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Common sense lending

# Investor Presentation
# 2016 – 17 Results

September 11, 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 and treasury
- 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

## Mike Davies – Director of Corporate Affairs

- Mike joined Together in 2017 to lead the Group's Investor Relations Programme
- He was previously Managing Partner of the Financial Institutions Group at international communications consultancy, Instinctif Partners, where his experience included floating and advising Shawbrook Group, Arrow Global and Hastings Group
- Earlier in his career, Mike was a Senior Director at PR firm, Bell Pottinger, and led Investor Relations at 3i Group, The Rank Group and Invensys, during the group's £2.7bn equity, debt and bond refinancing in 2004
- Mike is a former investment banker and a qualified Chartered Accountant

# Agenda

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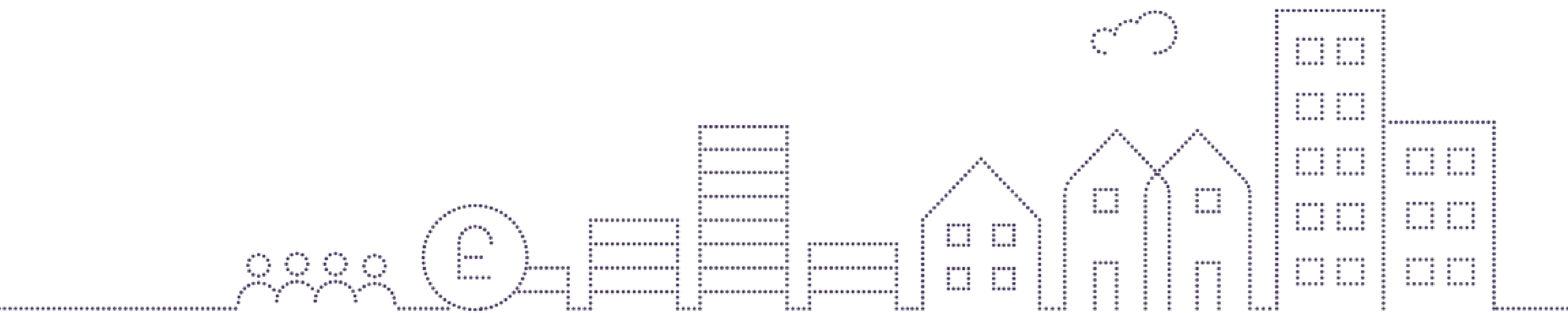

# Another Record Year

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## Key Highlights

### Strong growth in underlying EBITDA and PBT

- Full Year EBITDA up 21.4% at £193.4m (FY 2016: £159.3m)
- PBT up 29.7% at £117.1m (FY 2016: £90.3m)
  - Q4 up 2.1% to £30.4m (Q3: £29.7m)

### Robust lending volumes at conservative LTVs

- Loan book £2.24bn, up 24.4% (FY 2016: £1.80bn)
- Ave. monthly lending up 17.2% at £98.8m (FY 2016: £84.3m)
  - WA OLTV 57.1% (FY 2016: 57.1%)

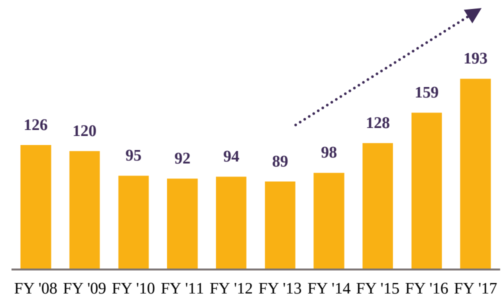
### Increased scale, depth and diversity of funding

- Issued £575m senior secured notes to replace existing £300m bonds
- Introduced new £90m Delta ABS facility
- Increased RCF to £57.5m and extended to 2021

