



Charter Court Financial Services Group plc
A Leading Specialist Mortgage Lender

10 November 2017

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Dated: 10 November 2017

Schedule of the Day

Time Slot	Session	Presenters
12.00pm – 12.20pm	I. Introduction to Charter Court Financial Services	› Ian Lonergan › Seb Maloney
12.20pm – 1.00pm	II. Distribution & Products	› Alan Cleary › Colin Barrett
1.00pm – 1.40pm	III. Underwriting, Credit Risk Management & Lending Policy	› Peter Elcock › Chris Preston › Rob Williams
1.40pm – 2.00pm	IV. Capital Management & IRB Discussion	› Seb Maloney
2.00pm – 2.15pm	Break	
2.15pm – 2.45pm	V. Funding & Treasury	› Seb Maloney › Simon Allsop › Paul Whitlock
2.45pm – 3.15pm	VI. Servicing & Collections	› Fliss Dale
3.15pm – 4.00pm	VII. Financial Performance	› Seb Maloney
4.00pm – 4.15pm	VII. Wrap Up	› Ian Lonergan › Seb Maloney

I. Introduction to Charter Court Financial Services



Ian Lonergan

Chief Executive Officer

- › As co-founder and Chief Executive Officer, Ian leads the senior team and is responsible for delivering strategy, ensuring risk management is a core focus, and setting the values and standards to which employees work
- › He has over 20 years' experience in financial services, focusing mainly on strategy, financial analysis and mortgage debt and previously led the Business and Portfolio Analytics team at GMAC RFC
- › Ian qualified as a Chartered Accountant with Ernst & Young where he worked in the Financial Services practice as both an auditor and management consultant in Europe and Asia Pacific regions



Sebastien Maloney

Chief Financial Officer

- › Sebastien has executive responsibility for all aspects of finance and is also head of Exact advisory services
- › He has over 18 years' experience in financial services and joined Charter Court in 2009
- › Previously, Sebastien has held senior positions at Merrill Lynch, GMAC RFC and Morgan Stanley, working in a range of roles focusing on portfolio valuation analytics, financial planning and liability management through mortgage securitisation structuring and sales



Peter Elcock

Chief Risk Officer

- › Peter leads the risk management function comprising the credit, operational and prudential risk teams, legal and compliance and regulatory and conduct risk
- › He has 37 years' experience in financial services of which 27 years were at Barclays where he held a number of senior roles, including head of risk strategy, developing Barclays first credit grading system and leading its first behavioural scoring project
- › More recently, Peter spent 2 years as CRO at Coventry Building Society, which included leading an IRB programme



Alan Cleary

MD – Precise Mortgages

- › Over 28 years of experience in the mortgage market
- › Previously Head of Sales at BM Solutions from 2001 to 2005 when he became Managing Director of Halifax Intermediaries



Paul Whitlock

Director of Savings

- › Over 20 years of experience in the retail banking industry both in the UK and international
- › Held senior positions at First Direct, HSBC, OneSavings Bank and Shawbrook Bank



Simon Allsop

Director of Capital Markets

- › 10 years of experience in the financial services industry
- › Set up CCFS's securitisation program
- › Previously Associate Director at Fitch Ratings across EMEA RMBS



Christopher Preston
Director of Credit Risk

- › Over 28 years of experience in the financial services industry
- › Developed CCFS's automated decision tools
- › Previously worked at BM Solutions and HBOS as Head of Operational Credit Risk



Rob Williams
Director of Processing

- › Over 29 years of experience predominantly within the mortgage processing and underwriting sector
- › Prior to Charter Court, worked at Edeus and HBOS



Colin Barrett
Director of Mortgage Proposition

- › 25 years of experience in the financial services industry
- › Responsible for lending products
- › Previously worked in NatWest Bank and BM Solutions



Phil Deakin
Director of Specialist Finance

- › 10 years of experience in audit and corporate finance advisory prior to joining CCFS in 2009
- › Responsible for Product Pricing and Analytics, Treasury Middle Office and Regulatory Reporting
- › Previously Associate Director at Grant Thornton



Daniel Hill
Director of Models and Ratings

- › Joined CCFS in January 2017
- › Over 14 years of experience in retail risk including managing IRB projects and Capital & Impairment teams
- › Previously at Deloitte and Barclays



Fliss Dale
Director of Collections and Recovery

- › 31 years of experience in the financial services industry, predominantly in Collections and Recovery
- › Managing from initial arrears through to recovery
- › Was previously with BM Solutions

Introducing Charter Court

The Three Complementary Pillars



Credit Expertise and Data



Mortgage Analytics & Servicing since 2008

- › Mortgage administration, credit consultancy and specialist analytics
- › Proven specialist credit, valuation, servicing and collections capabilities
 - Over £21bn of mortgages analysed / valued since 2008
 - Currently manages c.£5.4bn of UK legacy and specialist mortgages¹
- › Deep credit understanding informs precise lending decisions

Origination



Specialist Mortgage Lender since 2010

- › Four attractive, niche markets with strong-risk adjusted returns:
 - Buy-to-let
 - Specialist residential
 - Bridging loans
 - Second charge
- › Organically originated over £6.7bn of loans since inception
- › Distributed via a nationwide network of intermediaries

Funding



Digital Retail Savings Bank since 2015

- › Direct-to-consumer online savings products (£4.0bn in deposits raised as at 30 June 2017)
- › Low-cost, sticky deposits and funding diversification
- › Banking licence allows access to Bank of England funding and liquidity facilities (e.g. TFS)

The Charter Court Investment Case

A High Quality Business Underpinned by Data Analytics with Proven Results

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

... Evidenced by Our Delivery

>£21bn

Mortgages analysed by Exact since 2008¹
Provides deep insight into the behaviour of UK mortgages

£4.4bn

Jun-17 Loan Book



8 mins

From keying in data to a Decision in Principle²

£27k

Losses since Inception³

#1

Specialist Lender by Volumes⁴
With the top mortgage clubs and networks

492

Total FTEs¹

35%

Cost : Income ratio⁵ (H1 2017)

Deposits

£4.0bn
(Jun-17)

Securitisation

8
transactions
to-date⁶

BoE facilities

Access to
c.£1bn
TFS funding

112%

Loan book CAGR
(H1 14 - H1 17)

26%

Underlying Return on Equity
(H1 2017⁷)

Notes: Information for H1 17 is derived from management information and is unaudited

1. As at 30 June 2017

2. On average

3. Related to loans on CCFS balance sheet, further £28k losses were incurred related to loans originated but subsequently sold on by CCFS to a third party, these loans do not sit on CCFS' balance sheet

4. Based on UK Finance Largest Secured Mortgage Lending Specialists 2016

5. Based on underlying management accounts numbers, which are unaudited. Excluding exceptional items, see Financial Performance section – Underlying Performance

6. Includes CMF 2017-1, which priced 20th July 2017 and is due to close on 27th July 2017

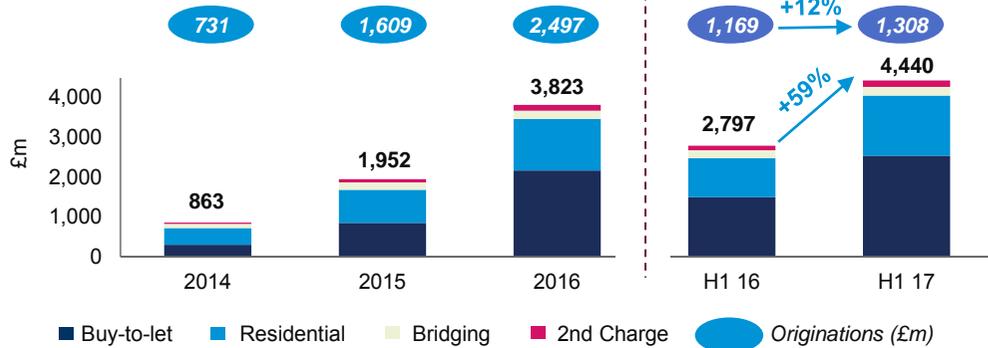
7. Calculated as underlying profit after tax divided by average shareholders' equity for the period; H1 2017 RoE presented on an annualised basis and based on unaudited management information as at and for the 6 months ended 30 June 2017. This is not a profit forecast and should not be interpreted to mean that RoE for the current year will necessarily match or exceed the RoE in H1 2017 or any previous historical financial year or period

Charter Court Financial Services at a Glance

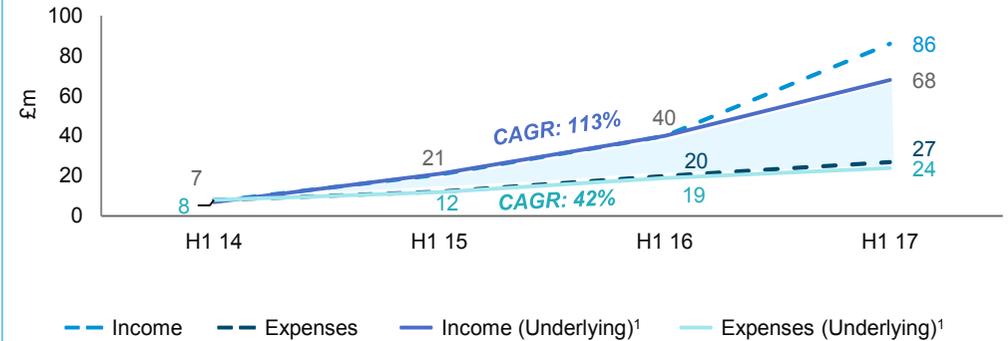
Financial Delivery

Strong Loan Growth

Gross Loans to Customers

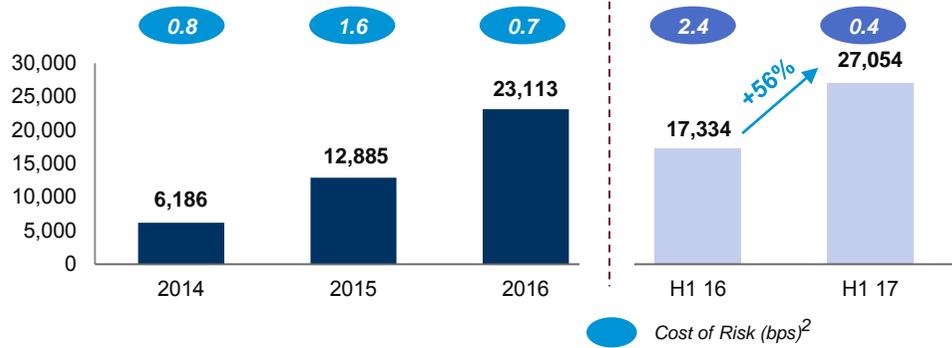


Improving Efficiency

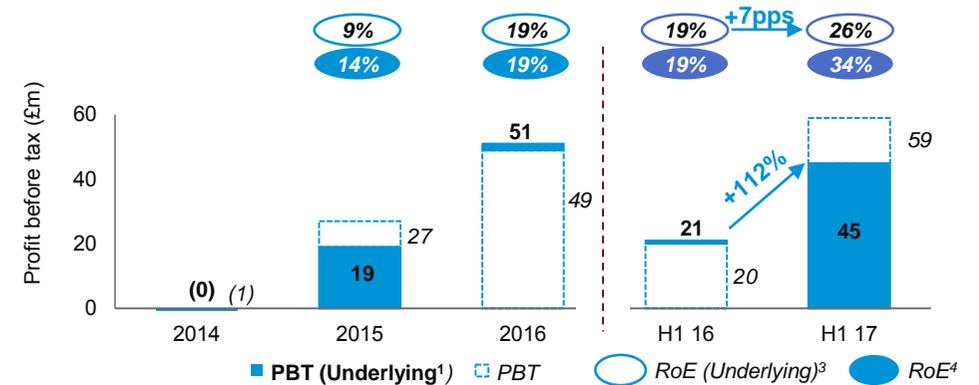


Exceptional Asset Quality

Number of Accounts



Increasing Profitability



Operating Platform Build Up Complete
Geared to Deliver Growth and Compelling Shareholder Returns

Notes: Information for H1 17 is derived from management information and is unaudited

1. Excluding exceptional items

2. Calculated as impairments divided by average net customer loans

3. Calculated as underlying profit after tax divided by average shareholders' equity for the period; H1 2017 RoE presented on an annualised basis and based on unaudited management information as at and for the 6 months ended 30 June 2017. This is not a profit forecast and should not be interpreted to mean that RoE for the current year will necessarily match or exceed the RoE in H1 2017 or any previous historical financial year or period

4. Calculated as profit after tax divided by average shareholders' equity for the period; H1 2017 RoE presented on an annualised basis and based on unaudited management information as at and for the 6 months ended 30 June 2017. This is not a profit forecast and should not be interpreted to mean that RoE for the current year will necessarily match or exceed the RoE in H1 2017 or any previous historical financial year or period

Financial Objectives and Guidance

High Growth and Returns Supported by a Strong Capital Base

Metric	Target / Objective
Net Loan Growth	<ul style="list-style-type: none"> Targeting growth of at least 20% in the medium term
Cost Income Ratio	<ul style="list-style-type: none"> Targeting a Cost Income Ratio percentage in the low 30s in the short to medium term
CET1 Ratio	<ul style="list-style-type: none"> Maintain a minimum fully loaded CET1 capital ratio of 13.0% over the medium term
Return on Equity (%)	<ul style="list-style-type: none"> Target a mid 20s RoE
Dividend Policy	<ul style="list-style-type: none"> Dividend pay-out ratio starting at 15% with the aim of increasing the pay-out ratio over time First payment to be made to shareholders with respect to the H1 2018 period
Cost of Risk	<ul style="list-style-type: none"> Target maintaining sector leading cost of risk through-the-cycle
Metric	Guidance
Originations	<ul style="list-style-type: none"> Expect FY17 gross originations to be broadly comparable to 2016 with originations marginally H1 weighted
Net Interest Margin	<ul style="list-style-type: none"> Expect NIM in the medium term to be broadly flat / marginally higher than 2016

II. Distribution & Products

Section Presenters



Alan Cleary
MD – Precise Mortgages



Colin Barrett
*Director of Mortgage
Proposition*

The UK's No1 Specialist Mortgage Lender by Volumes¹

Recipe for Success



Products

- › Deep Product and market Knowledge
- › Expert Product Team identifying niche lending opportunities and reacting early to future market and regulatory changes
- › A large product development pipeline
- › Disciplined and robust analysis and review processes

Sales and Marketing

- › A diversified distribution panel
- › A clearly defined and accepted market position
- › Consistency that leads to a habit
- › Marketing penetration and recall
- › A programme of broker education
- › Call centre quality
- › Dedicated sales support

Service

- › Automated decisions to get first look at credit
- › Deliver a quick yes or no
- › Understand the demands on the broker and align service proposition to them
- › Have acceptable turnaround times

Charter Court's Core Addressable Markets

Large, Specialist and Growing

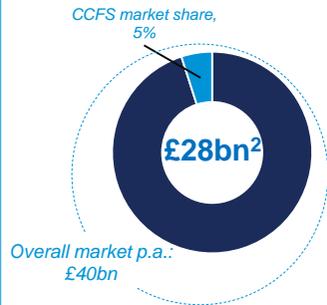
1 Buy-to-let

Market

- › Strong historical growth: CAGR of c.30% between 2010 and 2016 to reach c.£40bn
- › Strong through the cycle performance
- › Strong demand for specialist lending

CCFS (Loan book: £2.5bn¹)

- › Particularly active in the >60% LTV market
- › Top 20 lender with wide product range (e.g. lifetime trackers, HMO, new builds)³
- › Tailored products for limited companies
- › Maximum of 20 BTL loans up to a combined value of £5m and 80% LTV
- › Recent initiatives: Bespoke ICR, 5 year fixed rate assessment



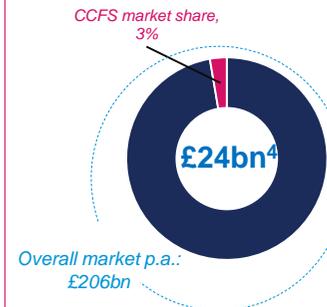
2 Specialist Residential

Market

- › Continued strong growth in CCFS's target specialist market
- › Strong demand for specialist lending as larger lenders withdraw
- › Significant opportunity in broader residential market

CCFS (Loan book: £1.5bn¹)

- › Targets the complex prime (e.g. self-employed) and near-prime segments (minor credit profile issues)
- › Tailored product criteria: up to 85% LTV, 1 years' accounts (self-employed); Help to Buy, Right to Buy and New-build
- › Risk-based multi-tiered pricing structure



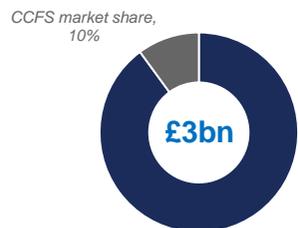
3 Bridging Loans

Market

- › Purposes include auction purchases, chain break finance and refurbishments
- › Requires specialist expertise due to bespoke nature
- › Speed more important than rates due to stringent transaction deadlines

CCFS (Loan book: £218m¹)

- › Offers regulated and unregulated products
- › Serves prime borrowers only: up to 75% LTV with no max. loan size
- › Unregulated (Property Investor Finance): loans repayable within 18 months
- › Manually underwritten by a team of 30



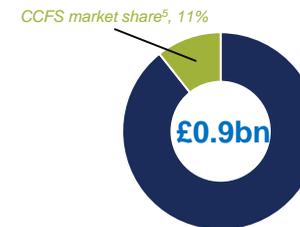
4 Second Charge

Market

- › Potential growth in direct to broker distribution post MCD
- › Market well-positioned in a rising rate environment versus unsecured lending

CCFS (Loan book: £161m¹)

- › Targets the entire market including complex residential and BTL
- › Prime customers with low LTVs
- › Up to 85% LTV for residential (75% for BTL)
- › Manually underwritten by a team of 19



Note: Market data based on company data and data from UK Finance, Association of Short Term Lenders and Finance & Leasing Association (as of Dec-16); CCFS market share calculated as a fraction of annual gross origination volumes by the Company to a subset of the market based on parameters determined by the Company which reflect the sub-markets in which it operates

1. Represents loan book balance as at 30 June 2017

2. BTL market share calculated as a fraction of the market for >60% LTV

3. Based on 2016 UK Finance ranking of BTL and Residential Owner Occupier lenders

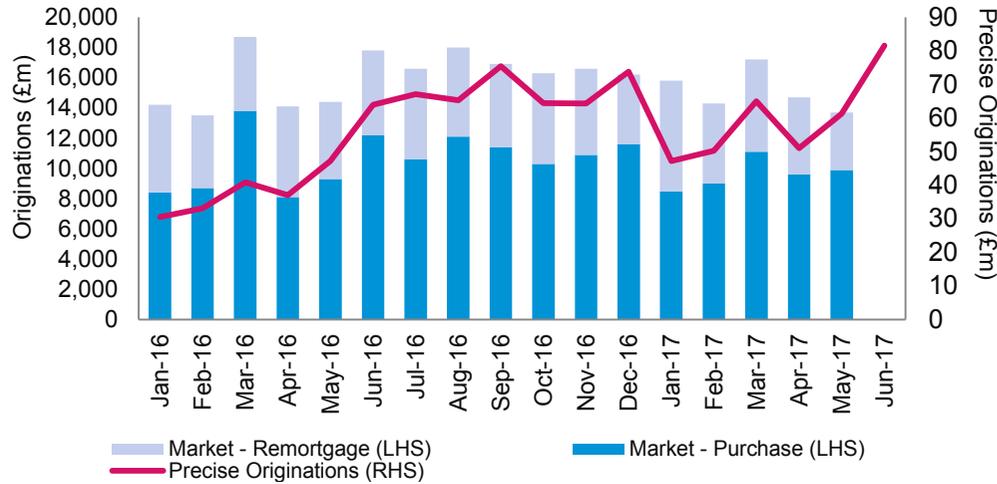
4. Specialist residential market share calculated as a fraction of the market for rates >3% (BoE report)

