shawbrook

10 August 2023

H1 2023 Results Presentation

Contents

1

Executive summary

Successfully delivering on Shawbrook's strategy

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Deep expertise in a broad range of carefully selected markets which allows us to deliver sustainable growth

21%[1]
Annualised loan book growth to £11.9bn
(FY 22: £10.5bn)

Combining technology and data with human talent and judgement

36.6%
Underlying cost to income ratio
(H1 22: 41.3%);
41.5% Statutory cost to income ratio
(H1 22 43.6%)

61bps
Cost of risk
(H1 22: 38bps)

Continued profitability through a growing and engaged customer base

£149.3m
Underlying profit before tax
(H1 22: £111.4m);
£135.1m Statutory profit before tax
(H1 22: £106.4m)

4.7/5
Trustpilot score
(FY 2022: 4.6/5)

Track record of superior returns

20.5%
Underlying return on tangible equity
(H1 22: 19.6%);
18.4% Statutory return on tangible equity
(H1 22: 18.6%)

5.2%
Net interest margin
(H1 22: 5.0% [2])

Conservative capital management

12.2%
CET1 capital ratio
(FY 22: 12.7%[3])

14.8%
Total capital ratio
(FY 22: 15.6%[3])

Skilled and experienced colleagues working towards an ambitious vision

84%
Employee engagement score
(2022: 82%)

1,355
Employees[4]
(2022: 1,158)

1) The annualised growth rate of 21% represents the loan book growing to £11.6 billion and excludes the Bluestone Mortgages Limited (BML) acquisition. Including the acquisition, the loan book was £11.9 billion and represented an annualised growth rate of 27%.
2) Excluding gain on sale, net interest margin was 4.8%.
3) Risk-weighted assets as at 31 December 2022 have been restated to reflect adjustments in credit valuation adjustment and counterparty credit risk in respect of the Group's structured entities' interest rate swap derivatives. Risk-weighted assets have increased by £80.6 million to £7,463.1 million and the capital and leverage ratios have also been restated to reflect these adjustments.
4) The Group's six-month average number of employees, calculated in line with the Companies Act requirement. H1 2023 position includes BML employees from 1 June 2023, following the acquisition in May 2023.

Our diversified product offering

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Enterprise franchise

Real Estate

Supports the UK property sector through a range of diverse commercial and residential mortgage products offered to professional landlords, investors and homeowners.

- Buy-to-let
- Bridging finance
- Commercial investment
- Second charge mortgages

£5.5bn loan book

SME

Supports UK SMEs with a range of debt-based financing solutions through the following business units:

- Digital SME lending
- Corporate lending
- Structured finance
- Development finance

£2.7bn loan book

Consumer franchise

Consumer Lending

Provides unsecured personal lending to consumers for multiple purposes through a range of partners and direct through its digital proposition.

- Unsecured personal loans
- Partner finance

£0.5bn loan book

Savings

Provides a wide range of savings solutions with competitive interest rates, including easy access, notice and fixed term accounts and fixed cash ISAs.

- Personal Savings
- Business Savings

£12.1bn deposits

Retail Mortgage Brands

THE MORTGAGE LENDER real life lending

Bluestone. mortgages

Support customers, including the self-employed, entrepreneurs and first-time buyers.

- Buy-to-let
- Owner occupied mortgages

£3.1bn(1) loan book

1) Excluding the acquisition of BML, the Retail Mortgage Brands loan book was £2.8 billion.

Continued investment in our proposition drives robust returns and sustainable value

Sustainable growth, attractive returns and strong credit quality

- Loan book grew to £11.9 billion(1), driven by strong net lending volumes and supported by the acquisition of BML in May 2023.
- Underlying profit before tax increased by 34% to £149.3 million and achieved an underlying return on tangible equity of 20.5%.
- Underlying credit performance remains resilient, with the Group's arrears rate stable at 1.9%(2) and cost of risk within risk appetite at 61bps. This factors in loan book growth, acquisition of BML and changes in ECL models driven by macro assumptions.

Continued investment in digitalisation to improve customer experience and risk management

- Advancement of our digital strategy is providing scale and operational leverage, with our underlying cost to income ratio reducing further to 36.6%.
- Launched Shawbrook 'Colleague Hub', a digital platform used to increase underwriter's productivity and speed of delivery.
- Progressed the build of our new digital savings experience, introducing automation and enhanced self-service functionality.
- Further invested in our Digital SME Lending proposition, using auto decisioning capabilities to offer an improved customer journey.

Maintained strong surplus liquidity and capital resources

- Maintained strong capital levels, with a Common Equity Tier 1 (CET1) ratio of 12.2%, a total capital ratio of 14.8% and a liquidity coverage ratio of 330.7%. The decrease in the capital ratios is largely attributable to the growth in risk-weighted assets of £901.3 million(3) and the acquisition of BML.
- Strengthened and diversified our funding base, growing our deposit book by 22% on an annualised basis to £12.1 billion.
- Completed a £0.7 billion fully retained securitisation, providing the Group with further capital and liquidity benefits.

Continue to evolve our ESG strategy to deliver a positive impact

- Supported social mobility and gender equality with the extension of our existing relationship with the Saracens Foundation and rugby teams, as well as becoming the new principal partner of the Mavericks netball team from 2024.
- Progressed our climate roadmap with a focus on embedding our strategy throughout the Group, including the integration of a climate portal into credit underwriting teams.

Recruitment and retention of talent are paramount to our success

Achieved an employee engagement score of 84% - we are now a favoured employer for the very best talent.

