



PCF BANK

Banking on Future Growth
July 2017

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Company Overview

1

AIM-quoted specialist bank, established in 1993

Finances vehicles, plant and equipment for individuals and SME's

Listed in 1998

2

Authorised as a bank on 6 December 2016

PCF Bank is ready to take its first retail deposits

Target growth in lending portfolio to £750m by 2022

3

Consistent growth in profits over the last 5 years

Exceeding RoAA and NIM targets

Returned to the dividend list FY2016

4

£127m portfolio underpinned by asset value and a wide spread of risk

Diversified treasury with new retail deposits to be supplemented by £36m of committed debt headroom

5

Highly experienced and stable management and staff (59 staff: average tenure – 6.4 years)

6

Supportive majority (65%) shareholder – Bermuda Commercial Bank Limited ("BCB")

Banking Licence

“The banking licence is transformational for the business, providing scale, a lower risk treasury model and a cheaper cost of funds”

- Launch of PCF Bank and our first retail deposits in August
- Business and strategic rationale:
 - A deposit-taking capability provides an alternative, flexible and cost-effective source of funding
 - Improves profitability on the existing portfolio
 - Lower cost of funds provides access to a much greater part of existing markets
 - Scale the business much faster and beyond the constraints of bank debt
 - Retain existing customers whom we currently lose due to rate
 - Enter entirely new markets through acquisition
 - Membership of Sterling Monetary Framework provides access to schemes such as Funding for Lending

Strategic Objectives

3 years: RoE after tax of 12.5%
NIM 8%
Portfolio of £350m
Retail deposits of £250m

5 years: RoE after tax of 17.5%
NIM 8%
Portfolio of £750m
Retail deposits of £500m
Add securitisation to funding techniques

- We are a well-established, profitable business ready to accelerate growth in our existing markets
- In time we will diversify through corporate activity, launching new products and acquiring specialist teams of people

Retail Deposit Taking

“Retail deposit market – significantly larger funding resource for PCF Bank, enabling profitability through operational gearing”

Markets

- Our target savings market in the UK is estimated at £154 billion
- The target market will be UK-domiciled, middle to older age savers, who read the broadsheets and review the online market
- Average retail savings account expected to be c.£40,000
- 100 day notice, 1 – 5 year term deposits

Proposition

- British registered and run bank, savers protected by the FSCS
- Speed of service via straight-through processing
- Consistently competitive rates
- Outstanding customer service
- Established business with secure revenues
- Excellent technology platform



Business Highlights

6 months ended 31 March 2017

“Strong gains in profitability underpins a platform ready for accelerated growth”

NEW BUSINESS ORIGINATIONS

▲ **13%**
£35m

(March 2016: £31m)

PORTFOLIO GROWTH

▲ **14%**
£127m

(March 2016: £112m)

COMMITTED FACILITY HEADROOM TO FUND FUTURE PORTFOLIO GROWTH

▲ **44%**
£36m

(March 2016: £25m)

- Increasing profitability continues as we invest in bank infrastructure
- We have requested PRA approval to commence operations as PCF Bank
- Successful ‘friends and family’ campaign to fully test the end to end capabilities of our IT platform
- Increasing new business originations as we launch ‘pilot’ initiatives in new prime sector
- Successful Placing & Open Offer to provide strong capital base (April settlement)
- Credit quality of portfolio remains high and is appropriate to current credit cycle and economic outlook
- Record low impairment charge of 0.5% (March 2016: 1.0%)



Financial Highlights

6 months ended 31 March 2017

“Profit in line with market expectation and we have exceeded our targets for RoAA and NIM”

UNDERLYING PROFIT
BEFORE TAX AND
BANKING PROJECT COST

▲ **15%**
£2.3m

(March 2016: £2.0m)

PROFIT BEFORE TAX
(after costs of investing
in the bank)

£1.7m

(March 2016: £1.8m)

NET INTEREST MARGIN
(NIM)

▲ **Target**
8.2%

(March 2016: 8.8%)

RETURN ON AVERAGE
ASSETS

▲ **Target**
2.8%

(March 2016: 3.2%)

AFTER TAX RETURN ON
EQUITY (after conversion
of remaining loan notes and
costs of investing in the bank)

10.5%

(March 2016: 12.7%)

FULLY DILUTED EARNINGS
PER SHARE (after costs of
investing in the bank)

0.8p

(March 2016: 1.0p)

NET ASSETS

▲ **20%**
£27.4m

(March 2016: £22.9m)

LOAN LOSS

▼ **46%**
£0.3m

(March 2016: £0.6)

