Preliminary results for the year ended 31 December 2016

Financial highlights

- Underlying profit before taxation[1] up by 29% to £137.0m (2015: £105.9m)
- Gross originations up by 28% to £2.3bn (2015: £1.8bn)
- Net loans and advances grew by 16% in 2016 to £5.9bn (2015: £5.1bn). Underlying loan book growth of 20%, excluding the impact of the Rochester 1 disposal
- Net interest margin (NIM) increased to 314bps (2015: 309bps)
- Continued focus on cost control and efficiency alongside strong income growth drove a cost:income ratio[3] of 27% (2015: 26%)
- Return on equity (RoE)[4] remained strong at 29% (2015: 32%). Proforma RoE of 32% excluding the impact of the new 8% Bank Corporation Tax Surcharge, despite strengthening our Common Equity Tier 1 (CET1) capital ratio to 13.3% (2015: 11.6%)
- Underlying basic earnings per share[5] grew 20% to 41.7 pence (2015: 34.8 pence)
- Final dividend[6] of 7.6 pence per share giving a full year dividend of 10.5 pence per share, in-line with our target dividend payout ratio
- Exceptional gain on disposal of the Group's economic interest in the Rochester 1 securitisation vehicle of £34.7m and an exceptional loss of £9.8m in respect of accelerated amortisation of fair value adjustments on hedged assets relating to legacy back book long-dated interest rate swap cancellations[2].

Key Metrics

	2016	2015
Net interest margin[7] (bps)	314	309
Statutory profit before tax (£m)	163.1	105.3
Total assets (£bn)	6.6	6.0
Statutory basic EPS[8] (pence)	49.4	34.1
Loan to deposit ratio[9] (%)	90	93
3 months + arrears[10] (%)	1.4	2.1
Loan loss ratio[11] (bps)	16	23
Customer net promoter score (%)	59	55

[1] Before net exceptional gains and losses of £24.9m (see Alternative performance measures and Exceptional items in the Financial review for further details), and after deduction of coupons on equity Perpetual Subordinated Bonds (PSBs) of £1.2m (2015: exceptional IPO expenses of £2.1m and coupons on equity PSBs of £1.5m).
[2] See Exceptional items in the Financial review for further details.
[3] Administrative expenses including depreciation and amortisation as a percentage of total income after deducting coupons on equity PSBs.
[4] Underlying profit after taxation is calculated before net exceptional gains and losses, including the tax effect, of £18.5m (see Alternative performance measures and Exceptional items in the Financial review for further details) and after deducting coupons on equity PSBs, including the tax effect, of £0.9m (2015: before exceptional IPO expenses, including the tax effect, of £1.6m and after deducting coupons on equity PSBs, including the tax effect, of £1.2m) as a percentage of average shareholders' equity (excluding equity PSBs of £22m).
[5] Underlying profit after taxation divided by the weighted average number of ordinary shares in issue.
[6] Representing 25% of underlying profit after tax. To be paid on 17 May 2017, subject to approval at the Annual General Meeting on 10 May 2017, with a record date of 31 March 2017. For 2015, the dividend of 6.7p per share represented a final two-thirds dividend.

[7] Net interest income, less coupons on PSBs classified as equity, as a percentage of average interest bearing assets including FLS drawings (off balance sheet) and TFS drawings.

[8] Statutory profit after taxation divided by the weighted average number of ordinary shares in issue.

[9] Excluding the impact of the FLS and TFS schemes

[10] Portfolio arrears rate (excluding legacy problem loan book) of accounts for which there are missed or overdue payments by more than three months

[11] Impairment losses expressed as a percentage of average gross loans and advances