

together.TM
Loans, mortgages & finance.

**2016/17 Q2 Results
Investor Presentation
22 February 2017**



Management Team Participants

Gary Beckett - Group CFO



- Gary is one of the longest serving colleagues at Together, joining the Group in 1994, Gary has overseen much of the organic growth of the Group undertaking a number of roles within the Finance, Operations and Risk and Compliance 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 original private equity buy in during 2006 and buy out in 2016, and arranged the Groups inaugural RCF Syndication, Securitisation Programme and Senior Note issuance facilities
- In October 2016 Gary successfully led the refinancing of the Senior Notes and in November 2016 executed the PIK Toggle Notes issuance to acquire the Equistone interests
- Gary is a qualified Chartered Accountant

Matt Blake – Head of Treasury



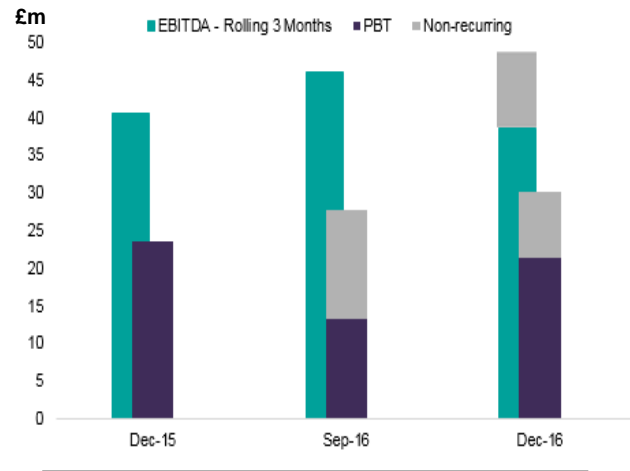
- Matt joined Together in 2003 and has managed a number of roles within the Finance function
- Matt has played a lead role in the upsizing of the Charles Street Securitisation programme to £1bn in March 2016, the £255m Lakeside Asset Backed Securitisation programme in August 2015 and the additional £100m Senior Notes Issuance in April 2015
- More recently, Matt delivered the £90m Delta credit facility and was instrumental in supporting the recent refinancing of the Senior Secured Notes and the PIK Toggle Notes Issuance
- Matt is a Chartered Management Accountant, holds Treasury qualifications and a BSC Hons in Finance and Accounting

Agenda

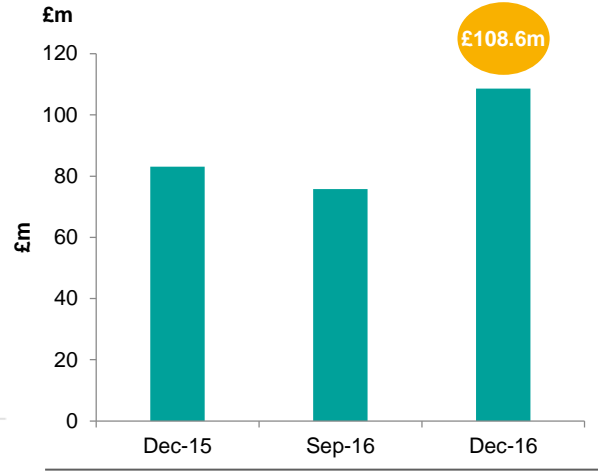
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Consistently Stronger Performance

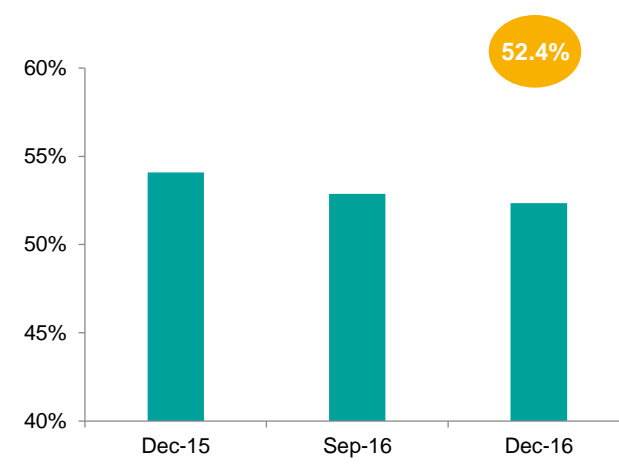
Strong growth in EBITDA,



Robust Lending Volumes



Low LTVs



- Strong quarterly growth in underlying EBITDA of £47.2m (prior quarter £46.1m)
- Underlying PBT has increased to £30.0m compared to £27.6m in the prior quarter. The current quarter adjusted for exceptional costs of £8.8m primarily in relation to the Exit Transactions and the prior quarter adjusted for a non-recurring £14.5m increase in interest payable and similar charges, in relation to the early refinancing of the 2018 Senior Secured Notes. Financial measures elsewhere in this presentation are reported as adjusted for these non-recurring items
- Execution of both £200m Senior Secured Notes issuance and the £90m Delta ABS programme, provide additional liquidity for origination growth
- Increased new origination volumes, of 43.3%, during the quarter with average monthly originations of £108.6m (prior quarter £75.8m)
- Loans and Advances grew by 7.2% up £133.3m during the quarter and now stands at £1.99bn (up 21.4% on prior year) with the weighted average indexed LTV remaining stable at a prudent 52.4% (prior quarter 52.9%)

