



**Q4 2014/15 Results  
Investor Presentation  
9 September 2015**

# Management Team Participants

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## Gary Beckett - Group CFO



- Gary joined Jerrold in 1994 managing a number of roles within the Finance and Operations functions
- Appointed Group CFO in 2001 contributing to the strategic development of the Group, with specific responsibility for financial reporting, taxation, treasury and investor relations
- Gary created the group structure in 1996, led the private equity transaction in 2006, and arranged the Groups inaugural RCF Syndication, Securitisation Programmes and Senior Note issuance facilities raising in excess of £2bn
- Gary is a qualified Chartered Accountant

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## Matt Blake – Head of Treasury



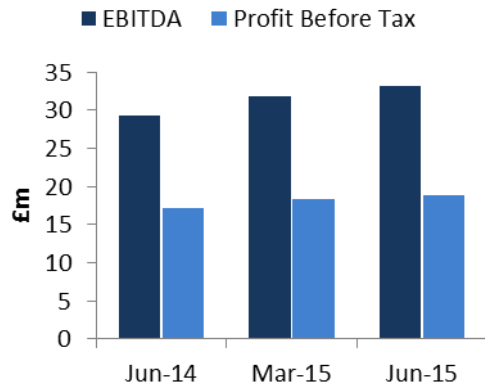
- Matt joined Jerrold in 2003 and has managed a number of roles within the Finance function
- More recently, Matt has played a lead role in executing the £255m Lakeside Asset Backed Securitisation programme in August 2015 and the additional £100m Senior Notes Issuance in April 2015
- Matt is a Chartered Management Accountant
- Contact details: [matt.blake@jerroldholdings.co.uk](mailto:matt.blake@jerroldholdings.co.uk) +44 161 956 3223

# Agenda

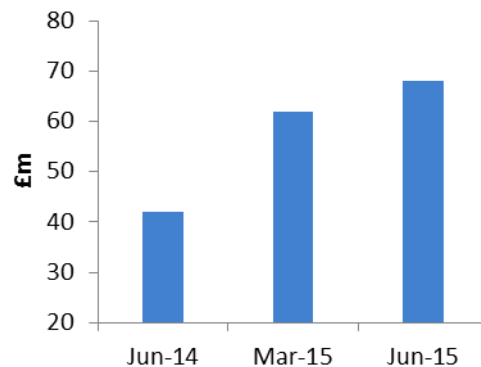
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# Consistently Stronger Quarterly Performance

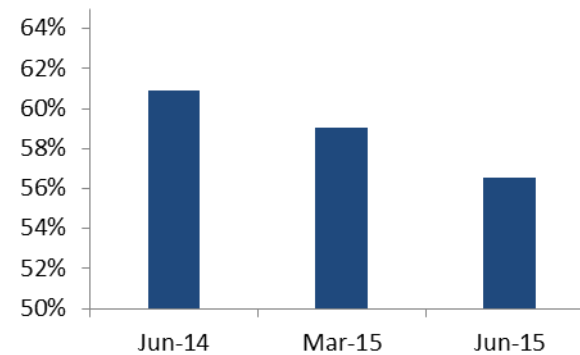
## Strong Underlying Profits



## Strong Lending Volumes (monthly average)



## Low Indexed Loan To Value



- Maintaining very strong profit growth with profit before tax at £18.8m (prior quarter £18.3m) with full year PBT reaching £70.1m (up 34.8% on prior year of £52m)
- Benefiting from continued stability in the UK housing market and continued dislocation caused by the changes in mortgage regulation
- Continuing to see strong demand for all our loan products, with lending volumes increasing 10% during the quarter. Also maintaining credit quality, setting the basis for significant step up in future profitability
- Loan Assets grew by £109.6m during the quarter (£102.0m in prior quarter) and now stands at £1.44bn (up 34% on prior year of £1.08bn)
- Issued an additional £100 million in Senior Secured Notes in April 2015 and completed new £255m Commercial Securitisation in August 2015 along with renewal of the Revolving Credit Facility for £18m

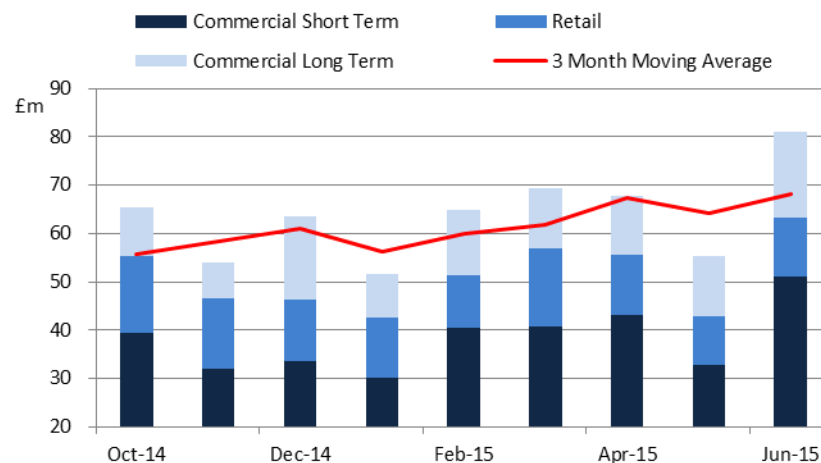
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# Growth in Profits and Lending Volumes

