the corporate reorganisation on 8 February 2016 (note 1).

8. Related party transactions

As explained in note 1, on 8 February 2016, CYBG PLC became the new holding company for the CYBI Group by way of a share for share exchange and was listed on the London Stock Exchange. Following the demerger and completion of the IPO, NAB no longer controls, jointly controls or has significant influence over the Company or its subsidiaries. Consequently, there is no related party relationship between NAB and the Company or its subsidiaries following the demerger date. As a result, amounts due to and due from NAB and its controlled entities have been reclassified from 8 February 2016, as explained below.

As the related party relationship ceased between the Group and NAB at the date of the demerger, only those transactions with NAB taking place up to the demerger date are reportable as related party transactions. The comparative financial information has not been restated.

During the period there have been transactions between the Group, NAB, controlled entities of NAB, controlled entities of the Group, and other related parties.

The Group provides a range of services to NAB and controlled entities of NAB, including the provision of banking facilities, granting loans and accepting deposits.

The Group receives a range of services from NAB and its related parties, including loans and deposits, foreign exchange and various technical and administrative services.

Subsequent to the date of the demerger, these are governed by Transitional Service Arrangements and Reverse Transitional Service Arrangements.

8. Related party transactions (continued)

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Amounts due from NAB Group			
Loans	-	675	673
Other receivables	-	208	113
	-	883	786

The interest income on the amounts due from NAB was £1m to 8 February 2016 (31 March 2015: £2m and 30 September 2015: £3m) (note 3).

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Amounts due to NAB Group			
Deposits	-	898	125
Residential mortgage backed securities	-	396	382
Subordinated debt	-	478	478
Other payables	-	20	13
	-	1,792	998

The interest expense on the amounts due to NAB was £11m to 8 February 2016 (31 March 2015: £22m and 30 September 2015: £40m) (note 3).

On 30 September 2015, the Company redeemed £429m of medium term notes with NAB early, resulting in a gain of £2m. The gain was included within other income along with other capital restructuring gains of £61m.

On 8 February 2016, amounts due from NAB were reclassified as amounts due from other banks. Deposits and Other payables previously classified within Amounts due to NAB were reclassified as amounts due to other banks. The comparative financial information has not been restated.

Subordinated debt

Subordinated debt comprises dated loan capital which is currently owned by NAB. Prior to the demerger, the subordinated debt was included within amounts due to related entities on the balance sheet. Subordinated debt outstanding at 31 March 2016 is included in debt securities in issue (note 15). The comparative financial information has not been restated.

Interest on the debt is payable at fixed rates, is subordinated to the claims of other creditors and is unsecured. The debt is employed in the general business of the Group.

On 8 February 2016, the Group repurchased £475m of subordinated debt from NAB at a market value of £474m, resulting in a gain on capital restructure of £1m included within other income (note 4). The replacement notes issued on 8 February 2016 are disclosed in note 15.

The rates of interest stated below applied to the Notes prior to their repayment on 8 February 2016:	**31 Mar 2016 (unaudited) £m**	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
10 year, non-call with a final maturity of 20 December 2023 - LIBOR +3.41%	-	300	300
10 year, non-call with a final maturity of 25 January 2021 - LIBOR + 4.42%	-	175	175
	-	475	475
Other subordinated notes	-	-	-
Accrued interest payable	-	3	3
Total subordinated debt	-	478	478

8. Related party transactions (continued)

On 29 December 2014, the Group repaid £232m of subordinated debt to NAB at a market value of £206m, resulting in a gain on capital restructure of £26m included within other income. A further £343m was repaid to National Equities Limited at a market value of £308m, resulting in a gain of £35m. The combined gain on capital restructures of £61m is reflected in note 4. The Group also repaid £75m subordinated debt to NAB at a market value £77m, resulting in a loss on capital restructure of £2m included within other operating and administrative expenses (note 5).

Securitisation

The Group has securitised part of its residential mortgage portfolio and the cash raised from the issue of residential mortgage backed securities ("RMBS") through structured entities forms part of the Group's medium term funding. A portfolio of BTL mortgages has been securitised through the Lannraig Master Trust Issuer programme and a total of £366m (31 March 2015: £396m and 30 September 2015: £382m) of the securities issued are held by NAB. Following the demerger, these notes are included within debt securities in issue (note 15). The comparative financial information has not been restated.

Derivatives

The following derivative positions were held with NAB:

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Derivative financial assets			
Designated as hedging instruments	-	126	86
Designated as held for trading	-	101	60
	-	227	146
Derivative financial liabilities			
Designated as hedging instrument	-	242	173
Designated as held for trading	-	343	263
	-	585	436

On 8 February 2016, derivative positions held with NAB were reclassified as derivatives with third parties (note 10).

Other transactions with NAB Group	6 months to 31 Mar 2016 (unaudited) £m	6 months to 31 Mar 2015 (unaudited) £m	12 months to 30 Sep 2015 (audited) £m
Gain on repurchase of subordinated debt	1	61	63
Non-interest income received	-	2	10
Other operating and administrative expenses (note 5)	4	9	20

9. Other financial assets and liabilities at fair value

Financial assets	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Other financial assets at fair value through profit or loss			
Loans and advances	898	1,347	1,097
Other financial liabilities at fair value through profit or loss			
Due to customers – term deposits	53	79	67

Derivatives which do not meet the requirements for hedge accounting and that are related to loans held at fair value through profit or loss are accounted for as held for trading derivative financial instruments (note 10).

Loans and advances

Included in other financial assets at fair value is a portfolio of loans. Interest rate risk associated with these loans is managed using interest rate derivative contracts and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans is £898m (31 March 2015: £1,347m and 30 September 2015: £1,097m). The cumulative loss in the fair value of the loans attributable to changes in credit risk amounts to £32m (31 March 2015: £58m and 30 September 2015: £38m) and the change for the current period is a reduction of £6m (31 March 2015: reduction of £16m and 30 September 2015: reduction of £36m).

The Group ceased further sales of this suite of loan products with effect from 30 April 2012 with the loans classified as Level 3 in the fair value hierarchy (note 20).

Due to customers - term deposits

Included in other financial liabilities at fair value are fixed rate deposits, the interest rate risk on which is hedged using interest rate derivative contracts. The deposits are recorded at fair value to avoid an accounting mismatch.

The change in fair value attributable to changes in the Group credit risk is £Nil (31 March 2015: £Nil and 30 September 2015: £Nil). The Group is contractually obligated to pay £3m (31 March 2015: £5m and 30 September 2015: £4m) less than the carrying amount at maturity to the deposit holder.

10. Derivative financial instruments

The Group uses derivatives for risk mitigation purposes and does not have a trading book. However, derivatives that do not meet the hedging criteria within IAS 39, or those for which hedge accounting is not appropriate, are accounted for as held for trading (although they are used for risk mitigation purposes). The tables below analyse derivatives between those designated as hedging instruments and those classified as held for trading.

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Fair value of derivative financial assets			
Designated as hedging instruments	193	126	103
Designated as held for trading	203	259	182
	396	385	285
Fair value of derivative financial liabilities			
Designated as hedging instruments	213	242	244
Designated as held for trading	309	378	290
	522	620	534

Notes to the interim condensed consolidated financial statements (continued)

10. Derivative financial instruments (continued)

The derivative financial instruments held by the Group are further analysed below with the notional contract amount being the amount from which the cash flows are derived and is not an indication of the amounts at risk relating to these contracts.

Total derivative contracts as at 31 March 2016 (unaudited)	**Notional contract amount £m**	**Fair value of assets £m**	**Fair value of liabilities £m**
Derivatives designated as hedging instruments			
Cash flow hedges			
Interest rate swaps	15,550	77	51
Cross currency swaps	783	27	11
FX forward contracts	5	-	-
	16,338	104	62
Fair value hedges			
Interest rate swaps	1,453	77	151
Cross currency swaps	154	12	-
	1,607	89	151
Derivatives designated as held for trading			
Foreign exchange rate related contracts			
Spot and forward contracts	2,217	57	54
Cross currency swaps	150	6	9
Options	319	6	6
	2,686	69	69
Interest rate related contracts			
Swaps	1,820	107	211
Swaptions	54	-	-
Options	584	2	4
	2,458	109	215
Commodity related contracts	154	25	25
Total derivative contracts	23,243	396	522

Total derivative contracts as at 31 March 2015 (unaudited)	Notional contract amount £m	Fair value of assets £m	Fair value of liabilities £m
Derivatives designated as hedging instruments			
Cash flow hedges			
Interest rate swaps	13,580	35	64
Cross currency swaps	683	-	67
	14,263	35	131
Fair value hedges			
Interest rate swaps	1,253	61	69
Cross currency swaps	876	30	42
	2,129	91	111
Derivatives designated as held for trading			
Foreign exchange rate related contracts			
Spot and forward contracts	1,931	71	62
Cross currency swaps	454	32	6
Options	325	7	7
	2,710	110	75
Interest rate related contracts			
Swaps	2,630	128	274
Swaptions	76	-	1
Options	407	3	10
	3,113	131	285
Commodity related contracts	167	18	18
Total derivative contracts	22,382	385	620

Notes to the interim condensed consolidated financial statements (continued)

10. Derivative financial instruments (continued)

Total derivative contracts as at 30 September 2015 (audited)	Notional contract amount £m	Fair value of assets £m	Fair value of liabilities £m
Derivatives designated as hedging instruments			
Cash flow hedges			
Interest rate swaps	16,655	46	76
Cross currency swaps	843	8	53
	17,498	54	129
Fair value hedges			
Interest rate swaps	1,452	35	115
Foreign exchange rate swaps	499	14	-
	1,951	49	115
Derivatives designated as held for trading			
Foreign exchange rate related contracts			
Spot and forward and futures contracts	1,990	47	38
Cross currency swaps	150	5	5
Options	273	2	2
	2,413	54	45
Interest rate related contracts			
Swaps	2,084	105	217
Swaptions	67	-	1
Options	706	1	5
	2,857	106	223
Commodity related contracts	160	22	22
Total derivative contracts	24,879	285	534

Certain derivative financial assets and liabilities have been booked in consolidated structured entities.

