

Shawbrook Group plc ("Shawbrook" or "the Group") today announces continued strong underlying* performance, in line with market expectations for the six months to 30 June 2016.

To view the full press release, [please click here](#).

Commenting on the results, CEO Steve Pateman said:

"I am delighted to report that the business achieved a strong first half performance with underlying Profit Before Tax ("PBT") up 14% from the same period in 2015 to £38.0 million (statutory PBT: £35.2 million). This strong result is after taking into account the additional impairment charge announced on 28 June 2016 and absent this charge, underlying PBT in H1 2016 would have been 41% higher when compared to H1 2015 (78% on a statutory PBT basis). This performance was driven by continued growth in the book to £3.8bn as we progressively increased originations by 22% to £993 million, with strong growth across all three divisions.

We have continued to deliver strong, sustainable returns with an underlying 12 month rolling RoTE to 30 June 2016 of 21.2%, 23.3% excluding the impairment charge (statutory RoTE: 21.2%). This reflects our disciplined approach to strong risk adjusted returns alongside continued investment to support the future growth of the loan book. Cost to income ratio of 47.9% (statutory cost to income ratio: 50.2%) demonstrates the benefits arising from economies of scale. Underlying EPS increased to 11p (statutory EPS: 10p) and we reaffirm our previous dividend guidance.

On management, I'm delighted to announce we have appointed Angela Wakelin to Chief Operating Officer who will lead the work on implementing the underlying operating model to support our growth strategy. This is a further important step in building a strong team at both a business and functional level to deliver on our stated goals and ambitions.

It is clear from the rapidly evolving and ever changing view of the future for the UK economy post the decision to leave the EU, that the situation will remain fluid for some time; we have already seen economic forecasts move from a near certain recession on the 24th June to lower but still respectable growth rates for 2017 in the latest IMF forecasts. Much remains to be resolved and this will undoubtedly influence consumer and business confidence as the future of our relationship with the EU becomes clearer – at present we are not seeing any material change in activity and indeed some markets that slowed in the run up to the Referendum have picked up. However it is too soon to fully assess the medium term impacts on the broader economy given the number of outcomes that remain possible.

The significant structural opportunities for Shawbrook to grow and to grow safely at the returns we have targeted remain and if anything, the probability of those structural opportunities being greater than we envisaged is higher as the incumbent banks accelerate cost reduction programmes to offset compressed margins in the safe haven markets upon which they will continue to focus.

We did not extend our risk appetite during the more benign part of the cycle and we therefore do not anticipate making fundamental adjustments to accommodate this potential cyclical downturn, this conservative approach is reflected in where we see our cost of risk now and going forward.

These results reflect the strength of our business and allow us to view the future with confidence; we have scale, resilience and opportunities for growth; our risk appetite is appropriately positioned as is our balance sheet and we have a management team that is experienced and capable of delivering the strategic goals we have set out."

* We present all underlying items, against which we manage the business, equally and prominently alongside the relevant statutory measure. Please refer to the Underlying income statements for a detailed reconciliation of statutory results to underlying results.

Highlights

- The Group delivered a strong performance in H1 2016, with underlying PBT increasing by 14% to £38.0 million (H1 2015: £33.2 million) and statutory PBT increased by 43% to £35.2 million (H1 2015: £24.7 million).
- The Group continues to maintain its returns discipline, resulting in a 12 month rolling RoTE(11) of 21.2% (23.3% when excluding the impairment charge) which compares to a 2015 RoTE of 22.7%.
- Underlying net interest margin(6) for H1 2016 was 5.6% compared with 6.1% in H1 2015 and is stable against Q1 2016. The year on year reduction was driven by the mix impact highlighted in the Q1 2016 IMS following the acquisition of the lower yielding yet strong RoTE property portfolio in December 2015.
- The Group continues to benefit from scale efficiencies and has achieved a reduction in the underlying cost to income ratio(12) to 47.9% (H1 2015: 51.0%) whilst continuing to invest in people, technology and infrastructure to support the delivery of the Group's strategy. The period average headcount increased to 556 during H1 2016 compared to an average of 514 in FY 2015. Key new initiatives include building out the direct Personal Loan proposition, lending into retirement mortgage product, building out our regional SME footprint and beginning the test and learn strategy in development finance.