Charter Court Financial Services Group PLC

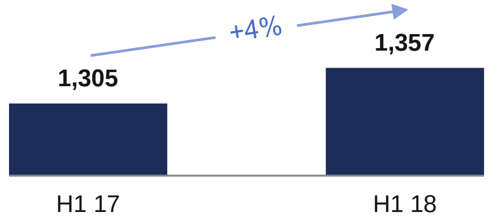
H1 2018 Results

21 August 2018

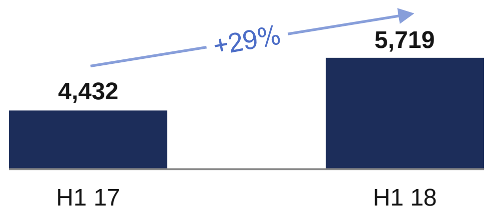
Charter Court
Financial Services

Performance Highlights – H1 2018

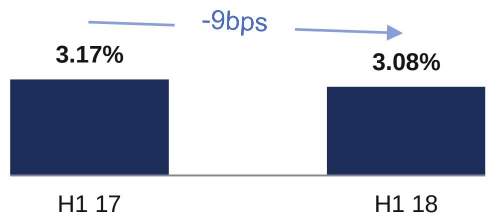
Gross Originations (£m)



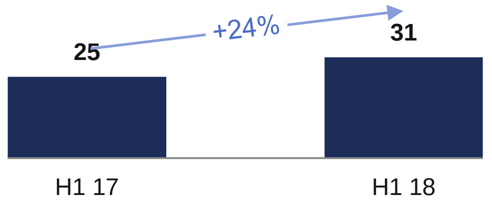
Gross Customer Loans (£m)



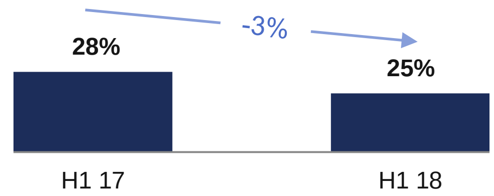
Net Interest Margin[4] (%)



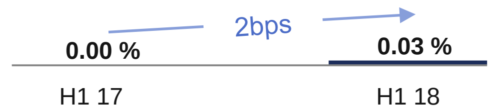
Underlying Operating Expense[1] (£m)



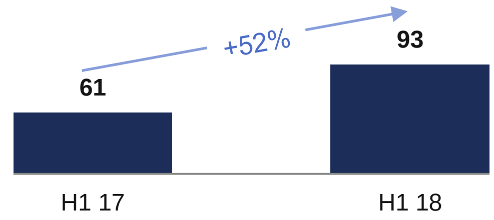
Underlying Cost : Income Ratio[1,2] (%)



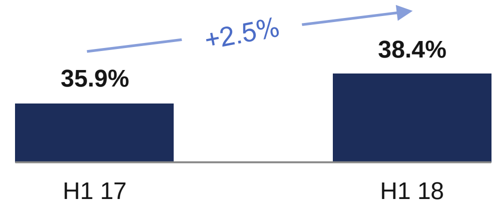
Cost of Risk[3] (%)



Underlying Profit before Tax[1] (£m)



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

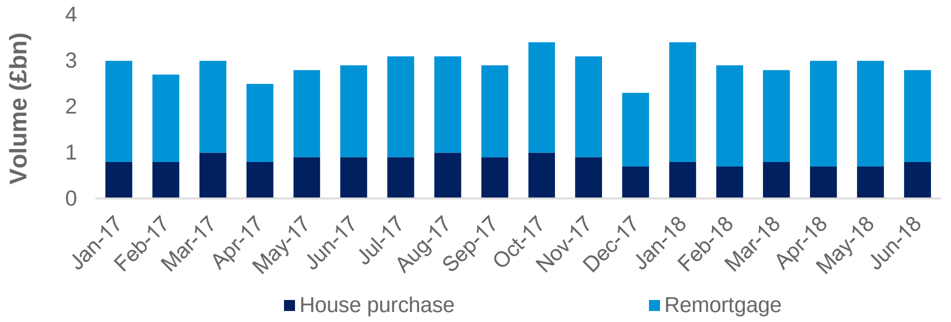


A strong H1 and confidence in the outlook underpins the decision to increase the dividend pay-out ratio to 25% which we will adopt going forward whilst maintaining our progressive dividend policy

1. *Adjusted for one-off costs such as IPO and aborted sales costs of c.£2m in H1 17*
2. *On a statutory basis cost income ratio was 31.0% in H1 17 and 24.8% in H1 18*
3. *Calculated as impairments divided by 7-point average net customer loans*
4. *Calculated based on 7-point average net loans for the year*
5. *Calculated as profit after tax divided by a 2-point average shareholders' equity for the period. On a statutory basis return on equity was 34.1% in H1 17 and 38.4% in H1 18*

