PCF BANK

Preliminary Results

December 2020

Disclaimer

THIS PRESENTATION MAY NOT BE COPIED OR REPRODUCED IN ANY FORM, FURTHER DISTRIBUTED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON, OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. IN PARTICULAR, THIS PRESENTATION AND ITS CONTENTS ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO OR FROM THE UNITED STATES, CANADA, AUSTRALIA, SOUTH AFRICA OR JAPAN OR ANY JURISDICTION WHERE SUCH DISTRIBUTION IS UNLAWFUL. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF APPLICABLE SECURITIES LAWS.

This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract commitment or investment decision in relation thereto.

The information contained in this presentation has been prepared by PCF Group plc ("PCF" or the "Company"). It has not been fully verified and is subject to material updating, revision and further amendment. This presentation has not been approved by an authorised person in accordance with Section 21 of the Financial Services and Markets Act 2000 (“FSMA”) and therefore it is being delivered for information purposes only to a very limited number of persons and companies who are persons who have professional experience in matters relating to investments and who fall within the category of person set out in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or are high net worth companies within the meaning set out in Article 49 of the Order or are otherwise permitted to receive it. Any other person who receives this presentation should not rely or act upon it. By accepting this presentation and not immediately returning it, the recipient represents and warrants that they are a person who falls within the above description of persons entitled to receive the presentation. This presentation is not to be disclosed to any other person or used for any other purpose.

Please note that the information in this presentation has yet to be announced or otherwise made public and as such constitutes inside information for the purposes of Article 14 of the Market Abuse Regulation (596/2014/EU) and the Criminal Justice Act 1993. You should not therefore deal in any way in the securities of the Company until after the formal release of an announcement by the Company as to do so may result in civil and/or criminal liability.

Peel Hunt LLP (“Peel Hunt") and Shore Capital Limited (“Shore”) are acting in the provision of corporate finance business to the Company, within the meaning of the Financial Conduct Authority’s Conduct of Business Sourcebook (“COBS”), and no-one else in connection with the proposals contained in this Presentation. Accordingly, recipients should note that Peel Hunt and Shore are neither advising nor treating as a client any other person and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Peel Hunt and Shore under the COBS nor for providing advice in relation to the proposals contained in this presentation.

While the information contained herein has been prepared in good faith, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers give, have given or have authority to give, any representations or warranties (express or implied) as to, or in relation to, the accuracy, reliability or completeness of the information in this presentation, or any revision thereof, or of any other written or oral information made or to be made available to any interested party or its advisers (all such information being referred to as “Information”) and liability therefore is expressly disclaimed. Accordingly, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers take any responsibility for, or will accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the Information or for any of the opinions contained herein or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this presentation. In particular, unless expressly stated otherwise, the financial information contained in this presentation relates to the Company and its subsidiary undertakings. To the extent available, the industry and market data contained in this presentation has come from official or third party sources. Third party industry publications, studies and surveys generally state the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. While the Company believes that each of these publications, studies and surveys has been prepared by a reputable source, the Company has not independently verified the data contained therein. In addition, certain of the industry and market data contained in this presentation come from the Company’s internal research and estimates based on the knowledge and experience of the Company’s management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this presentation.

Neither the issue of this presentation nor any part of its contents is to be taken as any form of commitment on the part of the Company to proceed with any transaction and the right is reserved to terminate any discussions or negotiations with any prospective investors. In no circumstances will the Company be responsible for any costs, losses or expenses incurred in connection with any appraisal or investigation of the Company. In furnishing this presentation, the Company does not undertake or agree to any obligation to provide the recipient with access to any additional information or to update this presentation or to correct any inaccuracies in, or omissions from, this presentation which may become apparent.

This presentation should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. In particular, this presentation does not constitute an offer or invitation to subscribe for or purchase any securities and neither this presentation nor anything contained herein shall form the basis of any contract or commitment whatsoever. Each party to whom this presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary. In particular, any estimates or projections or opinions contained herein necessarily involve significant elements of subjective judgment, analysis and assumptions and each recipient should satisfy itself in relation to such matters.

This presentation and the information contained herein are not an offer of securities for sale and are not for publication and or distribution in the United States or to any US person (within the meaning of Regulation S under the United States Securities Act of 1933, as amended (the “Securities Act”)) or in Canada, Australia, South Africa or Japan or any jurisdiction where such offer or distribution is unlawful. Any failure to comply with this restriction may constitute a violation of United States securities laws.

The securities of the Company have not been registered under the Securities Act and may not be offered or sold in the United States or to any US person unless the securities are registered under the Securities Act or an exemption therefrom is available.