5. Based on management information and Finance and Leasing Association statistics

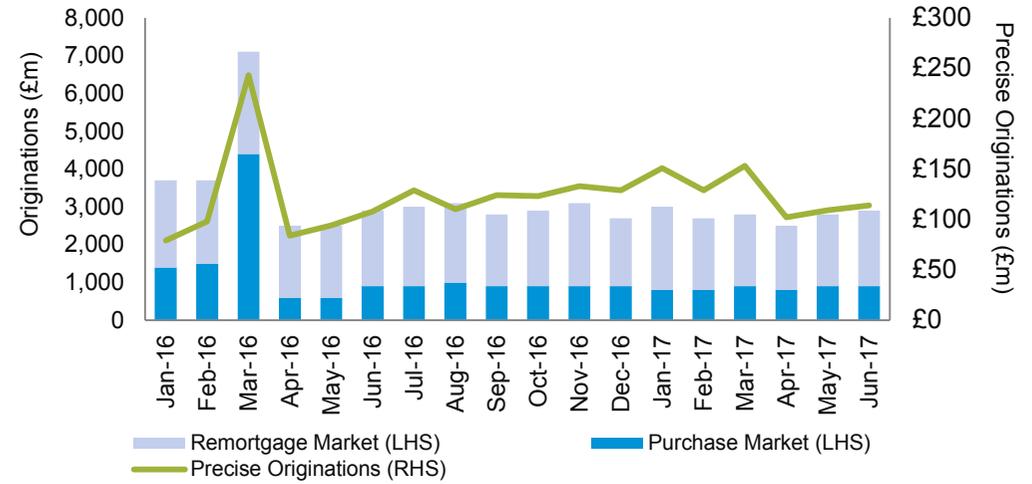
H1 Market Update

Volume Growth Continues despite Stagnant Markets

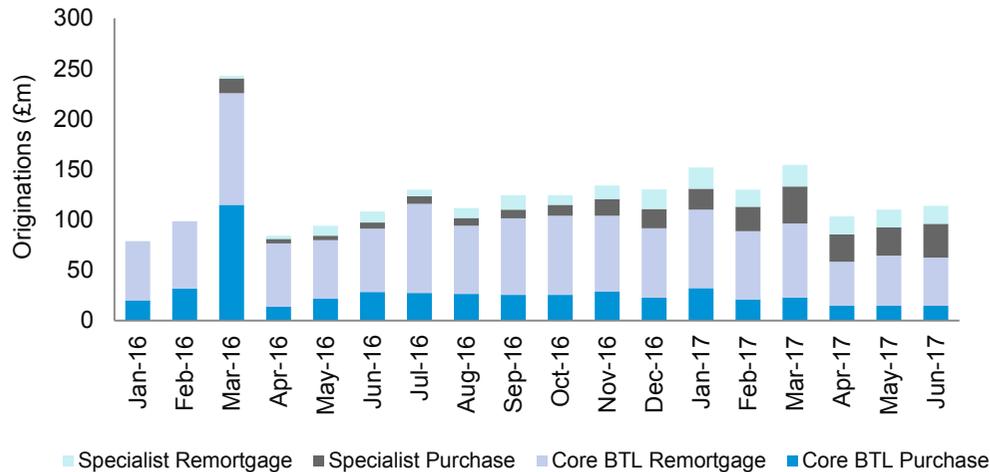
UK Residential Mortgage Market Originations¹



UK BTL Mortgage Market Originations¹



Precise Mortgages BTL Originations



Regulatory changes are driving the flow towards specialist lenders

- › Amateur landlords affected by increases in stamp duty and reductions in interest cost deductibility
- › More stringent BTL underwriting standards implemented in January 2017
- › BTL underwriting standards for portfolio landlords to be implemented by September 2017 – CCFS already implementing this
- › CCFS has seen a rise in demand for its specialist products
- › Ongoing consultation on Pillar 2A requirements for those banks using the Standardised Approach to risk weights are not subject to excessive capital requirements

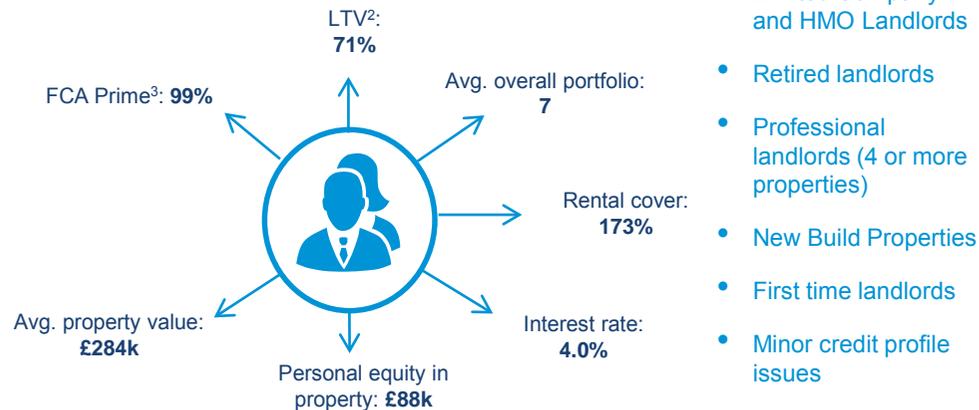
1. Historic market data sourced from UK Finance, note that UK Finance has not released lending data for June 2017

Our BTL Product Proposition

Tailored Products Appealing to a Wide Range of Customers

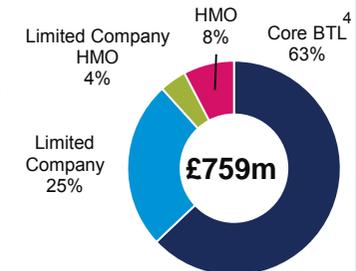
Our Customer Base is Evolving¹

High Quality Credits with Significant Equity

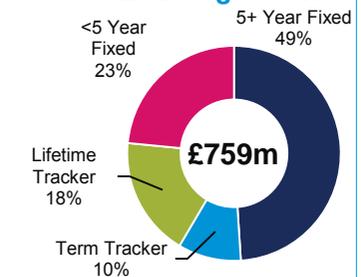


Why do Brokers and Customers Use Us?

- ✓ Diversified product offering adapted to changing market conditions
- ✓ Limited company and HMO proposition
- ✓ Fast online decision
- ✓ Portfolio policy
- ✓ 5 year fixed rates with RCR calculated on pay rate (additional underwriting applies)
- ✓ Maximum age at application 80 years
- ✓ A range of credit profiles catered for including credit averse



BTL Originations⁵



High Service Levels

BDRC Survey (April 2017): Which lenders would you be most likely to recommend to clients for buy-to-let mortgages?

Rank	Lender	BTL Limited Company Offer
1st	BM Solutions	no
2nd	The Mortgage Works	Planned future launch
3rd	NatWest	no
4th	Virgin Money	no
5th	Coventry BS	no
6th	Woolwich/ Barclays	no
7th	Precise Mortgages	yes

Key Competitors

	Specialist BTL lender
	LBG group, prime focus
	Specialist BTL lender
	No.1 BTL lender, Nationwide group, prime focus
	Specialist BTL lender

1. Based on the loan book at 30 June 2017, excludes sold securitisation deals, repossession and redeemed cases
 2. Represents average LTV at origination
 3. Customers with no more than 3 missed loan payments in the last 2 years, no more than 1 CCJ of more than £500 in the last 3 years and no IVA / Bankruptcy in the last 3 years

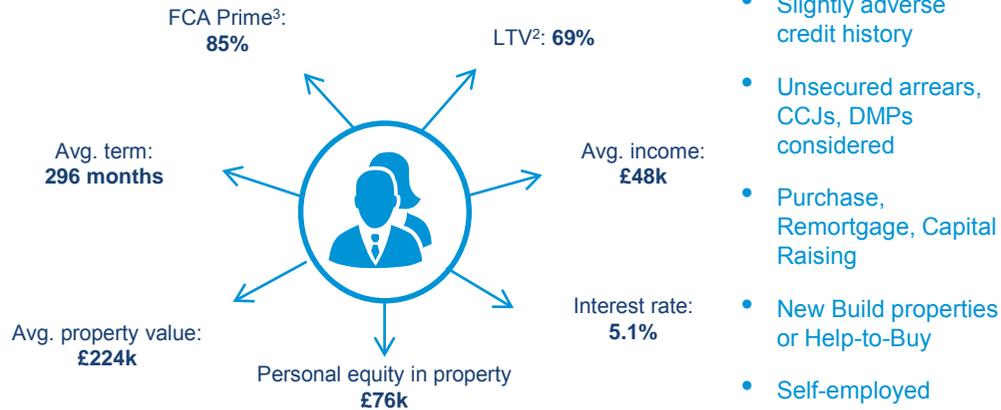
4. Core BTL refers to personal ownership for a house with a single family occupancy
 5. Originations made during H1 2017

Our Specialist Residential Product Proposition

CCFS Has Continued to See Originations Rise Despite a Wider Market Slow-down

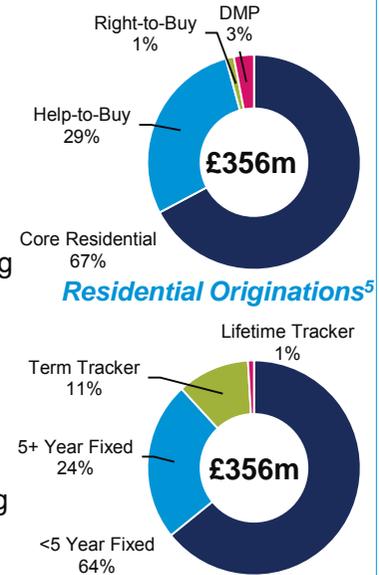
Typical Residential Customer¹

Complex cases with strong affordability attributes

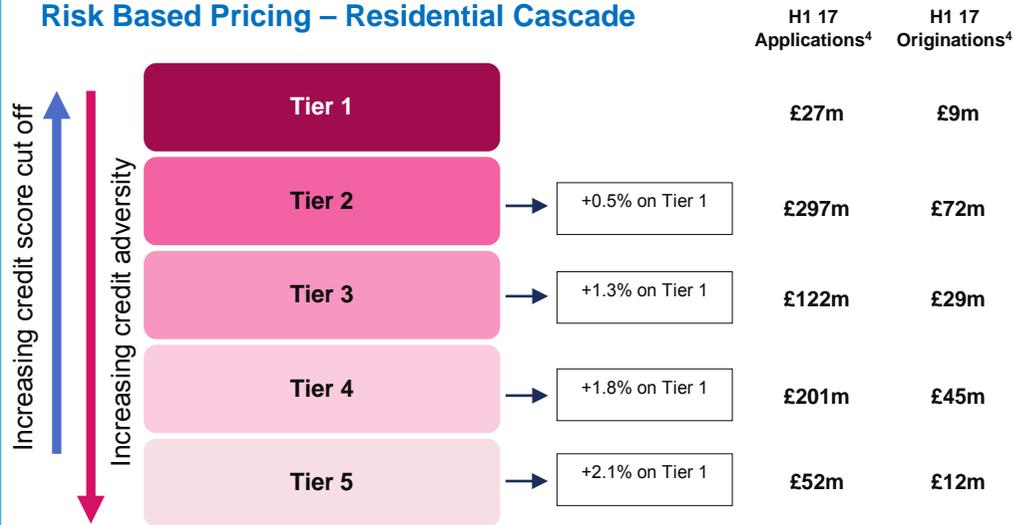


Why do Brokers and Customers Use us?

- ✓ Established lender providing a solution for a range of customer credit profiles and needs
- ✓ Clear criteria and consistent decision making
- ✓ Fast online decision
- ✓ Risk based pricing allows for flexible offering



Risk Based Pricing – Residential Cascade



Key Competitors

Aldermore	Help to buy
Building Societies	Manual underwriting, flexible criteria ⁵
Kensington <small>Lending for Real Life</small>	Manual underwriting, light adverse
pepper	New entrant
together. <small>Loans, mortgages & finance</small>	Deeper adverse
Vida <small>Home loans</small>	New entrant

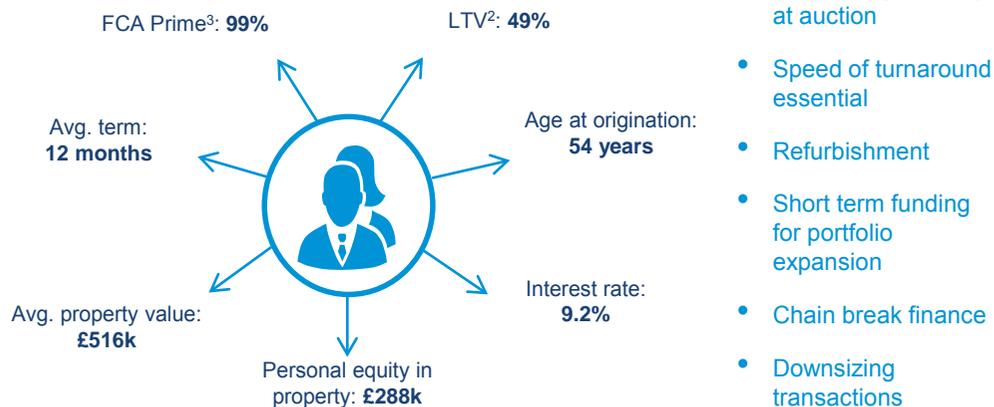
1. Based on the loan book at 30 June 2017, excludes sold securitisation deals, repossession and redeemed cases
 2. Represents average LTV at origination
 3. Customers with no more than 3 missed loan payments in the last 2 years, no more than 1 CCJ of more than £500 in the last 3 years and no IVA / Bankruptcy in the last 3 years

4. 5-tier range residential lending only, there was previously an 8 tier origination system which was discontinued in Q1 2017 and hence not included in these numbers
 5. Originations made in H1 2017

Controlled Originations and Maintaining Credit Quality

Typical Bridging Customer¹

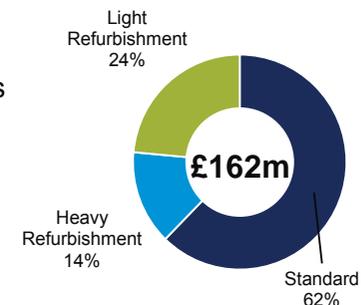
Shorter Term duration at lower LTVs and higher margins



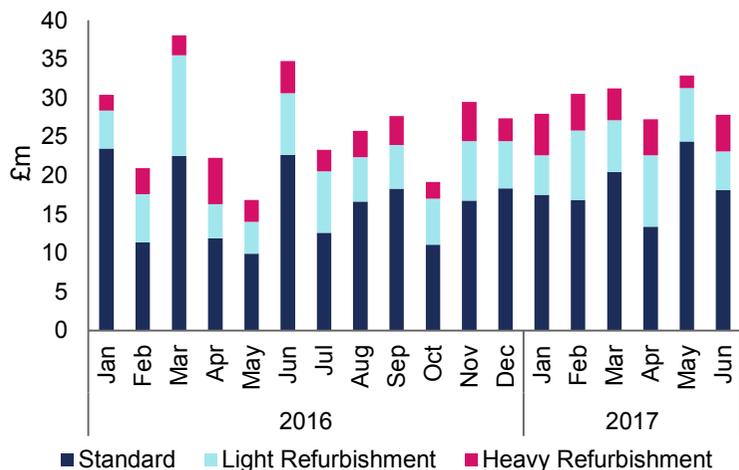
Why do Customers Use us?

- ✓ Service led proposition
- ✓ Strong relationships with key distributors
- ✓ Attractively priced
- ✓ Clear criteria and proposition

Bridging Originations⁴



Bridging Originations



£218m
Bridging Lending Book as at 30 June 2017

£287m / £162m
Bridging Originations FY 16 / H1 17

Key Competitors

- New bridging lender, Peer to peer funding
- New bank
- Specialist lender, price led with strong criteria
- Established lender
- Bank, strong regulated bridging proposition

1. Based on the loan book at 30 June 2017, excludes redeemed loans
 2. Represents average LTV at origination

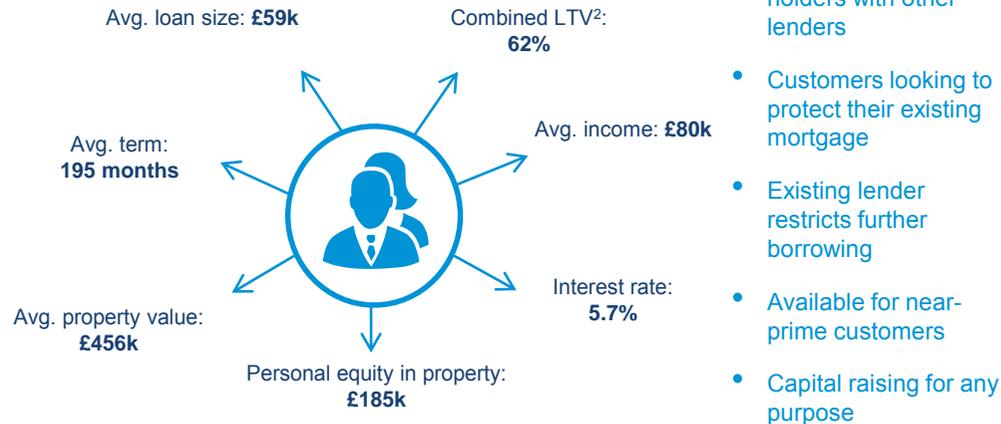
3. Customers with no more than 3 missed loan payments in the last 2 years, no more than 1 CCJ of more than £500 in the last 3 years and no IVA / Bankruptcy in the last 3 years
 4. Originations made in H1 2017

Second Charge Lending

Controlled Originations in a Softening Market, Maintaining Credit Quality

Typical Second Charge Customer¹

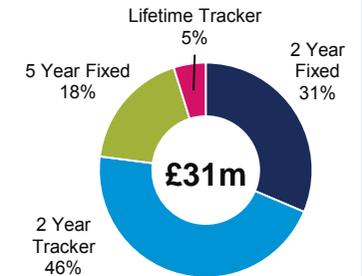
Higher level of equity and attractive margins



Why do Customers Use us?

