



TSB Banking Group plc

2015 Q1 IMS

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Local banking for Britain



- Transaction with Sabadell continues to progress
- Further positive progress delivered in Q1
- Interest rate environment remains challenging

Further Strategic Progress Delivered

Provide great banking to more people

- Share of current account gross flow 7.9%⁽¹⁾ in latest quarter
- Gross flow above 6% target for 5th consecutive quarter

Help more People to borrow well

- Strong early progress in mortgage broker channel; around £700m applications to end of Q1
- Intermediary mortgage lender of the quarter, Q1 2015 – Mortgage Strategy magazine⁽²⁾

Provide the kind of banking people want and deserve

- Continuing to invest in digital and branches
- Bank NPS improved for 5th consecutive quarter, up by 5 points to 14⁽³⁾

(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 2 month lag. (2) Joint lender of the quarter for Q1 2015 - Mortgage Strategy Magazine (11/02/2015) (3) 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.

Strategy delivers further deposit growth while considerably slowing the declining trend in Franchise lending



£bn	Sep-14	Dec-14	Mar-15	Q1 on Q4 mvmt
Customer Deposits	24.2	24.6	24.7	0.4%
Franchise Lending	19.1	18.8	18.7	(0.7)%
Mortgage Enhancement	2.9	2.8	2.7	(4.4)%
Customer Lending	22.0	21.6	21.4	(1.2)%
Franchise LDR	78.9%	76.5%	75.6%	(0.9)pp
CET1/T1 Capital ratio (pro forma)⁽¹⁾	18.8%	19.7%	19.8%	0.1pp
Leverage ratio	5.9%	5.8%	5.7%	(0.1)pp

(1) Pro forma excludes unaudited profit for Q1 2015 and is calculated to reflect the Credit Card, Overdraft and Business Banking customer lending portfolios calculated on an Internal Ratings Based (IRB) basis. Currently, these portfolios are calculated on the standardised basis approach.

Higher Franchise management profit primarily driven by skew of 2014 marketing and investment spend to Q4



£m	Q4 2014	Q1 2015	Q1 on Q4 mvmt
Net interest income	175.2	172.3	(1.7)%
Other income	37.3	33.1	(11.3)%
Total income	212.5	205.4	(3.3)%
Operating expenses	(194.7)	(169.8)	12.8%
Impairment	(23.5)	(18.8)	20.0%
Franchise management profit / (loss)	(5.7)	16.8	-
Mortgage Enhancement	19.2	17.4	(9.5)%
Group management profit	13.5	34.2	153.3%
Statutory profit before tax	8.6	34.3	298.8%
Group AQR	0.43%	0.35%	8bps
Franchise NIM	3.65%	3.71%	6bps

Guidance for 2015



	2014	2015
Franchise margin	3.62%	expect the Franchise net interest margin to be broadly flat in 2015 compared to 2014, though exit rate notably lower than average for the year
Franchise lending	£18.8bn	over £1.5bn of Franchise lending growth, fuelled by strong entry to intermediary market
Deposits	£24.6bn	more than 6% of the gross flow of current accounts
Franchise other income	£148m	to reduce c.£15m
Costs	£696m	underlying costs of no more than £720m, £30m less than guidance at IPO

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