



PCF BANK

Half Year Results
May 2018

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Executive Team



Scott Maybury
Chief Executive Officer



Robert Murray
Managing Director



David Bull
Finance Director

Scott Maybury and Robert Murray founded the group in 1993. David Bull joined the Board in 2015, having previously worked at Hampshire Trust Bank. The Executive team are supported by an experienced non-executive team headed by Chairman, Tim Franklin who has over 30 years' banking experience.

See Appendices for biographies of the Board

Company Overview

1

AIM-quoted specialist bank,
established in 1993

Asset backed lender

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

2

Commenced banking
operations in July 2017

£108m of retail deposits
received in our first 8 months

Retail deposits initially used to
replace higher cost bank debt

3

Strong CET1 ratio of 21.6%
supporting our growth

Consistently increasing
profitability over the last 5
years

4

£179m portfolio
underpinned by strong
collateral values and a wide
spread of risk

Target portfolio of £750m in
five years

5

Highly experienced and
stable management and
staff (69 staff: average
tenure – 6 years)

6

Supportive majority (65%)
shareholder – Somers /
Bermuda Commercial Bank

Financial Highlights

Six months ended 31 March 2018

“New banking platform delivers increased profitability”

PROFIT BEFORE TAX

▲ **20%**

£2.1m

(2017: £1.7m)

EARNINGS PER SHARE

Unchanged

£0.8p

(2017: £0.8p)

OPERATING INCOME

▲ **32%**

£6.7m

(2017: £5.1m)

NET INTEREST MARGIN
(NIM)

Stable

8.4%

(2017: 8.3%)

COST-TO-INCOME

Stable

59%

(2017: 59%)

NET ASSETS

▲ **47%**

£40.4m

(2017: £27.4m)

Operational Highlights

Six months ended 31 March 2018

“Capital and infrastructure in place for the next growth phase”

NEW BUSINESS ORIGINATIONS

▲ **97%**
£69m

(2017: £35m)

PORTFOLIO GROWTH

▲ **40%**
£179m

(2017: £128m)

RETAIL DEPOSITS

2,400 new customers

£108m

(2017: Nil)



- Clear trajectory towards our £350 million portfolio target in 2020
- Excellent progress against 2018 strategic objectives
- Awarded 2018 Best New Provider by independent savings specialist, Savings Champion



Business Model

“Helping UK consumers and SMEs acquire vehicles and business critical assets through simple finance products and excellent service levels”

Vehicle & Asset Finance

- Prime terms offered to customers in both divisions
- Credit quality of new business organisations has improved
- New longer term finance product (up to 10 years for niche assets)
- Upgrade of eQuote enhancements complete:-
 - New and better credit bureau from Experian
 - Automated affordability assessments & ID verification
 - Automated decision making

Savings

- Simple product range of notice accounts and term deposits. 2,400 new customers welcomed
- Savings covered by the Financial Services Compensation Scheme
- Blended rate of 2% for an average term of 2.5 years
- Corporate deposits launching in Q3, 2018
- £25m Term Funding Scheme drawings

Operations

- Efficient delivery of our products with high levels of customer service
- Use of technology to process finance and savings applications quickly and efficiently (eQuote, eSign, Savings Portal)
- Diversified treasury model
- £38m of future income imbedded in portfolio
- Operational gearing delivers profitability



Current Operations

Consumer Finance Division

- Hire purchase finance for predominantly used cars
- Increase of 81% in new business originations to £28m (2017: £16m)
- £83m portfolio at 31 March 2018 (over 8,000 customers)
- Average deal size at inception of £13,250 (2017 – £11,500)
- National network of ~50 brokers served by eQuote
- Specialists in classic cars and leisure vehicles

