

Interim Management Statement – Q1 2016

5 May 2016

Shawbrook Group plc – Continued strength in organic originations and underlying profitability

Shawbrook Group plc (“Shawbrook” or “the Group”) today issues its Interim Management Statement relating to the first Quarter from 1 January to 31 March 2016 (“the Quarter”).

Steve Pateman, CEO said:

“Shawbrook has started the year well with Q1 2016 underlying¹ profit before tax up 29% to £22.3 million compared to Q1 2015 and ROTE improving to 23.1% on a rolling 12 month basis (from 22.7% in FY 2015²). We will be providing analysts and investors with an update on our longer term strategic direction through to 2020 later this morning.

Organic originations are ahead of a strong comparable quarter in Q1 2015 at £475 million with well spread growth at margins ahead of management expectations. The stronger flows in Property as a result of heightened activity ahead of the Stamp Duty Land Tax changes introduced for BTL properties in the 2016/17 tax year, together with the Q1 impact of the Property acquisition in December 2015 combined to create a negative mix impact on NIM. We would expect to see less weighting in Property originations over the balance of 2016, we anticipate achieving a RoTE in line with Q1 2016 on a NIM of circa 5.5% supported by a low cost of risk and good progress in reducing our Cost Income Ratio.”

Outlook

Looking forward, pipelines are healthy and supportive of our growth objectives and with stability in margins, coupled with expected origination flows, we remain confident of delivering on our near to medium term prospects.

There are a range of political, economic and interest rate uncertainties which may present some challenges, however the diversity within our business and the growth potential in our core markets give us confidence in our ambition to meet the needs of businesses and consumers who are less well served by the mainstream banks.

Key Highlights

- **Underlying profit before taxation grown by 29% (Q1 2016 vs. Q1 2015), driven by increased originations and continued operational leverage**
- **Organic originations up 8% in Q1 2016 to £475m (Q1 2015: £440m)**
 - **Property Finance originations of £237m in Q1 2016 (Q1 2015: £231m) reflect the activity ahead of the Stamp Duty Land Tax changes introduced for BTL properties and compares to the Q1 2015 pre-election uplift**
 - **Business Finance increased originations by 5% to £177m in Q1 2016 (Q1 2015: £168m) with Structured Finance seeing a 20% increase in originations to £58m over the same period**
 - **Consumer delivered 51% growth in originations to £61m in Q1 2016 (Q1 2015: £41m) with personal loans providing continued and carefully selected flow**
- **Net loans & advances to customers increased 6% to £3.57bn in the three months to 31 March 2016**
- **Strong growth in our new ISA and Easy Access offering in Q1 2016 with new deposits substituting higher cost maturing deposits**

¹ Please see the appendix to this IMS for a reconciliation from statutory PBT to underlying PBT.

² Shawbrook Group will now transition to presenting a rolling twelve month Return on Tangible Equity, using the opening and closing TNAV from the 12 months ending on the reporting period in question, divided by 2 to obtain the average. This will be compared to the previous reporting period in question. The reported RoTE for FY 2015 of 27.9% is adjusted to remove the impact of the DTA revaluation (1.3%) and the full year annualisation of the IPO (3.9% - assumes the net IPO proceeds of £82m were available for the full reporting period).

- **12 month rolling Return on Tangible Equity for the Group was 23.1%, demonstrating stability against the FY 2015 proforma of 22.7% (adjusted for the DTA revaluation and annualisation of IPO proceeds). The Group continues to support the future balance sheet growth with retained earnings and strong levels of regulatory capital**
- **CET1 Capital Ratio of 13.4%, Total Capital Ratio of 16.6% and Leverage Ratio of 8.1%**

Strategic Update

Our strategy will continue to deliver growth in organic originations at strong risk adjusted returns. We maintain our focus on the high quality of our lending portfolio, supported by prudent levels of capital, funding and liquidity and the Group continues to explore a number of attractive product and market adjacencies where strong returns can be generated by deploying our specialist approach and proven relationship-based lending model.

Key highlights include:

- Shawbrook confirms near and medium term guidance for origination volumes and growth;
- Shawbrook announces a 2020 target of £8.5bn of customer loan balances;
- The Group reiterates its expectation of delivering return on equity of between 22 to 25%;
- Shawbrook expects to manage to a minimum CET1 ratio above 12.0% and reiterates its commitment to a modest maiden dividend expected to be paid in respect of the 2016 financial year rising to 30% of post-tax statutory profits by 2017; and
- Shawbrook remains committed to its leading return on equity targets as the diversity of its business ensures that NIM movements resulting from changes in business mix are balanced by capital requirements and ongoing improvements in operational efficiency.

The senior management team is presenting Shawbrook's Strategic Update at 9:00 a.m. on 5 May 2016 at Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ. The Strategic Update will also be available by webcast from 9:00 a.m. To access the webcast and presentations from 9:00 a.m., please use the following links:

Webcast: <http://webcast.instinctif.tv/795-1286-16981>

Slides: <https://investors.shawbrook.co.uk/result-reports>

Underlying income statements

	Q1 2016			
	Statutory accounts basis	Adjustments		Underlying results
		Corporate activity ⁽¹⁾	IFRS 2 charge ⁽²⁾	
	(£m) (unaudited)			
Interest income and similar income	62.9	—	—	62.9
Interest expense and similar charges	(20.2)	1.0	—	(19.2)
Net interest income	42.7	1.0	—	43.7
Net income from operating leases	0.7	—	—	0.7
Net fee and commission income	2.5	—	—	2.5
Net operating income	45.9	1.0	—	46.9
Administrative expenses	(23.9)	—	1.7	(22.2)
Impairment losses on financial assets	(2.5)	—	—	(2.5)
Provisions for liabilities and charges	0.1	—	—	0.1
Profit before taxation	19.6	1.0	1.7	22.3
Income tax charge ⁽⁴⁾	(4.4)	(0.2)	(0.3)	(4.9)
Profit for the period, attributable to owners	15.2	0.8	1.4	17.4

	Q1 2015			
	Statutory accounts basis	Adjustments		Underlying results
		Corporate activity ⁽¹⁾	IPO Costs ⁽³⁾	
	(£m) (unaudited)			
Interest income and similar income	47.8	—	—	47.8
Interest expense and similar charges	(14.8)	—	—	(14.8)
Net interest income	33.0	—	—	33.0
Net income from operating leases	1.2	—	—	1.2
Net fee and commission income	2.4	—	—	2.4
Net operating income	36.6	—	—	36.6
Administrative expenses	(21.7)	0.2	3.4	(18.1)
Impairment losses on financial assets	(1.2)	—	—	(1.2)
Provisions for liabilities and charges	—	—	—	—
Profit before taxation	13.7	0.2	3.4	17.3
Income tax charge ⁽⁴⁾	(3.6)	—	—	(3.6)
Profit for the period, attributable to owners	10.1	0.2	3.4	13.7

Underlying income statement adjustments

1. Corporate activity costs in Q1 2016 include the incremental costs of raising additional deposits to fund inorganic growth. Q1 2015 corporate activity costs includes £0.15 million of deferred consideration incurred in connection with the acquisition of Money2Improve in November 2012.
2. IFRS 2 charges recognised in relation to share based awards made to Steve Pateman (Chief Executive) in January 2016, which were fully funded by Special Opportunities Fund (Guernsey) LP.
3. IPO costs include expenses incurred in Q1 2015 in relation to the successful listing of Shawbrook Group plc on the LSE main market and recognised in the Income Statement.
4. 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.

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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.