- ✓ Leader in Direct to Broker proposition removing the costs associated with a Master Broker
- ✓ Low product fees
- ✓ Income supported BTL providing options for customers following the introduction of the PRA underwriting rules

Second Charge Originations³



Second Charge Originations



£161m

Second Charge Lending Book as at 30 June 2017

£95m / £31m

Second Charge Originations FY 16 / H1 17

Key Competitors



Previously a bridging lender, currently expanding into new sectors



Full automation with Master Brokers, light touch underwriting



Bank, comparable offering to CCFS



Part of OSB, an established specialist lender



Increasing competition is challenging its market position



Bank, comparable offering to CCFS

1. Based on the loan book at 30 June 2017, excludes redeemed loans
2. Including the 1st charge loan

3. Originations made in H1 2017

Broker Experience / Intermediary Journey

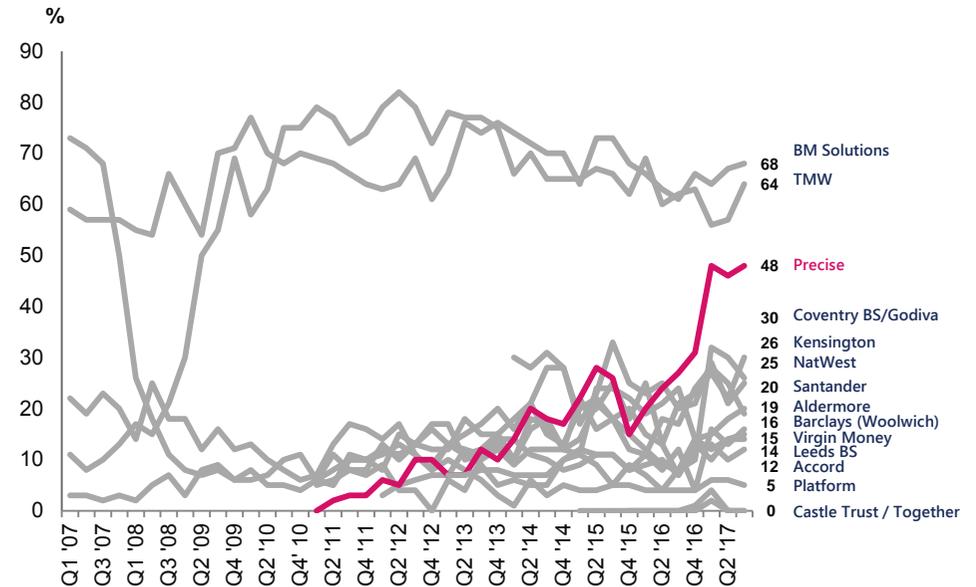
Maintaining High Quality Service Standards for Brokers and Intermediaries

Intermediary Journey

- > Service is a critical part of a specialist lender business
- > Broker Experience project started in 2017
 - Focus on adjusting procedures and communications to simplify broker application experience
- > Already delivered benefits to both Intermediaries and the business:
 - Introduced Sales Support Team to reduce inbound calls to broker servicing line
 - Issued guidance notes on policy and processing requirements
 - Improved process of document certification
- > Success is monitored through an independent quarterly BDRC report which measures broker's willingness to recommend a lender

BDRC Market Study: "Unprompted Willingness to Recommend" – Sep-17

Brokers asked "Which lenders do you recommend for any specialist mortgage"



Five Stage Broker Experience

Five stages of the Broker Experience are monitored on a quarterly basis in order to inform the Broker Experience project and drive further service improvements



Diversified Distribution

A Nationwide Diverse Panel of Intermediaries Including All Major Distributors

Intermediaries

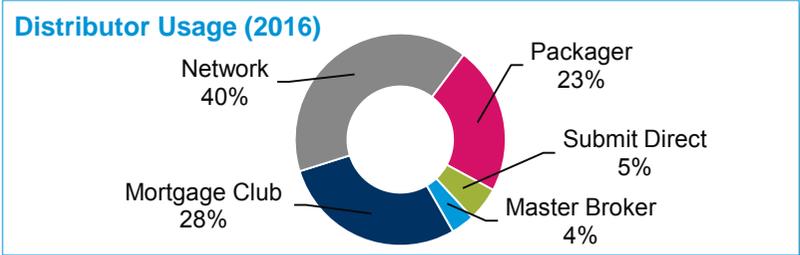


Legal & General
largest distributor accounting for 17.9% of completions in 2016

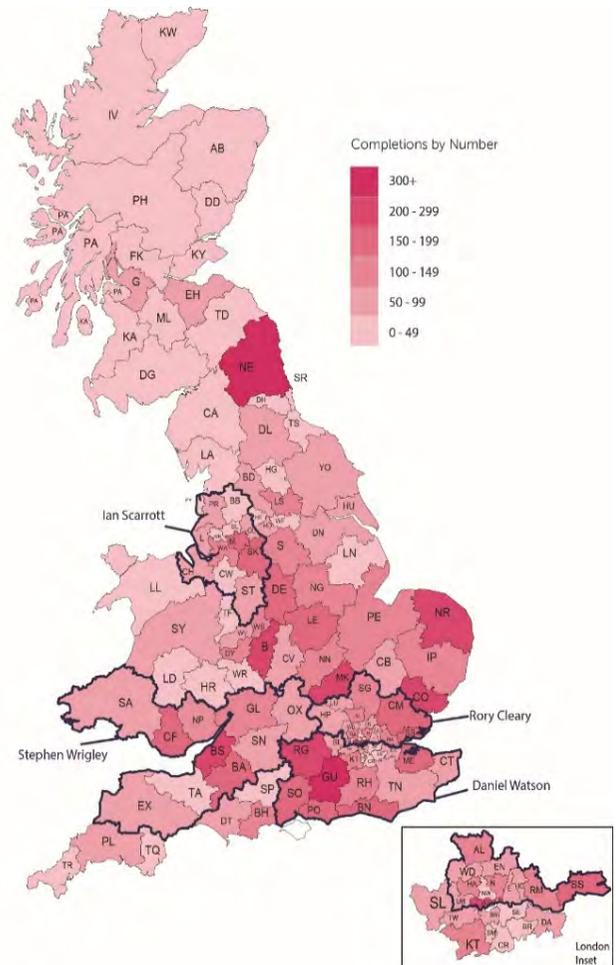
c.17,000
individual business writers registered in 2016

c.9,000
brokers submitted an application in 2016, 56% of which submitted multiple applications

236
unique distributors submitted cases to Precise Mortgages in 2016



Distribution and Sales Heat Map (2016)



Business Development Management (“BDM”) Sales Team Expansion

- > Prior to 2016 operated a centralised sales function focusing on senior relationships and roadshow presence – *Face to face broker contact was limited*
- > A BDMs trial in 2016 demonstrated that areas with BDMs grew by 170% vs.144% growth in non-BDM area
- > Plan to continue to expand the number of BDMs
- > Enhanced telephony support for sales team maximising the sales potential of the 1,500 calls received per day
- > Appointed the Head of Sales Delivery to ensure delivering focused strategy aligned to core business targets

Proactive Communications and Dedicated Relationship Management

Direct Activity

- › Relationships with senior management and decision makers at all significant distributors
- › Popular roadshow and distributor event programme which reached c.3,650 business writers in 2016
- › BDMs targeted to visit 20 intermediary firms per week

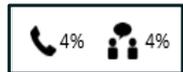
Marketing Communications

- › 2.2 million marketing emails were sent in 2016 to intermediaries achieving 530,000 opens
- › In H1 17, 2.1 million marketing emails were sent, averaging 6.4 campaigns per week, achieving an estimated 467k cumulative unique opens



BDRC – Precise Mortgages’ Marcomm Performance vs. Peer Group

Recall Marcomms	Performance	vs. Q4 16	Rank ¹
E-mail	13%	+10	1
Trade press	7%	+6	1
BDM contact	6%	+4	4
National account / Events	4%	+1	2
Network / Clubs	2%	+2	=1
Mail	1%	+1	1



accounted for

75%
of CCFS completions
in 2016

7
of the distributors
above accounted for
87%
of the UK intermediary
completions in 2016

1. Position against the other brands labelled as Specialist Brands: BM Solutions, The Mortgage Works, Kensington, Aldermore, Castle Trust

III. Underwriting, Credit Risk Management & Lending Policy

Section Presenters



Peter Elcock
Chief Risk Officer



Ian Lonergan
Chief Executive Officer



Chris Preston
Director of Credit Risk



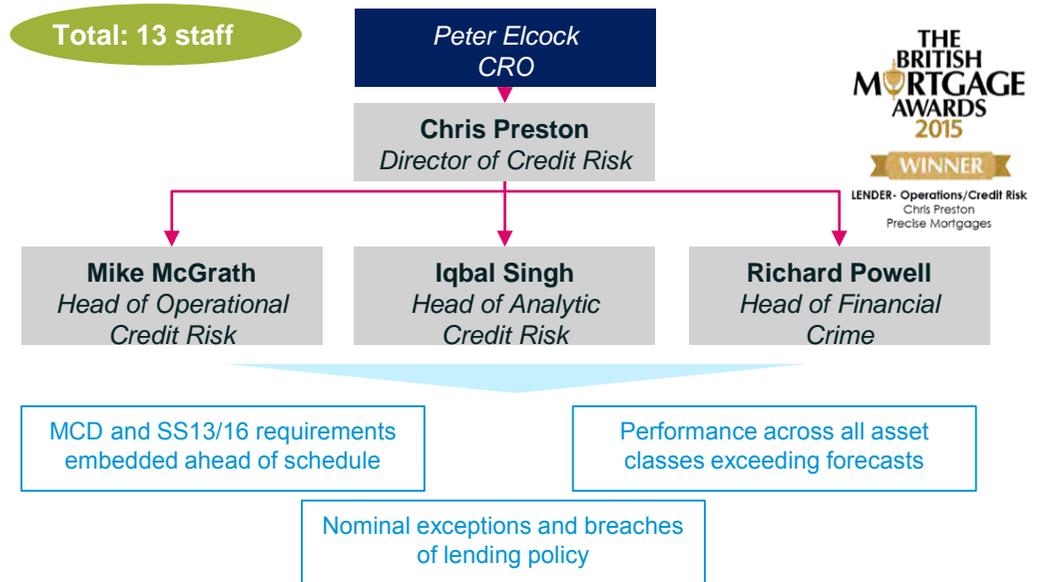
Rob Williams
Director of Processing

Credit Risk Management

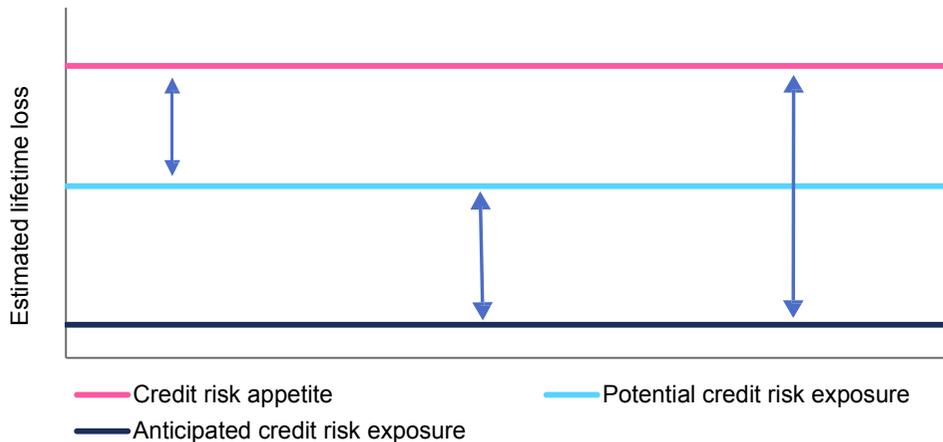
Maintaining Performance across Multiple Asset Classes within Credit Risk Appetite Parameters

- Group credit risk capabilities **informed by extensive Exact experience**
- The credit risk appetite, set by the Board, is **reviewed annually and continuously monitored**
- Actual losses are significantly within the anticipated credit risk exposure**, as scorecard predicted bad rates are enhanced with the overlay of policy rules, affordability controls and manual verification
 - Historically, delinquent accounts formed c.10% of anticipated emergence
- Experienced credit risk management team** with an average experience exceeding 25 years
- Robust credit risk framework ensuring **mortgage risk is taken only in accordance with agreed parameters**
- All measures have consistently been satisfactory with Actual Credit Risk Exposure tracking inside of Potential Credit Risk Exposure and account performance running inside of forecast**

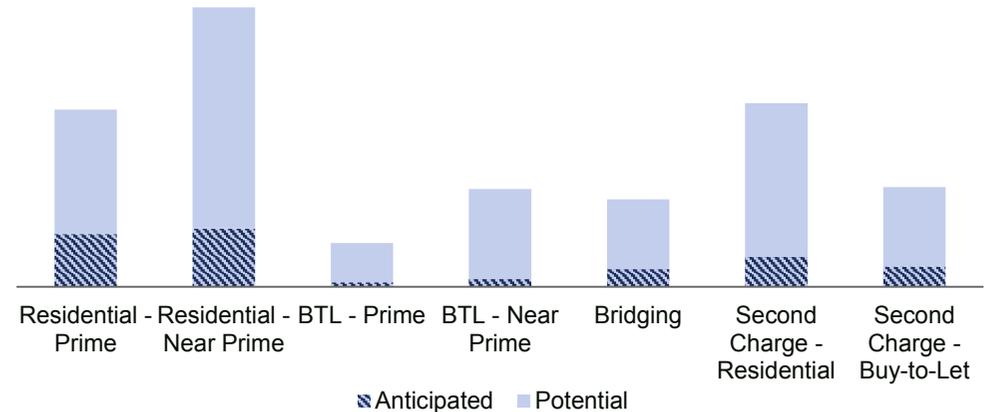
Credit Risk Team



Credit Risk Appetite and Exposure

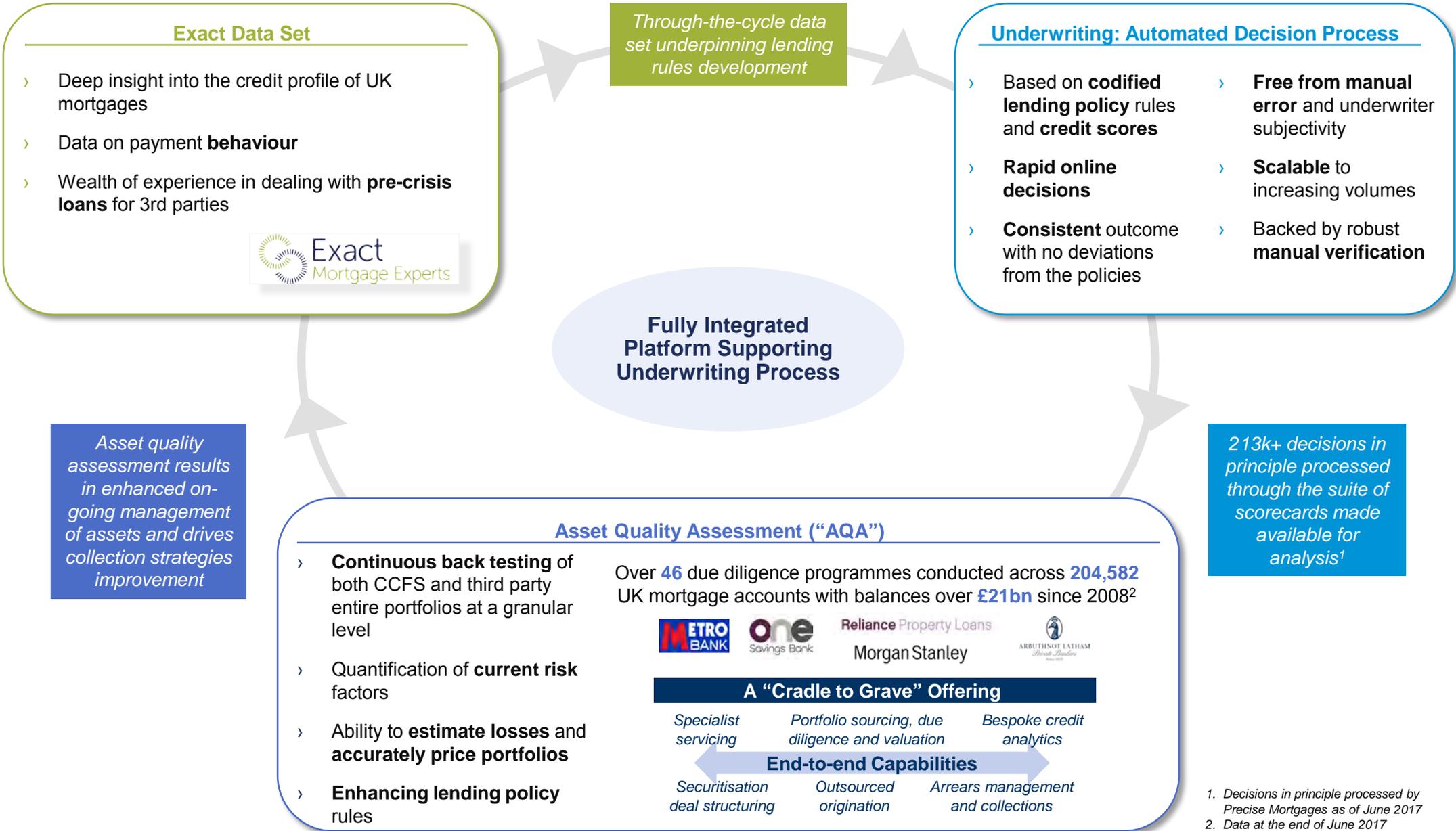


Anticipated vs. Potential Credit Risk Exposure by Product



Underwriting Process Design

Experience with Exact Underpins the Approach to Developing Criteria and New Products

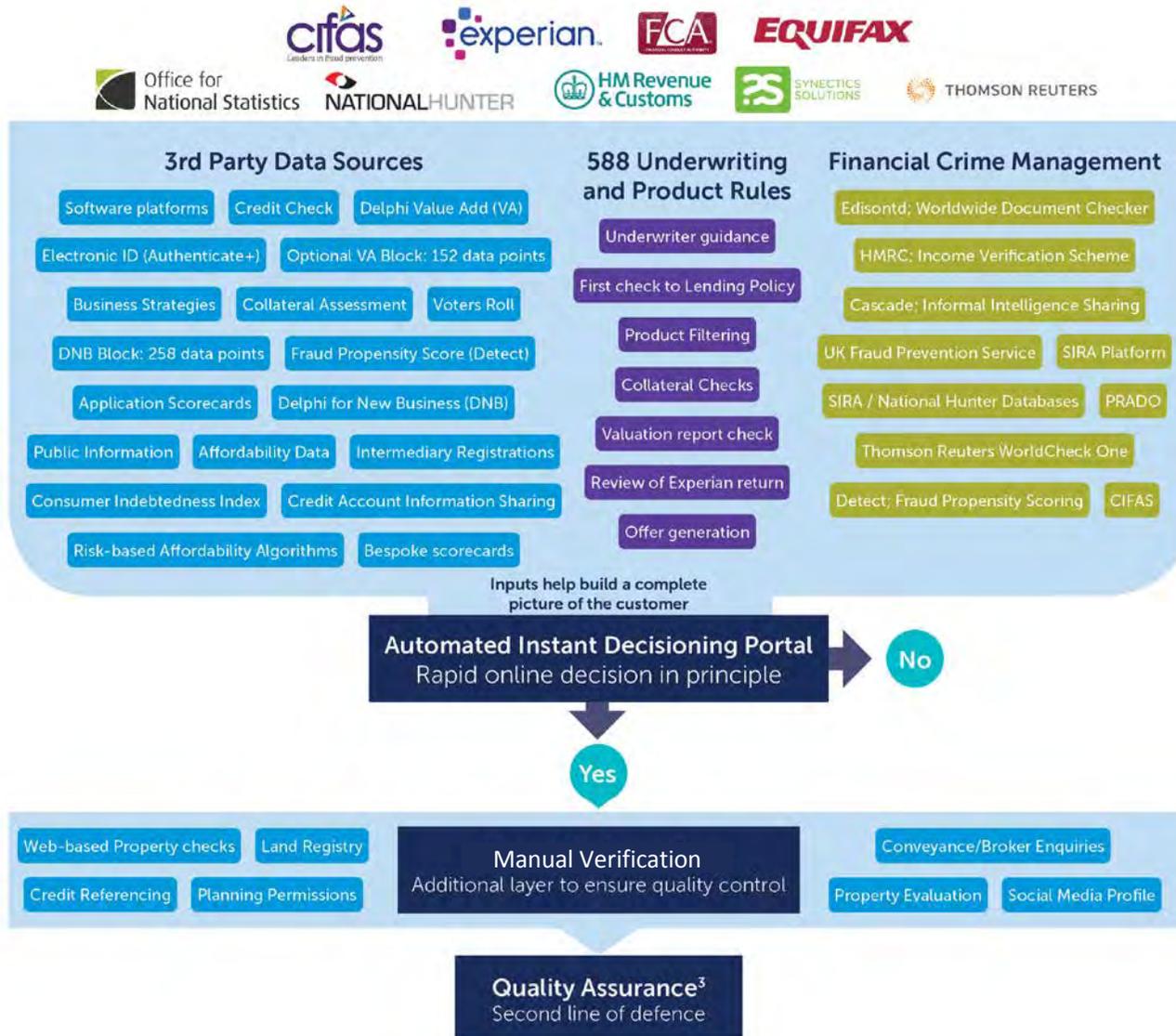


1. Decisions in principle processed by Precise Mortgages as of June 2017
 2. Data at the end of June 2017

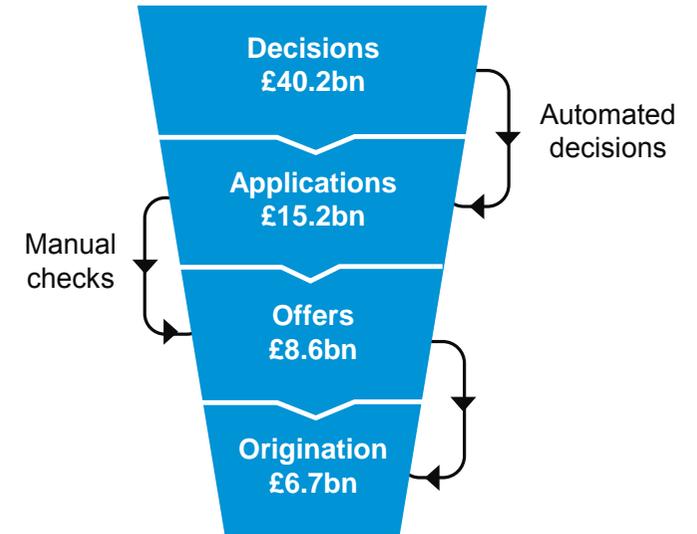
Underwriting Approach

Efficient, Scalable and Consistent

Comprehensive Underwriting Approach (LTL¹)