Certain statements in this presentation may constitute “forward-looking statements” within the meaning of legislation in the United Kingdom and/or United States. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “potential,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other comparable terminology. You should not place reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, the acquisition, levels of activity, performance, or achievements. Any forward-looking statements are based on currently available competitive, financial and economic data together with management’s views and assumptions regarding future events and business performance as of the time the statements are made and are subject to risks and uncertainties. We wish to caution you that there are some known and unknown factors that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Reference should be made to those documents that PCF shall file from time to time or announcements that may be made by PCF in accordance with the London Stock Exchange AIM Rules for Companies (“AIM Rules”), the Disclosure and Transparency Rules (“DTRs”) and the rules and regulations promulgated by the US Securities and Exchange Commission, which contains and identifies other important factors that could cause actual results to differ materially from those contained in any projections or forward-looking statements. These forward-looking statements speak only as of the date of this presentation. All subsequent written and oral forward-looking statements by or concerning PCF are expressly qualified in their entirety by the cautionary statements above. Except as may be required under the AIM Rules or the DTRs or by relevant law in the United Kingdom or the United States, PCF does not undertake any obligation to publicly update or revise any forward-looking statements because of new information, future events or otherwise arising.

Presenters: Scott Maybury, CEO

Nick Price, Interim CFO

Robert Murray, MD

PCF Bank is a specialist bank listed on the AIM Market

PCF Bank is one of a new generation of banks, making successful inroads into the very large lending markets in the UK

Overview

1

Lending divisons

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

2

£434m asset backed portfolio

Funded by £342m of retail deposits (over 7,950 savings customers)

£62m drawn on Term Funding Schemes

3

Total customer base > 29,500

85% of originations are in our prime credit grades

4

Profitability down but robust performance

Net Interest Margin 6.9%

Underlying return on Equity 5.2%

Cost to Income ratio 55.6%

5

Significantly higher impairment charges of £7.8m, mainly due to Covid

Partial impairment of £1.75m of Azule goodwill

Loan book forbearance now less than 7% of total portfolio

6

Strong balance sheet

CET1 ratio 17.7%

Liquidity coverage ratio of 673%

Operational Highlights

Year ended 30 September 2020

"Resilience in a year of maximum disruption"

NEW BUSINESS ORIGINATIONS	PORTFOLIO GROWTH	RETAIL DEPOSITS
▼ 2%	▲ 28%	7,950 customers
£270m	£434m	£342m
(2019: £276m)	(2019: £339m)	(2019: £267m)

- Predominantly retail deposit funding but supported by wholesale debt facilities and access to UK Treasury Term Funding Schemes
- Diversified funding model continues to drive lower cost of funds
- Asset diversification through the growth of the new property bridging finance division
- 79% of loan book is for prime customers, with a low probability of default and clean credit profiles
- Impairment provisioning prudent and realistic for forecast economic downturn

PCF BANK

Financial Highlights

Year ended 30 September 2020

"Profitability impacted by credit and goodwill impairment charges 9"

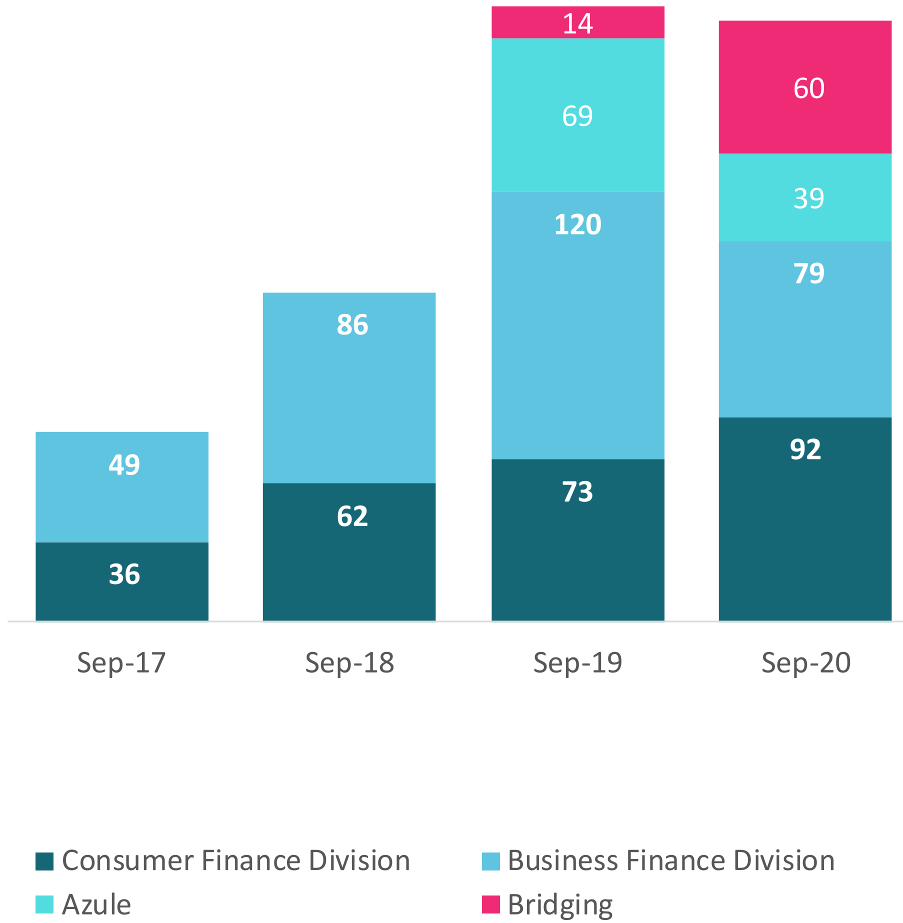
UNDERLYING PROFIT BEFORE TAX	OPERATING INCOME	NET INTEREST MARGIN (NIM)	EARNINGS PER SHARE
▼ 51%	▲ 19%	▼ 11%	▼ 78%
£3.9m	£26.5m	6.9%	0.6p
(2019: £8.0m)	(2019: £22.3m)	(2019: 7.8%)	(2019: 2.7p)