Business Finance Division

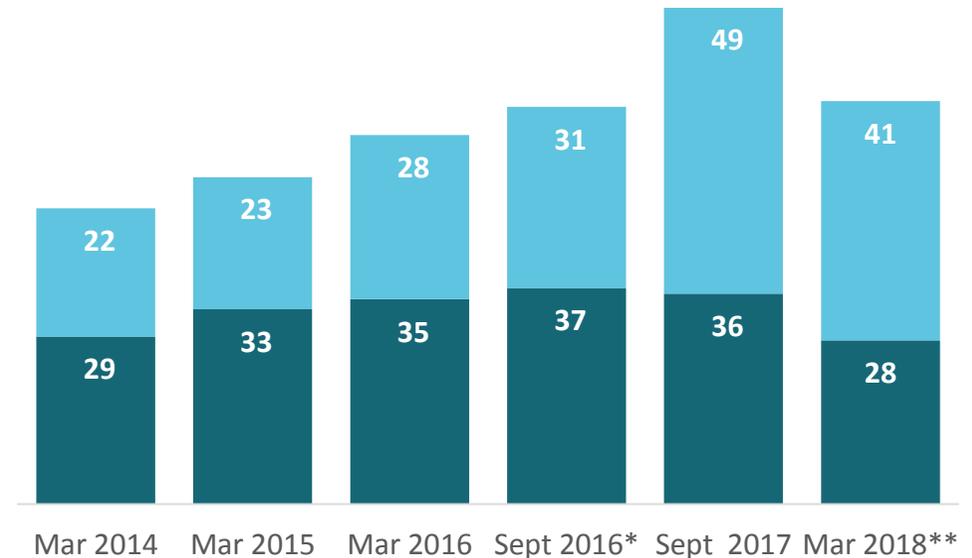
- SME hire purchase and lease finance for vehicles, plant and equipment
- Increase of 111% in new business originations to £41m (2017: £19m)
- £96m portfolio at 31 March 2018 (over 3,000 customers)
- Average deal size at inception of £41,500 (2017 – £30,700)
- National network of ~75 brokers served by eQuote

Markets

- Broker introduced used motor finance market in the UK is £16 billion per annum (2017: FLA statistics) – share 3.5%
- UK asset finance market is £32m per annum (Oct 2017: FLA statistics) – share 1.4%