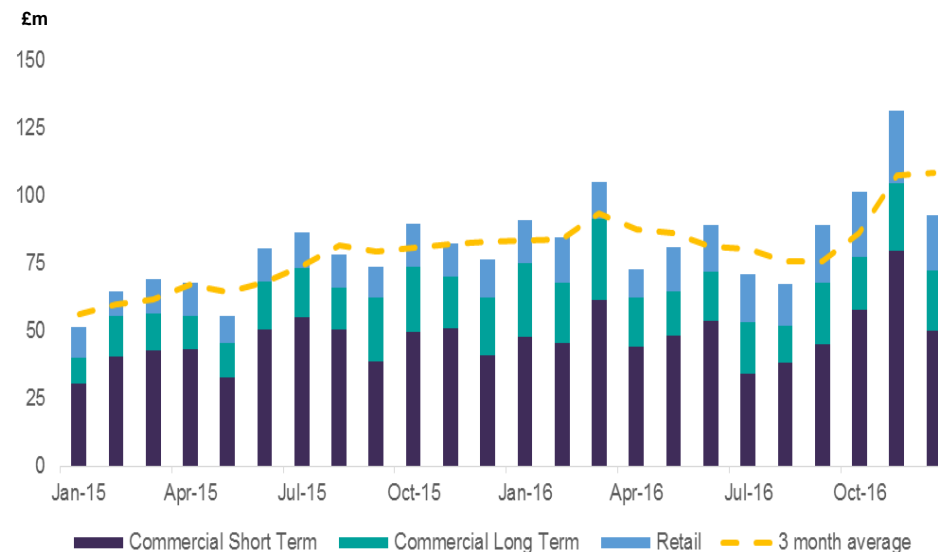
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Growth in Profits and Lending Volumes

	Dec-15	Sept-16 ¹	Dec-16 ²
Income	53.3	59.4	61.1
Impairment Losses £m	2.7	2.1	2.4
EBITDA £m	40.5	46.1	38.7
Underlying EBITDA £m	40.5	46.1	47.2
Interest Payable £m	16.8	18.0	16.7
PBT £m	23.4	13.1	21.2
Underlying PBT £m	23.4	27.6	30.0
Net Interest Margin ³	9.0%	8.9%	8.7%
Cost / Income Ratio ⁴	27.8%	29.1%	28.6%
	Dec-15	Sept-16	Dec-16
Cash Receipts £m	185.3	229.5	255.6
Originations £m	249.2	227.4	325.8
Origination LTV ⁵	57.9%	54.5%	54.4%
Origination Nominal Interest	10.8%	10.7%	10.5%

Monthly Loan Advances



Small amount of development loan advances included in Commercial totals

- Income increased in the period reflective of the growth in the loan book
- Low impairment charge of £2.4m represents just 0.1% of the loan book at December 2016
- Maintaining relatively stable net interest margin and low cost base, resulting in adjusted PBT of £30.0m up 8.7% on prior quarter (September 2016) and 28.2% on comparable prior year quarter (December 2015)
- Significant increase in monthly origination volumes. Q1 monthly originations averaged £75.8m increasing to £108.6m in Q2
- Conservative approach to LTV has been maintained with quarterly originations remaining low and stable at 54.4%
- Nominal rates have reduced slightly during the quarter to 10.5% (prior quarter 10.7%)

1 Adjusted for the £14.5m refinancing cost of the £300m Senior Secured Notes

2 Adjusted for £8.8m of exceptional costs on completion of the acquisition of the minority interest shares

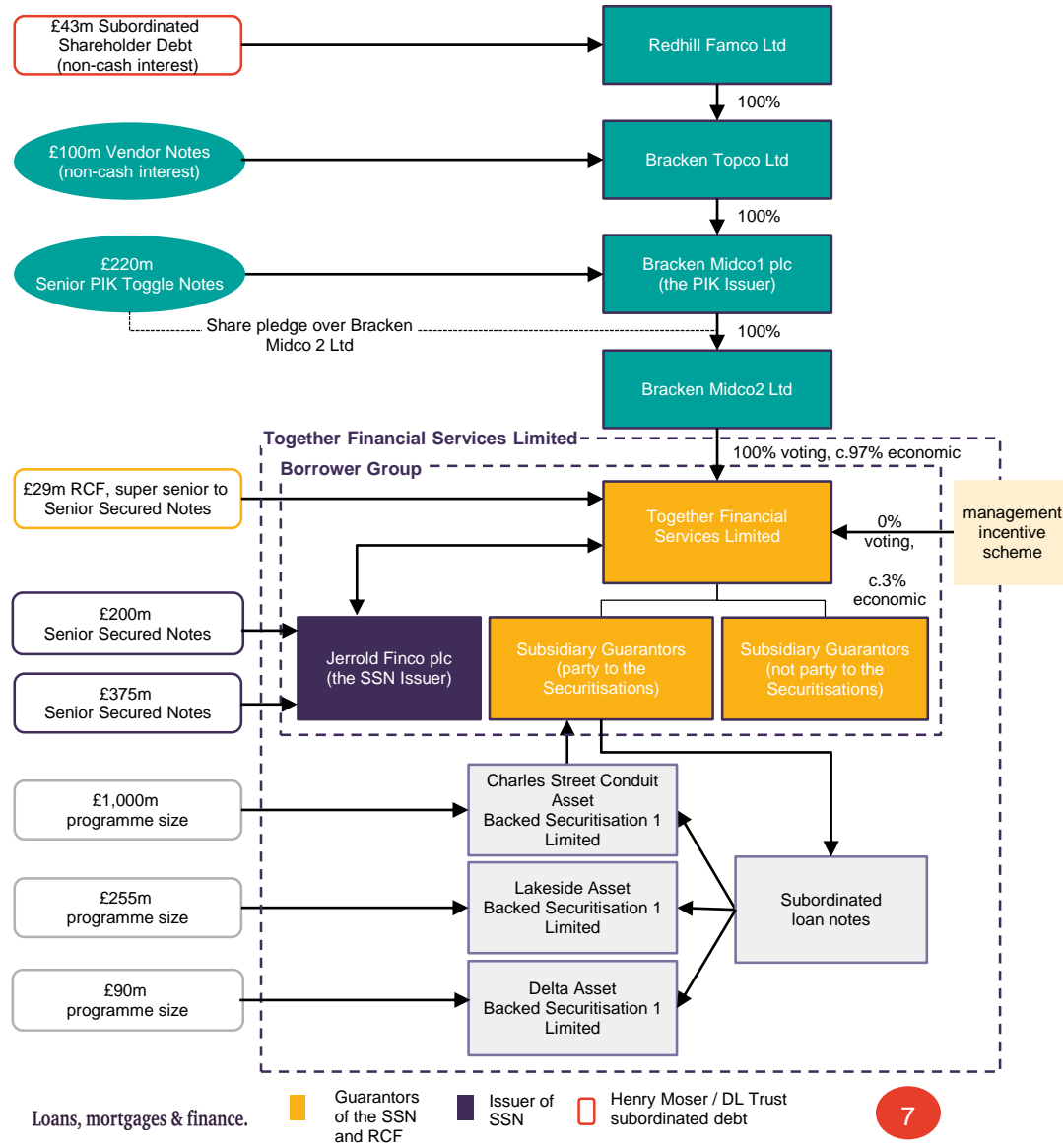
3 Calculated as LTM net interest income / average opening and closing loan assets

