



PCF BANK

Results Presentation
December 2018

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Presenters

Scott Maybury, CEO

David Bull, Finance Director

Robert Murray, Managing Director

PCF Bank is a specialist bank listed on the AIM Market.

“Simple banking. At your service.”

See Appendices for biographies of the Board of Directors

Company Overview

1

AIM-listed specialist bank

Lending to

- Consumer Motor Finance
- Business Asset Finance
- Broadcast and Media Sector
- Property Finance

2

A year ahead of schedule to meet our medium-term £350m portfolio target

3

£219m asset backed portfolio

£191m of retail deposits received in our first 15 months

4

19.3% CET1 ratio supporting our organic growth and acquisition strategy

Consistent growth and increasing profitability over the last 6 years

5

Highly experienced and stable management and staff (73 staff: average tenure – 6 years)

6

Supportive majority (65%) shareholder – Somers Limited, a Bermuda based investment company

Business Highlights

Year ended 30 September 2018

“Record growth and diversification underway”

NEW BUSINESS ORIGINATIONS

▲ **75%**
£148m

(2017: £85m)

PORTFOLIO GROWTH

▲ **50%**
£219m

(2017: £146m)

RETAIL DEPOSITS

4,500 customers
£191m

(2017: £53m)

- Strong growth in existing core markets
- Acquisition of Azure Limited on 31 October 2018
- Commencement of property finance operation in Q1, 2019
- Continued low impairment charge of 0.5% (Sept 2017: 0.5%)
- Organic growth and diversifications put us a year ahead of schedule for £350m portfolio target



Financial Highlights

Year ended 30 September 2018

“Profits up 44% , Earnings per share up 33% and Return on Equity advancing to target”

PROFIT BEFORE TAX

▲ **44%**
£5.2m

(2017: £3.6m)

NET INTEREST MARGIN
(NIM)

▼ **1%**
8.2%

(2017: 8.3%)

COST-TO-INCOME

▼ **1%**
32.3%

(2017: 32.7%)

EARNINGS PER SHARE

▲ **33%**
2.0p

(2017: 1.5p)

AFTER TAX RETURN
ON EQUITY

▲ **18%**
10.3%

(2017: 8.7%)

RECOMMENDED
DIVIDEND

0.30p

(2017: 0.19p)

CET1 CAPITAL RATIO

19.3%

(2017: 26.3%)

NET ASSETS

£42.6m

(2017: £38.7m)

