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Shawbrook Group PLC
28 July 2015

Half year results for the six months ended 30 June 2015 and Interim Report

28 July 2015

Shawbrook Group plc

Shawbrook Group plc ("Shawbrook" or "the Group") today announces continued strong performance, in line with market expectations and the good progress made during the six months to 30 June 2015.

Commenting on the results, Interim CEO and CFO Tom Wood said:

"We are delighted to report a strong first half performance with underlying PBT up 94% from the first half of 2014 driven by a 38% increase in the loan book, with gross originations up 31% as applications and completion volumes continued to build on the strong momentum seen during the second half of 2014.

"The business remains well placed to respond to the changing regulatory environment and deliver growth by maximising opportunities in our existing markets, capitalising on the embedded growth in our current loan origination capability and working closely with customers and business partners to develop new products and expand into new specialist markets.

"While competition remains high and we saw some slowdown in volumes ahead of the election following a very strong Q1, we remain confident that we will continue to originate good quality, profitable business and remain on track to deliver our targets outlined at the IPO, including £1.6 billion of originations in 2015 and targeted annual net loan book growth of £0.7-0.8 billion."

Financial Highlights [1]

- The Group delivered a strong performance in the first half of 2015, with underlying profit before taxation increasing by 94% to £34.8m from £17.9m in the first half of 2014 (statutory PBT increased by 84% to £24.7m from £13.4m in the first half of 2014).

  Ø EPS [2] for the first half of 2015 amounted to 11.1p.

- This increase in profitability has been driven by a 17% increase in the loan book [3] to £2,717m from £2,331m at 31 December 2014 (38% year-on-year growth from £1,969m at 30 June 2014). Gross organic originations of £812m [4] in the six months ended 30 June 2015 were 31% higher compared to £621m in the first half of 2014, as momentum from 2014 flowed into 2015.

  Ø Last 12 months originations to 30 June 2015 were £1.56bn (30 June 2014: £1.20bn)

- Gross yield compression from 8.9% in the first half of 2014 to 8.5% has been largely driven by business mix due to strong organic mortgage originations in the Commercial Mortgages division and strong book growth in the Wholesale Financing portfolio. Competition in Shawbrook's markets remains an on-going factor, however we are confident that we can continue writing good quality, profitable business.

- Net interest margin has remained stable at 6.1% in the first half of 2015, benefitting from a continued reduction in the cost of funds. During H1 2015 the Group introduced the ISA product and is planning to launch a full market Easy Access product in the second half of the year, both of which are expected to contribute to a further reduction in the cost of funds.

- The Group has seen a reduction in the cost to income ratio to 48.9% (H1 2014: 52.6%) despite significant investment in people, technology and infrastructure.

- The Group continues to experience low cost of risk (H1 2015: 36bps) contributing to the delivery of a high risk adjusted margin, reflective of a benign economic environment and our focus on originating quality business.

- The business continues to see opportunities for growth, however the Group's priority is to maintain asset quality through consistent underwriting to ensure that we continue to price risk appropriately on a through the cycle basis.

- This increased customer activity maintained our track record of strong returns with RoTE of 25.1% and pre-tax RoA of 2.8% compared to a RoTE of 21.5% and pre-tax RoA of 2.3% in H1 2014

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[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 250m. On a statutory basis, this is 8.0p per note 20 of the Interim Report.

[3] Including operating leases.

[4] In addition, the Group acquired a second tranche of loans from the Commercial First Group Limited in February 2015 for £11 million, with the first tranche being purchased in November 2014.

IPO and Board

- Successful IPO with admission to the LSE on 8 April 2015, raising £90m of gross primary proceeds to support the Bank's capital position and future growth.
- Admitted into the FTSE 250 on 22 June 2015.
- The appointment of Iain Cornish as Chairman.
- Stephen Johnson appointed to the Board of Directors as Deputy Chief Executive. Richard Pyman, Chief Executive, continues his temporary leave of absence, as announced on 21 May 2015. A further update will be provided in due course.

Capital and funding position

- Capital ratios have strengthened in the first half of 2015, with the IPO generating £82m (net of costs) of new capital, resulting in a CET1 ratio of 15.2% (31 December 2014: 11.6%) and total capital ratio of 17.2% (31 December 2014: 13.9%).
- The strong capital base has allowed the Bank to accelerate its growth during the first half of 2015, whereby it has continued to expand its support to UK customers through its SME and Consumer focused businesses.
- The loan book is predominantly retail deposit funded, with a loan to deposit ratio of 102% at 30 June 2015.

Investing in our people, technology and infrastructure

- In 2015, significant investment was made in the on-going development of the Group to ensure it continues to meet customer expectations and the demands of being a listed entity and increasing regulatory requirements.
- This investment includes headcount increases to 521 at June 2015 (31 December 2014: 461). The Group has also invested in a number of areas of the business, with progress across all areas of the business including the positive launch of ISA products and the growth of Easy Access in the Savings business.
- The second half of 2015 will see further investment in people, systems and processes to ensure that the operating platform remains robust and sustainable and supports the Group's growth plans.

Outlook

- The Group's balance sheet is positively positioned to benefit from rising interest rates, however given the unclear economic outlook, the timing of any anticipated benefit is uncertain.
- Looking to the future, the Group is on track to deliver against the targets that were made to the public markets during IPO, including:
    - Ø To increase gross originations to above £2 billion per financial year by 2017;
    - Ø To maintain a NIM at approximately 6% in the medium term;
    - Ø To further reduce cost:income ratio to approximately 40% in the medium term with further improvement from there; and
    - Ø To pay a modest maiden dividend in respect of the financial year ending 31 December 2016 with the target rising to 30 per cent. of post-tax statutory profits by 2017 and a progressive policy thereafter.

Group Key Performance Indicators

	H1 2015 (1)	FY 2014	H1 2014 (1)
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Average principal employed (£m)(2)	2,551.2	1,855.5	1,593.4
Loans and advances to customers (£m) (3)	2,716.7	2,331.0	1,968.9
Originations (£m)	811.9	1,366.4	620.8
Profitability			
Gross asset yield (%)(4)	8.5	9.0	8.9
Liability yield (%)(5)	(2.4)	(2.9)	(3.1)
Net interest margin (%)(6)	6.1	6.1	5.9
Management expenses ratio (%)(7)	(3.0)	(3.1)	(3.1)
Cost of risk (%)(8)	(0.36)	(0.36)	(0.52)
Return on lending assets before tax (%)(9)	2.8	2.6	2.3
Return on lending assets after tax (%)(10)	2.2	2.0	1.8

	H1 2015 (1)	FY 2014	H1 2014 (1)
Return on tangible equity (%)(11)	25.1	26.9	21.5
Cost/income ratio (%)(12)	48.9	50.5	52.6
Asset quality			
Ratio of impaired loans (%)(13)	0.7	0.6	0.6
Ratio of past due over 90 days and impaired loans (%)(14)	0.9	0.8	0.8
Forbearance cases(15)	720	531	264
Forbearance principal employed (£m)(16)	12.3	8.7	4.8
Balance sheet			
Loan-to-deposit ratio (%)(17)	102.0	94.4	91.0
Liquidity			
Liquidity ratio (%)(18)	17.9	21.1	20.1
Ratio of liquidity buffer eligible assets to liquidity balances (%)(19)	94.5	92.8	96.4
Capital and leverage			
CET1 ratio (%)(20)	15.2	11.6	12.0
Total capital ratio (%)(21)	17.2	13.9	14.5
Leverage ratio (%)(22)	9.2	6.3	6.3
Other			
Employees - Full time equivalents (period average)	489	414	388

Divisional Key Performance Indicators

Commercial Mortgages

	H1 2015 (1)	FY 2014	H1 2014 (1)
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Average principal employed (£m)(2)	1,073.8	725.7	621.0
Loans and advances to customers (£m) (3)	1,147.6	968.9	719.0
Originations (£m)	306.6	550.9	231.9
Profitability			
Gross asset yield (%)(4)	6.3	6.5	6.5
Liability yield (%)(5)	(2.1)	(2.3)	(2.4)
Net interest margin (%)(6)	4.2	4.2	4.0
Management expenses ratio (%)(7)	(0.8)	(0.9)	(0.9)
Cost of risk (%)(8)	(0.06)	(0.14)	(0.10)
Return on lending assets before tax (%)(9)	3.4	3.2	3.0

	H1 2015 (1)	FY 2014	H1 2014 (1)
Asset quality			
Ratio of impaired loans (%)(13)	0.2	0.2	0.3
Ratio of past due over 90 days and impaired loans (%)(14)	0.2	0.2	0.3
Forbearance cases(15)	–	–	–
Forbearance principal employed (£m)(16)	–	–	–

Asset Finance

	H1 2015 (1)	FY 2014	H1 2014 (1)
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Average principal employed (£m)(2)	609.2	495.4	466.4
Loans and advances to customers (£m) (3)	641.0	564.1	495.2
Originations (£m)	241.4	386.1	182.0
Profitability			
Gross asset yield (%)(4)	10.0	10.3	10.7
Liability yield (%)(5)	(2.3)	(2.5)	(2.7)
Net interest margin (%)(6)	7.7	7.8	8.0
Management expenses ratio (%)(7)	(1.2)	(1.5)	(1.6)
Cost of risk (%)(8)	(0.36)	(0.30)	(0.43)
Return on lending assets before tax (%)(9)	6.1	6.0	6.0
Asset quality			
Ratio of impaired loans (%)(13)	0.7	0.4	0.6
Ratio of past due over 90 days and impaired loans (%)(14)	0.8	0.8	0.8
Forbearance cases(15)	38	19	16
Forbearance principal employed (£m)(16)	3.6	2.2	1.6

Business Credit

	H1 2015 (1)	FY 2014	H1 2014 (1)
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Average principal employed (£m)(2)	195.9	105.3	n/a
Loans and advances to customers (£m) (3)	211.6	169.8	212.8
Originations (£m)	64.6	47.9	3.9
Sales volume (£m)(23)	1,307	2,800	n/a
Profitability			
Gross asset yield (%)(4)	9.7	10.2	n/a
Liability yield (%)(5)	(2.2)	(2.5)	n/a

	H1 2015 [1]	FY 2014	H1 2014 [1]
Net interest margin (%)[6]	7.5	7.7	n/a
Management expenses ratio (%)[7]	(3.3)	(3.1)	n/a
Cost of risk (%)[8]	(1.54)	(0.28)	n/a
Return on lending assets before tax (%)[9]	2.7	4.3	n/a
Asset quality			
Ratio of impaired loans (%)[13]	0.8	0.2	–
Ratio of past due over 90 days and impaired loans (%)[14]	0.8	0.2	–
Forbearance cases[15]	–	–	–
Forbearance principal employed (£m)[16]	–	–	–