Operations

Consumer Finance Division

- Hire purchase finance for predominantly used cars
- Reduction of 7% in new business originations to £15.5 million (6 months to March 2016: £16.8 million)
- £69 million portfolio at 31 March 2017 (over 8,400 customers, low risk and wide spread)
- Average deal size at inception of £11,500
- National network of ~50 brokers served by eQuote

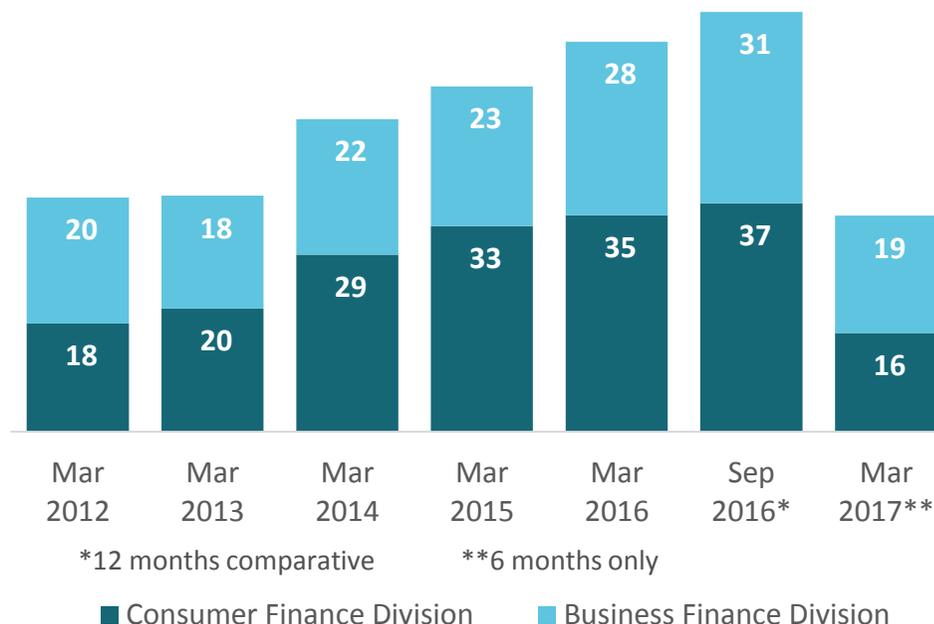
Business Finance Division

- SME hire purchase and lease finance for vehicles, plant and equipment
- New business originations for the 6 month period to 31 March 2017 up 39% to £19.4 million (6 months to March 2016 : £14 million)
- £59 million portfolio at 31 March 2017 (over 2,900 customers)
- Average deal size at inception of £30,700
- National network of ~75 brokers served by eQuote

Markets

- Point of sale motor finance market in the UK is £31.6 billion per annum (2016: FLA statistics) – 12% YOY growth
- UK asset finance market is £30.3 billion per annum (Oct 2016: FLA statistics) – 8% YOY growth

Historic New Business Volumes (£m) –
Numbers for full financial periods to 31 March



Objectives and Outlook

FY 2017/18 Objectives

1

PCF Bank launch and retail deposits to commence in August

2

New products and 'pilot' prime terms in place to expand into prime lending

Additional focus on direct business and niche assets

3

Higher portfolio growth from FY2018 due to new funding resource and cheaper cost of funds

4

Ensure we leverage full potential from new infrastructure and capital

Establish an efficient capital and liquidity model

Bed-in new governance and risk frameworks

Summary & Outlook

1

Request to commence bank operations has been lodged with PRA

Infrastructure costs have been largely incurred

Mobilisation and testing phase has been very successful

2

Strong organic profits growth over the last 3 years, proving the potential of our platform, which can be scaled considerably as a bank

3

Continued focus on quality and responsible business origination across the existing portfolio and into new markets

Portfolio £350m in 3 years

4

Excellent future growth prospects through complementary new products, diversification through corporate activity and acquisition of specialist teams of people

