

5 June 2019

UK ASSET RESOLUTION LIMITED ANNUAL RESULTS ANNOUNCEMENT

UKAR COMPLETES REPAYMENT OF £48.7BN GOVERNMENT LOANS¹

UK Asset Resolution Limited ('UKAR') which incorporates Bradford & Bingley plc ('B&B') and NRAM Ltd ('NRAM') today issues its results for the year ended 31 March 2019 ('2018/19'). UKAR's mission is to maximise value for the taxpayer, whilst serving our customers well and treating all our stakeholders fairly.

Since formation in 2010 UKAR has made significant progress and after the year end all outstanding B&B and NRAM Government loans from HM Treasury were repaid, enabling us to move to the final stage of achieving our overarching objective of disposing of the Government's investments in both companies.

Highlights

- Balance Sheet reduction of £8.4bn to £11.4bn following the sale of four asset portfolios.
- In line with reducing mortgage balances, underlying profit before tax decreased by 42% to £340.1m. Statutory profit before tax in the period was £340.3m.
- Total number of customers fell by 96,000 to 35,000 with lending balances down to £5.5bn and more than 92% of these are loans performing well.
- Mortgage accounts three or more months in arrears, including possessions, reduced by 14%.
- Responsibility for the administration of the Government's Help to Buy: mortgage guarantee scheme and Help to Buy: ISA scheme on behalf of HM Treasury, which was previously managed by UKARcs a subsidiary of UKAR, successfully transferred to National Savings & Investments.

Ian Hares, Chief Executive, commented:

"I am delighted that, in under ten years, we have been able to repay in full the Government loan of £48.7 billion. The final payment followed the completion of the sale of the two NRAM portfolios. In turn we've been able to reduce and simplify our Balance Sheet which is 94% smaller since formation. Looking forward, we are focussed on the disposal of the remaining Government investments in NRAM and B&B whilst ensuring that customers are appropriately protected."

Media Contact:

Brunswick

Nick Cosgrove / Jonathan Glass

Tel: +44 20 7404 5959

Email: ukar@brunswickgroup.com

UKAR

UKAR Press Office

Tel: +44 79 0921 3772

Email: PressOffice@ukar.co.uk

¹ Following financial settlement of the latest sale after the Balance Sheet date, the outstanding NRAM Government loan was repaid in April 2019 and the B&B Statutory Debt was repaid in full in May 2019.

Overview

The 2018/19 year for the UKAR Group has been one of significant achievement, which positions us well to complete our strategy of disposing of our underlying investments in NRAM and B&B during 2020, while ensuring that our customers continue to be treated well.

We are responsible for the oversight of the service that our customers receive and as a key part of that responsibility we focus on treating customers fairly and helping those in financial difficulty. Our proactive contact strategy to support those customers facing financial difficulty has continued and the total number of mortgage accounts under our management that were three or more months in arrears, including possessions, has reduced by 92% since 2010. In this time, the percentage of mortgage accounts more than 3 months in arrears has fallen from 5.5% to 2.5%.

It has been ten years since NRAM and B&B were taken into public ownership. UKAR was formed in 2010 with the objective of protecting and creating value for the taxpayer by winding down these businesses in an orderly and active way. Our progress has been significant, such that we are now planning the final stage to achieve our overarching objective of disposing of the Government's investments in NRAM and B&B.

The completion of the second phase of sales of B&B asset portfolios in this financial year enabled full repayment of the £15.65bn loan from the Financial Services Compensation Scheme ('FSCS'), which was funded by HM Treasury. We also completed the sale of an £860m portfolio of equity release loans to Rothesay Life Plc and sold a portfolio of c.£100m of commercial loans to Davidson Kempner and Arrow Global. Although smaller in size than previous asset sales, these transactions were no less complicated and were an important step in our strategy to reduce the complexity and size of our Balance Sheet.

Since the year end we successfully completed a sale of NRAM asset portfolios that has enabled full repayment of the remaining Government loans to both NRAM and B&B.

Work is ongoing to resolve the inherent complexities within the companies, which have built up over many years, ahead of any potential sale, with significant progress made. These include:

- Responsibility for the administration of the Government's Help to Buy: mortgage guarantee scheme and Help to Buy: ISA scheme on behalf of HM Treasury, which was previously managed by UKARcs a subsidiary of UKAR, has been transferred to National Savings & Investments.
- Proposals to transfer the NRAM and B&B defined benefit pension schemes from NRAM and B&B respectively to UKAR, have been agreed with the Trustees of the Schemes and are in the process of being implemented.