Existing Business

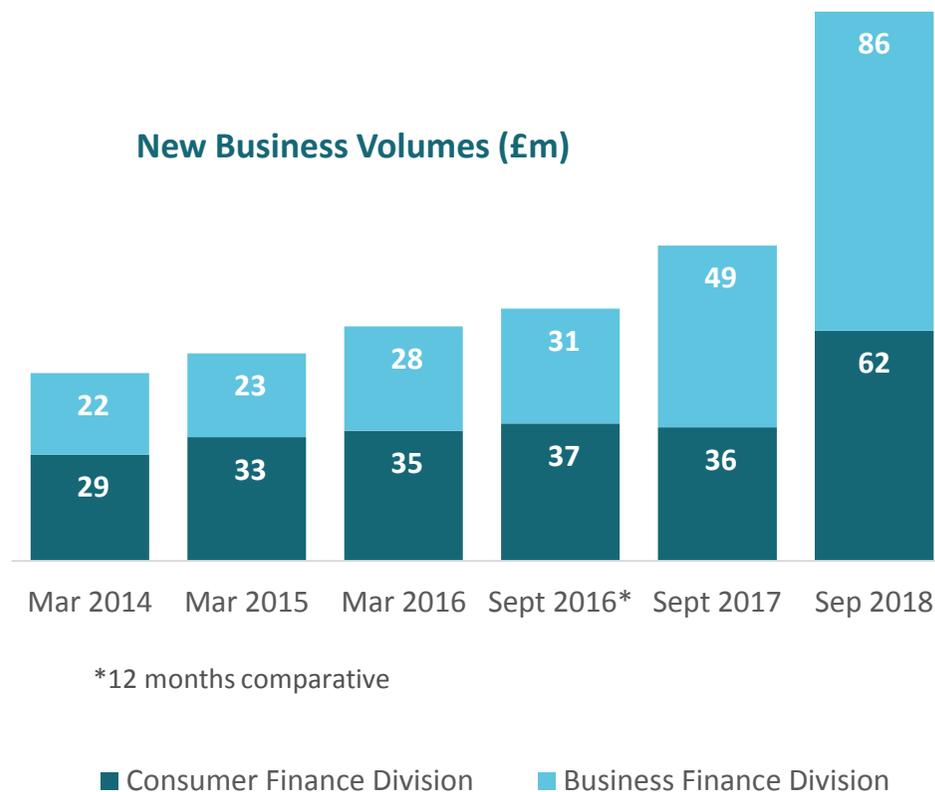
Business Finance Division

- SME hire purchase and lease finance for vehicles, plant and equipment
- Increase of 76% in new business originations to £86m (2017: £49m)
- £121m portfolio at 30 September 2018 (over 4,300 customers)
- Average deal size at inception of £40,000 (2017: £32,800)
- National network of brokers
- Makes up 55% of total portfolio (2017: 50%)

Consumer Finance Division

- Hire purchase finance for used cars
- Increase of 75% in new business originations to £62m (2017: £35m)
- £98m portfolio at 30 September 2018 (over 9,750 customers)
- Average deal size at inception of £13,250 (2017: £11,750)
- National network of brokers
- No residual positions or PCPs

New Business Volumes (£m)



Azule

Strategic rationale

- A well established, profitable business
- Experienced management with sector expertise
- New asset class within the asset finance market
- A new route to market through direct vendor channels
- Strong relationships with leading broadcast and media equipment manufacturers and dealers
- European presence



Acquisition highlights

- Immediately earnings enhancing (generated RoE of 27% in 2018)
- Originates over £50m of asset finance per annum
- Meaningful contribution to our target of a £750m portfolio by September 2022
- Management team incentivised through deferred consideration
- Growth potential through PCF Bank's lower cost of funds
- Synergies with PCF Bank's infrastructure, expertise and finance products

Bridging Finance

Strategic rationale

- A new asset class sourced mainly from direct channels
- Large £4bn market for specialist property lending
- Capital efficient short-term lending
- Meets target returns

New team highlights

- Highly experienced; high levels of expertise
- Started in November/December 2018
- Currently developing products, processes and controls
- Pilot scheme targeting £20m of new business in FYE September 2019

2019 Strategic Objectives

“Maximise the potential of our banking model”

1. Organic growth
 - ◆ Utilise cheaper, flexible retail deposits to continue to expand the prime segment of our existing markets
 - ◆ Maintain loan loss impairment charge at < 0.7% of portfolio
 - ◆ Invest in IT our infrastructure to drive efficiency, scale and customer experience
2. Asset diversification
 - ◆ Acquired Azure Limited on 31 October 2018
 - ◆ Commenced property finance operation
3. Maintain the strong governance and control framework expected of a dual-regulated bank. This will bring forward investment in people, infrastructure and premises to support the new diversification initiatives and portfolio growth
4. Deliver medium-term targets of a £350m portfolio and a 12.5% return on equity

Outlook

1

Target new business originations of £250m in 2019

Two new asset diversifications

2

Delivering increased profitability through scale

Target portfolio of £350m and RoE 12.5% in sight

3

Portfolio of prime credit quality is delivering a low impairment charge

4

Continued investment in our operating model, IT platform, people and governance structure

5

Alert to political and economic uncertainty, however confident in our business model and strategy

6

Recent diversifications contribute to our target portfolio of £750m and RoE of 15% by 2022



