



PCF BANK

Investor Presentation
October 2019

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Presenter

Scott Maybury, CEO

PCF Bank is a specialist bank listed on the AIM Market

PCF Bank is one of new breed of banks, changing the construct of banking and making successful inroads into the very large lending markets available to us

See Appendices for biographies of the Board of Directors

Overview

1

Lending to

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

2

c.£350m asset backed portfolio

c.£250m of retail deposits and over 4,500 savings customers

3

Total customer base is over 19,000

75% of originations are in our prime credit grades

103 staff, recently moved into new City offices

4

£10.75m of new equity raised in March 2019

£15m Tier 2 capital facility executed and with the PRA for approval

5

Lack of popularity in financial stocks presents an investment opportunity

£67m market capitalisation

6

KPI's driving performance

Net Interest Margin 7.9%
Return on Equity 11.7%
Return on Assets 2.7%
Cost to Income Ratio 56.4%

Business Lines

“Delivered through proven operating models”

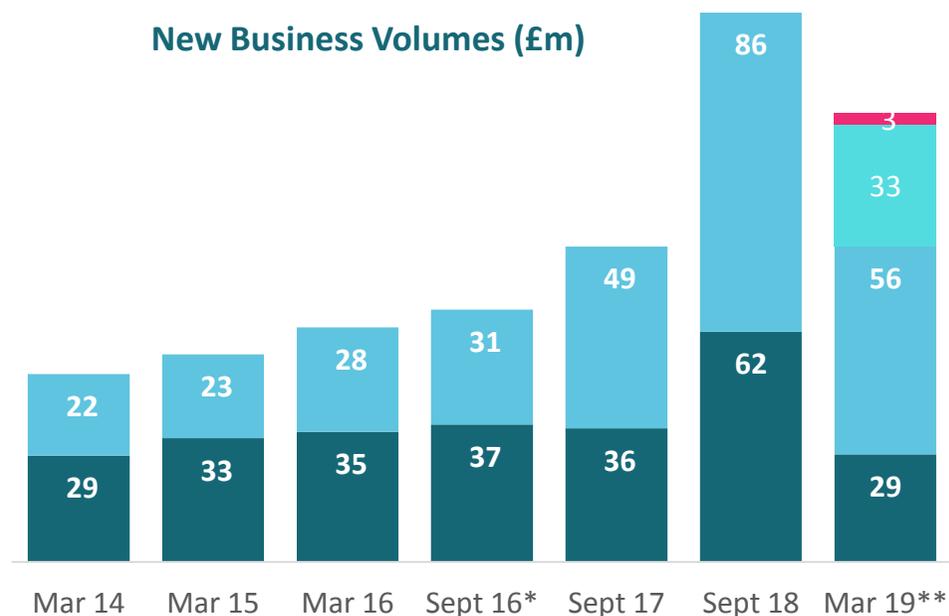
Business Finance Division

- Our largest division and it makes up 58% of the total portfolio (2018: 54%)
- SME hire purchase / lease finance for vehicles, plant and equipment
- Increase of 36% in new business originations in H1 to £56m (2018: £41m)
- £148m portfolio at 31 March 2019 (over 4,900 customers)
- National network of broker intermediaries

Consumer Finance Division

- Hire purchase finance for used cars and leisure vehicles
- No residual positions or PCPs
- Increase of 4% in new business originations in H1 to £29m (2018: £28m)
- £106m portfolio at 31 March 2019 (over 10,000 customers)
- National network of broker intermediaries

New Business Volumes (£m)



*12 months comparative

** 6 month comparative

■ Consumer Finance Division

■ Azule

■ Business Finance Division

■ Bridging

Business Lines (...cont.)

Azule

- New business origination in H1 of £33m (2018: pre-acquisition £23m)
- £25m of this origination was fee income earning rather than own portfolio
- Fee income generation offers income diversification and enhanced RoE
- Synergies with PCF bank's infrastructure, expertise and finance products



Bridging Finance

- Capital efficient short-term lending of up to 18 months
- First charge residential and commercial lending
- Originations started in Q1, 2019
- Strong pipeline of new business
- Targeting £20m of new business in FYE September 2019
- Offers diversification of asset class and good returns

2019 Achievements

“Sustainable growth delivering increased profitability”

- Grow the core businesses of asset finance and consumer motor finance by increased lending into the prime market
- Diversify the balance sheet with new asset classes; both through acquisition and organically
- Develop a much-improved proposition to the broker-introduced consumer motor finance market by automating credit decision making and proposal acceptance
- Review the capital structure to prepare for the next stage of growth, while continuing to deliver improving Return on Equity.
- Continue to invest in people, systems and infrastructure to build a bank that can support a £1bn portfolio

