Shawbrook Bank
Lutea House
Warley Hill Business Park
Great Warley, Brentwood
Essex, CM13 3BE

Results for the year ended 31 December 2015

3 March 2016

Shawbrook Group plc

Shawbrook Group plc ("Shawbrook" or "the Group"), the specialist lending and savings bank, today announces continued strong performance in excess of market expectations and reiterates confidence in its near and medium term outlook.

Commenting on the results, CEO Steve Pateman said:

"2015 was a significant year for Shawbrook. We achieved a successful IPO and continued to grow our core businesses, underpinned by a strong well-capitalised balance sheet which will support our ambitions for the near and medium term. Our focus remains on serving customers who value a bank that takes the time to understand their requirements and provide the right answer. This approach also enables us to optimise our risk adjusted return profile. We have invested for the future and, notwithstanding a softer economic outlook, remain confident that we will continue to generate strong through the cycle returns consistent with our stated strategy."

Highlights[1]

- Another strong performance with underlying PBT beating consensus, up 63% to £80.1m (2014: £49.1m) and EPS[2] up 77% to 26.9p (2014: 15.2p)
    - Statutory PBT increased by 55% to £70.1m (2014: £45.3m) and statutory EPS was 24.1p (2014: 17.7p)
- Increased profitability driven by a 44% increase in the loan book[3] to £3,361m (31 December 2014: £2,331m) underpinned by a 23% increase in gross organic originations to £1,685m[4] (2014: £1,366m), as 2014 momentum continued into 2015.
- NIM increased to 6.2% (2014: 6.1%), benefitting from continued reduction in cost of funds. ISA product launch in H1 2015 and full market Easy Access product launch in H2 2015 expected to further reduce cost of funds.
- Cost to income ratio reduced to 48.3% (2014: 50.5%) as the Group continues to proactively manage its cost base whilst investing in people, technology and infrastructure to build solid foundations to support future growth. We remain confident the investment made will deliver further scale efficiencies.
- Strong risk-adjusted margin supported by low cost of risk at 24bps (2014: 36bps), reflecting asset quality as well as the benign economic environment. Group focus remains on originating quality business and maintaining high-quality underwriting standards.
- Track record of strong returns maintained with RoTE of 27.9% (2014: 26.9%) and pre-tax RoA of 3.0% (2014: 2.6%), underpinned by increased customer activity. RoTE benefitted by c.1.3% from revaluation of deferred tax assets following the introduction of the Bank corporation tax surcharge.

---

[1] All references are to underlying results, unless otherwise stated as being statutory.

[2] EPS has been calculated using underlying profit after tax and assumes a constant share issuance of 250.5m.

[3] Including operating leases.

[4] In addition, the Group acquired a second (£11m) and third (£34m) tranche of loans from the Commercial First Group Limited in February 2015 and November 2015 respectively, with the first tranche being purchased in November 2014. Separately, in December 2015, the Group acquired a performing portfolio of assets which form part of the Commercial Mortgages division. As this was acquired at the end of the year it has been excluded from our calculation of average principal employed as no underlying income or expenses have been recognised in 2015. In total, the Group acquired £0.3bn of assets in 2015.

IPO and Board

- Successful IPO with admission to the LSE in April and to the FTSE 250 index in June.
- Iain Cornish appointed Chairman and Steve Pateman as Chief Executive Officer. Stephen Johnson was appointed to Board as Deputy Chief Executive. Further strengthened the Board with the appointment of Paul Lawrence, Sally-Ann Hibberd and David Gagie as non-executive directors.
- The Executive team further strengthened with the appointments of Hugh Fitzpatrick as CRO, Simon Featherstone as MD of Business Finance and Evelyn Hamilton as MD of Consumer Lending.

Capital and funding position

- Capital ratios strengthened by IPO, with £82m of new capital (net of costs) resulting in CET1 ratio of 14.4% (31 December 2014: 11.6%). Total capital further strengthened by £75m Tier 2 issuance in October, resulting in total capital ratio of 18.0% (31 December 2014: 13.9%).
- Strong capital base enabled Shawbrook to accelerate growth in 2015, as the bank continued to expand its support to UK customers through its SME and Consumer businesses, and made selective acquisitions to complement the Group's strategy.
- Loan book predominantly retail deposit funded, with a loan to deposit ratio of 104% at 31 December 2015 (31 December 2014: 94%).

