Charter Court Financial Services Group PLC

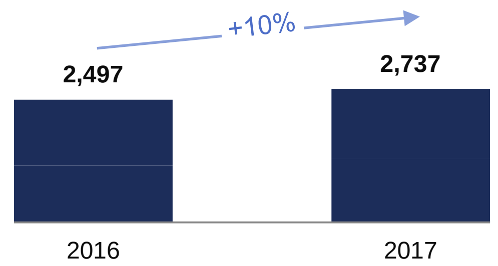
Full Year 2017 Results

20 March 2018

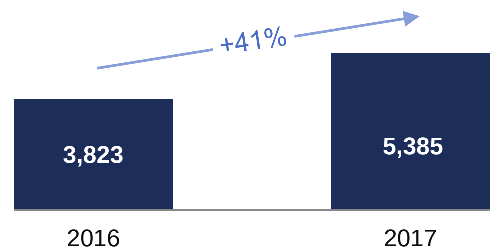
Performance Highlights – FY 2017

Charter Court Financial Services

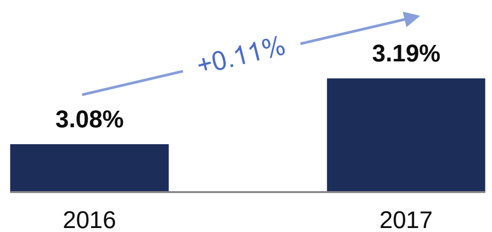
Gross Originations (£m)



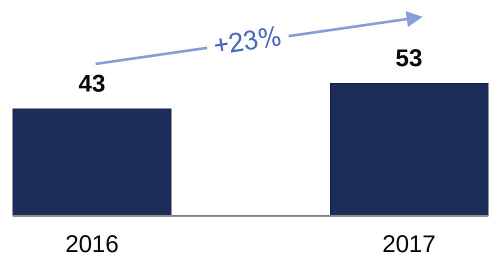
Gross Customer Loans (£m)



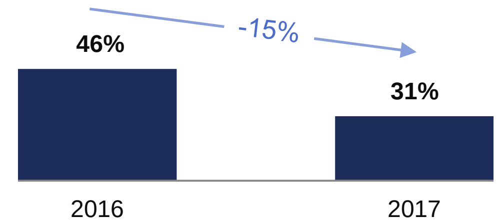
Net Interest Margin[4] (%)



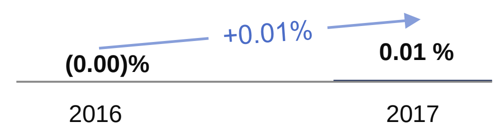
Underlying Operating Expense[1] (£m)



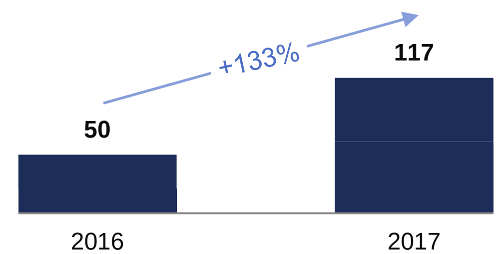
Underlying Cost : Income Ratio[1,2] (%)



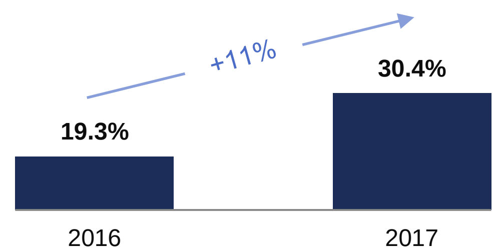
Cost of Risk[3] (%)



Underlying Profit before Tax[1] (£m)



Underlying Return on Equity[1,5] (%)



1. *Adjusted for one-off costs such as IPO and aborted sales costs of c.£1m in 2016 and c.£5m in 2017*
2. *On a statutory basis cost income ratio was 48% in 2016 and 34% in 2017*
3. *Calculated as impairments divided by 13-point average net customer loans*
4. *Calculated based on 13-point average net loans for the year*
5. *Calculated as profit after tax divided by a 2-point average shareholders' equity for the year. On a statutory basis return on equity was 18.7% in 2016 and 28.6% in 2017*

Delivering on Our IPO Promises

Charter Court Financial Services

	IPO Target / Objective	What we delivered in FY17	
Net Loan Growth	Targeting growth of at least 20% in the medium term	41%	✓
Cost Income Ratio	Targeting a Cost Income Ratio percentage in the low 30s in the short to medium term	31%	✓
CET1 Ratio	Maintain a minimum fully loaded CET1 capital ratio of 13.0% over the medium term	15.6%	✓
Return on Equity (%)	Target a mid 20s RoE	30%	✓
Cost of Risk	Target maintaining sector leading cost of risk through-the-cycle	0.01%	✓

Metric	Guidance		
Originations	Expect FY17 gross originations to be broadly comparable to 2016 with originations marginally H1 weighted	2.74bn	✓
Net Interest Margin	Expect NIM in 2017 to be broadly flat / marginally higher than 2016	3.19%	✓

Note: Figures presented on an underlying basis

Financial Performance

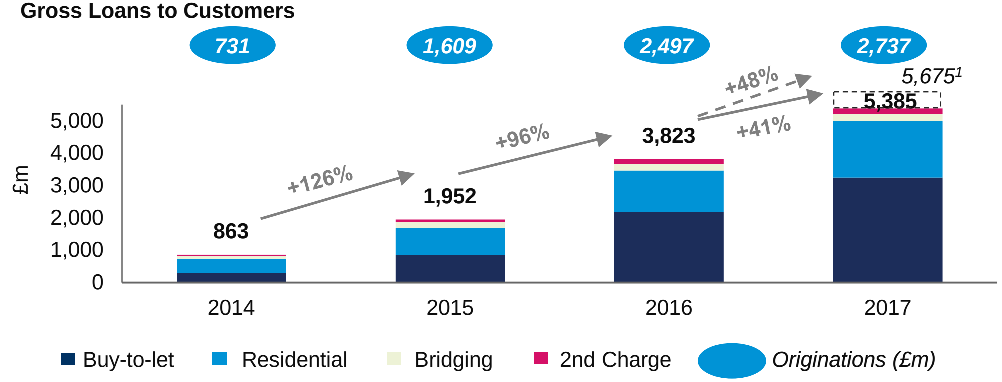
Sebastien Maloney

Chief Financial Officer

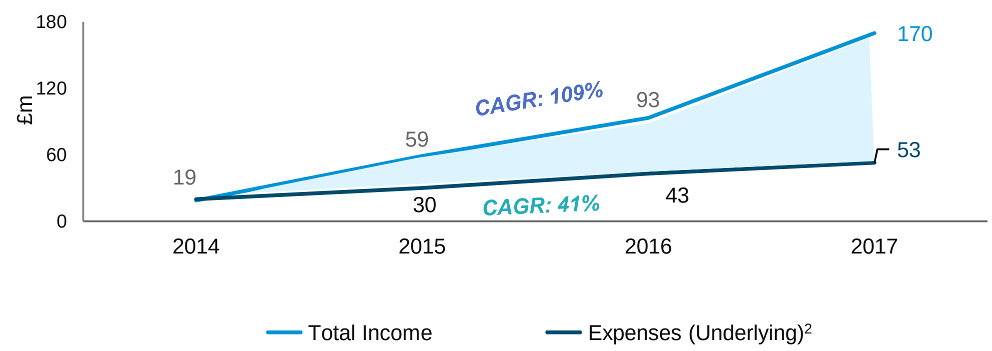
Adding to Our Track Record of Financial Delivery

