Jerrold Holdings

Q3 2013/14 Results
Investor Presentation
21 May 2014

Management Team Participants

Gary Beckett - Group Finance Director

- Gary joined Jerrold in 1994 and has responsibility for financial reporting, tax, treasury and Investor relations
- Gary also contributes to the strategic development of the Group and supports the regulatory function
- Gary is a qualified chartered accountant

Alan Shaoul – Group Treasury Director

- Alan joined Jerrold in 2012. Alan is responsible for the Group's Treasury functions
- Prior to joining Jerrold, Alan held various senior treasury and corporate finance roles at Euroports, Babcock & Brown and DP World

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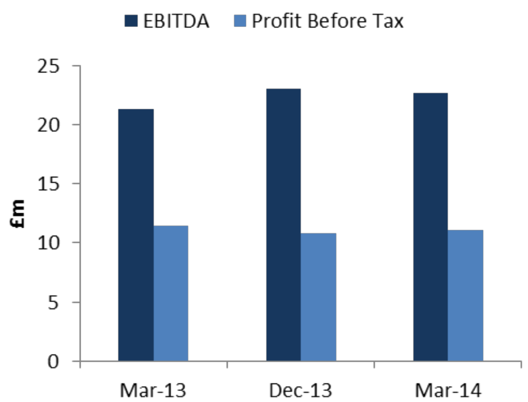
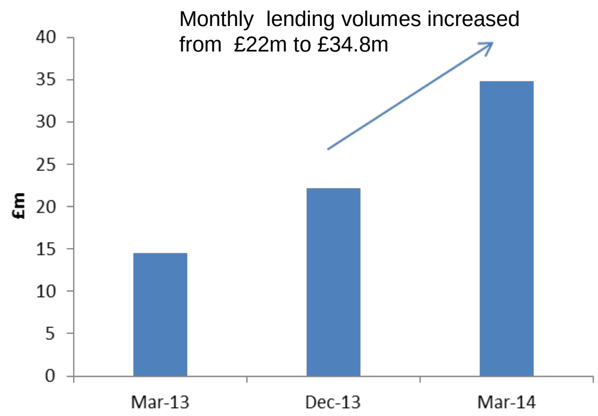
Agenda

Continuing Strong Performance

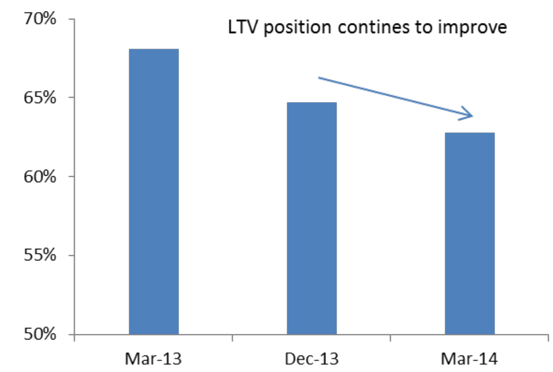
Underlying Profits Increasing



Higher Lending Volumes



Improving Indexed Loan To Value



- Strongly profitable quarter with EBITDA of £22.7m and PBT of £11.1m in line with prior period
- Continuing to increase lending volumes whilst maintaining credit quality setting the basis for significant step up in future profitability
- Group is benefiting from continued strength in the UK housing market and is likely to benefit from the dislocation caused by the recent changes in mortgage regulation -Group's Securitisation Programme extended until January 2018 on improved terms
- Continued reduction in levels of non performing loans and arrears. Development book also falling significantly
- Group's Securitisation Programme extended till January 2018 on improved terms
- FCA interim permissions received and MMR programme of work completed

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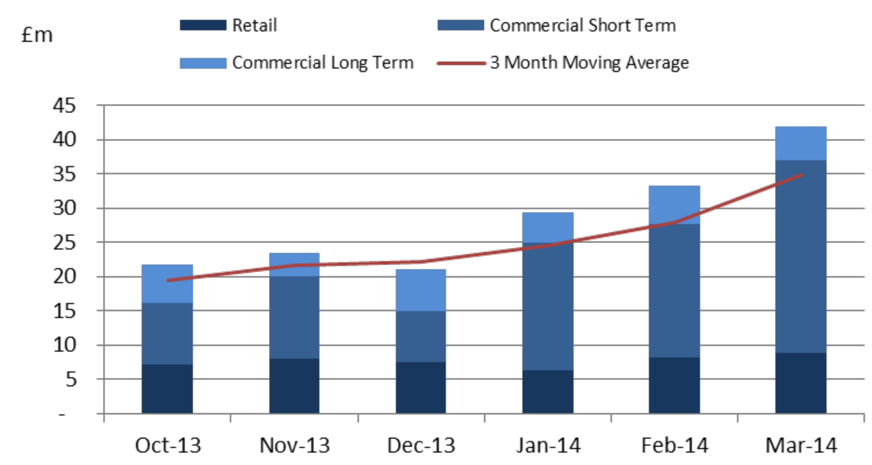
Strong Financial Performance and Increasing Lending Volumes

