



Date issued: 21 April 2016

TSB scores a hat-trick in first quarter

- *Record growth in customer deposits*
- *Record number of people choosing TSB as the home for their mortgage*
- *Record number of customers willing to recommend TSB to friends and family*

Today, TSB announces its financial results for the three months to 31 March 2016. Building on the momentum of last year, TSB delivered a record-breaking quarter as it continued its mission to bring more competition to UK banking.

Highlights for the quarter include:

- 7.1% of all customers opening a new bank account or switching banks chose TSB in Q1 2016⁽¹⁾ – the ninth consecutive quarter in which TSB has exceeded its 6% target.
- Customer deposits at £26.8 billion, up £900 million (3.5%) on the previous quarter.
- Total customer lending at £27.4 billion, up £1 billion (3.9%) on the previous quarter.
- Franchise customer lending at £22.4 billion, up £1.3 billion (6.1%) on the previous quarter as more customers chose TSB as the destination for their mortgage.
- Bank Net Promoter Score (NPS) up four points to 21 points⁽²⁾ as more customers than ever before would recommend TSB to friends and family.
- Profits double on the previous quarter to £59.9 million (management basis) – a rise of 75% on Q1 2015.

Paul Pester, TSB Chief Executive Officer, said:

“I’m delighted that TSB has kicked off the year with a hat-trick of successes.

“As customers continue to vote with their feet and move their banking to TSB, we’ve seen record growth in our customer deposits, a record number of people choosing TSB for their mortgage, and more customers than ever before willing to recommend TSB to friends and family.

“However, there’s plenty to do as we continue on our mission to bring more competition to UK banking. The extra firepower we now have behind us from Sabadell is helping us to take on the big banks in new areas, such as through our new “Pick and Protect” home insurance product.

“So, whilst I think TSB is doing its bit to break the stranglehold the big five banks have on the UK market, we can’t do this alone. We need the CMA to use this once in a generation opportunity they have to help us bring the full force of competition to bear on the UK banking market. We want all bank customers to know what they’re paying for their banking; all customers – including overdraft users – to be able to switch easily; and all customers to be aware of their right to switch banks. Only then will competition really start to work and the culture of UK banks finally shift to serving customers on their terms – rather than on the banks’.”

Financial Results

	At 31 Mar 2016	At 31 Dec 2015	At 31 Mar 2015	Change Vs. Dec 15	Change Vs. Mar 15
Balance sheet and capital					
TSB Franchise customer lending (£ million)	22,413.0	21,123.5	18,708.6	6.1%	19.8%
Total customer lending (£ million)	27,443.6	26,402.2	21,386.2	3.9%	28.3%
Total customer deposits (£ million)	26,818.2	25,915.7	24,733.6	3.5%	8.4%
Franchise loan to deposit ratio	83.6%	81.5%	75.6%	2.1pp	8pp
Common Equity Tier 1 capital ratio	17.7%	17.8%	19.8%	(0.1)pp	(2.1)pp

	Q1 2016	Q4 2015	Q1 2015	Change Vs. Q4-15	Change Vs. Q1-15
Financial performance					
Franchise profit before tax (£ million)	29.3	12.9	16.8	127.1%	74.4%
Mortgage Enhancement profit before tax (£ million)	12.6	14.2	17.4	(11.3)%	(27.6)%
Acquired ex-Northern Rock Loans (£ million)	18.0	2.2	-	-	-

Management profit before tax (£ million)	59.9	29.3	34.2	104.4%	75.1%
Statutory profit before tax (£ million)	52.6	18.5	34.3	184.3%	53.4%
Franchise banking net interest margin ⁽³⁾	3.38%	3.45%	3.71%	(7)bps	(33)bps
Asset quality ratio ⁽⁴⁾	0.28%	0.37%	0.35%	9bps	7bps
Operating costs (management basis) (£ million)	164.0	176.5	169.8	7.1%	3.4%

Strategic update

TSB's three strategic pillars have remained the same since re-launching onto high streets across Britain in September 2013: to provide great banking to more people, to help more people to borrow well, and to provide the kind of banking people tell us they want and we believe they deserve.

1. Provide great banking to more people

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

- In Q1, customers continued to move to TSB, helping us achieve a 7.1% share of flow of all new and switching bank accounts – the ninth consecutive quarter where we exceeded our 6% target.
- This influx of new customers contributed to a £2.1 billion increase in customer deposits year-on-year. £26.8 billion in Q1 2016, compared with £24.7 billion in Q1 2015.
- Over 1,200 customers joined TSB every day in the first quarter, an increase of 25% on Q1 2015.

2. Help more people borrow well

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

- Balance sheet growth continues to be strong, with loans and advances to customers growing by 28% to £27.4 billion compared with Q1 2015.
- This increase reflects a 19.8% increase in Franchise loan balances to £22.4 billion over the same period, driven by the strong performance of TSB's mortgage broker service, and becoming the mortgage lender to over 30,000 former Northern Rock customers in December 2015.
- TSB has expanded its Affordable Housing product offering with three new mortgage products continuing to help homeowners and first time buyers across Britain.

3. Provide the kind of banking experience people want and deserve

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

- During the quarter, the Bank's Net Promoter Score improved further, rising four points to 21. This is an increase of seven points on Q1 2015.
- With the launch of its new marketing campaign and the payment of its first TSB Award⁽⁵⁾ during the quarter, TSB reaffirmed its commitment to creating a bank that works in partnership with its customers, local communities and all Partners within the Bank.

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Notes to editors

(1) Source: CACI Current and Savings Account Market Database (CSDB) which includes current, packaged, youth, student and basic bank accounts, and new account openings excluding account upgrades. Data presented on a two month lag.

- (2) NPS is based on the question “On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely is it that you would recommend TSB to a friend or colleague?” NPS is the percentage of TSB customers who score 9-10 after subtracting the percentage who score 0-6. Calculated on 3 month rolling average January - March.
- (3) Management basis Franchise net interest income divided by average Franchise loans and advances to customers, gross of impairment allowance.
- (4) Impairment charge on loans and advances to customers divided by average loans and advances to customers, gross of impairment allowance.
- (5) The TSB Award – an annual performance-related award that rewards Partners when they do as much as they can to actively help people, not when they just sell them things – pays a flat percentage of salary from the CEO to front-line Partners.