



**PCF BANK**

Interim Results  
Presentation  
June 2019

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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

£276m asset backed portfolio

Focus on lending to the prime segment in each of our chosen markets

3

£204m of retail deposits and over 4,500 savings customers

Total customer base is over 19,000

4

£10.75m of new equity raised in March 2019

Finalising £15m Tier 2 capital facility

CET 1 ratio of 19.7%

5

Experienced management and staff (93 staff)

Offices in the City and Berkshire

Celebrating 25 years in business

6

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

Current market capitalisation of £84m

# Operational Highlights

Period ended 31 March 2019

*“Enhanced capital structure provides the headroom for continued strong growth”*

NEW BUSINESS ORIGINATIONS

▲ **75%**  
**£121m**

(2018: £69m)

PORTFOLIO GROWTH

▲ **54%**  
**£276m**

(2018: £179m)

RETAIL DEPOSITS

**4,500 customers**  
**£204m**

(2018: £108m)

- New equity of £10.75m and a £15m Tier 2 capital facility
- New revolving term loan facility of £30m, supporting treasury efficiency
- Acquisition of Azule Limited on 30 October 2018
- Commencement of bridging property finance operations in January 2019
- 75% of H1 new business origination in prime credit grades
- Impairment charge of 0.9% (2018: 0.5%), including adoption of IFRS 9



# Financial Highlights

Period ended 31 March 2019

*“Profits up 57% , Earnings per share up 50% and Return on Equity advancing to target”*

PROFIT BEFORE TAX

▲ **57%**

£3.3m

(2018: £2.1m)

OPERATING INCOME

▲ **51%**

£10.1m

(2018: £6.7m)

NET INTEREST MARGIN  
(NIM)

▼ **5%**

8.0%

(2018: 8.4%)

EARNINGS PER SHARE

▲ **50%**

1.2p

(2018: 0.8p)

COST-TO-INCOME

**Stable**

35%

(2018: 34%)

RETURN ON ASSETS

**Stable**

2.7%

(2018: 2.6%)

AVERAGE AFTER TAX  
RETURN ON EQUITY

▲ **18%**

11.4%

(2018: 8.7%)

CET1 CAPITAL RATIO

19.7%

(2018: 21.6%)