The Group hedges the foreign currency exposure on material non-GBP denominated assets and macro hedges its interest rate exposure using cash flow hedges. The Group hedging positions also include those designated as foreign currency and interest rate hedges of debt issued from the Group's securitisation and covered bond programmes respectively. The carrying value of the currency assets and liabilities within the Group fluctuates as a result of foreign exchange movements. There is a corresponding (and offsetting) movement in the value of the hedging derivatives.

11. Loans and advances to customers

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Overdrafts	1,544	1,662	1,563
Credit cards	386	363	376
Lease finance	457	407	426
Mortgages	21,513	19,642	20,504
Other term lending – SME	4,056	4,035	4,025
Other term lending – retail	746	806	763
Other lending	23	37	30
Gross loans and advances to customers	28,725	26,952	27,687
Accrued interest receivable	78	76	75
Unearned income	(26)	(26)	(26)
Deferred and unamortised fee income	(27)	(23)	(24)
Impairment provisions on credit exposures (note 12)	(234)	(216)	(230)
	28,516	26,763	27,482

The Group has transferred £5,342m (31 March 2015: £5,916m and 30 September 2015: £5,923m) of mortgages through securitisation arrangements that do not qualify for derecognition from the balance sheet. The mortgages do not qualify for derecognition because the Group remains exposed to the risks and rewards of ownership on an ongoing basis. Prior to any relevant hedging arrangements, the Group continues to be exposed primarily to the credit risk, liquidity risk and interest rate risk of the mortgages. The Group is also exposed to the residual rewards of the mortgages as a result of its ability to benefit from the future performance of the mortgages through the receipt of deferred consideration. The carrying amount of the associated liability before transactional costs is £3,023m (31 March 2015: £3,335m and 30 September 2015: £3,413m).

Included within loans and advances to customers are £1,357m (31 March 2015: £2,253m and 30 September 2015: £1,475m) of mortgages assigned to a bankruptcy remote special purpose entity, Clydesdale Covered Bonds LLP No 2. These loans provide security for issues of covered bonds made by the Group. These transactions do not qualify for derecognition from the balance sheet. At 31 March 2016 there were £750m (31 March 2015: £1,125m and 30 September 2015: £721m) of covered bonds in issue under the programme.

The Group also has a portfolio of fair valued loans and advances (note 9). Combined with the above this is equivalent to net loans and advances of £29,414m (31 March 2015: £28,110m and 30 September 2015: £28,579m).

11. Loans and advances to customers (continued)

Maximum exposure to credit risk

The maximum exposure to credit risk is disclosed in note 21.

Distribution of loans and advances by credit quality

As at 31 March 2016 (unaudited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending (1) £m	Other retail lending £m	Total £m
Gross loans and advances:							
Neither past due nor impaired	65	374	448	21,179	5,297	657	28,020
Past due but not impaired	9	12	7	266	153	15	462
Impaired	-	-	2	68	173	-	243
	74	386	457	21,513	5,623	672	28,725

As at 31 March 2015 (unaudited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending (1) £m	Other retail lending £m	Total £m
Gross loans and advances:							
Neither past due nor impaired	78	350	399	19,298	5,419	705	26,249
Past due but not impaired	7	13	3	289	131	16	459
Impaired	-	-	5	55	184	-	244
	85	363	407	19,642	5,734	721	26,952

As at 30 September 2015 (audited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending (1) £m	Other retail lending £m	Total £m
Gross loans and advances:							
Neither past due nor impaired	70	363	418	20,170	5,277	668	26,966
Past due but not impaired	9	13	6	268	172	15	483
Impaired	-	-	2	66	170	-	238
	79	376	426	20,504	5,619	683	27,687

(1) SME lending includes business overdrafts.

Credit quality of loans and advances

The Group has an internally developed credit rating system that uses data drawn from a number of sources to assess the potential risk in lending to the Group's customers. This system assigns an indication of the probability of default ("PD") for each customer and can be broadly mapped to external agencies rating scales. Impaired assets consist of SME lending and secured personal lending where current circumstances indicate that losses of loan principal and/or interest may be incurred.

11. Loans and advances to customers (continued)

Distribution of loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the Group's standard credit rating system. The credit rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy.

The table below presents the analysis of SME lending credit quality of loans and advances that are neither past due nor impaired:

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Senior investment grade	1,133	1,136	1,174
Investment grade	1,581	1,626	1,615
Sub-investment grade	3,031	3,056	2,906
	5,745	5,818	5,695

For the SME lending analysis, investment grades are determined by the Customer Rating System ("eCRS") as defined under the Group's Credit Risk Management policy:

Description	eCRS	PD
Senior investment grade	1 to 5	0 < 0.11
Investment grade	6 to 11	0.11 < 0.55
Sub-investment grade	12 to 23	0.55 < 99.99

The loan-to-value ratio of retail mortgage lending, coupled with the relationship of the debt to customers' income, is key to the credit quality of these loans. The table below sets out the indexed loan-to-value analysis of the Group's retail mortgages:

	31 Mar 2016 (unaudited) %	31 Mar 2015 (unaudited) %	30 Sep 2015 (audited) %
Less than 50%	34	29	34
50% to 75%	48	49	51
76% to 80%	6	7	5
81% to 85%	4	5	4
86% to 90%	3	3	2
91% to 95%	1	2	1
96% to 100%	-	1	-
Greater than 100%	-	-	-
Unknown	4	4	3
	100	100	100

Notes to the interim condensed consolidated financial statements (continued)

11. Loans and advances to customers (continued)

Loans and advances which were past due but not impaired

Loans and advances that are past due but not impaired are classified as such for secured lending where the net current market value of supporting security is sufficient to cover all principal, interest and other amounts (including legal, enforcement, realisation costs etc.) due on the facility. The distribution of loans and advances that are past due but not impaired is analysed below:

As at 31 March 2016 (unaudited)

	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending [1] £m	Other retail lending £m	Total £m
1 to 29 days past due	8	6	7	77	79	5	182
30 to 59 days past due	1	2	-	61	19	3	86
60 to 89 days past due	-	1	-	27	16	2	46
Past due 90 days and over	-	3	-	101	39	5	148
	9	12	7	266	153	15	462

As at 31 March 2015 (unaudited)

	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending [1] £m	Other retail lending £m	Total £m
1 to 29 days past due	6	6	3	83	62	5	165
30 to 59 days past due	-	2	-	84	11	3	100
60 to 89 days past due	-	1	-	15	3	2	21
Past due 90 days and over	1	4	-	107	55	6	173
	7	13	3	289	131	16	459

As at 30 September 2015 (audited)

	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending [1] £m	Other retail lending £m	Total £m
1 to 29 days past due	8	6	6	77	110	5	212
30 to 59 days past due	-	2	-	57	17	3	79
60 to 89 days past due	-	2	-	36	9	2	49
Past due 90 days and over	1	3	-	98	36	5	143
	9	13	6	268	172	15	483

(1) SME lending includes business overdrafts.

12. Impairment provisions on credit exposures

As at 31 March 2016 (unaudited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending [1] £m	Other retail lending £m	Total £m
Opening balance	5	7	2	39	166	11	230
Charge for the period	-	3	-	3	20	5	31
Amounts written off	(4)	(4)	-	(1)	(16)	(6)	(31)
Recoveries of amounts written off in previous years	2	1	-	-	1	1	5
Other [2]	-	-	-	-	(1)	-	(1)
Closing balance	3	7	2	41	170	11	234
Specific	-	-	1	22	67	-	90
Collective	3	7	1	19	103	11	144
	3	7	2	41	170	11	234

As at 31 March 2015 (unaudited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending [1] £m	Other retail lending £m	Total £m
Opening balance	8	10	2	27	185	13	245
Charge for the period	(1)	2	1	1	19	6	28
Amounts written off	(3)	(5)	(1)	(3)	(43)	(8)	(63)
Recoveries of amounts written off in previous years	2	1	-	-	4	1	8
Other [2]	-	-	-	-	(2)	-	(2)
Closing balance	6	8	2	25	163	12	216
Specific	-	-	1	15	69	-	85
Collective	6	8	1	10	94	12	131
	6	8	2	25	163	12	216

As at 30 September 2015 (audited)	Retail overdrafts £m	Credit cards £m	Lease finance £m	Mortgages £m	SME lending [1] £m	Other retail lending £m	Total £m
Opening balance	8	10	2	27	185	13	245
Charge for the year	(2)	5	1	18	44	12	78
Amounts written off	(4)	(10)	(1)	(6)	(63)	(16)	(100)
Recoveries of amounts written off in previous years	3	2	-	-	5	2	12
Other [2]	-	-	-	-	(5)	-	(5)
Closing balance	5	7	2	39	166	11	230
Specific	-	-	1	22	69	-	92
Collective	5	7	1	17	97	11	138
	5	7	2	39	166	11	230

(1) SME lending includes business overdrafts.

(2) Other includes the unwind of net present value elements of specific provisions and other minor movements.

12. Impairment provisions (continued)

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Amounts included in			
Loans and advances to customers (note 11)	234	216	230
Non-accrual loans			
Loans and advances to customers	243	244	238
Specific provisions	(90)	(85)	(92)
	153	159	146

13. Deferred tax

The Group recognises deferred tax attributable to the following items:

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Deferred tax assets			
Impairment provision on credit exposures	2	6	3
Employee equity based compensation	1	1	1
Tax losses carried forward	246	210	273
Provisions	-	13	-
Accelerated capital allowances	130	81	108
Cash flow hedge reserve	1	5	4
Other	1	-	-
	381	316	389
Deferred tax liabilities			
Defined benefit pension surplus	34	18	10
Cash flow hedge reserve	5	-	-
Gains less losses on financial instruments at fair value	2	-	-
	41	18	10
Net deferred tax asset	340	298	379

The Group had an unrecognised deferred tax asset of £2m (31 March 2015 £Nil and 30 September 2015 £16m) representing trading losses with a gross value of £8m (31 March 2015 £Nil and 30 September 2015 £80m) at the balance sheet date. A deferred tax asset has not been recognised in respect of these losses as the Directors have insufficient certainty over their recoverability in the foreseeable future.