Financials	Mar-13	Dec-13	Mar-14
Turnover £m	30.1	31.2	31.7
Movement in Provisions £m	1.8	1.0	1.2
EBITDA £m	21.3	23.1	22.7
Interest Costs £m	9.7	12.0	11.9
Profit Before Tax £m	11.5	10.8	11.1
Net Interest Margin	7.4%	6.5%	6.1%
New Business			
Cash Receipts £m	78.3	91.5	100.1
New advances £m	43.7	66.3	104.5
Origination LTV	50.9%	53.5%	55.8%
Nominal Interest	13.7%	13.4%	13.8%
Nominal Interest (constant mix)	14.0%	13.4%	13.1%

Monthly Loan Advances



- Significant increase in lending activity over the past quarter with average origination LTV staying in the 55% area
- Business advance mix favouring more profitable shorter term commercial purpose loans, but this is not significantly changing the composition of the loan book given higher redemption levels of such loans
- Pricing points remain at attractive levels with modest reduction in Net Interest Margin a consequence of higher lending volumes
- Bad debts at low levels relative to £1bn loan book and well within covenant levels
- EBITDA relatively stable in the period with higher turnover offset by some higher overheads and costs associated with the growth in lending levels

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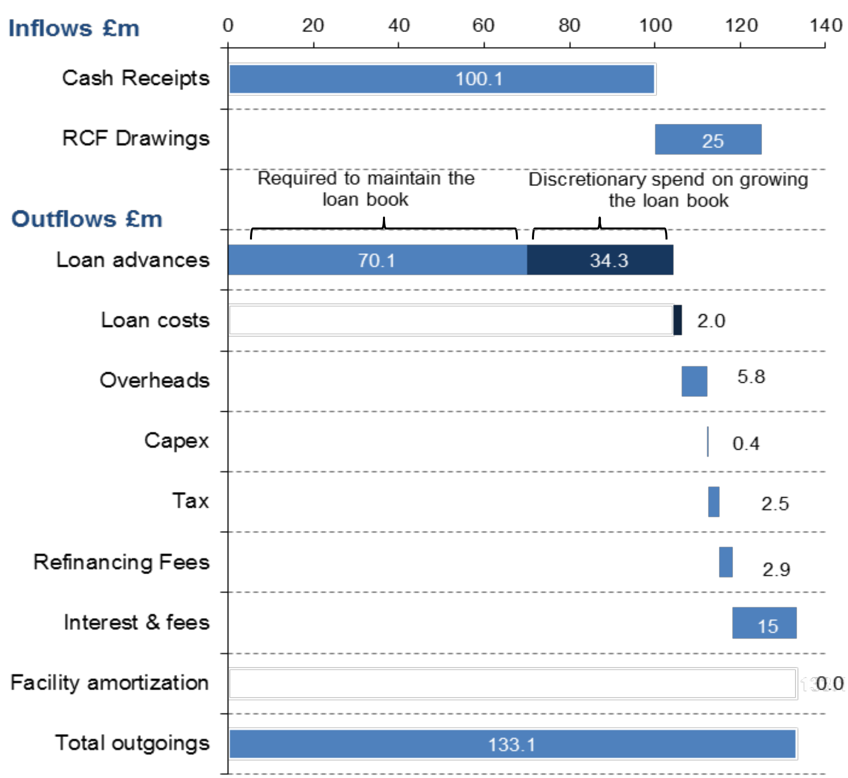
Group Highly Cash Generative