PCF BANK

Appendices

Income Statement

(£000's)	12 months ended 30 September 2018	12 months ended 30 September 2017	12 months ended 30 September 2016
<i>Interest income and similar income</i>	25,494	19,970	18,254
<i>Interest Expense and similar income</i>	(10,492)	(8,906)	(8,014)
Net interest income	15,002	11,064	10,240
<i>NIM %</i>	<i>8.2%</i>	<i>8.3%</i>	<i>8.8%</i>
<i>Fees and commission income</i>	492	512	432
<i>Fees and commission expense</i>	(844)	(702)	(580)
Net fee and commission expense	(352)	(190)	(148)
<i>Fair value (loss)/gain on financial instruments</i>	-	(4)	16
<i>Loan loss provisioning charge</i>	(915)	(679)	(990)
Net operating income	13,735	10,191	9,118
<i>Administration expenses</i>	(8,562)	(6,558)	(5,516)
Profit before tax	5,173	3,633	3,602
<i>Income tax expense</i>	(981)	(847)	(801)
Profit after tax	4,192	2,786	2,801
Earnings per share – basic	2.0p	1.5p	1.8p
Earnings per share – diluted	2.0p	1.5p	1.7p
Annualised ROA (excluding acquisition costs)	2.8% (3.0%)	2.7%	3.1%
Adjusted profit before acquisition costs and tax	5,443	3,633	3,602
Average assets employed	182,520	133,839	110,894

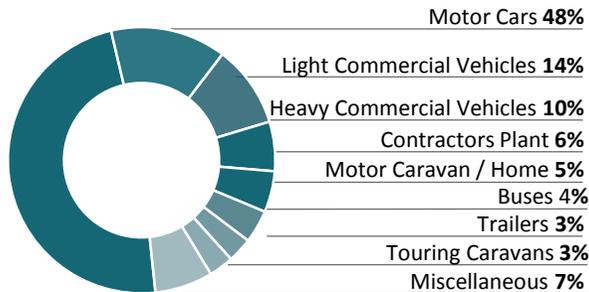
Balance Sheet

(£000's)	30 September 2018	30 September 2017	30 September 2016
Assets			
Cash and balances at central banks	21,338	17,018	5,904
Loans and advances to customers	219,322	145,718	121,960
Available for sale financial investments	39,902	4,511	-
Property Plant and Equipment	224	271	147
Intangible assets	2,957	2,704	764
Deferred tax assets	1,185	1,205	1,424
Trade and other assets	1,543	1,041	503
Total assets	286,471	172,468	130,702
Liabilities			
Due to banks	48,881	77,067	103,305
Due to customers	191,139	53,120	-
Derivative financial liabilities	-	-	491
Trade and other liabilities	3,899	3,620	2,199
Total liabilities	243,919	133,807	105,995
Net assets	42,552	38,661	24,707
Annualised ROE	10.3%	8.7%	12.9%
CET1 Ratio	19.3%	26.3%	N/A
OLAR	221%	126%	N/A