The statutory rate of UK corporation tax reduced to 20% on 1 April 2015 (Finance Act 2013). A reduction in mainstream UK rate of corporation tax was also introduced in Finance Act (No 2) 2015, lowering the rate from 20% to 19% on 1 April 2017 and to 18% on 1 April 2020. Finance Act (No 2) 2015 was substantively enacted on 26 October 2015.

Under IAS 12, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Accordingly, the deferred tax balances at 31 March 2016 have been reflected at the tax rates at which they are expected to be realised or settled. On 31 March 2016 the Group's structure was rationalised by transferring the trade and assets of CYB Services Limited to Clydesdale Bank PLC. Deferred tax assets have been valued reflecting the new structure.

Measures were announced in the Budget of 16 March 2016, which if enacted, will reduce the UK corporation tax rate to 17% on 1 April 2020, further restrict the use of losses for banking entities to 25% of taxable profits for accounting periods beginning on or after 1 April 2016 and introduce a new restriction for all companies from 1 April 2017 where only 50% of taxable profits may be relieved with brought forward losses. Details of the legislation or its enactment date are not yet available and accordingly its impact is unknown and is not reflected in these financial statements.

Notes to the interim condensed consolidated financial statements (continued)

14. Provisions for liabilities and charges

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
PPI redress provision			
Opening balance	774	515	515
Charge to the income statement (note 5)	44	-	390
Charge reimbursed under Conduct Indemnity	406	-	-
Utilised	(248)	(34)	(131)
Closing balance	976	481	774
Other customer redress provisions			
Opening balance	214	413	413
Charge to the income statement (note 5)	2	-	76
Charge reimbursed under Conduct Indemnity	19	-	-
Utilised	(80)	(167)	(275)
Closing balance	155	246	214
Restructuring provisions [(1)]			
Opening balance	18	24	24
Charge to the income statement (note 5)	-	12	17
Utilised	(8)	(7)	(23)
Closing balance	10	29	18
Total provisions for liabilities and charges	1,141	756	1,006

(1) Restructuring provision includes surplus lease space provision.

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated. The most significant of the provisions held at 31 March 2016 are in relation to conduct risk related liabilities. The Group's economic exposure to the impact of historic conduct related liabilities is mitigated by the Capped Indemnity from NAB (see below).

The Group has provided its best estimate of conduct risk related liabilities at 31 March 2016 which have arisen as a result of its historical products and past sales practices.

To arrive at best estimates, management have exercised significant judgement around the key assumptions that underpin the estimates and used estimation techniques to quantify them. Ongoing regulatory review and input, as well as rulings from the Financial Ombudsman Service ("FOS") over time, and the Group's internal reviews and assessments of customer complaints will continue to impact upon the nature and extent of conduct related customer redress and associated costs for which the Group may ultimately become liable in future periods. Accordingly the total cost associated with such conduct related matters remains inherently uncertain.

Payment Protection Insurance ("PPI") redress

The Group has reassessed the level of provision that is considered appropriate to meet current and future expectations in relation to the mis-selling of PPI policies and has concluded that a further charge of £450m is required incorporating the Group's estimate of the impact of CP 15/39 and a proposed time bar for complaints in summer 2018. It also incorporates a reassessment of the costs of processing cases and the impact of experience adjustments. Only 9.7% of the charge impacts the Group's income statement (£44m) as a result of the conduct indemnity. The total provision raised to date in respect of PPI is £1,646m (30 September 2015: £1,196m); with £976m of this remaining as at 31 March 2016 (30 September 2015: £774m) comprising £372m for customer initiated complaints and proactive customer contact (30 September 2015: £301m); £301m for the remediation of complaints closed prior to August 2014 (30 September 2015: £270m); and £303m for costs of administering the redress programme (30 September 2015: £203m).

In common with the wider UK retail banking sector, the Group continues to deal with complaints and redress issues arising out of historic sales of PPI. To 31 March 2016, the Group has received 253,000 complaints and has allowed for 87,000 further walk in complaints.

Notes to the interim condensed consolidated financial statements (continued)

14. Provisions for liabilities and charges (continued)

PPI redress (continued)

The Group implemented a comprehensive new PPI complaint handling process from August 2014 which involved making a number of significant changes to the PPI operations, which resulted in an increase in operational and administrative costs, in addition to committing to undertake a full review of PPI complaints that were closed prior to August 2014 (approximately 180,000). The Group has begun to reopen these complaints and review the original decision reached in light of the new PPI complaint handling processes. The provision at 31 March 2016 includes a redress provision of £301m for this review.

In addition to the remediation activity described above, the Group is undertaking a past business review ("PBR") of certain PPI sales to determine if there was actual or potential customer detriment in the sales process leading to a risk of mis-sale and the potential for proactive redress. The provision increase incorporates a revised estimate of the cost of contacting and redressing, where appropriate, customers who have faced actual detriment or may have experienced potential detriment but who have not actually raised a claim. Proactive customer mailings commenced in March 2016 and will be complete by the end of the calendar year. Key inputs to the calculation of the costs estimate such as the level of customer response to mailings are not currently known but have been based on relevant historical experience and related industry data.

The increase in provision takes into account all of the above factors as well as a revision in the Group's expectation of new customer initiated complaints in light of current experience and CP 15/39 with the overall provision based on a number of assumptions derived from a combination of past experience, estimated future experience, industry comparison and the exercise of judgement in the key areas identified. There remain risks and uncertainties in relation to these assumptions and consequently in relation to the ultimate costs of redress and related costs, including: (i) the number of PPI claims (and the extent to which this is influenced by the activity of claims management companies, the proposed application of a time bar, Plevin, and FCA advertising); (ii) the number of those claims that ultimately will be upheld; (iii) the amount that will be paid in respect of those claims; (iv) any additional amounts that may need to be paid in respect to previously handled claims; (v) the response rates to the proactive customer contact; and (vi) the costs of administering the remediation programme.

As such, the factors discussed above mean there is a risk that existing provisions for PPI customer redress may not cover all potential costs. In light of this, the eventual costs of PPI redress and complaint handling may therefore differ materially from that estimated and further provision could be required. Accordingly, the final amount required to settle the Group's potential PPI liabilities remains uncertain.

The table below sets out the key assumptions and the effect on the provision at 31 March 2016 of future, potential, changes in key assumptions:

Assumptions	Change in assumption	Sensitivity (1)
Number of expected future customer initiated complaints	+/-10%	£24m
Uphold rates:		
Future complaints	+/-1%	£4m
Pre August 2014 complaints review	+/-1%	£8m
Customer contact response rate		
PBR customer contact response rate (2)	+/-1%	£5m
Average redress costs (3)	+/-1%	£9m

(1) There are inter-dependencies between several of the key assumptions which add to the complexity of the judgements the Group has to make. This means that no single factor is likely to move independently of others, however, the sensitivities disclosed above assume all other assumptions remain unchanged. The sensitivities disclosed do not incorporate the impact, if any, on the administrative cost element of the provision.

(2) The Group's current estimate includes an expected customer response rate of 40%. Approximately 87,000 proactive customer mailings will be sent.

(3) Sensitivity to a change in average redress across customer initiated complaints, pre August 2014 complaints review and PBR customer populations.

Notes to the interim condensed consolidated financial statements (continued)

14. Provisions for liabilities and charges (continued)

PPI redress (continued)

The number of complaints received is monitored against past experience and future expectations and the Group will continue to reassess the adequacy of the provision for this matter and the assumptions underlying the provision calculation based upon experience and other relevant factors as matters develop.

Other customer redress provisions

A provision for customer redress is held in those instances where the Group expects to make payments to customers whether on an ex-gratia or compensatory basis. Provisions can arise as a result of legal or regulatory action and can incorporate the costs of skilled persons, independent reviewers, and where appropriate other elements of administration. The most significant of these relates to the Group's IRHPs.

In 2012 the FSA announced that it had reached agreement with a number of UK banks, including the Group, in relation to a review and redress exercise on sales of certain interest rate hedging products to small and medium sized businesses. The Group implemented a programme to identify small and medium sized customers that may have been affected and where due, pay financial redress. On 31 March 2015 the FCA confirmed the closure of the formal industry wide redress programme to new entrants.

The Group also undertook a secondary review of all past FRTBL complaints not in scope of the formal review. Where the secondary complaint assessment identified a different outcome, the customer has been contacted and, if appropriate, redress offered. The Group is also dealing with a number of new complaints from customers in relation to FRTBLs.

The Group has reassessed the level of provision considered necessary in light of the current and future expected claims for all of these matters and concluded that no changes to the level of provision held are required, reflecting the continued wind down of the formal programmes, which are expected to have completed by the end of the year, and the current level of complaints received.

Other provisions include amounts in respect of a number of individually less significant conduct related matters, legal proceedings, and claims arising in the ordinary course of the Group's business. The ultimate cost to the Group of other customer redress matters is driven by a number of factors relating to offers of redress, compensation, offers of alternative products, consequential loss claims and administrative costs. These factors could result in the total cost of review and redress varying materially from the Group's estimate. The final amount required to settle the Group's potential liabilities in these matters is therefore uncertain and further provision could be required.

Conduct Indemnity

The Company and NAB have entered into an agreement under which NAB has provided the Company with a Capped Indemnity to meet the costs of dealing with conduct matters in the period prior to the demerger date (the "Conduct Indemnity Deed"). The legacy conduct matters covered by the Capped Indemnity are referred to as "Relevant Conduct Matters". The Capped Indemnity provides the CYBG Group with economic protection against certain costs and liabilities (including financial penalties imposed by a regulator) resulting from conduct issues relating to:

a) Payment protection insurance, standalone interest rate hedging products, voluntary scope tailored business loans and fixed rate tailored business loans; and
b) Other conduct matters, subject to certain limitations and minimum financial thresholds.