Underwriting in Numbers^{2,4}



Exceptional Loan Performance⁴

Live Accounts
27,054

3+ months in arrears
26

1. Long Term Lending (BTL and residential)
 2. Represents figures since inception to 30 June 2017
 3. Carried out on 100% of bridging loans and 2nd charge and c.40-50% of BTL and residential loans
 4. As of 30 June 2017; excludes de-recognised securitisations, reposessions and redeemed loans

Precise Mortgages' Service Awards

A Multi-award Winning Business

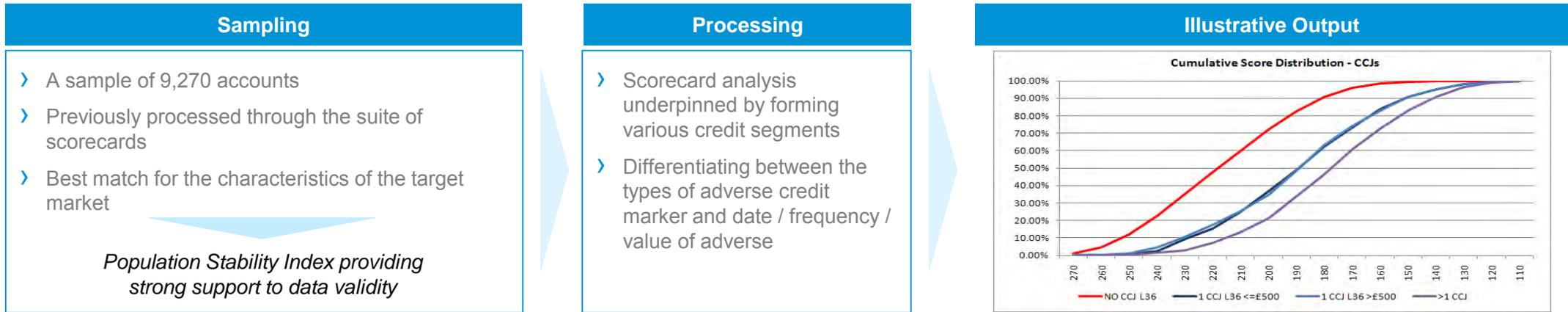


Case Study AQA Data Enriching Lending Criteria

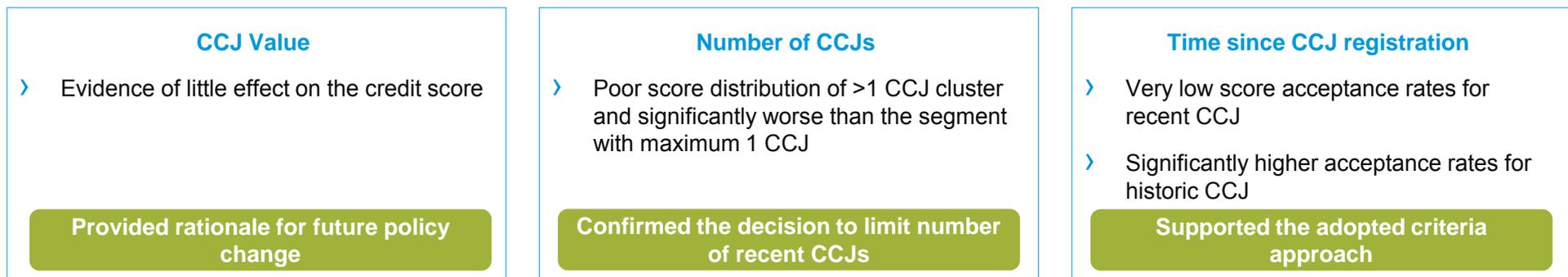
CCJ Analysis

Situation Setting and Objectives

- › A goal to establish appropriate scorecard cut-off strategies and lending policy rules for the mortgage origination proposition
- › Utilising intelligence gained from previous AQA credit analytic projects to identify limits of the degree of correlation between credit score and CCJ policy rule
- › Ensuring any conflict in the overall lending decision is mitigated, i.e. cases on the outside limit of the CCJ criteria would not always fail to achieve the minimum credit score to be approved



CCJ Lending Policy Rule Underpinned by Robust Analysis of a Data Sample



Credit Management Committee

Detailed Monthly Reviews Ensuring Comprehensive Information for Decision-Making and Monitoring

Credit Management Committee Overview

Credit Management Committee (“CMC”) meets monthly to monitor the credit risk environment, review the portfolio and discuss ongoing credit projects

- › Proposes Credit Risk Appetite Statement to the Board and oversees application of the Credit and Lending Policies
- › Manages risk of financial loss and establishes an appropriate credit risk environment document in a suite of Lending Policies
- › Monitors quality of broker business
- › Reports instances of fraud or financial crime to NCA / FCA

Meets on a monthly basis:

- › Key Risk Indicator dashboards
- › Full mortgage portfolio reviews, including
 - Volume and conversion metrics
 - LTV / credit scores distributions
 - Affordability metrics
 - Geographic distributions
 - Credit record analysis
 - Performance data
 - Arrears characteristic analysis
- › Emergence of arrears reporting
- › Financial crime report

Monthly basis

Other management information reviews:

- › Early Warning Indicators
- › Broker performance reviews
- › Deep-dive portfolio reviews
- › Affordability reviews
- › Scorecard reviews
- › Valuation reviews

Quarterly basis

Bi-annual basis

CMC Attendees

CEO CFO CRO Collections & Recovery Products Capital Markets
 Credit Risk MD Precise Mortgages Processing Legal & Compliance

CMC Pack Sections and Key Chapters

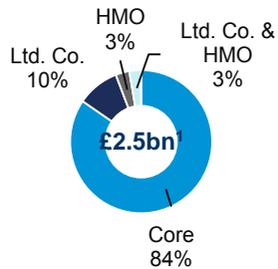
The pack produced for each committee contains high level dashboards covering a wide range of metrics along with detailed appendices and reports to allow a deep dive of each element as necessary

Summary Statistics	<ul style="list-style-type: none"> › Key Risk Indicators › Detailed breakdown of new lending and mortgage portfolio reviews › Product level metrics › Geographical metrics › Securitisation performance summary
Credit Metrics	<ul style="list-style-type: none"> › Early warning indicators › Quality Assurance review › Loss provisioning of collective and specific provisions › Breakdown of cases on edge of credit policy › Scorecard and affordability reviews › Deeds Report
Arrears & Collections	<ul style="list-style-type: none"> › Detailed breakdown of customer credit information › Current arrears and arrears emergence › Collections monitoring › Collections watch list and possession cases
Financial Crime	<ul style="list-style-type: none"> › Financial crime monthly summary › Financial crime metrics and reports
Bespoke Items (non-exhaustive)	<ul style="list-style-type: none"> › Upcoming regulation reviews and impact assessments › On-going credit projects › Broker reviews › Policy revisions › Targeted analysis › Approval of pack changes

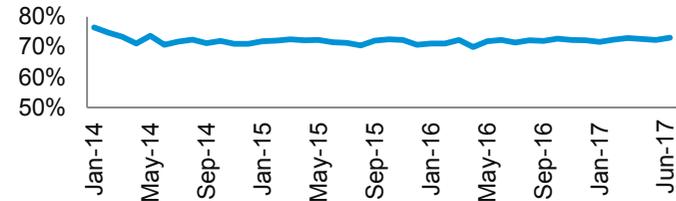
Loan Book Credit Performance by Product

Steady Performance over Time

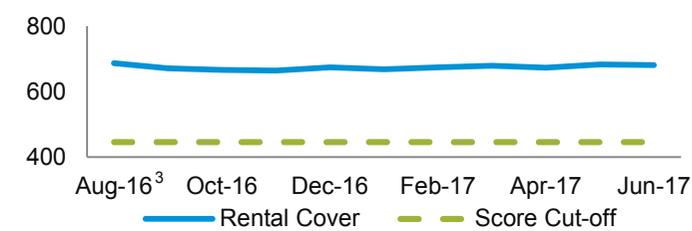
Buy-to-let



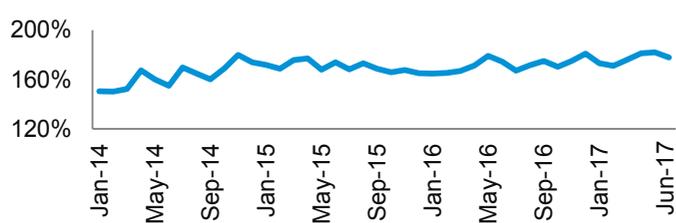
WA LTV



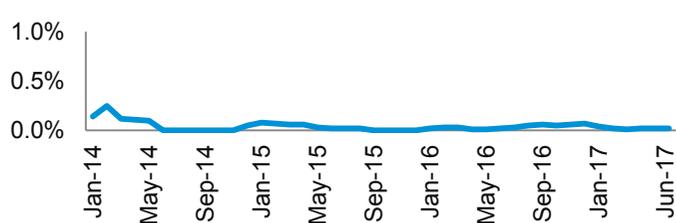
Credit Score



Rental Coverage Ratio



3+ Arrears Performance



0.17%

1+ arrears

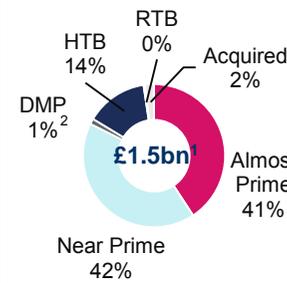
0.02%

3+ arrears

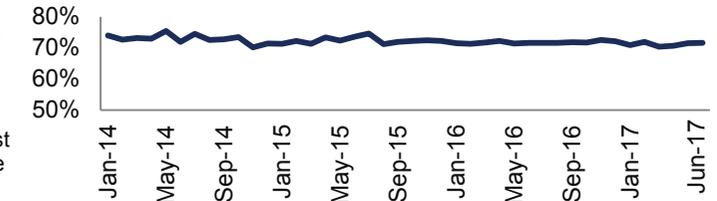
3 accounts

3+ arrears

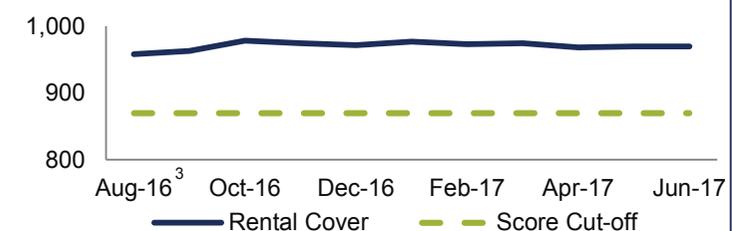
Residential



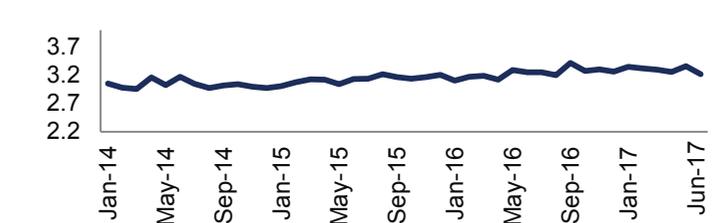
WA LTV



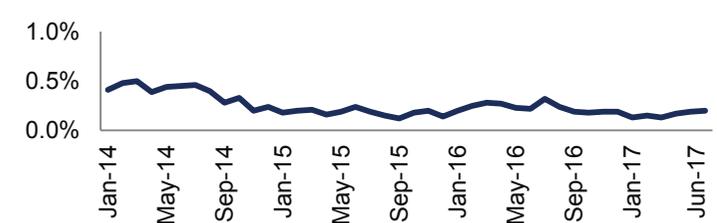
Credit Score



Income Multiple



3+ Arrears Performance



0.59%

1+ arrears

0.20%

3+ arrears

20 accounts

3+ arrears

Source: Management information, book performance shown at the end of June 2017

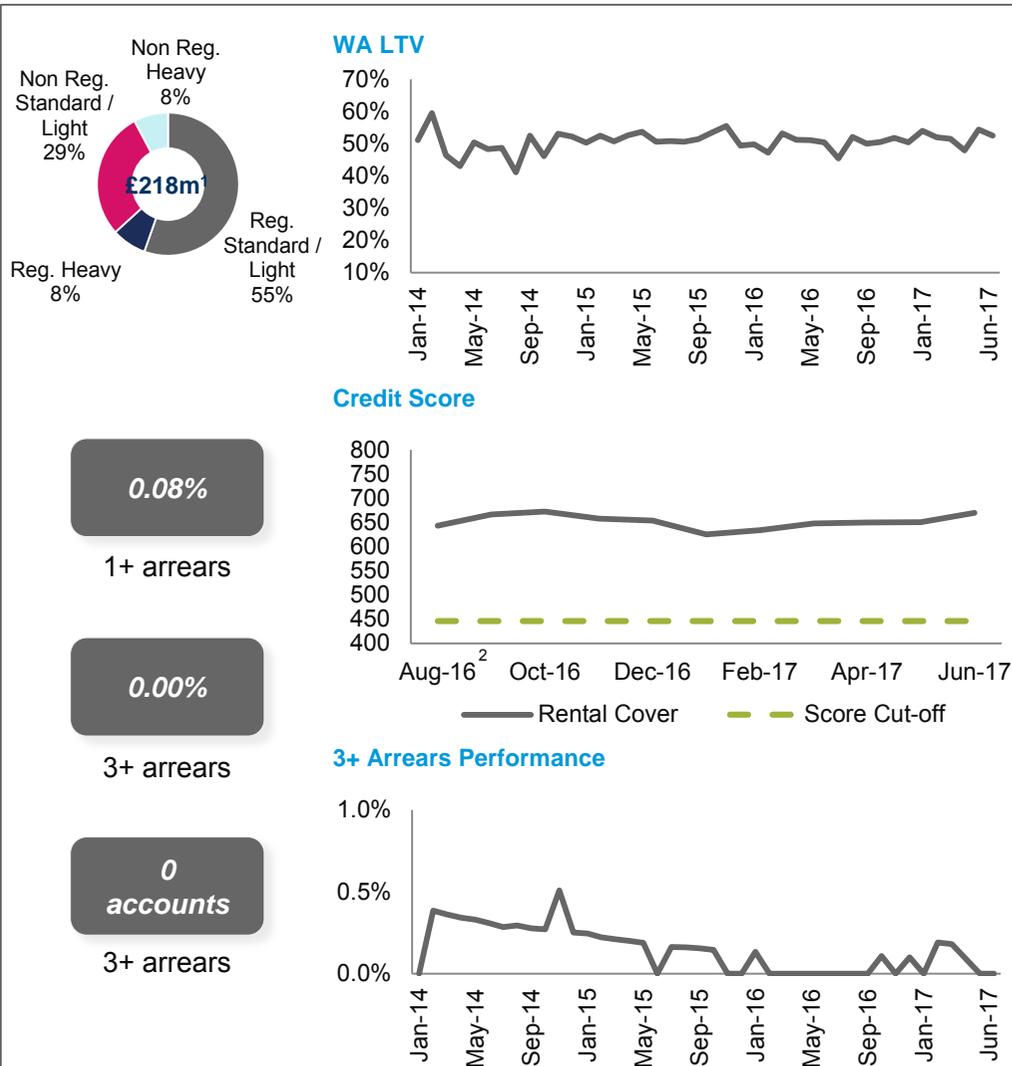
1. Loan book as of June 2017

2. Debt management programme

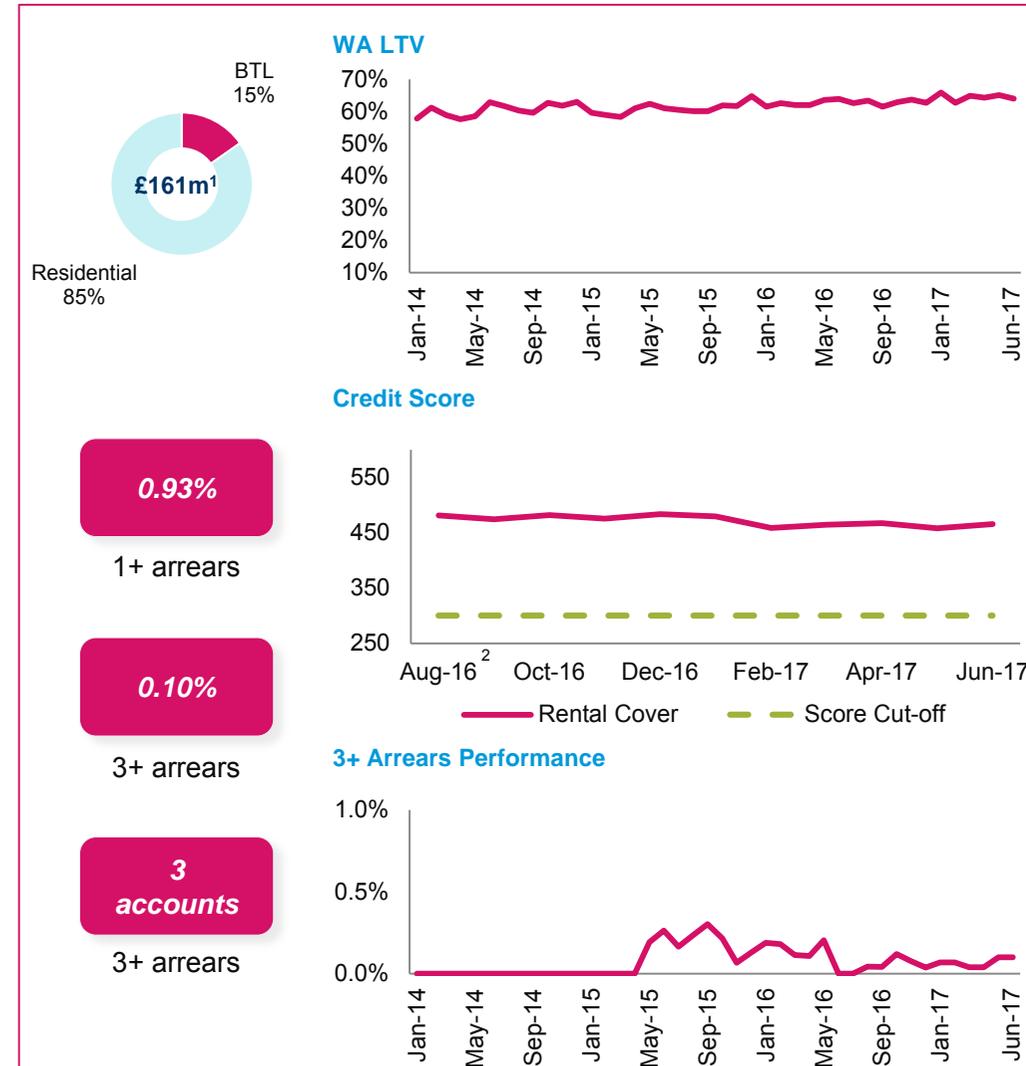
3. New application scorecards implemented in July 2016 for BTL, Residential and Bridging