Charter Court Financial Services

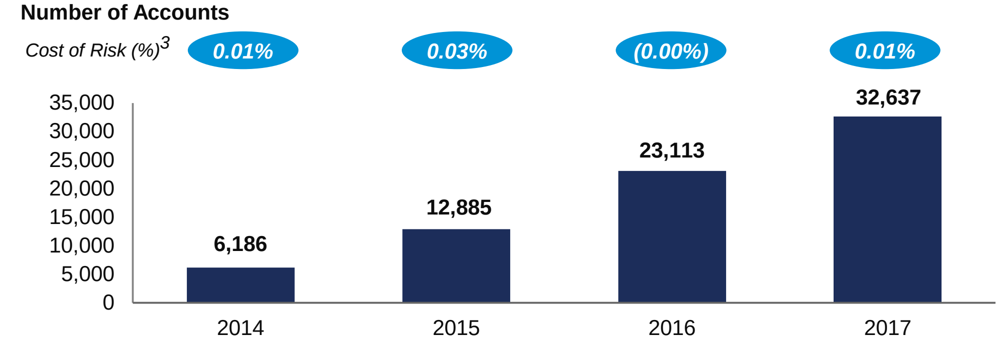
Strong Loan Growth



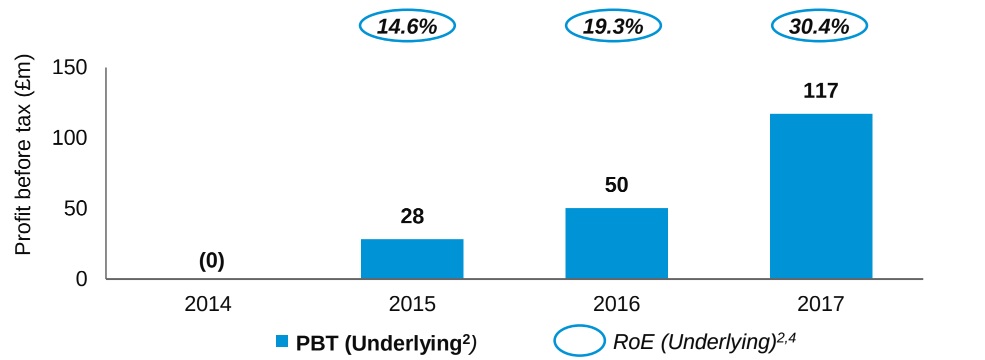
Improving Efficiency



Exceptional Asset Quality



Increasing Profitability



Initial Operating Platform Build Up Complete

Geared to Deliver Growth and Compelling Shareholder Returns

1. *Includes additional loan balance (£289m) derecognised owing to sale of residual notes in securitisation. Balance as of 31 December 2017*
2. *Adjusted for one-off costs such as IPO and aborted sales costs of c.£1m in 2016 and c.£5m in 2017*
3. *Calculated as impairments divided by 13-point average net customer loans*
4. *Calculated as profit after tax divided by a 2-point average shareholders' equity for the year. On a statutory basis return on equity was 18.7% in 2016 and 28.6% in 2017*

Summary Financials

Income Statement

Y/e 31-Dec (£m)	2016	2017	2017 vs. 2016 Change	
			£m	%
Interest income 1	144	211	*67*	*47%*
Interest expense 2	(57)	(67)	*(10)*	*18%*
Net interest income	**87**	**144**	***57***	***66%***
Impairment charges	0	(0)	*0*	*0%*
Other income 3	6	26	*20*	*333%*
Underlying total income	**93**	**170**	***77***	***83%***
Underlying operating expenses 4	(43)	(53)	*(11)*	*26%*
One-off costs 5	(1)	(5)	*(4)*	*400%*
Profit before tax	**49**	**112**	***63***	***129%***
Profit after tax	**37**	**81**	***44***	***119%***

Earnings per share (p)[1]	*16.8p*	*34.9p*
Net interest margin (%)[2] 6	*3.08%*	*3.19%*
Underlying cost income ratio[3]	*46.4%*	*31.2%*
Cost of risk (%)[4] 7	*(0.00)%*	*0.01%*
Underlying return on equity (%)[5]	*19.3%*	*30.4%*

Commentary

1. Strong growth in interest income driven by robust loan book growth
2. Blended cost of funds fell from 1.7% in FY16 to 1.3% in FY17 as a result of optimal funding mix of retail deposits and securitisation transactions
3. Other income includes £17.7m gain of sale from subordinated notes and residual certificates conducted in April 2017

   Gain on sale now treated as underlying income
4. Driven by an increase in the average monthly number of employees from 370 in 2016 to 462 in 2017
5. Largely comprises IPO costs and aborted sale transaction costs
6. Overall increase in net interest margin driven by lower costs of funds and actively managed liability book
7. Continued strong credit performance and low cost of risk

1. On a fully diluted basis, for 2016 this has been restated on the basis of a new share capital structure in preparation for the IPO
2. Calculated based on 13-point average net loans for the year
3. On a statutory basis cost income ratio was 48% in 2016 and 34% in 2017
4. Calculated as impairments divided by 13-point average net customer loans
5. Calculated as profit after tax divided by a 2-point average shareholders' equity for the year. On a statutory basis return on equity was 18.7% in 2016 and 28.6% in 2017