COST-TO-INCOME	UNDERLYING RETURN ON EQUITY	TOTAL CAPITAL RATIO
55.6%	5.4%	19.5%
(2019: 55.6%)	(2019: 12.6%)	(2019: 18%)

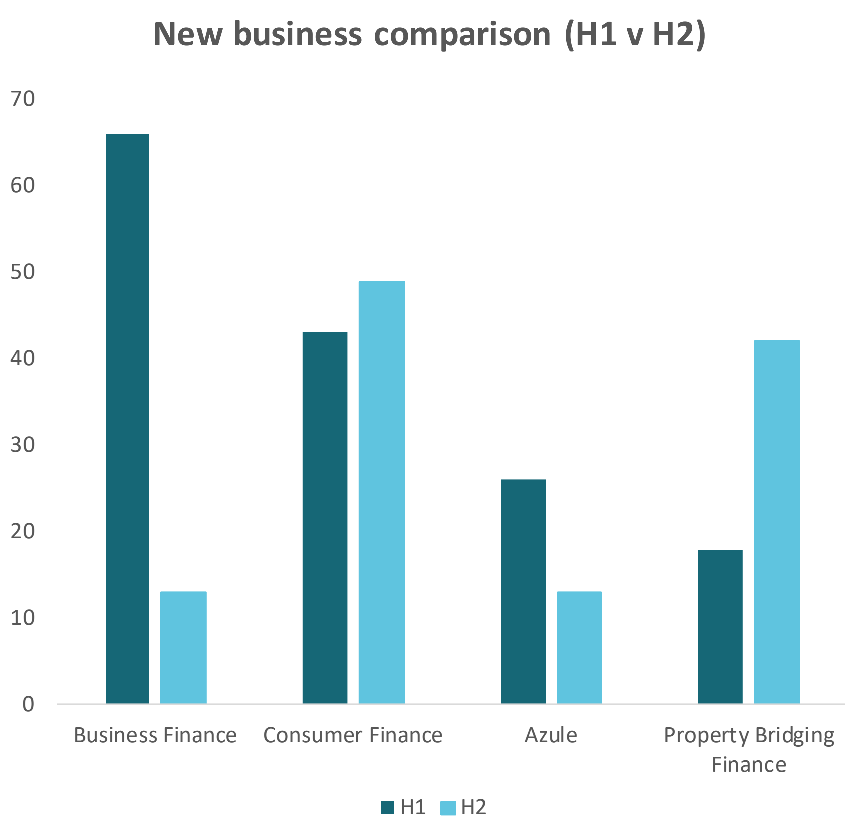
PCF BANK

New Business Volumes

- Consumer Finance up 26% to £92m (34% of originations)
- Business Finance down 34% to £79m (29%)
- Azule Finance down 43% to £39m (15%)
- Property Bridging Finance up 328% to £60m (22%)
- 85% in prime credit grades (2019 : 74%)



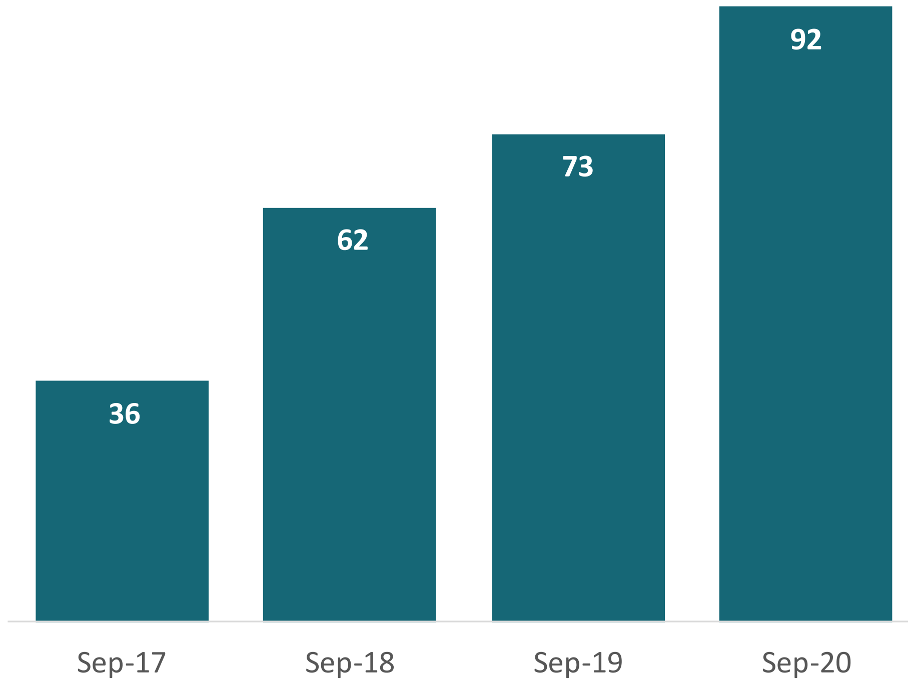
New Business Volumes



- Business Finance 80% fall in H2 compared to H1 as SMEs held back on investment plans and made use of CBILS and BBLS products
- Consumer Finance 14% increase, helped by prime proposition, growth of leisure vehicle business and some competitors temporarily withdrawing from the market
- Azule Finance down 50% as industry effectively shut down and customers made use of CBILS and BBLS products
- Property Bridging Finance up 133% as PCF brand gained traction with introducers, while some non-bank lenders withdrew from the market.