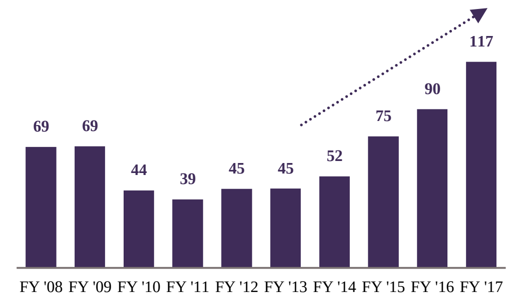
### Continued investment for future growth

- Goverance structure established, management team expanded, distribution channels extended and core IT platform and processes enhanced

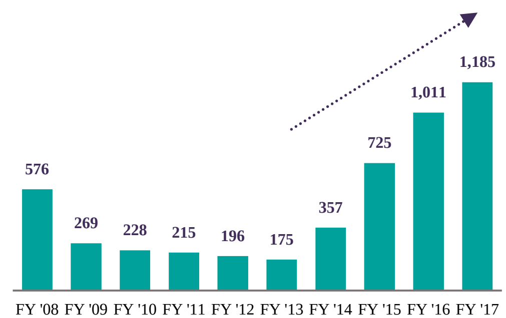
EBITDA £m



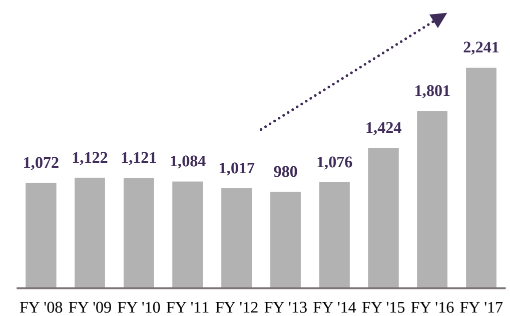

Profit before Tax £m




Originations £m

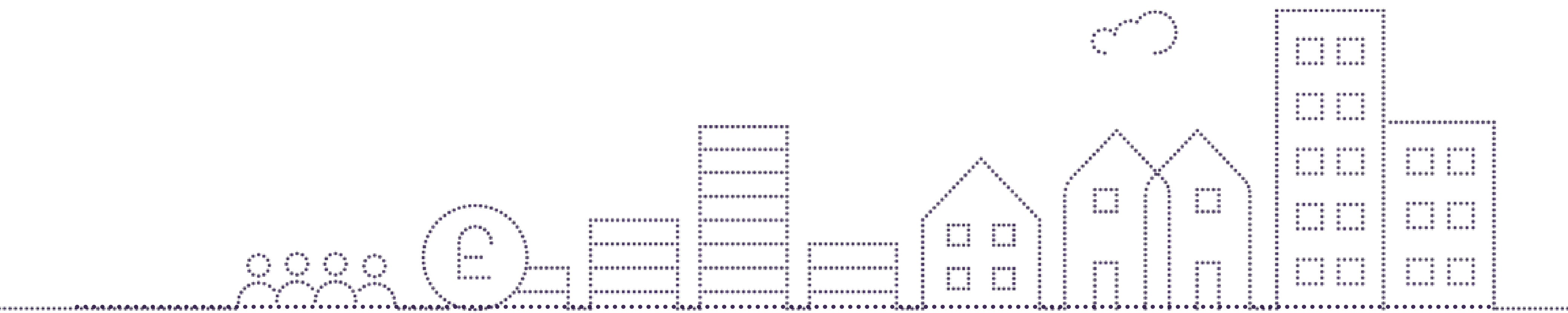



Loan & Advances £m



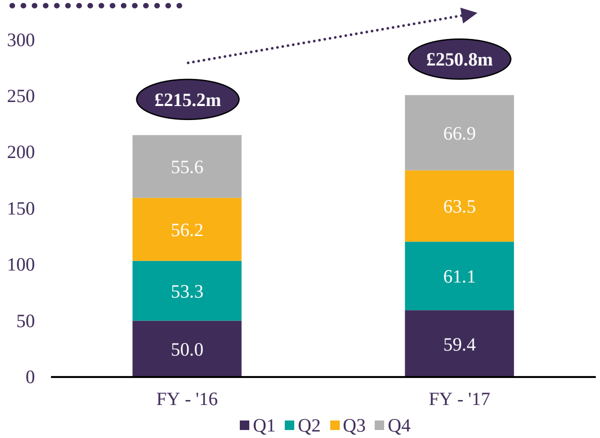
# Agenda



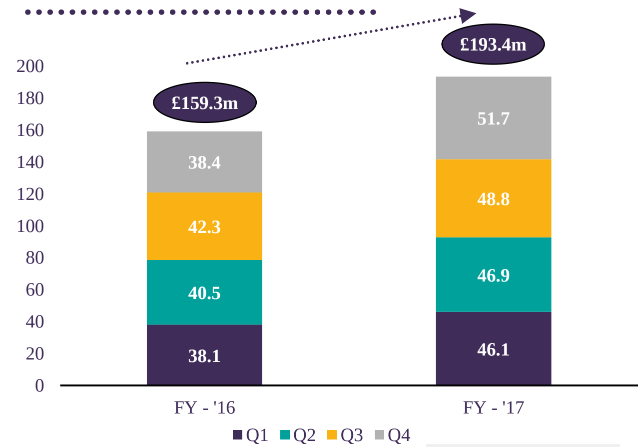


# Strong Growth in Underlying EBITDA & PBT

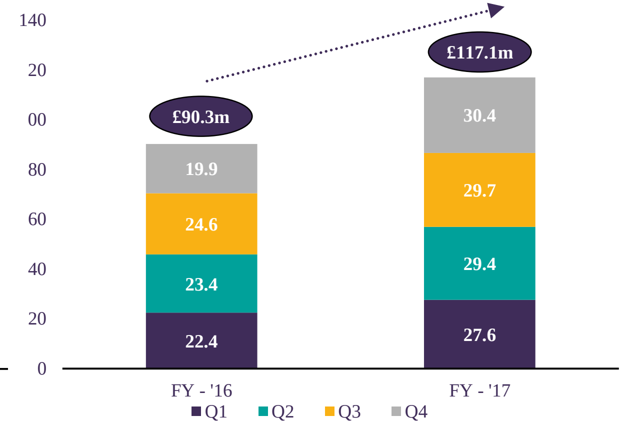
## Income(4) £m




## Underlying EBITDA £m




## Underlying PBT £m




## Income & Expenditure

- Full year income up 16.5% to £250.8m reflecting growth in the loan book
- FY 2017 impairment charge represents just 0.33% of the loan book (FY 2016: 0.77%)
- NIM reduced slightly due mainly to the reduction in nominal rates
- Cost / income ratio remained steady at 28.7%