Target 17.5% RoE

Target 8% NIM

Portfolio £750m in 5 years



PCF BANK

Appendices

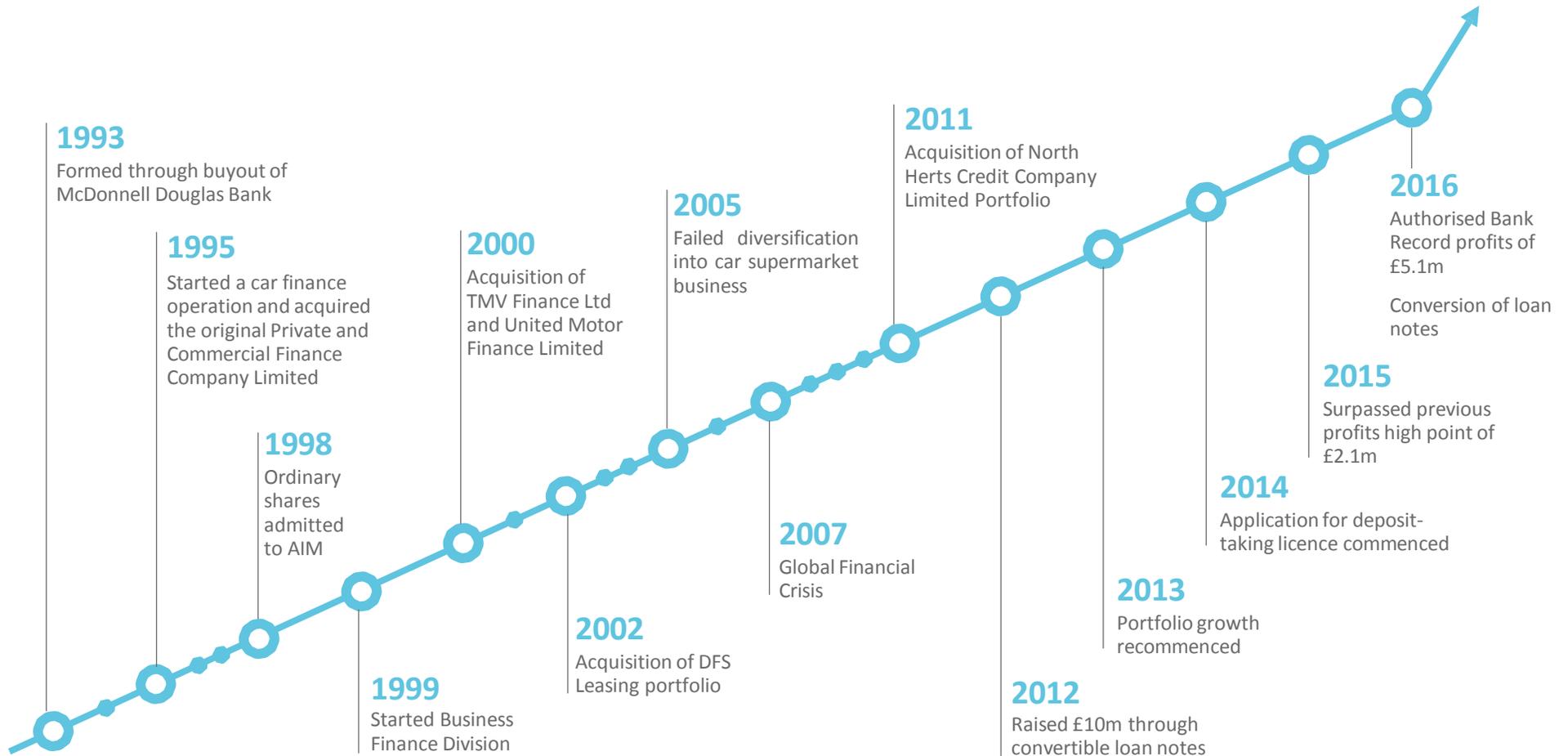
Income Statement

(£000's)	6 months ended 31 March 2017	6 months ended 31 March 2016	18 months ended 30 September 2016	Comments
<i>Interest income and similar income</i>	9,697	9,070	22,419	
<i>Interest Expense and similar income</i>	(4,545)	(4,215)	(7,542)	
Net interest income	5,152	4,855	14,877	Reduced NIM due to finer rates in Super Prime business
<i>NIM %</i>	<i>8.2%</i>	<i>8.8%</i>	<i>8.8%</i>	
<i>Fees and commission income</i>	258	208	677	
<i>Fees and commission expense</i>	(336)	(262)	(847)	
Net fee and commission expense	(78)	(54)	(170)	
Fair value (loss)/gain on financial instruments	(4)	3	2	
Net operating income	5,070	4,804	14,709	
Administration expenses	(3,354)	(3,037)	(9,582)	
<i>Loan loss provisioning charge</i>	(305)	(565)	(1,586)	Loan loss charge off rate reduced to 0.5% (1.0%) Increased costs nearing completion of project
<i>Banking costs</i>	(553)	(197)	(506)	
<i>Others</i>	(2,496)	(2,275)	(7,490)	
Profit before tax	1,716	1,767	5,127	
Income tax expense	(347)	(353)	(1,106)	
Profit after tax	1,369	1,414	4,021	
Earnings per share – basic	0.8p	0.9p	3.2p	
Earnings per share – diluted	0.8p	0.9p	2.6p	
Return on average assets (annualised)	2.8%	3.1%	3.1%	
Adjusted profit before banking costs and tax	2,269	1,964	5,633	
Average assets employed	125,659	110,341	112,705	