# Business Lines

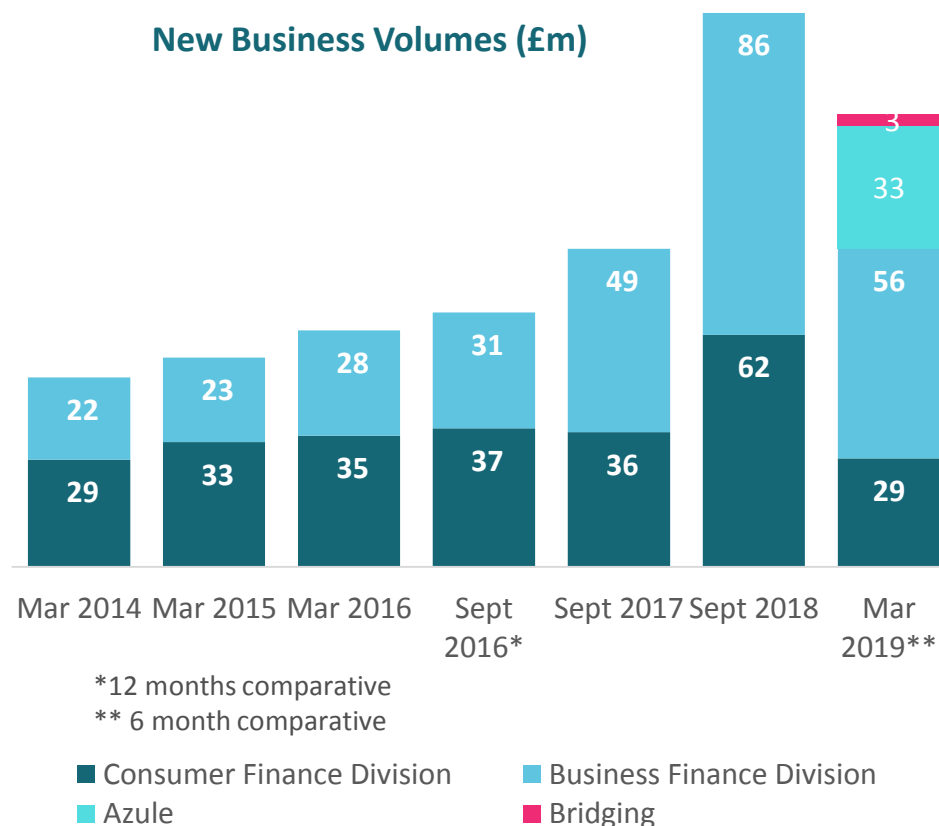
## Business Finance Division

- SME hire purchase / lease finance for vehicles, plant and equipment
- Increase of 36% in new business originations to £56m (2018: £41m)
- £148m portfolio at 31 March 2019 (over 4,900 customers)
- Average deal size at inception of £48,000 (2018: £40,000)
- National network of brokers
- Makes up 58% of total portfolio (2018: 54%)

## Consumer Finance Division

- Hire purchase finance for used cars and leisure vehicles
- Increase of 4% in new business originations to £29m (2018: £28m)
- £106m portfolio at 31 March 2019 (over 10,000 customers)
- Average deal size at inception of £15,500 (2018: £13,250)
- National network of brokers
- No residual positions or PCPs

New Business Volumes (£m)



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# Business Lines (continued)

## Azule

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



## Bridging Finance

- Capital efficient short-term lending
- First originations January 2019
- £2.6m of advances, £5.0m pipeline of new business
- Targeting £20m of new business in FYE September 2019



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# 2019 Strategic Objectives

*“Sustainable growth to deliver increasing 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; either through acquisition or organically
- Develop and launch a much-improved proposition to the broker-introduced consumer motor finance market by automating credit decision making and delivering high levels of customer service
- Continue to invest in people, systems and infrastructure to build a bank that can support a significantly larger portfolio
- Review the capital structure to prepare for the next stage of growth, while continuing to grow earnings per share

# Outlook

**1**

Clear and ambitious strategic plan

Enhanced capital structure in place to support our growth strategy

**2**

Delivering strong e.p.s growth through superior NIM and RoE targets

Target new business originations of £250m across diversified asset classes

**3**

Initial portfolio target of £350m is in sight

Portfolio of prime credit quality delivering <1% impairment charge

**4**

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

**5**

Confident that our business model and strategy are appropriate for today's uncertain political and economic times

**6**

RoA target of 3%

Progressive dividend policy

Portfolio target of £750m and RoE of 15% by 2022



**PCF BANK**

Appendices

# Income Statement

(£000's)	6 months ended 31 March 2019	6 months ended 31 March 2018	12 months ended 30 September 2018	Comments
<i>Interest income and similar income</i>	16,248	11,648	25,494	
<i>Interest Expense and similar income</i>	(6,230)	(4,828)	(10,492)	
<b>Net interest income</b>	<b>10,018</b>	<b>6,820</b>	<b>15,002</b>	NIM maintained above 8%
<i>NIM %</i>	<i>8.0%</i>	<i>8.4%</i>	<i>8.2%</i>	
<i>Broker commission income</i>	329	0	0	
<i>Other Fees and commission income</i>	277	248	492	
<i>Fees and commission expense</i>	(379)	(379)	(844)	
<b>Net fee and commission expense</b>	<b>104</b>	<b>(131)</b>	<b>(352)</b>	
<b>Net operating income</b>	<b>10,122</b>	<b>6,689</b>	<b>14,650</b>	51% increase in income
Administration expenses	(5,707)	(4,046)	(8,562)	Increased expense as we build infrastructure for a bigger business
Impairment losses on financial assets	(1,164)	(579)	(915)	
<b>Profit before tax</b>	<b>3,251</b>	<b>2,064</b>	<b>5,173</b>	
Income tax expense	(658)	(413)	(981)	
<b>Profit after tax</b>	<b>2,593</b>	<b>1,651</b>	<b>4,192</b>	
<b>Earnings per share – basic &amp; diluted</b>	<b>1.2p</b>	<b>0.8p</b>	<b>2.0p</b>	E.p.s. increased 50% period on period
<b>Annualised ROA</b>	<b>2.7%</b>	<b>2.6%</b>	<b>2.8%</b>	ROA maintained
<b>Average assets employed</b>	<b>247,508</b>	<b>161,726</b>	<b>182,520</b>	