Secured Lending

	H1 2015 [1]	FY 2014	H1 2014 [1]
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Average principal employed (£m)[2]	430.8	354.1	327.7
Loans and advances to customers (£m) [3]	456.2	401.3	358.5
Originations (£m)	109.4	191.3	103.3
Profitability			
Gross asset yield (%)[4]	9.2	9.7	9.8
Liability yield (%)[5]	(3.1)	(3.2)	(3.3)
Net interest margin (%)[6]	6.1	6.5	6.5
Management expenses ratio (%)[7]	(1.3)	(1.2)	(1.2)
Cost of risk (%)[8]	(0.05)	0.03	(0.37)
Return on lending assets before tax (%)[9]	4.8	5.4	4.9
Asset quality			
Ratio of impaired loans (%)[13]	0.7	0.6	1.0
Ratio of past due over 90 days and impaired loans (%)[14]	1.6	1.4	1.4
Forbearance cases[15]	188	122	64
Forbearance principal employed (£m)[16]	5.4	3.7	1.9

Consumer Lending

	H1 2015 [1]	FY 2014	H1 2014 [1]
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Average principal employed (£m)[2]	241.5	175.0	148.0
Loans and advances to customers (£m) [3]	260.3	226.9	183.4
Originations (£m)	89.9	190.2	99.7

	H1 2015 [1]	FY 2014	H1 2014 [1]
Profitability			
Gross asset yield (%)[4]	10.9	11.5	11.3
Liability yield (%)[5]	(2.6)	(2.9)	(3.0)
Net interest margin (%)[6]	8.3	8.6	8.3
Management expenses ratio (%)[7]	(3.1)	(3.1)	(4.0)
Cost of risk (%)[8]	(1.34)	(2.29)	(2.86)
Return on lending assets before tax (%)[9]	3.8	3.1	1.5
Asset quality			
Ratio of impaired loans (%)[13]	2.9	2.8	2.2
Ratio of past due over 90 days and impaired loans (%)[14]	2.9	2.8	2.2
Forbearance cases[15]	494	390	184
Forbearance principal employed (£m)[16]	3.3	2.8	1.3

Underlying income statements

	H1 2015					
		Adjustments				
	Statutory accounts basis	IPO transaction costs[24]	IFRS 2 charge[25]	Corporate activity costs[26]	FSCS Levy[27]	Underlying results
			(£m) (unaudited)			
Interest income and similar income	100.3	–	–	–	–	100.3
Interest expense and similar charges	(30.4)	–	–	–	–	(30.4)
Net interest income	**69.9**	--	--	--	--	**69.9**
Net income from operating leases	2.3	–	–	–	–	2.3
Net fee and commission income	4.9	–	–	–	–	4.9
Net operating income	**77.1**	--	--	--	--	**77.1**
Administrative expenses	(46.2)	0.3	4.2	4.0	–	(37.7)
Impairment losses on financial assets	(4.6)	–	–	–	–	(4.6)
Provisions for liabilities and charges	(1.6)	–	–	–	1.6	–
Profit before taxation	**24.7**	**0.3**	**4.2**	**4.0**	**1.6**	**34.8**
Income tax charge [28]	(5.9)	(0.1)	–	(0.8)	(0.3)	(7.1)
Profit for the period, attributable to owners	**18.8**	**0.2**	**4.2**	**3.2**	**1.3**	**27.7**

	FY 2014			
		Adjustments		
	Statutory accounts basis	IPO transaction costs[24]	Corporate activity costs[26]	Underlying results
		(£m) (Audited)		
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)

	FY 2014			
		Adjustments		
	Statutory accounts basis	IPO transaction costs(24)	Corporate activity costs(26)	Underlying results
		(£m) (Audited)		
Net operating income	**112.2**	**0.6**	**--**	**112.8**
Administrative expenses	(59.1)	2.6	0.6	(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**	**3.2**	**0.6**	**49.1**
Income tax charge (28)	(10.8)	(0.2)	(0.1)	(11.1)
Profit for the period, attributable to owners	**34.5**	**3.0**	**0.5**	**38.0**

	H1 2014				
		Adjustments			
	Statutory accounts basis	IPO transaction costs(24)	Corporate activity costs(26)	FSCS Levy(27)	Underlying results
			(£m) (unaudited)		
Interest income and similar income	67.8	–	–	–	67.8
Interest expense and similar charges	(24.8)	0.6	–	–	(24.2)
Net interest income	**43.0**	**0.6**	**--**	**--**	**43.6**
Net income from operating leases	1.9	–	–	–	1.9
Net fee and commission income	0.9	–	–	–	0.9
Net operating income	**45.8**	**0.6**	**--**	**--**	**46.4**
Administrative expenses	(27.2)	2.2	0.6	--	(24.4)
Impairment losses on financial assets	(4.1)	–	–	–	(4.1)
Provisions for liabilities and charges	(1.1)	–	–	1.1	–
Profit before taxation	**13.4**	**2.8**	**0.6**	**1.1**	**17.9**
Income tax charge (28)	(3.5)	(0.2)	(0.1)	(0.2)	(4.0)
Profit for the period, attributable to owners	**9.9**	**2.6**	**0.5**	**0.9**	**13.9**

ENQUIRIES

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An analyst presentation will be held at 11.00am at Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ. For those unable to attend, please use the following call details to hear the presentation:

Standard International Access: +44 (0) 20 3003 2666

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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 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. All KPI ratios have been annualised for H1 2015 and H1 2014 based on the 181 calendar days between January and June.
2. 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 FY 2014, we have taken a full year average, which includes nil assets for the pre-acquisition period.
3. 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.
4. 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.
5. Liability yield is calculated as underlying interest expense and similar charges divided by average principal employed.
6. Net interest margin is calculated as underlying net operating income divided by average principal employed.
7. Management expenses ratio is calculated as underlying administrative expenses plus provisions for liabilities and charges, divided by average principal employed.
8. Cost of risk is calculated as impairment losses on financial assets divided by average principal employed.
9. Return on lending assets before tax is calculated as underlying profit before taxation divided by average principal employed.
10. Return on lending assets after tax is calculated as underlying profit for the year attributable to owners divided by average principal employed.
11. 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.
12. The cost/income ratio is calculated as underlying administrative expenses plus provisions for liabilities and charges, divided by underlying net operating income. To aid comparability of the half year KPIs, costs associated with the FSCS levy have been excluded from the cost/income calculation for the half year results.
13. The ratio of impaired loans is calculated by dividing impaired loans and advances to customers by total gross loans and advances to customers.
14. 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.
15. 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.
16. Forbearance principal employed is the sum of the principal employed in each of the forbearance cases.
17. The loan-to-deposit ratio is calculated as loans and advances to customers divided by customer deposits.
18. 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.
19. 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.
20. 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. For the H1 2015 ratio, H1 2015 retained earnings have been included.
21. The total capital ratio is calculated as total regulatory capital divided by risk-weighted assets at the Group level. For the H1 2015 ratio, H1 2015 retained earnings have been included.

22. The leverage ratio is calculated as common equity tier 1 capital divided by the sum of total assets less intangible assets.

23. 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.

24. IPO costs include expenses incurred in H1 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 H1 2014 and FY 2014 relate to a one-off cost in respect of a former employee that materialised upon IPO.

25. IFRS 2 charges recognised in relation to share based awards made to employees that vested on listing. Within this adjustment, £3.5m is a transfer from P&L to retained earnings.

26. H1 2015 corporate activity costs include £0.3 million of deferred consideration incurred in connection with the acquisition of Money2Improve in November 2012. H1 2014 and FY 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.

27. Costs relating to the FSCS levy have been excluded from the underlying half year results to aid comparability. The introduction of IFRIC 21 results in the full recognition of costs in April of each applicable year. Note that the FSCS Levy has only been adjusted for half-year results - full year underlying profits and KPIs include costs associated with the FSCS Levy.

28. 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.

Shawbrook Group plc

Interim Report

For the six months ended 30 June 2015

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COMPANY INFORMATION

Non-Executive Directors

Iain Cornish	Chairman appointed 6 July 2015
Sir George Mathewson	appointed 20 March 2015 and resigned 6 July 2015
Lindsey McMurray	
James Scott	resigned 20 March 2015
Graham Alcock	appointed 20 March 2015
Robin Ashton	appointed 20 March 2015
Roger Lovering	appointed 20 March 2015

Executive Directors

Richard Pyman	Chief Executive Officer appointed 20 March 2015
Tom Wood	Interim Chief Executive Officer and Chief Financial Officer appointed 20 March 2015
Stephen Johnson	Deputy Chief Executive Officer appointed 21 May 2015

Secretary & Registered Office

Daniel Rushbrook
Lutea House, Warley Hill Business Park
The Drive, Great Warley
Brentwood
Essex, CM13 3BE

Independent Auditor

KPMG LLP
15 Canada Square
London, E14 5GL

Bankers

Royal Bank of Scotland plc
Bishopsgate
London, EC2M 4RB

Solicitors

Slaughter and May
One Bunhill Row,
London, EC1Y 8YY

Company number: 07240248

"We are delighted to report a strong first half performance with underlying PBT up 94% from the first half of 2014 driven by a 38% increase in the loan book, with gross originations up 31% as applications and completion volumes continued to build on the strong momentum seen in the second half of 2014.

"The business remains well placed to respond to the changing regulatory environment and deliver growth by maximising opportunities in our existing markets, capitalising on the embedded growth in our current loan originations and working closely with customers and business partners to develop new products and expand into new specialist markets.

"While competition remains high and we saw some slowdown in volumes ahead of the election following a very strong Q1, we remain confident that we will continue to originate good quality, profitable business and remain on track to deliver our targets outlined at the IPO, including in excess of £1.6 billion of originations in 2015 and targeted annual net loan book growth of £0.7 - £0.8 billion."

Tom Wood
Interim Chief Executive Officer and Chief Financial Officer

Key Highlights

	6 months ended 30 June 2015 £m	6 months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Interest, net fee and operating lease income	**107.5**	70.6	166.2
Interest expense and similar charges	**(30.4)**	(24.8)	(54.0)
Net operating income	**77.1**	**45.8**	**112.2**
Costs and provisions	**(47.8)**	(28.3)	(60.2)
Impairment losses on financial assets	**(4.6)**	(4.1)	(6.7)
Statutory profit before taxation	**24.7**	**13.4**	**45.3**
Corporate activity	**0.3**	2.8	3.2
IFRS 2 charge *	**4.0**	-	-
Provisions for liabilities and charges	**1.6**	1.1	-
IPO related costs	**4.2**	0.6	0.6
Underlying profit before taxation	**34.8**	**17.9**	**49.1**

*includes Employers National Insurance payable on the IPO share issue.