Balance Sheet

(£000's)	6 months ended 31 March 2017	6 months ended 31 March 2016	18 months ended 30 September 2016
Assets			
Cash and balances at central banks	1,993	84	5904
Loans and advances to customers	127,590	112,270	121,960
Derivative financial assets	-	-	-
Property Plant and Equipment	304	108	147
Intangible assets	2,058	811	764
Deferred tax assets	1,338	1,326	1,424
Trade and other assets	362	171	503
Total assets	133,645	114,770	130,702
Liabilities			
Bank overdraft	-	675	-
Due to banks	104,042	89,293	103,305
Derivative financial liabilities	-	404	491
Trade and other liabilities	2,251	1,475	2,199
Total liabilities	106,239	91,847	105,995
Net assets	27,352	22,923	24,707

History



Key Data

MARKET

AIM

TICKER

PCF

SHARE PRICE

23.50p

7 July 2017

MARKET CAPITALISATION

c.£50m

SHARES IN ISSUE

c.212.2m

SHARE PRICE PERFORMANCE



NOMINATED ADVISER
Panmure Gordon & Co

JOINT BROKERS
Panmure Gordon & Co
Stockdale Securities

FINANCIAL PR
Tavistock Communications

The Board

Tim Franklin

Non-Executive Chairman

Tim has a financial services background and has worked in banking for a number of organisations for over 30 years. He is currently a non-executive at the Post Office – the UK’s largest financial services retailer by number of outlets. Tim sits on the Audit Committee at the Post Office and also chairs the Post Office Advisory Council. He is also Senior Independent Director at HM Land Registry. Tim is an ILM qualified Level 7 Coach and works extensively with senior executives across many industries both in the UK and internationally.

David Morgan

Non-Executive Director

David was appointed as a non-executive director in July 2012. He has over 35 years’ experience in international banking, building his career at Standard Chartered Bank in Europe and the Far East. Since leaving Standard Chartered in 2003 he has been involved in a range of business advisory and non-executive roles. He is currently a non-executive director of Somers Limited, Bermuda Commercial Bank Limited, Waverton Investment Management Limited and Ascot Lloyd Financial Services Limited. He is also Chairman of Harlequin FC, the Premiership rugby club.

Christine Higgins

Non-Executive Director

Christine is a Chartered Accountant with over 25 years’ experience in financial services working for UK and international banks. After leaving University, Christine worked as an accountant in public practice and in financial services before moving into corporate finance. Over the last 7 years she has served as a non-executive director on a number of boards in the health, housing, leisure and finance sectors, including as chair of the audit committee. She is currently a non-executive director at the Buckinghamshire Building Society and at CSMA Boundless. Christine joined the Board as a non-executive director and Chair of the Audit Committee in June 2017.

Mark Brown

Non-Executive Director

Mark has been Chairman of Stockdale Securities since November 2014. He was previously Chief Executive of Collins Stewart Hawkpoint and brings a wealth of experience and leadership in both small and large financial services business. Having worked as Global Head of Research for ABN AMRO and HSBC and as Chief Executive of ABN’s UK equities business, he led the successful turnaround of Arbuthnot Securities followed by Collins Stewart Hawkpoint.

The Board

David Titmuss

Non-Executive Director

David has over 25 years experience in both large and smaller financial services organisations with a particular emphasis on customer acquisition and database management. His corporate background includes working at a senior level in public and privately backed businesses. He has also led companies both as CEO and as a board director. Latterly David headed the marketing function of webuyanycar.com and is recognised as an expert in digital marketing and advises businesses on cost effective customer acquisition and marketing in the digital space. David joined the board as a non-executive director and as Chair of the Remuneration and Nomination committee in June 2017.

Scott Maybury

Chief Executive

Scott holds a degree in business studies and is a qualified accountant. He spent 6 years with BHP-Billiton, Australia's largest multi-national corporation, and five years with McDonnell Douglas Bank. He is one of the founding directors of PCF Group plc and was previously Finance Director until October 2008.

Robert Murray

Managing Director

Robert holds the ACIB Banking Diploma and has over 35 years' banking and finance experience. He heads both the Business and Consumer Finance Divisions and has extensive experience in lending to personal, corporate and international customers. He is one of the founding directors of .

David Bull

Finance Director

David holds a first class degree in Mathematics and Statistics and is a qualified chartered accountant. After qualifying in 1996 he has worked in the Banking sector across a number of institutions including KPMG, Deutsche Bank and was interim Chief Financial Accountant at the Bank of England. David worked as Director of Finance and Company Secretary at Hampshire Trust Bank plc where he was instrumental in setting up the banking operations of that specialist challenger bank. David joined PCF Group plc in August 2015.

Competitive Environment

Consumer Finance



Close Motor finance