Consumer Finance

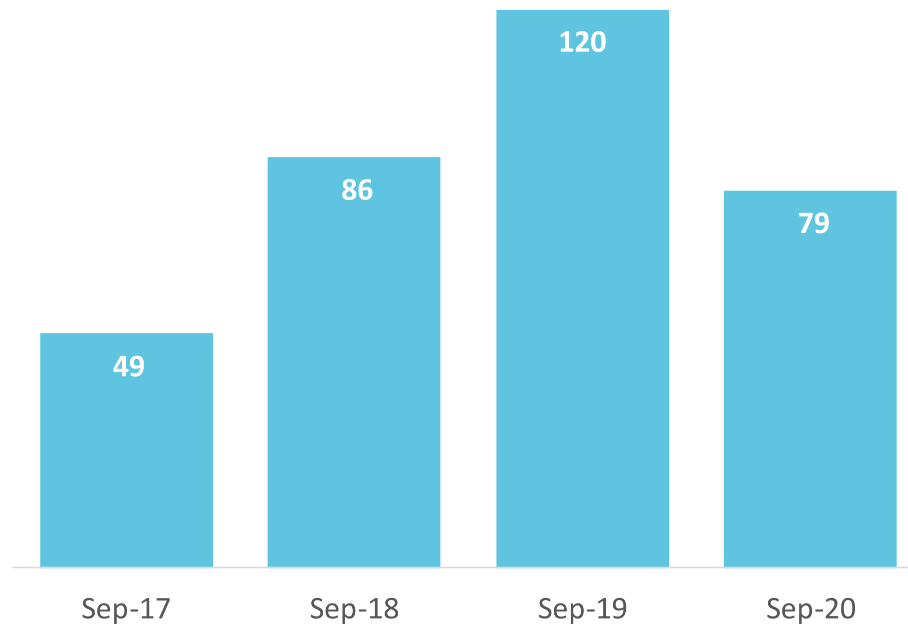
- Hire purchase finance for used cars and leisure vehicles
- Successful launch of automated prime proposition driving success
- Demand remained robust during pandemic
- Market of £16.5bn in FYE September 2020*
- PCF volumes of £92m represent market share of 0.6%
- Average deal size of £18k
- 93% of volume in prime credit grades
- Success in longer term finance for leisure finance (horseboxes, motorhomes and classic cars)
- £167m portfolio at 30 September 2020 with over 12,700 customers



* Source: FLA

Business Finance

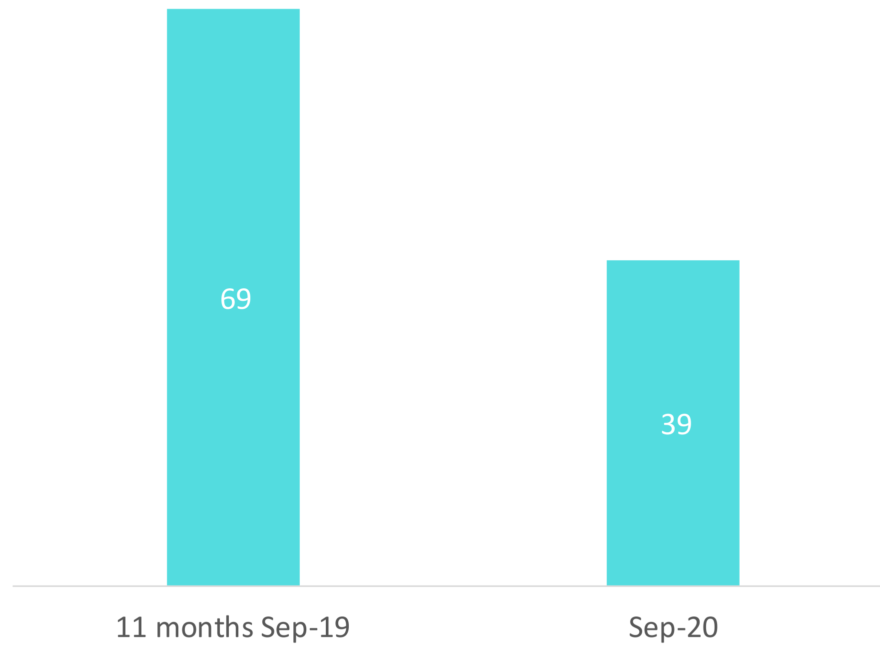
- SME hire purchase/lease finance for vehicles, plant and equipment
- Demand affected by
  - Lower investment in assets by SMEs
  - Government support schemes (CBILS/BBLS)
- Market of £26bn in FYE September 2020*
- PCF volumes of £79m represent market share of 0.3%
- Average deal size of £47k
- 78% of volume in prime credit grades
- £184m portfolio at 30 September 2020 with over 5,800 customers