	6 months ended 30 June 2015	6 months ended 30 June 2014	Year ended 31 December 2014
Net loans (£m)*	**2,717**	1,969	2,331
Originations (£m)	**812**	621	1,366
Net interest margin (%)	**6.1**	5.9	6.1
Cost to income ratio (%)	**48.9**	52.6	50.5
Pre-Tax ROLA (%)	**2.8**	2.3	2.6
ROTE (%)	**25.1**	21.5	26.9
Total capital ratio (%) **	**17.2**	14.5	13.9
Cost of risk (%)	**0.36**	0.52	0.36
Leverage ratio (%)	**9.2**	6.3	6.3
Liquidity coverage ratio ("LCR") (%)	**398**	320	326
Net stable funding ratio ("NSFR") (%)	**116**	115	156

*Net loans includes operating leases

**Includes verified and unverified profits

Chief Executive's Review

It is a privilege to write the first interim statement for Shawbrook Group plc following its well-received Initial Public Offer in April followed by admission to the FTSE 250 on 22 June 2015.

The first six months of the year has been a period of further growth and achievement for the Group with a number of highlights that demonstrate the strength of our franchise and the benefits of the business diversity within the Group.

As we embark on the next stage of the Group's evolution we welcome Iain Cornish as our new Chairman and thank Sir George Mathewson for his support and guidance since the foundation of the Group in 2011. We will benefit from Iain's experience in the coming years.

Our Business

Whilst a new chapter begins for the Group as a public company, it is the foundations that we have built as a specialist bank which have served us well over the past four years and that will sustain and create future growth. Shawbrook competes in a diverse range of specialist markets where its increasing participation is driven by experienced teams, rigorous and bespoke underwriting and excellent relationships with distribution partners. These activities are supported by modern scalable platforms and innovation across the Group. The Bank is predominantly funded by stable, fixed rate retail deposits and also participates in the Bank of England's Funding for Lending Scheme. This stable funding combined with a strong capital base has allowed the Bank to accelerate its growth during the first half of 2015, whereby it has continued to expand its support to UK customers through its SME and Consumer focused businesses.

Highlights

Our customer facing businesses have carried forward the momentum from 2014 into this year. The quality of our service which is delivered by a team of dedicated colleagues has seen material growth in the customer deposit and loan balances, which has translated into impressive financial results:

- The Group delivered a strong performance in the first half of 2015, with underlying profit before taxation increasing by 94% to £34.8m from £17.9m in the first half of 2014 (statutory PBT increased by 84% to £24.7m from £13.4m in the first half of 2014).
    - EPS [5] for first half 2015 amounted to 11.1p.

- This increase in profitability has been driven by a 17% increase in the loan book to £2,717m from £2,331m at 31 December 2014 (38% year-on-year growth from £1,969m at 30 June 2014). Gross organic originations of £812m in the six months ended 30 June 2015 were 31% higher compared to £621m in the first half of 2014, as momentum from 2014 flowed into 2015.
    - Last 12 months originations to 30 June 2015 were £1.56bn (30 June 2014: £1.20bn).

- Gross yield compression from 8.9% in the first half of 2014 to 8.5% has been largely driven by business mix due to strong organic mortgage originations in the Commercial Mortgages division and strong book growth in the Wholesale Financing portfolio. Competition in Shawbrook's markets remains an on-going factor, however we are confident that we can continue writing good quality, profitable business.

- Net interest margin has remained stable at 6.1% in the first half of 2015, benefitting from a continued reduction in the cost of funds. During the first half of 2015 the Group introduced the ISA product and is planning to launch a full market Easy Access product in the second half of the year, both of which are expected to contribute to a further reduction in the cost of funds.

- The Group has seen a reduction in the cost to income ratio to 48.9% (first half of 2014: 52.6%) despite significant investment in people, technology and infrastructure.

- The Group continues to experience low cost of risk (first half of 2015: 36bps) contributing to the delivery of a high risk adjusted margin, reflective of a benign economic environment and our focus on originating quality business.

- The business continues to see opportunities for growth, however the Group's priority is to maintain asset quality through consistent underwriting to ensure that we continue to price risk appropriately on a through the cycle basis

- This increased customer activity maintained our track record of strong returns with RoTE of 25.1% and pre-tax RoA of 2.8% compared to a RoTE of 21.5% and pre-tax RoA of 2.3% in the first half of 2014.

[5] EPS has been calculated using underlying profit after taxation and assumes a constant share issuance of 250m. On a statutory basis, this is 8.0p per Note 20 of this Interim Report.

During the first half of 2015, the Group enhanced its capital position as a consequence of the IPO, increasing the capital base by £82m. The Group maintains a prudent approach to capital and liquidity management:

- An increase in total capital of £108m from 31 December 2014 seeing the TCR increase to 17.2%;

- Our CET1 ratio increased from 11.6% at 31 December 2014 to 15.2% by the raising of £82m net primary proceeds at IPO;

- Further strengthened the Leverage Ratio from 6.3% at 31 December 2014 to 9.2% at 30 June 2015;

- The Group has maintained its focus on a prudent funding profile with an average contractual deposit duration of 14 months which is consistent with prior periods; and

- The continuation of excellent credit performance, maintaining the cost of risk seen in prior periods.

To maintain this performance, we continue to invest in our colleagues and infrastructure with headcount increasing to 521 from 461 at 31 December 2014. We have also invested in a number of areas of the Bank, with progress across all areas of the business including the positive launch of ISA products and the growth of Easy Access in the Savings business.

These impressive outcomes could not have been achieved without the support of our customer base which has grown by over 17,000 since 31 December 2014 to a total of 136,000 customers at 30 June 2015. The strength of the service proposition we offer to customers has seen us win over 15 awards across our businesses, with many of these awards voted for by consumers or independent panels. All of these awards mean a huge amount to the teams that deliver to our customers on a daily basis. Key highlights include:

- Best notice account provider awarded by both Moneyfacts and Savings Champion;

- Best fixed rate provider awarded by both Moneyfacts and Savings Champion;

- Best service from a commercial mortgage provider and best commercial mortgage provider from Business Moneyfacts;

- Retained the title of "Commercial Lender of the Year" for the third year running at the Bridging & Commercial Awards; and

- Business Credit has won several awards as Firm or Lender of the year.

Pleasingly a number of these awards have been won in consecutive years.

The pride we feel in these awards could not have been achieved without the immense effort from all of our colleagues and I would like to publicly thank them for their hard work and dedication. Their commitment extends to an increasing level of activity in support of the Bank's nominated charities, Contact the Elderly and Future First, and a wide range of other charities that mean a lot to individual colleagues. This activity has seen over £7,500 raised so far in 2015.

Whilst we are pleased with the first half 2015 performance of the Group, there have been two recent unwelcome developments in the UK.

On 8 July it was announced that an additional tax would be levied on UK Banks with effect from 1 January 2016. This will have the effect of slowing capital growth across the impacted UK Banks, reducing the flow of credit to the wider economy and reducing support to maintain the improving economic recovery.

Separately on 3 July it was announced that the FSCS limit would be reduced from £85,000 to £75,000 with effect from 1 January 2016. This change will create additional expense to make the required changes.

Notwithstanding these factors, our focus is to continue to grow our franchise and meet our commitments to all of our stakeholders: customers, shareholders, staff, regulators and the communities in which we live.

Outlook

The Group's balance sheet is positively positioned to benefit from rising interest rates, however given the unclear economic outlook, the timing of any anticipated benefit is uncertain.

Looking to the future, the Group is on track to deliver against the targets that were made to the public markets during IPO, including:

- To increase gross originations to above £2 billion per financial year by 2017;

- To maintain a NIM at approximately 6% in the medium term;

- To further reduce cost:income ratio to approximately 40% in the medium term with further improvement from there; and

- To pay a modest maiden dividend in respect of the financial year ending 31 December 2016 with the target rising to 30 per cent. of post-tax statutory profits by 2017 and a progressive policy thereafter.

Tom Wood
Interim Chief Executive Officer and Chief Financial Officer
27 July 2015

Business Review
Group performance

The Group has delivered a strong result for the first half of 2015, with underlying profit before taxation increasing 94% to £34.8m from £17.9m in the first half of 2014.

	6 months ended 30 June 2015 £m	**6 months ended 30 June 2014 £m**	**Year ended 31 December 2014 £m**
Interest, net fee and operating lease income	**107.5**	70.6	166.2
Interest expense and similar charges	**(30.4)**	(24.8)	(54.0)
Net operating income	**77.1**	**45.8**	**112.2**
Costs and provisions	**(47.8)**	(28.3)	(60.2)
Impairment losses on financial assets	**(4.6)**	(4.1)	(6.7)
Statutory profit before taxation	**24.7**	**13.4**	**45.3**
IPO related costs	**4.2**	0.6	0.6
IFRS 2 charge *	**4.0**	-	-
Corporate activity	**0.3**	2.8	3.2
Provisions for liabilities and charges	**1.6**	1.1	-

Underlying profit before taxation	34.8	17.9	49.1

*includes Employers National Insurance payable on the IPO share issue.

Strong profit growth

The strong profit growth has been driven by a 17% increase in the loan book to £2,717m (31 December 2014: £2,331m). Gross originations of £812m in the six months ended 30 June 2015 were 31% higher compared to £621m in H1 2014.
The Group continues to maintain a disciplined approach to costs delivering a Cost:Income ratio of 48.9% down from 50.5% at the end of 2014.

Net Interest Margin

The Group has maintained a stable Net Interest Margin of 6.1% (year to 31 December 2014: 6.1%) benefitting from a continued reduction in cost of funds whilst sustaining some gross yield reduction largely driven by business mix due to strong organic mortgage originations in the Commercial Mortgages division and strong book growth in the Wholesale Financing portfolio. Competition in Shawbrook's markets remain an ong-going factor, however we are confident that we can continue originating good quality, profitable business.

Underlying adjustments

The Group raised £90m of primary capital from its Initial Public Offering ("IPO") in April 2015 and incurred £7.9m of IPO transaction costs, of which £4.2m has been charged to the Income statement and £3.7m charged directly to the share premium account.

The Group provided share based awards to certain employees which vested on listing and gave rise to an IFRS 2 charge and associated Employers National Insurance charges.

Half year 2015 corporate activity costs include £0.3m of additional acquisition related payments incurred in connection with the acquisition of Money2Improve in November 2012. Half year 2014 and full year 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

Underlying adjustments (continued)

required to complete a deal. The majority (£2.5m) of costs related to the acquisition of the Centric Group in June 2014. In addition, corporate activity includes £0.6m of additional acquisition related payments incurred in connection with the acquisition of Money2Improve in November 2012. Within this adjustment, £2.1m is disallowable for tax purposes.

Costs relating to the FSCS levy have been excluded from the underlying half year results to aid comparability. The introduction of IFRIC 21 results in the full recognition of costs in April of each applicable year. Note that full year underlying profits and KPIs include costs associated with the FSCS Levy.