Future Operating Model

“Putting the building blocks in place for greater digitalisation”

- Launch our new contemporary system for consumer motor finance
- Trial direct to consumer products on our new platform
- Develop a market leading portal for SME lending
- Trial B2B products once we automate our SME platform
- Build out our Property Finance division beyond the pilot initiative
- Improve our customer journey for savers and borrowers with additional online functionality
- Optimise technology across the organisation to enable scale and gain efficiency

Outlook

“PCF Bank continues to succeed despite the uncertain economic environment. We are a new bank with a small market share, operating in very large markets. It is allowing us to be countercyclical”

Market Expectations 2018 - 2021				
	2018	2019	2020	2021
Net Interest Income (£m)	15.0	22.7	30.2	39.0
Base	100	151	201	260
Adj. Profit before Tax (£m)	5.4	8.0	11.0	14.0
Base	100	148	204	259
Adjusted EPS (p)	2.1	2.8	3.6	4.5
Base	100	133	171	214
Lending Portfolio (£m)	219	350	475	600
Base	100	160	217	274

Source – Shore Capital

Investment Case

“A resilient operating model provides confidence for now and the future”

- £53m of future operating income, already to hand on the balance sheet provides almost 65% of next years operating income expectation
- A management team with over 25 years experience, over several credit cycles understand the need for prudent underwriting, sensible terms and pricing correctly for risk
- A banking licence provides a competitive advantage compared to debt financed competitors
- Investment in systems is delivering class leading service levels
- A robust business model and sustainable growth due to:
 - our relatively small market share
 - our diversified income streams
 - adequate capital headroom
 - access to the retail deposit market; and
 - the existing infrastructure is delivering operational gearing

Objectives

“PCF Bank has a substantial opportunity to grow its business and shareholder value in the coming years”

1

Q4 Trading Update on 24 October 2019

Final Results on 4 December 2019

Banking model provides confidence in delivery

2

Sustainable growth with aspirations to build a £1bn portfolio in 3 years

Strong e.p.s growth through low impairment and targeting a superior NIM and RoE

3

Build a diversified balance sheet of:

Asset Finance	£350m
Motor finance	£250m
Property finance	£150m
New asset class	£150m
New asset class	£100m

4

Continued investment in new business lines, talent, our operating platform and the governance structure

Digitalise more of the business to enable scale and deliver efficiencies

5

Retain a cautious risk appetite, so we remain best placed when market sentiment improves

Take opportunities as acquisitions and sector consolidation presents itself

6

RoA target of 3%

RoE target of 15%

NIM target > 7%

Progressive dividend policy



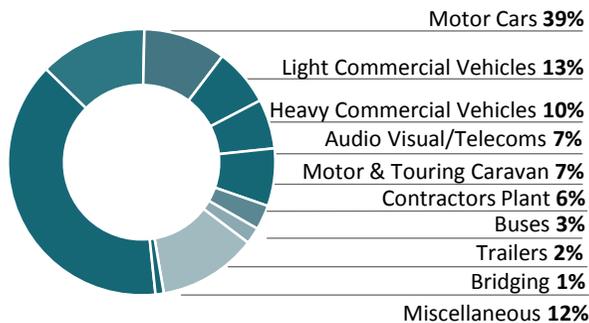
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Appendices