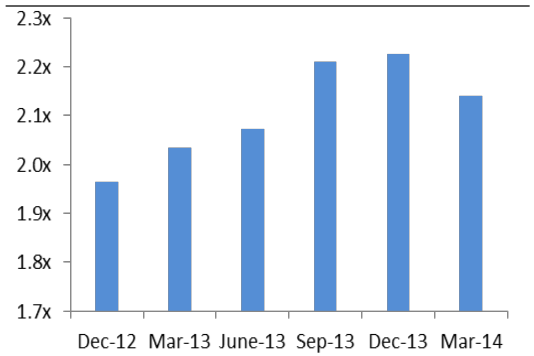
Quarterly Cash-flow



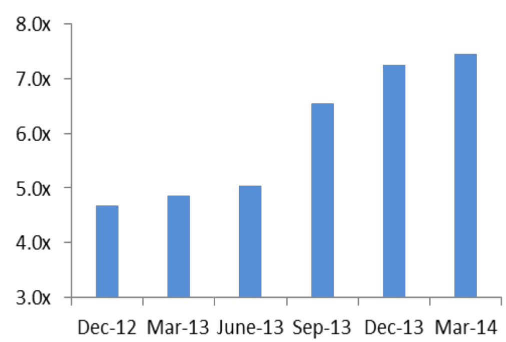
High Levels of Cash Generation

- Interest cover above 2x and significantly higher on a cash basis
- Quarterly Consolidated Group cash receipts of £100m
- Cash Interest was £15m reflecting the March coupon paid on the Senior Notes. There was also £2.9m of fees related to the securitisation extension.
- £25m of drawings under the RCF and no amortisation payments
- The Group's reoccurring expenses including overheads, tax and capex totalled £8.7m. There were £2m costs related to new lending

EBITDA / Interest Cover



Cash Interest Cover



Calculated on a 12 month basis using cash available for debt service (prior new advances) and excluding upfront fees

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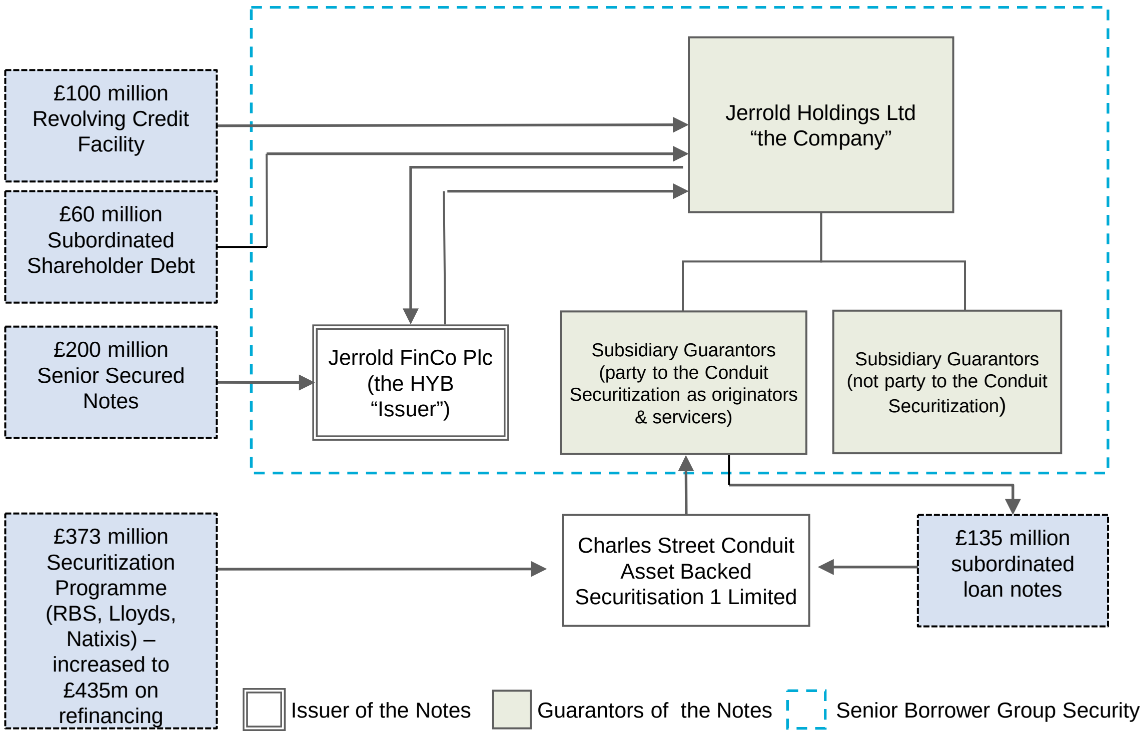
Funding Structure for HY Reporting

Group Legal & Finance Structure



Liquidity and Funding

- Securitisation Programme has been extended until January 2018 (with a revolving period to January 2017) on favourable terms with RBS, Lloyds and Natixis
- Revolving period conditional on obtaining a public rating by December 2014 in line with our own funding plan
- Securitisation has been upsized to £435m
- Significant undrawn headroom in the RCF and Securitisation of £110m as at 21 May 2014