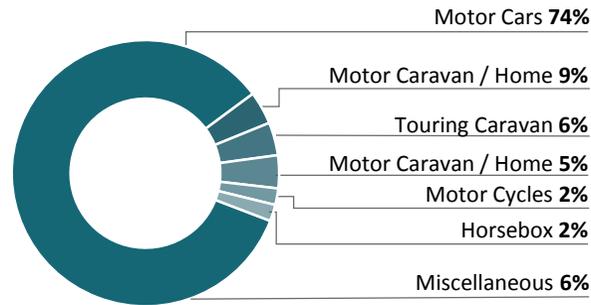
Portfolio Analysis

30 September 2018

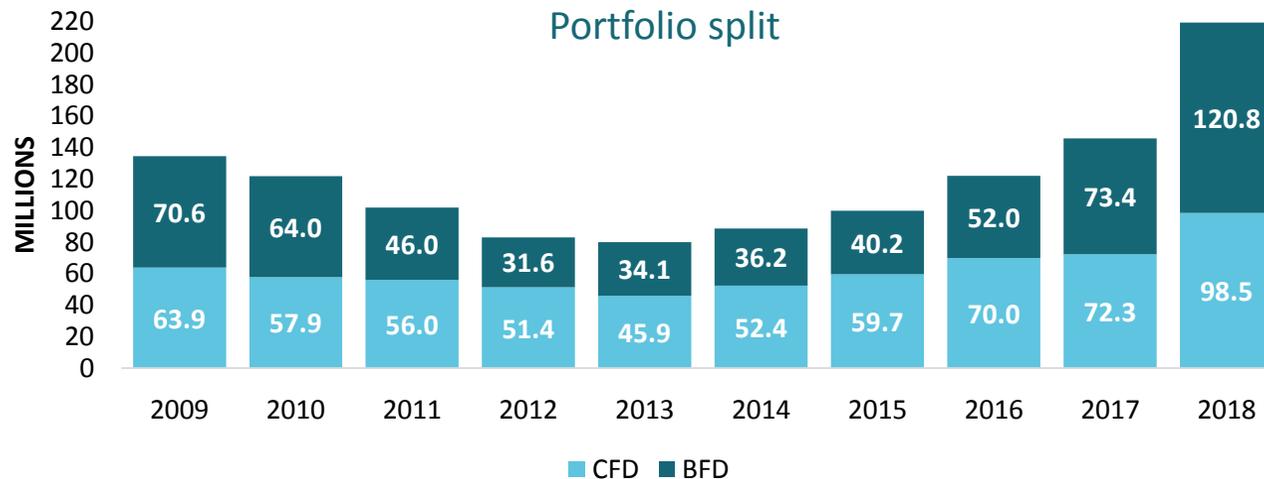
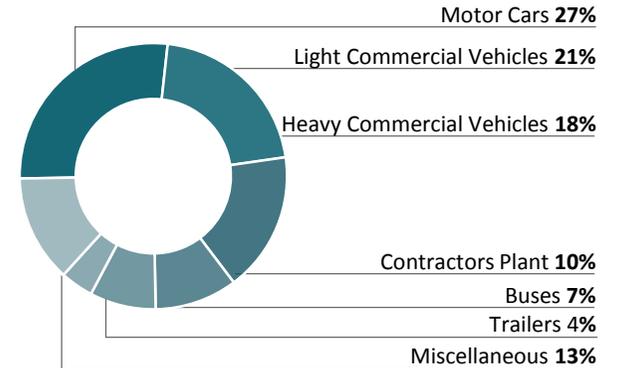
Combined Summary-Assets Financed



Consumer Finance Division-Assets Financed



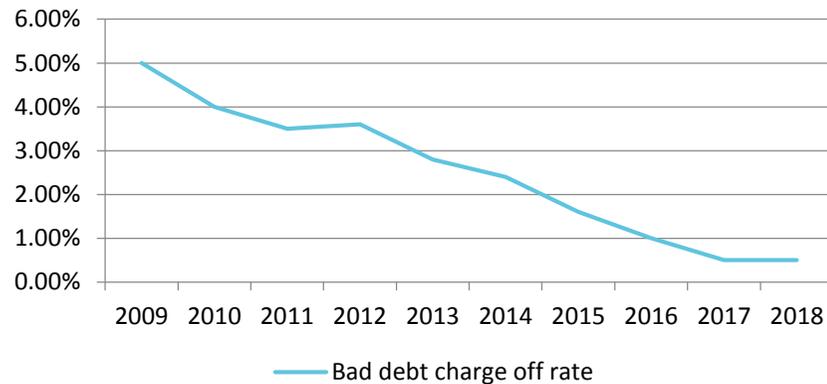
Business Finance Division-Assets Financed