* Source: FLA

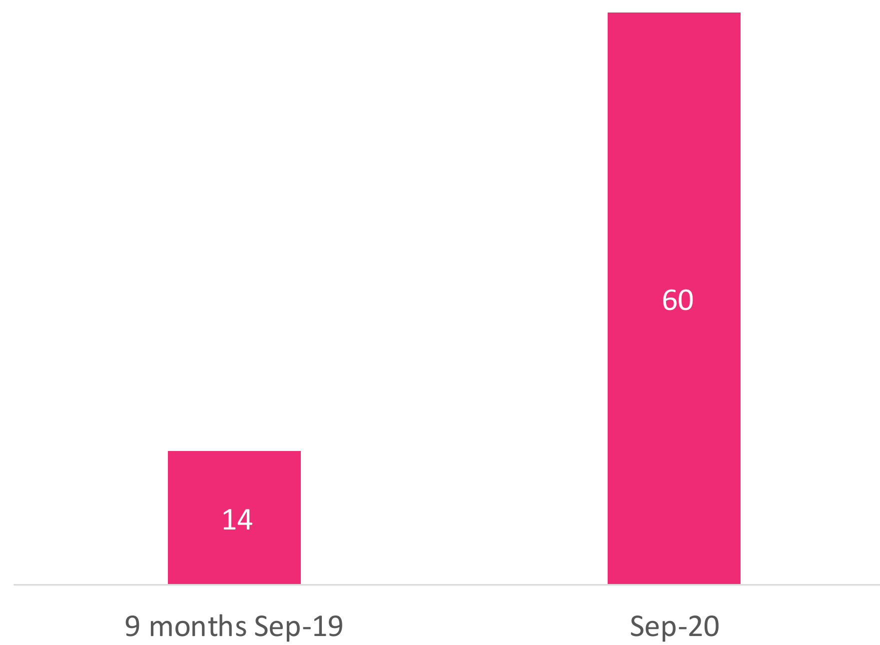
Azule Finance

- SME hire purchase/lease finance for broadcast and media sector
- Direct manufacturer, distributor and customer relationships
- “Hybrid” model of writing business on balance sheet and introducing to third party banks for a fee
- Reduced volume of £39m due to shutdown of TV/film production and live events
- Potential to recover strongly as on-demand streaming content (e.g. Netflix & Disney +) is in high demand
- £23m portfolio at 30 September 2020 with over 700 customers



Property Bridging Finance

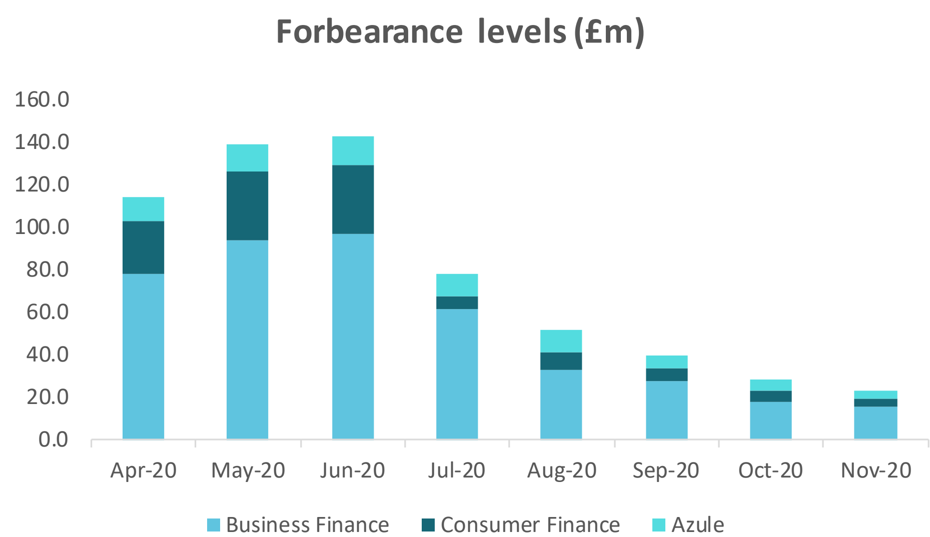
- First charge property finance for bridging purposes to professional investors and developers
- Very successful first full year of operations
- Market of £4bn in FYE September 2020*
- PCF volumes of £60m represent market share of 1.5%
- Average deal size of £607k
- Average LTV of 60%
- 81% of volume in prime credit grades
- £59m portfolio at 30 September 2020

