

Shawbrook Group plc (“Shawbrook” or “the Group”), the specialist lending and savings bank, today announces continued strong performance and reiterates confidence in its near and medium term outlook, supported by its disciplines on risk, returns and costs to create resilience, durability and sustainability.

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

**Commenting on the results, CEO Steve Pateman said:**

“2016 was a pivotal year for Shawbrook – we clearly articulated our 2020 vision at our inaugural Capital Markets Day in May 2016 and have continued to deliver against the strategic pillars we set out. We have achieved sustainable growth across all of our lending divisions and delivered strong risk adjusted returns. Notwithstanding the changes in the political environment and the subsequent uncertainty arising in the macroeconomic climate, we have continued to execute our plans through deep market knowledge, innovation and through close understanding and awareness of our customers’ needs.

Shawbrook’s journey since listing has been somewhat more challenging than anticipated due to the changes in the macroeconomic climate and outlook and the identification of the controls breach in the Business Finance Division announced on 28 June 2016<sup>1</sup>. However, Shawbrook today has a strengthened management team and sound foundations, making it well placed to take advantage of the opportunities that will continue to arise from the structural changes taking place in the UK banking market. Our disciplines on risk, returns, costs, liquidity and capital are clear and as we move forward, our guiding principles will be quality rather than quantity which, combined with practical banking and good sense, will create resilience, durability and sustainability.”

**Achieve strong risk adjusted returns<sup>2</sup>**

- Robust financial performance aligned to our strategic pillars:
  - Net interest margin stability throughout 2016 at 5.6% (2015: 6.2%);
  - Further reductions in the cost to income ratio to 45.1% (excl. controls breach: 44.7%, 2015: 48.3%);
  - 14% increase in profit before tax to £91.4 million (29% increase excl. controls breach: £103.4 million, 2015: £80.1 million);
  - 26% increase in statutory profit before tax to £88.2 million (2015: £70.1 million); and
  - Statutory earnings per share of 25.9p and recommended dividend per share of 2.7p.
- Our specialist markets continue to offer strong risk-adjusted returns:
  - Return on tangible equity of 19.4% (excl. controls breach: 22.0%, 2015: 22.7%<sup>3</sup>); and
  - Statutory return on tangible equity of 18.8% (2015: 20.7%<sup>3</sup>).

**Maintain excellent credit quality<sup>2</sup>**

- Excluding the controls breach, cost of risk was 35bps (statutory: 64bps, 2015: 24bps).
- Continued investment in the development of the Risk Management Framework, our risk teams and the promotion of a strong risk culture throughout the Group, giving us confidence that we now have in place an effective platform to support the continued growth of the business.
- The non-performing loan (NPL) ratio<sup>4</sup> as at 31 December 2016 of 0.99% (1.17% including the controls breach, 31 December 2015: 0.65%) continues to reflect the benign economic environment with the increase largely attributable to slower transaction cycles in a number of prime property segments of the market, the time taken to optimise the recovery of assets in Business Finance and the maturity of the residential mortgage portfolio. Our credit appetite remains conservatively positioned with significant collateral against our watch list cases. Overall, our assessment of the impairment requirement against these cases results in a NPL provision coverage ratio of 51% at 31 December 2016.

## Progressively increase originations

- Continuing demand in our carefully selected markets:

- Organic originations growth of 14% to £1.9 billion (2015: £1.7 billion); and - Customer loans<sup>5</sup> grew 22% to £4.1 billion from £3.4 billion at 31 December 2015.

- Enhancement of product propositions across all divisions and delivery of a number of key initiatives including entry into the development finance market, the launch of Shawbrook International Limited, offering financing solutions in Jersey, and the agreement of strategic partnerships with a number of key affiliates.

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

## ENQUIRIES

Richard Armstrong  
Group Head of Marketing and Communications  
07809 493 158  
[richard.armstrong@shawbrook.co.uk](mailto:richard.armstrong@shawbrook.co.uk)

Toni Coulson  
Head of Investor Relations  
07901 002 731  
[toni.coulson@shawbrook.co.uk](mailto:toni.coulson@shawbrook.co.uk)

<sup>1</sup> See the Basis of preparation and the Risk management report in the Annual Report & Accounts for further details.

<sup>2</sup> All references are to underlying results, unless otherwise stated. See the Basis of preparation in the Annual Report & Accounts for further details of underlying adjustments and statutory equivalents.

<sup>3</sup> Opening tangible equity has been adjusted to include £82 million of net IPO proceeds. <sup>4</sup> Ratio of past due over 90 days and impaired loans.

<sup>5</sup> Includes operating leases and net of impairment provisions.

<sup>6</sup> Risk weighted assets of £2,778.6 million against Customer Loans of £4,088.5 million. Total balance sheet exposure for leverage ratio was £4,760.8 million at 31 December 2016.