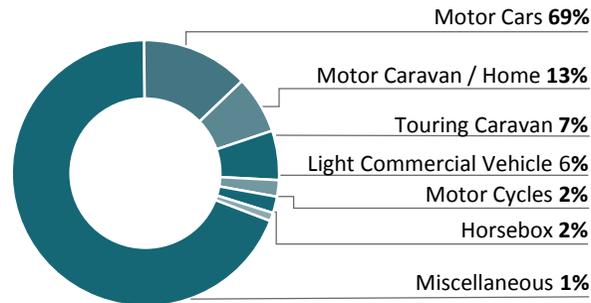
Portfolio Analysis

31 March 2019

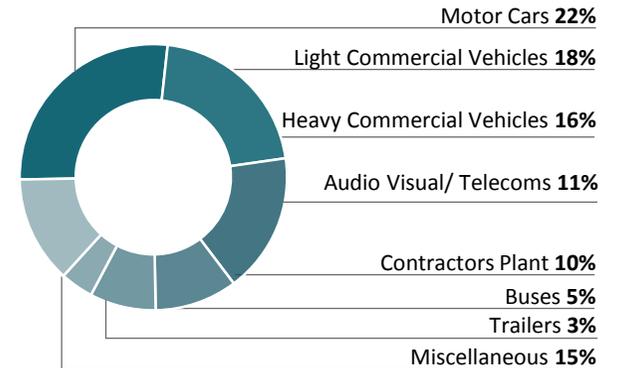
Combined Summary-Assets Financed



Consumer Finance Division-Assets Financed



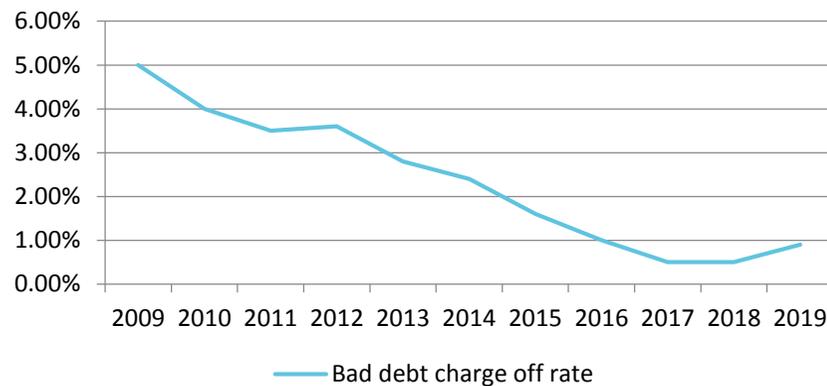
Business Finance Division-Assets Financed



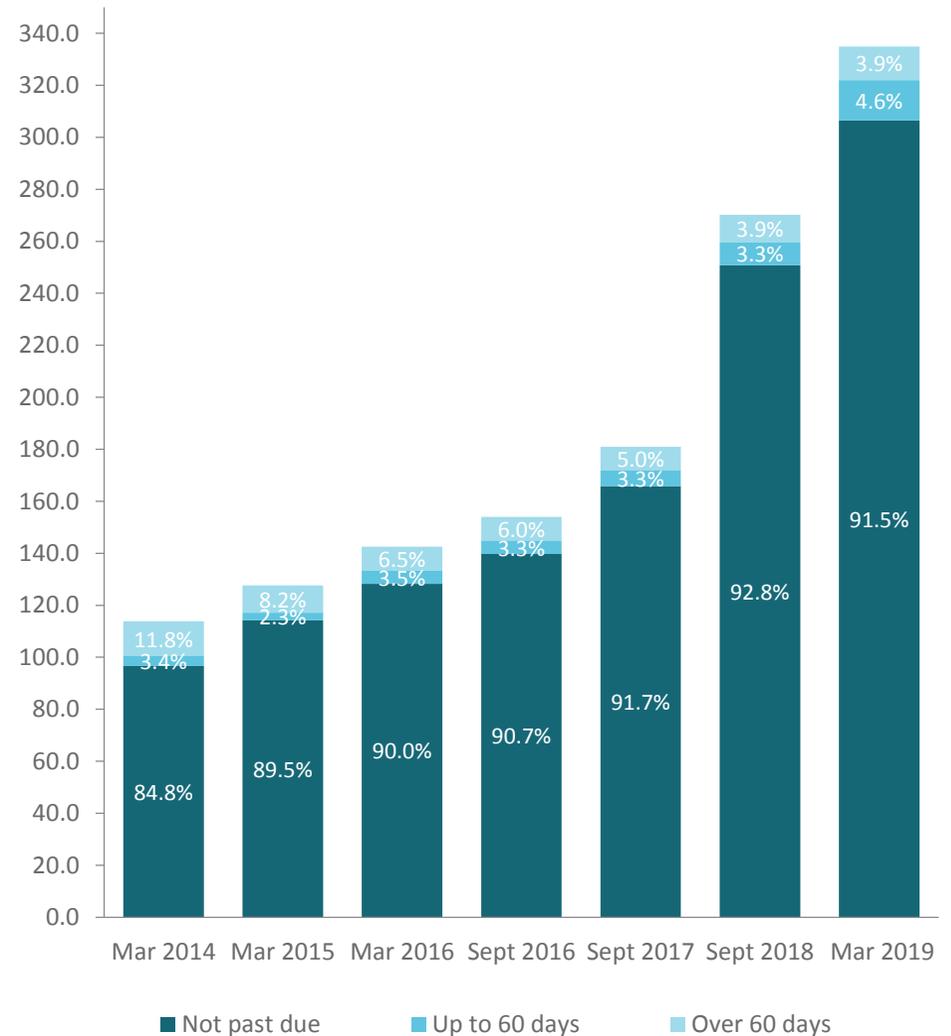
Credit Quality

- Prescriptive underwriting criteria for risk, asset quality and valuation
- Detailed assessment of customer's ability to service debt
- 75% of all new business originations fall within our top four credit grades (2018: 70%)
- Over 60 days portfolio is stable in relative terms
- Small average transaction size provides a wide spread of risk