Summary Financials

Balance Sheet

Y/e 31-Dec (£m)		2016	2017	2017 vs. 2016 Change £m	2017 vs. 2016 Change %
Net customer loans	1	3,808	5,364	1,556	41%
Liquid assets[1]	2	269	1,045	776	288%
Other assets		80	15	(65)	(81)%
Total assets		**4,157**	**6,424**	**2,267**	**55%**
Customer deposits	3	(3,433)	(4,420)	(987)	29%
Securitisations	4	(425)	(527)	(102)	24%
Other liabilities	5	(66)	(1,142)	(1,076)	1630%
Net assets		**233**	**335**	**102**	**44%**
Share capital		195	21	(174)	(89)%
Retained earnings		38	314	276	726%
Shareholders' funds	6	**233**	**335**	**102**	**44%**
Originations		*2,497*	*2,737*	*240*	*10%*
Number of accounts		*23,113*	*32,637*	*9,524*	*41%*
Loans to deposit ratio, (%)		*111%*	*121%*		

Commentary

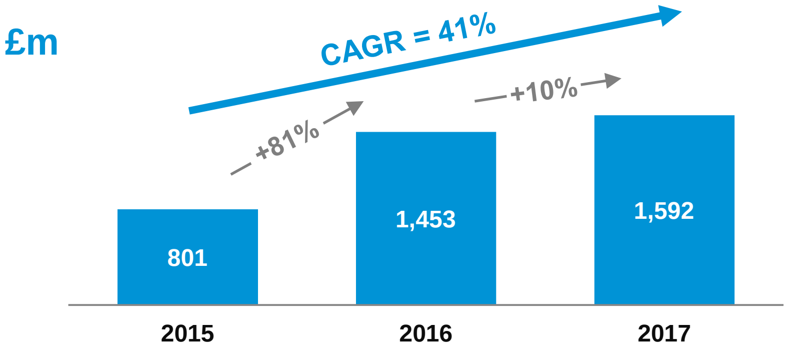
1. Continued strong growth in loan book
   - Year on year net loan growth of 41%
   - Originations were marginally weighted towards H2 2017
   - Principally driven by very strong growth in Special Residential and BTL origination volumes
   - Bridging and Second Charge lending continues to grow
2. Growth in liquid assets driven by prudent liquidity management
3. Retail deposits continue to grow with flow being actively monitored to suit funding requirements
4. Active securitisation market in 2017 resulted in an extra £597m of securitisations
   - › However there was a reduction in balances owing to a structured sale in April 2017 of £300m of loan balances
   - › Further £195m reduction owing to repayments
5. Largely comprised of TFS drawdown in 2017, which replaced off-balance sheet FLS facilities used previously
6. Incorporates capital reduction and reorganisation conducted prior to IPO

1. *Includes cash*

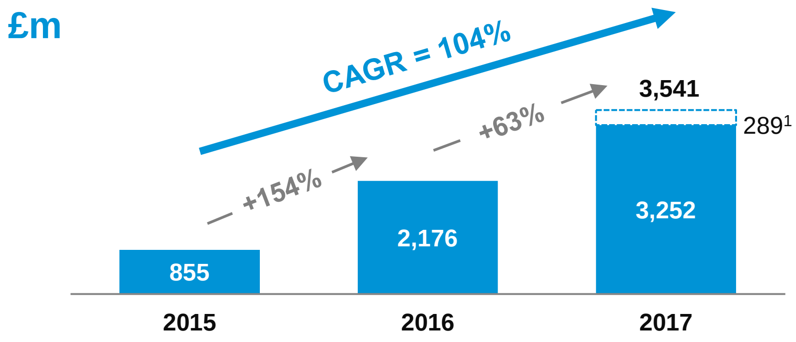
Segmental Results - BTL

Charter Court
Financial Services

Originations



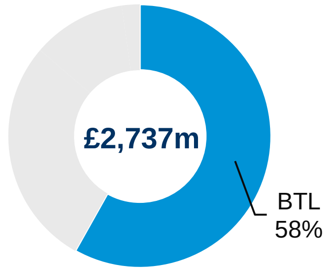
Gross BTL Loan Book Evolution



2015	2016	2017
4.5%	4.2%	4.0%

Book Yield[2]

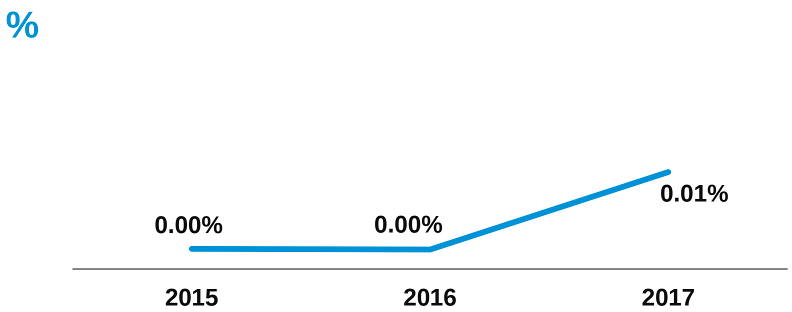
2017 Originations



Average LTV: *72.8%*

Average Loan Size: *£191k*

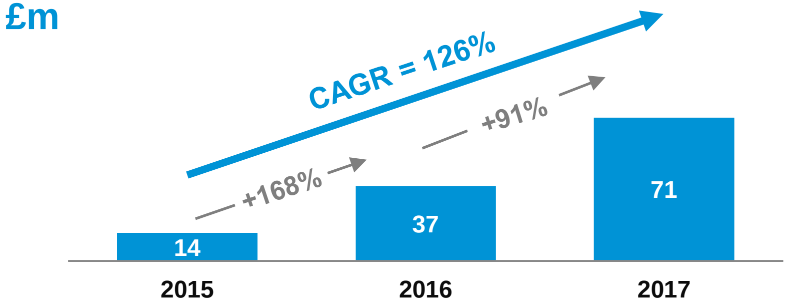
Cost of Risk[2]



0.21%	***0.04%***	***7 accounts***
1+ arrears	3+ arrears	3+ arrears

Arrears as at 31-Dec-2017

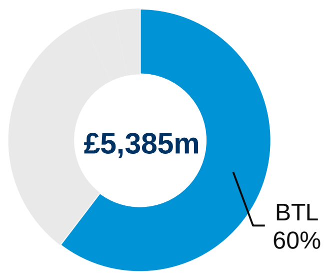
Segmental Contribution



2015	2016	2017
31%	41%	49%

% of profit contribution[3]

Dec-17 Loan Book



Average LTV: *72.2%*

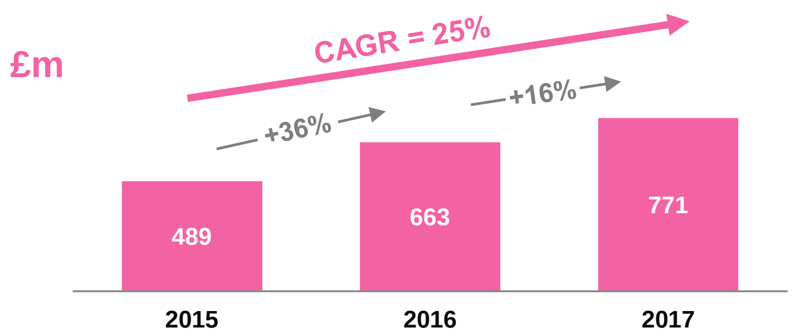
Average Loan Size: *£198k*

1. *Reflects the year-end balance of the April 2017 structured sale of £300m loan balances*
2. *Based on a 13 point average throughout the year*
3. *Relates to profit contribution of the four segments only and excludes other income*

