

Interim Management Statement - Q1 2017

2 May 2017

Shawbrook Group plc - Progressive growth within disciplined credit and returns metrics

Shawbrook Group plc ("Shawbrook" or "the Group") today issues its Interim Management Statement relating to the three months ended 31 March 2017 ("Q1 2017").

Steve Pateman, CEO said:

"Shawbrook has continued to trade in line with management expectations; Group originations totalled £495 million which represented an uplift of 4% on a strong Q1 2016. Our Q1 2017 BTL originations reduced by 12% compared with Q1 2016, significantly outperforming the contraction in the market following the Q1 2016 surge in advances ahead of the stamp duty implementation. We have maintained NIM at 5.5% despite significant pricing pressures on front book flows and a higher level of back book redemptions reflecting the high levels of market liquidity.

We have continued to add products to our portfolio launching the 'over 55 mortgage', extending our Business Finance presence both in the UK and in Jersey, growing our Development Finance business and extending our network of relationships in Consumer with the addition of Confused.com. Further additions are on track for later in the year with Complex Mortgages and Motor Finance.

Cost of risk reflected the benign market conditions albeit these conditions undoubtedly contribute to the continued softness we are seeing in risk and return disciplines across the market and we are very conscious of the need to maintain our focus on RoTE which continues to trade in line with management's expectations.

We continue to manage costs tightly whilst investing in growth opportunities. However, there will be significant one-off costs associated with the bid, in the region of £4.0 million (excluding any applicable VAT) if the bid is aborted or unsuccessful and between £9.0 million and £12.5 million (excluding any applicable VAT) if the bid is successful.

Our Q1 2017 performance reflects the resilience inherent in our diverse business-we can continue to grow within our risk and return disciplines notwithstanding a significant contraction in flows in the BTL market, and whilst market risk and return dynamics are competitive, we believe that we can continue to grow prudently and in line with our upper quartile RoTE ambitions generating significant value for our shareholders over and above that implied in the current offer from Marlin Bidco."

Key Highlights

- **Achieved strong risk adjusted returns with 12m rolling RoTE continuing to be in line with management's expectations**
 - Ø Stable NIM at 5.5% with competitive pressures being successfully offset by further tailwinds in cost of funding
 - Ø Continued operational leverage as the Group grows, however there will be significant one-off costs associated with the bid, in the region of £4.0 million (excluding any applicable VAT) if the bid is aborted or unsuccessful and between £9.0 million and £12.5 million (excluding any applicable VAT) if the bid is successful
- **Maintained excellent credit quality with cost of risk remaining lower than anticipated through the cycle loss rates supported by continued discipline in underwriting standards and risk appetite**
- **Progressively increased organic originations to £0.5 billion (4% increase on a strong Q1 2016 which benefitted from the stamp duty implementation)**
 - Ø Loans and advances to customers increased 3% in Q1 2017, reaching in excess of £4.2 billion at 31 March 2017
 - Ø Strong pipeline mitigating accelerated repayments in some of our markets reflecting continued high levels of liquidity making refinancing an attractive option for some of our customers
- **Maintained conservative foundations with stable capital ratios and prudent liquidity and funding structure**
- **Continued enhancement of customer focus across all divisions:**
 - Ø Property Finance: since the full launch of the 55 plus interest only product offering in mid-March, we have received over 75 enquires to date, with enhanced growth expected throughout the remainder of 2017 as we look to optimise our distribution channels and capabilities
 - Ø Business Finance: further enhancement of the product offering through our Jersey subsidiary, and continued expansion of our RBCs
 - Ø Consumer: announcement of a partnership deal with Confused.com to assist our educational campaign in targeting those customers who are receiving unfair personal loan rates and provide them with a fair and transparent offering with the flexibility of knowing all of the key terms before carrying out a hard search and leaving a footprint on their credit file

ENQUIRIES

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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.

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