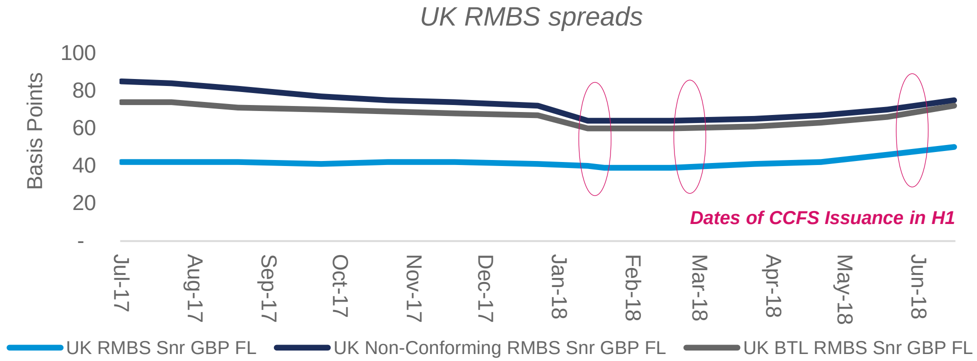
Supportive Market Backdrop in H1 2018

UK BTL Mortgage Volumes



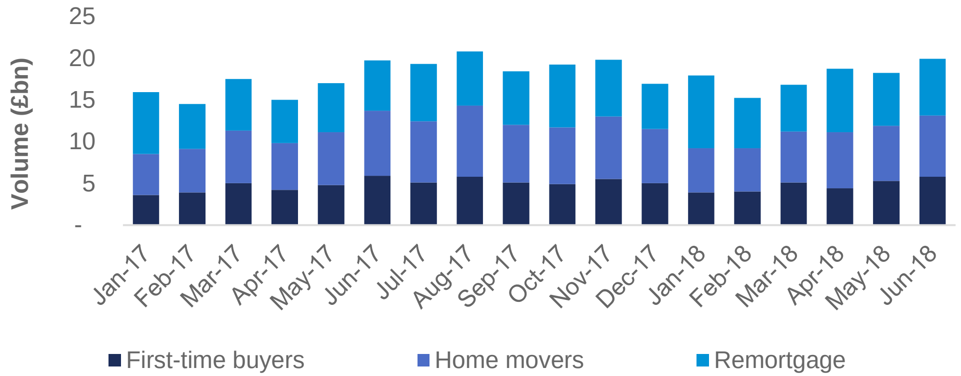
- Market remains resilient following two years of regulatory change
- Purchase market softened whilst remortgage volumes increased in H1 18 vs H2 18 and H1 18
- Landlord confidence at an 18 month high according to BDRC Survey

A supportive funding market in H1



- Spreads at post crisis lows in Q1 2018 where CCFS took advantage to price its PMF 2018-1 deal at a BTL record senior spread of L+65
- Excess demand allowed CCFS to return to the market twice further and achieve continued favourable pricing

UK Residential Mortgage Volumes



- A flat market with historically low bank base rates offset by Brexit uncertainty
- H1 18 demonstrated growth in all segments from H1 17 but slight decline from H2 17

Market dynamics remain supportive of our business model…

- Broker distributed mortgages continue to be the dominant channel in the UK and CCFS is well placed as a leading specialist mortgage provider
- Vigilant monitoring and control of various market risk factors
- Agile use of capital markets
- Mortgage product developments including:
    - Top slicing to supplement BTL affordability assessment
    - Portfolio landlord focus
    - Holiday property product launched
    - Residential interest-only and part / part product launched

