



PCF BANK

Interim Results FY22

June 2022

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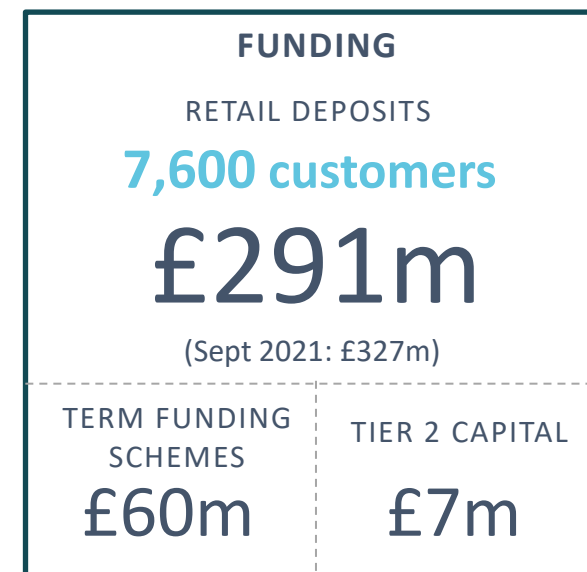
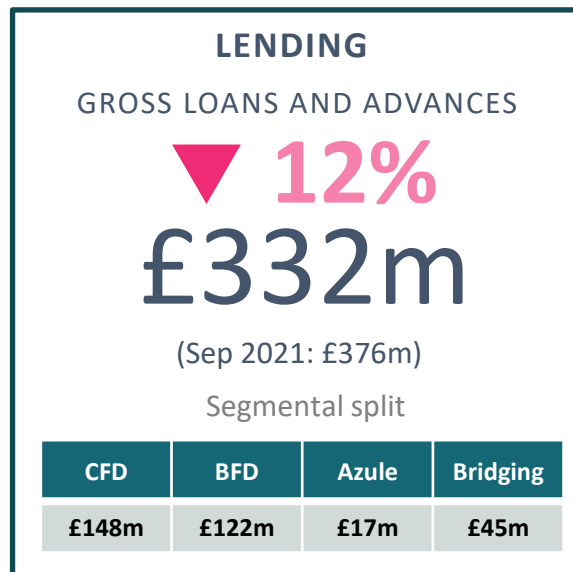
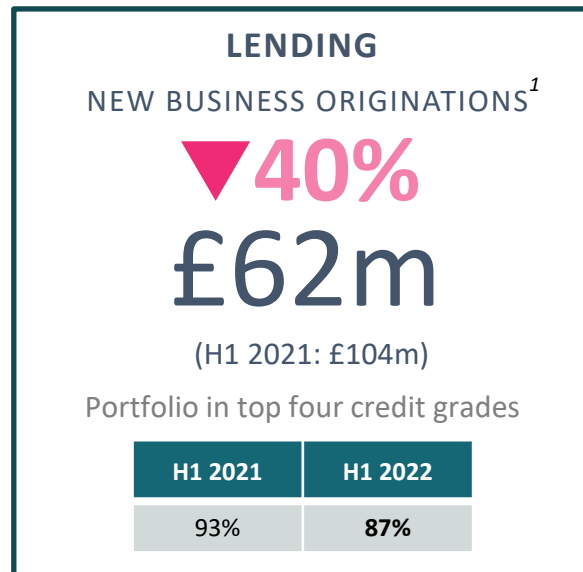
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Performance Overview

Operational Performance



Financial Performance

LOSS BEFORE TAX

£(7.5)m

(H1 2021: PROFIT BEFORE TAX £1.4m)

OPERATING INCOME

£10.7m

(H1 2021: £14.5m)

STAFF AND OPERATING EXPENSES

£15.8m

(H1 2021: £8.9m)

NET INTEREST MARGIN

5.9%

(H1 2021: 6.7%)

COST-TO-INCOME RATIO

156%

(H1 2021: 67%)

RETURN ON EQUITY

(33.1)%

(H1 2021: 4.3%)

LOSS PER SHARE

(3.0)p

(H1 2021: Earnings per share 0.4p)