Amounts payable under the Capped Indemnity include, subject to certain limitations, payments to customers to satisfy, settle or discharge a Relevant Conduct Matter and the direct costs and expenses of satisfying, settling, discharging or administering such Relevant Conduct Matter.

It has been agreed that NAB will meet 90.3% of Qualifying Conduct Costs claimed by the Company, up to the amount of the Capped Indemnity.

14. Provisions for liabilities and charges (continued)

Conduct Indemnity (continued)

Claims under the Capped Indemnity are recognised in the consolidated income statement simultaneously with the charge for Relevant Conduct Matters. The conduct expense and associated reimbursement income are presented net within "Other operating and administrative expenses". A reimbursement receivable is recognised on the consolidated balance sheet within Due from Other Banks, this receivable is periodically settled by NAB. The reimbursement receivable is not offset against the provision amount on the Group's consolidated balance sheet. The provision expense and reimbursement income are disclosed above.

No reimbursement income or receivable is recognised on the consolidated balance sheet in relation to contingent liabilities for Relevant Conduct Matters. Any possible future reimbursement income linked to contingent liabilities in respect of Relevant Conduct Matters is not disclosed as a contingent asset as the amounts cannot be reliably estimated and are not virtually certain to be received.

To the extent that it is no longer probable that provisions for a Relevant Conduct Matter previously raised will be required to settle conduct obligations and a provision for a Relevant Conduct Matter is released as unutilised, the related Capped Indemnity amounts received will become repayable to NAB.

To the extent that tax relief is expected in relation to provisions for which reimbursement income is applicable, amounts may become repayable to NAB. In the consolidated financial statements, deferred tax assets are only recognised in respect of the Loss share proportion (9.7%) of unused tax losses on Relevant Conduct Matters, on the basis that the Group does not obtain the economic benefit of the future tax relief which is repayable to NAB.

The utilisation and undrawn balance of the Capped Indemnity is set out below:

	Conduct protection (unaudited) £m
Conduct protection provided by NAB	**1,700**
Capital injected into CYBI prior to demerger[1]	(120)
Drawn in period to 30 September 2015[2]	(465)
Undrawn Conduct Indemnity as at 30 September 2015	1,115
Drawn in the period to 31 March 2016	(425)
Undrawn balance as at 31 March 2016	**690**

[1] £120m of the £670m of capital injected in CYBI on 24 September 2015 was related to the Conduct Indemnity Deed.

[2] £465m represents the Pre-Covered provision amount.

Restructuring provision

Restructuring of the business is currently ongoing and a provision is held to cover redundancy payments, property vacation costs and associated enablement costs. In the period to 31 March 2016 £8m was utilised. Subsequent to the period end the Group announced the outcome of a voluntary severance programme and a number of adjustments to its branch network (note 23).

Included within the restructuring provision is an amount for committed rental expense on surplus lease space consistent with the expected years' exposure on individual leases where the property is unoccupied. This element of the provision will be utilised over the remaining life of the leases or until the leases are assigned and is measured at present values by discounting anticipated future cash flows.

Notes to the interim condensed consolidated financial statements (continued)

15. Debt securities in issue

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Residential mortgage backed securities	3,012	2,953	3,017
Covered bonds	698	1,097	697
Subordinated debt	477	-	-
	4,187	4,050	3,714
Fair value hedge adjustments	64	15	38
Total securitised notes and covered bonds	4,251	4,065	3,752
Accrued interest payable	34	31	14
	4,285	4,096	3,766

There have been no new issuances of securitised debt or covered bonds during the period ended 31 March 2016. On 8 February 2016, the Lannraig RMBS held by NAB, were reclassified from due to related entities (note 8) to debt securities in issue. Comparative financial information has not been restated.

On 22 February 2016 the USD 800m Lanark 2012-2 1A note was redeemed in line with the scheduled programme terms.

On 8 February 2016, the Group repurchased £475m of subordinated debt from NAB at a market value of £474m, resulting in a gain on debt restructure of £1m included within other income (note 4). On the same day the Group issued £475m of subordinated debt to NAB. Following the demerger from NAB on 8 February 2016, subordinated debt and securitised debt issued to NAB, previously included within amounts due to related entities (note 8), are included within debt securities in issue. Comparative financial information has not been restated.

Details of subordinated debt in excess of 10% of the total balance of the subordinated debt are disclosed below:

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
10-year, call five years with a final maturity of 9 February 2026 – Fixed 5%	477	-	-
Accrued interest payable	3	-	-
Total subordinated debt	480	-	-

16. Retirement benefit obligations

The Group operates both defined benefit and defined contribution arrangements. Clydesdale Bank PLC is the sponsoring employer in one funded defined benefit pension scheme, the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme"). The Scheme was established under trust on 30 September 2009 as the result of the merger of the Clydesdale Bank Pension Scheme and the Yorkshire Bank Pension Fund. The assets of the Scheme are held in a trustee administered fund, the trustee is responsible for the operation and governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, sets out the framework for funding defined benefit occupational pension plans in the UK.

The Group also provides post-retirement health care under a defined benefit scheme for pensioners and their dependent relatives for which provision has been made. This is a closed scheme and the provision will be utilised over the life of the remaining scheme members.

16. Retirement benefit obligations (continued)

The following table provides a summary of the present value of the defined benefit obligation and fair value of plan assets for the Scheme:

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Active members defined benefit obligation	(970)	(917)	(891)
Deferred members defined benefit obligation	(1,403)	(1,355)	(1,299)
Pensioner and dependent members defined benefit obligation	(1,334)	(1,388)	(1,323)
Total defined benefit obligation	(3,707)	(3,660)	(3,513)
Fair value of scheme assets	3,842	3,751	3,565
Net defined benefit pension asset	135	91	52
Post-retirement medical benefits obligations	(4)	(4)	(4)

17. Called up share capital

Allotted, called up and fully paid	31 Mar 2016 (unaudited) Number of Shares	30 Sep 2015 (audited) Number of Shares	31 Mar 2016 (unaudited) £m	30 Sep 2015 (audited) £m
Ordinary shares				
Opening ordinary share capital	2,232,012,512	1,882,012,500	223	1,882
Issued during the period	-	350,000,012	-	350
Share for share exchange	(1,352,697,256)	-	876	-
Share capital reduction	-	-	(1,011)	(2,009)
Issued under employee share schemes	1,966,592	-	-	-
Closing ordinary share capital	881,281,848	2,232,012,512	88	223

On 18 May 2015, the Company was incorporated as a public limited company with 1 ordinary £1 share. On 11 September 2015, 49,999 ordinary shares of £1 were issued.

On 20 November 2015, the 50,000 ordinary shares were consolidated into 1 ordinary share of £50,000 and then immediately divided into ordinary shares with a nominal value of £1.25 each in the capital of the Company on the basis of 40,000 divided ordinary shares for every 1 consolidated ordinary share.

Listing on the London Stock Exchange and Australian Securities Exchange

On 3 February 2016 CYBG PLC obtained a Premium listing on the London Stock Exchange and listed on the Australian Securities Exchange with effect from 4 February 2016.

On 8 February 2016, CYBG PLC became the new holding company for the CYBI Group by way of a share for share exchange with its then sole shareholder, NAB, and became unconditionally listed on the London Stock Exchange. As a consequence of the insertion of the new holding company, share capital, share premium and the capital reorganisation reserve in the current period reflect CYBG PLC. The comparative reflects CYBI. During the period 1,966,592 ordinary shares were issued under employee share schemes with a nominal value of £0.2m.

17. Called up share capital (continued)

Share for share exchange

On 8 February 2016, CYBG PLC issued 879,275,256 £1.25 ordinary shares in exchange for the acquisition of the entire share capital of CYBI which comprised of 2,232,012,512 £0.10 ordinary shares. The consideration for the issuance of CYBG PLC shares was determined by applying the 5-day volume weighted average price (VWAP) of CYBG shares and CYBG Chess Depositary Instruments (CDI's) over the first 5 trading days from 3 February 2016, giving a value of £1,732m. The nominal value of the shares issued was £1,099m and the balance of £633m was transferred to a Merger Reserve in accordance with Section 612 of the Companies Act.

Share capital reduction

Following court approval, on 10 February 2016, the nominal share capital of the Company was reduced to £0.10 per share by the cancellation of £1.15 from the nominal value of each ordinary share. Following the capital reduction £1,011m was transferred to retained earnings.

18. Total equity

As a consequence of the insertion of the new holding company, share capital, share premium and the capital reorganisation reserve in the current period reflect CYBG PLC. The comparative reflects CYBI.

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Share capital (note 17)	88	2,232	223
Share premium account	-	-	670
Total share capital and share premium	88	2,232	893
Other equity instruments	450	450	450
Capital reorganisation reserve	(839)	-	-
Merger reserve	633	-	-
Equity-based compensation reserve	6	3	3
Asset revaluation reserve	1	1	2
Available for sale reserve	13	15	12
Cash flow hedge reserve	12	(19)	(13)
Total other reserves	32	-	4
Retained earnings	3,167	492	2,096
Total equity	3,531	3,174	3,443

Share premium account

On 19 June 2015, 1 ordinary share was issued by CYBI to National Equities Limited for a nominal value of £0.10 and a premium of £49,999,999.90. On 24 September 2015, one ordinary share was issued by CYBI to National Equities Limited for a nominal value of £0.10 and a premium of £619,999,999.90.

There is no share premium held within CYBG PLC.

18. Total equity (continued)

Other equity instruments

Other equity instruments represent AT1 notes. On 20 December 2013, Perpetual Capital Notes (6m LIBOR + 763bps) were issued with a principal amount of £300m to NAB. These were perpetual securities with no fixed maturity or redemption date and are structured to qualify as AT1 instruments under CRD IV. A further £150m Perpetual Capital Notes (6m LIBOR + 690bps) were issued to NAB on 29 December 2014. AT1 distributions of £18m were paid in June 2015 (being £14m net of tax). These AT1 notes were repurchased by CYBI on 8 February 2016 for £457m. The resulting loss of £7m (£5m net of tax) was recognised directly within retained earnings.

AT1 distributions of £23m were paid in the current period (being £18m net of tax).