1. Financial Information

Between formation in October 2010 and 31 March 2019, the UKAR Balance Sheet reduced by £104.4bn, including £43.5bn of customer loan repayments and £37.4bn of asset sales, which have facilitated the repayment of £57.5bn of wholesale funding and £46.7bn of Government funding. In the year to 31 March 2019 the Balance Sheet reduced by £8.4bn (2017/18: £14.5bn) including the repayment of £8.3bn of Government funding (2017/18: £14.7bn). As at 31 March 2019 lending balances stood at £5.5bn (2017/18: £17.2bn).

Reflecting the progress in shrinking the Balance Sheet, underlying profit before tax for the year is £340.1m, a decrease of £243.8m from March 2018 (2017/18: £583.9m).

Administrative expenses for the year were 12.7% lower than 2017/18 at £129.5m (2017/18: £148.4m). The reduction primarily reflects the lower cost of administering a smaller mortgage book.

Reflecting heightened awareness of the August 2019 PPI deadline, payments during the period have been higher than previously assumed. As a result of this, PPI provisions have been increased by

£64.0m. A net release of £6.2m on other customer redress provisions reduced the top up of the provisions to £57.8m.

Statutory profit was £340.3m (2017/18: £583.2m) including a £452.0m profit on the sale of customer loans, partly offset by the £389.0m impact of unwinding hedges relating to the equity release mortgages and the £57.8m provided for customer redress referred to above.

2 . Customers and Conduct

Under our oversight, our outsourced mortgage servicing provider, Computershare, has continued to maintain excellent service levels for our customers. Computershare continue to administer the majority of assets sold, providing continuity of service. In any asset sale, a key consideration in selecting the successful buyer is the continued fair treatment of customers. We include protections in any sale agreement, including adherence to the FCA's principles of Treating Customers Fairly, and have worked closely with the FCA to review and strengthen these protections.

We have always been conscious that the nature of our mortgage book would change over the years which is in line with our objective to reduce our Balance Sheet. This reduction has been achieved through asset sales and where customers redeem or find alternative mortgage providers. The total number of customers continues to fall and in total we have just over 35,000 customers (2017/18: 131,000), with 44,000 mortgage accounts (2017/18: 141,000). The majority of these loans continue to perform well with more than 92% of mortgage customers up to date with their monthly payments. In addition, we are managing a further 80,000 customers, with 88,000 accounts, under interim servicing arrangements where the economic interest has been sold but legal title, and thus regulatory responsibility, remains with UKAR.

The number of mortgage accounts under our management that were three or more months in arrears, including those in possession, reduced by 14% from 3,582 at March 2018 to 3,085 at 31 March 2019. This reduction is a direct consequence of proactive arrears management coupled with the continued low interest rate environment. Whilst we will continue to work hard to help customers who fall into arrears, in the light of the progress made over the last few years and if interest rates rise, we expect the rate of decline in our arrears may slow in the year ahead.

We endeavour to contact all customers following a missed payment to understand their situation and consider solutions to help them manage their mortgage. Where appropriate we actively encourage customers to seek help from non-fee charging debt advice agencies. Repossession is always viewed as a last resort but unfortunately in some situations this is inevitable and the best course of action to prevent further indebtedness for the customer. Repossessions continued to decrease and totalled 931 in the year (2017/18: 1,004).

3. Looking forward

Having achieved our objective of repaying the Government's financial investment in B&B and NRAM, we are now preparing UKAR for the next stage in its journey. During the year we began the process of reducing the inherent complexities within the organisation which will enable us to maximise value through the sale of the B&B and NRAM legal entities including their remaining assets during 2020. We are working closely with UK Government Investments and HM Treasury to ensure that the transaction meets all the conditions within our value for money framework and that customers are appropriately protected.

This would leave the UKAR holding company in Government ownership, responsible for meeting contractual obligations, sponsorship of the legacy defined benefit pension schemes and administration of other non-loan assets and liabilities. In December 2018, using the Official Journal of the EU ("OJEU") process, we commenced the appointment of an outsourcer to undertake this work on behalf of the Board. This process is nearing completion and we have also made good progress in evolving the governance arrangements that would be appropriate as UKAR moves forward.

ENDS

NOTE TO EDITORS

At 31 March 2019, the Balance Sheet included £5.5bn lending balances, £4.5bn owed in respect of loans sold, which was settled after the Balance Sheet date, £0.7bn cash and £0.7bn of other assets, primarily relating to the defined benefit pension schemes.

Following receipt of the £4.5bn owed in respect of loans sold, on 24 April 2019, the outstanding £1.5bn NRAM Government loan was repaid. NRAM distributed the surplus sale proceeds to UKAR on 1 May 2019 via a dividend. UKAR then lent £0.4bn to B&B, which was used to repay the outstanding B&B Statutory Debt in full on 2 May 2019.