Business Review
Divisional performance (on an underlying basis)

Six months ended 30 June 2015	Commercial Mortgages	Asset Finance	Business Credit	Secured Lending	Consumer Lending	Retail Savings/ Central	Total business
	£m	£m	£m	£m	£m	£m	£m
Interest income, net fee and operating lease income	33.5	30.1	9.4	19.6	13.0	1.9	**107.5**
Interest expense and similar charges	(11.2)	(6.9)	(2.1)	(6.6)	(3.1)	(0.5)	**(30.4)**
Net operating income	**22.3**	**23.2**	**7.3**	**13.0**	**9.9**	**1.4**	**77.1**
Costs and provisions	(4.1)	(3.6)	(3.2)	(2.7)	(3.7)	(30.5)	**(47.8)**
Impairment losses on financial assets	(0.3)	(1.1)	(1.5)	(0.1)	(1.6)	-	**(4.6)**
Statutory profit/(loss) before taxation	**17.9**	**18.5**	**2.6**	**10.2**	**4.6**	**(29.1)**	**24.7**
Corporate activity	-	-	-	-	-	0.3	**0.3**
IFRS 2 charge	-	-	-	-	-	4.0	**4.0**
Provisions for liabilities and charges	-	-	-	-	-	1.6	**1.6**
IPO related costs	-	-	-	-	-	4.2	**4.2**
Underlying profit/(loss) before taxation	**17.9**	**18.5**	**2.6**	**10.2**	**4.6**	**(19.0)**	**34.8**

Six months ended 30 June 2014	Commercial	Asset	Business	Secured	Consumer	Retail	Total

	Mortgages	Finance	Credit*	Lending	Lending	Savings/ Central	business
	£m	£m	£m	£m	£m	£m	£m
Interest income, net fee and operating lease income	19.9	24.7	1.0	16.0	8.3	0.7	70.6
Interest expense and similar charges	(7.5)	(6.3)	(0.3)	(5.4)	(2.2)	(3.1)	(24.8)
Net operating income	**12.4**	**18.4**	**0.7**	**10.6**	**6.1**	**(2.4)**	**45.8**
Costs and provisions	(2.8)	(3.6)	(0.4)	(2.0)	(2.9)	(16.6)	(28.3)
Impairment losses on financial assets	(0.3)	(1.0)	-	(0.6)	(2.1)	(0.1)	(4.1)
Statutory profit/(loss) before taxation	**9.3**	**13.8**	**0.3**	**8.0**	**1.1**	**(19.1)**	**13.4**
Corporate activity	-	-	-	-	-	2.8	2.8
Provisions for liabilities and charges	-	-	-	-	-	1.1	1.1
IPO related costs	-	-	-	-	-	0.6	0.6
Underlying profit/(loss) before taxation	**9.3**	**13.8**	**0.3**	**8.0**	**1.1**	**(14.6)**	**17.9**

*** Since acquisition on 9th June 2014.**

Balance Sheet Review

During the period total assets increased by 11% to £3,057m driven primarily by the growth in the loan book.
Loans and advances grew by 17% in the first half of 2015 to £2,674m.

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Assets			
Cash and loans and advances to banks	**264.1**	361.1	349.7
Loans and advances to customers	**2,673.8**	1,919.5	2,284.8
Derivative financial assets	**2.1**	-	3.7
Property, plant and equipment	**47.5**	51.8	49.7
Intangible assets	**51.5**	46.9	49.5
Other assets	**18.1**	15.5	16.6
Total assets	**3,057.1**	**2,394.8**	**2,754.0**
Liabilities			
Customer deposits	**2,620.6**	2,110.4	2,421.0
Due to banks	**39.0**	24.7	41.0
Provisions for liabilities and charges	**2.2**	1.5	0.6
Other liabilities	**35.5**	35.0	41.9
Subordinated debt	**32.5**	29.1	30.8
Total liabilities	**2,729.8**	**2,200.7**	**2,535.3**
Total equity	**327.3**	**194.1**	**218.7**
Total equity and liabilities	**3,057.1**	**2,394.8**	**2,754.0**

Impairment losses

The Group continues to experience low cost of risk contributing to the delivery of a high risk adjusted margin. Impairment losses rose slightly to £4.6m in the first half of 2015 (H1 2014: £4.1m) representing 36bps of average principal employed (H1 2014: 52bps).

Funding and Liquidity

To date, the Group's retail funding has been primarily focused on the notice and term deposit market. The Group continues to optimise its cost of funds and sources of liquidity through retention programmes and access to the Funding for Lending Scheme ("FLS"). An analysis of the Group's liquidity position is shown below:

Group liquidity	**30 June 2015**	**30 June 2014**	**31 December 2014**
Liquidity balances - £m	**470.2**	424.9	511.1

Liquidity balances : Deposits	**17.9%**	20.1%	21.1%
Liquidity buffer eligible assets - £m	**444.2**	409.7	474.5
Liquidity buffer eligible assets : Liquidity balances	**94.5%**	96.4%	92.8%
Loan : Deposit Ratio	**102.0%**	91.0%	94.4%

The Group operates within limited risk appetite in respect of liquidity risk with the vast majority of liquidity held in cash at the Bank of England Reserve Account or as UK Treasury Bills. Funds can only be invested with a counterparty that has appropriate credit rating or systemically important clearing banks.

The Group regularly conducts an Individual Liquidity Adequacy Assessment ("ILAA") in accordance with the PRA's liquidity guidelines and the Board remains satisfied that the Group has sufficient liquid assets at its disposal, even under stressed scenarios, to meet its obligations as they fall due.

Capital Position

The capital requirements of the Group are monitored on a monthly basis and the results of this monitoring are reported to the Asset and Liability Committee ("ALCO") and the Board. Capital is ultimately held for the protection of retail depositors. The internal level of capital is set with the aim of ensuring that the business has sufficient levels of capital for current and projected future activities, to withstand downturn stresses, and to ensure that the minimum regulatory requirement is always met. The following table shows the composition of the Group's capital:

Capital position	**30 June 2015 £m**	**30 June 2014 £m**	**31 December 2014 £m**
Share capital	**2.5**	185.3	185.3
Retained earnings	**54.4**	7.5	32.1
Share premium account	**87.3**	1.3	1.3
Capital contribution reserve	**183.1**	-	-
Intangible assets	**(51.5)**	(46.9)	(49.5)
Common equity tier 1 capital	**275.8**	**147.2**	**169.2**
Subordinated debt	**32.5**	29.1	30.8
Collective impairment allowance	**3.0**	2.3	3.0
Tier 2 capital	**35.5**	**31.4**	**33.8**
Regulatory capital	**311.3**	**178.6**	**203.0**
Risk weighted assets	**1,813.1**	1,231.4	1,461.0
Regulatory capital : risk weighted assets	**17.2%**	14.5%	13.9%
CET1 Ratio *	**15.2%**	12.0%	11.6%

*Includes verified and unverified profits.

Throughout the period the Bank has complied with Individual Capital Guidance ("ICG") requirements.

Principal Risks and Uncertainties

A detailed description of the principal risks and uncertainties faced by the Group are set out on pages 42 to 44 of the 2014 Annual Report. In summary, the principal risks and uncertainties comprise:

- Macroeconomic and competitive environment
- Credit risk: Customer risk and Treasury credit risk
- Liquidity and funding risk
- Regulatory change
- Operational risk
- Conduct & Compliance risk
- Cyber risk
- Interest rate risk

Risk is governed by the Board, Executive Management and relevant Risk Committees and is set out in the Group's Risk Management Framework. The Risk Management Framework is enacted through a series of policies and all risk scenarios are subject to regular stress testing and scenario analysis to facilitate the setting of risk appetites and limits.

During the six months to 30 June 2015, the Group has not identified any new principal risks and uncertainties that will impact the remaining six months of the year.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the Interim Report 2015 includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the board

Tom Wood
Interim Chief Executive Officer and Chief Financial Officer

Independent Review Report to Shawbrook Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the Consolidated Statement of Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Simon Clark
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
27 July 2015

Consolidated Income Statement

	Note	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year Ended 31 December 2014 (Audited) £m
Interest receivable and similar income	3	**100.3**	67.8	156.7
Interest expense and similar charges	4	**(30.4)**	(24.8)	(54.0)
Net interest income		**69.9**	**43.0**	**102.7**
Operating lease rentals		**7.6**	7.8	15.7
Other income		**0.9**	0.6	1.1
Depreciation on operating leases		**(6.2)**	(6.5)	(13.1)
Net income from operating leases		**2.3**	**1.9**	**3.7**
Fee and commission income		**6.1**	1.5	7.6
Fee and commission expense		**(1.2)**	(0.6)	(1.7)
Net fee and commission income		**4.9**	**0.9**	**5.9**
Fair value loss on financial instruments		**-**	**-**	**(0.1)**
Net operating income		**77.1**	**45.8**	**112.2**
Administrative expenses	5	**(46.2)**	(27.2)	(59.1)
Impairment losses on loans and advances to customers	9	**(4.6)**	(4.1)	(6.7)
Provisions for liabilities and charges	11	**(1.6)**	(1.1)	(1.1)
Profit before taxation		**24.7**	**13.4**	**45.3**
Income tax charge	7	**(5.9)**	(3.5)	(10.8)
Profit after taxation, being total comprehensive income, attributable to owners		**18.8**	**9.9**	**34.5**

Earnings per share				
Basic and diluted	20	**8.0p**	5.7p	17.7p

Consolidated Statement of Financial Position

	Note	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Assets				
Cash and balances at central banks		**238.1**	345.8	313.1
Loans and advances to banks		**26.0**	15.3	36.6
Loans and advances to customers	8	**2,673.8**	1,919.5	2,284.8
Derivative financial assets	10	**2.1**	-	3.7
Property, plant and equipment		**47.5**	51.8	49.7
Intangible assets		**51.5**	46.9	49.5
Deferred tax asset		**10.6**	9.5	9.8
Other assets		**7.5**	6.0	6.8
Total assets		**3,057.1**	**2,394.8**	**2,754.0**

Liabilities				
Customer deposits		**2,620.6**	2,110.4	2,421.0
Due to banks		**39.0**	24.7	41.0
Provisions for liabilities and charges	11	**2.2**	1.5	0.6
Other liabilities		**35.5**	35.0	41.9
Subordinated debt	12	**32.5**	29.1	30.8
Total liabilities		**2,729.8**	**2,200.7**	**2,535.3**
Equity				
Share capital	13	**2.5**	185.3	185.3
Share premium account		**87.3**	1.3	1.3
Capital contribution reserve		**183.1**	-	-
Retained earnings		**54.4**	7.5	32.1
Total equity		**327.3**	**194.1**	**218.7**
Total equity and liabilities		**3,057.1**	**2,394.8**	**2,754.0**

