

Additional disclosure to 2015 Remuneration report

Following the publication of the Company's 2015 remuneration report, we are aware that some investors would welcome additional disclosure regarding the target relating to the financial elements of the annual bonus.

In line with good practice for UK lending institutions, financial performance is balanced with other important aspects of performance including operational, customer, people and risk measures. Financial metrics account for 35% of the total bonus opportunity for both the CEO and CFO, which itself is spread between a number of performance metrics capturing profitability, growth, return on equity and expense ratio.

The principal financial performance measures in the 2015 are set out below, together with the range of performance for which bonus was payable:

	Threshold (below which there is no payment)	Target (50% of available bonus paid)	Maximum (100% of available bonus paid)	Actual achieved
Cost:income ratio	>35%	<=35%	<=30%	26%
Return on equity	<25%	>=25%	>=27%	32%
Underlying profit after tax	£68m	£71m	£77m	£84.5m

All of these measures were achieved above their maximum payout levels.

There are five other financial metrics which capture more granular performance and whose disclosure, even after the year-end, would be commercially sensitive and therefore the Committee has decided not to disclose these details for the time being. Performance on all of these measures was at maximum, except for one where performance was between target and maximum.

The resulting financial element of the bonus for the CEO and CFO was 34.5% out of a possible 35%.