



PCF BANK

May 2019

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

“Simple banking. At your service.”

Scott Maybury, Chief Executive

See Appendices for biographies of the Board of Directors

Company Overview

1

AIM-listed specialist bank

Business lines:

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

2

£275m asset backed portfolio

Supported by £204m of retail deposits held across 4,800 customer accounts

Quality portfolio, low impairment charge

3

Experienced and stable management (93 staff)

Offices in the City and Berkshire

Celebrating 25 years in business

4

8 consecutive years of growth and increasing profitability

Clear and ambitious strategic plan through organic growth and acquisition

5

A year ahead of schedule to meet our 2020 portfolio target of £350m and an RoE target of 12.5%

6

Supportive majority shareholder (circa 63%) – Somers Limited, a Bermuda based investment company

Current market capitalisation of £83m

Investment Case

- Following the grant of a banking licence in December 2016, the bank raised and has successfully deployed £10.5m of new equity
- A further £10.75m fundraising was completed in March 2019 providing capital for the next stage of growth
- Attractive NIM (7%), Return on Equity (15%) and Return on Assets (3%) targets
- Management was present through the last credit crisis, weathering market conditions and maintaining profits throughout
- We have a quality and robust portfolio with a wide spread of risk and a prudent business model built on 25 years' experience
- Progressive dividend policy which also recognises the capital intensive nature of bank lending

PCF share price performance since becoming a bank



Source: Proquote

PCF Bank's place in the Banking Sector

- We are a specialist bank attracted to niche sectors and finance products that achieve our target returns and build shareholder value
- We have established business lines that have proven profitability and economic resilience
- New products and diversification have been and will continue to be consistent with our low risk appetite
- We are not seeking to be a retail challenger bank with costly transactional banking facilities, branch complexity and the commensurate conduct risk
- We are a long-established Group with its roots in asset and vehicle finance, utilising our bank licence to provide the lower cost of funding to grow and expand our product range
- We are a new, non-legacy bank looking to take further advantage of technology and the changing landscape in banking and alternative finance
- We are unique in that we are both an authorised bank and AIM-listed

Established Business Lines

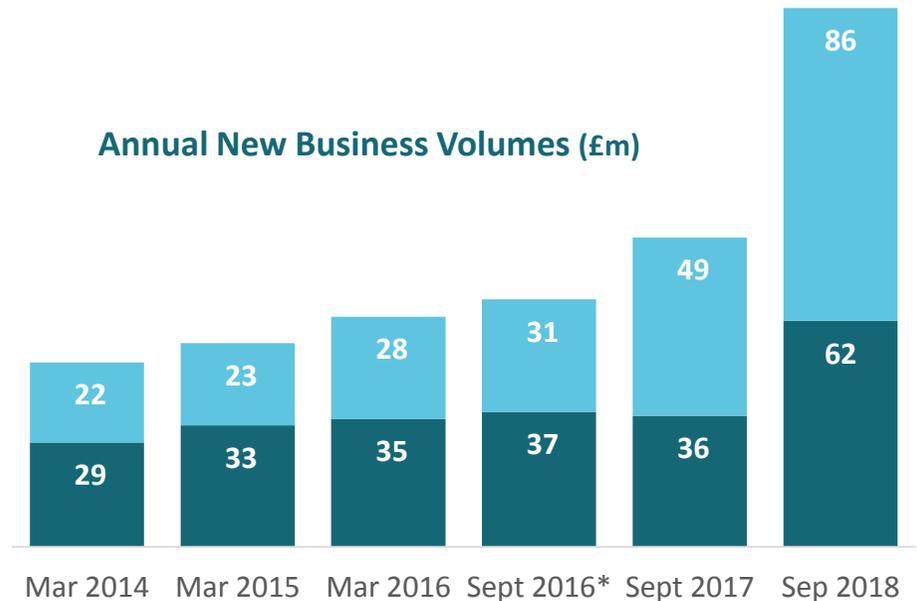
Business Finance Division

- SME hire purchase and lease finance for vehicles, plant and equipment
- Increase of 76% in new business originations in 2018 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 at 30 September 2018 (2017: 50%)

Consumer Finance Division

- Hire purchase finance for used cars
- Niche expertise in leisure vehicles (motorhomes, horseboxes, classics)
- Increase of 75% in new business originations in 2018 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

Annual New Business Volumes (£m)