Funding Plans

- No further planned debt maturity / amortization payments in the next 12 months
- Group looking to extend debt maturities and further diversify sources of funding over coming months

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Low Levels of Gearing and Strong Asset Backing

Key Credit Metrics	Consolidated Group			Borrower Group		
	Mar-13	Dec-13	Mar-14	Mar-13	Dec-13	Mar-14
EBITDA (1)	21.3	23.1	22.7	17.0	18.8	18.5
Loan Ledger after bad debts (£m)	981.1	990.8	1025.6	477.8	511.4	536.0
Shareholder funds (£m) (2)	411.0	439.0	447.5	271.5	304.0	312.5
WA Indexed LTV	68.1%	64.7%	62.8%	81.6%	76.6%	73.2%
Gearing (3)	57.6%	54.5%	55.9%	42.9%	39.2%	41.4%
Underlying Asset Cover (4)	39.2%	35.3%	35.1%	35.0%	30.0%	30.3%
Cost / Income Ratio (5)	21.8%	22.8%	22.8%	n/a	n/a	n/a
EBITDA margin	70.9%	73.9%	71.6%	n/a	n/a	n/a
Net Debt : EBITDA (2) (6)	6.3x	6.0x	6.3x	2.7x	2.7x	3.0x
Gross debt : tangible equity (2) (6)	1.61x	1.45x	1.48x	0.79x	0.67x	0.74x
ROE % (2) (6)	8.5%	8.8%	8.6%	6.5%	6.4%	6.2%
Interest Cover	2.03x	2.23x	2.14x	n/a	n/a	n/a
Net Interest Margin	7.4%	6.5%	6.1%	n/a	n/a	n/a

Notes

1. Quarterly EBITDA
2. Subordinated shareholder loans treated as equity
3. Ratio of net senior secured borrowings to the value of the loan ledger after bad debts
4. Ratio of net senior secured borrowings to the value of the Consolidated Group's and Borrower Group's claim on the respective underlying property
5. Operating expenses excluding: bad debts, financing costs, and tax
6. Calculated on 12 month basis

Low Levels of Financial Gearing

- Over the last 12 months shareholder reserves increased by £37m and now stand at £447m
- Significant asset backing - low levels of financial gearing and equity in underlying properties
- Gearing at just over 55% for the Group and 41% for the Borrower Group
- Net senior secured leverage of 6.3x for the Group and 3.0x for the Borrower Group
- Attractive profit margins, EBITDA margin over 70% and low cost base

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Continued Improvement in Loan Book Quality

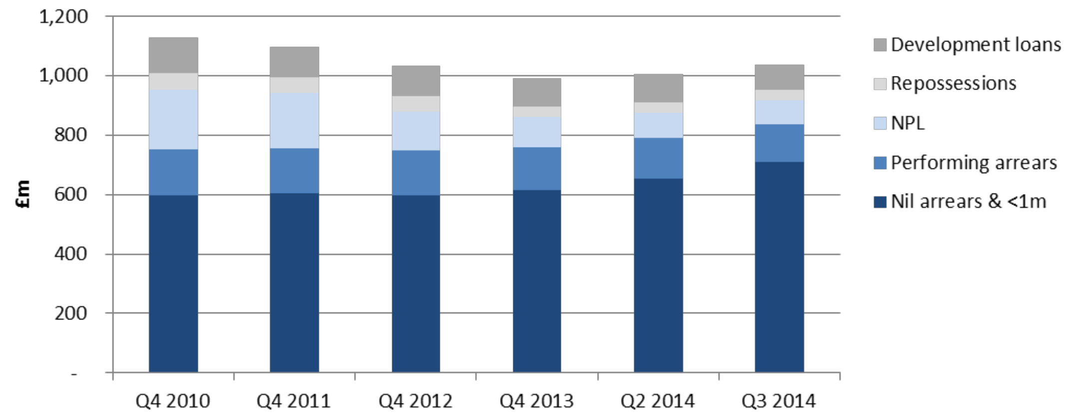
Falling Level of Non Performing Loans

- Non performing arrears loans (NPL), development and repossessed / LPA loans in total fell by £12m in the quarter
- Since March 2013 repossessions / LPA's have fallen from £37.3m to £33.5m and NPLs have fallen from £114.2m to £82.3m
- Over the last quarter the development loan book reduced from £95.8m to £87.5m. This is the net effect of sales, write offs previously provided for and a small level of further advances