In addition, on 8 February 2016, the Company issued Perpetual Contingent Convertible Notes (fixed 8%) with a principal amount of £450m to NAB with an optional redemption on 8 December 2022.

Capital reorganisation reserve

The capital reorganisation reserve was recognised on the issuance of CYBG PLC ordinary shares in exchange for the acquisition of the entire share capital of CYBI. The reserve reflects the difference between the consideration for the issuance of CYBG PLC shares and CYBI's share capital and share premium.

Merger reserve

As described in note 17, a merger reserve was recognised on the issuance of CYBG PLC ordinary shares in exchange for the acquisition of the entire share capital of CYBI. The merger reserve reflects the difference between the consideration for the issuance of CYBG PLC shares and the nominal value of the shares issued.

Equity-based compensation reserve

The Group's equity-based compensation reserve records the value of equity-settled share based payment benefits provided to the Group's employees as part of their remuneration that has been charged through the income statement and adjusted for deferred tax.

In comparative periods the equity-based compensation reserve represents the outstanding fair value amount in respect of share based payment expense recharged by the Group's former ultimate parent, NAB, which has been charged through the income statement and adjusted for deferred tax.

Asset revaluation reserve

The asset revaluation reserve includes the gross revaluation increments and decrements arising from the revaluation of land and buildings.

Available for sale reserve

The available for sale investments reserve records the gains and losses arising from changes in the fair value of available for sale financial assets.

Cash flow hedge reserve

The cash flow hedge reserve records fair value revaluations of derivatives designated as cash flow hedging instruments to the extent that they are effective.

As at 31 March 2016, the cash flow hedge reserve comprised crystallised fair value losses arising from de-designated and matured cash flow hedges of £7m (31 March 2015: £6m gain and 30 September 2015: £2m loss) offset by deferred gains on derivatives in ongoing cash flow hedges of £23m (31 March 2015: £29m loss and 30 September 2015: £15m loss). The balance on the cash flow hedge reserve within the consolidated statement of changes in equity is net of tax.

A £0.5m gain (31 March 2015: £9m gain and 30 September 2015: £17m gain) was recycled into the income statement in relation to de-designated and matured hedges in the period. £0.1m (31 March 2015: £2m and 30 September 2015: £1m) was transferred to the income statement due to ineffectiveness arising from cash flow hedges.

Notes to the interim condensed consolidated financial statements (continued)

19. Contingent liabilities and commitments

The table below sets out the contractual amounts of contingent liabilities and commitments which are not recorded on the balance sheet. Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts do not represent the amounts at risk at the balance sheet date but the amounts that would be at risk should the contracts be fully drawn upon and the client default. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Contingent liabilities			
Guarantees and assets pledged as collateral security:			
At call	-	-	-
Due in less than 3 months	15	23	25
Due between 3 months and 1 year	32	30	13
Due between 1 year and 3 years	9	7	9
Due between 3 years and 5 years	2	3	2
Due after 5 years	45	56	52
No specified maturity	4	7	8
	107	126	109
Other commitments:			
Undrawn formal standby facilities, credit lines and other commitments to lend at call	7,790	8,052	7,801

Other contingent liabilities

Financial Services Compensation Scheme

The FSCS provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions, claims were triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits. During 2015, the FSCS levy was also invoiced to institutions for the third of three annual levies to cover capital repayments to the UK Government. The principal of these borrowings, which remains after the three annual levies have been paid, is anticipated to be repaid from the realisation of the assets of the defaulted institutions. The FSCS has however confirmed that the size of the future levies will be kept under review in light of developments from the insolvent estates.

The FSCS has estimated levies due to 31 March 2016 and an accrual of £9m (31 March 2015: £7m and 30 September 2015: £9m) is held for the Group's calculated liability to that date. The ultimate FSCS levy as a result of the failures is uncertain.

Conduct risk related matters

There continues to be a great deal of uncertainty and significant judgement is required in determining the quantum of conduct risk related liabilities with note 14 reflecting the Group's current position in relation to redress provisions for PPI and IRHPs. The final amount required to settle the Group's potential liabilities for these matters is materially uncertain. The Group will continue to reassess the adequacy of provisions for these matters and the assumptions underlying the calculations at each reporting date based upon experience and other relevant factors at that time.

Legal claims

The Group is named in and is defending a number of legal claims arising in the ordinary course of business. No material adverse impact on the financial position of the Group is expected to arise from the ultimate resolution of these legal actions.

20. Fair value of financial instruments

(a) Fair value of financial instruments carried at amortised cost

The tables below show a comparison of the carrying amounts of financial assets and liabilities measured at amortised cost, as reported on the balance sheet, and their fair values where these are not approximately equal.

Analysis of the fair value disclosures uses a hierarchy that reflects the significance of inputs used in measuring fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 fair value measurements - quoted prices (unadjusted) in active markets for an identical financial asset or liability.
- Level 2 fair value measurements - inputs other than quoted prices within Level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values are based on relevant information available at the reporting date and involve judgement. Transfers between levels are deemed to have occurred at the end of the year in which the instruments were transferred. The methodologies and assumptions used in the fair value estimates remain unaltered from those used at 30 September 2015.

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Group's financial instruments can be exchanged in an active trading market. The Group obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted market prices are not available, the Group obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity. The difference between carrying value and fair value is relevant in a trading environment, but is not relevant to assets held to maturity and loans and advances.

	31 March 2016		31 March 2015		30 September 2015	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets						
Loans and advances to customers	**28,516**	**29,098**	26,763	26,963	27,482	27,537
Financial liabilities						
Due to customers	**26,237**	**26,155**	25,251	25,163	26,407	26,423
Due to related entities	**-**	**-**	1,792	1,827	998	1,017
Debt securities in issue	**4,285**	**4,313**	4,096	4,220	3,766	3,869

20. Fair value of financial instruments (continued)

(b) Fair value of financial instruments recognised on the balance sheet at fair value

The following tables provide an analysis of financial instruments that are measured at fair value, subsequent to initial recognition, using the fair value hierarchy described in note 20(a) above.

	Fair value measurement as at 31 March 2016				Fair value measurement as at 30 September 2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Derivative financial assets	-	396	-	396	-	285	-	285
AFS investments – listed	1,457	-	-	1,457	1,447	-	-	1,447
AFS investments – unlisted	-	-	14	14	-	-	8	8
AFS – other	-	-	7	7	-	-	7	7
Other financial assets at fair value	-	-	898	898	-	-	1,097	1,097
Total financial assets at fair value	1,457	396	919	2,772	1,447	285	1,112	2,844
Financial liabilities								
Derivative financial liabilities	-	522	-	522	-	534	-	534
Other financial liabilities at fair value	-	-	53	53	-	-	67	67
Total financial liabilities at fair value	-	522	53	575	-	534	67	601

There were no transfers between Level 1 and 2 in the current or prior period.

Assets and liabilities measured at fair value based on valuation techniques for which any significant input is not based on observable market data (Level 3):

Level 3 movements analysis

	Investments – available for sale £m	Other financial assets at fair value £m	Other financial liabilities at fair value £m
At 1 October 2014	7	1,583	(91)
Unrealised gains/(losses) (1)			
In profit or loss	-	14	-
Settlements (2)	-	(250)	12
At 31 March 2015	7	1,347	(79)
Unrealised gains/(losses) (1)			
In profit or loss	-	(12)	2
Purchases	8	-	-
Settlements (2)	-	(238)	10
At 30 September 2015	15	1,097	(67)
Unrealised gains/(losses) (1)			
In profit or loss	-	(2)	1
In available for sale reserve	7	-	-
Settlements (2)	(1)	(197)	13
At 31 March 2016	21	898	(53)

(1) Net gains or losses were recorded in non interest income, interest income or expense and impairment losses or within the Available for Sale Reserve as appropriate.

(2) Settlements for the period ended 31 March 2016 include a realised loss of £1m (6 months to 31 March 2015: loss of £11m and 12 months to 30 September 2015: loss of £33m) relating to financial assets that are measured at fair value at the end of each reporting period, and £1m gain (6 months to 31 March 2015: loss of £Nil and 12 months to 30 September 2015: loss of £Nil) relating to investments - available for sale. Such fair value gains or losses are included in non-interest income (note 4).

There were no transfers into or out of Level 3 in the period ended 31 March 2016 (31 March 2015: £Nil and 30 September 2015: £Nil).

Notes to the interim condensed consolidated financial statements (continued)

20. Fair value of financial instruments (continued)

Quantitative information about significant unobservable inputs in Level 3 valuations

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs as at 31 March 2016.

Group	Fair value £m	Valuation technique	Unobservable inputs	Low range	High range
Financial assets					
Available for sale – investments - unlisted	14	Discounted cash-flow/net asset value	Price	Nil	Market value on disposal
Available for sale – other	7	Discounted cash-flow	Customer attrition rate	10%	30%
Other financial assets at fair value	898	Discounted cash-flow	Portfolio lifetime probability of default	4.40%	11.30%

The unlisted available for sale investments primarily relate to:

1) The Group's holding of shares in Vocalink Limited, an unquoted company registered in England and Wales which operates the BACS and direct debits schemes in the UK as well as connecting ATMs using the LINK network. This represents the Group's percentage holding in this entity (3.24%). The valuation is based on the net asset value in the most recent set of publically available financial statements for the company.
2) The Group's holding of a share in Visa Europe Limited. On 2nd November 2015, Visa Inc. and Visa Europe Limited announced an agreement for Visa Inc. to acquire Visa Europe Limited, creating a single global company. The Group currently holds one share in Visa Europe Limited which entitles it to receive a proportion of the sale proceeds. The consideration being offered by Visa Inc. incorporates both cash and preferred stock. Management has revalued the existing share to £7m (31 March 2015: £Nil and 30 September 2015: £Nil).

The other available for sale financial asset represents deferred consideration receivable following the purchase of CYB Intermediaries Holdings Limited from NAB on 30 September 2015 and consists of the rights to future commissions. The valuation is determined from a discounted cash flow model incorporating estimated attrition rates and investment growth rates appropriate to the underlying funds under management.

