



# 2015 Full Year Results

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TSB Banking Group plc

## Summary

- TSB beats 2015 growth expectations and increases customer lending by 22%.
- 2015's mortgage lending is a standout success, with £5.5 billion of mortgage applications received through our award-winning mortgage broker service.
- More than 1,000 new customers flock to Britain's challenger bank every day.
- 6.8% of all customers opening a new bank account or switching banks chose TSB in 2015, contributing to a £1.3 billion increase in customer deposits. We have now beaten our 6% target of share of flow for eight consecutive quarters.
- A record number of customers are willing to recommend TSB, shown by our Net Promoter Score increasing to 17 from nine at the start of the year.
- TSB confirms details of its first TSB Award for Partners. The Bank's strong performance means Partners who delivered the level of customer service we expect will receive a sum equivalent to 12.5% of basic salary – more than six weeks' pay – sharing in an overall TSB Award pot of over £26 million.



## Paul Pester's view



### Paul Pester, Chief Executive Officer of TSB Bank plc, commented:

“TSB really went from strength-to-strength in 2015. I’m very pleased with the Bank’s performance. We increased customer lending by 22%, staying well ahead of our growth strategy, and have made great strides in enhancing our service to customers, providing people with the kind of banking experience they want and deserve. It is great to see people continue to vote with their feet as more than 1,000 new customers a day flocked to TSB last year. The number of people choosing TSB has been a standout success and it is fantastic to see more customers recommending us than ever before.

“This strong performance is down to the fantastic efforts of our Partners. It gives me great pleasure to confirm details of our first TSB Award, which will see Partners who delivered the level of customer service we expect receive a sum equivalent to 12.5% of basic salary – more than six weeks’ pay – with an overall pot of over £26 million being shared out.

“We have invested in the growth of TSB, building the Bank step-by-step. While we are already well ahead in delivering on our growth strategy, there is still more work to do as we continue to bring more competition to UK banking and ultimately make banking better for all UK consumers.”

# Strategic update

Since launching back onto high streets across Britain in September 2013, our three strategic pillars remain the same: to provide great banking to more people, to help more people borrow well and to provide the kind of banking people tell us they want and we believe they deserve. We made significant progress on all three during 2015.

## TSB made significant progress on all three strategic pillars during 2015.



### Provide great banking to more people

**Target:**  
Grow market share of bank accounts by consistently taking a greater than 6% share of gross flow over a five year period.

- 6.8% of all customers who opened a new current account or switched banks in the UK last year chose TSB, contributing to the £1.3 billion (5%) growth in customer deposit balances achieved in 2015.
- We have now exceeded our target of a 6% share of flow for eight consecutive quarters.
- Strong demand for '555' offer, launched in September, showing customers continue to recognise the benefits of joining a bank that offers them more.



# Strategic update



## Help more people borrow well

**Target:**  
Grow Franchise customer lending by 40% to 50% over a five year period from IPO.

- Growth in Franchise lending was £2.3 billion, well ahead of the £1.5 billion planned for 2015.
- Increased customer lending by 22%.
- TSB's mortgage broker service, launched in January 2015, has got off to a flying start, growing throughout its first year and resulting in more than £5.5 billion of mortgage applications and £3.1 billion of mortgage advances in 2015.
- Balance sheet growth was assisted by the acquisition of over £3 billion of former Northern Rock mortgages and loans in December 2015, making TSB the long-term home to another 34,000 borrowers across the UK. Supporting hardworking people like these and helping local communities right across Britain to thrive is absolutely at the heart of what TSB was set up to do.
- Importantly, the loans will significantly enhance TSB's future profitability which, in turn, will help us to continue to deliver our growth strategy.



## Provide the kind of banking experience people want and deserve

**Target:**  
Deploy TSB's strong digital capability. Build greater consideration of the TSB brand. Deliver a differentiated customer experience through our Partners.

- More people than ever before would recommend TSB to friends or family. Our Net Promoter Score, which is how we measure our performance on customer satisfaction, increased to 17 points from nine at the start of the year.
- We threw sales targets out the window enabling Partners to interact better with customers by focusing on what they tell us they want.
- Continued investment in our branch, digital and telephony channels enables TSB customers to bank how, when and where they want – we call this 'Local Banking on Demand'.
- Customers benefitted from our significant digital investment in 2015, as we launched Apple Pay, rolled out Wi-Fi to all of our branches, introduced digital screens and equipped our branches with iPads to bring our digital services alive in branch.
- We improved our banking app, supporting a 14% increase in transactions completed in 2015 by our customers online.
- We defined our new approach to service as all 6,400 customer-facing Partners took part in a bespoke training programme in 2015, continually improving how we serve our customers. This amounted to over 100,000 hours of training, helping Partners bring to life the values of TSB.
- We saw a 4% reduction in customer complaints received in 2015. By listening to our customers and improving things, we have prevented more than 12,000 complaints.
- These developments contributed to the continued recognition for the quality of TSB's services, with Which? magazine rating us the joint best high street bank for customer service for the second year running.