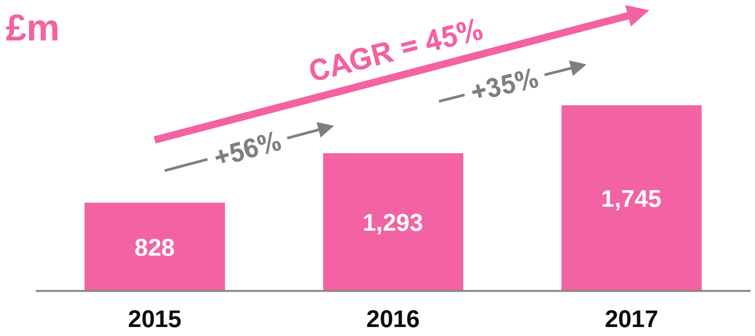
Segmental Results – Specialist Residential

Charter Court Financial Services

Originations



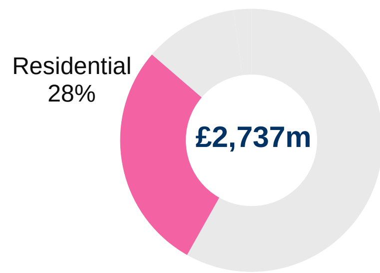
Gross Residential Loan Book Evolution



2015	2016	2017
5.1%	5.0%	4.8%

Book Yield[1]

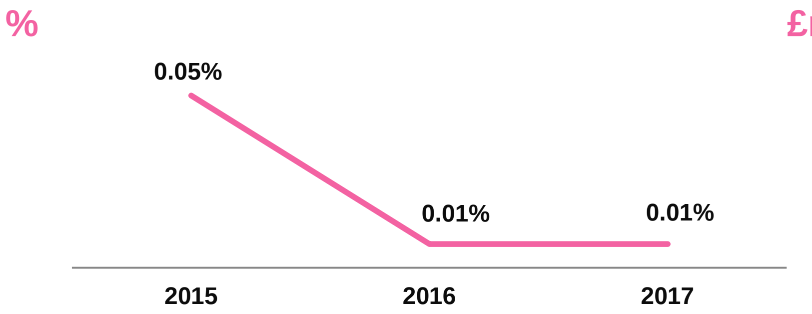
2017 Originations



Average LTV: *71.2%*

Average Loan Size: *£154k*

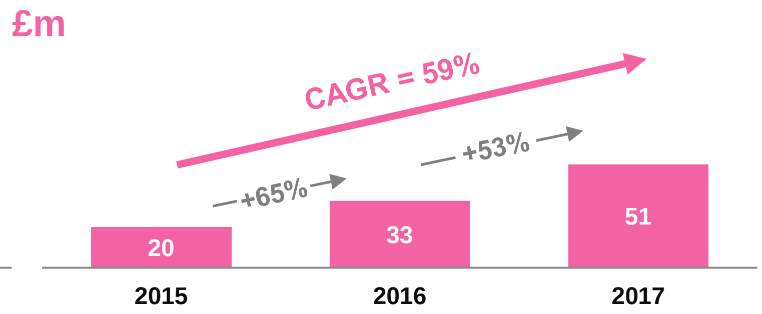
Cost of Risk[1]



1.07%	***0.24%***	***30 accounts***
1+ arrears	3+ arrears	3+ arrears

Arrears as at 31-Dec-2017

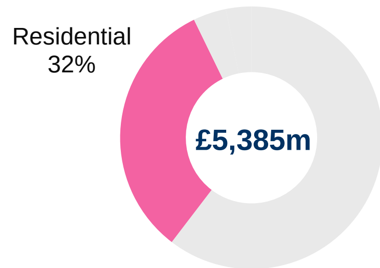
Segmental Contribution



2015	2016	2017
45%	37%	35%

% of profit contribution[2]

Dec-17 Loan Book



Average LTV: *69.8%*

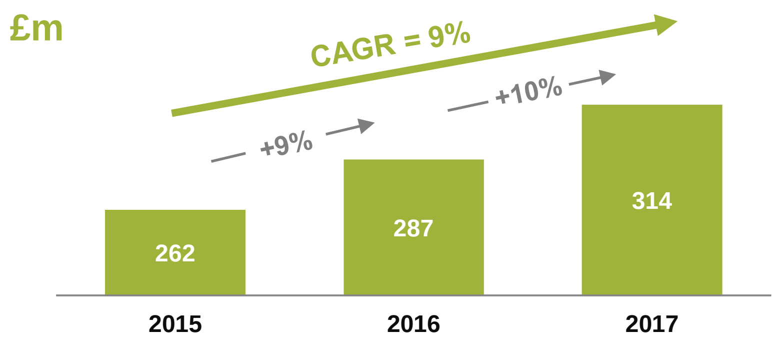
Average Loan Size: *£145k*

1. *Based on a 13 point average throughout the year*
2. *Relates to profit contribution of the four segments only and excludes other income*

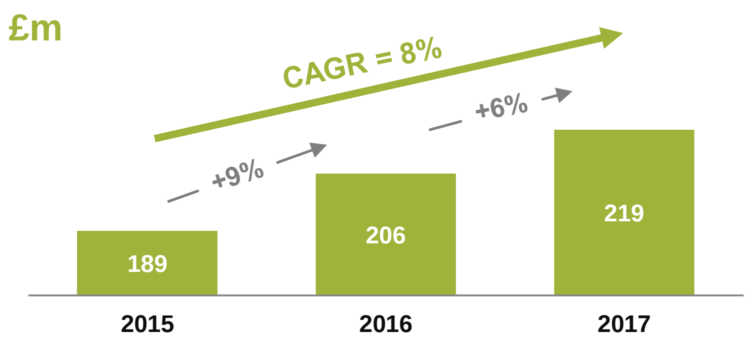
Segmental Results – Bridging Loans

Charter Court Financial Services

Originations



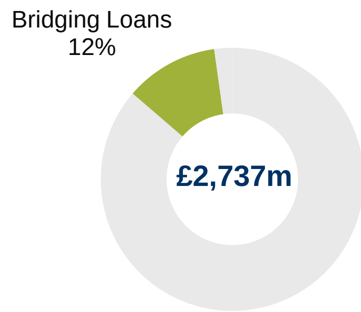
Gross Bridging Loan Book Evolution



9.8%	9.3%	8.8%

Book Yield[1]