Historic New Business Volumes (£m) –

Numbers for full financial periods to 31 March/30 September



*12 months comparative

**6 month period only

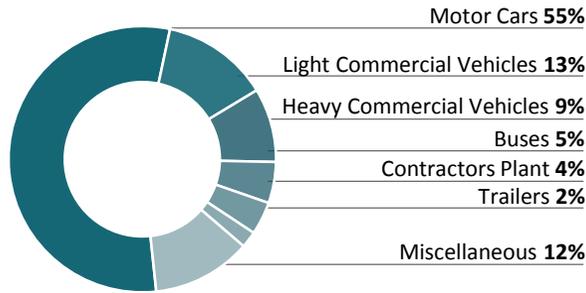
■ Consumer Finance Division

■ Business Finance Division

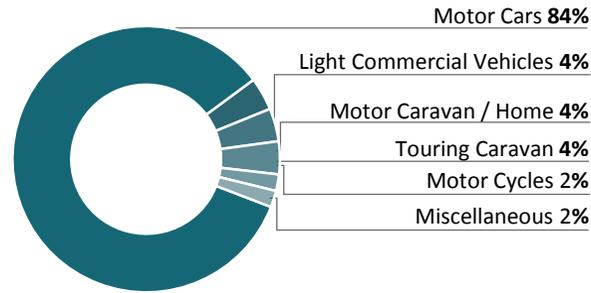
Portfolio Analysis

31 March 2018

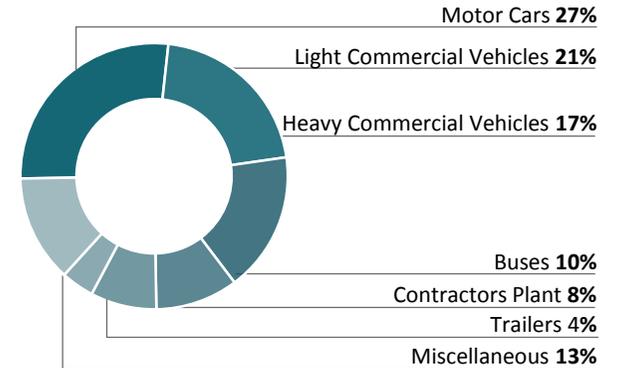
Combined Summary-Assets Financed



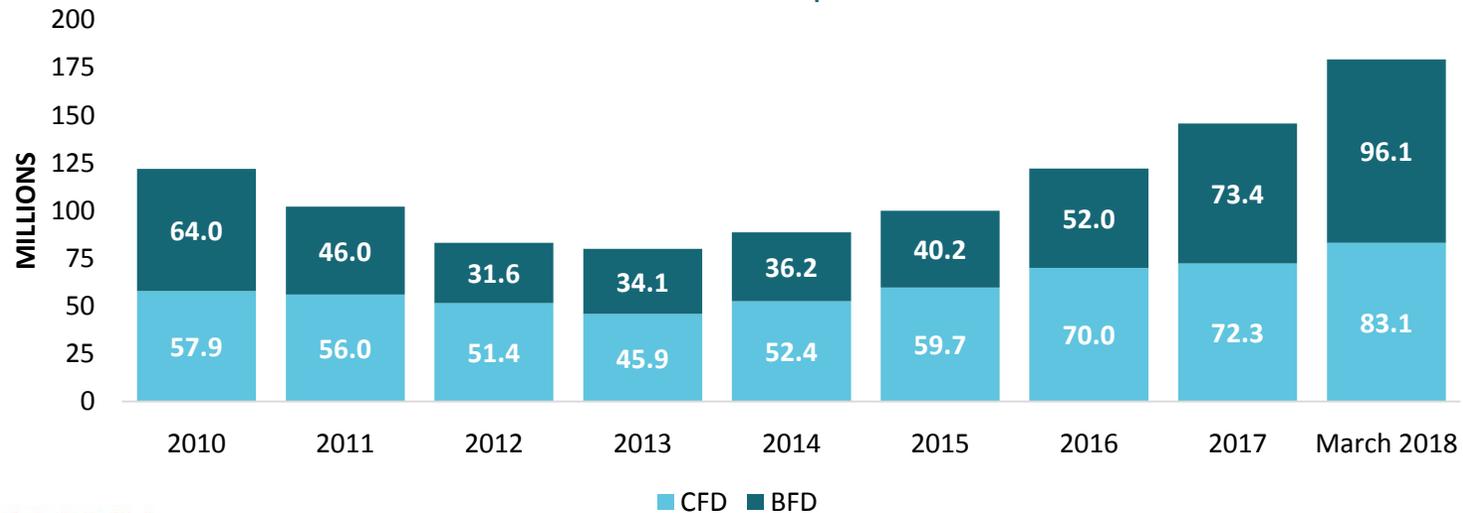
Consumer Finance Division-Assets Financed



