

30 November 2017

**UK ASSET RESOLUTION LIMITED  
RESULTS ANNOUNCEMENT**

**UKAR BALANCE SHEET REDUCES BY A FURTHER £13.2 BILLION**

UK Asset Resolution Limited ('UKAR') which incorporates Bradford & Bingley plc ('B&B') and NRAM Limited ('NRAM') today issues its interim results for the six months ended 30 September 2017 ('H1 2017/18'). UKAR's mission is to maximise value for the taxpayer, whilst serving our customers well and treating all our stakeholders fairly.

Highlights

- Balance Sheet reduced by a further £13.2bn bringing the total reduction to £94.7bn (82%) since formation of UKAR in 2010.
- Government loan repayments of £13.1bn, including £11.0bn of the Financial Services Compensation Scheme ('FSCS') debt, bringing total repayments to £36.8bn since UKAR was formed. 76% of the government loans have now been repaid.
- As part of the plan to repay the FSCS loan, completed the sale of two separate B&B asset portfolios to Prudential and funds managed by Blackstone and launched a further asset sales process that, subject to market conditions and value for money, is expected to repay the loan in full.
- Reflecting reducing mortgage balances, underlying profit before tax reduced by 41% to £238.0m. Statutory profit before tax in the period was £216.8m.
- Mortgage accounts three or more months in arrears, including possessions, reduced by 9% since March 2017 bringing the total reduction to 89% since formation.

*Ian Hares, Chief Executive, commented:*

"In the first half we finalised a major sale of assets and, subsequently, we have launched the next stage of the asset sales programme designed to repay the remaining FSCS debt. These are major steps towards realising our objective of reducing the Balance Sheet while continuing to maximise value for the taxpayer. It is pleasing that we continue to see high levels of service delivered for our customers."

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## Strategic Developments

In April 2017 £11.0bn of the FSCS loan was repaid using the proceeds received from the sale of two separate B&B asset portfolios to Prudential and funds managed by Blackstone. In October, a further asset sales process was launched, which subject to market conditions and value for money, will enable the repayment of the remaining £4.7bn of the FSCS loan. The transaction is expected to complete during the first half of the 2018/19 financial year.

## Update on Performance

Since formation in October 2010, the UKAR Balance Sheet has reduced by £94.7bn, including £40.9bn of customer loan repayments and £27.2bn of asset sales, which have facilitated the repayment of £57.5bn of wholesale funding and £36.8bn of government funding. In the six months to 30 September 2017 the Balance Sheet reduced by a further £13.2bn (H1 2016/17: £6.4bn) including the repayment of £13.1bn of government funding (H1 2016/17: £1.1bn). As at 30 September 2017 lending balances stood at £18.2bn (FY 2016/17: £19.5bn).

Reflecting the progress in shrinking the Balance Sheet, underlying profit before tax for the six months is £238.0m, a decrease of £163.5m from September 2016 (H1 2016/17: £401.5m).

Administrative expenses for the six months were 7% lower than the equivalent period in 2016/17 at £79.3m (H1 2016/17: £85.7m). The reduction primarily reflects the lower cost of administering a smaller mortgage book, partly offset by the VAT now incurred on outsourced mortgage servicing costs.

Statutory profit reduced to £216.8m from £480.4m reflecting the declining mortgage book, £43.5m additional provisions for PPI claims and the prior year benefiting from a £51.0m profit on sale of loans and an insurance recovery of £50.0m in relation to remediation losses incurred by NRAM in 2012.

The number of mortgage accounts three or more months in arrears, including those in possession, reduced by 9% from 4,617 at March 2017 to 4,196 at 30 September 2017. The total value of arrears owed by customers has fallen by £2.5m from March 2017 to £35.2m, a reduction of 6.6%. This reduction is a direct consequence of proactive arrears management coupled with the continued low interest rate environment.

The publication of the FCA's Policy Statement PS17/3 "Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance" set a deadline date for PPI complaints at 29 August 2019 and confirmed the approach in relation to Plevin v Paragon Personal Finance Limited ("Plevin"). The rules and guidance include an FCA-led communications campaign to raise awareness of the deadline and the requirement to proactively contact previously rejected mis-selling complainants who are eligible to complain again in the light of Plevin. Reflecting heightened awareness of the PPI deadline, actual claims volumes received during the period have been higher than previously modelled and therefore the provision for customer redress has been increased by £43.5m.

In preparation for the introduction of the revised PPI rules and the commencement of the FCA advertising campaign we worked closely with our outsourced mortgage service provider, Computershare Loan Services, to ensure we have the people and processes to enable us to meet our regulatory obligations and make sure we do the right thing for our customers.

The total number of customers continues to fall in line with our objective to reduce our Balance Sheet. In total UKAR has 139,000 customers (FY 2016/17: 148,000), with 149,000 mortgage accounts (FY 2016/17: 158,000) and 32,000 unsecured personal loan accounts (FY 2016/17: 35,000). The majority of these loans continue to perform well with more than 93% of mortgage customers up to date with their monthly payments. In addition, UKAR continues to provide oversight

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of the 98,000 accounts (56,000 customers) sold to Prudential and Blackstone as part of an interim servicing arrangement.

**ENDS**

#### NOTES TO EDITORS

On 29 September 2008, all of B&B's retail branches and its savings accounts were transferred to Banco Santander Group. To replace this funding, £18.4bn of statutory debt was introduced by the government at 0% interest. This included £15.7bn owed to the FSCS as, at the time of nationalisation, the FSCS covered the first £35,000 per depositor; HM Treasury covered the £2.7bn excess for amounts over £35,000.