Investing in our people, technology and infrastructure

- Significant investment made in the Group's on-going development to ensure it continues to meet customer expectations, increasing regulatory requirements and the demands of being a listed company, including increasing headcount to an average of 514 in 2015 (2014: 414).
- Group investment has resulted in progress across all areas of the business including the positive launch of ISA and Easy Access products in the Savings business. Further investment has also been made in IT and infrastructure, with the re-platforming of Asset Finance completing in Q4 2015.
- Successful launch of new lending products such as Regulated Short Term Bridging loans.
- 2016 will see further investment in people, systems and processes to ensure the operating platform remains robust, sustainable and supports the Group's growth plans.

Outlook

- Our strategy will continue to deliver material growth in combination with strong risk adjusted returns. We maintain our focus on the high quality of the lending portfolios, supported by prudent levels of capital, funding and liquidity. The Group continues to explore a number of attractive product and market adjacencies where attractive returns can be generated by deploying our specialist approach and proven relationship-based lending model.
- The execution of our proven strategy in combination with a diverse balance sheet allows us to continue to:
    - ➢ increase balance sheet scale through high quality origination;
    - ➢ maintain risk discipline to generate strong through the cycle returns;
    - ➢ enhance operating leverage with scale; and
    - ➢ through this approach, deliver strong return on tangible equity and shareholder value.

- Management expects the increasing profitability and capital generation to enable the declaration of a modest final dividend arising from 2016 profits, building progressively in 2017 and beyond.

ENQUIRIES

Instinctif Partners
Mike Davies / Giles Stewart
020 7457 2051 / 020 7457 7938
mike.davies@instinctif.com / giles.stewart@instinctif.com

Shawbrook Group plc
Dylan Minto
07901 567 662
dylan.minto@shawbrook.co.uk

An analyst presentation will be held at 11:00am on 3 March 2016 at Goldman Sachs International, Peterborough Court, 133 Fleet Street, London, EC4A 2BB. The analyst presentation will also be available by webcast and teleconference at 11:00am. The access details are as follows:

Webcast

To access the webcast please click on the following link http://webcast.instinctif.tv/795-1286-16922

Teleconference

The dial-in details for the conference call are:
Standard International Access: +44 (0) 20 3003 2666
UK Toll Free: 0808 109 0700
Password: Shawbrook
Please dial-in approximately 5 minutes before the start of the call quoting the password "Shawbrook"

Group Key Performance Indicators

	FY 2015	FY 2014
Assets		
Average principal employed (£m)[1]	2,712.8	1,855.5
Loans and advances to customers (£m)[2]	3,361.0	2,331.0
Originations (£m)	1,684.9	1,366.4
Profitability		
Gross asset yield (%)[3]	8.5	9.0
Liability yield (%)[4]	(2.3)	(2.9)
Net interest margin (%)[5]	6.2	6.1
Management expenses ratio (%)[6]	(3.0)	(3.1)
Cost of risk (%)[7]	(0.24)	(0.36)
Return on lending assets before tax (%)[8]	3.0	2.6
Return on lending assets after tax (%)[9]	2.5	2.0
Return on tangible equity (%)[10]	27.9	26.9
Cost/income ratio (%)[11]	48.3	50.5
Asset quality		
Ratio of impaired loans (%)[12]	0.5	0.6
Ratio of past due over 90 days and impaired loans (%)[13]	0.8	0.8
Forbearance cases[14]	559	531
Forbearance principal employed (£m)[15]	19.0	8.7
Balance sheet		
Loan-to-deposit ratio (%)[16]	104.2	94.4

	FY 2015	FY 2014
Liquidity		
Liquidity ratio (%)[17]	25.8	21.1
Ratio of liquidity buffer eligible assets to liquidity balances (%)[18]	96.2	92.8
Capital and leverage		
CET1 ratio (%)[19]	14.4	11.6
Total capital ratio (%)[20]	18.0	13.9
Leverage ratio (%)[21]	7.9	6.3
Other		
Employees - Full time equivalents (period average)	514	414