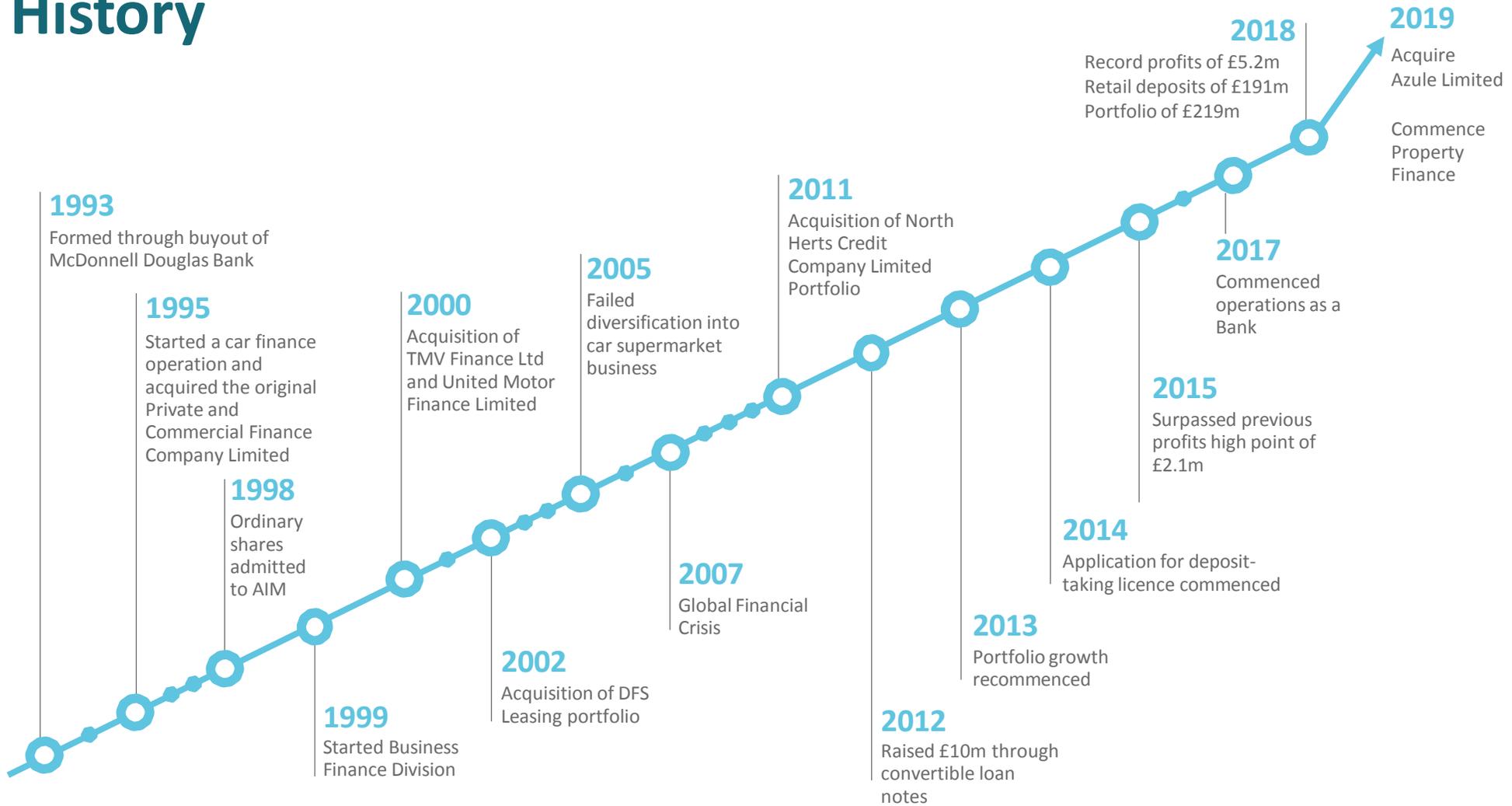
Bad debt charge off rate



Loan Book – Gross (£m)



History



The Board

Tim Franklin

Non-Executive Chairman
Appointed on 06 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 09 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 01 December 2015

Mark was Chairman of Stockdale Securities from November 2014 until the sale to Shore Capital in April 2019. 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 also a non-executive of MJ Hudson a legal services business for alternative asset managers.

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.

Marian Martin

Non-Executive Director

Appointed on 01 July 2019

Marian Martin is a chartered accountant with a background in risk management and audit. Most recently, Marian was at Virgin Money for 11 years and was Chief Risk Officer throughout a period of significant growth and strategic development of Virgin Money and its risk function, including the successful listing of Virgin Money on the London Stock Exchange. Marian was an Executive Director of the main trading companies of the Virgin Money group during this period. In addition, Marian is a non-executive director at Castletrust and Starling Bank.

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 03 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