1) Excluding the acquisition of BML, the loan book was £11.6 billion.
2) Loans that are equal to or greater than two payments in arrears (includes all term expired).
3) Risk-weighted assets at 30 June 2023 include £218.8 million (31 December 2022: £131.2 million) of counterparty credit risk and credit valuation adjustment in respect of over-the-counter interest rate swap derivatives within our funding structured entities. During the H2 2023 we are working to materially reduce the counterparty credit risk and credit valuation adjustment risk-weighted assets through collateralisation of our over-the-counter derivatives positions.

Our unique capabilities and agile approach are driving consistently strong performance

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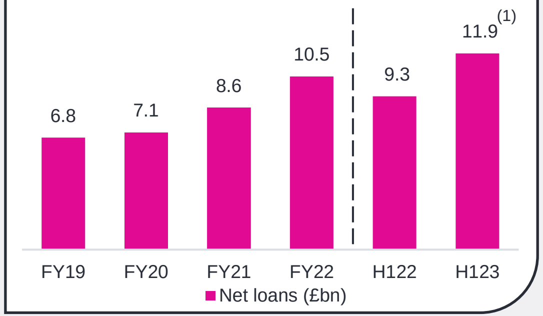
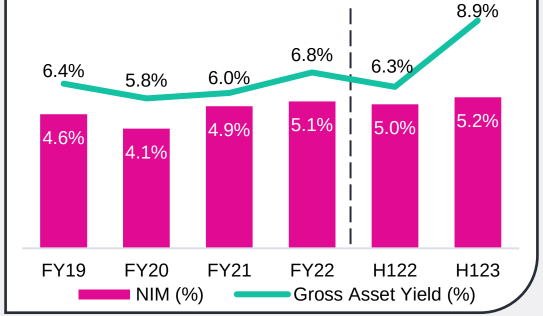
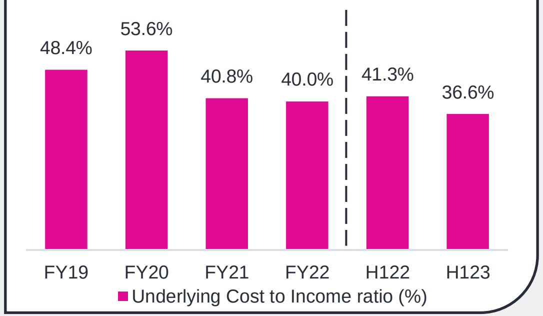
Sustainable growth of our loan book



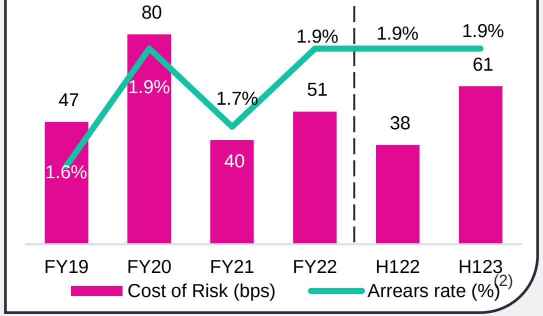
Improving net interest margin



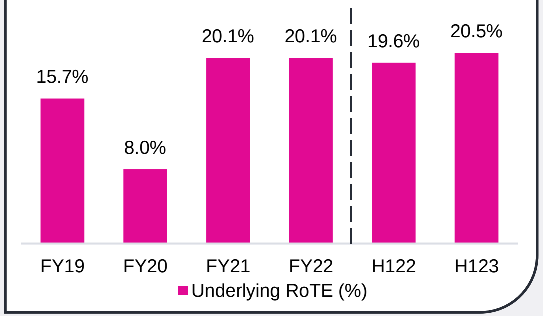
Careful cost management



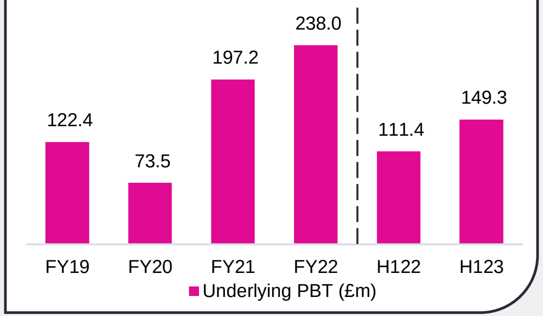
Resilient credit performance



Attractive superior returns



Strong profitability



1) Excluding the acquisition of BML the loan book was £11.6 billion.
2) Loans that are equal to or greater than two payments in arrears (includes all term expired).

2

Financial performance

Strong profitability driven by net interest margin improvement and operational efficiency

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(£m)		FY 22	H1 22	H1 23
Income Statement	Net operating income	476.2	218.2	**288.0**
	Administrative expenses	(189.7)	(89.9)	**(103.9)**
	Impairment losses on financial assets	(47.7)	(16.7)	**(33.4)**
	Provisions	(0.8)	(0.2)	**(1.4)**
	Underlying profit before tax	**238.0**	**111.4**	**149.3**
	Corporate activity costs	-	-	**(2.8)**
	Timeshare provision charge	-	-	**(11.4)**
	Strategic review	(5.0)	(5.0)	**-**
	Statutory profit before tax	**233.0**	**106.4**	**135.1**
KPIs	Loan book (£bn)	10.5	9.3	**11.9**(1)
	RWAs (£bn)	7.5(3)	6.7	**8.4**
	Average principal employed (£bn)	9.4	8.8	**11.1**
	Gross asset yield (%)	6.8	6.3	**8.9**
	Liability yield (%)	(1.8)	(1.3)	**(3.6)**
	Net interest margin (%)	5.1	5.0	**5.2**
	Cost to income ratio (%) (underlying/statutory)	40.0/41.1	41.3/43.6	**36.6/41.5**
	Cost of risk (%)	(0.51)	(0.38)	**(0.61)**
	CET1 ratio (%)	12.7(2)	12.7	**12.2**
	Total capital ratio (%)	15.6(2)	15.9	**14.8**
	Liquidity coverage ratio (%)	321.3	300.4	**330.7**