Source: UK Finance, J.P. Morgan, Barclays

Charter Court Financial Services

Financial Performance

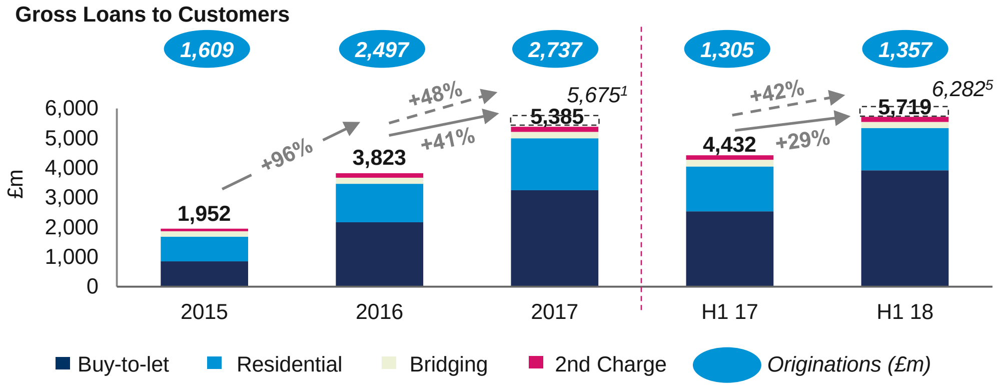
Sebastien Maloney

Chief Financial Officer

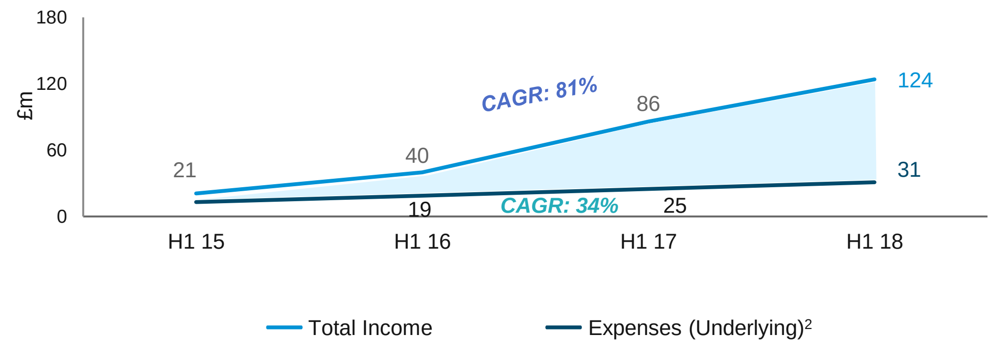
Continuous Year-on-Year Growth

Charter Court Financial Services

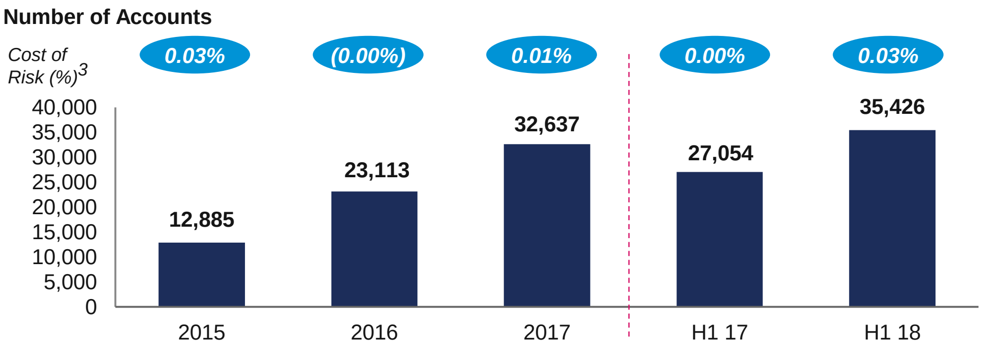
Strong Loan Growth



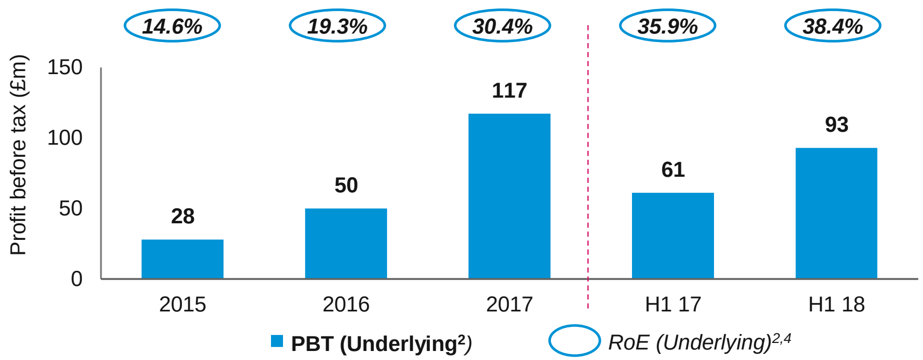
Improving Efficiency



Exceptional Asset Quality



Increasing Profitability



Well Positioned 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.£2m in H1 17*
3. *Calculated as impairments divided by 13-point average net customer loans for FY 2015 – FY 2017 and 7-point average for H1 2017 and H1 2018*
4. *Calculated as profit after tax divided by a 2-point average shareholders' equity for the year / period. On a statutory basis return on equity was 34.1% in H1 17 and 38.4% in H1 18*
5. *Includes additional loan balance (£562.5m) derecognised owing to sale of residual notes in securitisation. Balance as of 30 June 2018*

Summary Financials

Income Statement

Y/e 31-Dec (£m)		H1 18	H1 17	H1 17 vs. H1 18 Change	
				£m	%
Interest income		127	97	*30*	*31%*
Interest expense		(43)	(32)	*(11)*	*34%*
Net interest income	1	**84**	**65**	***19***	***29%***
Impairment charges		(1)	-	*(1)*	-
Other income	2	40	21	*19*	*90%*
Underlying total income		**124**	**86**	***38***	***44%***
Underlying operating expenses	3	(31)	(25)	*(6)*	*24%*
One-off costs		-	(2)	*2*	*(100%)*
Profit before tax		**93**	**59**	***34***	***58%***
Profit after tax		**71**	**44**	***27***	***61%***

Earnings per share (p)[1]		*29.5*	*18.9*
Dividend per share (p)	4	*2.8*	-
Net interest margin (%)[2]	5	*3.08%*	*3.17%*
Underlying cost income ratio[3]		*24.8%*	*28.4%*
Cost of risk (%)[4]		*0.03%*	*0.00%*
Underlying return on equity (%)[5]	6	*38.4%*	*35.9%*

Commentary

1. Increase in Net Interest Income driven by robust loan book growth and CCFS' ability to optimise funding costs through tactical retail deposit pricing and opportunistic securitisation issuance
2. Other income includes £36.4m gain on sale of subordinated notes and residual certificates relating to two structured asset sales conducted in January and June 2018
   - Additional funding securitisations will be evaluated on an opportunistic basis
3. Driven by an increase in the average monthly number of employees from 430 in June 2017 to 557 in June 2018 whilst average cost per FTE remained stable
4. Dividend per share of 2.8p reflecting a 25% pay-out ratio underpinned by additional profits in 2018 related to structured sales and confidence in the medium term outlook
5. H1 18 NIM was supported by record tight funding spreads achieved on the three securitisations conducted in H1 2018
6. Continued strong credit performance; cost of risk remains sector leading

1. On a fully diluted basis, for H1 17 this has been restated on the basis of a new share capital structure in preparation for the IPO
2. Calculated based on 7-point average net loans for the period
3. On a statutory basis cost income ratio was 31.0% in H1 17 and 24.8% in H1 18
4. Calculated as impairments divided by 7-point average net customer loans
5. Calculated as profit after tax divided by a 2-point average shareholders' equity for the period. On a statutory basis return on equity was 34.1% in H1 17 and 38.4% in H1 18

Summary Financials

Balance Sheet

Y/e 31-Dec (£m)		H1 18	H1 17	H1 17 vs. H1 18 Change	
				£m	*%*
Net customer loans	1	5,694	4,416	*1,278*	*29%*
Liquid assets[1]	2	989	1,038	*(49)*	*(5%)*
Other assets		12	12	*0*	*0%*
Total assets		**6,695**	**5,466**	***1,229***	***22%***
Customer deposits	3	(4,263)	(3,977)	*(286)*	*7%*
Securitisations	4	(826)	(298)	*(528)*	*177%*
Other liabilities	5	(1,200)	(913)	*(287)*	*31%*
Net assets		**406**	**278**	***128***	***46%***
Share capital		21	-	*21*	*n.m.*
Retained earnings		385	277	*108*	*38%*
Shareholders' funds	6	**406**	**278**	***129***	***46%***
Originations		*1,357*	*1,305*	*52*	*4%*
Number of accounts		*35,426*	*27,054*	*8,372*	*31%*
CET1 ratio (%)[2]	7	*16.6%*	*15.4%*		
Loans to deposit ratio (%)	8	*134%*	*111%*		