4 Operating expenses excluding impairment, financing costs, and tax / Net operating income

5 Excludes Further Advances
Loans, mortgages & finance.

Corporate funding structure

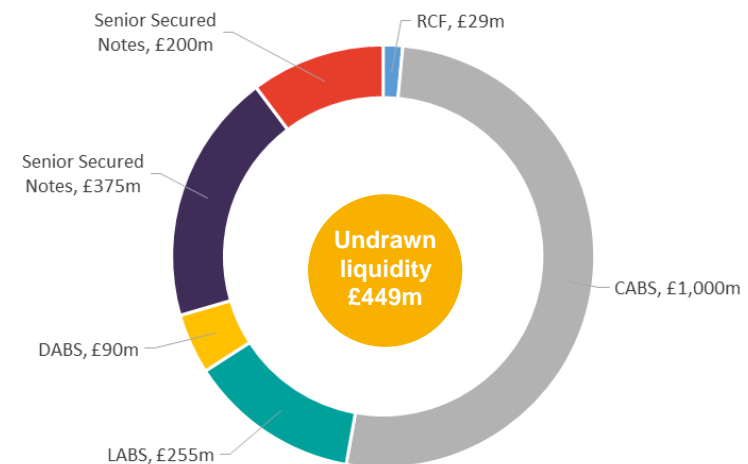
Group Legal & Finance Structure as at 22 February 2017



Liquidity and Funding

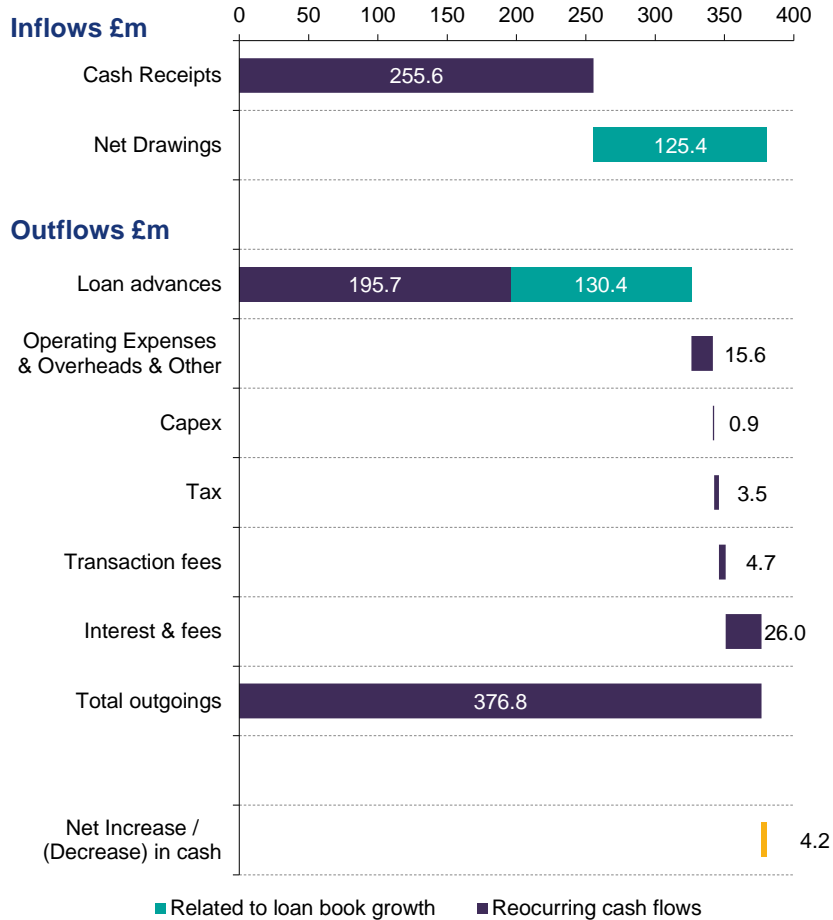
- On 25 January 2017 executed a new securitisation funding line of £90m to support the origination of new short term commercial purpose loans
- 22 February 2017 settlement of £200m Senior Secured Notes Issuance, 7 year NC3
- Diversified funding structure with average maturity of 4 years (pro forma as at 31 January 2017)
- High level of liquidity, with total undrawn committed funding (pro forma as at 31 January 2017) of £449m and average monthly cash receipts of circa £80.9m for the 6 months to 31 December 2016