*12 months comparative

■ Consumer Finance Division ■ Business Finance Division

New Business Lines

Azule Finance Division

- Strategic acquisition in October 2018 of broadcast and media finance specialist, Azule
- Diversification via a new asset class and direct vendor channels
- A well established, profitable business with a European presence
- Experienced management with an entrepreneurial culture and sector expertise
- Management team retained and incentivised through deferred consideration
- Growth potential through PCF Bank's lower cost of funds and group synergies
- Meets target returns and immediately earnings enhancing



Bridging Finance Division

- A new asset class sourced from direct channels and niche introducers
- There is a large £4bn market for specialist property lending
- Capital efficient, short-term lending
- Meets target returns for NIM and RoE
- Highly experienced team recruited
- First origination in January 2019

2018 Business Highlights

Year ended 30 September 2018

“Record growth, diversification underway and a year ahead of plan”

NEW BUSINESS ORIGINATIONS

▲ **75%**
£148m

(2017: £85m)

PORTFOLIO

▲ **50%**
£219m

(2017: £146m)

RETAIL DEPOSITS

4,500 customers
£191m

(2017: £53m)



2018 Financial Highlights

Year ended 30 September 2018

“Profits up 44% , e.p.s. up 33% and Return on Equity advancing to 12.5% medium-term target”

PROFIT BEFORE TAX

▲ **44%**
£5.2m

(2017: £3.6m)

NET INTEREST MARGIN
(NIM)

Stable
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

▲ **58%**
0.30p

(2017: 0.19p)

CET1 CAPITAL RATIO

▼ **27%**
19.3%

(2017: 26.3%)

NET ASSETS

▲ **10%**
£42.6m

(2017: £38.7m)

Strategic Initiatives

“Maximise the potential of our banking infrastructure”

- Continued strong growth in our long-established markets of prime lending to the SME and consumer finance sectors (market share currently less than 3.5%)
- Grow Azule and its presence in the broadcast and media equipment sector expanding into sound & audio-visual equipment
- In a considered manner, grow the bridging finance portfolio beyond the initial pilot and into a significant business line
- Utilise our ever increasing database of 87,000 past and present customers to market new products
- Acquire/develop a digital presence in the consumer and business finance markets
- Accelerate our growth through consolidation, strategic alliances, affinity schemes and further market diversification
- Continue to invest in IT and people to create an infrastructure that can service a £1billion balance sheet

Outlook

“The first six months of the current financial year is in line with management expectations”

1

Target £250m of new originations in 2019

Portfolio target of £350m is within reach

2

Deliver increased efficiency and profitability through scale

Portfolio of prime credit quality continues to deliver a low impairment charge

3

Deliver strong e.p.s growth through superior NIM and return on equity targets

4

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

5

Progressive dividend policy

6

Directly measurable performance through a target RoA of 3%

Target portfolio of c.£750m and an 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>8.9%</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	114,733