	Jun-14	Mar-15	Jun-15
Interest & Fee Income £m	36.0	43.7	44.7
Movement in Provisions £m	(0.4)	0.4	(0.6)
EBITDA £m	29.3	31.9	33.1
Interest Costs £m	11.9	13.4	14.0
Profit Before Tax £m	17.2	18.3	18.8
Net Interest Margin	7.0%	7.2%	7.2% <sup>(1)</sup>
	Jun-14	Mar-15	Jun-15
Cash Receipts £m	110.1	126.9	141.0
New advances £m	125.9	186.0	203.9
Origination LTV	54.6%	56.2%	54.2%
Nominal Interest	12.9%	11.6%	11.5%

## Monthly Loan Advances



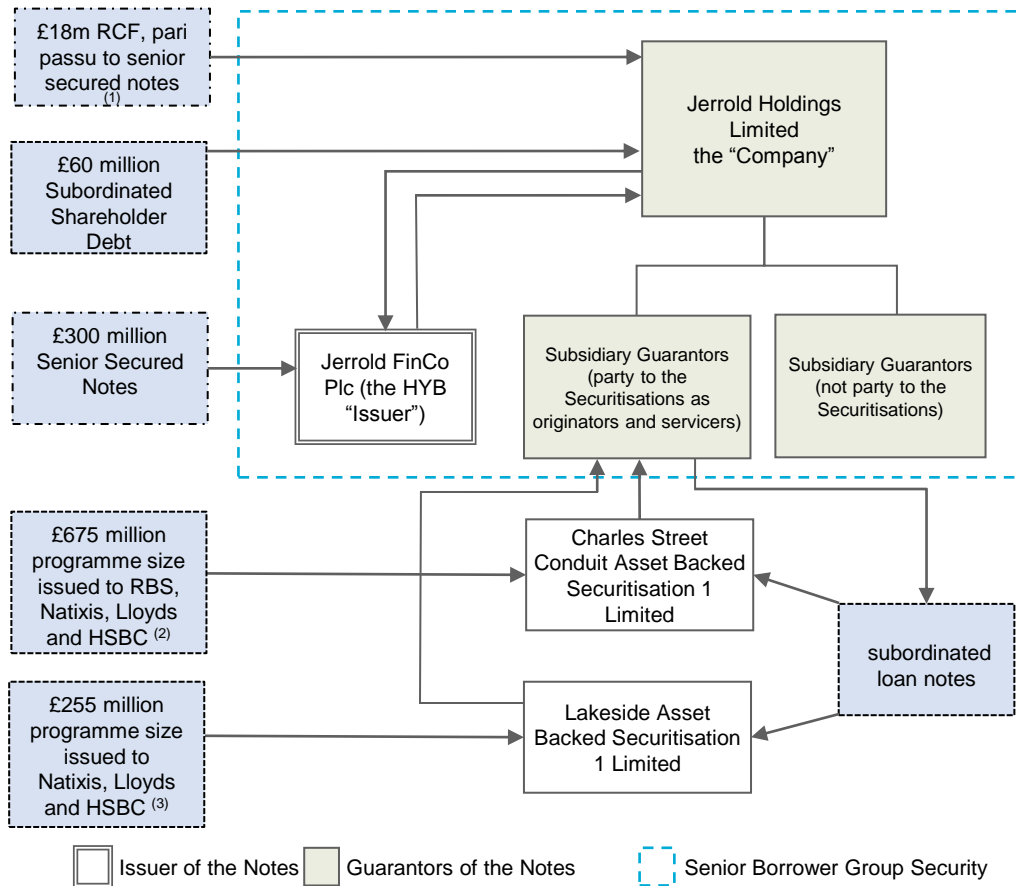
Small amount of development loan advances included in Commercial totals

- Interest income increased in the period (incorporating a £2.1m provision charge in respect of prior years interest) reflecting higher levels of lending and lower levels of non performing loans
- Maintaining very strong profit growth with profit before tax at £18.8m (prior quarter £18.3m)
- Steady upward trend in lending activity with average origination LTV staying in the 55% area
- 10 bps decline in nominal rates in line with expectations and higher volumes. Average APRs remain around the 16% level

(1) Added back £2.1m Interest provision

# Pro forma - Corporate funding structure

## Group Legal & Finance Structure as at 31 August 2015

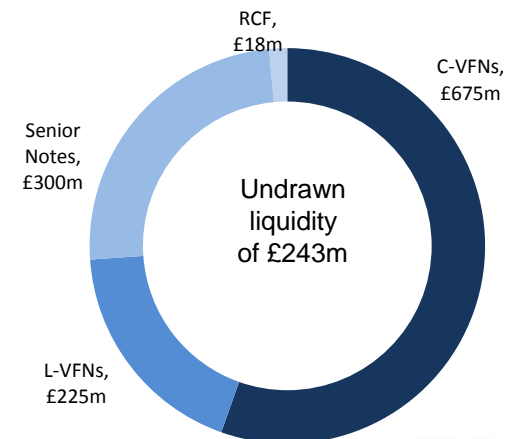


- (1) 30 June 2015 drawn balance was nil, and as at 31 August 2015 drawn balance was nil  
 (2) 30 June 2015 balance was £635m and as at 31 August 2015 £630m  
 (3) Facility in place since 13 August and as at 31 August 2015 £75m of notes issued