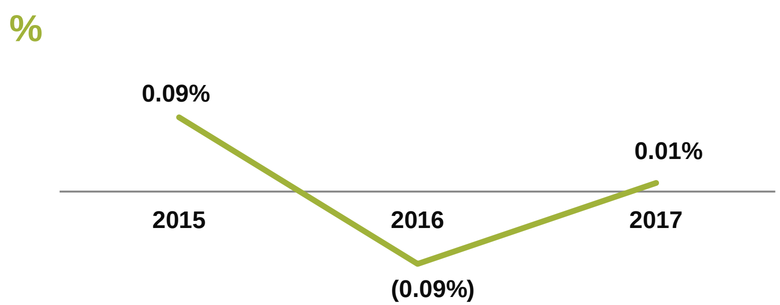
2017 Originations



Average LTV: *51.7%*

Average Loan Size: *£184k*

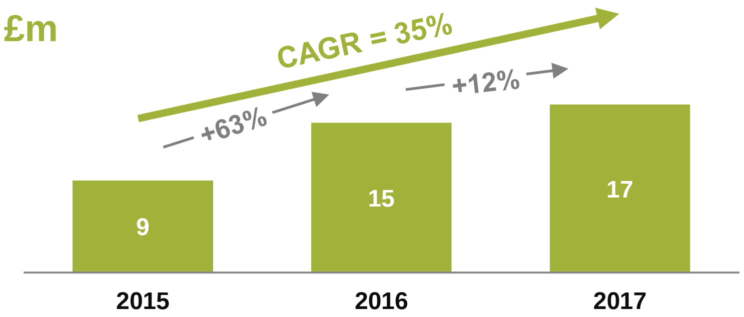
Cost of Risk[1]



0.50%	*0.28%*	*2 accounts*
1+ arrears	3+ arrears	3+ arrears

Arrears as at 31-Dec-2017

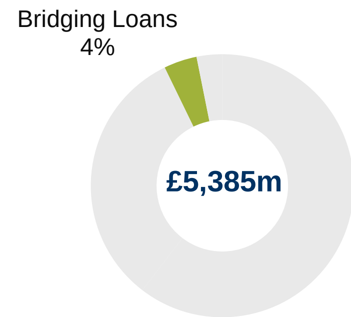
Segmental Contribution



20%	17%	11%

% of profit contribution[2]

Dec-17 Loan Book



Average LTV: *49.3%*

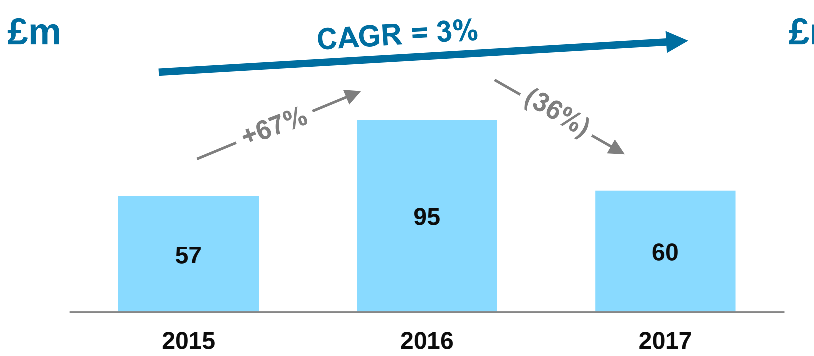
Average Loan Size: *£214k*

1. *Based on a 13 point average throughout the year*
2. *Relates to profit contribution of the four segments only and excludes other income*

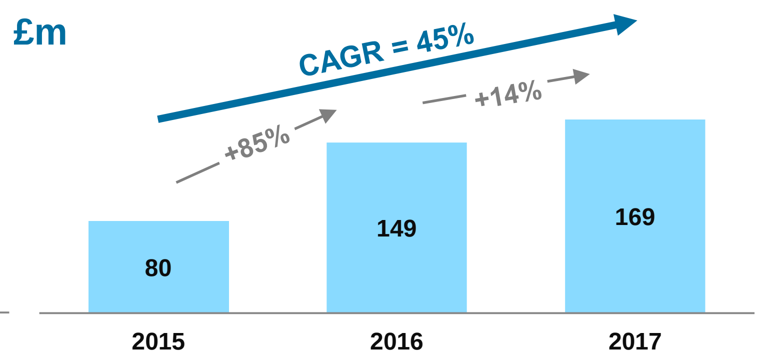
Segmental Results – Second Charge

Charter Court Financial Services

Originations



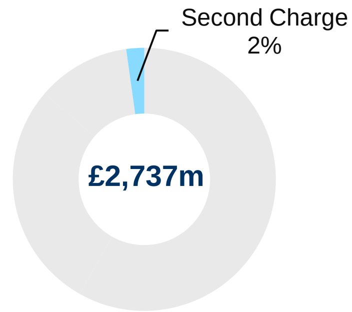
Gross Second Charge Loan Book Evolution



6.2%	5.6%	5.1%

Book Yield[1]

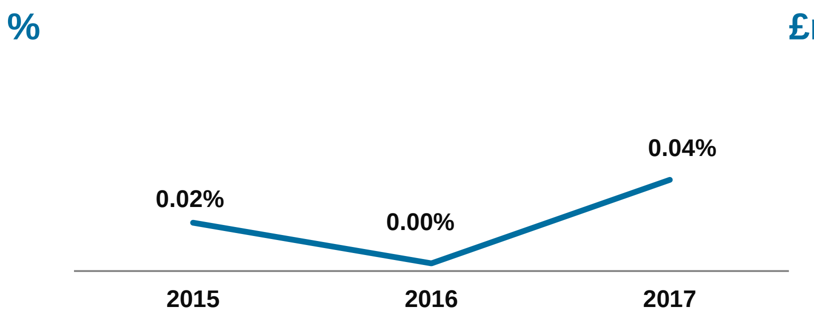
2017 Originations



Average LTV: *65.0%*

Average Loan Size: *£59k*

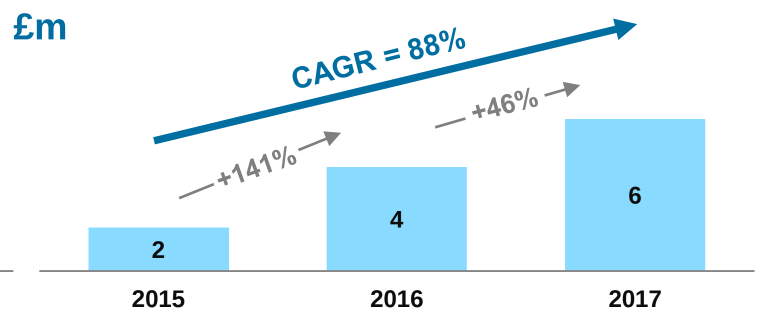
Cost of Risk[1]