| | Mar-17 | Jun-17 | FY 2016 | FY 2017 |
|---|---|---|---|---|
| **Income(4) £m** | 63.5 | 66.9 | 215.2 | 250.8 |
| **Impairment Charge £m** | 2.5 | 0.4 | 13.8 | 7.4 |
| **EBITDA £m** | 48.8 | 51.7 | 159.3 | 185.2 |
| **Underlying EBITDA £m** | 48.8 | 51.7 | 159.3 | 193.4 |
| **Interest Payable £m(1)** | 18.4 | 20.7 | 67.5 | 74.0 |
| **PBT £m** | 29.7 | 30.4 | 90.3 | 94.1 |
| **Underlying PBT £m** | 29.7 | 30.4 | 90.3 | 117.1 |
| **Net Interest Margin(1)(2)** | 8.5% | 8.5% | 8.9% | 8.5% |
| **Cost / Income Ratio(1)(3)** | 29.2% | 28.7% | 28.7% | 28.7% |

1 Full year results adjusted for £14.8m of exceptional costs relating to the refinancing of the senior secured notes and £8.2m on completion of the acquisition of the minority interest shares
2 Calculated as LTM net interest income / average opening and closing loan assets
3 Operating expenses excluding impairment, financing costs, and tax / Net operating income
4 Includes Other Income and Fees & Commission receivable