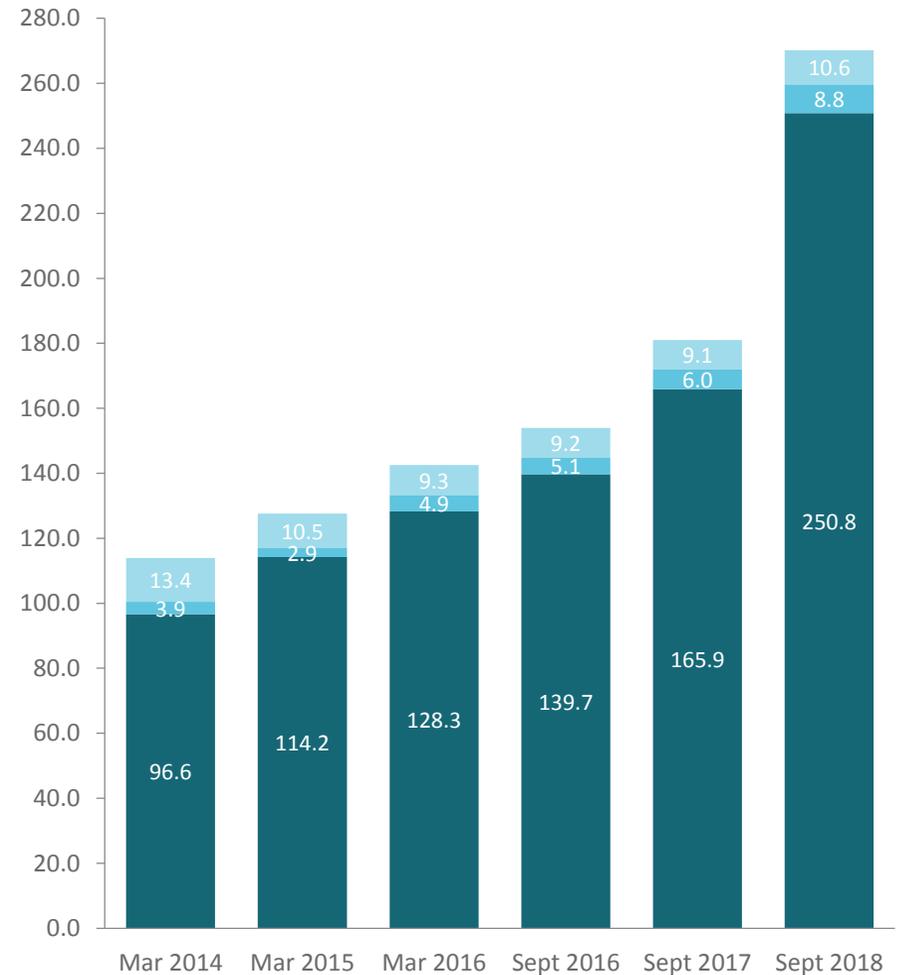
Credit Quality

- Prescriptive underwriting criteria for risk, asset quality and valuation
- Detailed assessment of customer's ability to service debt
- 70% of all new business originations fall within our top four credit grades (2017: 63%)
- Impaired portfolio continues to reduce in relative terms
- Impaired portfolio is 41% covered by loss provision with balance subject to court judgements, charging orders and up-to-date payment arrangements

Bad debt charge off rate



Loan Book – Gross (£m)



■ Neither past due nor impaired ■ Past due but not impaired ■ Impaired

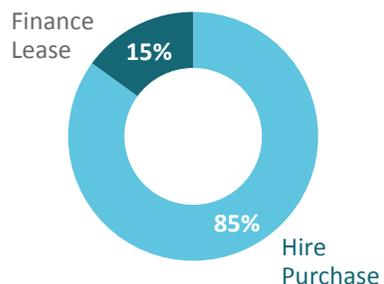
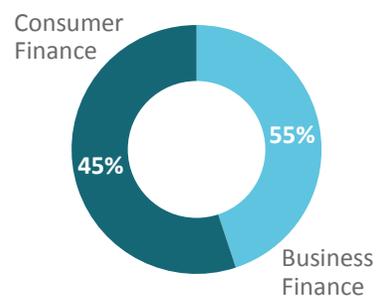
Loan Portfolio

(£000's)	30 Sept 2018	30 Sept 2017
Due within 1 year	86,365	65,378
Due over 1 year	183,820	115,654
Gross loans & receivables	270,185	181,032
Unearned future finance income	(46,494)	(31,349)
Loan loss provision	(4,369)	(3,965)
Total	219,322	145,718

PORTFOLIO

▲ **50%**

£219m (2017: £146m)