Key observations

- Attractive profitability maintained with underlying profit before tax increasing by 34% to £149.3 million and underlying RoTE of 20.5%.
- We have continued to invest in the platform; at the same time, careful cost management and operating leverage supported a reduction in underlying cost to income ratio to 36.6%.
- Impairment losses of £33.4 million and cost of risk of 61bps, reflect changes in our ECL economic assumptions, along with loan book growth.
- Underlying adjustments relate to £2.8 million of BML corporate activity costs and a £11.4 million provision charge concerning timeshare customer complaints.
- Gross asset yield increased to 8.9% benefiting from rising interest rates and treasury related income, which also saw our liability yield increase to 3.6%.
- Well capitalised and liquid balance sheet with a CET1 ratio of 12.2%, total capital ratio of 14.8% and a liquidity coverage ratio of 330.7%.

1) Excluding the acquisition of BML, the loan book was £11.6 billion.
2) Risk-weighted assets as at 31 December 2022 have been restated to reflect adjustments in credit valuation adjustment and counterparty credit risk in respect of the Group's structured entities' interest rate swap derivatives. Risk-weighted assets have increased by £80.6 million to £7,463.1 million and the capital and leverage ratios have also been restated to reflect these adjustments.

Strong net lending across our range of carefully selected markets

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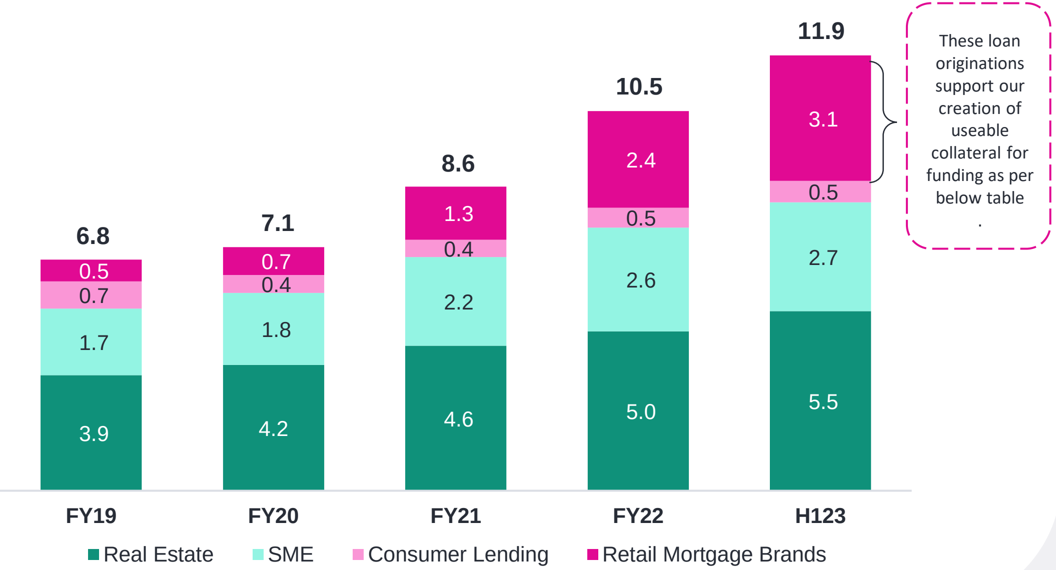
Total net loan book evolution (£bn)



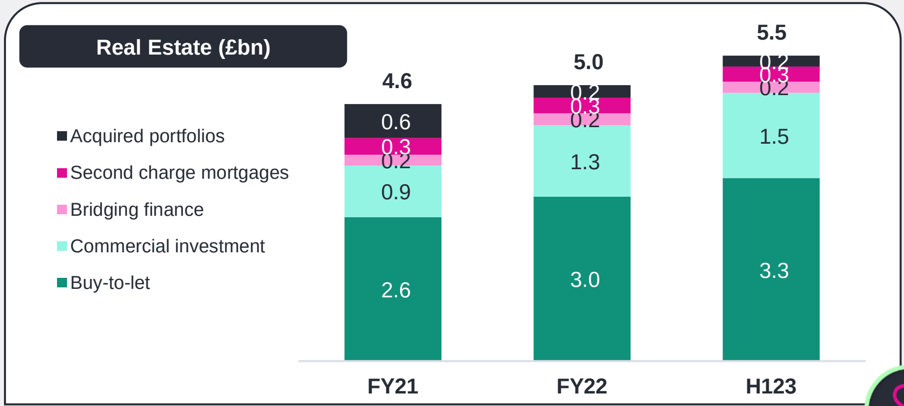
Key observations

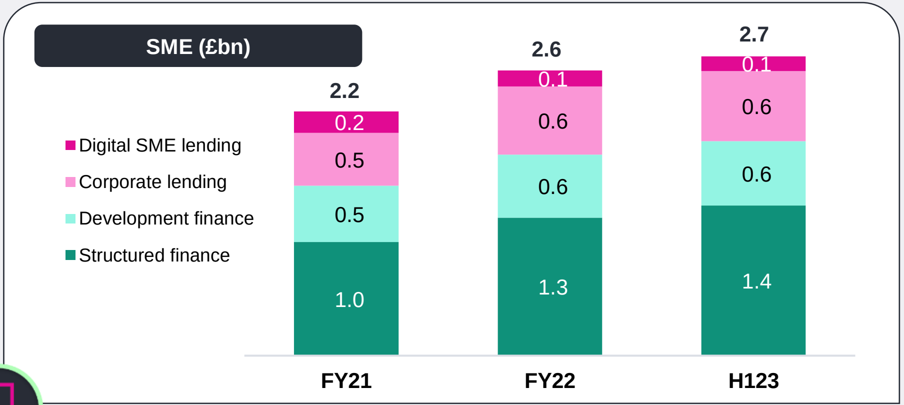
- Loan book growth over the period was £1.1 billion, representing an annualised increase of 21%(1) following continued strong originations in our core markets.
- Real Estate increased by 20% on an annualised basis as we remained active in the market and supported our professional real estate customers.
- SME was up 10% on an annualised basis as we saw continued to help our customers to gain access to their required capital.
- Consumer Lending was up 15% on an annualised basis, with strong demand for our data-driven proposition.
- Our Retail Mortgage Brands book increased by 60%(2), which includes the £0.3 billion of growth attributable to loans acquired as part of the acquisition of BML.