Consolidated Statement of Changes in Equity

	Share Capital £m	Share Premium £m	Capital Contribution Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2014	138.0	-	-	(2.5)	135.5
Total comprehensive income for the period:					
Profit for the period	-	-	-	9.9	9.9
Total comprehensive income for the period	**-**	**-**	**-**	**9.9**	**9.9**
Share based payments	-	-	-	0.1	0.1
Transactions with owners recorded directly in equity:					
Contributions by and distributions to owners:					
Issue of shares	47.3	1.3	-	-	48.6
Total contributions by and distributions to owners	**47.3**	**1.3**	**-**	**-**	**48.6**
Balance at 30 June 2014	**185.3**	**1.3**	**-**	**7.5**	**194.1**
Total comprehensive income for the period:					
Profit for the period	-	-	-	24.6	24.6
Total comprehensive income for the period	**-**	**-**	**-**	**24.6**	**24.6**
Balance at 31 December 2014	**185.3**	**1.3**	**-**	**32.1**	**218.7**
Balance at 1 January 2015	**185.3**	**1.3**	**-**	**32.1**	**218.7**
Total comprehensive income for the period:					
Profit for the period	-	-	-	18.8	18.8
Total comprehensive income for the period	**-**	**-**	**-**	**18.8**	**18.8**
Share based payments	**-**	**-**	**-**	**3.5**	**3.5**
Transactions with owners recorded directly in equity:					
Contributions by and distributions to owners:					
Cancellation of shares	(183.1)	-	183.1	-	-
Issue of shares	0.3	89.7	-	-	**90.0**
Costs of share issue	-	(3.7)	-	-	**(3.7)**
Total contributions by and distributions to owners	**(182.8)**	**86.0**	**183.1**	**-**	**86.3**

Balance at 30 June 2015	**2.5**	**87.3**	**183.1**	**54.4**	**327.3**

Consolidated Statement of Cash Flows

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year Ended 31 December 2014 (Audited) £m
Cash flows from operating activities:			
Profit for the period before taxation	**24.7**	13.4	45.3
Adjustments for non-cash items	**16.4**	12.4	23.8
Cash flows from operating activities before changes in operating assets and liabilities	**41.1**	**25.8**	**69.1**
Increase/decrease in operating assets and liabilities:			
Increase in mandatory balances with central banks	**(0.3)**	(0.3)	(1.0)
Increase in loans and advances to customers	**(393.4)**	(381.1)	(749.0)
Decrease / (increase) in derivatives	**1.6**	-	(3.7)
(Increase) / decrease in other assets	**(0.7)**	0.9	0.7
Increase in customer deposits	**199.6**	647.5	958.1
Increase in provisions for liabilities and charges	**1.6**	1.1	0.2
(Decrease) / increase in other liabilities	**(7.5)**	7.2	12.0
	(199.1)	**275.3**	**217.3**
Tax (paid) / received	**(6.0)**	1.9	(4.6)
Net cash flow (used by)/generated from operating activities	**(164.0)**	**303.0**	**281.8**
Cash flows from investing activities			
Purchase of property, plant and equipment	**(6.1)**	(5.6)	(11.0)
Sale of property, plant and equipment	**2.1**	1.2	2.2
Purchase of intangible assets	**(2.3)**	(1.1)	(3.9)
Investment in subsidiaries net of cash and cash equivalents acquired	**-**	(76.3)	(76.3)
Net cash used by investing activities	**(6.3)**	**(81.8)**	**(89.0)**
Cash flows from financing activities			
(Decrease) / increase in amounts due to banks	**(2.0)**	0.1	16.4
Repayment of Centric Group third party funding	**-**	(138.2)	(138.2)
Net proceeds from the issue of ordinary share capital	**86.3**	47.3	47.3
Net cash generated from /(used by) financing activities	**84.3**	**(90.8)**	**(74.5)**
Net (decrease) / increase in cash and cash equivalents	**(86.0)**	130.4	118.3
Cash and cash equivalents at 1 January	**348.0**	229.7	229.7
Cash and cash equivalents at 30 June and 31 December	**262.0**	**360.1**	**348.0**

Notes to the Financial Statements

1. Basis of preparation

1.1 Reporting entity

Shawbrook Group plc is domiciled in the UK. The Company's registered office is at Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex, CM13 3BE. The condensed set of consolidated financial statements of Shawbrook Group plc, for the 6 month period ended 30 June 2015, comprise the results of the Company and its subsidiaries (together referred to as the Group and individually as Group entities).

1.2 Basis of accounting

This condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published financial statements for the year ended 31 December 2014.

The comparative figures for the period ended 30 June 2014 have not been audited and are not the Group's statutory accounts for that period. The statutory accounts for the year ended 31 December 2014 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor on those statutory accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The accounting policies used are consistent with those set out in the Annual Report 2014 with the exception of Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions' which was effective from 1 February 2015. The adoption of this Amendment did not have a material impact on these condensed financial statements.

1.3 Functional and presentation currency

The condensed set of financial statements are presented in Pounds Sterling, which is the Group's functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in profit or loss. Non-monetary items (which are assets and liabilities which do not attach to a right to receive or an obligation to pay a fixed or determinable number of units of currency) measured at amortised cost and denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated at the exchange rate at the date of valuation. Where these are held at fair value through profit or loss, exchange differences are reported as part of the fair value gain or loss.

1.4 IPO transaction costs

Qualifying costs directly attributable to the issue of share capital were charged directly to equity and other associated costs were charged to the Income Statement.

1.5 Going concern

The condensed set of financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources and the longer term strategy of the business. The Group's capital and liquidity plans, including stress tests, have been reviewed by the Directors.

The Group's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including a range of stressed scenarios, taking into account the availability of alternative sources of capital if required and appropriate management actions.

Basis of preparation (continued)

1.5 Going concern (continued)

After making due enquiries, the Directors believe that the Group has sufficient resources to continue its activities for the foreseeable future and to continue its expansion, and the Group has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority.

1.6 Basis of consolidation

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These condensed financial statements consolidate the results of all subsidiary companies.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.7 Critical accounting estimates and judgements

The preparation of a condensed set of financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed set of financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on Management's best knowledge of the amount, actual results may differ ultimately from those estimates. There have been no significant changes in the basis upon which estimates have been determined compared to that applied at 31 December 2014.

These interim financial statements were authorised for issue by the Company's Board of Directors on 27 July 2015.

2. Operating segments

The Group's six reportable operating segments comprise the Group's five lending divisions plus a Central segment which represents the Retail Savings business, Central functions and shared central costs. These segments have not changed since the 2014 Annual Report. Information regarding the results of each reportable segment and their reconciliation to the total results of the Group are shown below:

Six months ended 30 June 2015	Commercial Mortgages £m	Asset Finance £m	Business Credit £m	Secured Lending £m	Consumer Lending £m	Retail Savings/ Central £m	Total business £m
Interest receivable and similar income	33.8	26.0	5.5	20.0	13.1	1.9	100.3

Interest expense and similar charges	(11.2)	(6.9)	(2.1)	(6.6)	(3.1)	(0.5)	(30.4)
Net interest income	**22.6**	**19.1**	**3.4**	**13.4**	**10.0**	**1.4**	**69.9**
Operating lease rentals	-	7.6	-	-	-	-	7.6
Other income	-	0.9	-	-	-	-	0.9
Depreciation on operating leases	-	(6.2)	-	-	-	-	(6.2)
Net income from operating leases	**-**	**2.3**	**-**	**-**	**-**	**-**	**2.3**
Fee and commission income	-	1.8	4.1	0.1	0.1	-	6.1
Fee and commission expense	(0.3)	-	(0.2)	(0.5)	(0.2)	-	(1.2)
Net fee and commission income	**(0.3)**	**1.8**	**3.9**	**(0.4)**	**(0.1)**	**-**	**4.9**
Fair value losses on financial instruments	-	-	-	-	-	-	-
Net operating income	**22.3**	**23.2**	**7.3**	**13.0**	**9.9**	**1.4**	**77.1**
Administrative expenses	(4.1)	(3.6)	(3.2)	(2.7)	(3.7)	(28.9)	(46.2)
Impairment losses on financial assets	(0.3)	(1.1)	(1.5)	(0.1)	(1.6)	-	(4.6)
Provisions for liabilities and charges	-	-	-	-	-	(1.6)	(1.6)
Product contribution	**17.9**	**18.5**	**2.6**	**10.2**	**4.6**	**(29.1)**	**24.7**
Income tax charge							(5.9)
Profit after taxation							**18.8**
Assets	1,147.6	641.0	211.6	456.2	260.3	340.4	3,057.1
Liabilities	-	**-**	**-**	**-**	**-**	(2,729.8)	(2,729.8)
Net Assets / (Liabilities)	**1,147.6**	**641.0**	**211.6**	**456.2**	**260.3**	**(2,389.4)**	**327.3**

Operating segments (continued)

Six months ended 30 June 2014	**Commercial Mortgages £m**	**Asset Finance £m**	**Business Credit £m**	**Secured Lending £m**	**Consumer Lending £m**	**Retail Savings/Central £m**	**Total business £m**
Interest receivable and similar income	19.9	22.0	0.5	16.3	8.4	0.7	67.8
Interest expense and similar charges	(7.5)	(6.3)	(0.3)	(5.4)	(2.2)	(3.1)	(24.8)
Net interest income	**12.4**	**15.7**	**0.2**	**10.9**	**6.2**	**(2.4)**	**43.0**
Operating lease rentals	-	7.8	-	-	-	-	7.8
Other income	-	0.6	-	-	-	-	0.6
Depreciation on operating leases	-	(6.5)	-	-	-	-	(6.5)
Net income from operating leases	**-**	**1.9**	**-**	**-**	**-**	**-**	**1.9**
Fee and commission income	-	0.8	0.5	0.1	0.1	-	1.5
Fee and commission expense	-	-	-	(0.4)	(0.2)	-	(0.6)
Net fee and commission income	**-**	**0.8**	**0.5**	**(0.3)**	**(0.1)**	**-**	**0.9**
Fair value losses on financial instruments	-	-	-	-	-	-	-
Net operating income	**12.4**	**18.4**	**0.7**	**10.6**	**6.1**	**(2.4)**	**45.8**

Administrative expenses	(2.8)	(3.6)	(0.4)	(2.0)	(2.9)	(15.5)	(27.2)
Impairment losses on financial assets	(0.3)	(1.0)	-	(0.6)	(2.1)	(0.1)	(4.1)
Provisions for liabilities and charges	-	-	-	-	-	(1.1)	(1.1)
Product contribution	**9.3**	**13.8**	**0.3**	**8.0**	**1.1**	**(19.1)**	**13.4**
Income tax charge							(3.5)
Profit after taxation							**9.9**
Assets	719.0	495.2	212.8	358.5	183.4	425.9	2,394.8
Liabilities	-	-	-	-	-	(2,200.7)	(2,200.7)
Net Assets / (Liabilities)	**719.0**	**495.2**	**212.8**	**358.5**	**183.4**	**(1,774.8)**	**194.1**

Operating segments (continued)