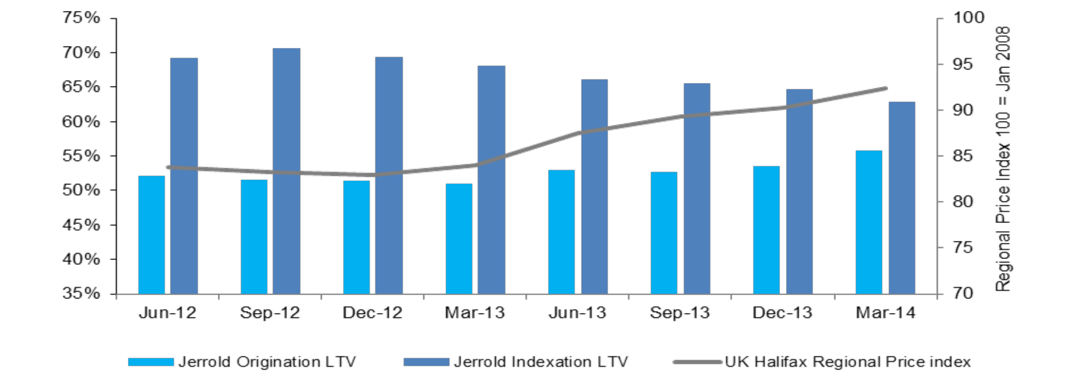
Improving Security Position

- UK house prices have risen 11.5% since low point triggering a corresponding improvement in our security position
- Origination LTVs remain at low levels averaging 54.6% over the prior 12 months

Loan book Segmentation



Origination and Indexed LTV & UK House Prices



Source: Halifax regional house price indices. Data reflects LTV at origination

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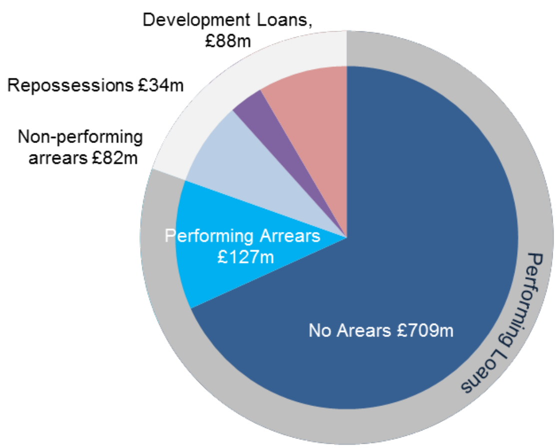
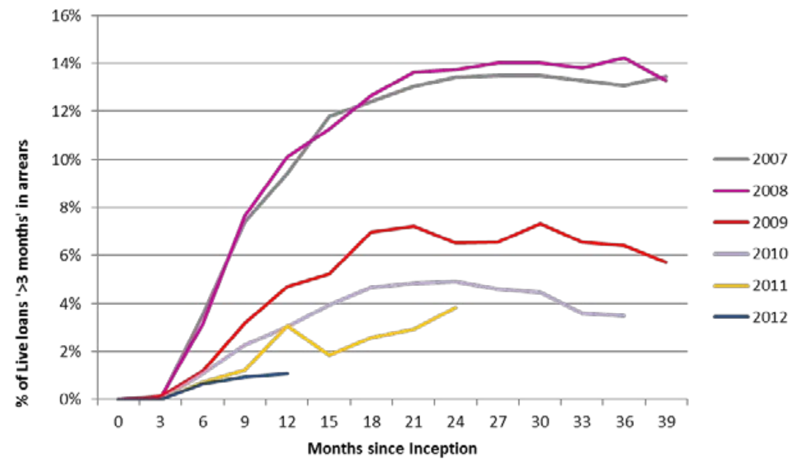
Continued Improvement in Arrears Levels

Loan Book Segmentation



Arrears Performance by Vintage



Improving Arrears Trend

- High quality underwriting and well developed collection techniques have resulted in a reduced number of accounts in arrears
- Proportion of performing accounts has continued to increase. Long term trend shows performing accounts increasing from 74.9% in March 2013 to 80.4% in March 2014, and increased in the last quarter by 1.9%
- Consistent improvement in vintage delinquency rates since 2009