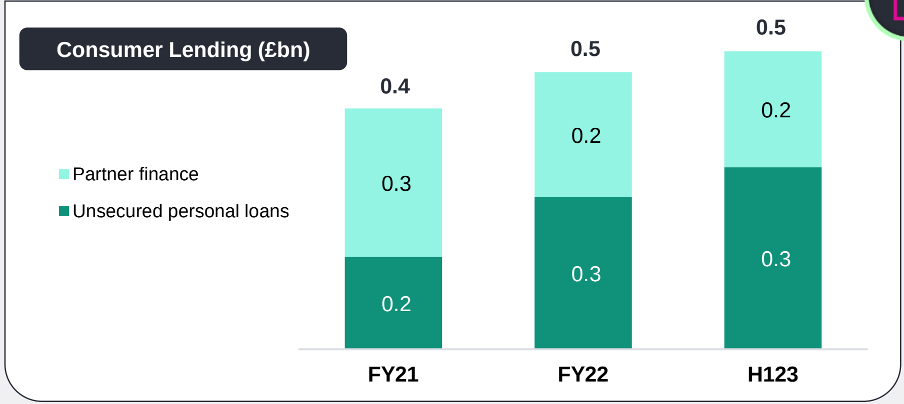
Residential Mortgage Brand securitisations	Loans and advances securitised (£bn)
Ealbrook Mortgage Funding 2022-1 plc	0.3
Lanebrook Mortgage Transaction 2022-1 plc	0.3
Holbrook Mortgage Transaction 2023-1 plc	0.7
Genesis Mortgage Funding 2022-1 PLC	0.2
Total	**1.5**

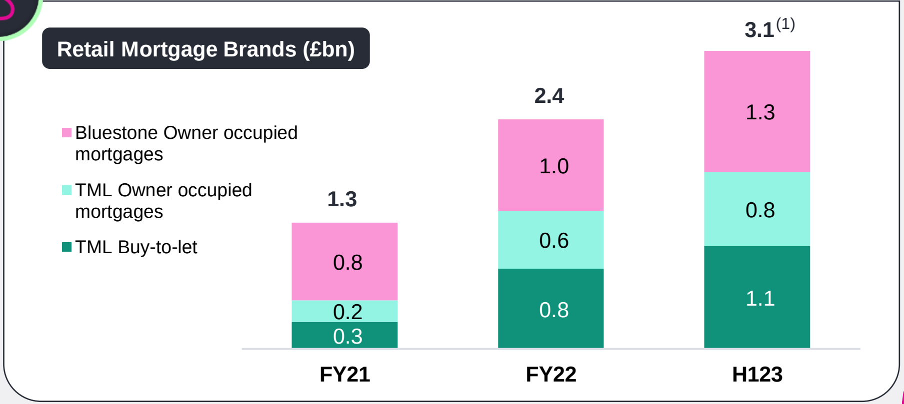
1) The annualised growth rate of 21% represents the loan book growing to £11.6 billion and excludes the BML acquisition. Including the acquisition, the loan book was £11.9 billion and represented an annualised growth rate of 27%
2) The annualised growth rate of 60% represents the Retail Mortgage Brands loan book growing to £3.1 billion and includes the BML acquisition. Excluding the acquisition, the loan book was £2.8 billion and represented an annualised growth rate of 36%.

Strong and sustainable lending growth across our diversified book









1) Excluding the acquisition of BML, the Retail Mortgage Brands loan book was £2.8 billion.

Improving net interest margin driving enhanced profitability

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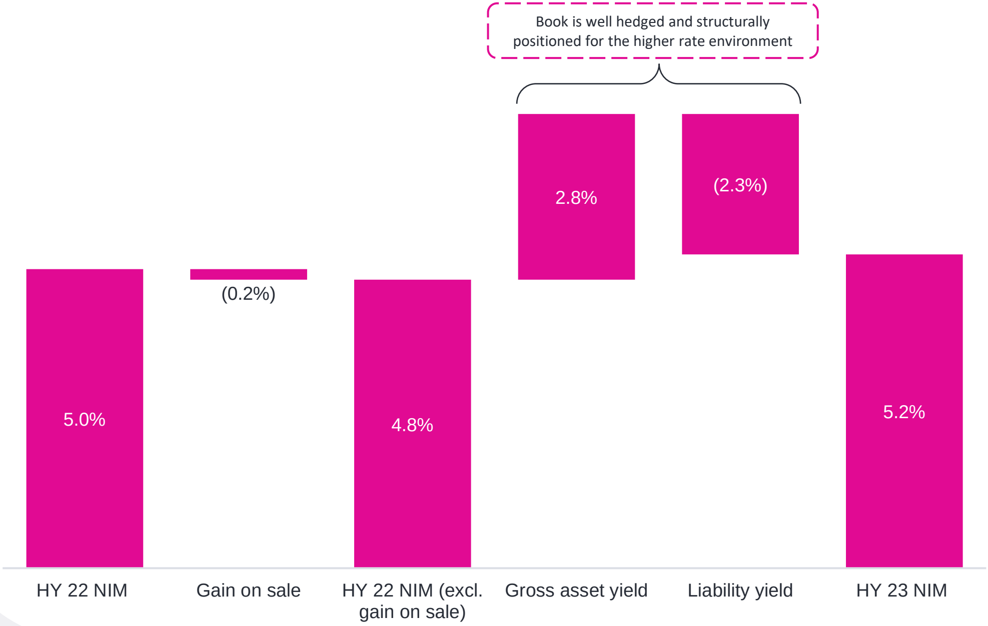
Strong NIM Expansion