Year ended 31 December 2014	Commercial Mortgages £m	Asset Finance £m	Business Credit £m	Secured Lending £m	Consumer Lending £m	Retail Savings/ Central £m	Total business £m
Interest receivable and similar income	47.4	45.3	5.9	35.0	20.3	2.8	156.7
Interest expense and similar charges	(16.6)	(12.6)	(2.6)	(11.2)	(5.1)	(5.9)	(54.0)
Net interest income	**30.8**	**32.7**	**3.3**	**23.8**	**15.2**	**(3.1)**	**102.7**
Operating lease rentals	-	15.7	-	-	-	-	15.7
Other income	-	1.1	-	-	-	-	1.1
Depreciation on operating leases	-	(13.1)	-	-	-	-	(13.1)
Net income from operating leases	**-**	**3.7**	**-**	**-**	**-**	**-**	**3.7**
Fee and commission income	-	2.2	5.0	0.2	0.2	-	7.6
Fee and commission expense	(0.2)	-	(0.2)	(0.9)	(0.4)	-	(1.7)
Net fee and commission income	**(0.2)**	**2.2**	**4.8**	**(0.7)**	**(0.2)**	**-**	**5.9**
Fair value losses on financial instruments	-	-	-	-	-	(0.1)	(0.1)
Net operating income	**30.6**	**38.6**	**8.1**	**23.1**	**15.0**	**(3.2)**	**112.2**
Administrative expenses	(6.3)	(7.3)	(3.3)	(4.2)	(5.5)	(32.5)	(59.1)
Impairment losses on financial assets	(1.0)	(1.5)	(0.3)	0.1	(4.0)	-	(6.7)
Provisions for liabilities and charges	-	-	-	-	-	(1.1)	(1.1)
Product contribution	**23.3**	**29.8**	**4.5**	**19.0**	**5.5**	**(36.8)**	**45.3**
Income tax charge							(10.8)
Profit after taxation							**34.5**
Assets	968.9	564.1	169.8	401.3	226.9	423.0	2,754.0
Liabilities	-	-	-	-	-	(2,535.3)	(2,535.3)
Net Assets / (Liabilities)	**968.9**	**564.1**	**169.8**	**401.3**	**226.9**	**(2,112.3)**	**218.7**

Fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

3. Interest receivable and similar income

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Interest paid by customers	**98.4**	66.8	153.8
Interest received from derivative financial instruments	**1.2**	-	1.0
Interest on loans and advances to banks	**0.7**	1.0	1.9
Interest receivable and similar income	**100.3**	**67.8**	**156.7**

4. Interest expense and similar charges

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Interest paid to depositors	**28.1**	23.1	50.2
Interest on amounts due to banks	**0.5**	0.2	0.5
Interest on subordinated debt	**1.7**	1.5	3.2
Other interest	**0.1**	-	0.1
Interest expense and similar charges	**30.4**	**24.8**	**54.0**

5. Administrative expenses

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year Ended 31 December 2014 (Audited) £m
Staff costs	**24.4**	13.7	31.2
Loss on disposal of fixed assets	**0.1**	-	-
Depreciation (excluding operating lease assets)	**0.7**	0.4	1.0
Amortisation of intangible assets	**0.3**	0.1	0.4
Operating lease rentals - land and buildings	**0.3**	0.3	0.7
Other administrative expenses	**16.2**	12.1	25.2
Administrative expenses (excluding IPO related costs)	**42.0**	**26.6**	**58.5**
IPO related costs	**4.2**	0.6	0.6
Total Administrative expenses	**46.2**	**27.2**	**59.1**

6. Employee share-based payment transactions

Detail of shares issued are shown in the table below:

	6 months ended 30 June 2015 (Unaudited) No. £1 Ordinary shares	6 months ended 30 June 2014 (Unaudited) No. £1 Ordinary shares	Year Ended 31 December 2014 (Audited) No. £1 Ordinary shares
At 1 January	**106,381**	94,630	94,630
Granted	**3,704**	19,750	19,750
Forfeited	**(2,696)**	(6,749)	(7,999)
Converted to £0.01 Ordinary shares	**(107,389)**	-	-
At 30 June and 31 December	**-**	**107,631**	**106,381**

The average fair value of shares issued was £5.15 (2014 Year: £5.15). The fair values of the shares at the date of grant were valued using the Black-Scholes valuation model and the market price. The assumptions used are as follows:

	6 months ended 30 June 2015 (Unaudited)	Year Ended 31 December 2014 (Audited)
Expected volatility	**20%**	20%
Risk free rate	**0.4%**	0.4%
Dividend yield	**0%**	0%
Expected life	**1-2 years**	1-2 years

Although the Black-Scholes equation assumes predictable constant volatility, this is not observed in real markets. In order to estimate the annualised volatility we have assessed the past standard deviation of the stock price of comparable quoted banks over various time frames. The charge to the Consolidated Income Statement was £3.5m (six months ended 30 June 2014: £60k and year ended 31 December 2014: £60k).

7. Taxation

Recognised in the Income Statement	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Current tax:			
Current period	**6.3**	3.9	11.5
Adjustment in respect of prior periods	**-**	0.5	0.5
Total current tax	**6.3**	**4.4**	**12.0**
Deferred tax:			
Origination and reversal of temporary difference	**(0.4)**	(0.5)	(0.8)
Adjustment in respect of prior periods	**-**	(0.4)	(0.4)
Total deferred tax	**(0.4)**	**(0.9)**	**(1.2)**
Total tax charge	**5.9**	**3.5**	**10.8**

Taxation (continued)

Tax reconciliation	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Profit before taxation	**24.7**	13.4	45.3
Implied tax charge thereon	**5.0**	2.9	9.7
Adjustments:			
Prior period adjustment	**-**	0.1	0.1
Disallowable expenses and other permanent difference	**0.9**	0.5	1.0
Total tax charge	**5.9**	**3.5**	**10.8**

The effective tax rate for the period is 23.9% (six months ended 30 June 2014: 26.1% and year ended 31 December 2014: 23.8%), representing the best estimate of the annual effective tax rate expected for the full year, applied to the operating profit before taxation for the six month period.

8. Loans and advances to customers

Loans and advances to customers are summarised as follows:

	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Loan receivables	**2,202.7**	1,527.4	1,861.4
Finance lease receivables	**114.0**	108.7	114.0
Instalment credit receivables	**357.1**	283.4	309.4
Total loans and advances to customers	**2,673.8**	**1,919.5**	**2,284.8**

9. Impairment provisions on loans and advances to customers

The movement in the allowances for losses in respect of loans, finance leases and instalment credit agreements during the period was as follows:

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
At 1 January	**11.1**	5.4	5.4
Charge for impairment losses	**4.6**	4.1	6.7
Provisions utilised	**(0.9)**	(0.5)	(1.0)
At 30 June and 31 December	**14.8**	**9.0**	**11.1**
Analysis of impairment type:			
Loan receivables	**12.2**	6.7	9.0
Finance lease receivables	**1.4**	0.8	0.7
Instalment credit receivables	**1.2**	1.5	1.4
At 30 June and 31 December	**14.8**	**9.0**	**11.1**

10. Derivative financial instruments

The Group uses derivatives to reduce exposure to market risks, and not for trading purposes. The Group uses the International Swaps and Derivatives Association ("ISDA") Master Agreement to document these transactions in conjunction with a Credit Support Annex ("CSA"). The fair value of derivatives is set out below:

	Notional Amount £m	Fair Value of assets £m	Fair Value of liabilities £m
Interest rate swaps:			
At 30 June 2014	-	-	-
At 31 December 2014	195.0	3.7	-
At 30 June 2015	**300.0**	**2.1**	**-**

Gains and losses from derivatives and hedge accounting are as follows:

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Gain on derivative financial instruments	**1.6**	-	3.7
Fair value loss on hedged risk	**(1.6)**	-	(3.8)
Fair value loss on financial instruments	**-**	-	**(0.1)**

Fair values are obtained from quoted market prices in active markets and, where these are not available, from valuation techniques including discounted cash flow models and option pricing models.

11. Provisions for liabilities and charges

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
At 1 January	**0.6**	0.4	0.4
Provisions utilised	**-**	-	(0.9)
Provisions made during the period	**1.6**	1.1	1.1
At 30 June and 31 December	**2.2**	**1.5**	**0.6**

Financial Services Compensation Scheme

In common with all regulated UK deposit takers, the Group pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it.

12. Subordinated debt

	6 months ended	6 months ended	Year ended

	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
1 January	**30.8**	27.6	27.6
Interest expense	**1.7**	1.5	3.2
At 30 June and 31 December	**32.5**	**29.1**	**30.8**

On 31 October 2013, the Group entered into a subordinated facility agreement for a 10 year period at an interest rate of 11%. The terms of the agreement allow interest to be capitalised and repaid with the principal at the end of the agreement.

The subordinated debt is unsecured and ranks behind any claims against the Group from all depositors and creditors.

13. Share capital

On 31 March 2015, the Company underwent a capital restructuring prior to its Admission to the London Stock Exchange. This resulted in the conversion of certain A, B and C Ordinary shares into deferred shares with the remaining shares being converted into Ordinary shares of £1 each. Each Ordinary share of £1 was then subdivided into 100 Ordinary shares. The deferred shares were repurchased by the Company and cancelled, generating a capital contribution reserve of £183,067,856.

On 8 April 2015, upon Admission to the London Stock Exchange, the Company issued 31,034,483 £0.01 shares for consideration of £90,000,000. This generated a share premium of £89,689,655.

Ordinary shares of £0.01 each: authorised, issued and fully paid

	30 June 2015 No.	30 June 2014 No.	31 December 2014 No.
Ordinary £0.01 shares	**250,000,000**	**-**	**-**

	Total No.	Total £
On issue at 30 June and 31 December 2014	**-**	**-**
Converted from £1 ordinary shares	218,965,517	2,189,655
Issued during the period	31,034,483	310,345
On issue at 30 June 2015	**250,000,000**	**2,500,000**

Share Capital (continued)

Ordinary shares of £1 each: authorised and issued

	30 June 2015 No.	30 June 2014 No.	31 December 2014 No.
Ordinary Class A	-	185,147,511	185,147,511
Ordinary Class B	-	100,000	100,000
Ordinary Class C	-	10,000	10,000
Total	**-**	**185,257,511**	**185,257,511**

	Class A No.	Class B No.	Class C No.	Total No.
On issue at 30 June and 31 December 2014	185,147,511	100,000	10,000	**185,257,511**
Converted to £0.01 Ordinary shares	(2,079,655)	(100,000)	(10,000)	**(2,189,655)**
Cancelled during the period	(183,067,856)	-	-	**(183,067,856)**
On issue at 30 June 2015	**-**	**-**	**-**	**-**

14. Financial instruments

The table below analyses the Group's financial instruments measured at fair value into a fair value hierarchy:

	Level 1	Level 2	Level 3

30 June 2015	£m	£m	£m
Financial assets			
Derivative financial instruments	**-**	**2.1**	**-**

30 June 2014	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets			
Derivative financial instruments	-	-	-

31 December 2014	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets			
Derivative financial instruments	-	3.7	-

Financial instruments (continued)

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are shown in the following table:

Group	Loans and receivables £m	Other liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
At 30 June 2015				
Cash and balances at central banks	238.1	-	238.1	238.1
Loans and advances to banks	26.0	-	26.0	26.0
Loans and advances to customers	2,673.8	-	2,673.8	2,710.9
	2,937.9	**-**	**2,937.9**	**2,975.0**
Customer deposits	-	2,620.6	2,620.6	2,634.8
Due to banks	-	39.0	39.0	39.0
Subordinated debt	-	32.5	32.5	32.5
	-	**2,692.1**	**2,692.1**	**2,706.3**
At 30 June 2014				
Cash and balances at central banks	345.8	-	345.8	345.8
Loans and advances to banks	15.3	-	15.3	15.3
Loans and advances to customers	1,919.5	-	1,919.5	1,905.3
	2,280.6	**-**	**2,280.6**	**2,266.4**
Customer deposits	-	2,110.4	2,110.4	2,108.6
Due to banks	-	24.7	24.7	24.7
Subordinated debt	-	29.1	29.1	29.1
	-	**2,164.2**	**2,164.2**	**2,162.4**
At 31 December 2014				
Cash and balances at central banks	313.1	-	313.1	313.1
Loans and advances to banks	36.6	-	36.6	36.6
Loans and advances to customers	2,284.8	-	2,284.8	2,340.6
	2,634.5	**-**	**2,634.5**	**2,690.3**
Customer deposits	-	2,421.0	2,421.0	2,447.8
Due to banks	-	41.0	41.0	41.0
Subordinated debt	-	30.8	30.8	30.8
	-	**2,492.8**	**2,492.8**	**2,519.6**

Valuation techniques used in each of the fair value levels are disclosed in Note 30 of the 2014 Annual Report. During the six months to 30 June 2015, there have been no changes to the valuation techniques used by the Group.