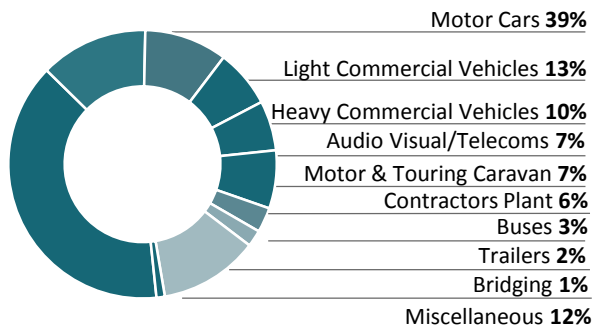
# Balance Sheet

(£000's)	31 March 2019	31 March 2018	30 September 2018	Comments
<b>Assets</b>				
Cash and balances at central banks	2,882	14,657	21,338	
Loans and advances to customers	275,710	179,203	219,322	
Available for sale financial investments	27,491	25,091	39,902	
Property Plant and Equipment	292	244	224	
Intangible assets	5,437	3,031	2,957	
Deferred tax assets	1,287	1,206	1,185	
Trade and other assets	5,856	757	1,543	
<b>Total assets</b>	<b>318,955</b>	<b>224,189</b>	<b>286,471</b>	
<b>Liabilities</b>				
Due to banks	52,028	72,198	48,881	
Due to customers	203,754	108,276	191,139	
Trade and other liabilities	7,593	3,414	3,899	
<b>Total liabilities</b>	<b>263,375</b>	<b>183,888</b>	<b>243,919</b>	
<b>Net assets</b>	<b>55,580</b>	<b>40,301</b>	<b>42,552</b>	
<b>Annualised ROE</b>	<b>11.4%</b>	<b>8.4%</b>	<b>10.3%</b>	
<b>CET1 Ratio</b>	<b>19.7%</b>	<b>21.6%</b>	<b>19.3%</b>	
<b>OLAR</b>	<b>122%</b>	<b>157%</b>	<b>221%</b>	