UNEARNED FUTURE FINANCE INCOME

£46.5m

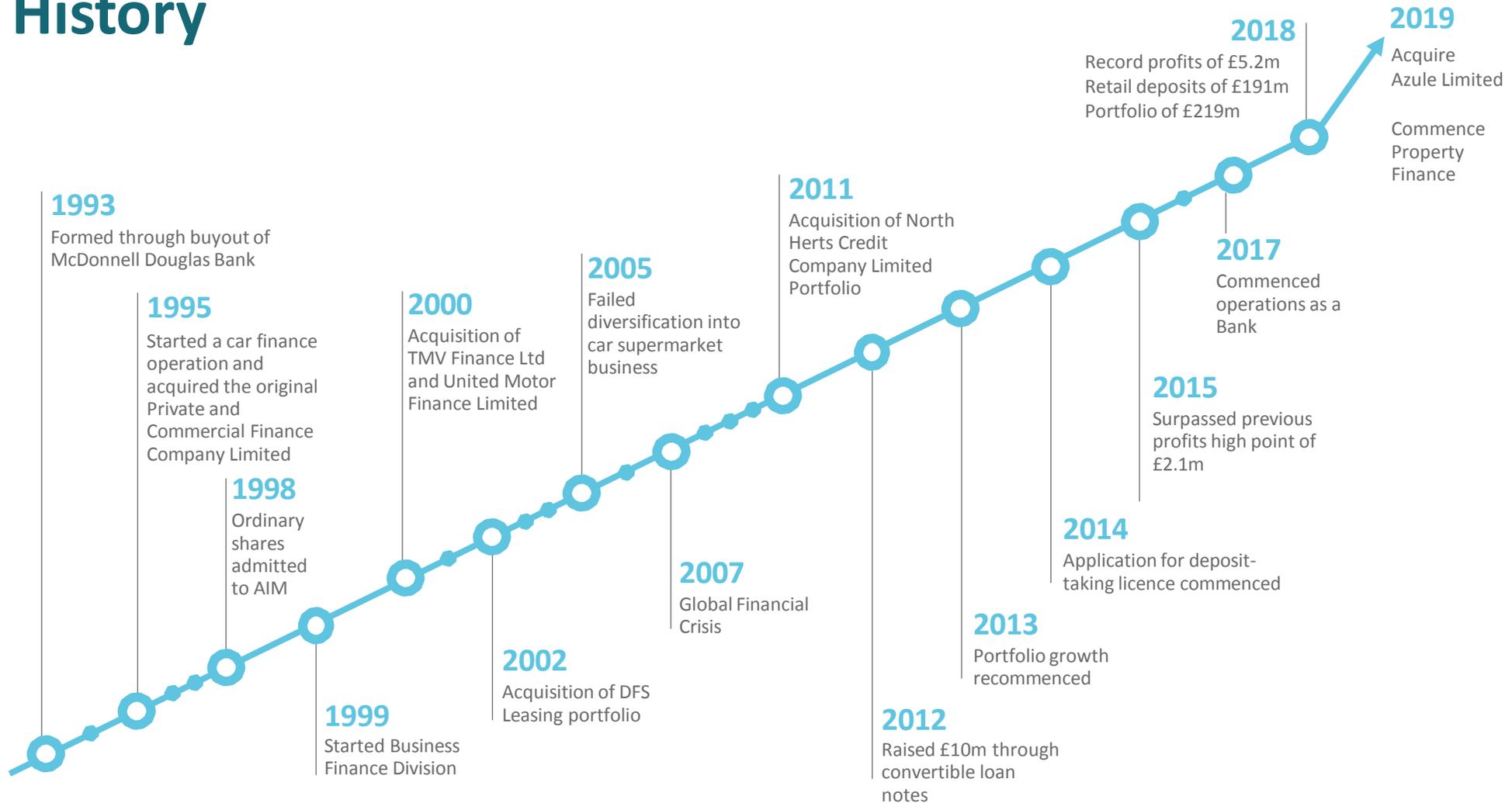
income for future years providing certainty of earnings

LOAN LOSS PROVISION CHARGE-OFF RATE

Stable 0.5%

(2017: 0.5%)

History



Key Data

MARKET
AIM

TICKER
PCF

SHARE PRICE
37p

3 December 2018

MARKET CAPITALISATION
£79m

SHARES IN ISSUE
214.2m

NOMINATED ADVISER
Panmure Gordon & Co

JOINT BROKERS
Panmure Gordon & Co
Stockdale Securities

FINANCIAL PR
Tavistock Communications

SHARE PRICE PERFORMANCE

36 month share price performance



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 forty 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



Hitachi Capital



Business Finance



Hitachi Capital