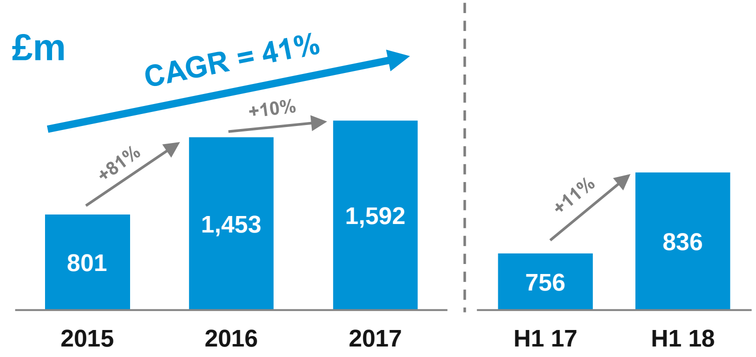
Commentary

1. Continued strong growth in loan book
   - Year on year net loan growth of 29% principally driven by over 50% increase in BTL balances
   - Strong pipeline effectively converted into consistently strong origination volumes
2. We continue to manage liquidity prudently with a significant stock of liquid assets mainly in the form of cash held in a reserve account at the BoE
3. Customer deposits rose 7% y-o-y, our digital retail channel continues to deliver strong inflows at attractive funding spreads
4. Active securitisation market in H1 18 resulted in a 3 securisations issued amounting to £906.1m
   - Record spreads achieved on PMF 2018-1 and CMF 2018-1
   - Structured asset sales resulted in the derecognition of £562.5 million of underlying mortgage assets
5. Largely comprised of TFS draw downs
6. Incorporates small primary issuance at IPO
7. CET1 ratio remains significantly in excess of CCFS' minimum 13% target and regulatory requirements factoring in the impact of dividends
8. The increase in the Loan to Deposit ratio reflects the increase in securitised balances in the period

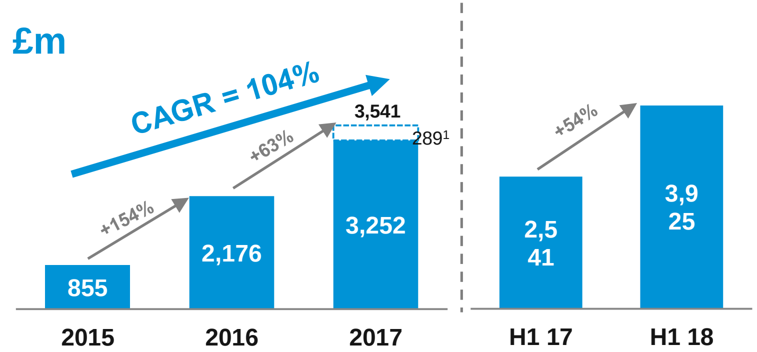
1. Includes cash
2. Unaudited and inclusive retained profits to 30th June post adjustment for expected 2018 dividend payout

Segmental Results - BTL

Originations



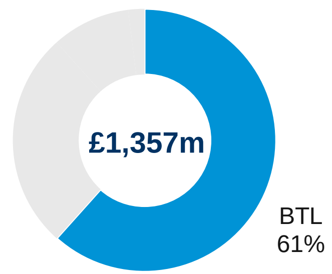
Gross BTL Loan Book Evolution



2015	2016	2017	H1 17	H1 18
4.5%	4.2%	4.0%	4.1%	4.1%

Book Yield[2]

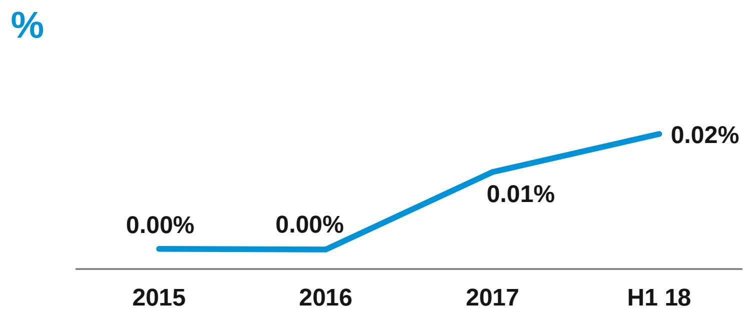
H1 2018 Originations



Average LTV: *74.0%*

Average Loan Size: *£168k*

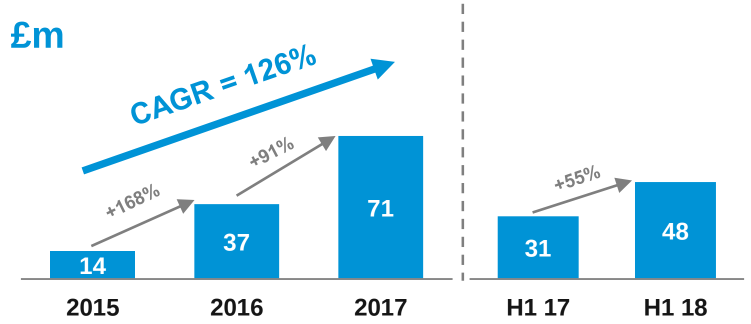
Cost of Risk[2]



0.21%	***0.02%***	***5 accounts***
1+ arrears	3+ arrears	3+ arrears

Arrears as at 30-Jun-2018

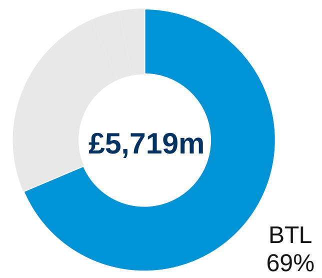
Segmental Contribution



2015	2016	2017	H1 17	H1 18
31%	41%	49%	48%	56%

% of profit contribution[3]