Divisional Key Performance Indicators

Commercial Mortgages

	FY 2015	FY 2014
Assets		
Average principal employed (£m)[1]	1,140.6	725.7
Loans and advances to customers (£m)[2]	1,595.9	968.9
Originations (£m)	627.2	550.9
Profitability		
Gross asset yield (%)[3]	6.5	6.5
Liability yield (%)[4]	(2.2)	(2.3)
Net interest margin (%)[5]	4.3	4.2
Management expenses ratio (%)[6]	(0.7)	(0.9)
Cost of risk (%)[7]	(0.03)	(0.14)
Return on lending assets before tax (%)[8]	3.5	3.2
Asset quality		
Ratio of impaired loans (%)[12]	0.1	0.2
Ratio of past due over 90 days and impaired loans (%)[13]	0.2	0.2
Forbearance cases[14]	14	—
Forbearance principal employed (£m)[15]	2.6	—

Asset Finance

	FY 2015	FY 2014
Assets		
Average principal employed (£m)[1]	652.6	495.4
Loans and advances to customers (£m)[2]	761.2	564.1
Originations (£m)	510.6	386.1
Profitability		
Gross asset yield (%)[3]	9.9	10.3
Liability yield (%)[4]	(2.2)	(2.5)
Net interest margin (%)[5]	7.6	7.8
Management expenses ratio (%)[6]	(1.1)	(1.5)
Cost of risk (%)[7]	(0.23)	(0.30)
Return on lending assets before tax (%)[8]	6.3	6.0

	FY 2015	FY 2014
Asset quality		
Ratio of impaired loans (%)[12]	0.6	0.4
Ratio of past due over 90 days and impaired loans (%)[13]	0.9	0.8
Forbearance cases[14]	123	19
Forbearance principal employed (£m)[15]	3.8	2.2

Business Credit

	FY 2015	FY 2014
Assets		
Average principal employed (£m)[1]	199.1	105.3
Loans and advances to customers (£m)[2]	183.3	169.8
Originations (£m)	115.7	47.9
Sales volume (£m)[22]	2,740	2,800
Profitability		
Gross asset yield (%)[3]	9.4	10.2
Liability yield (%)[4]	(2.2)	(2.5)
Net interest margin (%)[5]	7.2	7.7
Management expenses ratio (%)[6]	(3.2)	(3.1)
Cost of risk (%)[7]	(1.16)	(0.28)
Return on lending assets before tax (%)[8]	2.9	4.3
Asset quality		
Ratio of impaired loans (%)[12]	1.0	0.2
Ratio of past due over 90 days and impaired loans (%)[13]	1.0	0.2
Forbearance cases[14]	3	—
Forbearance principal employed (£m)[15]	5.8	—

Secured Lending

	FY 2015	FY 2014
Assets		
Average principal employed (£m)[1]	451.4	354.1
Loans and advances to customers (£m)[2]	487.2	401.3
Originations (£m)	204.6	191.3
Profitability		
Gross asset yield (%)[3]	9.1	9.7
Liability yield (%)[4]	(2.9)	(3.2)
Net interest margin (%)[5]	6.2	6.5
Management expenses ratio (%)[6]	(1.2)	(1.2)
Cost of risk (%)[7]	(0.13)	0.03
Return on lending assets before tax (%)[8]	4.8	5.4
Asset quality		
Ratio of impaired loans (%)[12]	0.6	0.6
Ratio of past due over 90 days and impaired loans (%)[13]	1.5	1.4
Forbearance cases[14]	170	122
Forbearance principal employed (£m)[15]	5.1	3.7

Consumer Lending

	FY 2015	FY 2014
Assets		
Average principal employed (£m)[1]	269.1	175.0
Loans and advances to customers (£m) [2]	333.4	226.9
Originations (£m)	226.8	190.2
Profitability		
Gross asset yield (%)[3]	10.6	11.5
Liability yield (%)[4]	(2.6)	(2.9)
Net interest margin (%)[5]	8.1	8.6
Management expenses ratio (%)[6]	(3.0)	(3.1)
Cost of risk (%)[7]	(0.67)	(2.29)
Return on lending assets before tax (%)[8]	4.4	3.1
Asset quality		
Ratio of impaired loans (%)[12]	1.7	2.8
Ratio of past due over 90 days and impaired loans (%)[13]	1.7	2.8
Forbearance cases[14]	249	390
Forbearance principal employed (£m)[15]	1.7	2.8