Diversified Funding Base as at 22 February 2017



Highly Cash Generative

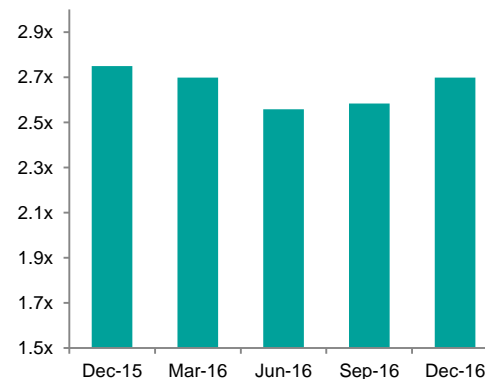
Quarterly Cash-flow



High Levels of Cash Generation

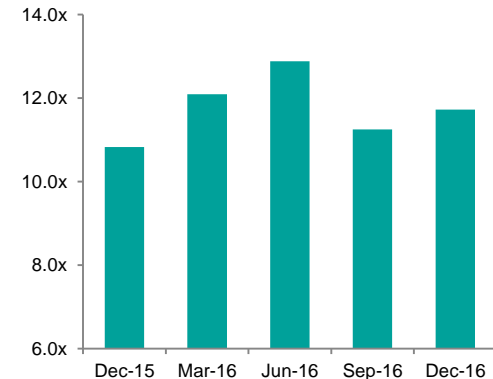
- Quarterly consolidated group cash receipts of £255.6m
- Net increase in outstanding debt of £125.4m in the period made up of i) additional drawings of £75m and decrease in cash of £0.4m under the Charles Street securitisation programme ii) £75m increase in the senior notes programme iii) a net increase of £8.1m of subordinated shareholder funding iv) £29.0m decrease in the RCF and v) a cash increase of £4.1 under the Lakeside securitisation programme
- New originations of £326.1m with £130.4m related to loan book growth (prior quarter £54.6m)
- Expenses including overheads, capex and tax has increased by £3.5m to £20.1m (prior quarter £16.6m) and includes increased cost of new business, staff bonus payments and legal fees associated with transactional work
- Quarterly cash interest of £26.0m includes £14.5m of costs incurred on settlement of the refinancing the £300m senior secured notes
- Interest cover stable and above 2x and significantly higher on a cash basis

EBITDA / Interest Cover¹



¹Sept-16 Adjusted for £14.5m of costs associated with the early refinancing of the £300m Senior Secured Notes

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			Notes
	Dec-15	Sept-16 ⁷	Dec-16 ^{7,8}	Dec-15	Sept-16 ⁸	Dec-16 ⁷	
Loan Ledger after impairment (£m)	1,638.4	1,855.3	1,988.6	597.1	615.7	643.5	1 Subordinated shareholder loans / inter company debt treated as equity
Shareholder funds (£m) ⁽¹⁾	538.6	585.8	612.1	284.0	276.5	274.8	2 Ratio of net borrowings to the value of the Consolidated Group loan ledger after impairment & Ratio of net senior secured borrowings to the value of the Borrower Group loan ledger after impairment
WA Indexed LTV ⁽⁵⁾	54.1%	52.9%	52.4%	60.5%	57.5%	56.9%	
Gearing ⁽²⁾	66.1%	67.5%	68.6%	51.0%	53.0%	57.2%	3 Ratio of net borrowings to the value of the Consolidated Group underlying security valuation & Ratio of net senior secured borrowings to the value of the Borrower Group underlying security valuation
Underlying Asset Cover ⁽³⁾	35.7%	35.7%	35.9%	30.9%	30.4%	32.5%	
EBITDA margin ⁽⁴⁾	76.5%	74.5%	74.9%	n/a	n/a	n/a	4 Calculated on 12 month basis
Net Debt : EBITDA ^{(1) (4)}	7.35x	7.49x	7.85x	2.47x	2.42x	2.62x	5 Indexed LTVs are calculated after impairment provisions under IFRS
Gross debt : Shareholder funds	2.07x	2.25x	2.35x	1.09x	1.19x	1.36x	6 Excludes debt issuance costs
ROE % ^{(1) (4)}	13.7%	13.7%	14.1%	15.8%	15.8%	17.1%	7 Adjusted for the £14.5m refinancing cost of the £300m Senior Secured Notes
Interest Cover ^{(4) (6)}	2.75x	2.58x	2.71x	4.16x	4.17x	4.59x	8 Adjusted for £8.8m of exceptional costs on completion of the acquisition of the minority interest shares
Net Interest Margin ⁽⁴⁾	9.0%	8.9%	8.7%	n/a	n/a	n/a	