The Group has £53m of financial liabilities at fair value classed as Level 3 which represent a portfolio of term deposits that are directly linked to the customer loans, which are also held at fair value and classed as Level 3. Their relationship to the fair value assets is such that should the liability be settled, the amount payable would be net of the fair value asset.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

Where valuation techniques use non-observable inputs that are significant to a fair value measurement in its entirety, changing these inputs will change the resultant fair value measurement.

The most significant exposure to Level 3 fair value measurements is in respect of the Group's fair value loan portfolio.

The most significant inputs impacting the carrying value of the loans other than interest rates are future expectations of credit losses. If lifetime expected losses were 20% greater than predicted, the carrying value of the loans would decrease by £6 m and vice versa. The most significant input impacting the carrying value of the available for sale – other asset is the Funds Under Management Attrition rate. If this rate was 30% the carrying value would reduce by £3m, if it was 10% the carrying value would increase by £2m. The Group currently assumes a 15% attrition rate.

Other than these significant Level 3 measurements, the Group has a limited remaining exposure to Level 3 fair value measurements, and changing one or more of the inputs for fair value measurements in Level 3 to reasonable alternative assumptions would not change the fair value significantly with respect to profit or loss, total assets, total liabilities or equity on these remaining Level 3 measurements.

Notes to the interim condensed consolidated financial statements (continued)

21. Financial risk management

Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates for various periods, and seeks to earn interest margins by investing these funds in assets. The Group seeks to improve these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

Fair value hedges

The Group hedges part of its existing interest rate and foreign currency risk, resulting from potential movements in the fair value of fixed rate assets and liabilities, attributable to both interest rate and foreign currency risk using interest rate and cross currency swaps. The fair value of these swaps is disclosed in note 10. There were no transactions for which fair value hedge accounting had to be discontinued in the period.

Cash flow hedges

The Group hedges a portion of the variability in future cash flows attributable to interest rate and foreign currency risk. The interest and foreign currency risk arise from variable interest rate assets and liabilities which are hedged using cross currency and interest rate swaps, and material non-GBP denominated assets which are hedged using FX forward contracts. There were no transactions for which cash flow hedge accounting had to be discontinued in the period as a result of the highly probable cash flows no longer being expected to occur. The fair value of derivatives is disclosed in note 10.

Credit risk

Credit risk is inherent within any transaction that creates an actual or potential obligation for a borrower to pay the Group.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, corporate, and personal guarantees where appropriate.

Derivatives

The Group maintains control limits on net open derivative positions. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements.

Master netting agreements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with the favourable contracts is reduced by a master netting arrangement to the extent that if a counterparty failed to meet its obligations in accordance with the agreed terms, all amounts with the counterparty are terminated and settled on a net basis. Derivative financial instrument contracts are typically subject to International Swaps and Derivatives Association ("ISDA") master netting agreements, as well as Credit Support Annexes ("CSA"), where relevant, around collateral arrangements attached to those ISDA agreements, or derivative exchange or clearing counterparty agreements if contracts are settled via an exchange or clearing house.

21. Financial risk management (continued)

Credit risk (continued)

Credit-related commitments

Credit-related commitments are facilities where the Group is under a legal obligation to extend credit unless some event occurs, which gives the Group the right, in terms of the commitment letter of offer or other documentation, to withdraw or suspend the facilities. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry similar credit risk to loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss of an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. In the event of a deterioration of a customer's circumstances lending can often be withdrawn. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Forbearance

Identification and classification

Forbearance is considered to take place when the Group grants concessions to assist customers who are experiencing, or who are about to experience, difficulties in meeting their financial commitments to the Group.

A concession refers to either of the following actions:

- a modification of the previous terms and conditions of a debt; and/or
- a total or partial refinancing of a contract.

Typically, concessions will include the granting of more favourable terms and conditions than those provided either at drawdown of the facility or which would not ordinarily be available to others with a similar risk profile. Loans that have been renegotiated and/or restructured for solely commercial reasons, where there is no financial difficulty are not treated as forborne.

The Group recognises that forbearance alone is not necessarily an indicator of impaired status but is a trigger for the review of the customer's risk profile. The Group grants forbearance when it believes that there is a realistic prospect of the customer continuing to be able to repay all facilities in full. If there is any concern over future cash flows and the Group incurring a loss, then forborne loans will also be classified as impaired in accordance with the Group's impairment policy.

Depending on circumstances and when operated within robust parameters and controls, the Group believes forbearance can help support the customer in the short to medium-term.

A range of parameters are considered when the Group looks to identify those customers to whom forbearance would be applicable and these parameters are regularly reviewed and refined as necessary to ensure they are consistent with the latest industry guidance and prevailing practice as well as ensuring that they adequately capture and reflect the most recent customer behaviours and market conditions. The Group continues to make every effort to follow its principles of treating customers fairly and aligns its forbearance practices to those principles.

The Group operates a range of forbearance measures depending on the type of customer and exercises forbearance in two distinct areas: retail and non-retail.

Exit from forbearance

Exposures classified as forborne and performing at the date forbearance measures are granted, continue to be reported as subject to forbearance for a minimum period of two years from that date (the "probation period").

21. Financial risk management (continued)

Credit risk (continued)

Forbearance (continued)

Exit from forbearance (continued)

In addition, each of the following requirements need to be met at the end of the two year probation period referred to above for the exposure to exit from being classified as forborne:

- none of the exposures to the customer are more than 30 days past due at the end of the probation period; and
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period. This assessment is based on the forbearance terms for repayment.

When the conditions are not met at the end of the probation period, the exposure shall continue to be identified as a performing forborne exposure until all of the conditions are met.

Exposures classified as forborne and which are non-performing cannot exit non-performing status for a minimum of twelve months and cannot exit forbearance status for a further two years from the date of returning to performing status (three years in total).

Retail forbearance

Forbearance is exercised on retail customers in a number of different ways and is specific to the individual customer and their circumstances.

The Group classifies the forbearance measures offered to retail customers into the following categories:

- *Formal arrangements* - A permanent change which could include capitalisation of arrears, or arrangement with the customer to repay arrears over a shorter period than capitalisation would involve.
- *Temporary arrangements* - Short term measures that allow a period of relief for customers in financial difficulty, these can include short-term payment holidays.
- *Interest only conversion* - A permanent or temporary conversion to interest only repayments, allowing the customer to maintain payments with the intention that the capital balance outstanding would be recovered at the end of the term.
- *Term extension* - A permanent change to the loan term allowing the customer to make lower repayments whilst still repaying the outstanding balance in full, over a longer period.
- *Other* - A segment of forbearance exposures which includes product switches.
- *Legal* - Court mandated forbearance exposures.

Where the Group has made a demand for repayment, the customer's facilities have been withdrawn or where a debt repayment process has been initiated, the exposure is classified as forborne if the debt is subject to any of the forbearance concessions above.

21. Financial risk management (continued)

Credit risk (continued)

Forbearance (continued)

Retail forbearance - Mortgage lending

The tables below summarise the number of arrangements in place and the loan balances and impairment provisions associated with those arrangements. The Group reports retail forbearance at the exposure level. Where a customer is subject to more than one forbearance measure, they have been categorised into the primary method of forbearance:

As at 31 March 2016	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
	Number of loans	Gross carrying amount £m	% of total portfolio	Impairment allowance £m	Coverage %
Formal arrangements	1,878	164	0.76	4.6	2.79
Temporary arrangements	1,317	136	0.63	2.4	1.74
Interest only conversion	129	19	0.09	-	0.22
Term extension	124	12	0.05	0.1	0.81
Other	16	1	0.01	-	1.08
Legal	211	22	0.10	1.3	5.64
	3,675	354	1.64	8.4	2.36

As at 30 September 2015	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
	Number of loans	Gross carrying amount £m	% of total portfolio	Impairment allowance £m	Coverage %
Formal arrangements	2,115	179	0.87	4.0	2.22
Temporary arrangements	985	99	0.48	1.5	1.57
Interest only conversion	88	12	0.06	-	0.15
Term extension	131	11	0.06	0.1	0.84
Other	11	1	0.01	-	0.39
Legal	216	23	0.11	1.5	6.56
	3,546	325	1.59	7.1	2.19

The Group also has a number of customers with interest only mortgages past maturity, not subject to forbearance. The Group has formal processes embedded to pro-actively track and facilitate pre-maturity customer engagement to bring the cases to a formal conclusion which is generally aimed to be achieved within six months after the loan has reached maturity. Complex cases can take longer than this to reach conclusion. At 31 March 2016, the Group had 106 (30 September 2015: 116) customers with interest only mortgages not subject to forbearance and which were post six month maturity with a total value of £11m (30 September 2015: £12m).

A further forbearance reserve of £4m (30 September 2015: £4m) is presently held within the overall collective provision. The effect of this on the above tables would be to increase the impairment allowance noted above to £12m (30 September 2015: £11m) and to increase overall coverage to 3.45% (30 September 2015: 3.42%).

When all other avenues of resolution including forbearance have been explored the Group will take steps to repossess and sell underlying collateral. In the period to 31 March 2016, there were 42 repossessions of which 16 were voluntary.

21. Financial risk management (continued)

Credit risk (continued)

Forbearance (continued)

Retail forbearance – consumer credit

The Group currently exercises limited forbearance strategies in relation to other types of consumer credit, including money transmission accounts, unsecured loans and credit cards. Forbearance strategies implemented on consumer credit are of low financial significance in the context of the Group's overall lending operations. The Group reports consumer credit forbearance at the exposure level.

The Group has assessed the total loan balances subject to forbearance on other types of consumer credit to be £17m at 31 March 2016 (30 September 2015: £18m), representing 1.48% of the total portfolio (30 September 2015: 1.62%). Impairment provisions on forborne balances totalled £5m at 31 March 2016 (30 September 2015: £6m), providing overall coverage of 29.05% (30 September 2015: 29.90%).