Key observations

- Net operating income increased by 32% to £288.0 million (H1 22: £218.2 million).
- Improved gross asset yield of 8.9% (H1 22: 6.3%[(1)]), reflecting the positive impact of the rising interest rate environment.
- Liability yield increased to 3.6% (H1 22: 1.3%) reflecting the increased interest expense, primarily driven by increased competition in the deposit market.
- Excluding gain on sale, net interest margin increased by 42ps to 5.22% (H1 22: 4.98%[(2)]), benefiting from the interest rate rises.
- Gain on sale in H1 22 relates to a £7.7 million gain from the sale of a portfolio of assets in Real Estate in January 2022.
- Our predominantly deposit funded balance sheet continues to provide flexibility while the wholesale markets remain volatile. We see strong demand to extend our originate to distribute proposition when the market stabilises.

1) Excluding gain on sale, gross asset yield was 6.1%
2) Excluding gain on sale, NIM was 4.8%.

Robust management of our loan book supported by prudent risk appetite

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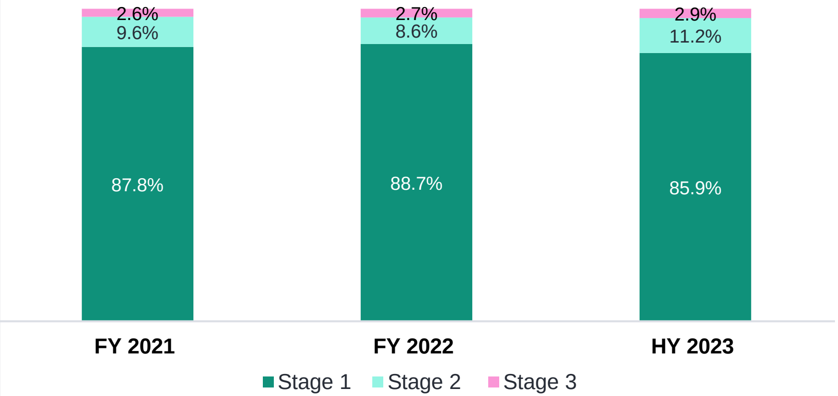
Stage 3 loans broadly stable at c.3%



- Stage 3 loans remained broadly stable at below 3% of the total gross carrying amount.
- The increase in Stage 2 reflects our proactive approach to potential problem loan identification in the current economic environment, leading to an increase in our SME watch list, along with loan growth. We expect the watch list to stabilise in H2 2023.
- We have retained our economic scenario weightings applied at FY 22, with downside risk scenarios (downside + severe downside) representing 50% probability (see appendix).

Total loss allowance coverage remains strong

	FY 2022	H1 2023			
	Coverage Ratio	Gross Loans (£bn)	ECL (£m)	Coverage Ratio	CoR
Real Estate	0.52%	5.75	38.2	0.66%	48bps
SME	2.12%	2.74	61.7	2.15%	50bps
Consumer Lending	4.59%	0.57	27.2	4.77%	473bps
Retail Mortgage Brands	0.33%	3.24	10.8	0.33%	18bps
Total	**1.06%**	**12.30**	**137.9**	**1.12%**	**61bps**

- Coverage ratio increased from 1.06% to 1.12% and, with a CoR of 61bps, we remain appropriately covered for any potential losses.
- ECLs increased 20% from £114.7 million to £137.9 million, predominantly attributable to growth in the loan book and loans acquired as part of the BML acquisition, along with updated valuations in commercial investment property, offset by a reduction in the cost-of-living post model adjustment.

3

Funding and capital

Flexible and efficient funding strategy supporting our sustainable growth trajectory

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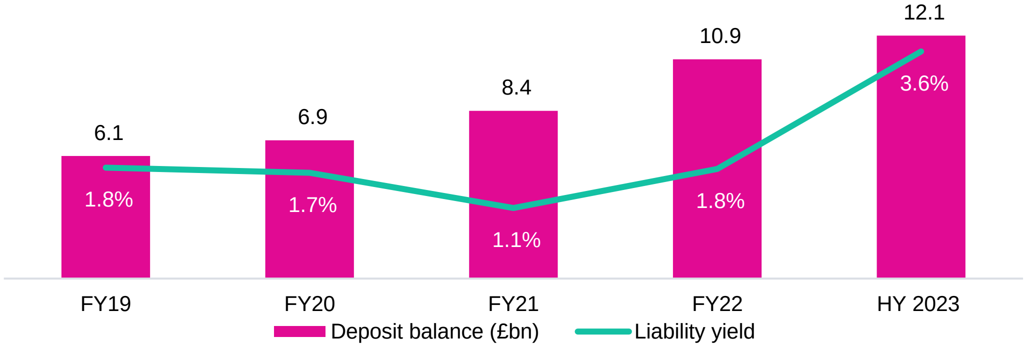
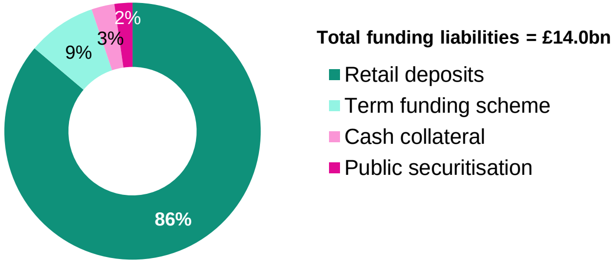
Our savings brand continued to attract new customers and drive new deposit inflows