Jun-18 Loan Book



Average LTV: *72.3%*

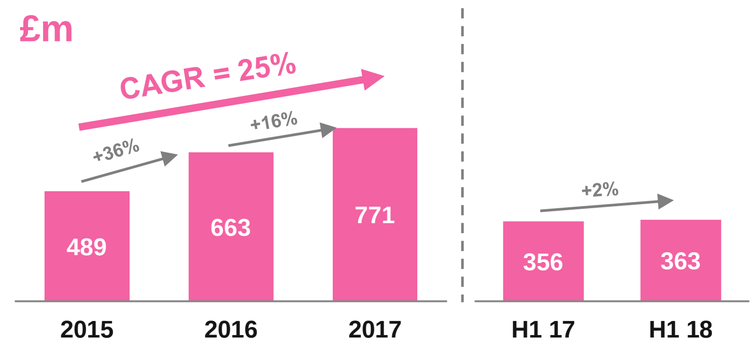
Average Loan Size: *£192k*

1. *Reflects the year-end balance of the April 2017 structured sale of £300m loan balances*
2. *Based on a 13-point average throughout each year and 7-point average for H1 2018*
3. *Relates to profit contribution of the four segments only and excludes other income*

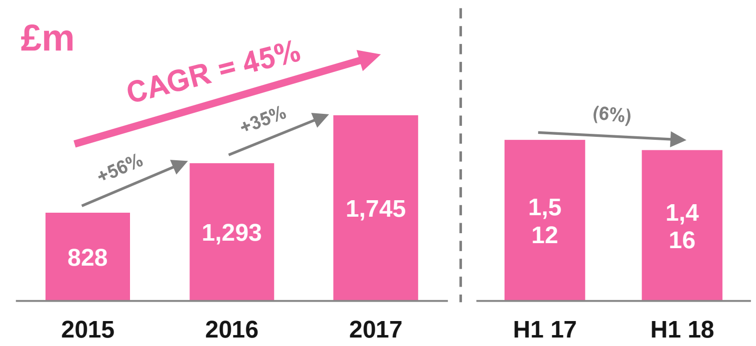
Segmental Results – Specialist Residential

Charter Court Financial Services

Originations



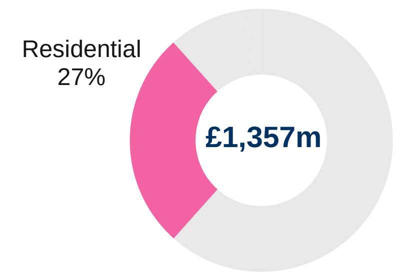
Gross Residential Loan Book Evolution



2015	2016	2017	H1 17	H1 18
5.1%	5.0%	4.8%	4.8%	4.9%

Book Yield[1]

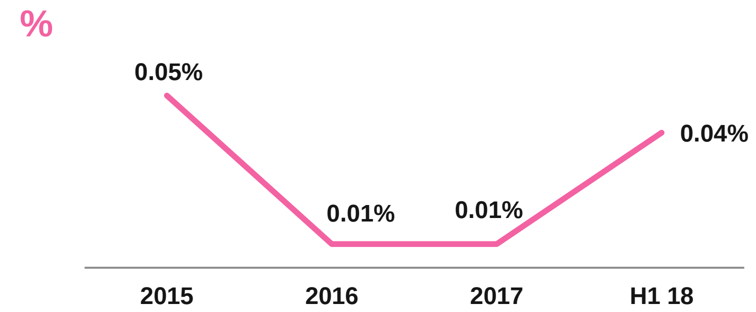
H1 2018 Originations



Average LTV: *71.4%*

Average Loan Size: *£149k*

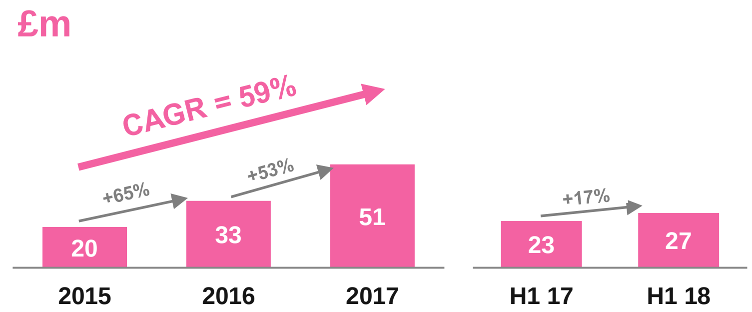
Cost of Risk[1]



1.48%	*0.38%*	*36 accounts*
1+ arrears	3+ arrears	3+ arrears

Arrears as at 30-Jun-2018

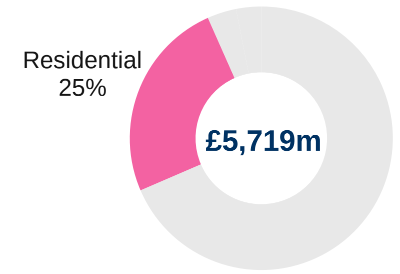
Segmental Contribution



2015	2016	2017	H1 17	H1 18
45%	37%	35%	35%	31%

% of profit contribution[2]

Jun-18 Loan Book



Average LTV: *69.5%*

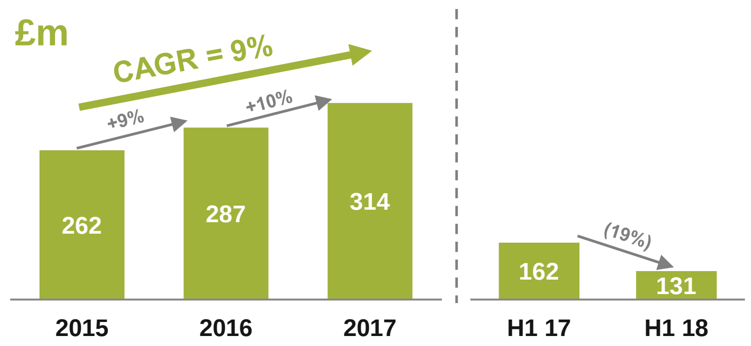
Average Loan Size: *£138k*

1. *Based on a 13-point average throughout each year and 7-point average for H1 2018*
2. *Relates to profit contribution of the four segments only and excludes other income*