Group Loan Portfolio Arrears Analysis

Loan Book	Mar-13	Dec-13	Mar-14
Nil Arrears & Arrears <= 1m	60.6%	65.1%	68.2%
Performing Arrears	**14.3%**	**13.4%**	**12.2%**
1-3 months	8.3%	8.3%	7.5%
3-6 months	3.1%	2.4%	2.2%
> 6 months	3.0%	2.7%	2.5%
Non Performing Arrears	**11.4%**	**8.6%**	**7.9%**
3-6 months	2.9%	1.9%	1.8%
> 6 months	5.7%	4.2%	3.6%
Past due	1.1%	1.2%	1.3%
LPA rent	1.7%	1.3%	1.2%
Development loans	**9.9%**	**9.5%**	**8.4%**
Repossessions / LPA	**3.7%**	**3.3%**	**3.2%**

Low Level of Losses Underpinned by Low LTV Lending

Overall LTVs

- The WA indexed LTV of the total loan portfolio is 62.8% and 73.2% for the Borrower Group

Loans in Negative equity

- 6% of Group loans have an indexed LTV >100% (negative equity exposure has fallen from £21.7m to £16.5m over LTM). Full provisions have been prudently applied albeit not all loans with negative equity will result in loss
- Notwithstanding our prudent provisioning policy, write-downs have been very modest due to conservative lending
- Movement in provisions was £1.2m over the 3 months to March 2014, and £5.8m in the 12 months to March 2014 (59bps of the loan book)
- Percentage of loans within the Borrower Group with an origination LTV of > 75% is 21.97% (covenant 32%) vs 25% in March 2014

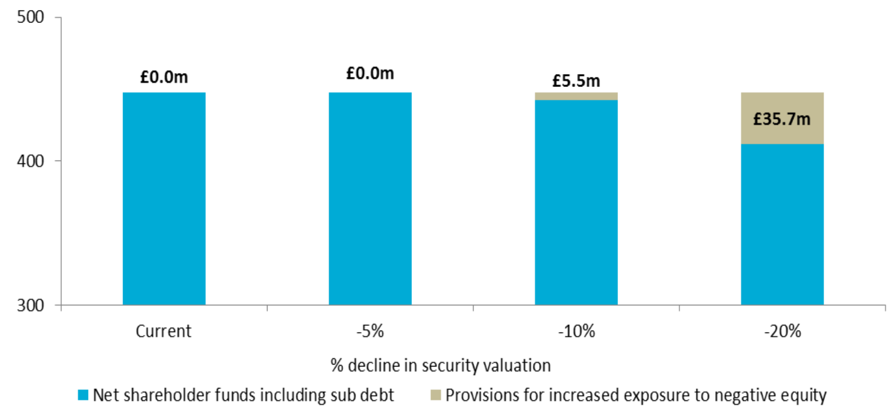
Downside Scenario Analysis

- We estimate that for the Group 10% and 20% falls in property values would result in additional exposure of £5.5m and £35.7m respectively
- We estimate for the Borrower Group 10% and 20% falls in property values would result in additional exposure of £5.4m and £31.1m respectively

Loan Book by Indexed LTV

Indexed LTV	Group		Borrower Group	
Indexed LTV ≤ 60%	543	52%	197	37%
Indexed LTV > 60 ≤ 85%	329	32%	177	33%
Indexed LTV >85% ≤ 100%	110	11%	103	19%
Indexed LTV > 100%	58	6%	57	11%
Total Loan book	**1,039**	**100%**	**533**	**100%**

Estimated Impact of Declining Security Valuations



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Investment in Operational Infrastructure and People to Support Growth Plans

- Successfully received our interim permissions from the FCA as they assumed the role of the Regulator of Consumer Credit from the OFT (applicable to our second charge mortgage business), and we have completed a detailed and thorough programme of work to ensure we are fully compliant with the regulatory changes required as a consequence of the mortgage market review
- Continue to operate using a three lines of defence model with formal governance structures thereby providing assurance over credit quality as loan book grows
- Additional skills and resource added at senior and middle management levels in IT to support our planned investment in front and back office projects which will drive further efficiency gains and deliver best in class broker portal
- Additional skills and resource added to our sales and underwriting capacity to support our growth plans whilst ensuring that quality standards are not relaxed
- Additional skills and resource also being added in financial planning and analysis and treasury functions as we look to further diversify and increase funding capacity to support our loan book growth
- Culture, conduct and the passion our staff have for our business is fundamental to our success. We continue to invest in our values and people to set a positive tone, pace and direction for the Group