0.63%	***0.09%***	***7 accounts***
1+ arrears	3+ arrears	3+ arrears

Arrears as at 31-Dec-2017

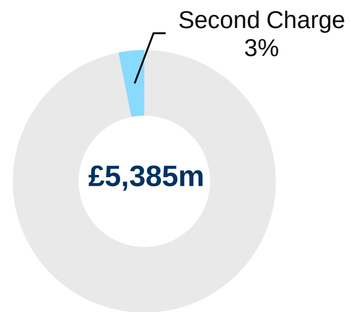
Segmental Contribution



4%	5%	4%

% of profit contribution[2]

Dec-17 Loan Book



Average LTV: *62.0%*

Average Loan Size: *£55k*

1. *Based on a 13 point average throughout the year*
2. *Relates to profit contribution of the four segments only and excludes other income*

Diversified Funding Structure

Well Positioned for an Environment Post FLS and TFS

Ability to dynamically adjust funding mix to optimise funding costs
Not overly reliant on a particular funding channel

Retail Deposits *(Core)*

Charter Savings Bank

- Direct-to-consumer, **digital retail savings bank** launched in March 2015
- Tactical pricing, towards the top of best buy tables when required
- 99% customer satisfaction and retention[1]

Central Bank[2,3] and Other Facilities

- *Pre-positioned Mortgages: £2.1bn*
- *Pre-positioned Securities: £0.4m*
- *Total Pre-positioned: £2.5bn*
- *BAU Facilities*
- *Emergency Facilities*
- *Drawn TFS = £998m*
- *Discount Window Facility*

Securitisation *(Opportunistic)*

Precise Mortgages

- Completed 8 **securitisations** worth £2.2bn[2]
- Embedded structured finance competency:
  - Ability to **generate significant capital** through capitalising on opportunities in the securitisation market

Funding Source	2015	2016	2017
Retail[4]			
Balances (£m)	**1,552**	**3,413**	**4,398**
Cost of Funding[5] (%)	*1.9%*	*1.8%*	*1.5%*
Central Bank and other facilities			
Balances (£m)	**160**	**41**	**1,098**
Cost of Funding[5] (%)	*2.0%*	*0.7%*	*0.3%*
Securitisation			
Balances (£m)	**704**	**425**	**526**
Cost of Funding[5] (%)	*2.0%*	*2.0%*	*1.6%*
Blended Total – Interest Bearing Balances[6]			
Balances (£m)	**2,416**	**3,879**	**6,022**
Cost of Funding[5] (%)	*2.0%*	*1.7%*	*1.3%*

Funding strategy involves optimising the use of retail deposits, wholesale facilities, and capital markets complemented by a sophisticated treasury function with an ability to react quickly to market conditions to optimise the cost of funding

1. *Based on customer surveys conducted by the Company as of December 2016*
2. *As at December 2017*
3. *Includes TFS funding (Bank of England facilities)*
4. *Excludes accrued interest*
5. *Average swap-adjusted cost of funding per product. Central Bank and other facilities and blended total cost of funds include FLS. Based on a 13-point average interest bearing funding balances through the year*
6. *Includes repos and warehouse facilities*

CCFS' Securitisation Program continues to optimise cost of funding – taking tactical advantage of market conditions

Charter Court Financial Services

Securitisation Overview

- Programmatic issuer of high quality RMBS utilizing specialist knowledge of pricing and market dynamics – 10 completed transactions totaling **£2.8bn**
- **Nimble — specialist, in-house team are able to react to market changes and capitalise on tight funding spreads quickly**
- 2018 RMBS transactions have priced inside of retail deposit spreads
  - PMF 2018-1B was the tightest BTL RMBS transaction since the crisis

Structured sales

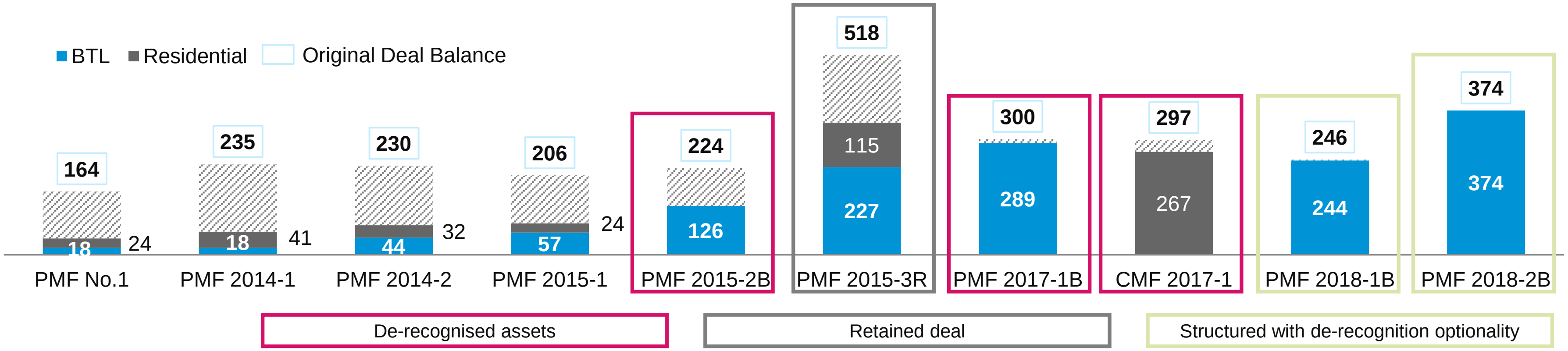
- CCFS periodically engages in structured sales of assets (selling residual positions) to either manage its capital position efficiently or to opportunistically create value on behalf of shareholders

Performance

- Only 20 loans in 3+ Months in arrears across the entire shelf as of February 2018
- 5 defaults to date from Securitisation transactions with no losses being incurred
- 37 ratings upgrades, 10 affirmed rating actions, zero downgrades across deal bonds (as of January 2018)

Outstanding Securitisations[1]

£m										
Number of 3 MIA+ accounts	1	4	1	0	2	12	0	0	0	0
Losses to date (£)	-	-	-	-	-	-	-	-	-	-
WA interest rate	5.09%	5.04%	4.64%	4.48%	4.07%	4.68%	3.85%	4.30%	3.76%	3.68%
Senior note spread (over Libor)	1.15%	0.80%	0.95%	0.95%	1.25%	n/a	0.75%	0.50%	0.65%	0.68%
WA margin at closing	1.43%	0.88%	1.11%	1.10%	1.53%[2]	1.00%	1.02%[2]	0.64%	0.74%	0.77%