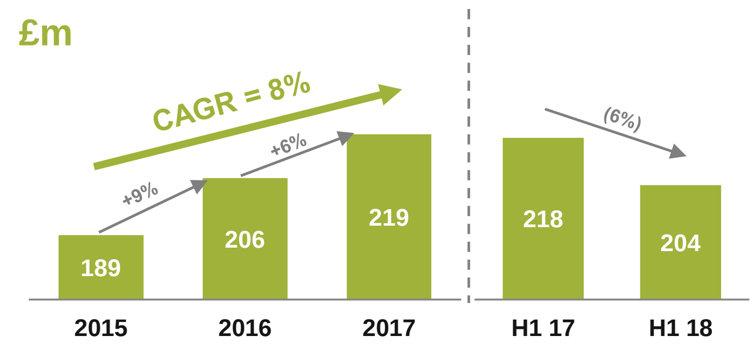
Segmental Results – Bridging Loans

Charter Court Financial Services

Originations



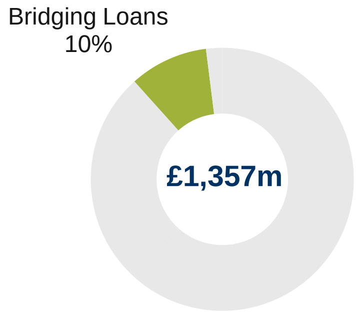
Gross Bridging Loan Book Evolution



2015	2016	2017	H1 17	H1 18
9.8%	9.3%	8.8%	9.0%	8.7%

Book Yield[1]

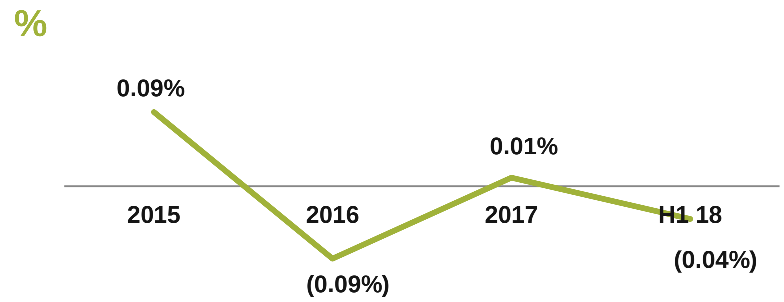
H1 2018 Originations



Average LTV: *49.8%*

Average Loan Size: *£161k*

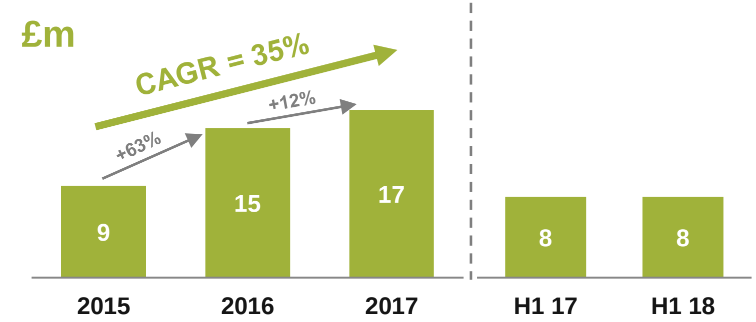
Cost of Risk[1]



0.61%	***0.32%***	***2 accounts***
1+ arrears	3+ arrears	3+ arrears

Arrears as at 30-Jun-2018

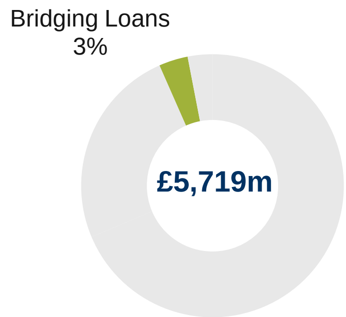
Segmental Contribution



2015	2016	2017	H1 17	H1 18
20%	17%	12%	12%	9%

% of profit contribution[2]

Jun-18 Loan Book



Average LTV: *48.5%*

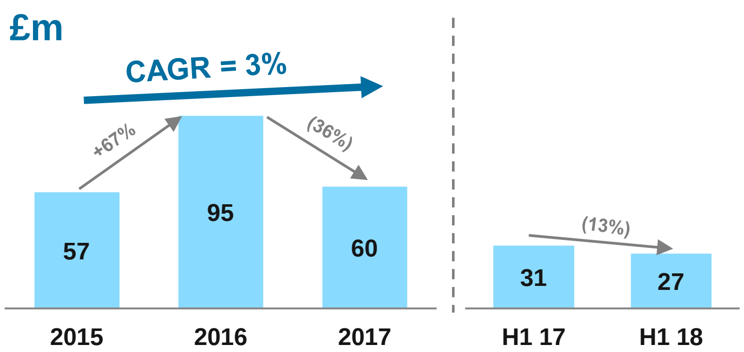
Average Loan Size: *£175k*

1. *Based on a 13-point average throughout each year and 7-point average for H1 2018*
2. *Relates to profit contribution of the four segments only and excludes other income*

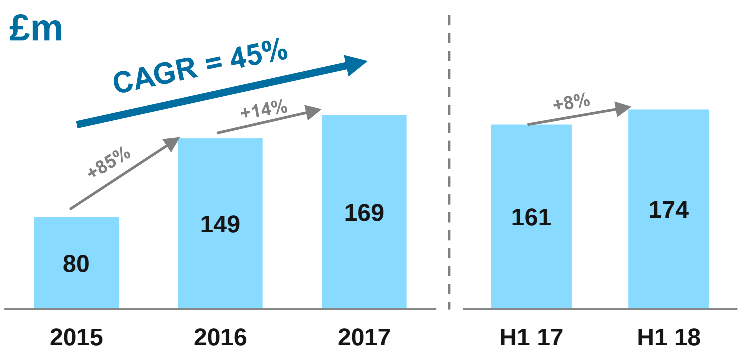
Segmental Results – Second Charge

Charter Court Financial Services

Originations



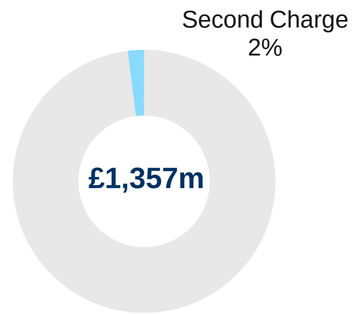
Gross Second Charge Loan Book Evolution



2015	2016	2017	H1 17	H1 18
6.2%	5.6%	5.1%	5.2%	5.2%

Book Yield[1]