## Liquidity and Funding

- Pricing of £100m of Senior Notes on 17 April, raising £108.5m. Proceeds used to repay RCF
- On 13 August 2015 executed a new securitisation funding line of £255m to support the origination of new short term commercial purpose loans
- Facility provided by HSBC, Lloyds and Natixis and has a 3 year maturity
- During August the Group also extended the existing RCF facility till August 2017
- As at 31 August the Group has undrawn committed funding of £243m plus unrestricted cash of c.£20m that will be used to fund new lending

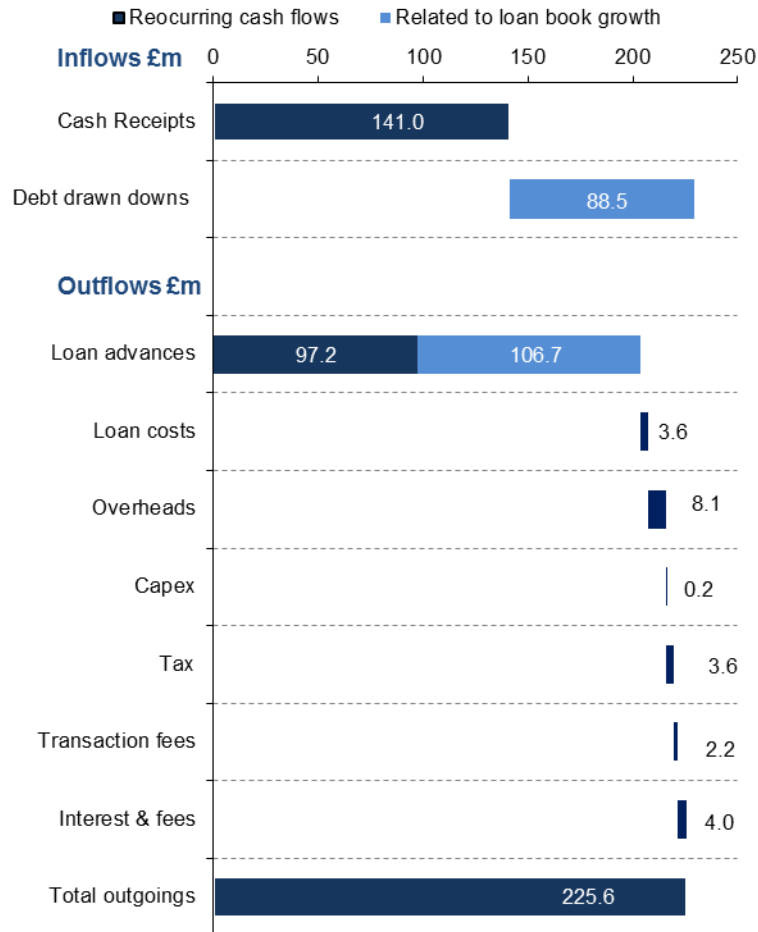
## Diversified Funding Base



As at 31 August 2015

# Highly Cash Generative

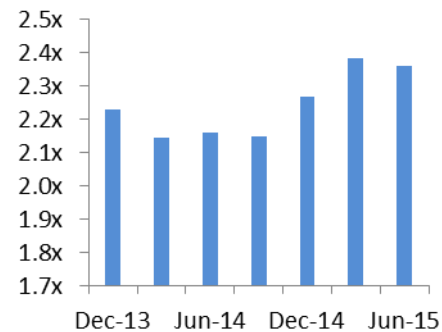
## Quarterly Cash-flow



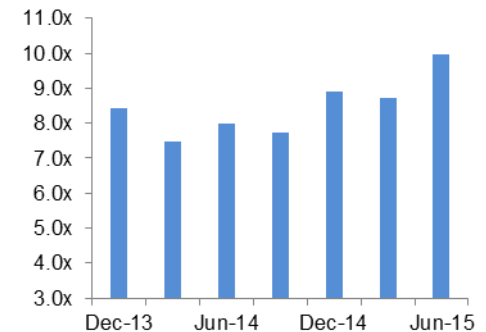
## High Levels of Cash Generation

- Quarterly consolidated group cash receipts of £141m
- Net increase in outstanding debt of £88m
- £203.9m of new advances with £3.6m of related funding costs
- Expenses including overheads, capex and tax totalled £11.9m
- Cash Interest was £4m with £7.5m interest accrued on senior secured notes
- Interest cover above 2x and significantly higher on a cash basis
- The ratio of net debt to free cash flow remains at c.2x