# Robust Lending Volumes at Conservative LTV’s

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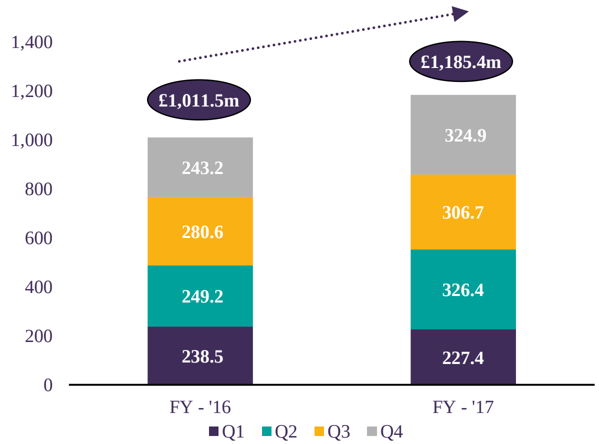
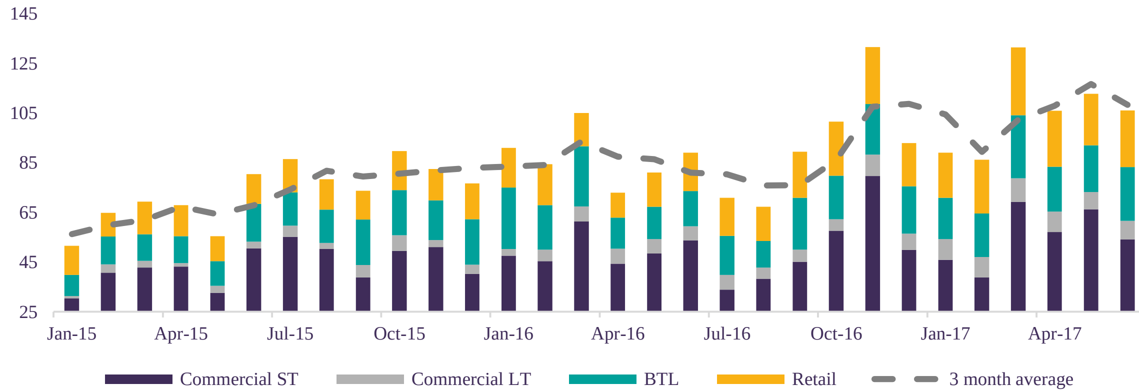
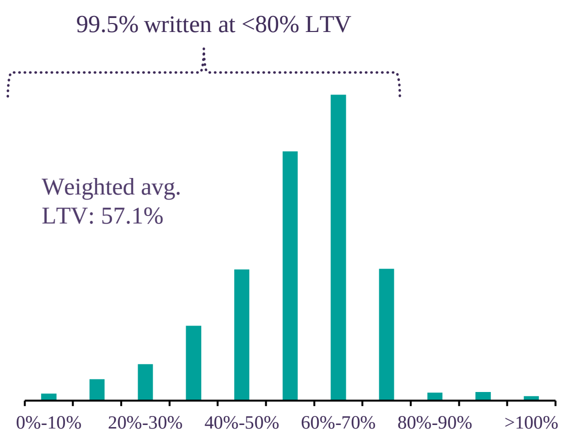
## Originations £m




## Monthly Advances £m




## FY 2017 Origination LTV Bandings




## Lending Volumes

- Full year lending up 17.2% to £1.2bn (FY 2016: £1.0bn)
- Q4 quarterly lending volumes were £324.9m (Q3 2017: £306.7m)
- Nominal rates reduced slightly during the year to 10.2% (FY 2016: 10.9%), mainly due to a change in mix towards Retail and BTL business along with some rate compression as we expand our product set
- Q4 nominal rates 9.9% (Q3 2017: 9.9%)