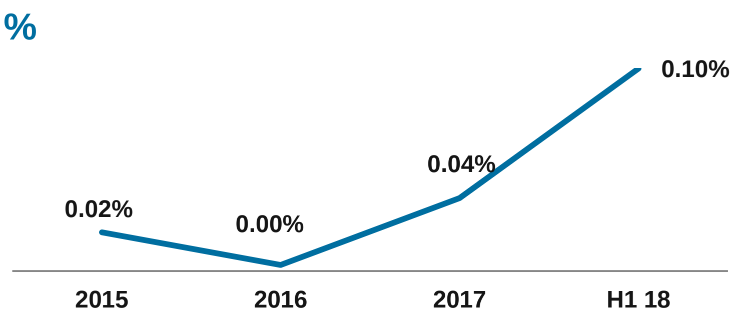
H1 2018 Originations



Average LTV: *71.1%*

Average Loan Size: *£54k*

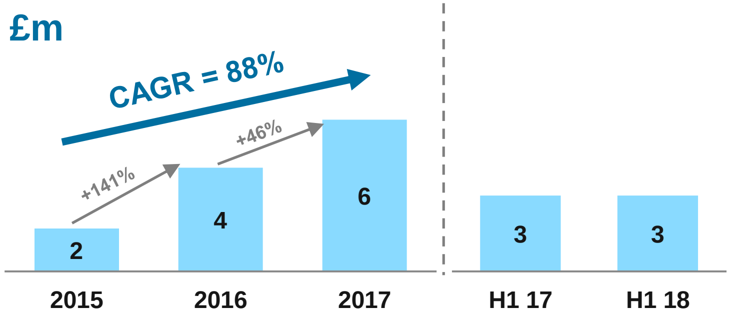
Cost of Risk[1]



1.08%	0.07%	5 accounts
1+ arrears	3+ arrears	3+ arrears

Arrears as at 30-Jun-2018

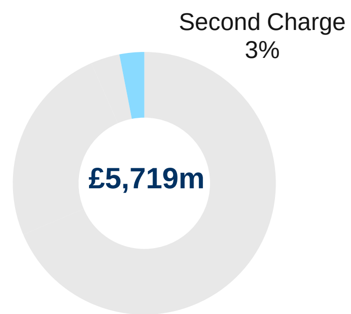
Segmental Contribution



2015	2016	2017	H1 17	H1 18
4%	5%	4%	5%	4%

% of profit contribution[2]

Jun-18 Loan Book



Average LTV: *62.6%*

Average Loan Size: *£53k*

1. *Based on a 13-point average throughout each year and 7-point average for H1 2018*
2. *Relates to profit contribution of the four segments only and excludes other income*

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

Charter Court Financial Services

Retail Deposits

- Award winning deposit franchise
- Retail channel continues to deliver in-flows at attractive funding spreads
- Deposits of £4,263m

1.6% Average Cost of Funding H1 2018

BoE Facilities

Pre-positioned Mortgages: £2.2bn	*Pre-positioned Securities: £0.3m*	*Total Pre-positioned: £2.5bn*
Drawn TFS = £1,148m	*Discount Window Facility*	*Emergency Facilities*

0.5% Average Cost of Funding H1 2018

Securitisation

- One of the first active movers in wholesale funding in H1 2018
- Three securitisations and two structured sales conducted in the period

1.7% Average Cost of Funding H1 2018

Wholesale markets in focus for H1 2018

- 2018 RMBS transactions priced inside of retail deposit spreads whilst delivering term funding
- PMF 2018-1B was the tightest print in the PMF series since inception
- Completed two structured sales in FY18, taking advantage of market dynamics where market yields < CCFS Cost of Equity
  - £563m of assets derecognised
- Do not expect further structured sales to be conducted in H2 but will evaluate additional funding securitisations on an opportunistic basis
- Planned further structured sale next year generating an estimated gain on sale of c.£15m

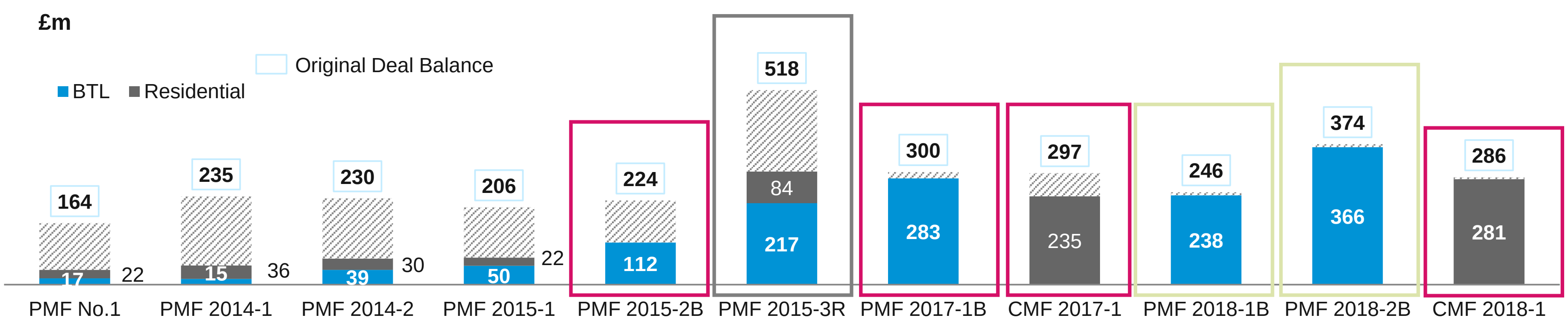
Outstanding Securitisations[1]