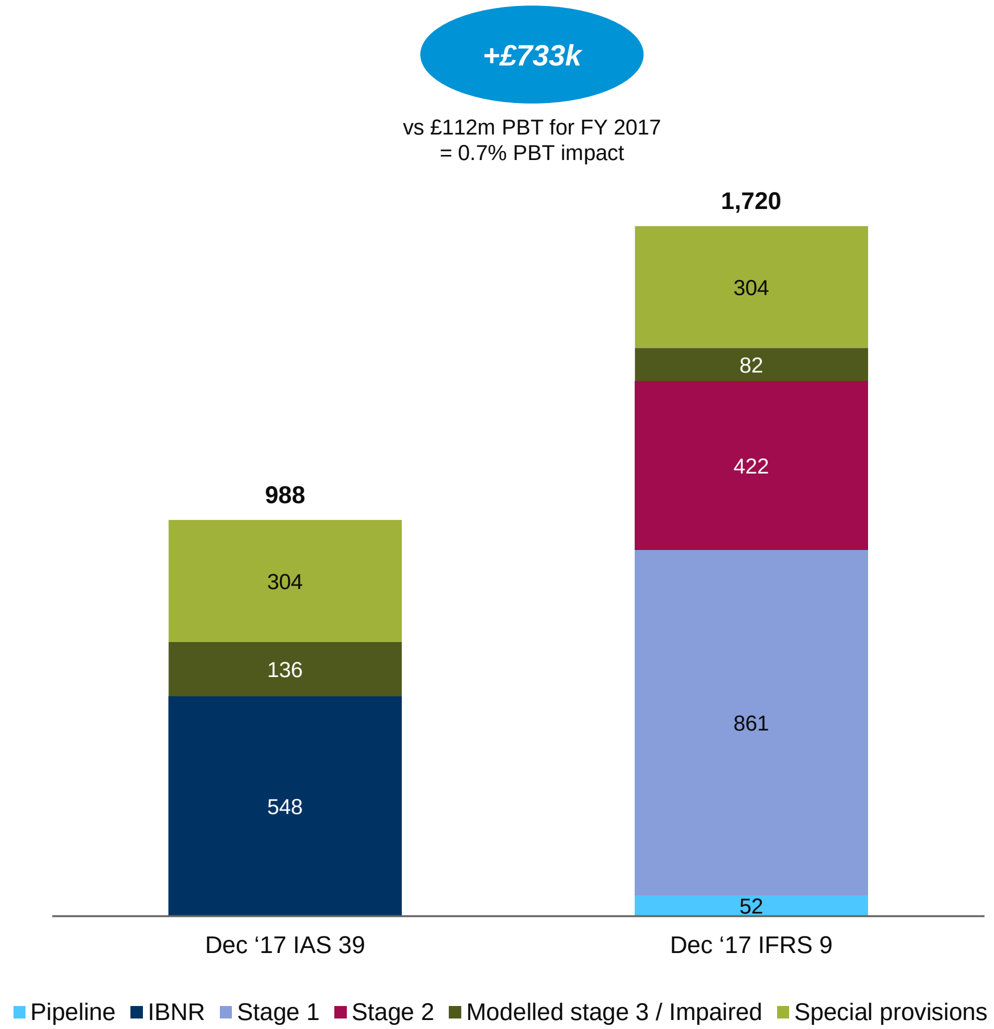


1. *As of March 2018. Performance data in accordance with February 2018 month end investor reports*
2. *DMs at closing (some bonds were sold at a discount)*

IFRS 9 Impacts

Charter Court Financial Services

Provision Movements – IAS 39 vs. IFRS 9 (£'000)



Commentary

- IFRS 9 measurement and calculation capabilities implemented during the course of 2017
- IFRS 9 is a probability weighted provision based on the outputs of four macroeconomic scenarios
- CCFS started IFRS 9 parallel reporting alongside IAS 39 in June 2017
- NOTE: increase in provisions is not a result of deterioration in book credit quality
  - 1+ and 3+ portfolio arrears at 0.5% and 0.1% levels for December 2017
- There is a consistent special provision of c.£300k between IAS 39 and IFRS 9 over the year end

Capital and Liquidity

Robust Capital and Liquidity Positions

Capital Position

- CET 1 ratio of 15.6% as at 31 December 2017, comfortably above our minimum target
- RWAs calculated using **standardised risk weightings**
- Well capitalised for future growth:
  - Vast majority of the regulatory capital currently held in CET1
  - Leverage ratio currently comfortably exceeds minimum requirements

Key Liquidity Measures (Dec-17)

£423m *LCR Requirement*	**£848m** *HQLA*	**200%** *LCR*
£910m *Balance Sheet Liquidity*		
£874m *BoE Liquidity Access*	**£2.5bn** *Total Pre-positioned Assets*	**25.4%** *Asset Encumbrance*
£1.8bn *Total Liquidity Access[1]*		
£4.4bn *Total Retail Deposits*	**41%** *Retail Deposit Coverage*	

BCBS

- Clarification of standardised reforms, introducing a new Income Producing Residential Real Estate (IPRRE) definition
- Standardised risk weights are to be indexed by LTV, with Residential Mortgages ranging from 20% to 50% and IPRRE ranging from 30% to 75%
- Operational risk is simplified to a standardised model only
- January 2022 implementation, with IRB Pillar 1 Risk Weighted Assets floor of 50% in 2022 gliding up to 72.5% floor in 2027

IRB

- CCFS hopes to achieve an IRB status in advance of the implementation of the new capital regime

In addition to the expected capital benefits, through IRB, CCFS will benefit from sophistication of risk management and measurement. Key benefits are:

- IRB rating system will support more informed risk and pricing decisions;
- Ability to dynamically rate the portfolio will result in increased granularity, accuracy and consistency of counterparty risk, allowing more informed monitoring and counterparty action;
- Strengthening of risk governance, ensuring the measurement and models go through a rigorous acceptance process

1. *Liquidity value after haircut applied to assets pre-positioned*

We Remain Confident on the Targets We Set at IPO

Charter Court Financial Services

Target / Objective

Net Loan Growth	Targeting growth of at least 20% in the medium term
Cost Income Ratio	Targeting a Cost Income Ratio percentage in the low 30s in the short to medium term
CET1 Ratio	Maintain a minimum fully loaded CET1 capital ratio of 13.0% over the medium term
Return on Equity (%)	Target a mid 20s RoE
Cost of Risk	Target maintaining sector leading cost of risk through-the-cycle
Dividend	Target a dividend pay-out ratio of at least 15% for 2018, with the aim of increasing it over the medium term