The fair value of financial instruments measured at Level 2 is calculated based on the present value of future cash flows discounted at the market rate of interest at the balance sheet date and adjusted for credit losses if considered material.

The fair value of loans and advances to customers is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date, adjusted for credit losses if considered material. Other Level 3 financial instruments are measured using unobservable inputs.

Fair values in Levels 2 and 3 would increase if the expected cash flow increased and decrease if the market rates were higher.

15. Risk management

Details of the risks that the business is exposed to are set out in Note 31 of the 2014 Annual Report.

Customer Risk

The Group maintains a forbearance policy for the servicing and management of customers who are in financial difficulty and require some form of concession to be granted, even if this concession entails a loss for the Group.

Forbearance in relation to an exposure can be temporary or permanent in nature depending on the circumstances, progress on financial rehabilitation and the detail of the concession(s) agreed. A forbearance classification can be discontinued when certain conditions have been met.

As at 30 June 2015, the number of forbearance arrangements in place was 720 (31 December 2014: 531 and 30 June: 264), the carrying value of which was £12.3m (31 December 2014: £8.7m and 30 June 2014: £4.8m) against which impairment provisions of £2.9m (31 December 2014: £2.9m and 30 June 2014: £1.6m) were held.

Forbearance as at 30 June 2015	**Number**	**Capital Balances £m**	**Provisions £m**	**Coverage %**
Consumer	494	3.3	2.4	72.7
Secured	188	5.4	0.2	3.7
Asset Finance	38	3.6	0.3	8.3
Total	**720**	**12.3**	**2.9**	**23.6**

Forbearance as at 31 December 2014	**Number**	**Capital Balances £m**	**Provisions £m**	**Coverage %**
Consumer	390	2.8	2.3	82.1
Secured	122	3.7	0.4	10.8
Asset Finance	19	2.2	0.2	9.1
Total	**531**	**8.7**	**2.9**	**33.3**

Forbearance as at 30 June 2014	**Number**	**Capital Balances £m**	**Provisions £m**	**Coverage %**
Consumer	184	1.3	1.0	76.9
Secured	64	1.9	0.5	26.3
Asset Finance	16	1.6	0.1	6.3
Total	**264**	**4.8**	**1.6**	**33.3**

Customer Risk (continued)

Loans and advances to customers are reviewed regularly to determine whether there is any objective evidence of impairment and assets are categorised as detailed in the tables below:

30 June 2015	**Commercial Mortgages £m**	**Asset Finance £m**	**Business Credit £m**	**Secured Lending £m**	**Consumer Lending £m**	**Total £m**
Neither past due nor impaired	**1,138.5**	**589.1**	**211.6**	**441.3**	**259.8**	**2,640.3**
Past due but not impaired						
Up to 30 days	3.2	5.0	-	2.2	-	**10.4**
30-60 days	3.8	1.4	-	5.2	-	**10.4**
60-90 days	1.5	0.4	-	1.9	-	**3.8**
Over 90 days	0.2	0.3	-	4.1	-	**4.6**
Total past due but not impaired	**8.7**	**7.1**	**-**	**13.4**	**-**	**29.2**
Total impaired	**2.1**	**4.5**	**1.8**	**3.0**	**7.7**	**19.1**
	1,149.3	**600.7**	**213.4**	**457.7**	**267.5**	**2,688.6**
Less: allowances for impairment losses	(1.7)	(2.6)	(1.8)	(1.5)	(7.2)	**(14.8)**
Total loans and advances to customers	**1,147.6**	**598.1**	**211.6**	**456.2**	**260.3**	**2,673.8**

31 December 2014	**Commercial Mortgages £m**	**Asset Finance £m**	**Business Credit £m**	**Secured Lending £m**	**Consumer Lending £m**	**Total £m**
Neither past due nor impaired	**963.8**	**502.6**	**169.9**	**387.0**	**226.1**	**2,249.4**

Past due but not impaired						
Up to 30 days	0.4	10.5	-	1.7	-	**12.6**
30-60 days	4.4	1.9	-	6.4	-	**12.7**
60-90 days	-	1.1	-	2.3	-	**3.4**
Over 90 days	-	1.7	-	2.9	-	**4.6**
Total past due but not impaired	**4.8**	**15.2**	**-**	**13.3**	**-**	**33.3**
Total impaired	**1.7**	**2.2**	**0.3**	**2.6**	**6.4**	**13.2**
	970.3	**520.0**	**170.2**	**402.9**	**232.5**	**2,295.9**
Less: allowances for impairment losses	(1.4)	(2.1)	(0.4)	(1.6)	(5.6)	**(11.1)**
Total loans and advances to customers	**968.9**	**517.9**	**169.8**	**401.3**	**226.9**	**2,284.8**

Customer Risk (continued)

30 June 2014	**Commercial Mortgages £m**	**Asset Finance £m**	**Business Credit £m**	**Secured Lending £m**	**Consumer Lending £m**	**Total £m**
Neither past due nor impaired	**714.8**	**438.8**	**212.8**	**348.9**	**183.0**	**1,898.3**
Past due but not impaired						
Up to 30 days	0.5	4.7	**-**	1.8	-	**7.0**
30-60 days	1.9	0.7	**-**	4.0	-	**6.6**
60-90 days	0.4	0.2	**-**	1.1	-	**1.7**
Over 90 days	-	1.1	**-**	1.4	-	**2.5**
Total past due but not impaired	**2.8**	**6.7**	**-**	**8.3**	**-**	**17.8**
Total impaired	**2.2**	**2.6**	**-**	**3.5**	**4.1**	**12.4**
	719.8	**448.1**	**212.8**	**360.7**	**187.1**	**1,928.5**
Less: allowances for impairment losses	(0.8)	(2.3)	-	(2.2)	(3.7)	**(9.0)**
Total loans and advances to customers	**719.0**	**445.8**	**212.8**	**358.5**	**183.4**	**1,919.5**

The Group's lending portfolio is geographically diversified across the UK as shown below:

30 June 2015	**Commercial Mortgages £m**	**Asset Finance £m**	**Business Credit £m**	**Secured Lending £m**	**Consumer Lending £m**	**Total £m**
East Anglia	42.2	28.1	38.7	16.0	11.4	**136.4**
East Midlands	26.5	21.7	7.2	18.3	22.6	**96.3**
Greater London	483.3	119.8	29.0	124.9	22.9	**779.9**
Guernsey/Jersey/Isle of Man	3.2	0.7	-	-	-	**3.9**
North East	12.0	6.0	4.0	8.5	16.1	**46.6**
North West	103.4	69.6	45.1	30.0	28.5	**276.6**
Northern Ireland	1.7	2.8	-	-	0.4	**4.9**
Scotland	50.6	93.7	4.2	30.0	39.6	**218.1**
South East	228.4	138.0	28.2	131.1	42.5	**568.2**
South West	83.5	52.8	8.8	39.9	21.5	**206.5**
Wales	18.4	21.0	7.9	14.5	9.7	**71.5**
West Midlands	44.6	26.5	29.7	22.6	31.2	**154.6**
Yorkshire/Humberside	51.5	20.0	10.6	21.9	21.1	**125.1**
	1,149.3	**600.7**	**213.4**	**457.7**	**267.5**	**2,688.6**

Customer Risk (continued)

31 December 2014	**Commercial Mortgages**	**Asset Finance**	**Business Credit**	**Secured Lending**	**Consumer Lending**	**Total**

	£m	£m	£m	£m	£m	£m
East Anglia	34.8	26.1	36.2	14.1	13.3	124.5
East Midlands	29.6	21.2	6.7	16.7	19.7	93.9
Greater London	411.3	90.5	26.1	103.3	18.5	649.7
Guernsey/Jersey/Isle of Man	-	0.4	-	-	-	0.4
North East	15.5	5.1	2.1	8.2	14.5	45.4
North West	88.6	61.1	26.5	27.2	24.5	227.9
Northern Ireland	-	3.4	-	-	0.3	3.7
Scotland	43.4	85.7	3.7	27.9	34.8	195.5
South East	169.4	120.6	20.2	115.5	33.7	459.4
South West	82.1	45.9	6.6	35.8	19.0	189.4
Wales	17.8	20.8	8.8	13.5	8.5	69.4
West Midlands	31.9	22.3	21.1	21.2	27.5	124.0
Yorkshire/Humberside	45.9	16.9	12.2	19.5	18.2	112.7
	970.3	**520.0**	**170.2**	**402.9**	**232.5**	**2,295.9**

30 June 2014	**Commercial Mortgages £m**	**Asset Finance £m**	**Business Credit £m**	**Secured Lending £m**	**Consumer Lending £m**	**Total £m**
East Anglia	25.9	23.3	40.4	12.2	7.2	**109.0**
East Midlands	17.8	21.1	10.1	15.6	15.5	**80.1**
Greater London	294.5	76.7	30.2	86.6	14.6	**502.6**
Guernsey/Jersey/Isle of Man	2.1	-	-	-	-	**2.1**
North East	8.1	4.4	2.5	7.5	11.9	**34.4**
North West	59.9	53.6	28.7	26.5	21.2	**189.9**
Northern Ireland	0.6	3.5	-	-	0.2	**4.3**
Scotland	26.2	77.8	5.4	24.9	28.3	**162.6**
South East	148.6	97.3	28.3	102.8	28.2	**405.2**
South West	60.8	36.7	13.2	33.4	16.1	**160.2**
Wales	12.8	15.9	6.4	12.6	5.8	**53.5**
West Midlands	26.3	22.3	26.2	20.2	23.7	**118.7**
Yorkshire/Humberside	36.2	15.5	21.4	18.4	14.4	**105.9**
	719.8	**448.1**	**212.8**	**360.7**	**187.1**	**1,928.5**

