

# Statement of Cash Flows

For the year ended 31 December 2017

	Note	Group Year ended 31-Dec-17 £m	Restated <sup>1</sup> Group Year ended 31-Dec-16 £m	Bank Year ended 31-Dec-17 £m	Restated <sup>1</sup> Bank Year ended 31-Dec-16 £m
<b>Cash flows from operating activities</b>					
Profit before tax		167.7	163.1	124.0	130.8
<b>Adjustments for non-cash items:</b>					
Depreciation and amortisation		3.5	2.6	3.0	2.2
Interest on subordinated liabilities		0.9	1.2	0.9	1.2
Interest on Perpetual subordinated bonds		0.9	0.9	0.9	0.9
Impairment charge on loans		4.4	9.0	2.0	6.9
Gain on sale of financial instruments		–	(0.6)	–	(0.6)
FSCS and other provisions		0.9	0.5	0.9	0.5
Fair value losses on financial instruments		6.3	4.9	6.3	4.9
Share-based payments		2.4	1.5	2.3	1.5
Exceptional items		–	(24.9)	–	(24.9)
<b>Changes in operating assets and liabilities:</b>					
Increase in loans and advances to credit institutions <sup>1</sup>		(6.3)	(5.9)	(6.3)	(5.9)
Increase in loans to customers		(1,371.2)	(1,031.3)	(1,159.5)	(951.7)
Increase in retail deposits		697.9	588.6	697.9	588.6
Increase in intercompany balances		–	–	(181.0)	(42.5)
Net decrease/(increase) in other assets		7.0	–	(0.9)	(14.7)
Net (increase)/decrease in derivatives and hedged items		(0.1)	0.9	(0.1)	0.9
Increase/(decrease) in credit institutions and other customers deposits		21.3	(2.7)	21.3	(2.7)
Net (decrease)/increase in other liabilities		(3.3)	(1.4)	5.5	(3.2)
Exchange differences on working capital		(0.3)	0.9	–	–
<b>Cash used in operating activities</b>					
		(468.0)	(292.7)	(482.8)	(307.8)
Interest paid on bonds and subordinated debt		(1.8)	(2.1)	(1.8)	(2.1)
Sales of financial instruments		–	1.9	–	1.9
FSCS and other provisions paid		(1.0)	(1.3)	(1.0)	(1.3)
Net tax paid		(42.1)	(29.6)	(34.4)	(24.3)
<b>Net cash used in operating activities</b>					
		(512.9)	(323.8)	(520.0)	(333.6)
<b>Cash flows from investing activities</b>					
Maturity and sales of investment securities		40.0	712.2	40.0	712.2
Purchases of investment securities <sup>1</sup>		–	(402.8)	–	(402.8)
Proceeds from disposal of a subsidiary <sup>2</sup>		–	80.2	–	99.0
Purchases of equipment and intangible assets		(14.0)	(7.7)	(10.5)	(6.5)
<b>Cash generated from investing activities</b>					
		26.0	381.9	29.5	401.9
<b>Cash flows from financing activities</b>					
Bank of England TFS drawdowns	28	1,149.0	101.0	1,149.0	101.0
Coupon paid on equity bonds		(3.7)	(1.2)	(3.7)	(1.2)
Dividends paid	13	(27.0)	(23.3)	(27.0)	(23.3)
AT1 securities issuance net of costs	35	59.4	–	59.4	–
Proceeds from issuance of shares under employee SAYE schemes	34	0.5	–	0.5	–
Repayment of debt <sup>3</sup>	32	(10.7)	(19.8)	(10.7)	(3.0)
<b>Cash generated from financing activities</b>					
		1,167.5	56.7	1,167.5	73.5
<b>Net increase in cash and cash equivalents</b>					
		680.6	114.8	677.0	141.8
<b>Cash and cash equivalents at the beginning of the year<sup>1</sup></b>					
	14	485.3	370.5	481.0	339.2
<b>Cash and cash equivalents at the end of the year<sup>1</sup></b>					
	14	1,165.9	485.3	1,158.0	481.0
<b>Movement in cash and cash equivalents</b>					
		680.6	114.8	677.0	141.8

1. The 2016 comparatives have been restated to include investment securities with maturity less than 3 months and to exclude encumbered loans and advances to credit institutions (being the cash ratio deposit and swap margin paid) within cash and cash equivalents. This has no effect on the balance sheet.

2. Proceeds from a disposal of a subsidiary relate to the Group's disposal of the entire economic interest in Rochester Financing No.1 plc during 2016.

3. Repayment of debt comprises the 2017 LIBOR linked floating rate subordinated liabilities of £5.7m and the 2017 average standard mortgage rate linked floating subordinated liabilities of £5.0m.