Key observations

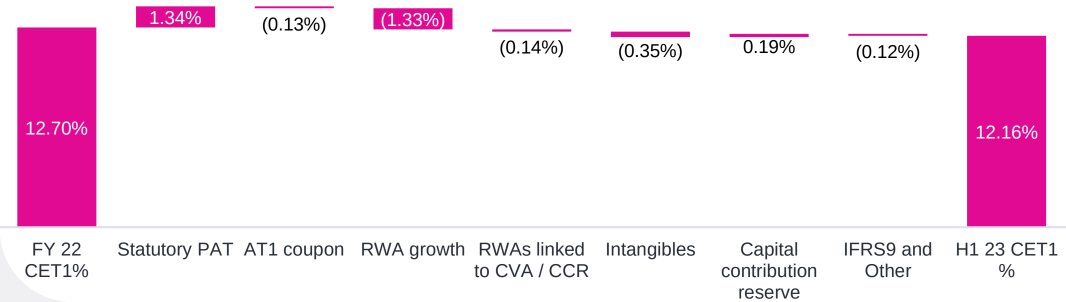
- Our savings proposition continued to attract new customer deposits, resulting in our deposit book growing by 22% on an annualised basis to £12.1bn, and our total savings customer base increasing by 16%.
- Liability yield increased to 3.6%, driven by increasing base rate on hedged back book funding (including TFSME drawings of £1.2bn) and higher rate offered to the front book deposit market.

Funding mix – 30 June 2023

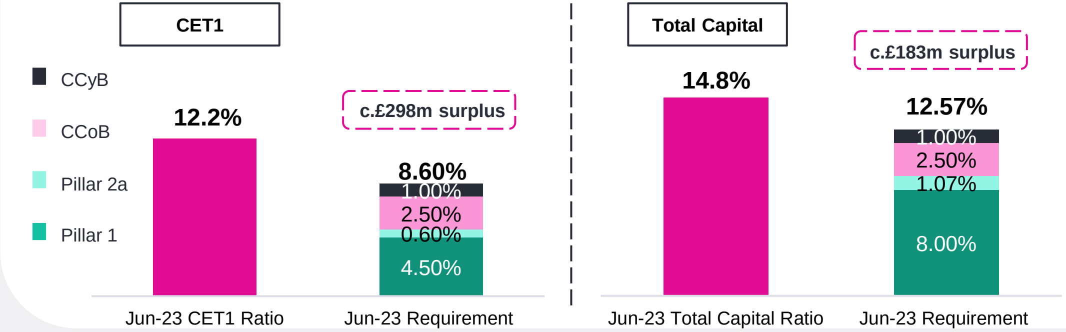


We remain well capitalised and comfortably above regulatory requirements

CET1 walk (%)



Capital position relative to requirements as at 30 June 2023



Key observations

- CET1 reduced from 12.70%(1) as at FY22 to 12.16% as at H1 23, with c.0.30% relating to the acquisition of BML.
- The movement in CET1% is driven by retained Statutory PAT of £100 million offset by growth in RWAs of £901 million (including £88 million of RWAs linked to the CVA / CCR disclosure(1)), a £27 million increase in intangibles (primarily driven by Goodwill from the BML acquisition), and an increase in the capital contribution reserve of £14 million.
- Capital levels remain well in excess of regulatory requirements, with a CET1 ratio of 12.2% (3.6% or £298 million surplus to requirements), a total capital ratio of 14.8% (2.2% or £183 million surplus to requirements) and a liquidity coverage ratio of 330.7%.
- Strong leverage ratio maintained of 8.1% (Dec 22: 8.7%(1)), compared to minimum requirements of 3.25% and a risk-weighted asset density of 70%.
- The CCyB has increased from 1% to 2% per announcement on 5th July 23 as expected and reduces surplus by £84 million.

1) Risk-weighted assets as at 31 December 2022 have been restated to reflect adjustments in credit valuation adjustment and counterparty credit risk in respect of the Group's structured entities' interest rate swap derivatives. Risk-weighted assets have increased by £80.6 million to £7,463.1 million and the capital and leverage ratios have also been restated to reflect these adjustments.

4

Appendices

Our business model: next generation banking platform

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1 Driven by purpose

We power up ingenuity to create opportunity, every single day

- Diversified product offering
- Informed by deep customer insight
- Responsive to evolving macroeconomic and societal trends

Enterprise franchise

Consumer franchise

Retail mortgage brands

2 Enabled by a proven business model

Our next generation banking platform

- Diversified distribution
- Deep human expertise powered by modular technology
- Seamless customer experience
- Flexible and scalable architecture supports innovation
- Generating consistent and attractive returns

Origination

Multi-channel distribution

- Intermediaries
- Direct digital
- Digital marketplaces
- Platform lending
- Inorganic

'Best of both' capabilities

Using technology intelligently to enhance human judgement, automating where it makes sense

Human expertise and ingenuity

Excellent customer experiences

Modular technology and data capabilities

Revenue model

Optionality through multiple revenue sources

- Interest income
- Fee income
- Structured asset sales

3 Fuelled by stable and scalable funding

Conservative capital management and funding diversification

- Significant presence in the retail deposits market
- Bank of England wholesale funding
- Securitisation of selected assets

Liquidity

Our strong and predominantly retail deposit funded balance sheet is supplemented with wholesale funding, primarily through the Bank of England.