Underlying income statements

	FY 2015			
		Adjustments		
	Statutory accounts basis	IPO transaction costs[23]	Corporate activity costs[24]	Underlying results
		(£m)		
Interest income and similar income	216.9	—	—	216.9
Interest expense and similar charges	(63.8)	—	0.5	(63.3)
Net interest income	**153.1**	—	**0.5**	**153.6**
Net income from operating leases	3.8	—	—	3.8
Net fee and commission income	10.3	—	—	10.3
Fair value losses on financial instruments	(0.3)	—	—	(0.3)
Net operating income	**166.9**	—	**0.5**	**167.4**
Administrative expenses	(88.7)	8.9	0.6	(79.2)
Impairment losses on financial assets	(6.5)	—	—	(6.5)
Provisions for liabilities and charges	(1.6)	—	—	(1.6)
Profit before taxation	**70.1**	**8.9**	**1.1**	**80.1**
Income tax charge [25]	(11.6)	(1.0)	(0.2)	(12.8)
Profit for the period, attributable to owners	**58.5**	**7.9**	**0.9**	**67.3**

	FY 2014			
		Adjustments		
	Statutory accounts basis	IPO transaction costs(23)	Corporate activity costs(24)	Underlying results
		(£m)		
Interest income and similar income	156.7	—	—	156.7
Interest expense and similar charges	(54.0)	—	0.6	(53.4)
Net interest income	**102.7**	**—**	**0.6**	**103.3**
Net income from operating leases	3.7	—	—	3.7
Net fee and commission income	5.9	—	—	5.9
Fair value losses on financial instruments	(0.1)	—	—	(0.1)
Net operating income	**112.2**	**—**	**0.6**	**112.8**
Administrative expenses	(59.1)	0.6	2.6	(55.9)
Impairment losses on financial assets	(6.7)	—	—	(6.7)
Provisions for liabilities and charges	(1.1)	—	—	(1.1)
Profit before taxation	**45.3**	**0.6**	**3.2**	**49.1**
Income tax charge (25)	(10.8)	(0.1)	(0.2)	(11.1)
Profit for the period, attributable to owners	**34.5**	**0.5**	**3.0**	**38.0**

About Shawbrook

Shawbrook is an independent specialist lending and savings bank serving UK SMEs and consumers with tailored products designed to address a selection of high growth sub-sectors of the overall lending industry. The Group's lending activities are primarily funded by a stable retail deposit book consisting of easy access and ISA accounts, variable rate long-dated notice accounts (mostly 95 - 120 days' notice) and fixed rate fixed term accounts (mostly one - five years). Shawbrook Bank Limited is an operating entity of Shawbrook Group plc. In April 2015, Shawbrook Group plc's shares (SHAW.L) listed on the Main Market of the London Stock Exchange. Shawbrook Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the Financial Services Compensation Scheme.

Important disclaimer

Certain information contained in this announcement, including any information as to the Group's strategy, market position, plans or future financial or operating performance, constitutes "forward looking statements". Such forward-looking statements are made based upon the expectations and beliefs of the Group's directors concerning future events impacting the Group, including numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate going forward, which may prove to be inaccurate. As such, the forward-looking statements contained in this announcement involve known and unknown risks and uncertainties, which may cause the actual results, performance or achievements of the Group or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

KPI definitions and underlying income statement adjustments:

Percentages and certain amounts included in this Press Release have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