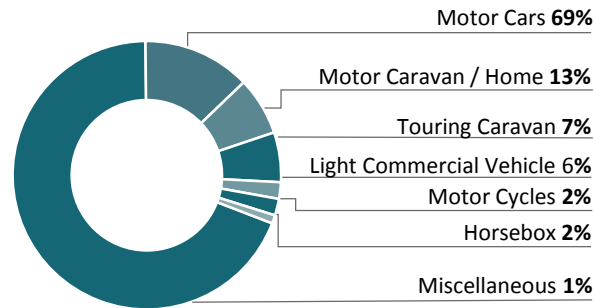
# Portfolio Analysis

31 March 2019

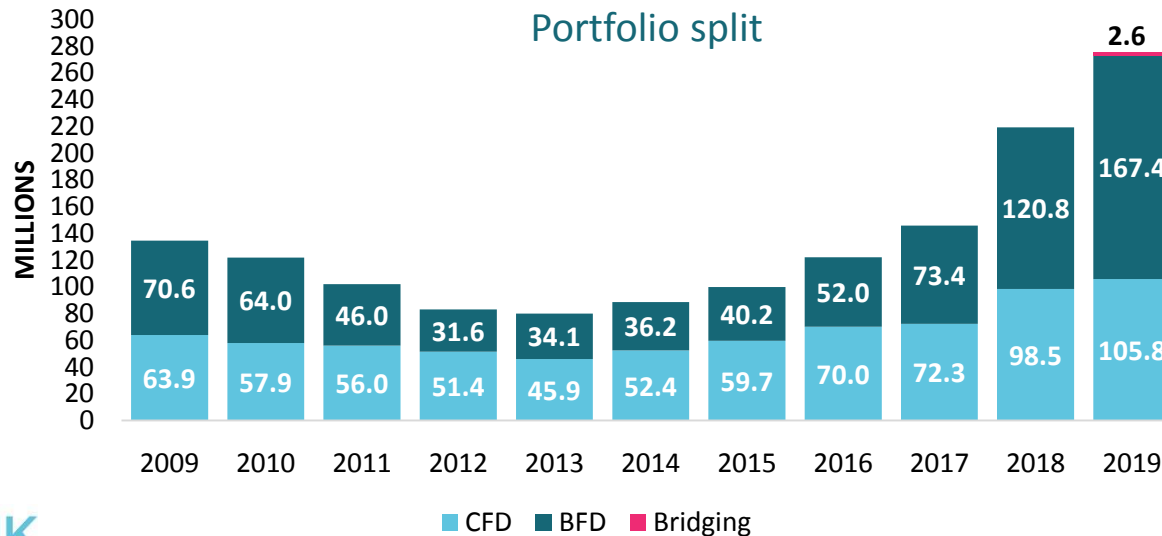
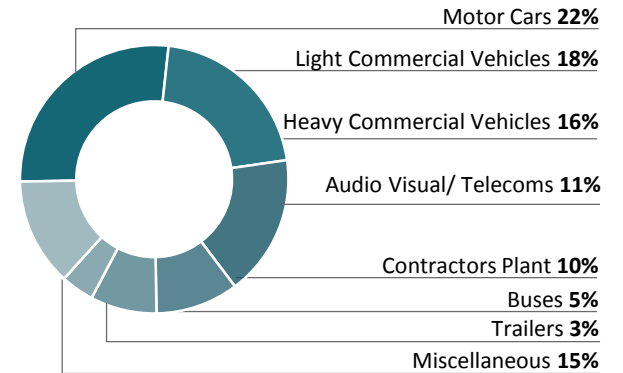
## Combined Summary-Assets Financed



## Consumer Finance Division-Assets Financed



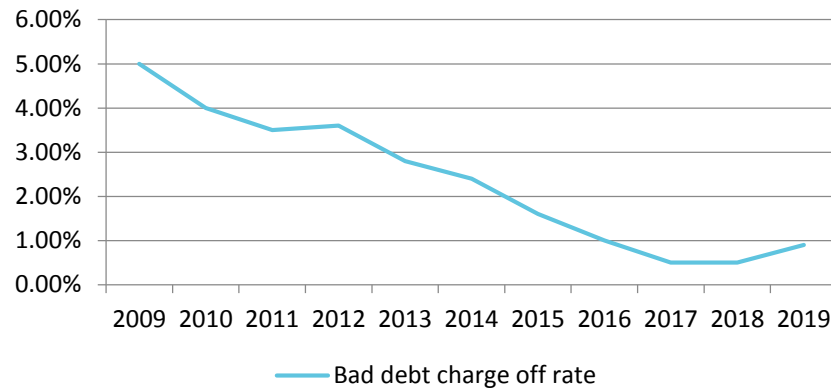
## Business Finance Division-Assets Financed