## EBITDA / Interest Cover



## Cash Interest Cover



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



# Low Levels of Gearing and Strong Asset Backing

Key Credit Metrics	Consolidated Group			Borrower Group		
	Jun-14	Mar-15	Jun-15	Jun-14	Mar-15	Jun-15
EBITDA <sup>(1)</sup> (£m)	29.3	31.9	33.1	25.1	26.8	27.9
Loan Ledger after bad debts (£m)	1076.2	1332.0	1441.6	549.2	593.2	635.8
Shareholder funds (£m) <sup>(2)</sup>	461.8	501.6	516.6	318.3	321.1	322.2
WA Indexed LTV	60.9%	59.0%	56.5%	71.5%	70.4%	67.4%
Gearing <sup>(3)</sup>	56.5%	62.0%	63.2%	41.5%	45.9%	48.0%
Underlying Asset Cover <sup>(4)</sup>	34.4%	36.6%	35.7%	29.7%	32.3%	32.3%
Cost / Income Ratio <sup>(5)</sup>	26.1%	26.5%	28.0%	n/a	n/a	n/a
EBITDA margin	81.3%	73.0%	74.1%	n/a	n/a	n/a
Net Debt : EBITDA <sup>(2) (6)</sup>	6.2x	6.9x	7.4x	2.8x	2.7x	2.9x
Gross debt : tangible equity <sup>(2) (6)</sup>	1.53x	1.82x	1.94x	0.74x	0.87x	0.96x
ROE % <sup>(2) (6)</sup>	9.3%	11.3%	11.1%	7.4%	11.2%	11.0%
Interest Cover	2.16x	2.38x	2.36x	2.85x	3.18x	3.17x
Net Interest Margin	7.0%	7.2%	7.2% <sup>(7)</sup>	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
- 7 Added back £2.1m interest provision

## Low Levels of Financial Gearing

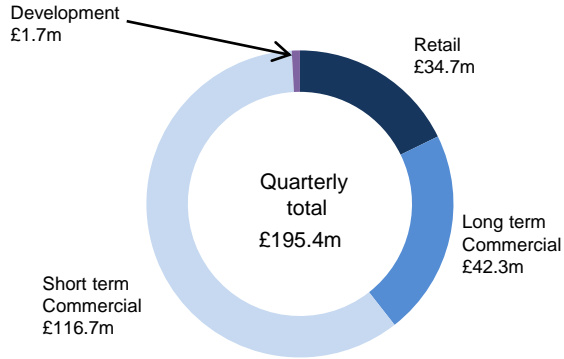
- Over the last 12 months shareholder reserves increased by £54.8m and now stands at £516.6m
- Significant asset backing - low levels of financial gearing and high level of equity in underlying properties
- Low Gearing levels at 63.2% for the Group and 48.0% for the Borrower Group
- Prudent underlying asset cover at 35.7% for the Group and 32.3% for the Borrower Group
- Attractive profit margins, underlying EBITDA margin over 70% and low cost base
- Net senior secured leverage of 7.4x for the Group and 2.9x for the Borrower Group

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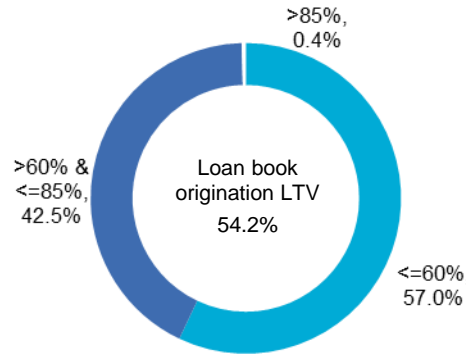
# High Quality Underwriting Focused on Low LTVs and Residential Security

## New Business Loan Purpose (Q4)



This total excludes a small number of further advances

## Origination LTVs average (Q4)



## % Customers Not Credit Impaired

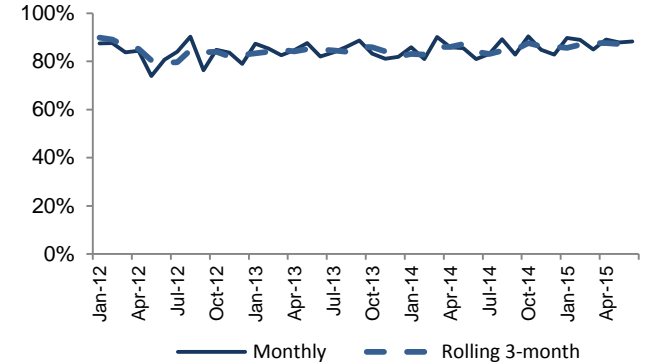
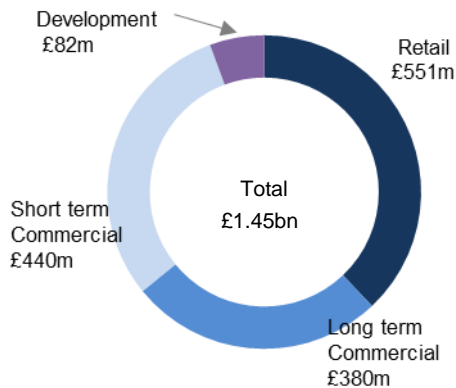
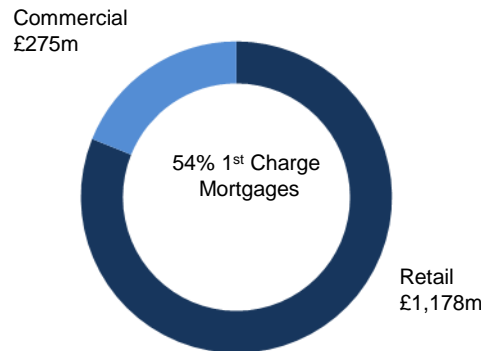