- Retail deposits
- Bank of England wholesale funding

Capital

Backed by supportive investors, our strong equity position is further strengthened by our ability to issue debt instruments and securitise selected assets for funding and capital optimisation purposes.

- Equity
- Debt instruments
- Securitisations

We continue to evolve our ESG strategy, focusing on those areas where we can deliver the greatest impact

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Our approach to ESG is a tangible expression of our purpose and a natural extension of what we do every day.
Our ESG strategy is designed to deliver impact for the benefit of all of our stakeholders.

	Environmental	Social	Governance
Our Ambition	We want to play our part in enabling a just transition to net zero in the UK by leveraging our insights and expertise	We want to boost social mobility, champion equality and diversity and create an inclusive environment for everyone by leveraging our capabilities, networks and people	We are committed to operating under a robust governance framework which underpins our purpose and serves all our stakeholders
Strategic pillars	1. Support the climate transition 2. Reduce our climate impact 3. Embed climate into our corporate DNA	1. Focus on supporting customers with specialist finance including segments often underserved by mainstream banks 2. Build a diverse, engaged and talented workforce 3. Give back to our communities through partnerships and charitable donations	1. Effective Board and management structures 2. Robust governance and risk management 3. Transparent and accountable disclosures

Key highlights

- Committed to becoming a net zero organisation by 2050[1], with the aim of being net zero for our own operations by 2035
- Over £200k donated to multiple charitable causes in 2022. Strategic partnerships developed with the Saracens Foundation and Future First.
- 27.3% of senior management female at end 2022 against an aspirational target of 30% by Q4 2024
- 60% independent Board members, with 40% of Board members female
- 20% of vacancies filled with internal applicants during 2022
- During 2022, the Community Development Finance Institutions (CDFIs) we supported provided £20.5 million of loans

External frameworks

We have aligned our ESG strategy to eight of the UN's Sustainable Development Goals

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

Our 2022 climate-related disclosures are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures across all four pillars

TCFD TASK FORCE on CLIMATE-RELATED FINANCIAL DISCLOSURES

1) Scope includes own operations (scopes 1, 2 and 3 excluding purchased goods and services) and financed emissions for the Group's Property Lending Portfolios.

Strong, secure and liquid balance sheet

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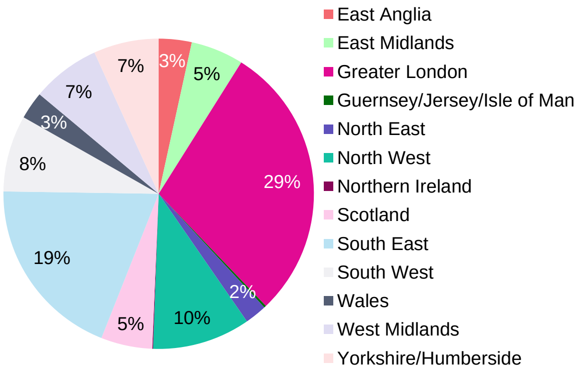
	Balance sheet (£m)	FY 22	H1 23	% change
Assets	Cash and balances at central banks	2,037.1	1,949.5	(4.3%)
	Loans and advances to banks	263.6	434.3	64.8%
	Loans and advances to customers	10,457.1	11,848.0	13.3%
	Investment securities	691.0	718.2	3.9%
	Derivative financial assets	330.7	557.2	68.5%
	Current tax receivable	-	0.8	n/a
	Property, plant and equipment	48.3	45.7	(5.4%)
	Intangible assets	76.4	103	34.8%
	Deferred tax assets	19.4	14.4	(25.8%)
	Other assets	15.1	24.7	63.6%
	Total assets	**13,938.7**	**15,695.8**	**12.6%**
Liabilities	Amounts due to banks	1,498.7	1,626.20	8.5%
	Customer deposits	10,914.5	12,101.00	10.9%
	Provisions	6.0	15.7	161.7%
	Derivative financial liabilities	90.5	191.1	111.2%
	Debt securities in issue	116.4	318.8	173.9%
	Current tax liabilities	3.2	-	n/a
	Lease liabilities	7.4	7.3	(1.4%)
	Other liabilities	65.4	60.8	(7.0%)
	Subordinated debt liability	96.8	96.8	-
	Total liabilities	**12,798.9**	**14,417.7**	**12.6%**
Equity	Share capital	2.5	2.5	-
	Share premium account	87.3	87.3	-
	Capital securities	122.9	123.1	0.2%
	Capital contribution reserve	5.6	19.9	255.4%
	Cash flow hedging reserve	26.4	40.9	54.9%
	Fair value through other comprehensive income reserve	(10.7)	7.3	168.2%
	Retained earnings	905.8	997.1	10.1%
	Total equity	**1,139.8**	**1,278.1**	**12.1%**

Diversification by geography, industry and single-name is sound across our loan portfolio

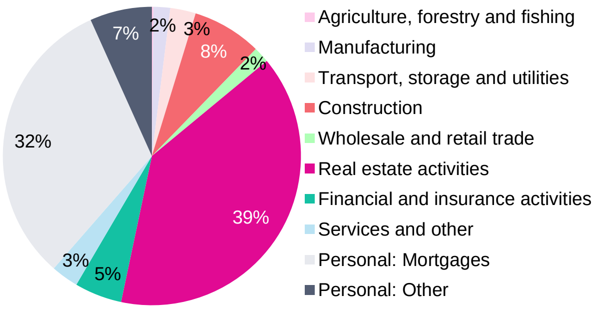
Key observations

- The Group is predominantly a UK lender and continues to maintain a geographically diverse portfolio spanning across the UK. Outside of the UK, a small proportion (0.2%) of customer loans are attributable to counterparties domiciled in the Channel Islands.
- The segmentation of the loan book by industry remains focused primarily on mortgages and real estate, which represents c.71% of the loan book.
- Loans with a carrying amount above £25m represents 3% of total loans and 64% of loans have a carrying amount of less than £1m.
- Concentration risk is monitored on an ongoing basis, and strict limits are implemented to limit and mitigate concentration risks.