	PMF No.1	PMF 2014-1	PMF 2014-2	PMF 2015-1	PMF 2015-2B	PMF 2015-3R	PMF 2017-1B	CMF 2017-1	PMF 2018-1B	PMF 2018-2B	CMF 2018-1
Number of 3 MIA+ accounts	1	7	2	0	2	13	0	0	0	0	0
Losses to date (£)	-	-	-	-	7	15	-	-	-	-	-
WA interest rate	5.46%	5.52%	5.11%	4.88%	4.65%	4.55%	4.00%	4.39%	3.83%	3.74%	4.15%
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%	0.47%
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%	0.55%

De-recognised assets

Retained deal

Structured with de-recognition optionality



1. *As of June 2018. Performance data in accordance with June 2018 month end investor reports*

Confident on the Outlook for 2018

Charter Court Financial Services

	Guidance for 2018
Originations	Expect total organic originations of c. £2.7bn across our four product lines for FY18
Net Interest Margin	Greater than 300 bps for FY18
Cost Income Ratio	Expected to be better than medium term guidance, reflecting the impact of structured asset sales, a strong increase in net income and high operating leverage
CET1 Ratio	Anticipate a CET1 ratio in excess of 15%
Return on Equity (%)	Expected to exceed medium term guidance, reflecting the impact of structured asset sales, a strong increase in net income and high operating leverage
Securitisations / Residual Sales	No further structured asset sales expected in 2018 but a c.£15m gain on sale anticipated for H1 2019

Wrap-Up

Ian Lonergan

Chief Executive Officer

Our Strategy has Resulted in Continuous Growth Over the Last 3 Years

Charter Court Financial Services

Our 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…

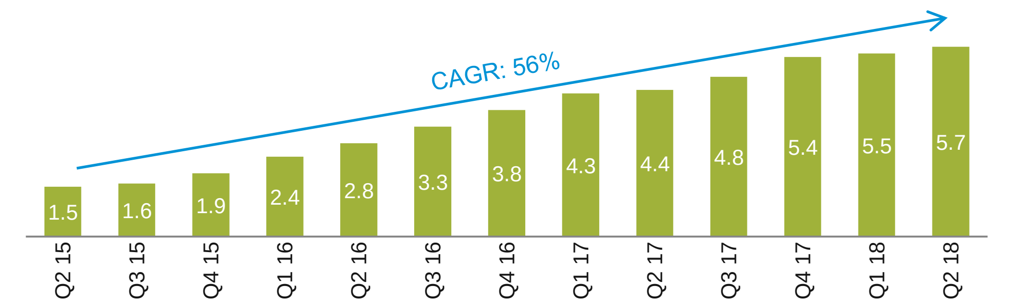
…Backed by a Scalable, Bespoke Operating Platform…

…And Diversified, Stable Funding…

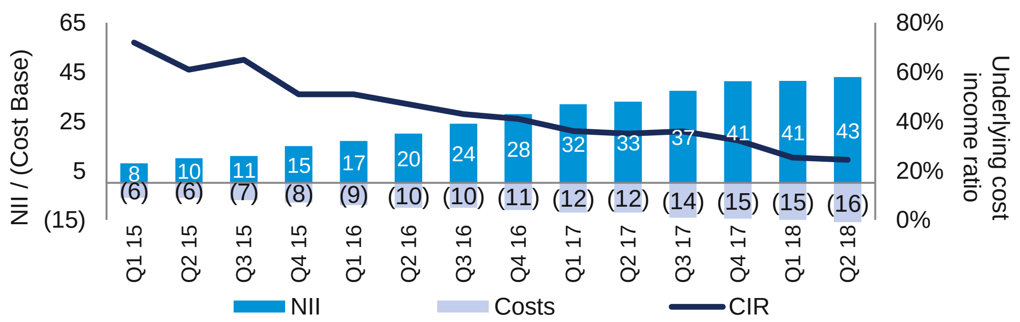
…to Deliver High Growth and Sustainable Returns

Our Delivery

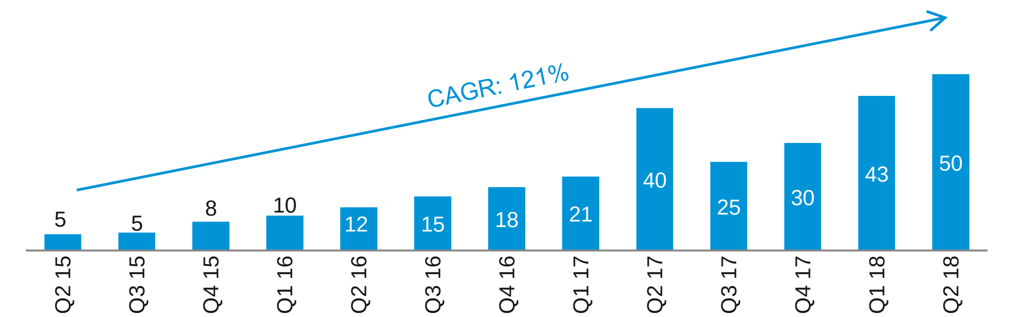
Net Loans to Customers (£bn)



Net Interest Income / (Cost Base[1]) (£m)



Underlying Profit before Tax (£m)[1]



1. *Underlying basis; excluding any one-off income and costs*

Our Medium Term Targets Reinforced

- Strong progress in H1 and remain confident on 2018
- Business goes from strength to strength - performing in-line or in excess of our IPO targets
- Confident in our ability to continue to meet IPO targets whilst supporting a better dividend for shareholders

	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	Increasing target dividend pay-out ratio to 25% for 2018, maintain a progressive policy thereafter

Q&A