Low Levels of Financial Gearing

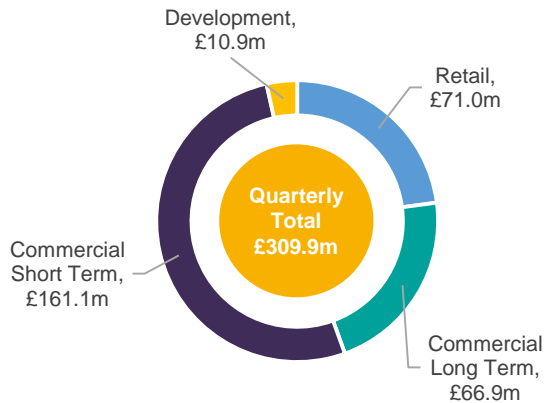
- Shareholder funds stand at £612.1m up £26.3m on the prior quarter
- Significant asset backing - low levels of financial gearing and high level of equity in underlying properties
- Low Gearing levels at 68.6% for the Group and 57.2% for the Borrower Group
- Prudent underlying asset cover at 35.9% for the Group and 32.5% for the Borrower Group
- Attractive profit margins, underlying EBITDA margin maintained above 70% and low cost base
- Net senior secured leverage of 7.85x for the Group and 2.62x for the Borrower Group

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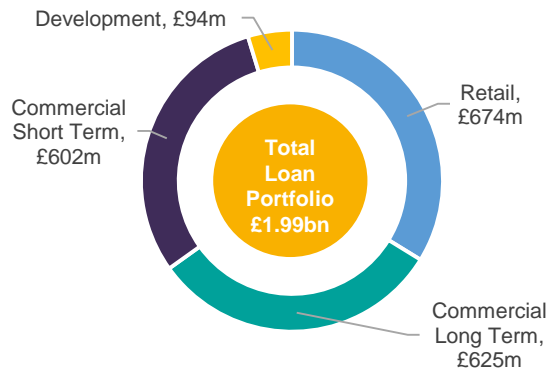
High Quality Underwriting Focused on Low LTVs and Residential Security

New Business Loan Purpose - Quarter

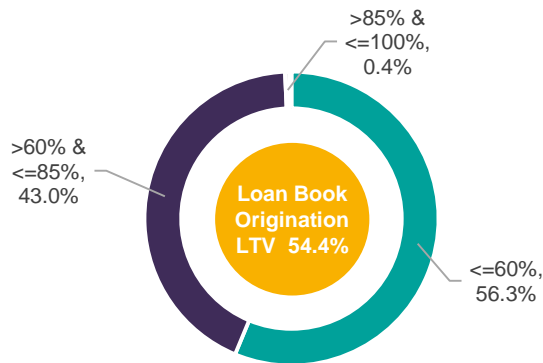


This total excludes £16.0m of further advances

Loan Portfolio Breakdown by Loan Purpose



Origination LTVs LTM



% Customers Not Credit Impaired

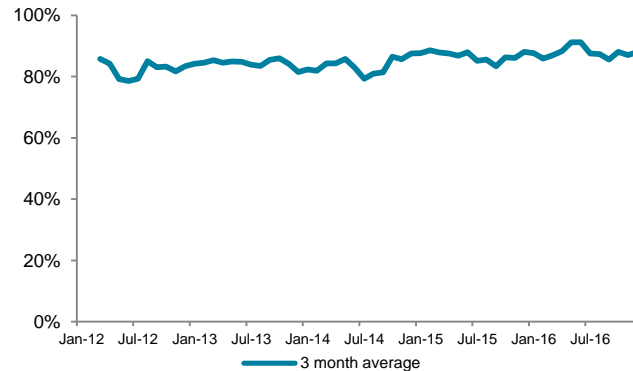
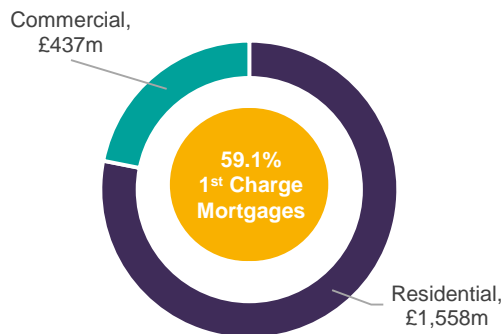
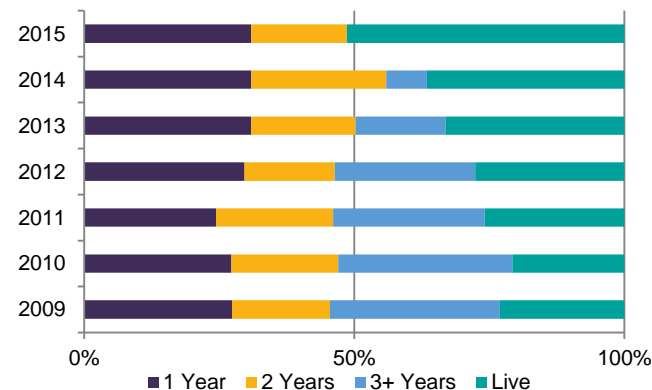


Chart shows non credit impaired customers as % of total new business written since Jan 2012 using FCA definition of credit impaired