16. Capital

The following shows the regulatory capital resources managed by the Group:

	30 June 2015 (Unaudited) £m	**30 June 2014 (Unaudited) £m**	**31 December 2014 (Audited) £m**
Share capital	**2.5**	185.3	185.3
Retained earnings	**54.4**	7.5	32.1
Share premium account	**87.3**	1.3	1.3
Capital contribution reserve	**183.1**	-	-
Intangible assets	**(51.5)**	(46.9)	(49.5)
Common equity tier 1 capital	**275.8**	**147.2**	**169.2**
Subordinated debt	**32.5**	29.1	30.8
Collective impairment allowance	**3.0**	2.3	3.0
Tier 2 capital	**35.5**	**31.4**	**33.8**

Total regulatory capital	**311.3**	**178.6**	**203.0**

The regulatory capital reconciles to the total capital in the Group's Consolidated Statement of Financial Position as follows:

	30 June 2015 (Unaudited) £m	30 June 2014 (Unaudited) £m	31 December 2014 (Audited) £m
Regulatory capital	**311.3**	178.6	203.0
Subordinated debt	**(32.5)**	(29.1)	(30.8)
Collective impairment allowance	**(3.0)**	(2.3)	(3.0)
Intangible assets	**51.5**	46.9	49.5
Total equity	**327.3**	**194.1**	**218.7**

17. Related party transactions

There were no changes to the nature of the related party transactions during the period to 30 June 2015 that would materially affect the position or performance of the Group other than the grant of shares to staff, including key management personnel, in accordance with its Articles of Association following the IPO. Details of the transactions for the year ended 31 December 2014 can be found in the 2014 Annual Report.

18. Capital commitments

The Group has capital commitments totalling £1.2m at 30 June 2015 (31 December 2014: £1.3m and 30 June 2014: £1.3m).

19. Contingent liabilities

The Group outsources certain account administration, customer servicing and arrears management for its Commercial Mortgages, Secured Lending and Consumer Lending portfolios. Between 15 May 2014 and 26 January 2015, the outsourcer failed to send certain notices prescribed by the Consumer Credit Act ("CCA") to certain Secured Lending and Consumer Lending customers. These failures result in interest and charges of approximately £500,000 being incapable of collection or, being required to be refunded and other remediation costs estimated to be no more than £70,000. The Group's outsourcer has confirmed to the Group that it is responsible for reimbursing the Group in respect of the interest and charges which are incapable of being collected or need to be refunded to customers and for covering the vast majority of the other costs which are expected to be incurred. The outsourcer is working with the Group to take the necessary remedial action. The outsourcer has also assured the Group that it has addressed the cause of the failure to give notices and the Group intends to increase its monitoring of the outsourcer. On 13 July 2015 the Group received £622,298 from the outsourcer as full and final settlement of the customer remediation.

Further information regarding the contingent liabilities of the Group can be found in the 2014 Annual Report in note 36. During the six months to 30 June 2015, there have been no material changes to these contingent liabilities.

20. Earnings per share

IAS 33 requires that if the number of ordinary shares increases as a result of a capitalisation, bonus issue or share split then the calculation of basic and diluted earnings per share shall be adjusted retrospectively. The tables below are based on the number of shares in issue after the capital restructure as set out in Note 13. On this basis, the 31 December 2014 EPS has been restated from 20.9p to 17.7p.

	6 months ended 30 June 2015 (Unaudited)	6 months ended 30 June 2014 (Unaudited)	Year ended 31 December 2014 (Audited)
Earnings per share			
Basic and diluted	**8.0p**	5.7p	17.7p

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. There are no discontinued operations during the period (2014: £nil).

The following reflects the income and share data used in the basic and diluted EPS computations:

	6 months ended 30 June 2015 (Unaudited) £m	6 months ended 30 June 2014 (Unaudited) £m	Year ended 31 December 2014 (Audited) £m
Profit attributable to ordinary equity holders of the parent:	18.8	9.9	34.5

Profit attributable to ordinary equity holders of the parent for basic earnings	**18.8**	**9.9**	**34.5**

Earnings per share (continued)

	6 months ended 30 June 2015 (Unaudited) Millions	6 months ended 30 June 2014 (Unaudited) Millions	Year ended 31 December 2014 (Audited) Millions
Weighted average number of ordinary shares for basic and diluted EPS	**234.5**	**172.3**	**195.3**

Glossary

ALCO	Asset and Liability Committee
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision in June 2006 in the form of the 'International Convergence of Capital Measurement and capital standards'
Basel III	Global regulatory standard on Bank Capital Adequacy, Stress Testing and Market and Liquidity proposed by the Basel Committee on Banking Supervision in 2010. It aims to strengthen regulation, supervision and risk management in the banking sector. See also CRD IV.
Basis Point (bps)	One hundredth of a percent (0.01%). 100 basis points is 1%. It is used in quoting movements in interest rates or yields on securities.
Board	The Company's Board of Directors
Capital Requirements Regulation (CRR)	The European Union has implemented the Basel III capital proposals through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), collectively known as CRD IV. CRD IV was implemented on 1 January 2014.
Common Equity Tier 1 Capital (CET1)	The highest quality form of capital under CRD IV that comprises common shares issued and related share premium, retained earnings and other reserves less specified regulatory adjustments.
Cost of Risk	Cost of risk is defined as impairment losses on financial assets divided by average principal employed for a given period.
Cost: Income Ratio	Calculated as administrative expenses plus provisions for liabilities and charges, divided by net operating income.
CRD	Capital Requirements Directive
CRD IV	In June 2013, the European Commission published legislation for a Capital Requirements Directive (CRD) and Capital Requirements Regulations (CRR) which form the CRD IV package. The package implements the Basel III proposals in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. The rules are implemented in the UK via the PRA policy statement PS7/13 and came into force from 1 January 2014, with certain sections subject to transitional phase in.
Customer Deposits	Monies deposited by retail and commercial savings account holders. Such funds are recorded as liabilities of the Group.
Deferred Tax Asset	Taxes recoverable in future periods as a result of deductible temporary differences (temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods) and the carry-forward of tax losses and unused tax credits.
Encumbrance	An interest in an asset held by another party. Encumbrance usually impacts the transferability of the asset and can restrict its free use until the encumbrance is removed.
EPS	Earnings per share
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
Exposure at Default	An estimate of the amount expected to be owed by a customer at the time of a customer's default.
Fair Value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
FCA	Financial Conduct Authority
Financial Services Compensation	The Financial Services Compensation Scheme is the UK's independent statutory compensation fund for customers of authorised financial service firms and pays

Scheme (FSCS)	compensation if a firm is unable to pay claims against it. The FSCS is funded by management expenses levies and, where necessary, compensation levies on the authorised firms.
Forbearance	Forbearance takes place when a concession is made on the contractual terms of a loan in response to borrowers' financial difficulties. Forbearance options are determined by assessing the customer's personal circumstances.
Funding for Lending Scheme (FLS)	The Bank of England launched the Funding for Lending scheme in 2012 to allow banks and building societies to borrow from the Bank of England at cheaper than market rates for up to four years. This was designed to increase lending to businesses by lowering interest rates and increasing access to credit.
Group	The Company and its subsidiaries
Gross Yield	Gross yield is calculated as the sum of 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.
IFRS	International Financial Reporting Standards.
ILAA	Individual Liquidity Adequacy Assessment
Impaired Assets	Loans that are in arrears, or where there is objective evidence of impairment, and where the carrying amount of the loan exceeds the expected recoverable amount.
Impairment Allowance	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be individual or collective.
Impairment Losses	An impairment loss is the reduction in value that arises following an impairment review of an asset that determined that the asset's value is lower than its carrying value. For impaired financial assets measured at amortised cost, impairment losses are the difference between the carrying value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Impairment losses can be difficult to assess and critical accounting estimates and judgements are made when determining impairment losses.
IPO	Initial Public Offering
Leverage Ratio	The leverage ratio is calculated as common equity tier 1 capital divided by the total of on and off balance sheet assets adjusted for deductions.
Liquidity Coverage Ratio (LCR)	The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress, and ideally, central bank eligible.
Loan-to-Deposit Ratio	The ratio of loans and advances to customers net of allowance for impairment divided by customer deposits
MLRO	A Money Laundering Reporting Officer (MLRO) is the officer nominated within a firm or practice to make disclosures to the Serious Organised Crime Agency (SOCA) under the Proceeds of Crime Act 2002 and the Terrorism Act 2000.
Neither past due nor impaired	Loans that are not in arrears and which do not meet the impaired asset definition. This segment can include assets subject to forbearance solutions.
Net Interest Income	The difference between interest received on assets and interest paid on liabilities.
Net Interest Margin (NIM)	Calculated as net operating income divided by average principal employed.
Net Loans	Loans and advances to customers, net of impairment provision, plus operating leases.
Net Stable Funding Ratio (NSFR)	The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. The ratio is required to be 100% with effect from 2018. Available stable funding would include such items as equity capital, preferred stock with a maturity of over 1 year, or liabilities with a maturity of over 1 year.
Past due	A financial asset such as a loan is past due when the counterparty has failed to make a payment when contractually due.
Past due but not impaired	Loans that are in arrears or where there is objective evidence of impairment, but the asset does not meet the definition of an impaired asset as the expected recoverable amount exceeds the carrying amount.
PRA	Prudential Regulation Authority
Risk-weighted Assets	Sum of all risk-weighted assets as required for regulatory capital ratio measures.
Secured Lending	Lending on which the borrower uses collateral such as equity in their home.
Stress Testing	Stress and scenario testing is the term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how this will impact the capital resources which are required to be held.
Tangible Equity	A subset of shareholders equity that is not intangible assets
Tier 1 Capital	A measure of banks financial strength defined by the PRA. It captures Common Equity Tier 1 capital plus other Tier 1 securities in issue, but is subject to a deduction in respect of material holdings in financial companies.
Tier 1 Capital Ratio	Tier 1 capital expressed as a percentage of risk-weighted assets.
Tier 2 Capital	A further component of regulatory capital defined by the PRA. It comprises eligible collective assessed impairment allowances under CRD IV.
Total Capital Ratio	Total regulatory capital expressed as a percentage of risk-weighted assets.
TNAV	Tangible net asset value.
Unencumbered Assets	Assets that are readily available to secure funding or to meet collateral requirements, and assets that are not subject to any restrictions but are not readily available for use.
Underlying EPS	Underlying profit after tax attributable to ordinary shareholders of the parent company

	divided by the weighted-average number of ordinary shares outstanding during the period excluding own shares held in employee benefit trusts or held for trading.
Underlying return on tangible equity	Underlying profit before taxation 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.
Underlying profit before taxation	Statutory profit before taxation adjusted for distortive non-recurring items that are not part of the Group's on-going business activities.

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