Chart shows non credit impaired customers as % of total new business written since Jan 2012 using FCA definition of credit impaired

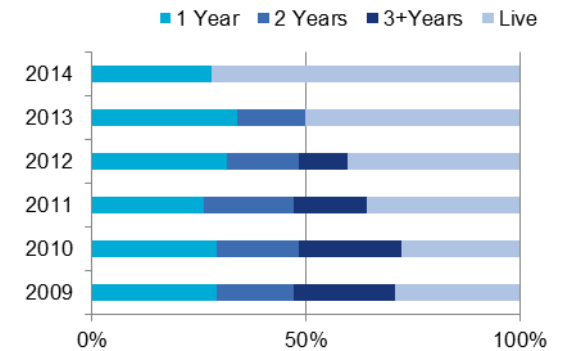
## Loan Book Breakdown by Loan Purpose



## Loan Book: 81% Residential Security



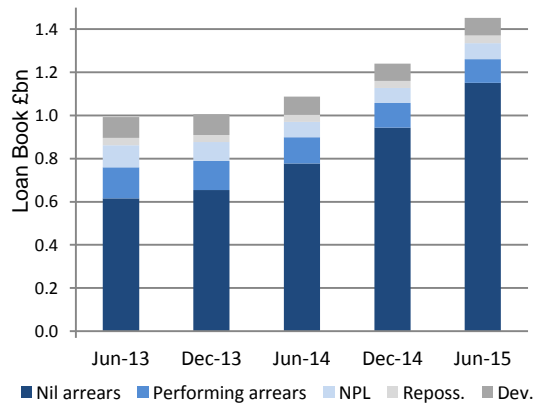
## Redemption Rates (by loan vintage)



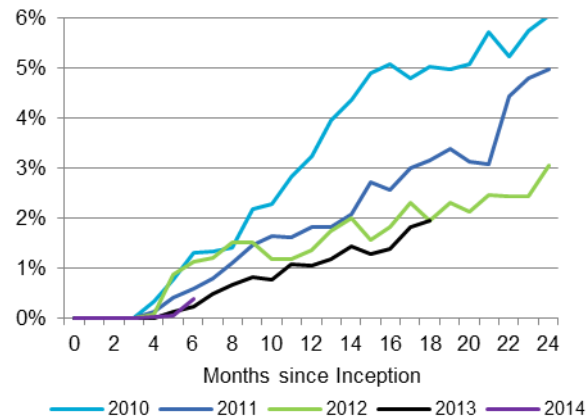
Redemption rates for loans written in 2014, show YTD redemptions as not all loans have been live for 12 months

# Continued Improvement in Loan Book Quality

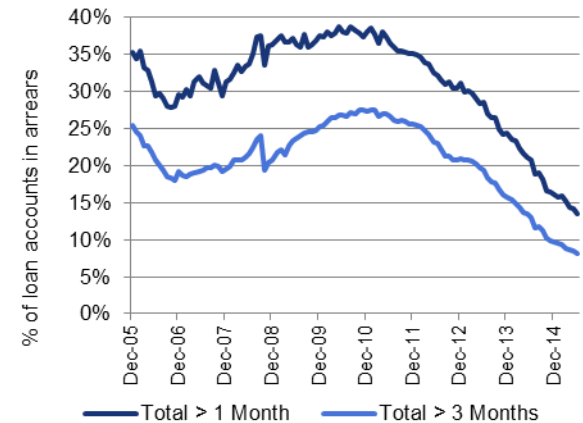
## Loan Book Segmentation



## >3m Arrears (by annual vintage)



## Accounts in Arrears (by value)



- Arrears peaked in Q1 2009 as consequence of recession and rising unemployment
- Tightening of credit policy and enhancements to collection process have reduced vintage delinquency
- Group proactively engages with customers in arrears agreeing appropriate payment plans
- Accounts in arrears are now fewer in number and value than at any point previously
- Percentage of performing loans for the Consolidated Group increased from 76.5% as per June 2013 to 86.8% per June 2015; with an even larger improvement for the Borrower Group from 53% to 70.5%
- Dedicated team established to actively reduce the old development portfolio (funded prior to July 2013) by looking to dispose of properties while maximising value. Exposure to older development loans reduced from £97m in June 2013 to £64.5m at June 2015

# Low LTV provides significant downside protection

## Overall LTVs

- The WA indexed LTV of the total loan portfolio is 56.5% and 67.4% for the Borrower Group
- Percentage of loans within the Borrower Group with an origination LTV of > 75% is 16.7% compared to 24% at June 2013 and covenant of 32%

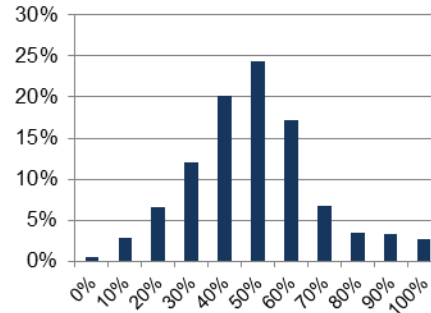
## Loans in Negative Equity

- 2.7% of Group loans (6.1% of Borrower Group loans) have an indexed LTV >100% with actual negative equity exposure of £14.6m (£14.4m for Borrower Group)
- The Group's provisioning policy requires that we make a full provision for our estimated potential exposure to negative equity for all non performing loans based on current indexed valuations