1. Average principal employed is calculated as the average of monthly closing loans and advances to customers, net of impairment provision, from the Group's financial reporting and management information systems, including operating leases, which are classified as property, plant and equipment in the Group's statutory accounts. For Business Credit 2014, we have taken a full year average, which includes nil assets for the pre-acquisition period. Three inorganic acquisitions were made during 2015, the last of which completed in December 2015. The average principal employed for 2015 does not include this acquisition as no underlying income or expenditure in the 2015 period related to this.
2. Loans and advances to customers is presented net of impairment provision and includes operating leases, which are classified as property, plant and equipment in the Group's statutory accounts.
3. Asset yield is calculated as the sum of underlying interest receivable and similar income, net income from operating leases, net fee and commission income and fair value losses on financial instruments, divided by average principal employed.
4. Liability yield is calculated as underlying interest expense and similar charges divided by average principal employed.
5. Net interest margin is calculated as underlying net operating income divided by average principal employed.
6. Management expenses ratio is calculated as underlying administrative expenses plus provisions for liabilities and charges, divided by average principal employed.
7. Cost of risk is calculated as impairment losses on financial assets divided by average principal employed.
8. Return on lending assets before tax is calculated as underlying profit before taxation divided by average principal employed.
9. Return on lending assets after tax is calculated as underlying profit for the year attributable to owners divided by average principal employed.
10. Return on tangible equity is calculated as underlying profit for the year attributable to owners divided by average tangible equity. Average tangible equity is calculated as total equity less intangible assets at the beginning of a period plus total equity less intangible assets at the end of the period, divided by two.
11. The cost/income ratio is calculated as underlying administrative expenses plus provisions for liabilities and charges, divided by underlying net operating income.
12. The ratio of impaired loans is calculated by dividing impaired loans and advances to customers by total gross loans and advances to customers.

13. The ratio of past due over 90 days and impaired loans is calculated by adding past due over 90 days loans and advances to customers and impaired loans and advances to customers and dividing the sum by total gross loans and advances to customers.
14. Forbearance cases is the number of cases for which the Group has granted concession to the borrower due to reasons relating to actual or apparent financial stress.
15. Forbearance principal employed is the sum of the principal employed in each of the forbearance cases.
16. The loan-to-deposit ratio is calculated as loans and advances to customers divided by customer deposits.
17. The liquidity ratio is calculated as the liquidity reserve divided by customer deposits. The liquidity reserve comprises cash and balances at central banks (excluding mandatory balances held with central banks), loans and advances to banks, off balance sheet T-Bills but excludes additional available liquidity from pre-positioned assets.
18. The ratio of liquidity buffer eligible assets to liquidity balances is calculated as the proportion of liquidity balances that are eligible for use in the liquidity buffer to total liquidity balances.
19. The CET1 (i.e. Common Equity Tier 1) ratio is calculated as common equity tier 1 capital divided by risk-weighted assets at the Group level.
20. The total capital ratio is calculated as total regulatory capital divided by risk-weighted assets at the Group level.
21. The leverage ratio is calculated as common equity tier 1 capital divided by the sum of total assets less intangible assets. Due to other off balance sheet items, this calculation may differ to the regulatory calculation of leverage.
22. Sales volume is calculated as the sum of total client turnover in the Business Credit division. The Sales Volume presented for FY 2014 includes the pre-acquisition period.
23. IPO costs include expenses incurred in 2015 in relation to the successful listing of Shawbrook Group plc on the LSE main market and recognised in the Income Statement. A further £3.7m was recognised in equity. IPO transaction costs incurred in 2014 relate to a one-off cost in respect of a former employee that materialised upon IPO.
24. Corporate activity costs in 2015 include a final £0.6 million of deferred consideration incurred in connection with the acquisition of Money2Improve in November 2012. In addition, costs incurred in relation to the acquisition of three asset portfolios (including the incremental costs of raising additional deposits to fund inorganic growth) have been excluded from the underlying results. 2014 corporate activity costs include both external costs incurred in acquiring businesses and internal costs, such as surplus funding costs, incurred whilst building up the liquidity required to complete a deal. The majority (£2.5m) of costs related to the acquisition of Centric Commercial Finance in June 2014. In addition, corporate activity includes £0.6m of deferred consideration incurred in connection with the acquisition of Money2Improve in November 2012. Within this adjustment, £2.1m is disallowable for tax purposes.
25. Income tax charge on underlying adjustments has been calculated at the implied corporation tax rate. Income tax charge on certain underlying adjustments has been assumed as £nil on the basis of being disallowable for tax purposes.