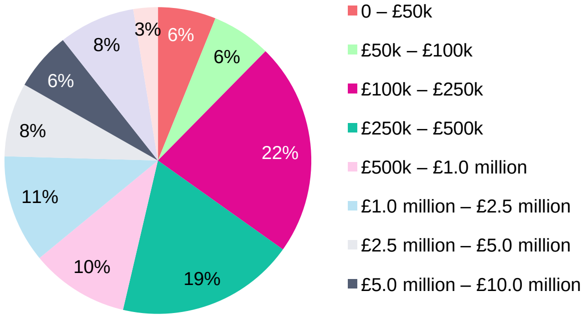
Concentration by location as at June 2023



Concentration by industry as at June 2023



Concentration by loan size as at June 2023



Updated forward looking macroeconomic scenarios

Economic measure	Scenario	Probability Weighting	2023	2024	2025	2026	2027
GDP – % average change YoY	Base	40%	**0.0%**	1.1%	2.2%	2.4%	1.9%
	Upside	10%	**0.4%**	2.8%	2.8%	2.3%	1.8%
	Downside	35%	**(0.5%)**	(1.3%)	2.9%	3.6%	1.9%
	Severe downside	15%	**(0.9%)**	(3.0%)	2.5%	4.7%	2.4%
Bank Rate (%)	Base	40%	**4.50%**	4.00%	3.25%	2.75%	2.25%
	Upside	10%	**4.50%**	3.25%	2.75%	2.25%	2.25%
	Downside	35%	**5.00%**	4.50%	4.00%	3.25%	2.75%
	Severe downside	15%	**5.50%**	5.25%	5.00%	4.25%	3.25%
UK Unemployment (%)	Base	40%	**4.3%**	4.2%	4.1%	4.1%	4.1%
	Upside	10%	**3.5%**	3.7%	3.9%	3.9%	3.9%
	Downside	35%	**4.5%**	5.9%	5.4%	4.7%	4.5%
	Severe downside	15%	**4.9%**	7.7%	7.0%	5.4%	5.0%
Consumer Price Index – % change YoY	Base	40%	**3.9%**	2.0%	2.0%	2.0%	2.0%
	Upside	10%	**2.9%**	1.0%	2.0%	2.0%	2.0%
	Downside	35%	**5.5%**	3.5%	2.0%	2.0%	2.0%
	Severe downside	15%	**7.3%**	8.5%	2.1%	2.0%	2.0%
UK Residential HPI – % change YoY	Base	40%	**(7.9%)**	(1.1%)	4.0%	3.8%	3.6%
	Upside	10%	**(2.2%)**	7.5%	3.8%	3.5%	3.2%
	Downside	35%	**(8.2%)**	(5.7%)	(0.9%)	3.7%	4.0%
	Severe downside	15%	**(10.4%)**	(12.6%)	(2.1%)	6.5%	5.1%

KPI definitions

Average principal employed:
The average of monthly closing loans and advances to customers[1] (net of loss allowance and fair value adjustments for hedged risk) and assets on operating leases included in property, plant and equipment.

CET1 ratio:
Common Equity Tier 1 capital, divided by, risk-weighted assets.

Cost of risk:
Impairment losses on financial instruments, divided by, average principal employed.

Costs to APE:
Administrative expenses divided by average principal employed.

Cost to income ratio:
The sum of administrative expenses and provisions (per the statement of profit and loss), divided by, net operating income.

Gross asset yield:
Net operating income less interest expense and similar charges, divided by, average principal employed.

Leverage ratio:
Total Tier 1 capital, divided by, total leverage ratio exposure measure. Total leverage ratio exposure measure is total assets excluding derivatives and intangible assets and adjusted for off-balance sheet items such as pipeline and undrawn collateral, exposure value for derivatives and transitional adjustments[2].

Liquidity coverage ratio:
Liquidity buffer, divided by, total 30-day net cash outflows in a standardised stress scenario.

Loan book:
The sum of loans and advances to customers[1] (net of loss allowance and fair value adjustments for hedged risk) and the carrying amount of assets on operating leases included in property, plant and equipment.

Net interest margin:
Net operating income, divided by, average principal employed.

Return on tangible equity:
Profit after tax (adjusted to deduct distributions made to holders of capital securities), divided by, average tangible equity. Average tangible equity is calculated as, total equity less capital securities and intangible assets at the beginning of the period, plus total equity less capital securities and intangible assets at the end of the period, divided by two.

Risk-weighted assets:
A measure of assets adjusted for their associated risks. Risk weightings are established in accordance with Prudential Regulation Authority rules and are used to assess capital requirements and adequacy under Pillar 1.

Total capital ratio:
Total regulatory capital, divided by, risk-weighted assets.

Liability yield:
Interest expense and similar charges, divided by, average principal employed.

1) For the purpose of this calculation, loans and advances to customers includes both loans measured at amortised cost and loans at FVOCI, along with loans transferred to assets held for sale, which are still considered to be part of the Group’s overall loan book until derecognised.
2) Transitional adjustment refer to adjustments for phasing in the impact of IFRS 9 ‘Financial Instruments’ adoption in accordance with EU regulatory transitional arrangements.

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