Business Finance Division-Assets Financed



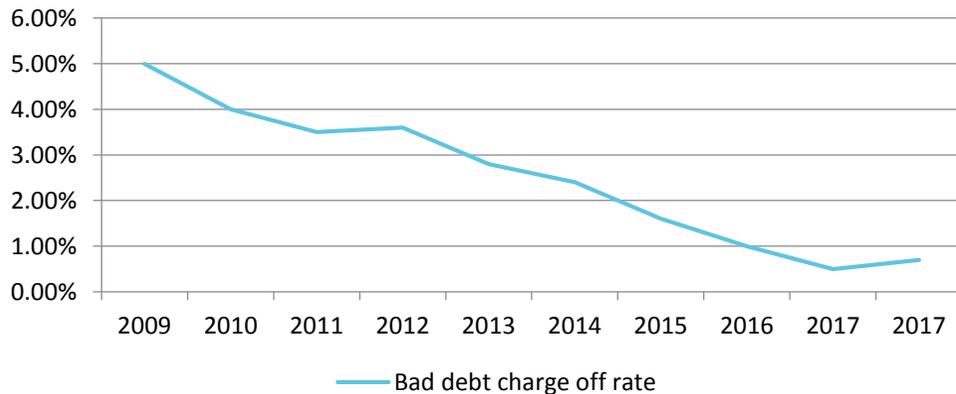
Portfolio split



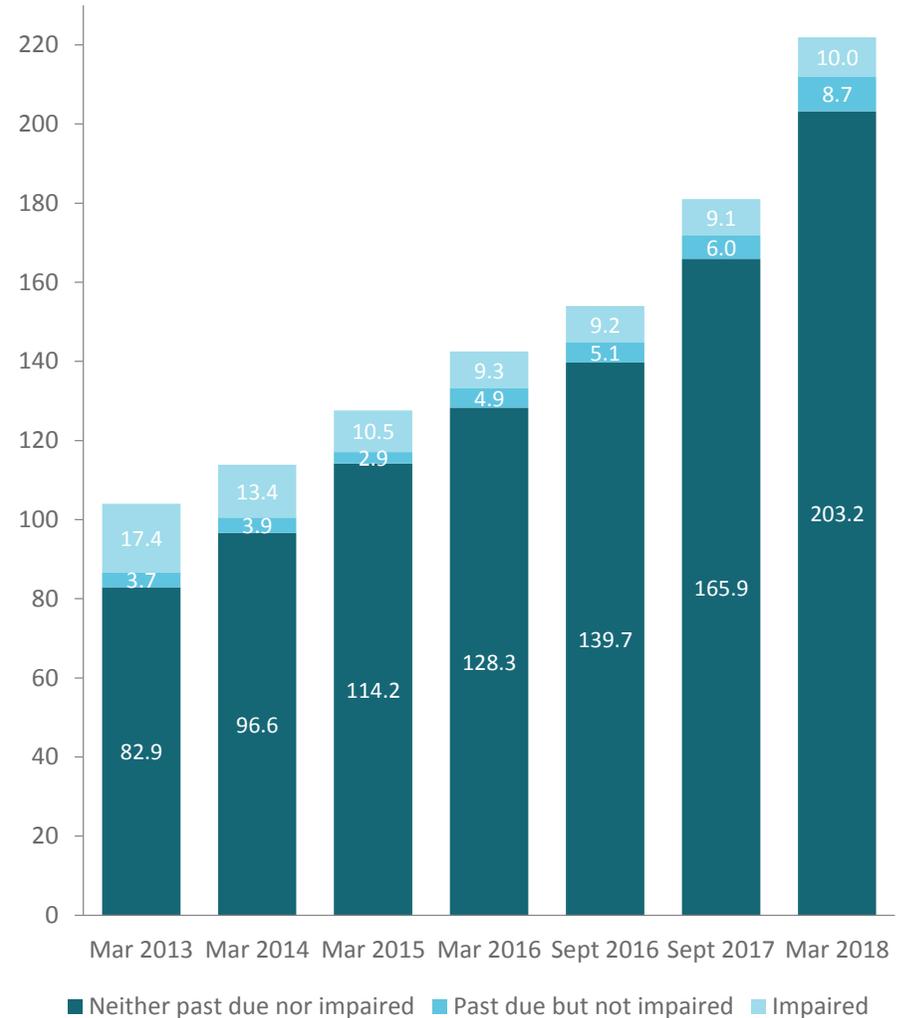
Credit Quality

- Loan loss impairment charge 0.7% (2017:0.5%)
- Prescriptive underwriting criteria for risk, asset quality and valuation
- Detailed assessment of customers ability to service debt
- 70% of all new business originations fall within our top four credit grades (2017 – 57%)
- Impaired portfolio continues to reduce in relative terms

Bad debt charge off rate



Loan Book – Gross (£m)



Loan Portfolio

(£000's)	31 March 2018	31 March 2017	Comments
Due within 1 year	74,615	59,466	
Due within 1-5 years	147,499	100,257	
Gross loans & receivables	222,114	159,723	39% increase in gross portfolio
Unearned future finance income	(38,553)	(28,207)	43%, 29%, 17%, 8% then 3% contribution to future years
Loan loss provision	(4,358)	(3,926)	Impaired loans £10.0m, covered by loss provision
Total	179,203	127,590	12,973 live agreements with an average balance £13,495

Outlook

1

New business originations,
up 97%, portfolio up 40%

March 2018 a record month
with £14m of originations

2

Increasing profitability as
we leverage our banking
platform, cheaper funding
and surplus capital

3

Good quality portfolio
delivering a low impairment
charge

4

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

Portfolio £350m in 3 years
RoE 12.5%

5

Diversification of asset
classes and acquisition will
follow

6

New bank model and access
to retail deposits provides
substantial long term
potential

Portfolio £750m in 5 years
RoE 17.5%

2018 Strategic Objectives

“Unlocking the value of our new banking model”

1. Organic growth, protecting the core business
 - ◆ Utilise new cheaper, flexible retail deposits to launch new prime terms of business to grow prudently but quickly
 - ◆ Expand niche and direct lending
2. Retail deposit platform
 - ◆ Gain membership of the Bank of England Sterling Monetary Framework and Term funding Scheme
 - ◆ Repay most expensive wholesale funding
 - ◆ Launch deposit products for corporate customers
3. Asset diversification
 - ◆ Asset diversification will be required to reach long-term targets
 - ◆ We will consider complementary business lines that make our target returns, in markets that provide scale and stability – we will acquire businesses, create strategic partnerships or specialist teams of people
4. Deliver scale with stability and increased profitability
 - ◆ Current portfolio £179 million, target £350 million at 30 September 2020
 - ◆ Return on Equity 8.7%, target 12.5% for 2020