Non-retail forbearance

The Group reports non-retail forbearance at a customer level, with customers that have forbearance granted on one or more facilities recorded as a single customer, but at a value which incorporates all facilities and the related impairment allowance irrespective of whether each individual facility is subject to forbearance. Where a customer is part of a larger group, forbearance is exercised and reported across the group at the individual entity level. Forbearance is considered to exist where one or more of the following occurs, on a non-commercial basis, for reasons relating to the actual or apparent stress of a customer:

- *Term extension* - Extending of loan facility payment term or the term of an overdraft which is not fluctuating (e.g. where a Term Loan has matured and the balance passed to an overdraft which is then extended on a non-commercial basis, then forbearance is considered to exist).
- *Deferral of contracted capital repayments* – Includes capital repayment holiday, conversion to interest only for an extended period, or rescheduling, but still repaying within the remaining contracted term.
- *Reduction in the contracted interest rate* – Includes a reduction in the level of accrued interest or amendment to original fee structure.
- *Alternative forms of payment* - Including debt for equity, asset transfer and repayment made by taking possession of collateral.
- *Debt forgiveness* – Total or partial debt forgiveness by write-off of the debt.
- *Refinancing* - A complete or partial repayment of a loan with a new contract granted on or up to 3 months after the day when the original contract expires. In the case of partial repayment both the original and new loans shall be classified as forborne.
- *Covenant breach/waiver/reset* – Financial or non-financial covenant breach (whether waived or rights reserved) and financial covenant resets.

Where the Group has made a demand for repayment, where the customer's facilities have been withdrawn or where a debt repayment process has been initiated this will be classified as forbearance if the debt is subject to any of the forbearance concessions above.

Where modification of the terms and conditions of an exposure meeting the criteria for classification as forbearance results in derecognition of loans and advances from the balance sheet and the recognition of a new exposure, the new exposure shall be treated as forborne.

Notes to the interim condensed consolidated financial statements (continued)

21. Financial risk management (continued)

Credit risk (continued)

Forbearance (continued)

Non-retail forbearance (continued)

The Group has identified a number of situations that in isolation are not considered to be forbearance:

- Facilities that have been temporarily extended pending review and no concession has been granted for reasons relating to the actual or apparent financial stress of a customer.
- A reduction in asset quality to a level where actual, or apparent, financial stress is not evident.
- Where changes are made to the terms of a borrower's interest structure or repayment arrangement on a commercial basis.
- Late provision of financial information, in the absence of other indicators of financial difficulty, is not in all cases considered a "non-commercial" breach of non-financial covenants.

The tables below summarise the total number of arrangements in place and the loan balances and impairment provisions associated with those arrangements. Where a customer is subject to more than one forbearance measure, they have been categorised into the primary method of forbearance:

As at 31 March 2016

	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
	Number of loans	Gross carrying amount	% of total portfolio	Impairment allowance	Coverage
		£m		£m	%
Term extension	424	360	5.16	35.8	9.95
Deferral of contracted capital repayments	147	159	2.27	18.4	11.59
Reduction in contracted interest rate	10	13	0.19	3.8	29.09
Alternative forms of payment	5	23	0.34	4.9	20.92
Debt forgiveness	21	52	0.75	12.7	24.12
Refinancing	25	57	0.82	5.8	10.24
Covenant breach/reset/waiver	69	237	3.39	9.5	4.02
	701	901	12.92	90.9	10.09

As at 30 September 2015

	Total loans and advances subject to forbearance measures			Impairment allowance on loans and advances subject to forbearance measures	
	Number of loans	Gross carrying amount	% of total portfolio	Impairment allowance	Coverage
		£m		£m	%
Term extension	491	429	6.00	42.9	10.02
Deferral of contracted capital repayments	166	152	2.12	18.6	12.23
Reduction in contracted interest rate	17	29	0.40	6.8	23.64
Alternative forms of payment	3	16	0.22	4.5	28.76
Debt forgiveness	24	55	0.78	14.2	25.61
Refinancing	33	61	0.86	4.7	7.56
Covenant breach/reset/waiver	62	166	2.32	6.0	3.64
	796	908	12.70	97.7	10.77

Notes to the interim condensed consolidated financial statements (continued)

21. Financial risk management (continued)

Credit risk (continued)

Forbearance (continued)

Non-Retail forbearance (continued)

Included in other financial assets at fair value is a portfolio of loans which are included in the above table. The value of fair value loans subject to forbearance at 31 March 2016 is £132m (30 September 2015: £162m), representing 1.90% of the total non-retail portfolio (30 September 2015: 2.27%). Impairment allowances on these amounts totalled £15m (30 September 2015: £14m), a coverage of 11.65% (30 September 2015: 8.68%).

Maximum exposure to credit risk

The Group has comprehensive credit risk management policies that restrict the level of exposure to any one borrower or group of borrowers, industries and countries. Unless otherwise noted, the amount that best represents the maximum credit exposure at the reporting date is the carrying value of the financial asset.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements. The table also shows the maximum amount of commitments from its banking operations.

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Cash and balances with central banks	4,974	7,084	6,431
Due from related entities (note 8)	-	883	786
Due from other banks	1,266	227	128
Financial assets available for sale	1,478	1,197	1,462
Other financial assets at fair value (note 9)	898	1,347	1,097
Derivative financial assets (note 10)	396	385	285
Loans and advances to customers (note 11)	28,516	26,763	27,482
Due from customers on acceptances	3	5	4
	37,531	37,891	37,675
Contingent liabilities (note 19)	107	126	109
Other credit commitments (note 19)	7,790	8,052	7,801
Maximum credit risk exposure	45,428	46,069	45,585

Credit quality of investments

The credit quality of the Group's AFS investments, which are neither past due nor impaired, is as follows:

	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Senior investment grade	1,457	1,190	1,447
Other	21	7	15
	1,478	1,197	1,462

Included in the AFS listed securities at 31 March 2016 are £1.3bn (31 March 2015: £1.1bn and 30 September 2015: £1.3bn) investments in UK Government Gilts and £0.2bn (31 March 2015 £0.1bn and 30 September 2015: £0.1bn) in other banks' debt securities.

21. Financial risk management (continued)

Credit risk (continued)

Collateral held as security and other credit enhancements

The Group evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include:

- specific charges over defined assets of the counterparty;
- a floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital;
- specific or interlocking guarantees; and
- loan agreements which include affirmative and negative covenants and in some instances guarantees of counterparty obligations.

Generally, the Group does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on its balance sheet.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for its own business use.

Risk concentration

Concentration of risk is managed by client/counterparty, by product, by geographical region and by industry sector. In addition, single name exposure limits exist to limit exposure to a single entity/counterparty.

Eurozone risk

The Group has no operations outside the UK and no direct sovereign exposure to any Eurozone countries (31 March 2015: £Nil and 30 September 2015: £Nil). The Group has an exposure to the European Investment Bank of £199m at 31 March 2016 (31 March 2015: £100m and 30 September 2015: £100m).

Notes to the interim condensed consolidated financial statements (continued)

21. Financial risk management (continued)

Credit risk (continued)

Industry concentration of assets

The following tables show the levels of industry concentration of the Group's assets:

Gross loans and advances to customers including loans designated at fair value through profit or loss [1]	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Government and public authorities	41	36	27
Agriculture, forestry, fishing and mining	1,467	1,590	1,515
Financial, investment and insurance	720	445	659
Property – construction	230	351	260
Manufacturing	538	666	576
Instalment loans to individuals and other personal lending (including credit cards)	1,409	1,652	1,477
Property – mortgage	21,513	19,642	20,504
Asset and lease financing	457	407	426
Other commercial and industrial	3,247	3,503	3,340
	29,622	28,292	28,784

[1] Includes balance due from customers on acceptances and excludes accrued interest.

Comparative disclosures for the period to 31 March 2015 have been amended to conform with the current period's presentation.

Contingent liabilities and credit related commitments	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Government	-	2	-
Agriculture, forestry, fishing and mining	1,016	999	985
Financial, investment and insurance	494	26	405
Property – construction	-	65	44
Manufacturing	152	179	146
Instalment loans to individuals and other personal lending (including credit cards)	3,333	3,677	3,410
Property – mortgage	1,757	1,997	1,814
Other commercial and industrial	1,145	1,233	1,106
	7,897	8,178	7,910

Financial assets available for sale and held to maturity	31 Mar 2016 (unaudited) £m	31 Mar 2015 (unaudited) £m	30 Sep 2015 (audited) £m
Government and public authorities	1,457	1,190	1,447
Financial, investment and insurance	21	7	15
	1,478	1,197	1,462

21. Financial risk management (continued)

Credit risk (continued)

Maturity analysis of assets and liabilities

The following tables represent a breakdown of the Group's balance sheet according to the assets and liabilities contractual maturity. Many of the longer-term monetary assets are variable rate products, with behavioural maturities shorter than the contractual terms. Accordingly, this information is not relied upon by the Group in its management of interest rate risk.

The Group has disclosed certain term facilities with a revolving element at the maturity of the facility as this best reflects their contractual maturity.