Guidance for 2018

Originations	Consistently deliver c. £2.5bn annually across our four product lines
Net Interest Margin	Greater than 300 bps
Securitisations / Residual Sales	We continue to monitor markets in 2018 for securitisation and structured sale opportunities

Corporate Review

Ian Lonergan

Chief Executive Officer

Corporate Review & Summary

Charter Court Financial Services

Development of Corporate Structure

- ✓ IPO delivered to plan
- ✓ Recruitment of new Chairman and Senior Independent Director
- ✓ Governance structure reviewed and upgraded

Core Franchise Continues to Deliver

Best mortgage lender across multiple asset classes

YourMortgage Awards 2017-2018 — Best Self-Employed Mortgage Lender — Precise Mortgages

Winner MI Awards 2017 — Buy-to-Let Lender of the Year 2017

BC Awards 2017 — Regulated Lender of the Year — Winner

Legal & General Mortgage Club Awards 2017 — Best Specialist Lender

Award winning digital savings platform

Moneynet.co.uk awards Winner 2017 — Best Online Savings Provider

YourMoney.com Awards 2017 — Best Online Savings Account Provider 2 Years Running 2016-2017 — Charter Savings Bank

Winner Two Times — Moneyfacts Consumer Award 2016 & 2017 — Online Savings Provider of the Year

Customer satisfaction has been and will continue to be our top priority

67
Net Promoter Score
(December 2017)

Development of Risk Functions

- ✓ Significant investment in staff and systems
- ✓ Focus on cyber and operational resilience risks
- ✓ Development of models and ratings team
- ✓ Delivery of IFRS 9 and commencement of IRB Project

Leadership in Employee Engagement

The Sunday Times 100 Best Companies to Work For 2018 — 6th in The Sunday Times 100 Best Companies To Work For 2018

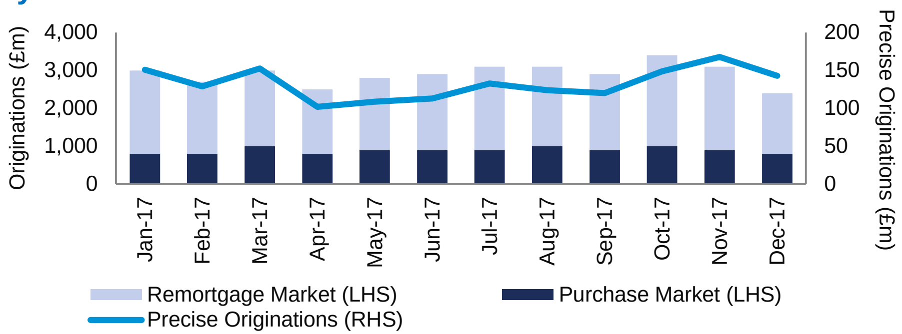
The Sunday Times 100 Best Companies to Work For 2017 — 3rd in The Sunday Times 100 Best Companies To Work For 2017

The Sunday Times 100 Best Companies to Work For 2016 — 10th in The Sunday Times 100 Best Companies To Work For 2016

1000 Companies to Inspire Britain 2017 — London Stock Exchange Group 1000 companies to inspire Britain 2017

Well Positioned Origination Franchise

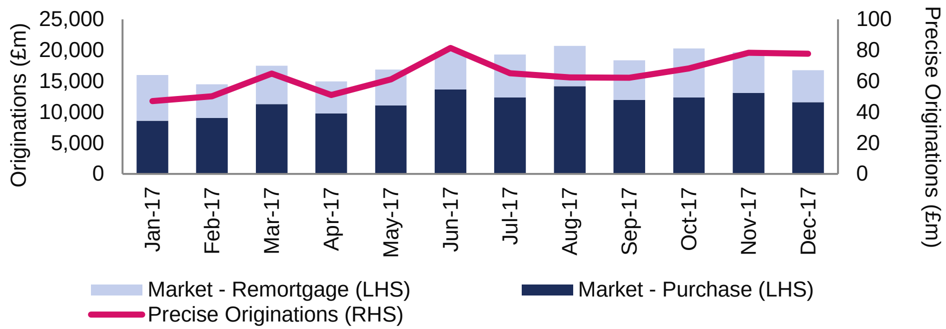
1 Buy-to-let



- **4.6%** share of UK BTL flow in 2017
- **58.2%** re-mortgage
- **68.4%** specialist product or portfolio landlords

2018 focus: Consolidate product proposition

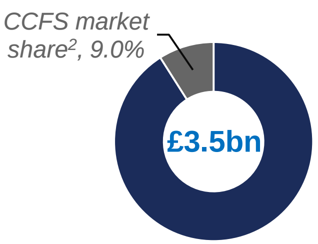
2 Specialist Residential



- **0.4%** share of UK Residential flow in 2017
- **84.7%** prime credit[1]

2018 focus: Distribution reach

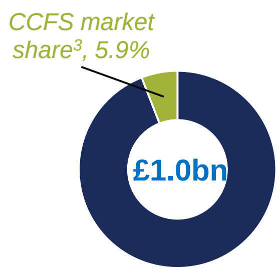
3 Bridging Loans



- **9.0%** share of UK Bridging Loans flow in 2017
- **99.1%** prime credit[2]
- **70.3%** regulated
- **62.0%** standard bridges

2018 focus: Distribution reach

4 Second Charge



- **5.9%** share of UK Second Charge flow in 2017
- **94.4%** residential
- **5.6%** BTL

2018 focus: Disciplined underwriting

With BTL regulation now fully embedded, our 2018 focus is on sustaining distribution success

1. As defined by FCA
2. Based on management information and Finance and Leasing Association statistics

CCFS - a Leading Specialist Mortgage Lender

Charter Court Financial Services

Our Key Strengths…	… And Our Priorities and Opportunities for 2018

Our Key Strengths…

- Leveraging Deep Credit Know-how and Proprietary Data Analytics…
- …Participating in Attractive Secured Lending Markets…
- …Deploying Consistent Underwriting Decisions Efficiently…
- …via a Broad Intermediary Distribution Network…
- …Backed by a Scalable, Bespoke Operating Platform…
- …And Diversified, Stable Funding…
- …to Deliver High Growth and Sustainable Returns

… And Our Priorities and Opportunities for 2018

1. Brokers' first choice for specialist mortgages
2. Differentiated mortgage origination proposition
3. Dynamic product range that meets customer needs
4. Build savings proposition
5. Take market funding opportunities as they are available
6. Prepare IRB waiver application
7. Delivery against our targets

Deliver attractive growth and shareholder returns

Q&A