PCF BANK

Appendices

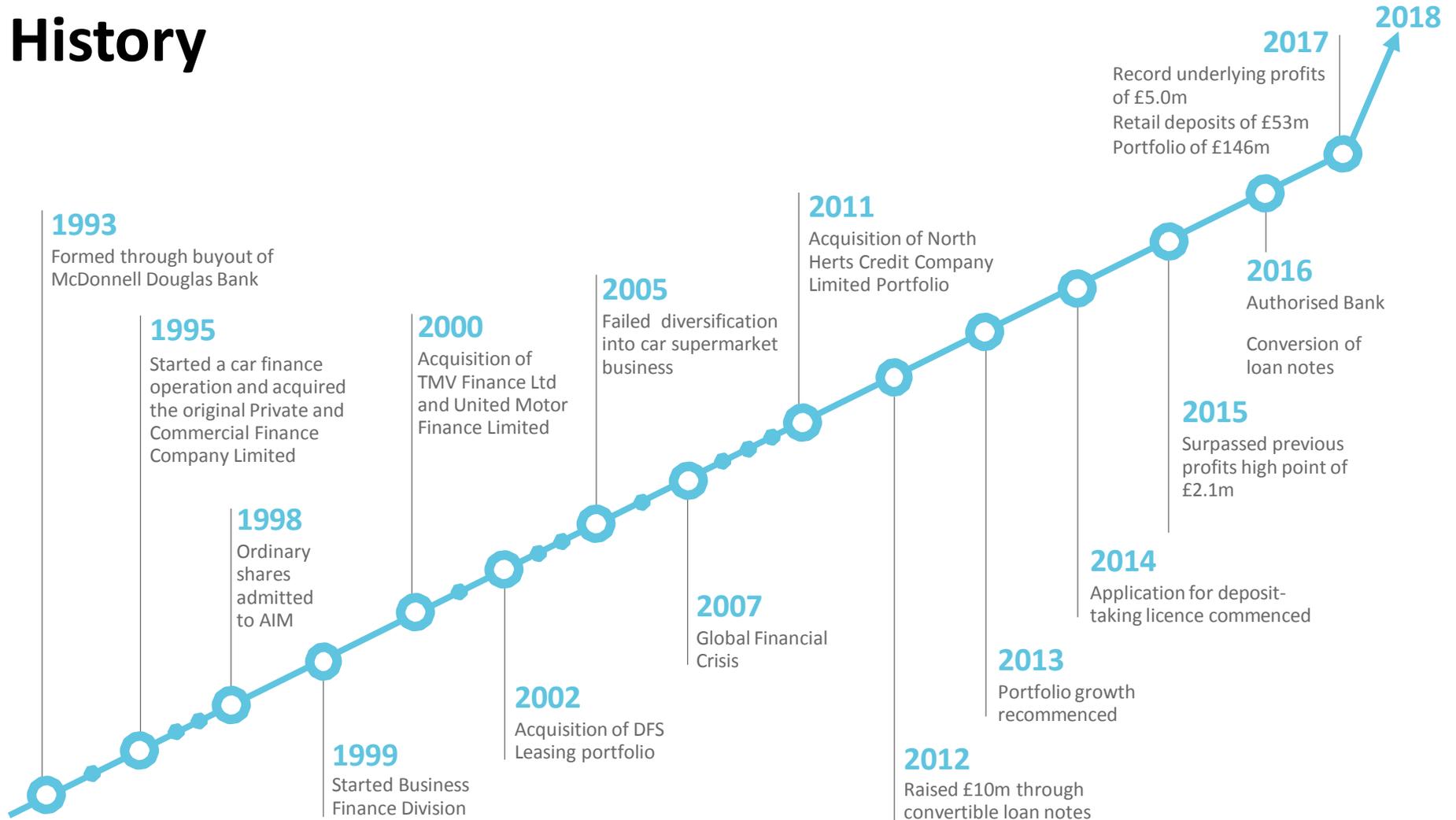
Income Statement

(£000's)	6 months ended 31 March 2018	6 months ended 31 March 2017	12 months ended 30 September 2017	Comments
<i>Interest income and similar income</i>	11,648	9,697	19,970	
<i>Interest Expense and similar income</i>	(4,828)	(4,545)	(8,906)	
Net interest income	6,820	5,152	11,064	Maintained NIM through reduced funding cost
<i>NIM %</i>	<i>8.4%</i>	<i>8.3%</i>	<i>8.3%</i>	
<i>Fees and commission income</i>	248	258	512	
<i>Fees and commission expense</i>	(379)	(336)	(702)	
Net fee and commission expense	(131)	(78)	(190)	
Fair value (loss)/gain on financial instruments	-	-	(4)	
Operating income	6,689	5,070	10,870	32% increase in income
Administration expenses	(4,046)	(3,049)	(6,557)	Increased expense due to bank related costs including banking IT, additional resources and governance
Impairment losses on financial assets	(579)	(305)	(679)	
Profit before tax	2,064	1,716	3,634	
Income tax expense	(413)	(347)	(847)	
Profit after tax	1,651	1,369	2,786	
Earnings per share – basic	0.8p	0.8p	1.5p	E.p.s. maintained in light of increased costs and capital base
Annualised ROA	2.6%	2.8%	2.7%	
Average assets employed	161,726	124,425	133,839	

Balance Sheet

(£000's)	31 March 2018	31 March 2017	30 September 2017	Comments
Assets				
Cash and balances at central banks	14,657	1,993	17,018	
Loans and advances to customers	179,203	127,590	145,718	
Available for sale financial investments	25,091	-	4,511	Held for TFS and will be replaced by loans
Property Plant and Equipment	244	304	271	
Intangible assets	3,031	2,058	2,704	
Deferred tax assets	1,206	1,338	1,205	
Trade and other assets	757	362	1,041	
Total assets	224,189	133,645	172,468	
Liabilities				
Due to banks	72,198	104,042	77,067	
Due to customers	108,276	-	53,120	
Trade and other liabilities	3,414	2,251	3,620	
Total liabilities	183,888	106,293	133,807	
Net assets	40,301	27,352	38,661	
Annualised ROE	8.4%	10.4%	8.7%	
CET1 Ratio	21.6%	-	26.3%	
OLAR	157%	-	126%	

History



Key Data

MARKET

AIM

TICKER

PCF

SHARE PRICE

42.5p

21 May 2018

MARKET CAPITALISATION

£90m

SHARES IN ISSUE

212.2m

SHARE PRICE PERFORMANCE

36 month share price performance