## TSB Award

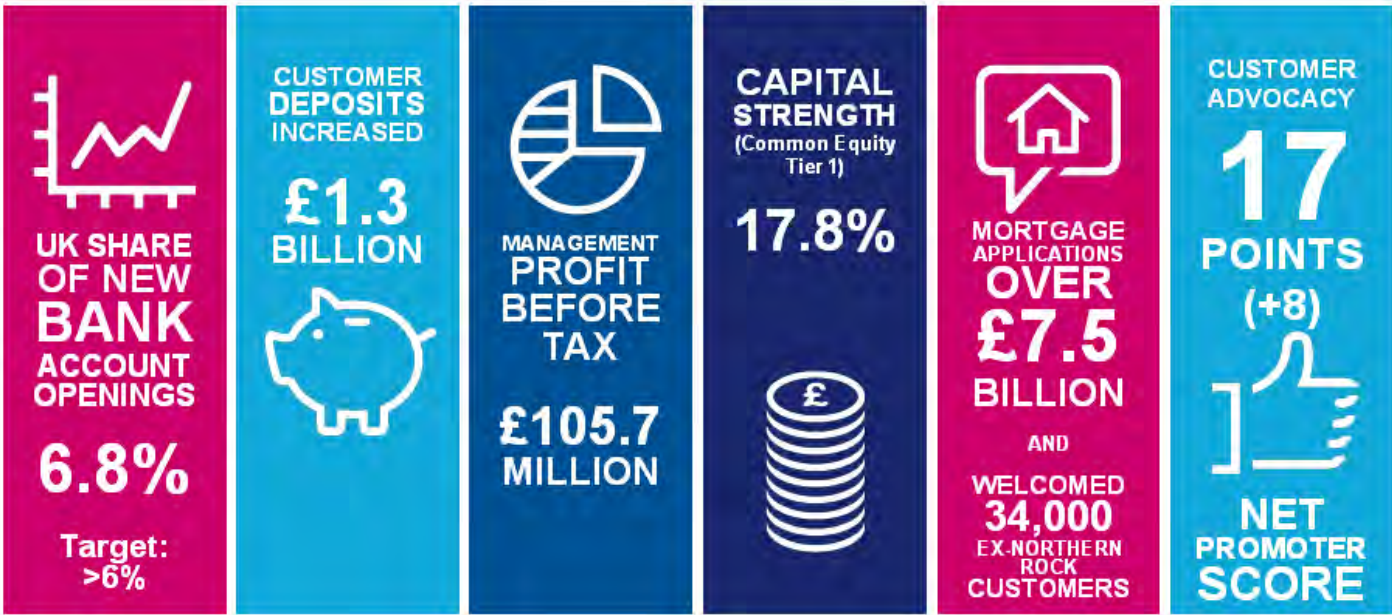
2015 was a momentous year for TSB and this great performance has enabled the payment of the first TSB Award at 12.5% of basic salary – above the “on target” award level of 10% of basic salary.

As first announced in June 2014, The TSB Award is an annual variable pay award for all Partners from branch staff to the CEO. It rewards both business and personal performance and recognises our Partners who deliver the kind of service customers tell us they want.

## Financial summary

- As expected, profits declined as we continued to invest in the business.
- Management profit before tax – which removes the distortion of one-off and volatile items – was £105.7 million, representing a decrease of 21% on the previous year. This reflected our investment in balance sheet growth and customer service, and the anticipated pressure on fee income.

### 2015 FINANCIAL RESULTS



- Statutory profit before tax was £67.6 million, a 60% decline driven by the one-off recognition in 2014 of a £64 million non-recurring pension gain and the recognition in 2015 of one-off Sabadell transaction related costs.
- TSB’s capital position remains one of the strongest in the UK with a common equity tier one ratio of 17.8%, leaving TSB poised for further growth.

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## Joining the Sabadell Group

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A highlight of 2015 was TSB becoming a member of the Spanish banking group Sabadell. The transaction, which concluded at the end of June, was testament to the strong performance of TSB since it was launched on the London Stock Exchange almost exactly a year earlier. The Sabadell offer price of 340p per share in cash represented a 30.8% premium to the price at the time of the IPO, which is further recognition of the excellent progress we have made since our re-launch and of the great potential of the Bank. Being a member of the Sabadell Group provides TSB with additional firepower to bring more competition to the UK market and help us break the stranglehold the 'big five' banks have had for far too long.



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## Outlook

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TSB is in a strong position and poised for further growth. The additional firepower that being a part of the Sabadell Group will bring leaves us well positioned to compete, but there is still much more work to do. Work to consider a migration to the Sabadell platform has commenced and we are actively developing opportunities to expand and innovate.

We remain committed to our growth strategy, committed to investing in TSB and committed to bringing more competition to UK banking in order to give customers the kind of service they want and we believe they deserve.

We look forward to working with the CMA further in 2016 to encourage real competition and shift banks' focus towards the long-term interests of their customers and address culture in banking. The industry needs to be exposed to the full forces of competition and make banking better for all UK consumers.

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## Financial results

	<b>2015</b> £million	<b>2014</b> £million	<b>Change</b> %
Franchise customer lending	£21,123.5 million	18,839.3 million	12.1%
Franchise loan to deposit ratio	81.5%	76.5%	5pp
Common Equity Tier 1 capital ratio	17.8%	23.0%	(5.2)pp
Management profit before tax	£105.7 million	£133.7 million	(20.9%)
Statutory profit before tax	£67.6 million	£170.2 million	(60.3%)
Franchise banking net interest margin	3.61%	3.62%	(1) bps
TSB asset quality ratio	0.37%	0.44%	7 bps

A full breakdown of TSB's results for the 12 months to 31 December 2015 can be found in the Annual Report and Accounts published here:

<http://www.tsb.co.uk/investors/results-reports/>