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Outlook and Growth Strategy

- Strategy remains unchanged – we will continue to focus on niche segments in the secured mortgage market which are under served by the mainstream lenders
- Increased lending and loan book volumes with focus on affordability and prudent LTVs provide the basis for future growth in turnover and profitability as demand remains strong, with only marginal movements on yield and cost efficiency gains expected
- Established distribution channels, operational infrastructure, regulatory governance and experienced passionate people provide strong competitive advantage
- Growth in retained earnings, recently extended facilities with longer maturities and the planned introduction of new facilities will provide financial resource to support our growth plans
- Secured £1bn plus loan book with low W.A. LTV of 62.8% provides a high degree of visibility of future earnings and cash flow
- Positive outlook for UK economy driven by increase in UK housing market prices and activity and falling unemployment levels are expected to have a positive impact on lending volumes and property values of existing loan book
- 2014 represents our 40th year in business

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Questions and Answers Session

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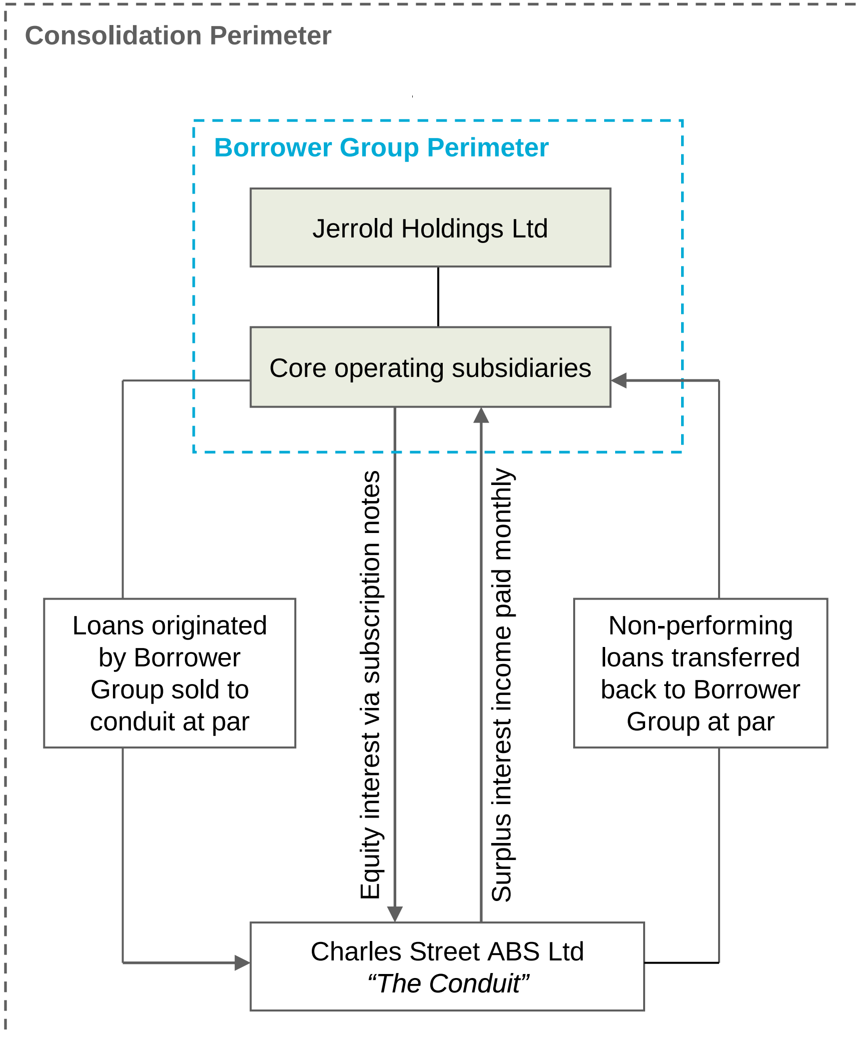
Overview of Conduit Structure



Notes: 1) As at 31 March 2014; 2) There is £3.1m of accrued interest on the loan notes at the end of the month which is the balance between the Conduit's assets and it's funding; 3) Weighted Average indexed Loan to Value

Securitisation Overview

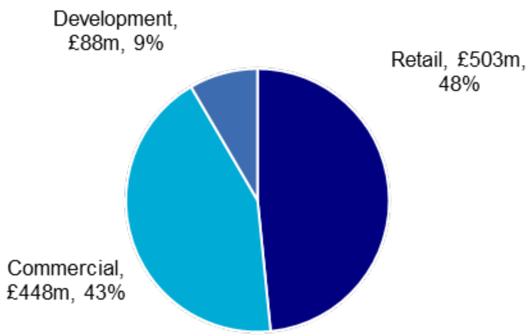
- The Conduit is a bankruptcy remote vehicle which buys qualifying loans from the Borrower Group
- As at March 2014 the Securitisation had £514.2m of assets comprising £489.6m of loans and £21.5m of cash[1,2]
- The Conduit was funded by £373m of loan notes issued to its lenders, £135m of subordinated subscription notes issued to the originators. The subscription notes effectively represent the Borrower Group's equity interest in the Conduit[1]
- The Conduit pays any surplus cash net of its costs to the Borrower Group on a monthly basis (c. £4.4m per month)