31 March 2016 (unaudited)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Cash and balances with central banks	3,656	-	-	-	-	1,318	**4,974**
Due from other banks	781	485	-	-	-	-	**1,266**
Financial assets available for sale	-	-	7	832	639	-	**1,478**
Other financial assets at fair value	-	43	122	326	407	-	**898**
Derivative financial instruments	2	37	70	91	196	-	**396**
Loans and advances to customers	2,142	233	600	3,938	21,217	386	**28,516**
Due from customers on acceptances	-	3	-	-	-	-	**3**
All other assets	119	96	42	-	-	935	**1,192**
Total assets	**6,700**	**897**	**841**	**5,187**	**22,459**	**2,639**	**38,723**
Liabilities							
Due to other banks	783	-	-	-	-	-	**783**
Other financial liabilities at fair value	-	1	10	42	-	-	**53**
Derivative financial instruments	2	41	63	123	293	-	**522**
Due to customers	20,424	1,619	1,997	2,197	-	-	**26,237**
Liabilities on acceptances	-	3	-	-	-	-	**3**
Bond and notes	-	43	418	2,852	972	-	**4,285**
All other liabilities	1,911	71	126	-	-	1,201	**3,309**
Total liabilities	**23,120**	**1,778**	**2,614**	**5,214**	**1,265**	**1,201**	**35,192**
Off balance sheet items							
Contingent liabilities	-	15	32	11	45	4	**107**
Other credit commitments	7,790	-	-	-	-	-	**7,790**
Total off balance sheet items	**7,790**	**15**	**32**	**11**	**45**	**4**	**7,897**

Notes to the interim condensed consolidated financial statements (continued)

21. Financial risk management (continued)

Maturity analysis of assets and liabilities (continued)

31 March 2015 (unaudited)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Cash and balances with central banks	5,768	-	-	-	-	1,316	7,084
Due from related entities	870	-	-	13	-	-	883
Due from other banks	124	103	-	-	-	-	227
Financial assets available for sale	-	102	-	791	298	6	1,197
Other financial assets at fair value	1	17	72	894	363	-	1,347
Derivative financial instruments	2	47	117	84	135	-	385
Loans and advances to customers	2,272	290	726	3,882	19,230	363	26,763
Due from customers on acceptances	-	5	-	-	-	-	5
All other assets	119	92	43	-	-	780	1,034
Total assets	9,156	656	958	5,664	20,026	2,465	38,925
Liabilities							
Due to other banks	-	632	400	-	-	-	1,032
Other financial liabilities at fair value	-	7	1	70	1	-	79
Derivative financial instruments	2	86	50	233	249	-	620
Due to customers	19,417	1,778	1,911	2,145	-	-	25,251
Liabilities on acceptances	-	5	-	-	-	-	5
Due to related entities	140	16	338	823	475	-	1,792
Debt securities in issue	-	709	465	2,196	726	-	4,096
All other liabilities	1,894	111	75	-	-	796	2,876
Total liabilities	21,453	3,344	3,240	5,467	1,451	796	35,751
Off balance sheet items							
Contingent liabilities	-	23	30	10	56	7	126
Other credit commitments	8,052	-	-	-	-	-	8,052
Total off balance sheet items	8,052	23	30	10	56	7	8,178

Notes to the interim condensed consolidated financial statements (continued)

21. Financial risk management (continued)

Maturity analysis of assets and liabilities (continued)

30 September 2015 (audited)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Cash and balances with central banks	4,978	-	-	-	-	1,453	6,431
Due from related entities	772	-	-	-	14	-	786
Due from other banks	36	92	-	-	-	-	128
Financial assets available for sale	-	-	100	782	565	15	1,462
Other financial assets at fair value	1	11	78	731	276	-	1,097
Derivative financial instruments	3	27	48	70	137	-	285
Loans and advances to customers	2,221	203	701	3,844	20,137	376	27,482
Due from customers on acceptances	-	4	-	-	-	-	4
All other assets	86	58	47	-	-	839	1,030
Total assets	8,097	395	974	5,427	21,129	2,683	38,705
Liabilities							
Due to other banks	-	390	3	-	-	-	393
Other financial liabilities at fair value	-	1	1	65	-	-	67
Derivative financial instruments	3	28	41	248	214	-	534
Due to customers	20,370	1,505	2,045	2,487	-	-	26,407
Liabilities on acceptances	-	4	-	-	-	-	4
Due to related entities	135	8	-	380	475	-	998
Debt securities in issue	-	14	852	1,973	927	-	3,766
All other liabilities	1,825	114	114	-	-	1,040	3,093
Total liabilities	22,333	2,064	3,056	5,153	1,616	1,040	35,262
Off balance sheet items							
Contingent liabilities	-	25	13	11	52	8	109
Other credit commitments	7,801	-	-	-	-	-	7,801
Total off balance sheet items	7,801	25	13	11	52	8	7,910

22. Capital management overview

Capital is held by the Group to protect its depositors, to cover inherent risks in a normal and stressed operating environment and to support its business strategy against losses, inherent risks and stress events. In assessing the adequacy of its capital resources, the Group considers its risk appetite, the material risks to which it is exposed and the appropriate strategies required to manage those risks. The Group is committed to maintaining a strong capital base.

The Group is currently governed by its Capital Risk Standard. The objectives of the policy are to efficiently manage the capital base to optimise shareholder returns whilst maintaining robust capital adequacy, meeting Regulators' requirements, managing the ratings agencies assessment of the Group and ensuring that excessive leverage is not taken.

The Capital Plan is approved by the Board on an annual basis. The Asset and Liability Committee monitors the capital plan and forecast positions on a monthly basis. This ensures that in the event that further capital is deemed necessary to meet regulatory requirements or support future strategy, the issue is proactively escalated to senior management and the Board to determine the most appropriate strategy for the Group to achieve the desired capital outcome.

The Group manages capital in accordance with prudential rules issued by the PRA and FCA, which implemented CRD IV legislation with effect from 1 January 2014.

CRD IV also provides for new regulatory capital buffers including a Capital Conservation Buffer ("CCB") and Counter-Cyclical Buffer ("CCyB") to replace the existing Capital Planning Buffer ("CPB"). The CCB will, when fully adopted in 2019, equate to 2.5% of RWAs, whilst the level of the CCyB is dependent upon the authorities' view of credit conditions in the economy. With effect from May 2014, the Financial Policy Committee ("FPC") at the BoE assumed formal responsibility for setting the CCyB each quarter. At its March 2016 meeting, the FPC increased the CCyB rate for UK exposures to 0.5% with effect from 29 March 2017. Further detail on the Group's regulatory capital is included on pages 16 to 20 of the Business and Financial Review.

23. Events after the balance sheet date

On 13 April the Group announced changes to its branch network reflecting the evolving patterns in customer usage. A significant number of branches will extend their opening hours, opening on Saturdays, ensuring investment is diverted to the areas where demand is growing. A programme of refurbishments, relocations, co-locations, concept branches and digital development is ongoing. The closure of 26 branches over the next six months was announced. On the same day, the outcome of a voluntary severance programme applicable to senior staff was communicated to the individual applicants and this will see 155 staff leave in the second half of the year. The branch closures and voluntary severance programme will give rise to an income statement charge for restructuring costs of £19m.

Other information

Glossary

For a glossary of terms used within this report refer to pages 143 to 149 of the annual report and consolidated financial statements of CYBI for the year ended 30 September 2015.

For terms not previously included within the Glossary, refer below:

Capped Indemnity – The indemnity from NAB in favour of CYBG PLC in respect of certain qualifying conduct costs incurred by CYBG Group, which is capped at the Capped Indemnity Amount, subject to the Loss Sharing Arrangement, under the terms of the Conduct Indemnity Deed.

Capped Indemnity Amount – An amount equal to £1.58 billion less any Pre-Covered provision amount. Fixed at £1.115 billion at the demerger date.

Conduct Indemnity Deed – The deed between NAB and CYBG PLC setting out the terms of:

- The Capped Indemnity; and
- Certain arrangements for the treatment and management of certain Conduct Matters

Conduct Matters – Conduct issues relating to PPI, standalone IRHP, voluntary scope TBL's and FRTBL's and other conduct matters in the period prior to the demerger date whether or not known at the demerger date.

Demerger – The demerger of CYBG Group from NAB pursuant to which all of the issued share capital of CYBI Limited was transferred to CYBG PLC by NAB in consideration for the issue and transfer of CYBG shares to NAB in part for the benefit of NAB (which NAB subsequently sold pursuant to the IPO) and in part for the benefit of NAB shareholders under a scheme of arrangement.

Demerger date – 8 February 2016

Loss sharing arrangement – The arrangement relating to the Capped Indemnity pursuant to which CYBG PLC will be responsible for the Loss Share.

Loss share – The percentage of a provision raised or an increase in a provision which under the Conduct Indemnity Deed CYBG PLC will be responsible for. Fixed at 9.7% at the demerger date.

OLAR – The overall liquidity access rule. This is reviewed on an annual basis and is considered as part of the Group's Risk Appetite and will be subject to approval by the Board as part of the ILAAP.

Pre Covered provision amount – The amount of any provision(s) relating to Conduct Matters raised or increased by CYBG Group between 31 March 2015 and the demerger date in respect of which NAB has provided specific support at any time after 31 March 2015 but before the demerger date. At the demerger date the pre-covered provision amount was £465m.

Officers and professional advisers

Directors	David Philip Allvey (resigned 31 March 2016) David Jonathan Bennett (appointed 22 October 2015) (1) (2) (3) (4) David Alan Browne (1) (2) (3) Debbie Crosbie David Joseph Duffy Adrian Thomas Grace (1) Richard John Gregory (2) (3) (4) James Neilson Pettigrew (1) (4) * Barbara Ann Ridpath (resigned 20 May 2016) Richard James Sawers (resigned 2 February 2016) Dr Teresa Robson-Capps (2) Alexander John Shapland (resigned 20 May 2016) Ian Stuart Smith
Secretary	Lorna Forsyth McMillan James Richard Peirson
Registered office	20 Merrion Way Leeds Yorkshire LS2 8NZ
Independent auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY

(1) Member of the Boards' Remuneration Committee
(2) Member of the Boards' Audit Committee
(3) Member of the Boards' Risk Committee
(4) Member of the Boards' Governance and Nomination Committee
* Mr Pettigrew was appointed Chairman of the Governance and Nomination Committee on 29 April 2016 subject to regulatory approval.

Forward looking statements

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

In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. Forward-looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward-looking statements. There can be no assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document and/ or discussed at any presentation. All forward-looking statements should be viewed as hypothetical. No representation or warranty is made that any forward-looking statement will come to pass. None of the Company, its subsidiaries subsidiary undertakings, holding companies, subsidiaries, subsidiary undertakings of its holding companies, associated entities or businesses, or their respective directors, officers, employees, agents, advisers or affiliates, undertakes to publicly update or revise any such forward-looking statement nor accepts any responsibility, liability or duty of care whatsoever for (whether in contract, tort or otherwise) or makes any representation or warranty, express or implied, as to the truth, fullness, fairness, merchantability, accuracy, sufficiency or completeness of, the information in this document.

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