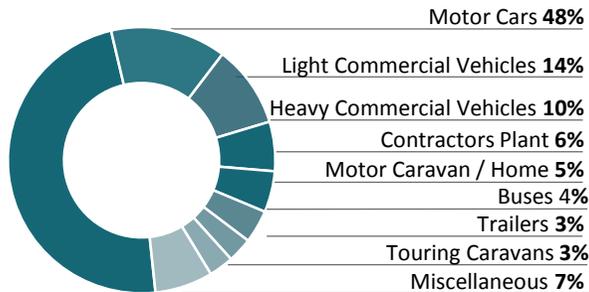
Balance Sheet

(£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

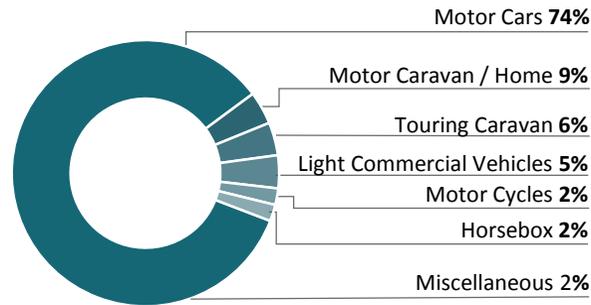
Portfolio Analysis

30 September 2018

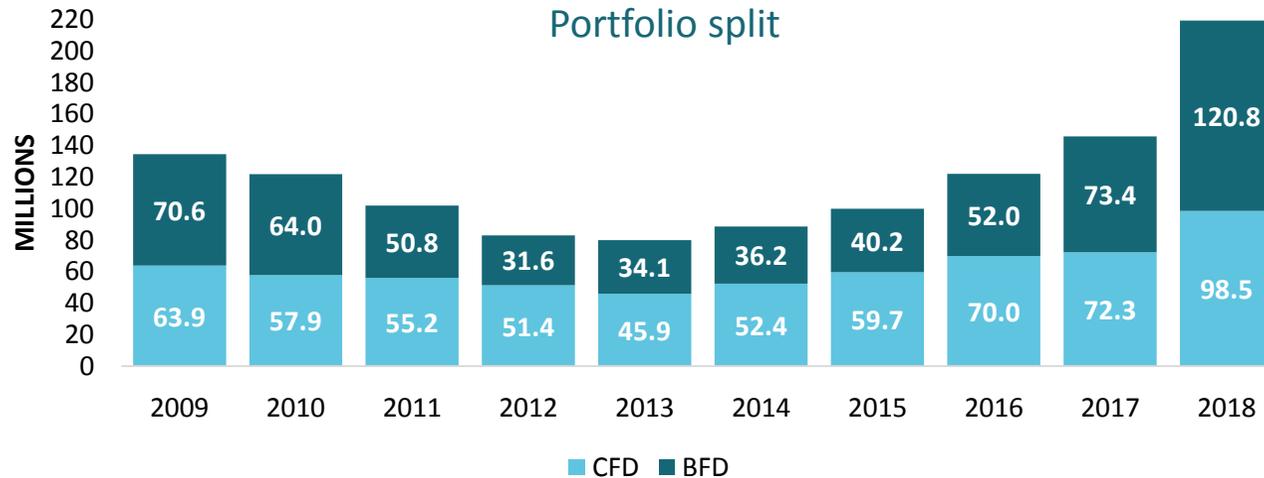
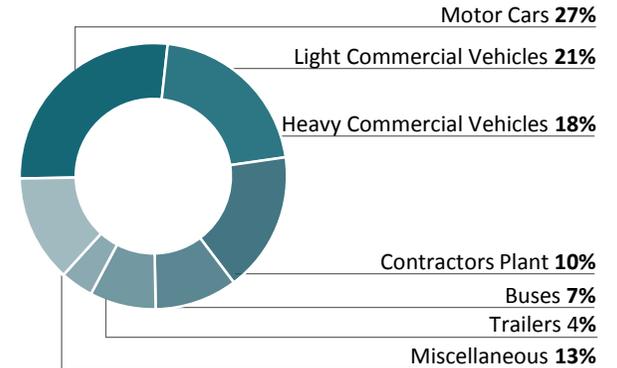
Combined Summary-Assets Financed



Consumer Finance Division-Assets Financed



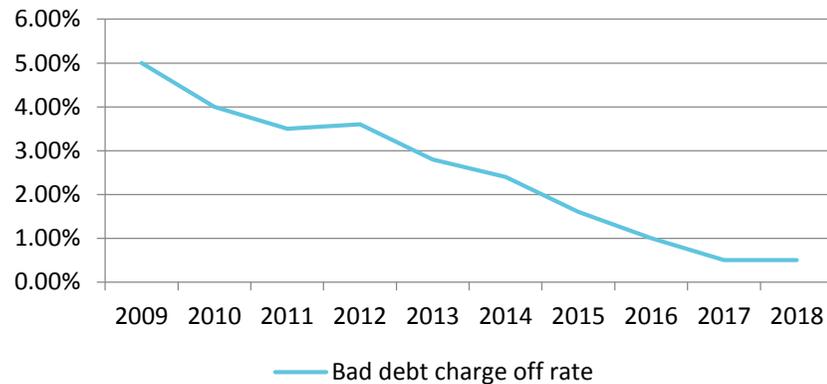
Business Finance Division-Assets Financed