Loan Book Credit Performance by Product (Cont'd)

Bridging



Second Charge



Source: Management information, book performance shown at the end of June 2017
 1. Loan book as of June 2017
 2. New application scorecards implemented in July 2016 for BTL, Residential and Bridging

IV. Capital Management & IRB

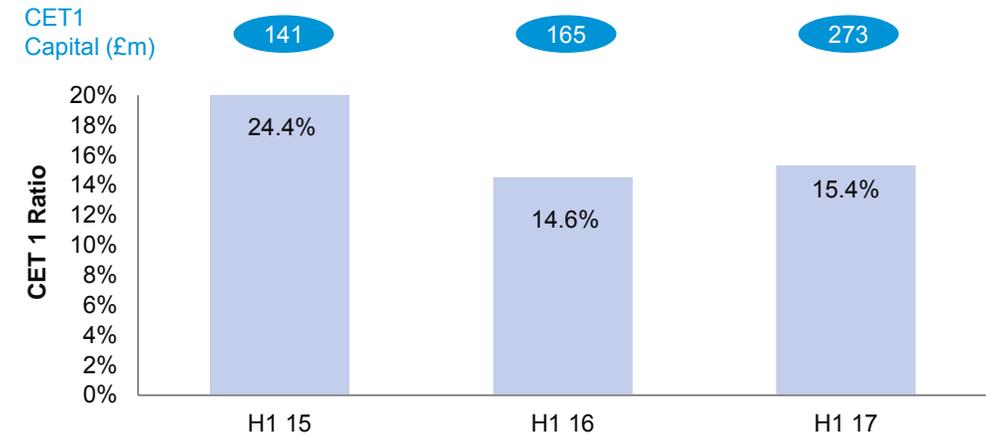
Section Presenters



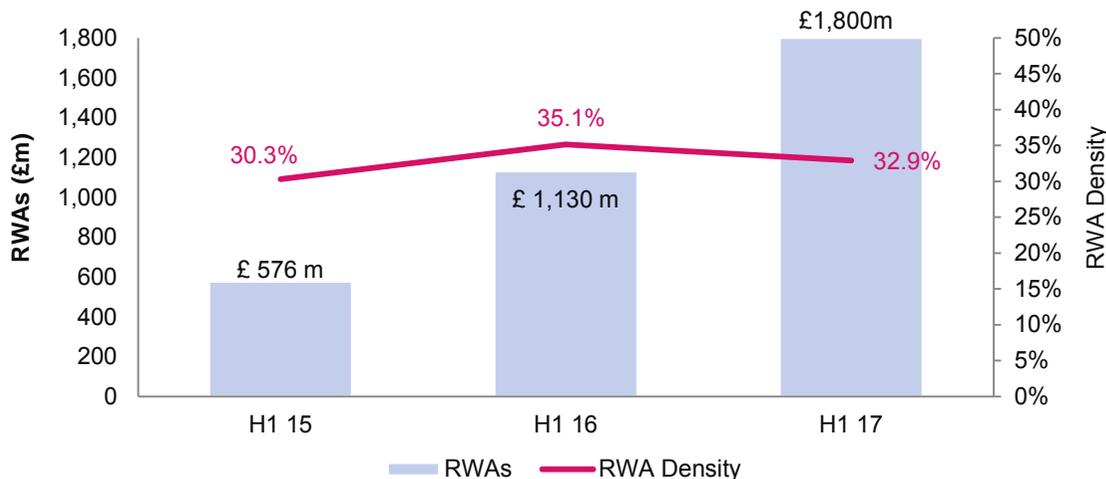
Sebastien Maloney
Chief Financial Officer

- › RWAs calculated using **standardised risk weightings**
 - Well-prepared for transition to IRB subject to regulatory developments
- › RWA increases represent growth in the balance sheet and profitability
- › Not subject to regulation aimed at large banks e.g. G-SIFI buffers
- › Continued progress on IFRS 9 adoption
- › Normalisation of capital ratios in 2016 with initial CET1 capital injection in 2015 calibrated to the business plan
- › Well capitalised for future growth:
 - Vast majority of the regulatory capital held in CET1
 - Leverage ratio comfortably exceeds minimum requirements

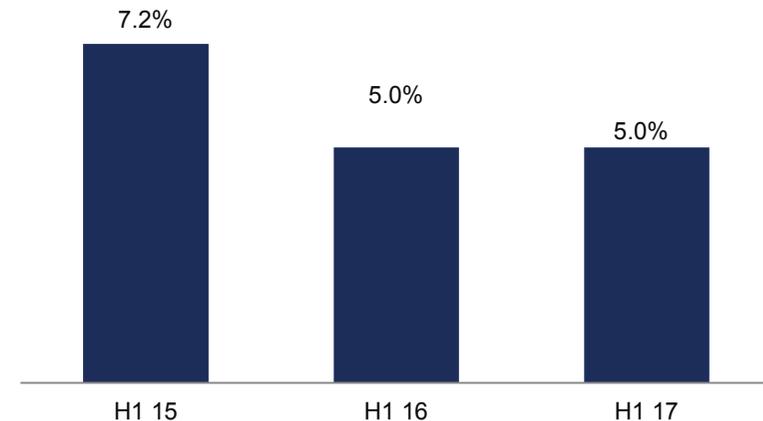
CET 1 Ratio¹



Risk Weighted Assets (£m)



Leverage Ratio



Internal Ratings Based Approach

Solid Analytical and Scorecard-Decision Oriented Platform Means the Business is Well-Positioned for IRB Adoption

PRA Requirement and Key Success Outcomes

Rating System	<ul style="list-style-type: none"> › Models built to IRB requirements and in production › Statistically robust Economic Capital models as basis of Pillar II submission
Capability, Use Test and Experience	<ul style="list-style-type: none"> › Capital process part of risk and business decision-making › Senior management understanding of CRR and IRB
Governance and Policy	<ul style="list-style-type: none"> › Governance, ToRs, remit and processes documented › Responsibilities and roles clearly allocated
Data	<ul style="list-style-type: none"> › Data to meet minimum model build requirements › Data understood, documented and governed
Systems and Infrastructure	<ul style="list-style-type: none"> › Capital calculations in robust and controlled infrastructure › Technical system design and maintenance capability
Capital Management and Planning	<ul style="list-style-type: none"> › ICAAP and stress testing processes in place › Regular planned reviews with formally identified findings › Framework in place and widely understood › Reporting through Pillar 3
IRB team	<ul style="list-style-type: none"> › Bespoke embedded IRB team, able to handle model lifecycle › Internal, external and regulatory reporting › High quality input to capital management and planning process

CCFS Response

<ul style="list-style-type: none"> › Well-established ratings system for credit, capital and business decision-making › Preparing for IFRS 9 › Development of IRB models
<ul style="list-style-type: none"> › Management driving IRB › Strategic IRB Advisors in place › IRB models to be transitioned into bank processes
<ul style="list-style-type: none"> › Well-established governance processes › Embedding model management and control aspects
<ul style="list-style-type: none"> › Capability to utilise external data, as supported by PRA consultation paper › Expert input from “Exact” business › Balance sheet composition allows significant synergies › Initialised data governance and quality responsibility allocation
<ul style="list-style-type: none"> › Code-based environment, data warehouse and execution structure in place › Embedding model control framework
<ul style="list-style-type: none"> › Well-developed ICAAP and stress testing process › Capital and liquidity planning is a key part of business decision-making process › Pillar 3 process mature and easily adaptable to IRB › Switched to IRB models for primary risk measure in capital processes
<ul style="list-style-type: none"> › Experienced hires for Models and Ratings team › IT ratings process understanding from credit decisioning and IFRS 9 › Management and NEDs with deep IRB understanding › Established relationship with the PRA through proactive IRB engagement › Plan and budget in place with analytical support being actively recruited

V. Funding & Treasury

Section Presenters



Sebastien Maloney
Chief Financial Officer



Paul Whitlock
Director of Savings

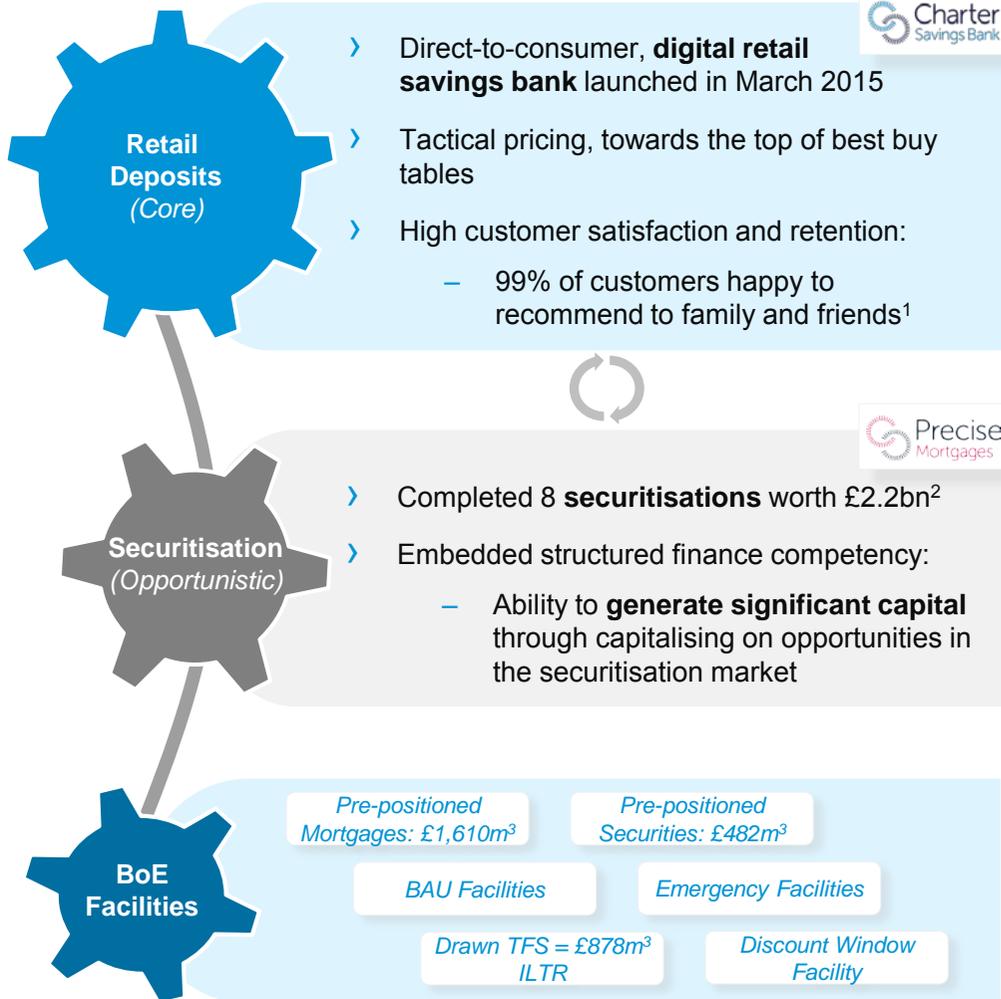


Simon Allsop
Director of Capital Markets

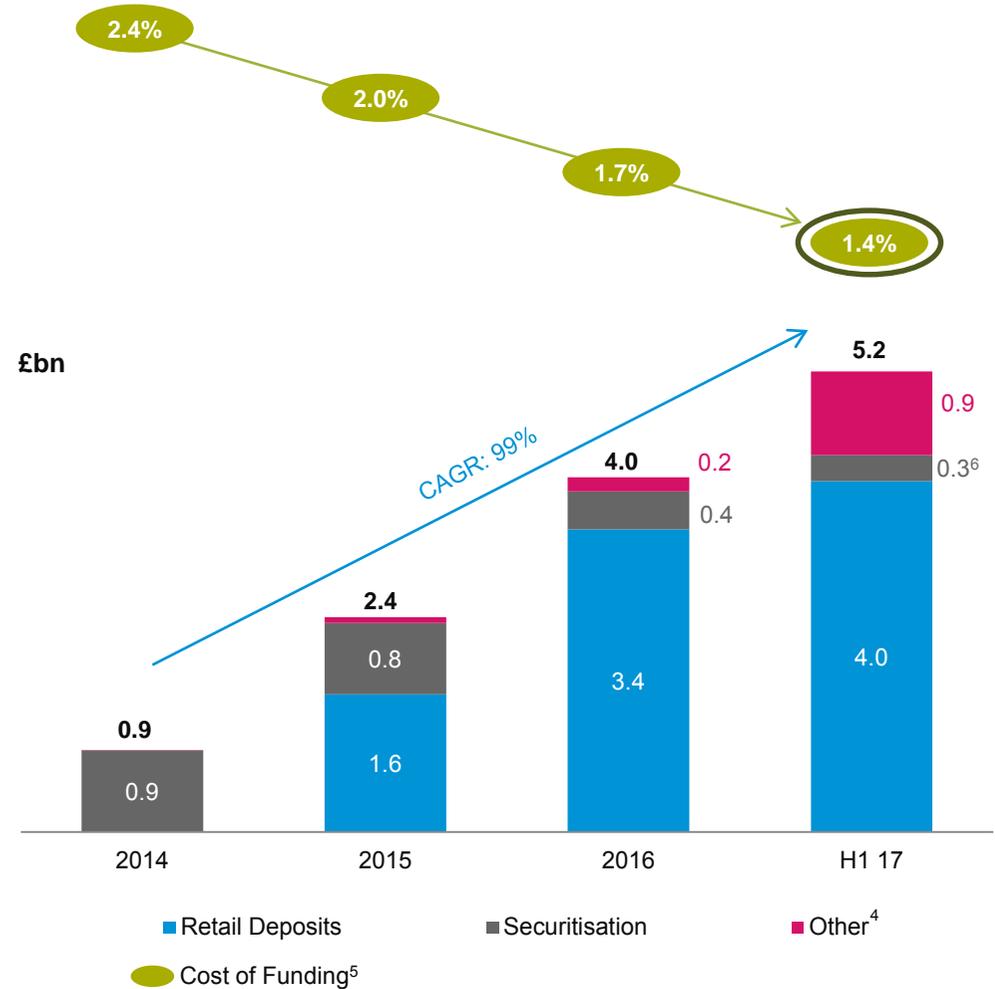
Funding

Diversified, Sophisticated and Stable

Funding Sources



Diversified Funding Base with Declining Cost of Funding



Deposit-led funding strategy complemented by wholesale facilities, a sophisticated treasury function and 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. Includes CMF 2017-1, which priced 20th July 2017 and is due to close on 27th July 2017
 3. As of 30 June 2017

4. Includes FLS and TFS funding (Bank of England facilities)
 5. Calculated as interest expense divided by average interest-bearing liabilities
 6. Excludes CMF 2017-1 which is due to close on 27th July 2017, after the H1 period end

Retail Deposits

Savings Market Strategy and Operations

Savings Offering Strategy

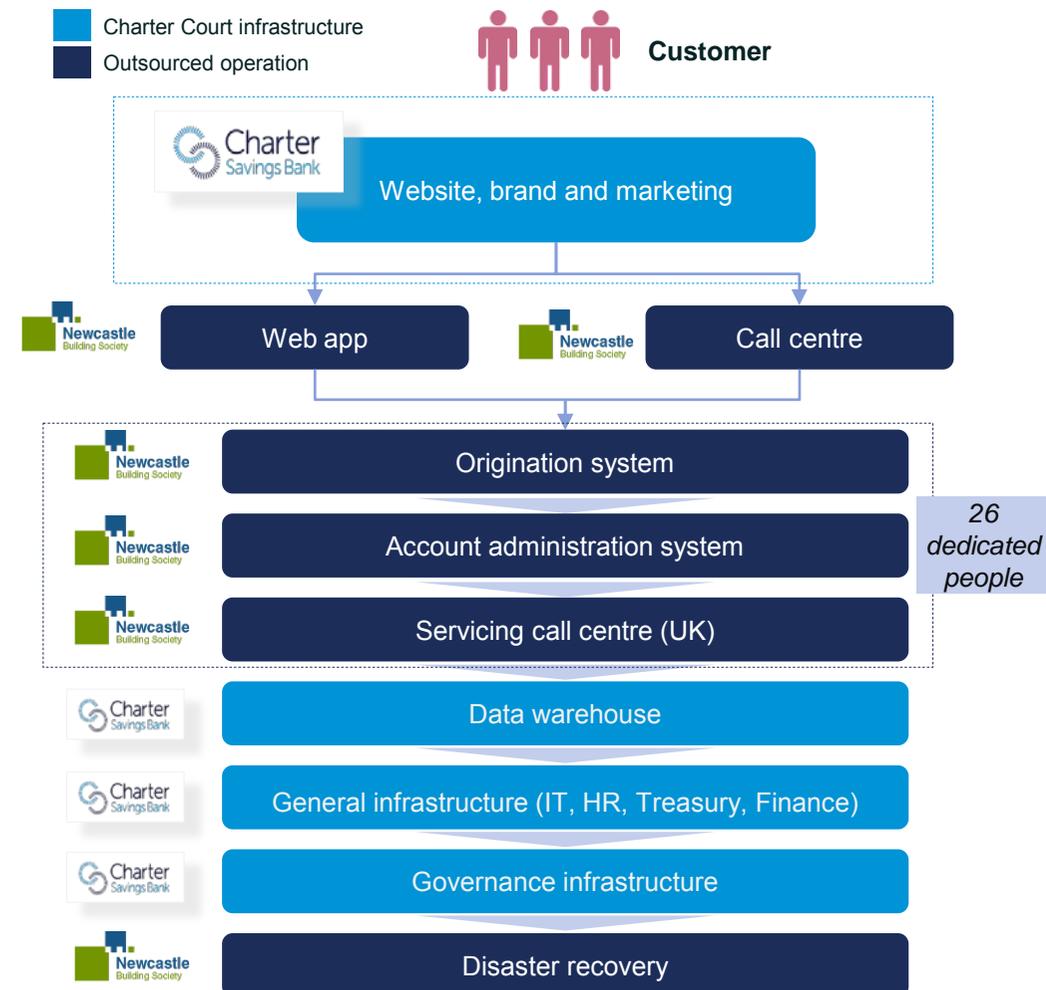


- › Launched in March 2015 to access additional retail funding and **diversify the funding base**
- › **A multi-award winning digital retail savings bank** with a growing consumer awareness
- › **Development of new products** to access new funding pools, e.g. cash ISA
- › **Strong growth** in deposit book and customer numbers
- › Changing rates **154** times since launch has provided accelerated learning, and helps forecast efficiently
- › During April 2017, by completing a spread tightening project, reduced the cost of funds for select Notice products by a weighted 43bps

<p>Best Online Savings Provider Moneyfacts Consumer Award received twice during 2 years of operations</p>	<p>c. 85,000 customers receiving a positive experience</p>	<p>Extensive Press Coverage c. 2,600 press mentions</p>
<p><i>Awards and press mentions facilitate credibility and reduce the reliance on offering the very best rates</i></p>	<p><i>Promotes advocacy, recommendations and retention</i></p>	<p><i>Improves visibility of proposition</i></p>

Savings Accounts Operations and Customer Journey

Account opening, customer servicing and other operations are outsourced to **Newcastle Building Society (NBS)** — **outsourcing savings operations but not accountability**