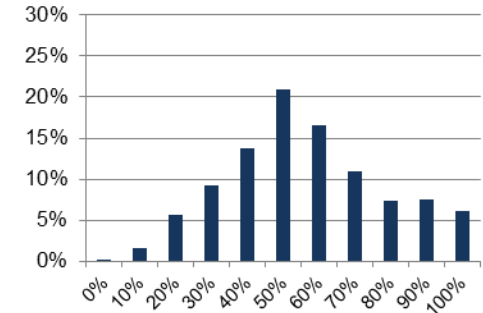
## Downside Scenario Analysis

- We estimate that for the Group 10% and 20% falls in property values would result in additional exposure of £3.9m and £19m respectively
- We estimate for the Borrower Group 10% and 20% falls in property values would result in additional exposure of £3.5m and £17.9m respectively

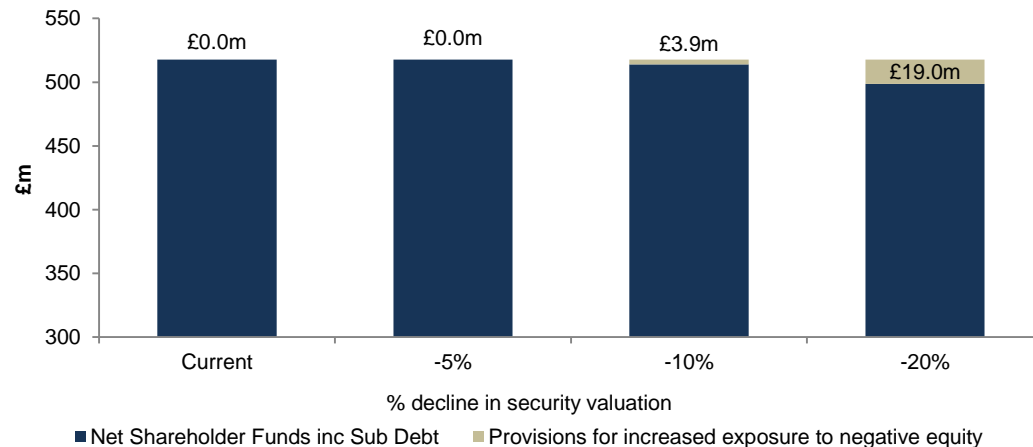
## Loan Book by Indexed LTV



## Borrower Group Indexed LTV



## Estimated Impact of Declining Security Valuations



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## Significant investment in our people, operational infrastructure, regulatory framework and the launch of a new brand to support our strategic growth objectives

- Preferred branding option secured, trade marks registered, creative imagery and tone developed, streamlining all our brands under one name with launch date planned for the end of September
- Significant investment continues in enhancing our core IT platforms to support our strategic growth plans, to deliver scalability, flexibility and efficiency gains across the business
- On-going focus on regulatory compliance - continuing to operate using a three lines of defence model with formal governance structures providing assurance over credit quality as the loan book grows
- Positive culture and conduct – established conduct excellence committee and introduced a continuous programme of training to support and embed our values
- Project team established to prepare for our full permission applications for (i) our second charge retail business which will become regulated mortgages under the EU Mortgage Credit Directive in March 2016, and (ii) our current CCA loan activities. In addition preparation has also commenced for the changes required on the FCA's adoption of the EU Mortgage Credit Directive
- Small Motor Finance pilot exercise launched in Q3
- Transition from UK GAAP to IFRS for period starting 1 July 2015. Full breakdown will be given in the next quarterly reporting but modest changes to net value of loan book and bad debt provisions
- Additional interim resource recruited at executive level in preparation for Mr Jennison's departure

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# Strategic Growth Objectives and Positive Outlook

## Strategic Objectives

Deliver value to key stakeholders. Enhancing our position as a respected specialist secured lender. Operating in niche market segments. Offering a balanced and diversified loan product portfolio and service tailored to meeting our customers' needs. Earning a commensurate return "fair value exchange", prudently managing risk within an efficient, compliant and inspiring environment.

## Key Considerations

- Focus – underserved segments of the secured mortgage market
- Diversification - loan book composition to remain diversified with potential to add new products and leverage existing service platform
- Investment – significant investment in people and technology continues
- Risk management - continued attention to affordability assessments and low LTV's
- Resource - retained earnings and extended debt facilities with potential to further upsize provide financial capability to support growth plans
- Strong Platform - c£1.45bn loan book at 56.5% weighted average indexed LTV and 7.2% interest margin provide a high degree of visibility on future base case earnings and cash-flow
- Outlook – positive growth underpinned by stable property sector and falling unemployment
- Experience - 42 years of successful trading



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**Questions and Answers Session**