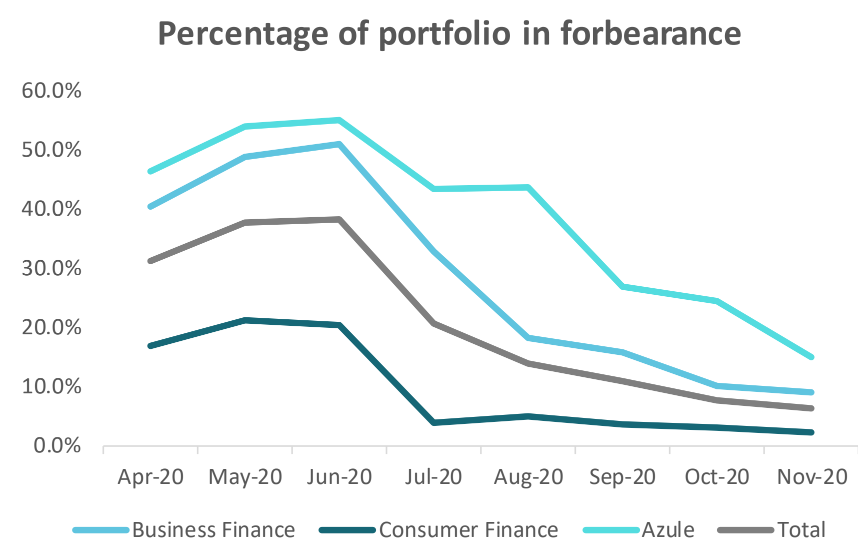


* Source: EY & Mintel

Forbearance

- First requests for forbearance came from Azule and coach/bus customers in late February/early March
- Constant increase in requests from customers during 1st lockdown, many for precautionary reasons, resulting in a peak in May 2020 of £139.4 million (37.8% of portfolio)
- Gradual reduction during summer months as customers resumed payments after a 3 months payment holiday – reducing to £401million (10.9% of portfolio) by 30 September 2020
- Further reduction to £23million (6.3% of portfolio) by 30 November 2020
- Lowest forbearance in Consumer Finance Division which stood at 2.3% of portfolio at 30 November 2020
- Business Finance Division at 9.1%; Azule at 15.0% at 30 November 2020





2020 Achievements

“Operating model displays resilience”

- Growth in core consumer motor finance through automation of prime proposition
- Diversification of the balance sheet through new property bridging finance business
- Operational resilience supports colleagues and maintains excellent service for customers
- Close capital and liquidity management throughout the pandemic
- Continue to invest in people, systems and infrastructure to build a bank that can support a strongly growing portfolio

Future Operating Model

"Putting the building blocks in place for greater digitalisation"

- Launched operational review of customer and account journey
- Optimise technology across the organisation to support scale and deliver efficiencies
- Launch a market leading portal for SME lending in Q1
- Assess market opportunities for future diversification, M&A and portfolio acquisition

Investment Case

"Investment in people, platform and automation will drive future successes"

- £69m of future contracted income provides almost 65% of next year's operating income
- A management team with over 25 years' experience, over several credit cycles, will continue to successfully navigate through a difficult economic environment
- Competitive advantage of banking licence
- Investment in systems will deliver outstanding service levels
- A robust business model and sustainable growth due to:
  - ➢ our relatively small market share
  - ➢ our diversified income streams
  - ➢ balance sheet strength
  - ➢ access to the retail deposit market
  - ➢ enhanced infrastructure will deliver increased operational gearing

Outlook

“As normality returns PCF Bank will have the opportunity to grow its business and shareholder value”

1

Well positioned once UK recovers from pandemic

Prime quality loan book underpins profitability in uncertain times

2

Reduced impairment charge expected in FY21

Income embedded in £434m loan book

Process efficiency will drive cost control

3

A medium-term target of a £750m portfolio by September 2023

4

Retain a cautious risk appetite but keep under review

Current prime focus will result in further NIM compression in near-term

5

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

Digitalise more of the business to enable scale

6

Target and objectives to be reset when better visibility

Dividend to be considered at 2021 Interim results

PCF BANK

Appendices

Income Statement

(£000's)	12 months ended 30 September 2020	12 months ended 30 September 2019	Comments
Interest income and similar income	*42,344*	*34,499*	
Interest expense and similar income	*(15,713)*	*(12,884)*	
Net interest income	***26,631***	***21,615***	NIM reducing due to 79% of new business in prime
NIM %	*6.9%*	*7.8%*	
Broker commission income	*1,470*	*1,023*	
Other fees and commission income	*-*	*792*	
Fees and commission expense	*(1,594)*	*(1,154)*	
Net fee and commission income /(expense)	***(124)***	***661***	
Net loss on financial instruments at fair value through P&L	*(44)*	*(63)*	
Impairment losses on financial assets	*(7,805)*	*(2,175)*	Increase primarily due to potential Covid-19 credit losses
Net operating income	***18,658***	***20,038***	
Administration expenses	*(14,800)*	*(12,020)*	
Impairment losses on goodwill	*(1,750)*	-	70% write down on goodwill of acquisition
Profit before tax	***2,108***	***8,018***	
Income tax expense	*(655)*	*(1,624)*	
Profit after tax, being total comprehensive income, attributable to owners	***1,453***	***6,394***	
Earnings per share – basic & diluted	*0.6p*	*2.7p*	
ROA	***0.6%***	***2.9%***	
Average assets employed	*375,683*	*275,601*	