Transfer of Mortgage Loans

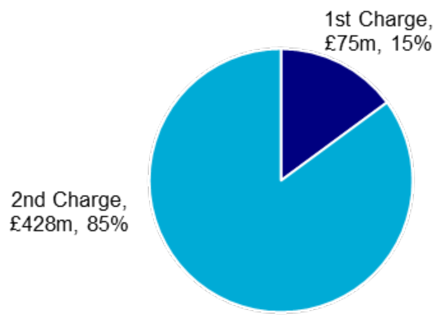
- Qualifying Loans originated by the Borrower Group are sold to the conduit at par on a random basis
- About 90% of loans originated by the Borrower Group are eligible to potentially be included in the Conduit on day 1
- Loans may be transferred back to the Borrower Group if they do not continue to meet eligibility criteria (typically arrears related)
- For the 12 months ending December 2013, £28m of loans were returned to the Borrower Group. These loans had a WA indexed LTV[3] of 60.6%
- In the 3 years to December 2013 the Borrower Group's average annual capital losses on loans returned from the Conduit was £190k

Diversified Loan Book

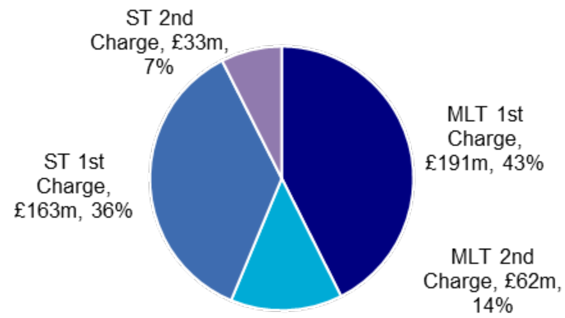
Loan Book Breakdown by Loan Purpose



Retail Loan Book Breakdown



Commercial Loan Book Breakdown



Primarily Secured on Residential Property

84% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
Retail	27.1	11.8%	57.4%
Commercial	93.2	13.0%	59.8%
Development	297.7	12.2%	109.0%
Total	42.0	12.4%	62.8%

100% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
1st Charge	46.9	10.8%	51.3%
2nd Charge	25.3	12.0%	58.5%

64% secured on residential property

Total Loan Book	Average loan size £k	WA Indexed LTV	WA Nominal Rate
ST 1st Charge	148.1	14.8%	63.9%
ST 2nd Charge	102.2	16.5%	71.7%
MLT 1st Charge	90.6	11.4%	56.0%
MLT 2nd Charge	47.5	11.7%	54.1%

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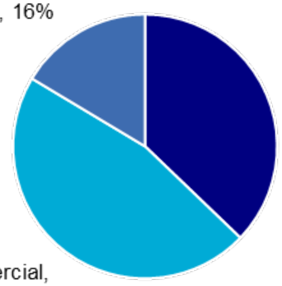
Borrower Group Benefits from Low Gearing

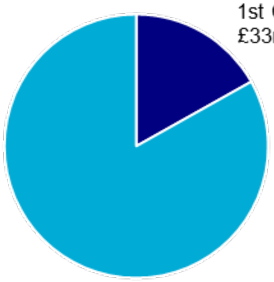
Loan Book Breakdown by Loan Purpose



82% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
Retail	23.7	62.3%	11.6%
Commercial	117.3	69.3%	12.7%
Development	297.7	109.0%	12.2%
Total	47.0	73.2%	12.2%

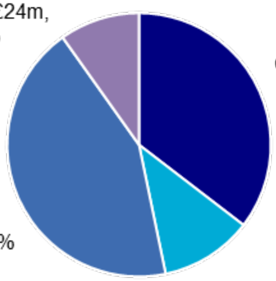
Retail Loan Book Breakdown



100% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
1st Charge	45.6	60.3%	10.5%
2nd Charge	21.4	64.3%	11.9%

Commercial Loan Book Breakdown



62% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
ST 1st Charge	185.8	14.0%	71.1%
ST 2nd Charge	95.5	15.9%	78.9%
MLT 1st Charge	111.7	10.7%	68.4%
MLT 2nd Charge	54.6	11.6%	57.4%