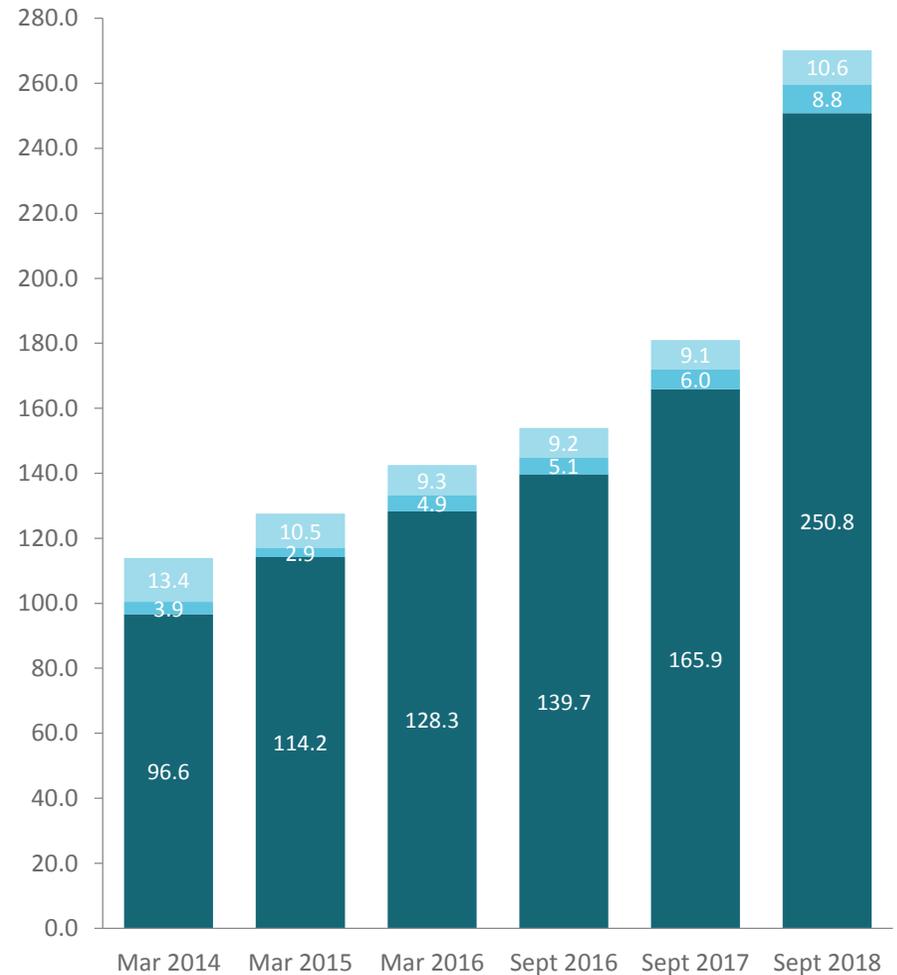
Credit Quality

- Prescriptive underwriting criteria for risk, asset quality and valuation
- Detailed assessment of customers' 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 42% covered by loss provision with the balance subject to court judgements, charging orders on property 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

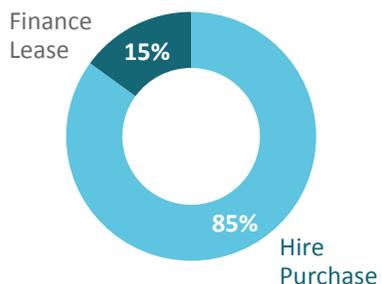
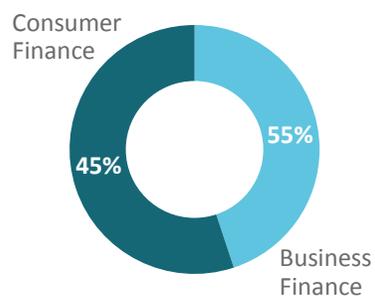
Loan Portfolio

(£000's)	30 Sept 2018	30 Sept 2017
Due within 1 year	86,365	64,513
Due over 1 year	183,820	116,519
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