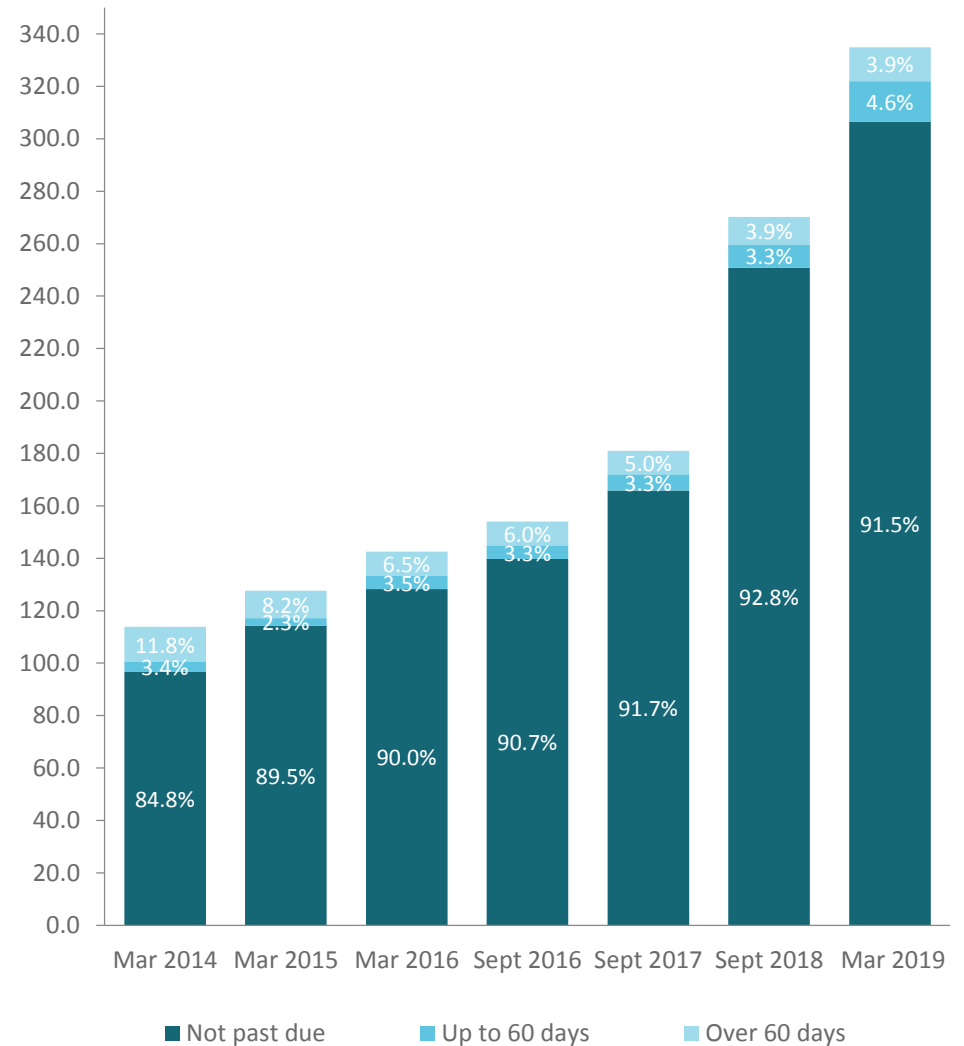
# Credit Quality

- 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

### Bad debt charge off rate



### Loan Book – Gross (£m)





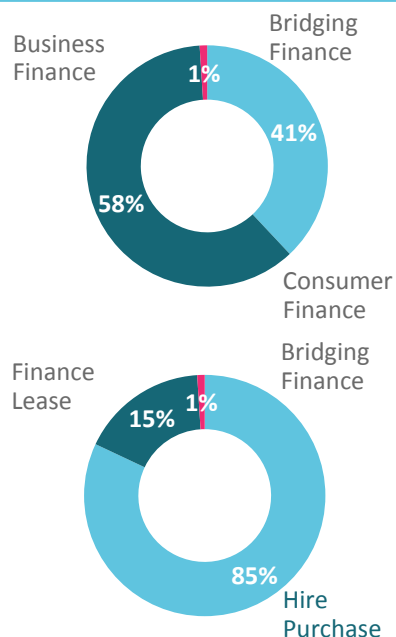
# Loan Portfolio

(£000's)	31 March 2019	31 March 2018
Due within 1 year	117,717	74,615
Due over 1 year	224,014	147,499
<b>Gross loans &amp; receivables</b>	<b>334,731</b>	<b>222,114</b>
Unearned future finance income	(52,824)	(38,553)
Loan loss provision	(6,197)	(4,358)
<b>Total</b>	<b>275,710</b>	<b>179,203</b>

## PORTFOLIO

▲ **54%**

£276m (2018: £179m)