NOMINATED ADVISER

Panmure Gordon & Co

JOINT BROKERS

Panmure Gordon & Co

Stockdale Securities

FINANCIAL PR

Tavistock

The Board

Tim Franklin

Non-Executive Chairman
Appointed on 6 December 2016

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 which is 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.

Tim is a member of the Nomination & Remuneration Committee

David Morgan

Non-Executive Director
Appointed 9 July 2012

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 and Waverton Investment Management Limited. He is also Chairman of Harlequin FC, the Premiership rugby club.

David is a member of the Audit & Risk Committee and the Nomination & Remuneration Committee.

Christine Higgins

Non-Executive Director
Appointed 13 June 2017

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 is the chair of the Audit & Risk Committee and is a member of the Nomination & Remuneration Committee.

Mark Brown

Non-Executive Director
Appointed on 1 December 2015

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, Mark led the successful turnaround of Arbutnot Securities followed by Collins Stewart Hawkpoint.

Mark is a member of the Nomination & Remuneration Committee.

The Board

David Titmuss

Non-Executive Director

Appointed on 11 July 2017

David has over 25 years experience in both large and small 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.

David is the chairman of the Nomination & Remuneration Committee.

Scott Maybury

Chief Executive

Appointed on 12 January 1994

Scott holds a degree in business studies and is a qualified accountant. He spent six 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

Appointed on 19 October 1993

Robert holds the ACIB Banking Diploma and has over thirty five 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 PCF Group plc.

David Bull

Finance Director

Appointed on 3 August 2015

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. Before joining PCF Group, David was a Director of Finance and Company Secretary at Hampshire Trust Bank plc, the specialist challenger bank where he was instrumental in setting up their banking operations.

Competitive Environment

Consumer Finance



Close Motor finance