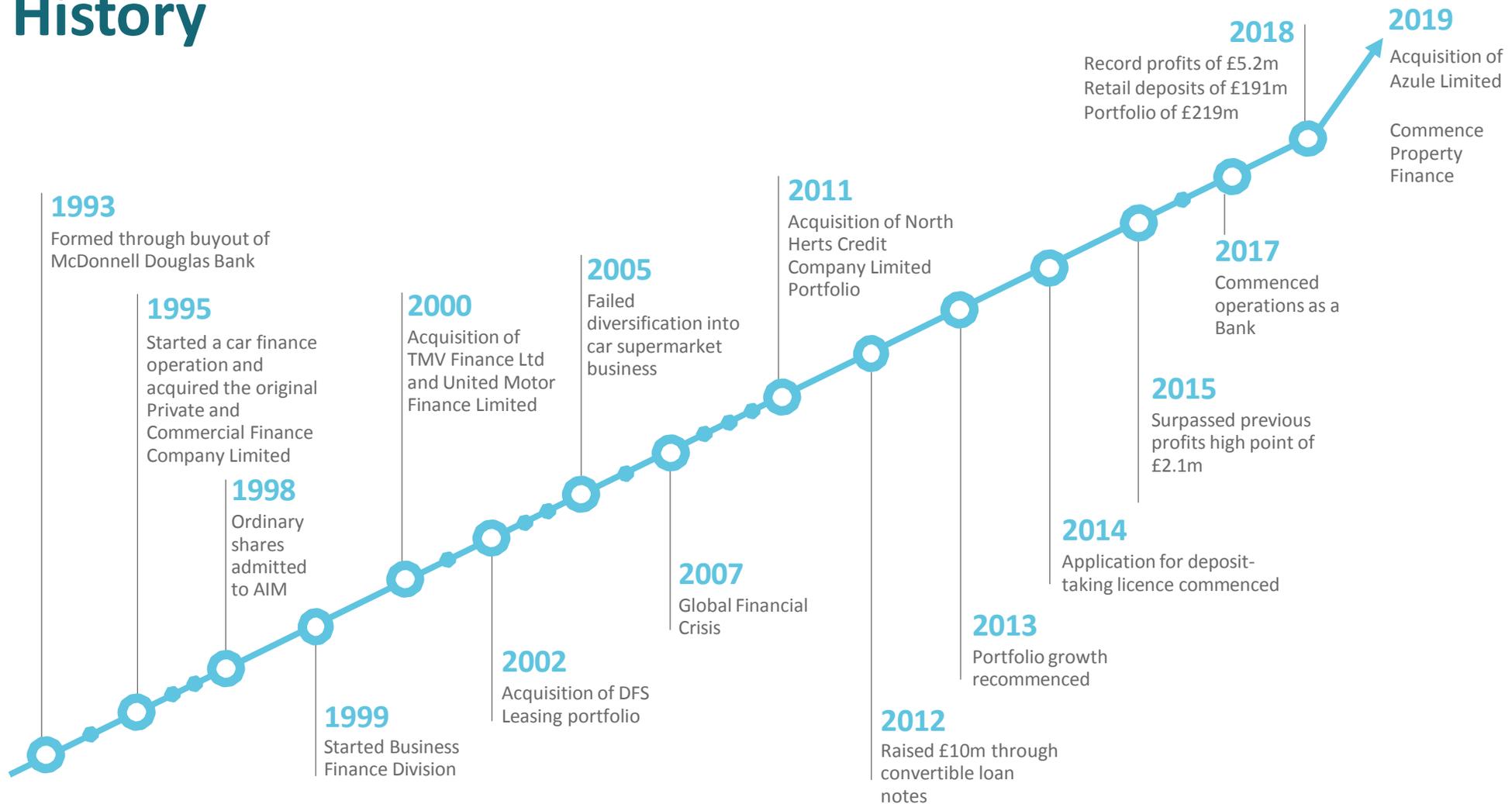
income for future years providing certainty of earnings

LOAN LOSS PROVISION CHARGE-OFF RATE

Stable 0.5%

(2017: 0.5%)

History



Key Data

MARKET

AIM

TICKER

PCF

SHARE PRICE

33.25p

23 April 2019

MARKET CAPITALISATION

£83m

SHARES IN ISSUE

250.2m

NOMINATED ADVISER
Panmure Gordon & Co

JOINT BROKERS
Panmure Gordon & Co
Stockdale Securities

FINANCIAL PR
Tavistock Communications

SHARE PRICE PERFORMANCE

Share price over 36 months



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. Tim is currently a non-executive at the Post Office and also sits on their audit committee. 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 on 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 on 13 June 2017

Christine is a chartered accountant with over 25 years' experience in asset finance, working at 9 international banks. Over the last 9 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 and risk committee. She is currently a non-executive director at the Buckinghamshire Building Society and chairs its audit committee.

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 December 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 Arbuthnot 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 is chair of the remuneration and nomination 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. Scott chaired the Project Board to deliver the new Bank application and implementation.

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.