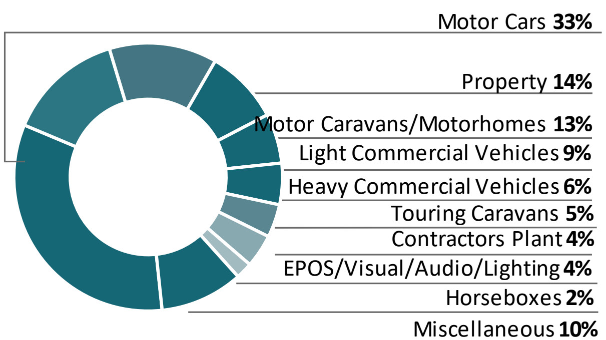
PCF BANK

Balance Sheet

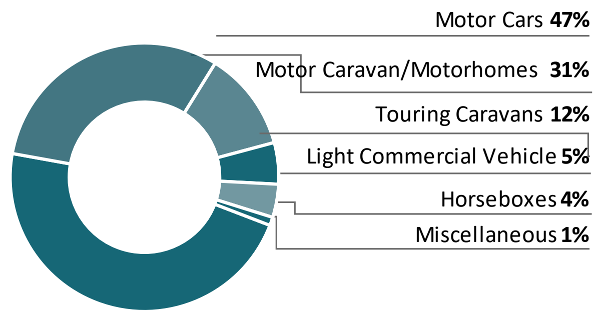
(£000's)	30 September 2020	30 September 2019	Comments
Assets			
Cash and balances at central banks	24,731	7,371	
Loans and advances to customers	433,694	338,503	
Debt instruments	9,095	19,638	
Property Plant and Equipment	2,605	579	IFRS16 – capitalisation of property leases
Goodwill and other Intangible assets	4,260	5,941	
Deferred tax assets	1,494	1,105	
Trade and other assets	2,794	4,932	
Total assets	**478,673**	**378,069**	
Liabilities			
Due to banks	62,620	44,412	Includes £62m from UK TFSME
Due to customers	342,046	267,070	
Other borrowed funds	7,126	-	Tier 2 capital facility
Derivative financial liabilities	80	63	
Trade and other liabilities	7,435	7,769	
Total liabilities	**419,307**	**319,314**	
Net assets	**59,366**	**58,755**	
ROE	**2.3%**	**12.6%**	
CET1 Ratio	**17.7%**	**18.0%**	
Liquidity Coverage Ratio (LCR)	**673%**	**553%**	

Portfolio Analysis
30 September 2020

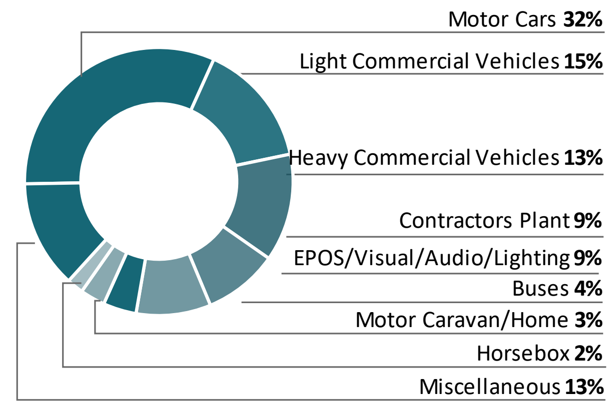
Combined Summary-Assets Financed



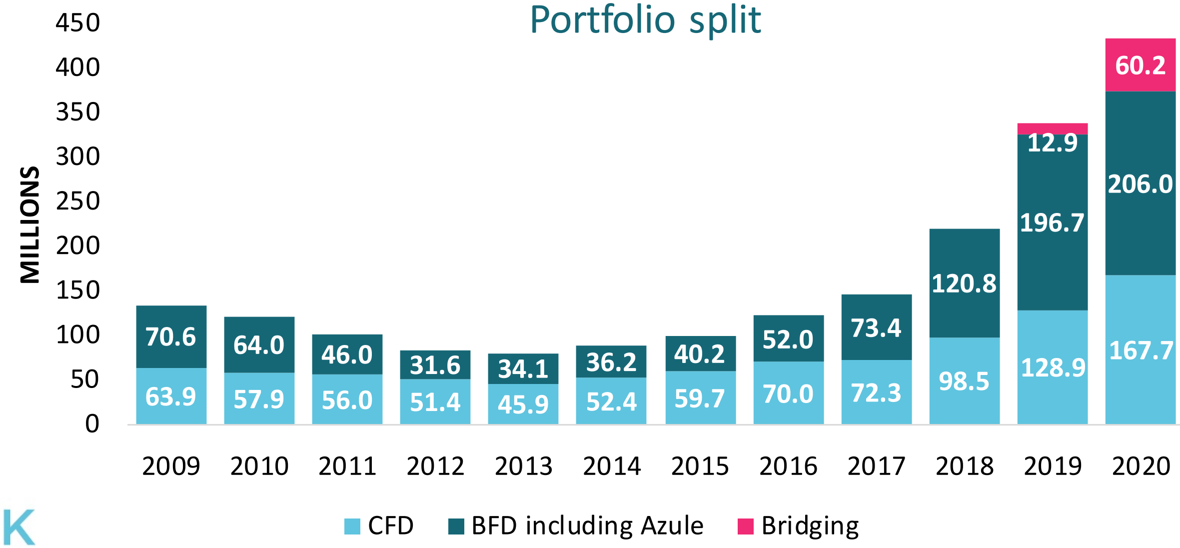
Consumer Finance Division-Assets Financed