Loan Portfolio: 78% Residential Security

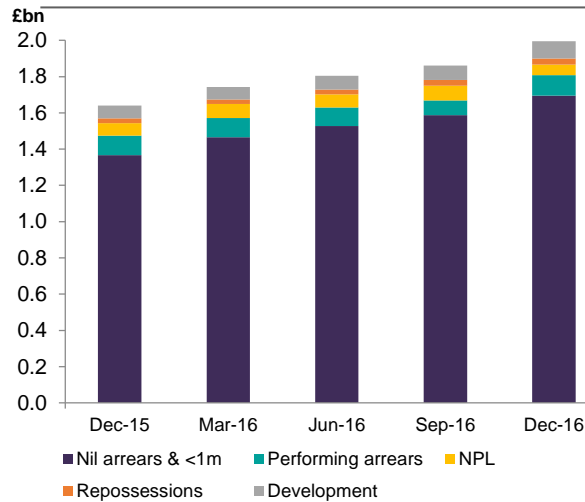


Redemption Rates (by loan vintage)

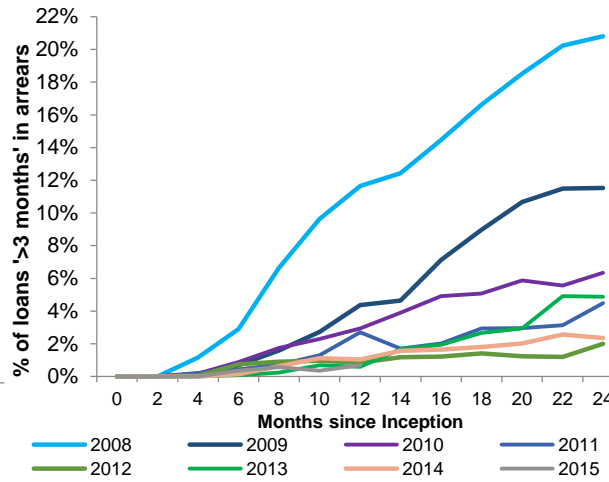


Continued Improvement in Loan Book Quality

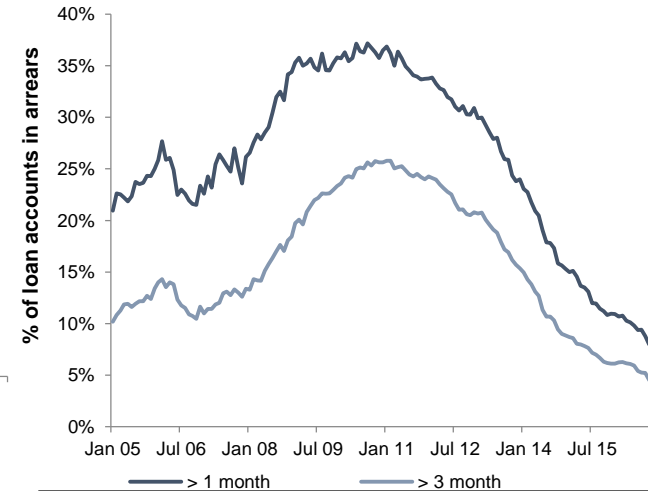
Loan Book Segmentation



>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 78.9% in June 2013 to 90.6% in December 2016 and the Borrower Group has increased from 57.6% to circa 71.9% over the same period
- Dedicated team established to actively reduce the old development portfolio (funded prior to 2010) by looking to dispose of properties while maximising value. Exposure to older development loans net of impairment provisions reduced from £90m in June 2012 to £36.0m at December 2016

Low LTV provides significant downside protection

Overall LTVs

- The WA indexed LTV of the total loan portfolio is 52.4% and 56.9% for the Borrower Group
- Percentage of loans in the Borrower Group with an origination LTV of > 75% is 6.4% reflecting the very conservative approach to loan origination

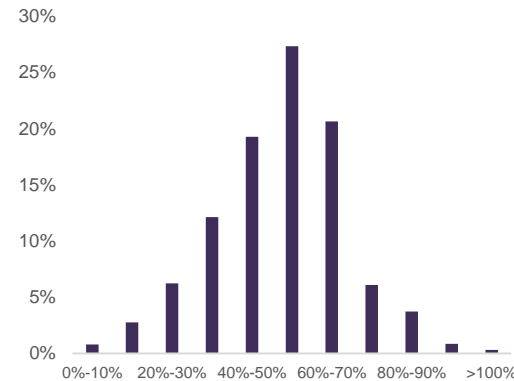
Loans in Negative Equity

- The Group had negative equity exposure of £23.2m, this exposure is supported by £32.0m of provisions
- The Group's provisioning policy under IFRS requires the discounting of Indexed property values at the Effective Interest Rate (EIR) to achieve a present value based on an expected realisation period

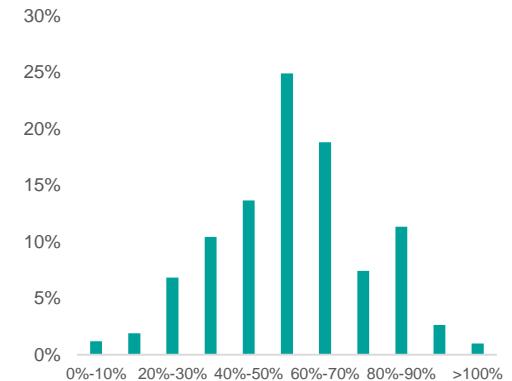
Downside Scenario Analysis

- We estimate that for the Group 10% and 20% falls in property values would result in additional exposure to negative equity of £7.2m and £20.5m respectively
- We estimate for the Borrower Group 10% and 20% falls in property values would result in additional exposure to negative equity of £7.0m and £19.4m respectively
- This does not include the excess impairment provisions held of £8.8m for the Group and £7.5m for the Borrower Group