TOTAL CAPITAL RATIO

17.0%

(Sep 2021: 17.5%)

All March-22 and March-21 numbers unaudited

1: excludes Azule brokered lending not on balance sheet of £15m

Actions taken and next steps

Legacy challenges faced

- Accounting errors and misstatements, identified during work on the 2020 AR&FS, resulted in trading in the Group's shares being suspended on 19 May 2021.
- Knock-on impact of the delay to 2020 AR&FS publication, alongside the requirements of a first-year audit, led to the late publication of 2021 AR&FS and therefore a further share suspension on 1 April 2022.
- **Cost of remediation work has impacted profitability.**

Actions taken

- **Finance remediation activities:** statutory reporting up to date; FPPP memorandum; Financial Control Framework.
- **Cultural improvement programme,** focusing on speaking up and responsibility.
- Developed **Risk Management Framework:** filled key second line of defence roles; enhanced stress-testing and credit analytics capabilities.
- **Key experienced hires,** in particular across Finance, Risk and the Board and Executive team.
- **Prudent capital management,** including management of origination levels to ensure the Group maintains an appropriate level of capital, above the regulatory requirement.

Next steps

- **Completion of the remediation and transformation programme,** focusing on:
 - automation,
 - improving the customer and partner experience, and
 - ensuring that our control framework is fully fit for purpose and embedded
- Leverage **economies of scale** and move towards our ultimate goal of a zero marginal cost operating model once enhanced systems, supported by our new approach to **data-driven decisioning,** are fully implemented.
- Actively exploring **strategic opportunities** to increase certainty for shareholders and to maximise shareholder value.

Vision: Automated, data-driven and digitalised operations, underpinned by a strengthened culture and control framework, to ensure speed and consistency of service, decision making, and pricing across products.

Appendix: financial tables



Consolidated Income Statement

(£000's)	6 months ended 31 March 2022	6 months ended 31 March 2021 ¹
Interest income ²	15,891	21,827
Interest expense ²	(5,859)	(7,517)
Net interest income	10,032	14,310
Fees and commission income	860	958
Fees and commission expense	(570)	(928)
Net fee and commission income	290	30
Net profit on financial instruments at fair value through P&L	375	207
Net operating income	10,697	14,547
Personnel expenses	(9,454)	(5,731)
Depreciation of office equipment, motor vehicles and right-of-use assets	(578)	(575)
Amortisation of intangible assets	(354)	(319)
Impairment loss on software	-	(14)
Other operating expenses	(6,318)	(3,135)
Impairment losses on financial assets	(1,450)	(3,406)
Total operating expenses	(18,154)	(13,180)
(Loss)/profit before tax	(7,457)	1,367
Income tax expense	-	(255)
(Loss)/profit after tax	(7,457)	1,112
Earnings per share – basic & diluted	(3.0)p	0.4p
Statutory return on average equity	(33.1)%	4.3%
<i>Adjusted (loss)/profit before tax³</i>	<i>(4,576)</i>	<i>1,898</i>
<i>Adjusted return on average equity³</i>	<i>(20.3)%</i>	<i>5.9%</i>

All March-22 and March-21 numbers unaudited

1 The prior period balances have been restated or re-presented for the financial year

2 Interest income and interest expense calculated using the effective interest rate method

3 Adjusted performance metrics represent management's view of underlying performance, as shown in the financial review section of the 2022 Interim Report

Consolidated Balance Sheet

(£000's)	31 March 2022	30 September 2021
Assets		
Cash and balances at central banks	64,196	56,126
Debt instruments at fair value through other comprehensive income	12,132	16,155
Derivative financial instruments	568	209
Loans and advances to customers	320,509	363,992
Office equipment, motor vehicles and right-of-use assets	1,934	2,350
Goodwill and other intangible assets	2,870	3,075
Current tax assets	1,728	1,675
Other assets	2,273	5,169
Total assets	406,210	448,751
Liabilities		
Due to customers	290,712	327,166
Due to banks	59,666	59,630
Lease liabilities	859	1,037
Other liabilities	6,457	4,929
Subordinated liabilities	7,125	7,127
Total liabilities	364,819	399,889
Total equity	41,391	48,862