## UNEARNED FUTURE FINANCE INCOME

**£52.8m**

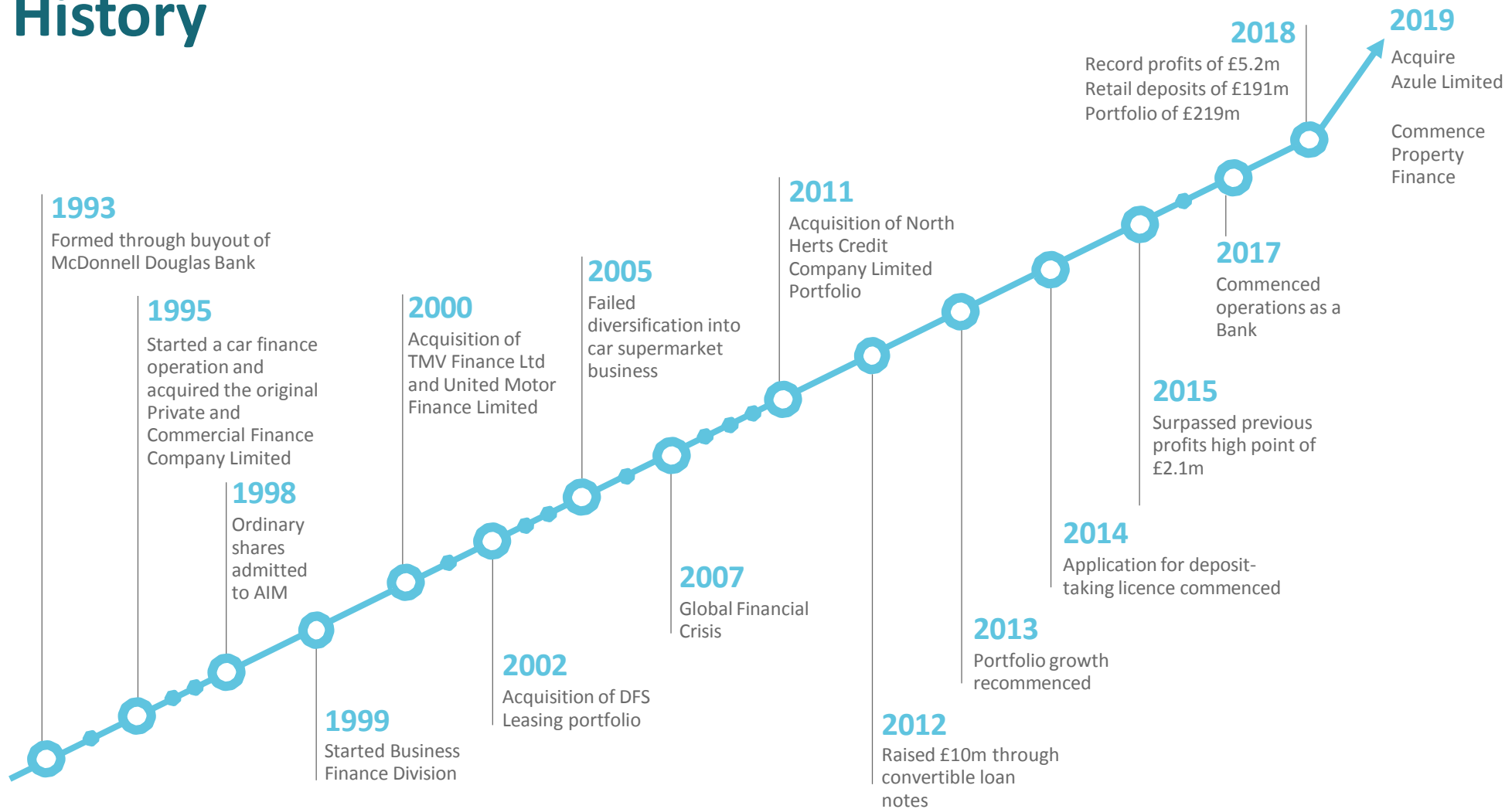
income for future years providing certainty of earnings

## LOAN LOSS PROVISION CHARGE-OFF RATE

**0.9%**

(Including adoption of IFRS 9) (2018: 0.5%)

# History



# Key Data

MARKET

**AIM**

TICKER

**PCF**

SHARE PRICE

**33.5p**

3 June 2019

MARKET CAPITALISATION

**£84m**

SHARES IN ISSUE

**250.2m**

NOMINATED ADVISER  
**Panmure Gordon & Co**

JOINT BROKERS  
**Panmure Gordon & Co**  
**Shore Capital**

FINANCIAL PR  
**Tavistock Communications**

## SHARE PRICE PERFORMANCE

36 month share price performance



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# 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 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 Arbutnot 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.

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# 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](http://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



Hitachi Capital