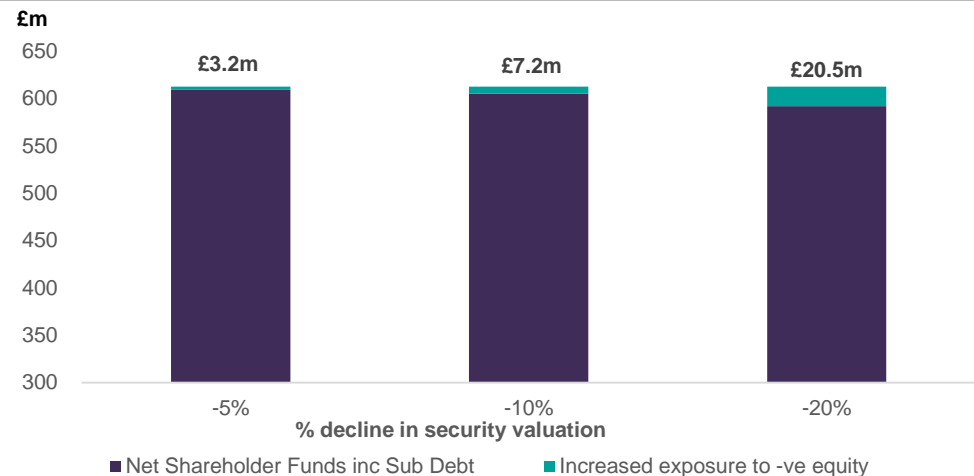
Loan Book by Indexed LTV



Borrower Group Indexed LTV



Estimated Impact of Declining Security Valuations



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Planning for the Future

Continued significant investment in people, governance, products and distribution, information technology and operational infrastructure to support our strategic growth objectives

- Good progress continues on operationalising the governance project with retail and commercial boards and risk and compliance committees now fully effective
- Continued build out of divisional management teams in progress
- Significant investment continues in enhancing our core IT platforms using our joint on-shore / off-shore development team to support our strategic growth plans
- Significant IT releases include further enhancements to our Application Programme Interface (API) within our broker portal to facilitate greater integration between brokers' CRM systems, 3rd party data providers and our loan origination platform
- Extension of product suite including enhancements to regulated bridging and first charge residential products. Full refresh and simplification of the unregulated bridging product portfolio
- Further development of distribution channels including appointments to Sesame (network mortgage advisors) lender panel and go live of RBS Capital Connections referral programme
- Launch of the “Together DNA” initiative to ensure promotion of our vision, mission and values
- Further investment and development of our customer and colleague insight programme

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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 – on 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 – continuing investment in people, technology, products, distribution and governance
- Risk management - continued attention to affordability assessments, repayment strategies 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 – £1.99bn loan book at 52.4% weighted average indexed LTV and 8.7% net interest margin provide a high degree of visibility on future base case earnings and cash-flow
- Outlook – positive growth. Whilst uncertainties over Brexit remain, we are financially and operationally well positioned to take advantage of the anticipated greater opportunities expected in the specialist finance sector
- Experience – proven business model with 42 years of successful trading through economic cycles

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Questions and Answers Session

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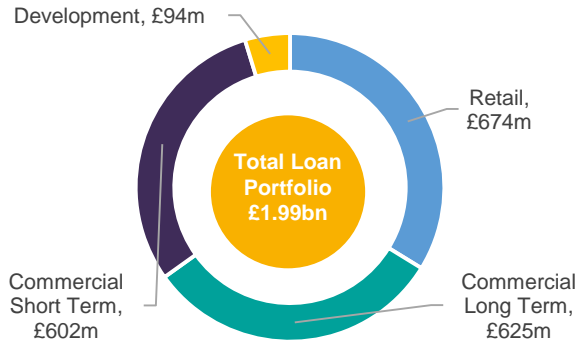
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Overview of securitisation structure

Issuer	Charles Street Asset Backed Securitisation	Lakeside Asset Backed Securitisation	Delta Asset Backed Securitisation
Note purchasers	<ul style="list-style-type: none"> Barclays, HSBC, Lloyds, Natixis and HSBC 	<ul style="list-style-type: none"> Lloyds, Natixis and HSBC 	<ul style="list-style-type: none"> Goldman Sachs Private Capital
Facility size	<ul style="list-style-type: none"> £1,000m facility size £790m issued 	<ul style="list-style-type: none"> £255m facility size £200m issued 	<ul style="list-style-type: none"> £90m facility £55m issued
Maturity	<ul style="list-style-type: none"> Revolving period January 2020 Full repayment January 2021 	<ul style="list-style-type: none"> Full repayment August 2018 	<ul style="list-style-type: none"> Revolving period January 2020 Full repayment January 2021
Rating	<ul style="list-style-type: none"> Rated Aa2 (sf) by Moody's and AA (sf) by and DBRS 	<ul style="list-style-type: none"> Not rated 	<ul style="list-style-type: none"> Not rated
Structure	<ul style="list-style-type: none"> Loan pool collateral £1,121.7m Together Financial Services subordinated loan notes Net advance rate 76% 	<ul style="list-style-type: none"> Loan pool collateral £227.4m Together Financial Services subordinated loan notes Net advance rate 74% 	<ul style="list-style-type: none"> Loan pool collateral £66.5 Together Financial Services subordinated loan notes Net advance rate 83%
Facility purpose	<ul style="list-style-type: none"> Flexible facility to fund all asset types Concentration limits on % of short term commercial purpose loans 	<ul style="list-style-type: none"> Primarily to fund new short term commercial purpose loans and loans secured on commercial property 	<ul style="list-style-type: none"> Primarily to fund new short term commercial purpose loans and loans secured on commercial property
Purchase & recycling of assets	<ul style="list-style-type: none"> Beneficial interest in qualifying loans transferred to Securitisation on a random basis in consideration for full principal balance 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) 		
Delinquency and loss rate	<ul style="list-style-type: none"> Delinquency rate (arrears > 1m) 3.1% LTM £31.3m of loans were repurchased 	<ul style="list-style-type: none"> Delinquency rate (arrears > 1m) 0.3% LTM £6.8m of loans were repurchased 	