Business Finance Division-Assets Financed



Portfolio split

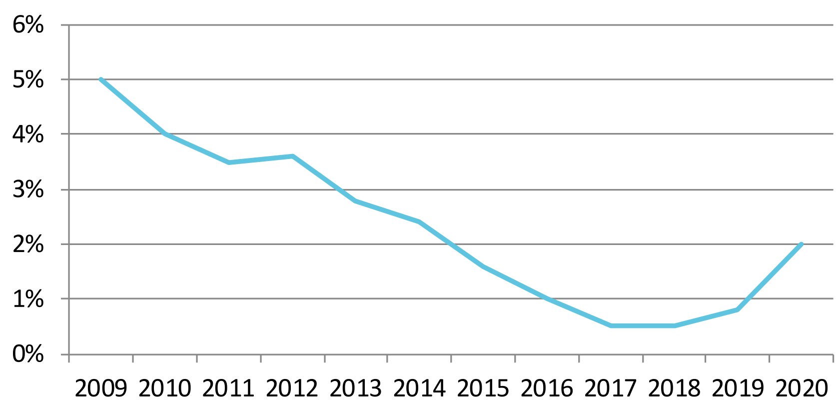


PCF BANK

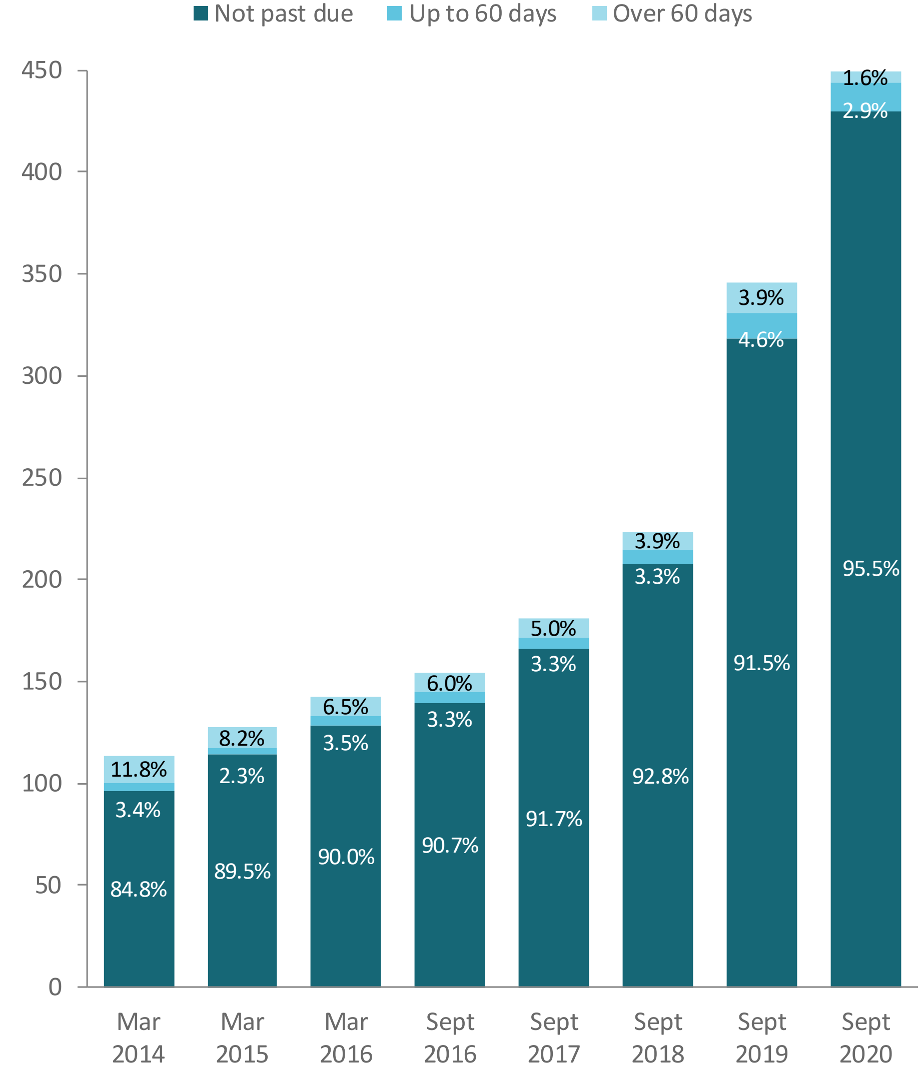
Credit Quality

- Prescriptive underwriting criteria for risk, asset quality and valuation
- Detailed assessment of customer's ability to service debt
- 85% of all new business originations fall within our top four credit grades (2019: 74%)
- Over 60 days portfolio is stable in relative terms
- Small average transaction size provides a wide spread of risk

Impairment charge (%)



Loan Book – Gross (£m)



Competitive Environment

Consumer Finance

- Close Motor finance
- BARCLAYS
- Santander
- MotoNovo FINANCE
- Hitachi Capital
- BLUE MOTOR FINANCE

Business Finance

- aldermore
- Close Brothers
- Hitachi Capital
- paragon bank
- SHAWBROOK BANK
- UNITED TRUST·BANK