Retail Deposits

Overview of Deposit Book

Overview

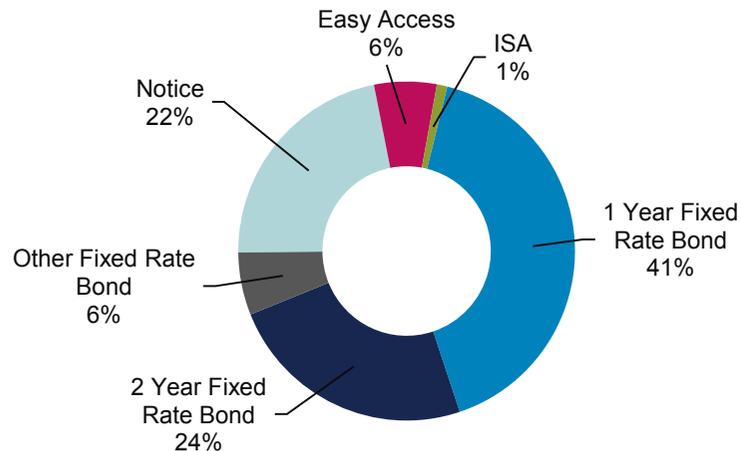
- › **Attracted £1.86bn of deposits in 2016** and built a c.£4bn¹ deposit book in just over 2 years, with a mix of terms of Fixed Rate Bonds, Notice and Easy Access Accounts
- › **Delivering required inflows with decreasing cost of funds:** margin over index of c.150 – 125bps
- › As at June 2017, **93% of deposits were either in fixed term savings bonds or in notice accounts**
- › **Strong performance even during volatile macro-economic environment** (e.g. Grexit, Brexit)
- › c.65% active retention rate and c.20% passive retention rate
 - Strong retention rate even post deposit re-pricing

£44k
Average deposit balance per customer
as at 30 June 2017

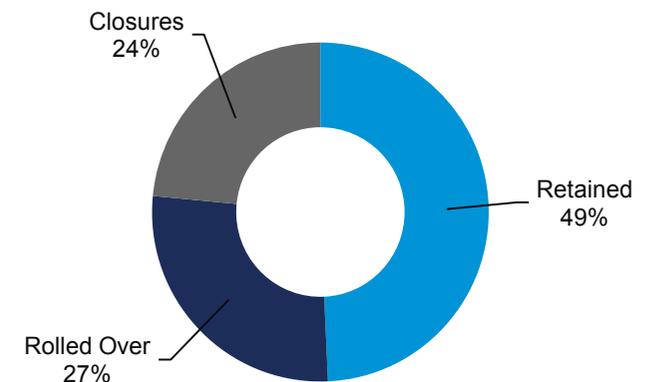
90k (+73% yoy)
Number of customers as at 30 June
2017

Retail Deposits by Product (Jun-17)

Pro-active liquidity management to match duration; low share of easy access deposits



Deposit Retention Performance (H1 17)



Overview

Securitisation Overview

- › **Programmatic issuer of high quality RMBS** through the Precise Mortgage Funding franchise
- › Completed **8 securitisations** worth **£2.2bn** to date¹
- › Proven ability to utilise RMBS as a means of **generating significant funding and capital** through full de-recognition SRT transactions
- › **Nimble** — able to move from inception of deal marketing within a 4-6 week timeline

Performance

- › Only **21 loans in 3+ months** in arrears across entire shelf as of June 2017
- › Only 1 default to date, **zero loss**

Ratings

- › **24 ratings upgrades**, zero downgrades across deal bonds
- › At least 75% of rated notes on deals PMF1 to PMF 2014-2, and at least 50% of PMF 2015-1 rated notes have been **upgraded to AAA by Fitch**

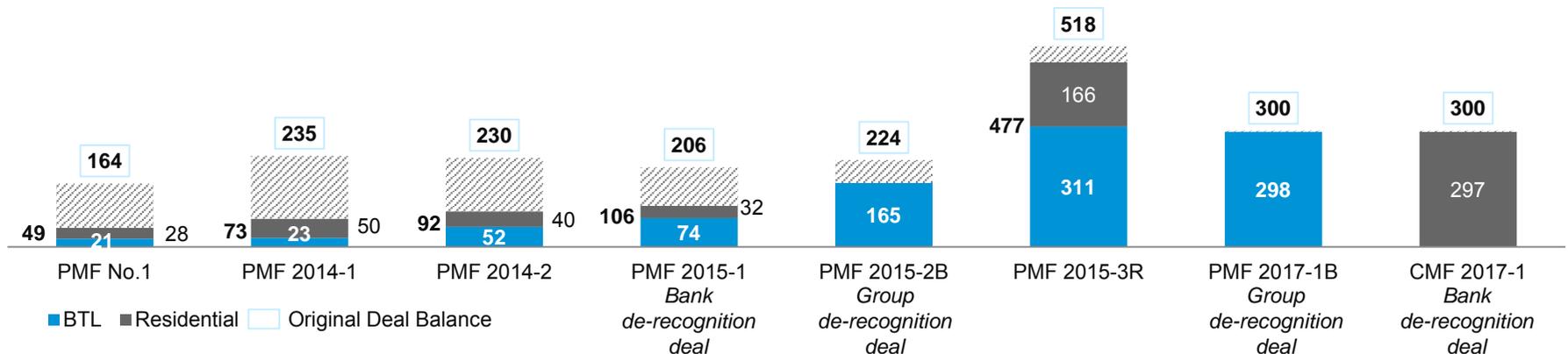
Compliance

- › Deals are designed to be **BoE and, latterly, ECB repo compliant**, with Fitch 5 star investor reporting and loan level reporting provided on a monthly basis
- › Transaction structure cash-flow models are available through **Euro ABS, Intex, Bloomberg and ABS Net**

Issuances to Date (Jul-17)

£m

Metric	PMF No.1	PMF 2014-1	PMF 2014-2	PMF 2015-1 Bank de-recognition deal	PMF 2015-2B Group de-recognition deal	PMF 2015-3R	PMF 2017-1B Group de-recognition deal	CMF 2017-1 Bank de-recognition deal
Number of 3 MIA+ accounts	2	6	1	0	4	8	0	0
Losses to date (£)	-	-	-	-	-	-	-	-
WA interest rate	5.16%	5.18%	4.80%	4.57%	4.41%	4.35%	3.81%	4.30%
Senior note spread (over Libor)	1.15%	0.80%	0.95%	0.95%	1.25%	n/a	0.75%	0.50%
Day 1 all-in spread	1.43%	0.88%	1.11%	1.10%	1.53%	0.00%	1.02%	0.64%



1. Includes CMF 2017-1, which priced 20th July 2017 and is due to close on 27th July 2017

Liquidity Risk Management – 3 Pillars

Three Pillars of Liquidity Management

Regulatory Liquidity – LCR

- › Calculation is driven by regulatory guidance with many assumptions defined in a narrow range
- › Eligible assets defined in the CRR / Delegated Act
- › Assesses potential liquidity inflows and outflows in a 30 day window

Management Liquidity – ILBR

- › The required liquidity holding to meet the bank's liquidity risk appetite, assets are held in the Treasury Liquidity Investment Portfolio ("TLIP") and High Quality Liquid Assets ("HQLA")
- › Assesses potential liquidity outflows in a 60 day window

Access to Liquidity

- › CCFS has pre-positioned collateral with the BoE for the specific purpose of drawing on emergency facilities should the need arise
- › CCFS has headroom to all SMF facilities as at 30 June 2017
- › CCFS also has access to other wholesale funding sources

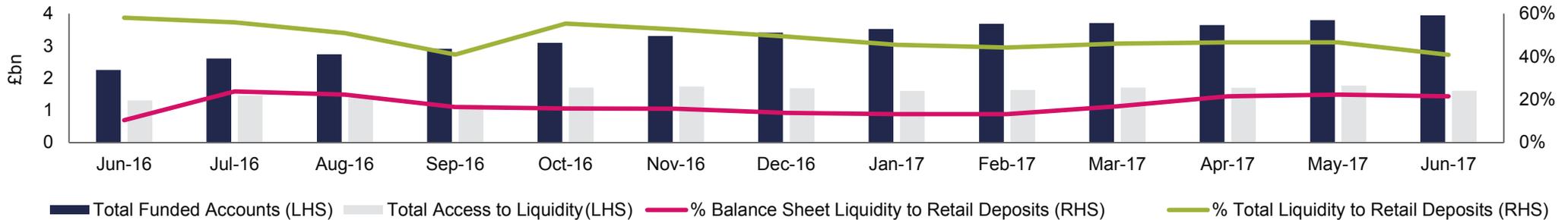
Alternative Sources of Funding



Key Liquidity Measures (Jun-17)



Retail Deposit Liquidity Coverage



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

VI. Servicing & Collections

Section Presenters

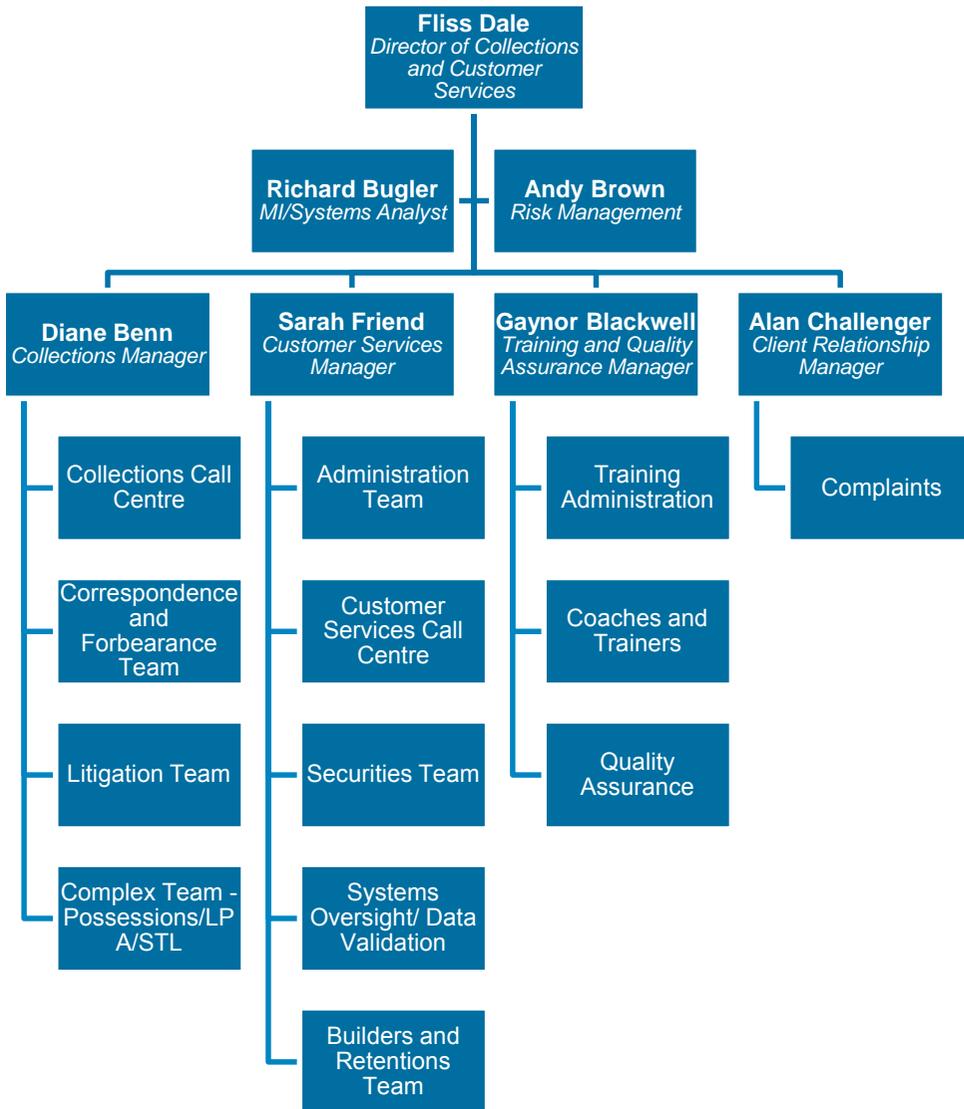


Fliss Dale
*Director of Collections and
Recovery*

Servicing & Collections

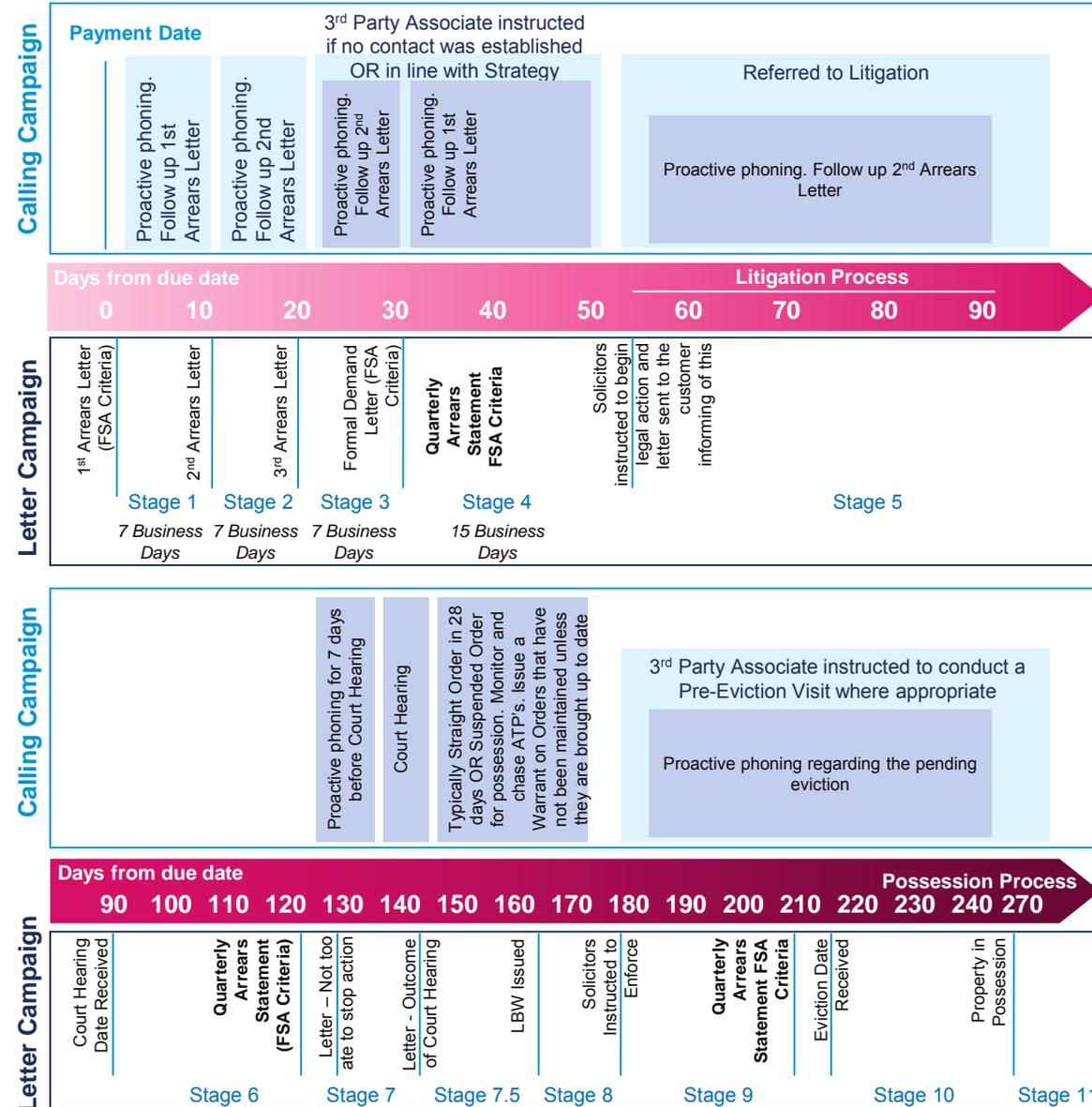
Experienced Team with a Consistent Approach to Collections and Servicing

Collections and Customer Services Team



1. LBW – Letter Before Warrant
2. On average a High Risk case would be 12 months in arrears before possession is obtained. The above depicts accounts where little or no co-operation is received
3. The above depicts commencement of litigation at approximately day 57 on High Risk cases
4. Further letters are generated manually during the Collections and Litigation cycle

Collection: High Risk Strategy and Litigation Processes^{1,2,3,4}



Servicing & Collections

Fully Integrated Fitch Rated Servicing Platform

High Quality Processes Feeding into Product Design

- › Credit knowledge and experience obtained through Exact feeding directly into the underwriting processes
- › Third party and own book servicing, leveraging arrears management, back office operations and credit expertise of a larger scale bank
- › Track record of managing assets from initial arrears through to repossession
- › Subjected to a significant level of appraisal in becoming Fitch Rated
 - Required detailed information to demonstrate servicing credentials and interrogation procedures and performance



Compass
Bespoke workflow and loan management

Servicing Clients:









2015 SERVICER RATING 

**RPS2-
RSS2**

FitchRatings
www.fitchratings.com

Ratings

Residential Primary Servicer
UK Prime RPS2-
UK Sub-Prime RPS2-

Residential Special Servicer
UK RSS2

Primary Servicing

- › Primary servicing delivered by a highly experienced team
- › Services levels tailored to clients' specific requirements

- Payment collection and cash management
- Inbound and outbound call centre
- General administration
- Rate change management
- Quarterly/annual statement production
- Loan redemption
- Deeds and Land Registry management
- Lenders insurance policy management

Special Servicing

- › Collections agents with an average of 11 years of industry experience
- › Dedicated case managers from initial default through to possession
- › Collections agents have access to a borrower's credit conduct outside of the asset being collected on
- › Loan modification tools used to support specific borrower circumstances
- › Disposal of properties taken into possession managed by experienced employees
- › Fully integrated professional negligence and shortfall recovery

- Collection strategies
- Collector information
- Early arrears management
- Complex case management
- Solicitor management and litigation
- Repossession management
- Shortfall management
- Receiver of rent

VII. Financial Performance

Section Presenters



Sebastien Maloney
Chief Financial Officer

Summary Financials

Balance Sheet

Y/e 31-Dec (£m)	2014	2015	2016	H1 16	H1 17	Growth (y-o-y)
Net customer loans	860	1,947	3,812	2,799	4,411	58%
Liquid assets	40	608	269	339	973	187%
Other assets	8	49	76	79	81	3%
Total assets	908	2,604	4,157	3,217	5,465	70%
Customer deposits ¹	-	(1,552)	(3,413)	(2,251)	(3,952)	76%
Securitisations	(600)	(704)	(426)	(569)	(296)	(48%)
Other liabilities	(328)	(182)	(85)	(215)	(939)	337%
Net assets	(20)	166	233	182	278	53%
Share capital	-	165	195	165	-	n.m.
Retained Earnings	(20)	1	38	17	278	n.m.
Shareholders' funds	(20)	166	233	182	278	53%
Originations	731	1,609	2,497	1,169	1,308	12%
Loans to deposit ratio, (%)	n.a.	125.5%	111.6%	124.3%	111.6%	
RWA / total assets, (%)	n.a.	29.9%	35.5%	35.1%	32.9%	
CET1 ratio, (%)	n.a.	21.3%	15.8%	14.6%	15.4%	
Leverage ratio, (%)	n.a.	6.2%	5.5%	5.0%	5.0%	
Encumbrance ratio, (%)	n.a.	29.0%	15.6%	19.5%	25.5%	