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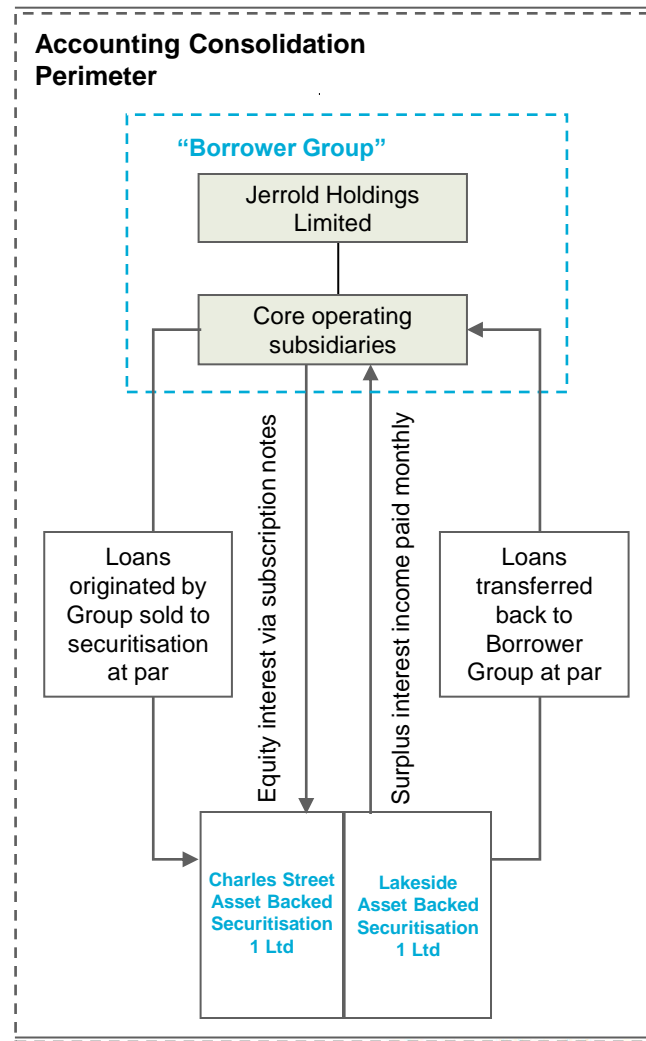
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# Overview of securitisation structure

Data as at 31 August 2015

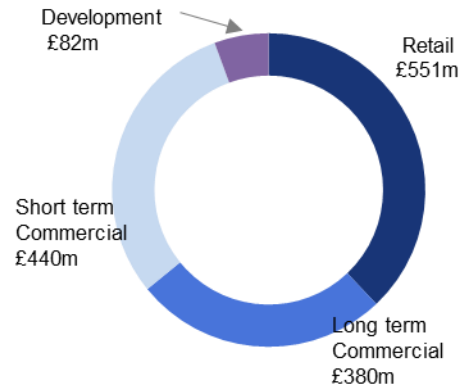
Issuer	Charles Street Asset Backed Securitisation	Lakeside Asset Backed Securitisation
Note purchasers	<ul style="list-style-type: none"> <li>RBS, Lloyds, Natixis and HSBC</li> </ul>	<ul style="list-style-type: none"> <li>Lloyds, Natixis and HSBC</li> </ul>
Facility size	<ul style="list-style-type: none"> <li>£675m facility size</li> <li>£635m issued</li> </ul>	<ul style="list-style-type: none"> <li>£255m facility size</li> <li>£75m issued</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>Revolving period January 2018</li> <li>Full repayment January 2019</li> </ul>	<ul style="list-style-type: none"> <li>Full repayment August 2018</li> </ul>
Rating	<ul style="list-style-type: none"> <li>Rated Aa2 (sf) by Moody's and AA (sf) by and DBRS</li> </ul>	<ul style="list-style-type: none"> <li>Not rated</li> </ul>
Structure	<ul style="list-style-type: none"> <li>Loan pool collateral £805.3m</li> <li>Jerrold subordinated loan notes</li> <li>Net advance rate 77%</li> </ul>	<ul style="list-style-type: none"> <li>Loan pool collateral £89.5m</li> <li>Jerrold subordinated loan notes</li> <li>Net advance rate 76%</li> </ul>
Facility purpose	<ul style="list-style-type: none"> <li>Flexible facility to fund all Jerrold asset types</li> <li>Concentration limits on % of short term commercial purpose loans</li> </ul>	<ul style="list-style-type: none"> <li>Primarily to fund new short term commercial purpose loans and loans secured on commercial property</li> </ul>
Purchase & recycling of assets	<ul style="list-style-type: none"> <li>Beneficial interest in qualifying loans transferred to Securitisation on a random basis in consideration for full principal balance</li> <li>The Borrower Group buys back assets that no longer meet the eligibility criteria. Primarily this is where a loan no longer meets the relevant arrears criteria (3–5 months)</li> </ul>	
Delinquency and loss rate	<ul style="list-style-type: none"> <li>Delinquency rate (arrears &gt; 1m) 4.7%</li> <li>LTM £17.9m of loans were repurchased. These loans WA indexed LTV of 53.9%</li> <li>Capital losses on repurchased loans averaged c. £20k since 2012</li> </ul>	<ul style="list-style-type: none"> <li>Facility set up August 2015 so limited data available</li> </ul>