Diversified loan book – consolidated group

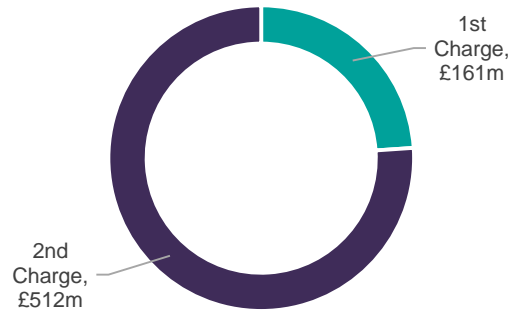
Loan Book Breakdown by Loan Purpose



78% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
Retail	33.5	9.7%	48.7%
Commercial	137.5	11.4%	52.8%
Development	482.6	12.6%	73.0%
Total	68.2	10.9%	52.4%

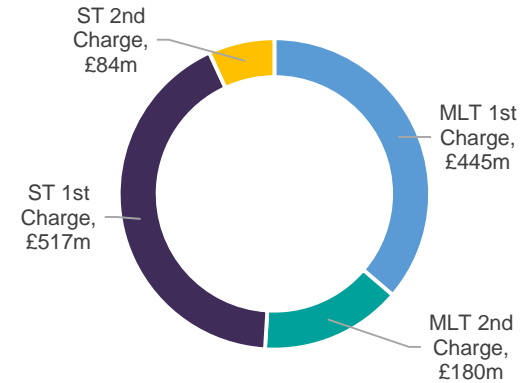
Retail Loan Book Breakdown



100% secured on residential property

Retail Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
1st Charge	62.6	8.6%	43.8%
2nd Charge	29.2	10.1%	50.2%

Commercial Loan Book Breakdown

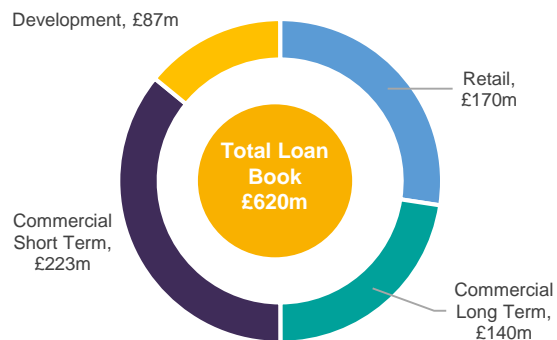


67% secured on residential property

Commercial Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
ST 1st Charge	287.5	13.3%	55.6%
ST 2nd Charge	214.1	14.1%	53.5%
MLT 1st Charge	110.4	9.6%	49.4%
MLT 2nd Charge	66.9	9.3%	52.6%

Diversified Loan Book – Borrower Group

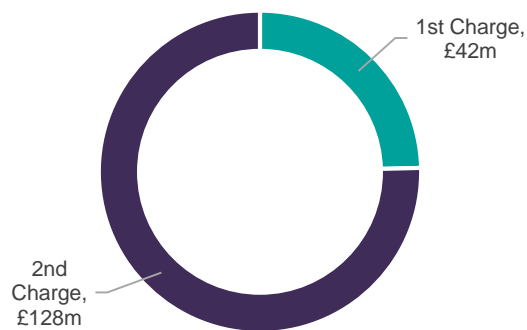
Loan Book Breakdown by Loan Purpose



68% secured on residential property

Total Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
Retail	26.8	10.5%	51.5%
Commercial	183.9	11.9%	55.4%
Development	491.0	12.6%	73.9%
Total	73.1	11.6%	56.9%

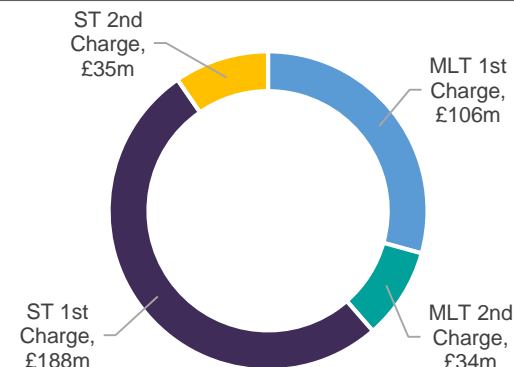
Retail Loan Book Breakdown



100% secured on residential property

Retail Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
1st Charge	61.0	8.7%	47.4%
2nd Charge	22.7	11.1%	52.8%

Commercial Loan Book Breakdown



56% secured on residential property

Commercial Loan Book	Average loan size £k	WA Nominal Rate	WA Indexed LTV
ST 1st Charge	430.9	13.1%	56.3%
ST 2nd Charge	180.8	14.7%	55.5%
MLT 1st Charge	129.2	9.6%	54.1%
MLT 2nd Charge	64.7	9.9%	53.7%

Note:
ST = Short term.
MLT = Medium + Long term.