Commentary

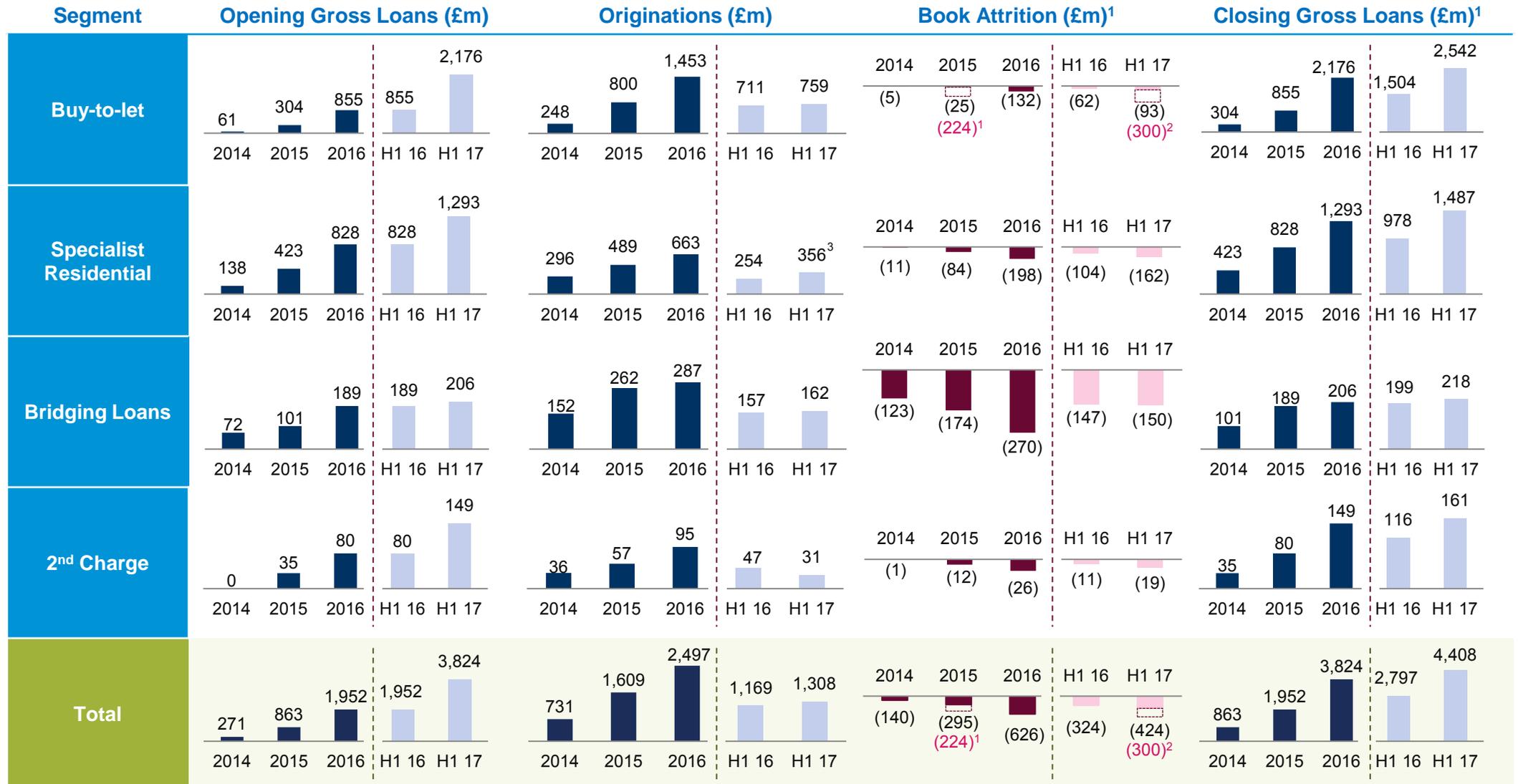
- Strong growth in loan book
 - Half on half net loan growth of 58% to 30 June 2017
 - Principally driven by very strong growth in Special Residential and BTL origination volumes
 - Good growth seen across all product areas
- Retail deposits have led funding strategy since the launch of Charter Savings Bank in March 2015. Half on half deposit balances up 76% to 30 June 2017
- No securitisation deals done in 2016 due to unfavourable market conditions
- Received £30m fresh equity injection in 2016 from Elliott Advisors
- Decline in loans to deposits ratio to 112% reflects the change in the funding mix from securitisation to deposits
- Well capitalised for future growth
 - Strong CET1 of 15.4% at 30 June 2017 (RWAs calculated using standardised risk weightings)
 - Leverage ratio comfortably above the BoE requirement of 3%

Note: Management accounts presentation formats; information for H1 17 is unaudited

1. Customer deposits is the balance outstanding to customers. Accrued interest and other accounting adjustments are included in other liabilities

Credit Performance Underpins Steady Financial Progress

Exceptional Across All Products



1. £224m of loans sold in the PMF 2015-2B securitisation
 2. £300m of loans sold in the PMF 2017-1B securitisation
 3. Excludes the acquisition of a £25m portfolio

■ Attrition □ Securitisation

Summary Financials

Income Statement

Y/e 31-Dec (£m)	2014	2015	2016	H1 16	H1 17	Growth (y-o-y)
Interest income	31	78	144	63	97	54%
Interest expense	(15)	(33)	(57)	(26)	(32)	22%
Net interest income	16	45	87	37	65	75%
Impairment charges	(0)	(0)	0	(0)	(0)	n.m.
Underlying other income ¹	3	4	6	3	3	6%
Underlying total income¹	19	49	93	40	68	71%
Underlying operating expenses ¹	(19)	(30)	(42)	(19)	(24)	26%
Exceptional items	(1)	8	(2)	(1)	15	n.m.
Profit before tax	(1)	27	49	20	59	194%
Profit after tax	2	21	37	16	44	175%
<i>Net interest margin (%)²</i>	2.75%	3.20%	3.03%	3.12%	3.18%	
<i>Underlying cost income ratio¹</i>	107%	61%	46%	47%	35%	
<i>Cost of risk (bps)³</i>	0.8	1.6	0.7	2.4	0.4	
<i>Underlying return on equity (%)⁴</i>	n.m.	9.4	19.3	19.3	26.4	

Commentary

- Strong originations and economies of scale driving rapid net interest income growth
 - >50% growth in interest income half on half to 30 June 2017
 - Reduction in blended funding costs from 1.9% in 2015 to 1.7% in 2016 as a result of the launch of Charter Savings Bank retail deposits and utilisation of TFS⁵
- Negligible losses reflect excellent credit quality of the lending portfolio
- Effective tax rate increased to 24% in 2016 as a result of the implementation of the banking tax on profits above £25m. Effective tax rate was flat in H1 2017 at 25%
- High operational leverage drives declining underlying cost to income ratio, from 107% in 2014 to 35% in 30 June 2017
- Underlying return on equity of 19.3% in 2016 increasing to 26.4% in H1 2017 driven by achieving consistent net interest margins and growing operational efficiency

Note: Management accounts presentation formats; information for H1 17 is unaudited

1. Adjusted for one-off costs and income such as project costs and net gain on sale of securitisation. See Financial Performance section – Underlying Performance

2. Calculated based on an average of opening and closing net loan balances for a given year

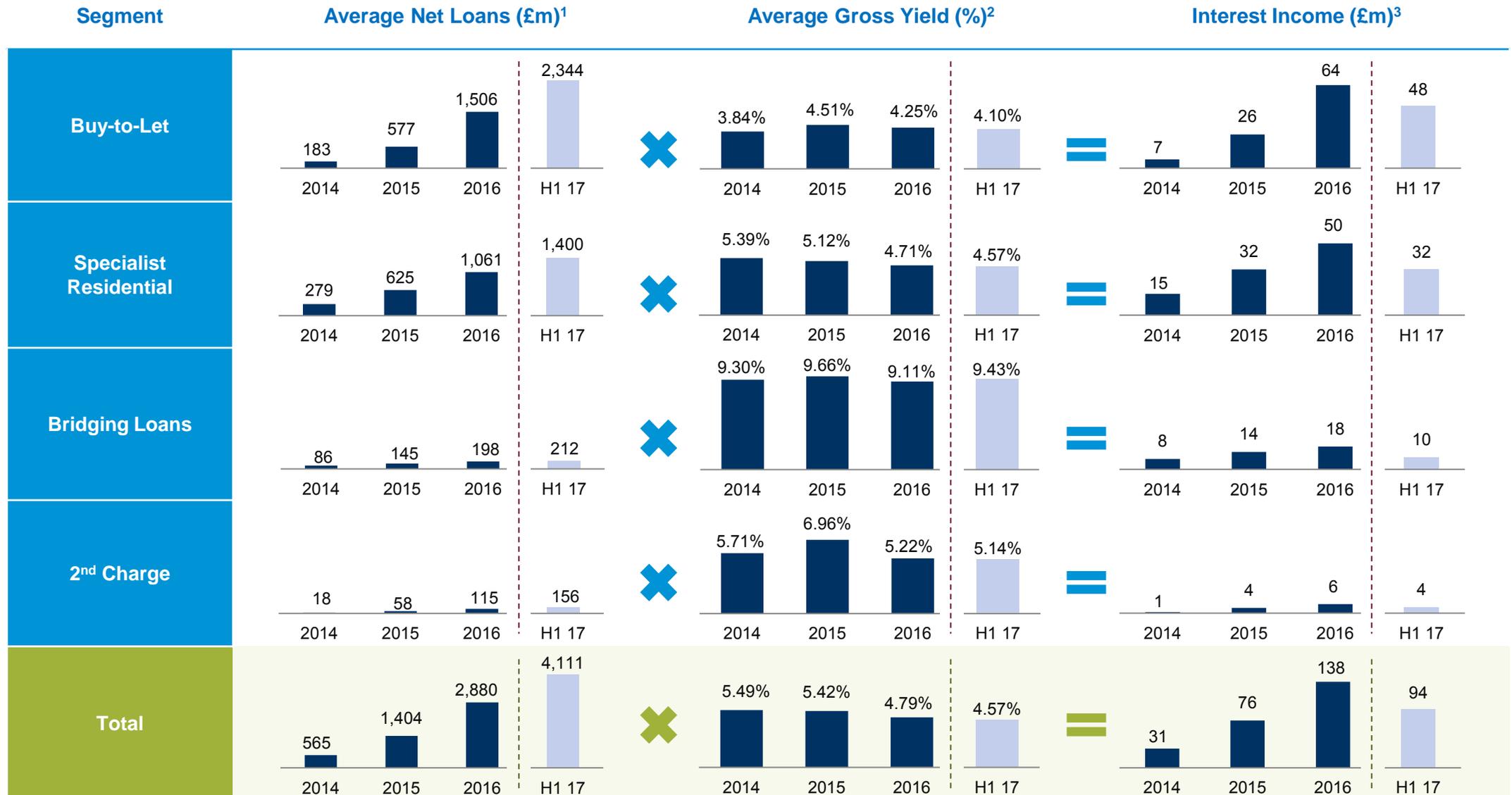
3. Calculated as impairments divided by average net customer loans

4. Calculated as underlying profit after tax divided by average shareholders' equity for the period; H1 2017 RoE presented on an annualised basis and based on unaudited management information as at and for the 6 months ended 30 June 2017. This is not a profit forecast and should not be interpreted to mean that RoE for the current year will necessarily match or exceed the RoE in H1 2017 or any previous historical financial year or period

5. Cost of funding calculated as interest expense divided by average interest-bearing liabilities

Interest Income by Product

Combination of the Increasing Scale and Attractive Yields



Note: H1 17 based on unaudited management information

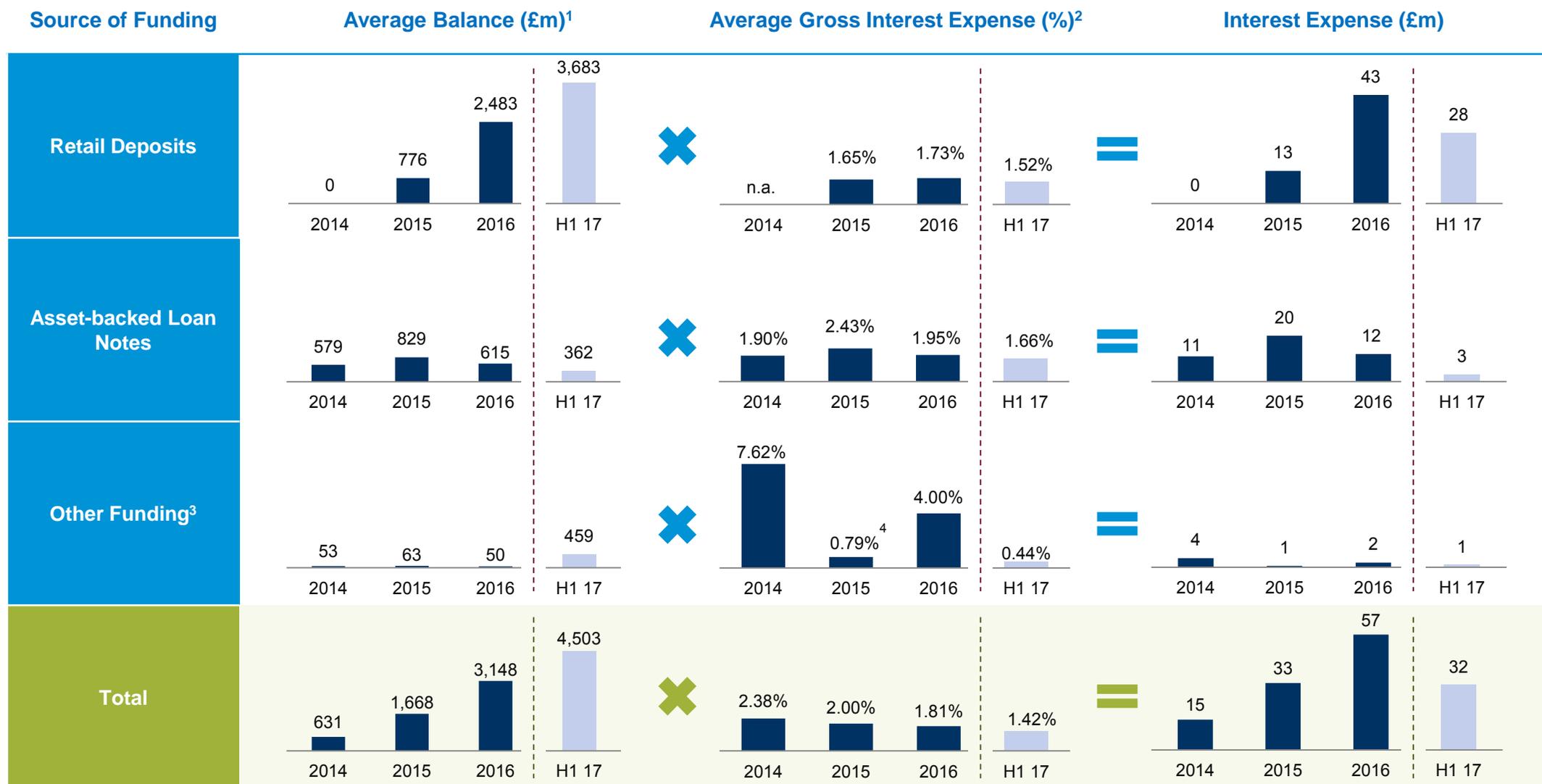
1. Averages calculated based on 2 data points. Excludes acquired book of £23m

3. H1 17 average gross yield calculations based on H1 17 annualised interest income

4. Post income / expense from hedging

Interest Expense by Product

Funding Costs Declining Significantly



Note: H1 17 based on unaudited management information

1. Averages calculated based on 2 data points

2. H1 17 average gross interest expense calculations based on H1 17 annualised interest expense

3. Includes off-balance sheet FLS funding in 2016 and H1 17

4. Drop in cost of funding related to rate renegotiation on shareholder loan balances

Underlying Performance

Underlying Income Statement

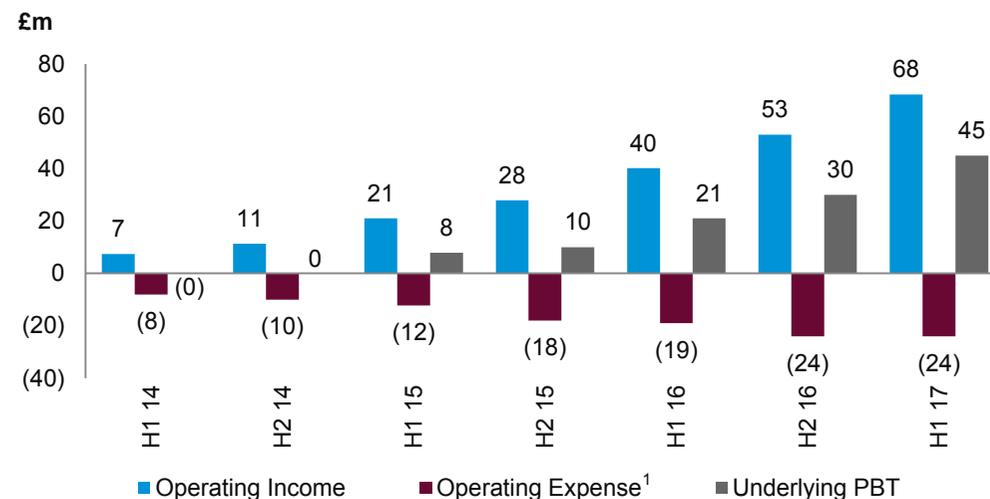
Y/e 31-Dec (£m)	2014	2015	2016	H1 16	H1 17	Growth (y-o-y)
Interest income	31	78	144	63	97	54%
Interest expense	(15)	(33)	(57)	(26)	(32)	22%
Net interest income	16	45	87	37	65	75%
Impairment charges	(0)	(0)	0	(0)	(0)	n.m.
Other income	3	4	6	3	3	6%
Total income	19	49	93	40	68	71%
Operating expenses	(19)	(30)	(42)	(19)	(24)	26%
Underlying profit before tax	(0)	19	51	21	45	112%
Underlying profit after tax	3	15	39	17	34	101%

Underlying profit before tax is after adjusting for exceptional items below:

Y/e 31-Dec (£m)	2014	2015	2016	H1 16	H1 17
M&A projects ¹	-	(1.3)	(1.1)	(0.8)	-
Banking license acquisition	(1.1)	(0.0)	-	-	-
Project GreenPark	-	-	(0.1)	-	(2.0)
Gain on securitisation deals ²	-	10.0	-	-	17.7
IRB development ³	-	-	(0.4)	(0.1)	(0.0)
Other projects	-	(0.3)	(0.1)	(0.1)	(1.0)
Total exceptional items	(1.1)	8.4	(1.7)	(1.0)	14.6

Note: Management accounts presentation formats; information for H1 17 is unaudited
 1. Excluding exceptional items, see Financial Performance section – Underlying Performance

Underlying Profitability



Commentary

- Costs largely associated with the 2015 CCFS M&A sale process which was abandoned in 2016
- Exceptional income in 2015 and H1 17 from gains on sale associated with PMF2015-2B and PMF2017-2B, respectively
 - Securitisation of PMF 2017-1B was de-recognised from the CCFS balance sheet in April 2017
- IRB development costs amounting to £0.4m were incurred in 2016

Underlying Operating Expenses and Other Income

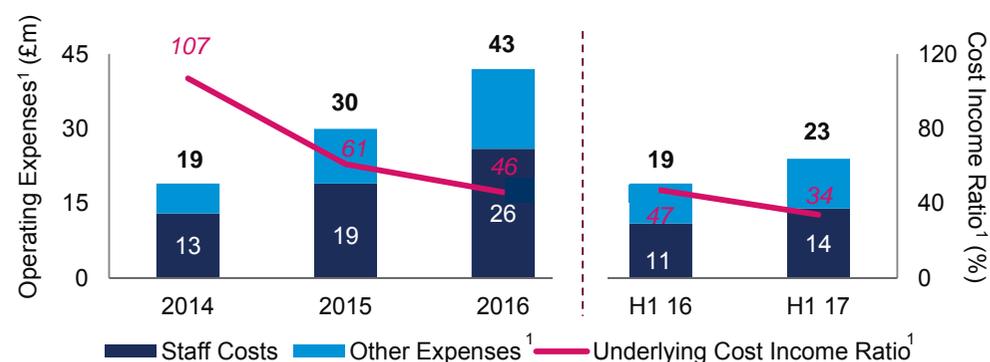
Controlled with Improving Efficiency

Y/e 31-Dec (£m)	2014	2015	2016	H1 16	H1 17	Growth (y-o-y)
Underlying other income	3.3	4.5	6.0	2.9	3.0	6%
Long-term lending net fees	0.4	0.9	3.1	1.5	1.3	(10%)
Bridging net fees	0.2	(0.0)	0.1	(0.1)	0.1	(162%)
SCL net fees	0.0	(0.0)	0.0	0.0	0.0	0%
Servicing	2.9	2.7	2.8	1.4	1.4	1%
MARS and AQA	0.9	0.6	0.1	0.1	0.1	13%
Other	(1.2)	0.3	(0.1)	0.0	-	0%
Underlying operating expenses	19.0	30.4	42.9	18.8	23.6	26%
Staff	13.0	19.1	26.3	11.2	13.7	22%
Premises	0.7	0.8	1.2	0.5	0.9	70%
Legal & professional	1.2	2.0	2.8	1.4	1.9	35%
General	2.9	3.9	5.4	2.6	3.0	15%
Depreciation, gains / losses	0.5	0.6	0.7	0.3	0.3	(10%)
NBS outsourcing	0.0	1.7	3.9	1.6	2.5	55%
Other operating expenses	0.7	2.3	2.4	1.2	1.1	(2%)

