

## Interim Management Statement - Q3 2015

5 November 2015

### Shawbrook Group plc - Strong organic originations at high risk adjusted returns

Shawbrook Group plc ("Shawbrook" or "the Group") today issues its Interim Management Statement relating to the third Quarter from 1 July to 30 September 2015 ("the Quarter").

#### Tom Wood, Interim CEO and CFO said:

*"These results continue to demonstrate the successful execution of our strategy and we are pleased that the Group continues to deliver strong growth, with originations and loans to customers up 27% and 23% respectively, driven by growing demand for lending from UK SMEs. We also significantly increased profitability during the period, with underlying PBT up 68% whilst maintaining Net Interest Margin at 6.1%. Commercial Mortgages, Asset Finance, Secured and Consumer divisions performed particularly well, both in terms of originations and new product launches.*

*The full roll out of personal lending and savings offerings and a number of further attractive product and market adjacencies will reinforce future growth and we remain confident in our continued ability to deliver our near and medium term targets."*

#### Key Highlights

- **Underlying profit before taxation grown by 68% (Q3 15 YTD vs. Q3 14 YTD), driven by increased originations and continued operational leverage**
- **Organic originations up 27% in the nine months to 30 September to £1.21bn (LTM to 30 September 2015: £1.63bn; LTM to 30 September 2014: £1.28bn)**
- **Net loans & advances to customers increased by 23% to £2.86bn in the same period**
- **Strong origination pipeline with the Group on track to deliver full year originations in excess of £1.6bn and net lending growth of £0.7bn - £0.8bn**
- **Commercial Mortgages increased originations by 23% to £441m in the nine months to 30 September 2015 and expanded its product offering, including successful entry into the regulated short term lending market**
- **Consumer delivered 36% growth in new originations to £64m in Q3 2015 (Q3 2014: £47m) with personal loans seeing a 700% increase in originations to £9.5m in the same period**
- **Asset Finance increased originations by 36% to £126m in Q3 2015 (Q3 2014: £93m), with new product launches from 2014 to 2015 delivering material additional originations**
- **Strong growth in our new ISA products with plans to fully launch an Easy Access offering in Q4 2015 following a successful pilot**
- **Formation of a joint venture with Urban Exposure to provide end to end funding solutions to established property development companies**
- **The year to date return on tangible equity for the Group was 25.0% with a pro-forma Total Capital Ratio of 19.2% as at 30 September 2015<sup>1</sup>**

<sup>1</sup> Pro-forma adjusted to take into account the issuance of £75m Tier 2 capital on 26 October 2015

### Financial Highlights<sup>2</sup>

The Group's robust financial performance continued during the third quarter of the year, in line with management's expectations, with underlying profit before taxation increasing by 68% to £54.5m for the nine months ended 30 September 2015 compared to £32.5m for the corresponding period in the previous year.

Demand for lending is driving continued growth in organic originations and a strong pipeline of new business applications.

- New originations in the Quarter were £401m, a 20% increase compared to the previous year (Q3 2014: £333m).
- Commercial Mortgages has seen new business activity increase following the UK general election with originations in line with expectations in Q3 and a very strong pipeline positioning the business well for a seasonally high final quarter and for momentum into 2016. The business entered into a joint venture

with Urban Exposure to provide end to end funding solutions to established property development companies and also expanded into the regulated short term loan market in October, and has seen strong initial demand ahead of expectations.

- Asset Finance is experiencing strong demand from SMEs across all products. New product initiatives launched in 2014 and 2015 are now delivering material additional originations.
- Business Credit launched 'ELEMENTS' which is a comprehensive funding solution designed to enable pharmacists and pharmacy businesses to access higher levels of finance.
- The Consumer division has launched the full roll out of the personal loan proposition following a successful pilot which demonstrated the attractive returns and high levels of demand for the products and this division is well positioned to deliver significant growth in 2016 having already delivered 132% increase in monthly originations since January 2015.
- Secured continues to maintain its leading share in the second charge lending market.

Net loans & advances to customers<sup>3</sup> increased by 23% to £2,864m in the nine months ended 30 September 2015 (31 December 2014: £2,331m) and we are on track to deliver targeted net growth of £0.7-0.8bn per annum with particularly strong performances from Commercial Mortgages, Asset Finance and our Consumer focussed businesses.

Net interest margin remains stable at 6.1% and credit quality remains excellent with low levels of arrears and high levels of collateral delivering high risk adjusted margin.

The year to date return on tangible equity for the Group was 25.0%.

### **Capital and funding position**

The Group continues to maintain a capital position above its targets, with a CET1 ratio of 15.2% (31 December 2014: 11.6%) and Total Capital Ratio of 17.1% (31 December 2014: 13.9%).

On 28 October 2015, we issued £75m of new Tier 2 capital at 8.5% (10NC5) to refinance our existing Tier 2 instrument yielding 11%. This is consistent with the Group's objective to maintain focus on optimisation of its capital structure. Had this transaction taken place in Q3, the TCR would have been 19.2%.

### **Board changes**

We are delighted that Steve Pateman will join as Chief Executive Officer from 1 January 2016. Steve joins from Santander UK, where he built the SME franchise and is currently Executive Director and Head of UK Banking, running the bank's Corporate, Commercial, Business and Retail Banking operations as well as Wealth Management.

Paul Lawrence was appointed as an independent non-executive director from 24 August 2015 and was formerly Global Head of Group Internal Audit for HSBC. During a 31 year career with the bank, Paul was CEO of HSBC Bank, North America, Head of Global Banking & Markets USA, CEO of HSBC Singapore, and CEO of HSBC Philippines.

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<sup>2</sup> All references are to underlying results, unless otherwise stated as being statutory.

<sup>3</sup> Including operating leases.

### **Outlook**

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

Overall, the Group remains well positioned and remains confident in delivering our near and medium term targets.

### **ENQUIRIES**

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#### **About Shawbrook**

Shawbrook is an independent specialist lending and savings bank serving UK SMEs and consumers with tailored products designed to address a selection of high growth sub-sectors of the overall lending industry. The Group's lending activities are primarily funded by a stable retail deposit book. 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 regulated by the Prudential Regulation Authority and the Financial Conduct Authority and is registered under the Financial Services Compensation Scheme.

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