## Securitisation Interaction with Jerrold Group



# Diversified loan book – consolidated group

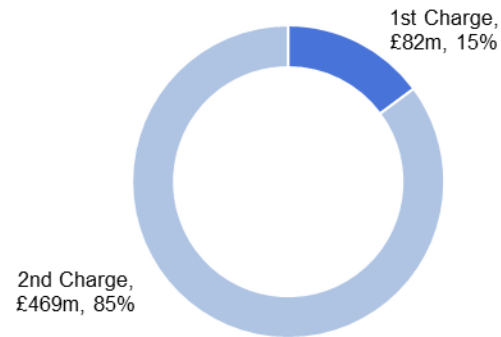
## Loan Book Breakdown by Loan Purpose



81% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
Retail	29.8	11.1%	50.7%
Commercial	121.7	12.5%	54.3%
Development	277.9	13.0%	117.5%
<b>Total</b>	<b>55.0</b>	<b>12.0%</b>	<b>56.5%</b>

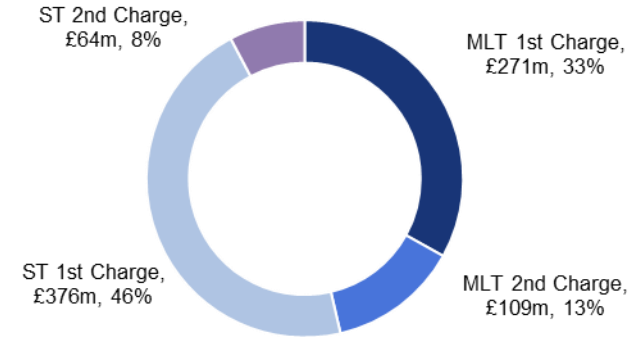
## Retail Loan Book Breakdown



100% secured on residential property

Retail Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
1st Charge	48.5	10.2%	43.3%
2nd Charge	28.0	11.2%	52.0%

## Commercial Loan Book Breakdown



67% secured on residential property

Commercial Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
ST 1st Charge	232.1	14.0%	57.8%
ST 2nd Charge	153.4	14.8%	60.1%
MLT 1st Charge	98.1	10.9%	49.2%
MLT 2nd Charge	56.7	10.6%	51.7%

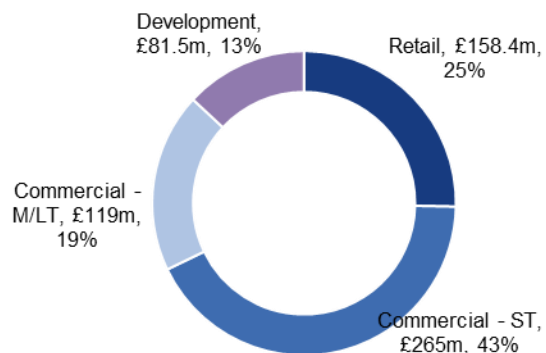
Note:

ST = Short term.

MLT = Medium + Long term.

# Diversified Loan Book – Borrower Group

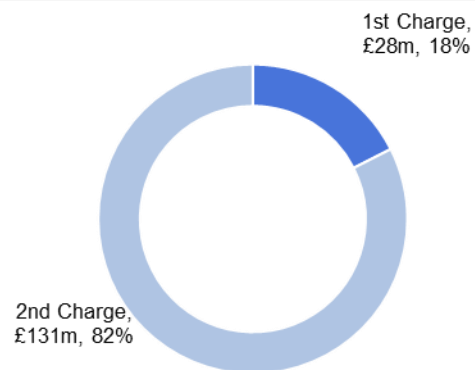
## Loan Book Breakdown by Loan Purpose



80% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
Retail	23.6	11.4%	55.4%
Commercial	188.4	12.6%	61.8%
Development	279.2	13.0%	117.5%
<b>Total</b>	<b>67.4</b>	<b>12.4%</b>	<b>67.4%</b>

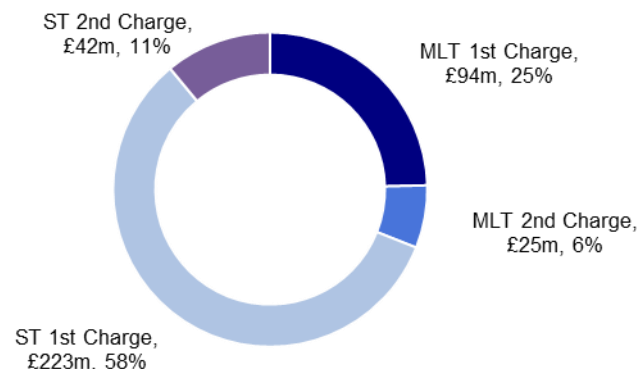
## Retail Loan Book Breakdown



100% secured on residential property

Retail Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
1st Charge	48.4	10.0%	51.6%
2nd Charge	21.4	11.7%	56.2%

## Commercial Loan Book Breakdown



65% secured on residential property

Commercial Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
ST 1st Charge	319.4	13.5%	62.5%
ST 2nd Charge	156.8	14.4%	64.2%
MLT 1st Charge	146.3	10.3%	60.9%
MLT 2nd Charge	56.1	11.0%	54.0%

Note:

ST = Short term.

MLT = Medium + Long term.