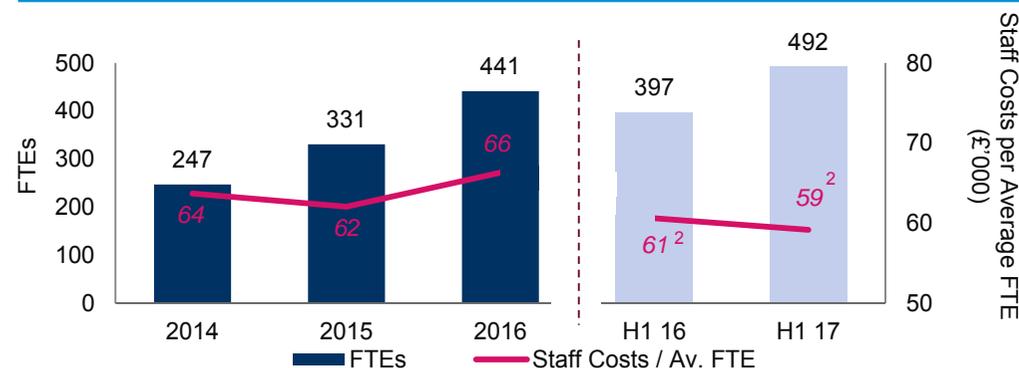
Commentary

- Net fees from origination mainly comprise fees received from applications that do not subsequently complete, as well as early redemptions fees
- Income from third party loans servicing remained largely stable over the period
- Staff costs increased in line with the expansion of the personnel numbers to 492 as of June 2017 from 247 as of December 2014, following the business expansion
- In 2015 the lease agreement for new premises in London was signed
- Outsourcing expenses are associated with NBS retail deposit operation costs
- Growth in operating expenses was lower than income growth, reflecting growing operational efficiencies of the business

Improving Efficiency



Staff Costs

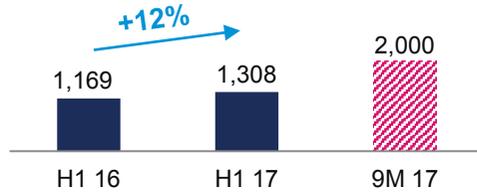


Note: Management accounts presentation formats; information for H1 17 is unaudited
 1. Excluding exceptional items, see Financial Performance section – Underlying Performance
 2. Based on annualised half year staff costs

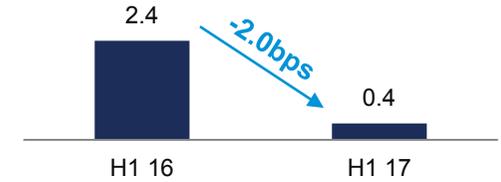
Progress in 2017

A successful first 9 months of 2017

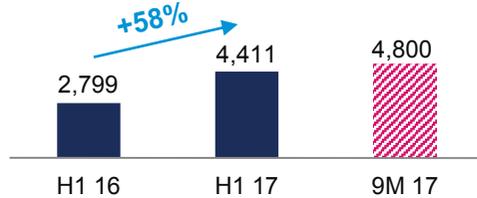
Originations (£m)



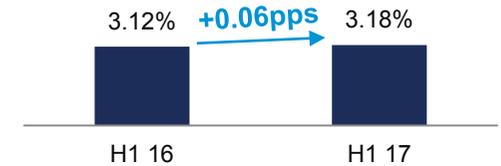
Cost of Risk (bps)²



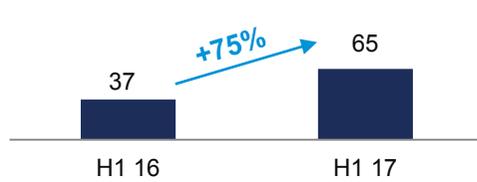
Loan Book (£m)



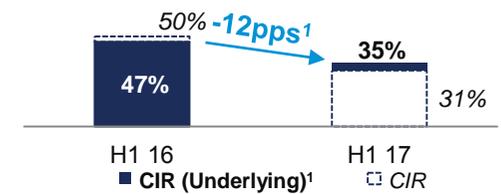
Net Interest Margin (%)³



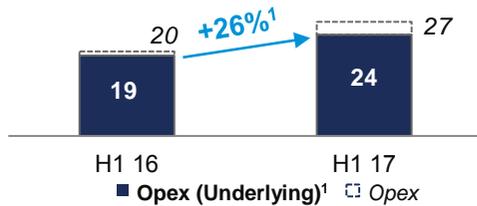
Net Interest Income (£m)



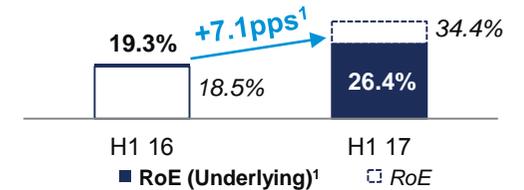
Cost Income Ratio (%)



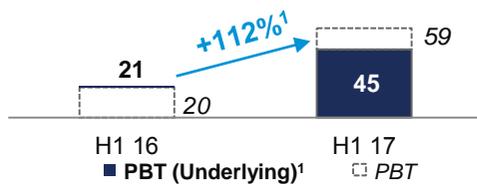
Operating Expense (£m)



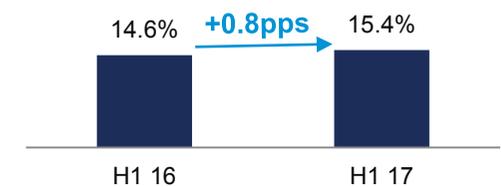
Return on Equity (%)⁴



Profit before Tax (£m)



CET1 Ratio (%)



1. Based on underlying management information which is unaudited. Adjusted for one-off costs and income such as project costs and net gain on sale of securitisation

2. Calculated as impairments divided by average net customer loans

3. Calculated based on an average of opening and closing net loan balances for a given year

4. Calculated as profit after tax divided by average shareholders' equity for the period; H1 2017 RoE presented on an annualised basis and based on unaudited management information as at and for the 6 months ended 30 June 2017.

This is not a profit forecast and should not be interpreted to mean that RoE for the current year will necessarily match or exceed the RoE in H1 2017 or any previous historical financial year or period

VIII. Wrap-up

Summary

Accelerating Financial Momentum

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...

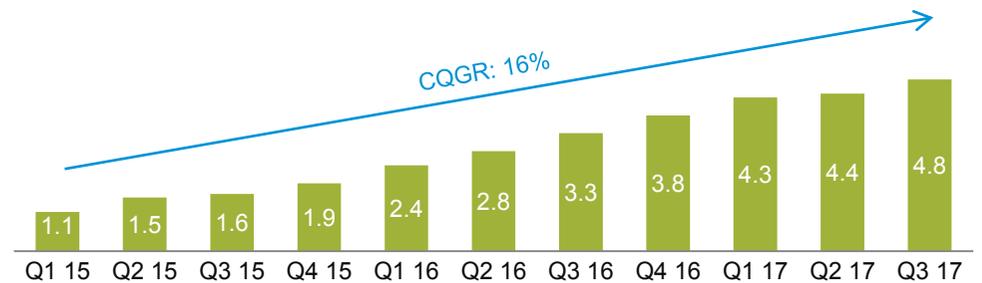
...Backed by a Scalable, Bespoke Operating Platform...

...And Diversified, Stable Funding...

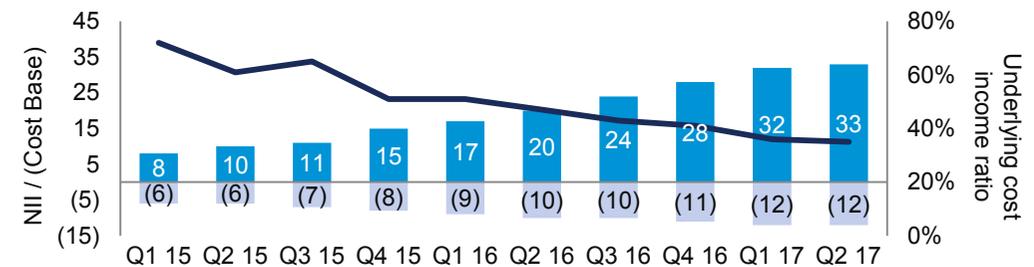
...to Deliver High Growth and Sustainable Returns

Our Delivery

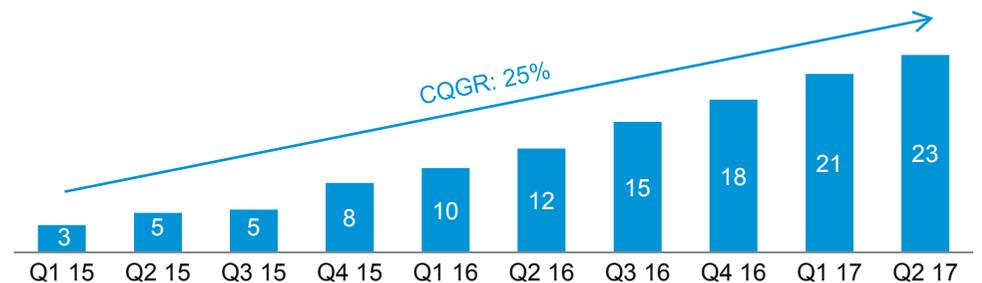
Net Loans to Customers (£bn)



Net Interest Income / (Cost Base¹) (£m)



Underlying Profit before Tax (£m)¹



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

Proven Business Model

Frequently recognised as the best mortgage lender across multiple asset classes...



...with an award-winning approach to distribution...

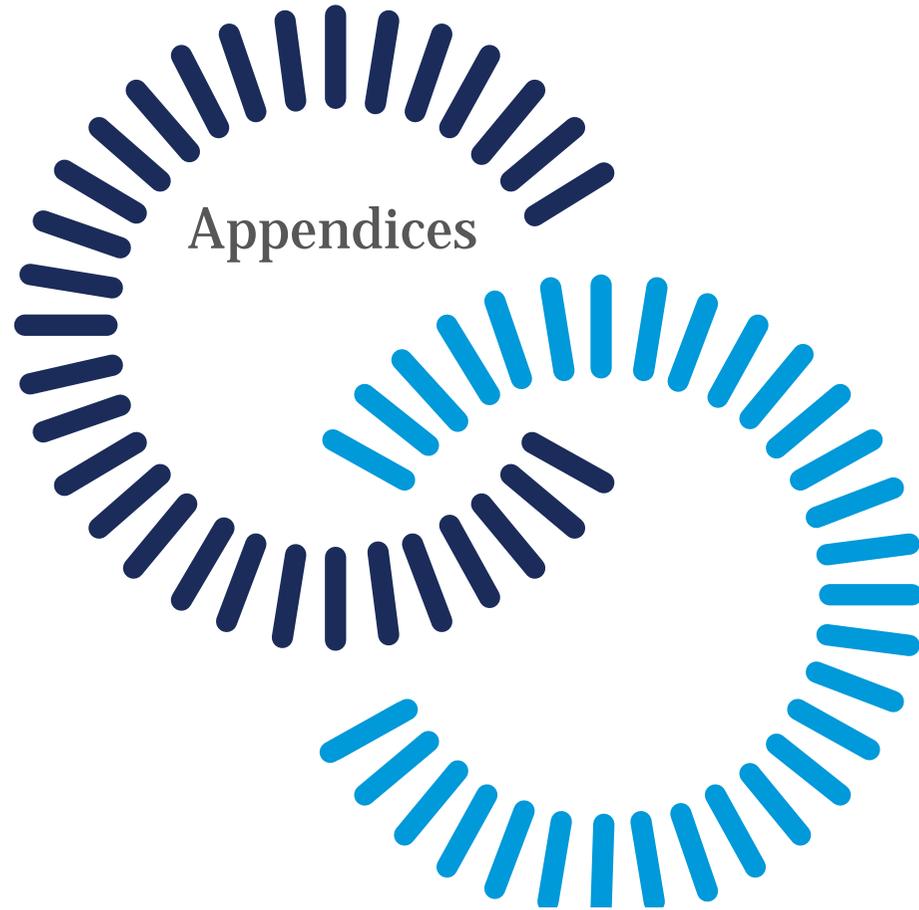
...largely funded by a multi-award winning digital savings bank...



...underpinned by a strong, highly rated operating platform...

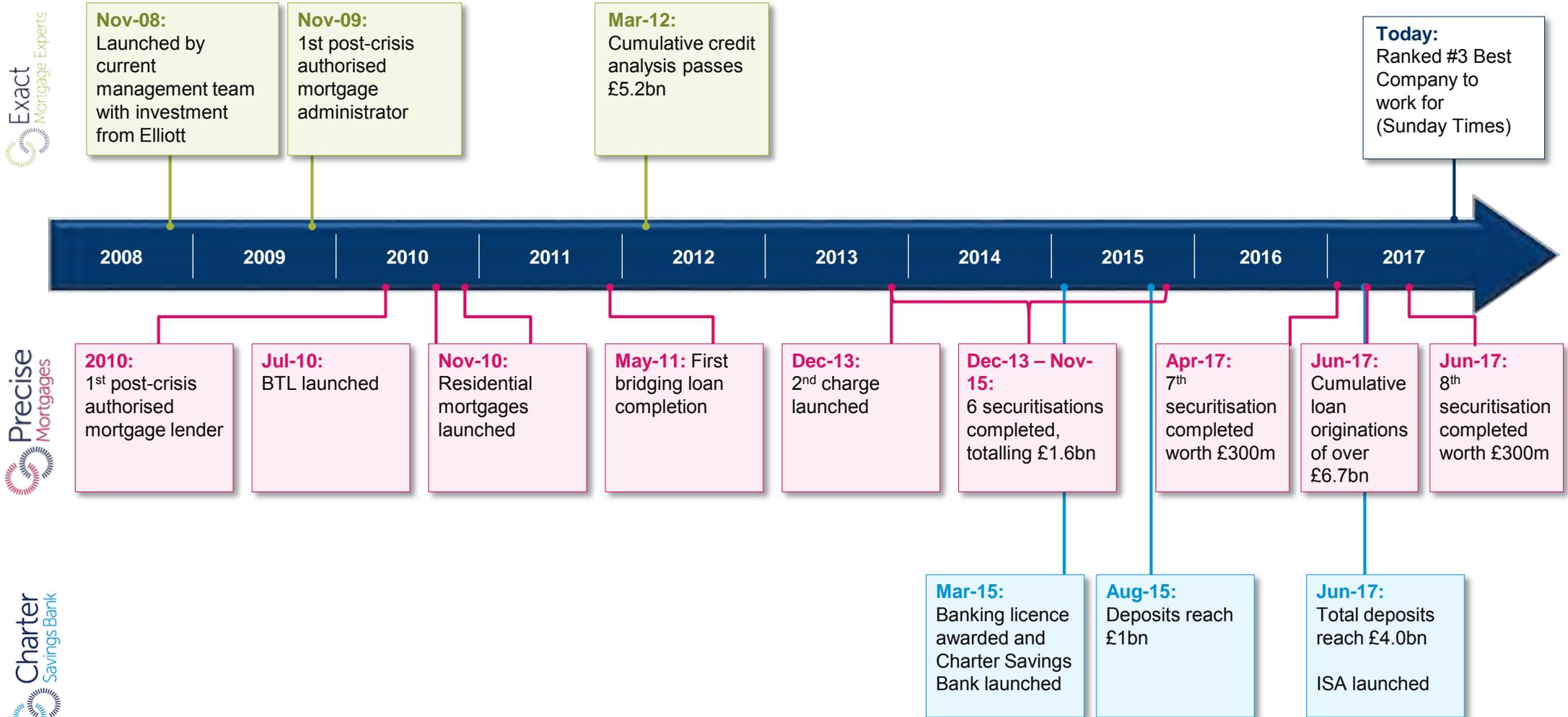
...and finally, is a great place to work!





Key Stages of Development / Timeline

Business Evolution



Board Composition

A Strong, Experienced Board

Appointed Jun-17



Sir Malcolm Williamson
Chairman

- › Former Group CEO of Standard Chartered Bank and President and CEO of Visa International
- › Previously also Chairman of Signet Jewelers, Clydesdale Bank/National Australia Group Europe and a NED of National Australia Bank until 2012
- › Also served as Chairman of CDC, Friends Life, Britannic and Resolution, as well as NED of JP Morgan Cazenove, G4S and the National Grid
- › Served as a member of the Board of Trustees for the International Business Leaders Forum



Ian Lonergan
Chief Executive Officer

- › Over 20 years of experience in financial services
- › Led the Business and Portfolio Analytics at GMAC RFC for 3 years and sat on the Executive Board and ALCO
- › Qualified as a Chartered Accountant with Ernst & Young



Sebastien Maloney
Chief Financial Officer

- › Over 17 years experience in financial services, across portfolio valuation analytics, financial planning and liability management
- › Has held senior roles at Merrill Lynch, GMAC-RFC and Morgan Stanley



Peter Elcock
Chief Risk Officer

- › Over 37 years of experience in financial services
- › Held a number of senior positions in financial institutions, including 27 years with Barclays and Chief Risk Officer at Coventry Building Society



Appointed Jun-17
Elizabeth Noël Harwerth
Senior Independent Director

- › Previously with Citicorp for 15 years, latterly serving as the COO of Citibank International
- › Also Chair of the UK Export Finance Board, Senior Independent Director of Sirius Minerals, Standard Life, CHAPS and a NED of The London Metal Exchange and British Horseracing Authority



Philip Jenks
Non-executive Director

- › Over 40 years experience in retail banking services, including 37 years at HBOS
- › Has worked closely with the FCA, Treasury and Department for Communities and Local Government and has been an adviser to the Housing Finance Select Committee
- › Also a NED at Leeds Building Society



Ian Ward
Independent Non-Executive Director

- › Held the position of CEO for Leeds Building Society for 16 years
- › Currently a NED at Newcastle Building Society and Harrogate & District NHS Foundation Trust



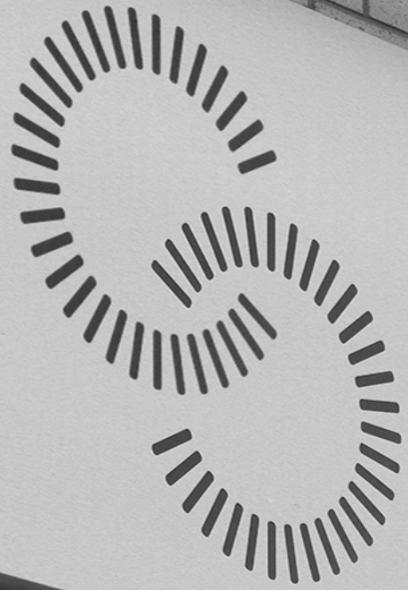
Rajan Kapoor
Independent Non-Executive Director

- › Previously Financial Controller of the Royal Bank of Scotland Group
- › Held a number of senior finance positions in a 28 year career with RBS



Tim Brooke
Independent Non-Executive Director

- › Currently a NED at a number of financial services companies including Capita, Simplyhealth, Marsden Building Society and Monzo
- › Previously held senior positions at JP Morgan Chase & Co, Yorkshire Building Society and was a partner at PwC



Charter Court
Financial Services



Charter
Savings Bank



Exact
Mortgage Experts



Precise
Mortgages