# High Levels of Cash Generation

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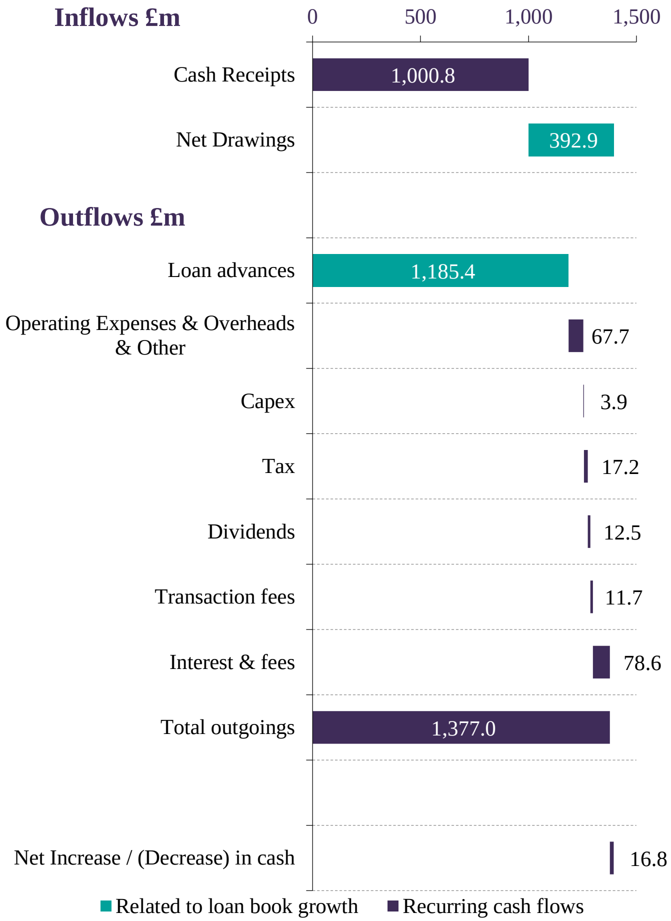
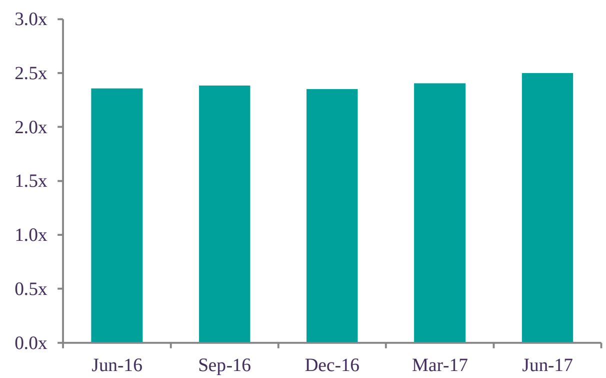
## Annual Cash Flows



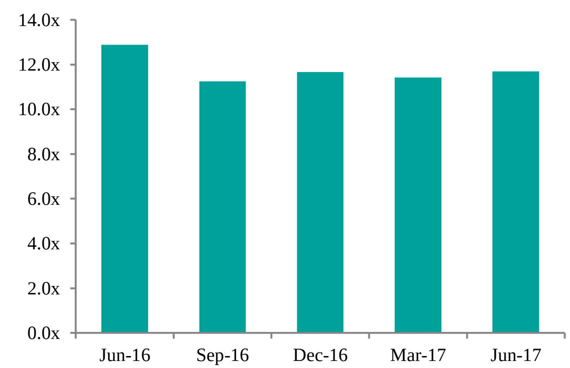

## Cash Flows

- Consolidated group cash receipts £1,000.8m, up 20.1% on prior year reflecting increased loan book growth since 2013. Q4 receipts: £282.7m
- Net increase in outstanding debt £392.9m (FY 2016: £354.0m). Q4 net debt up £109.7m
- New advances of £1.2bn with £433.6m related to loan book growth. Q4 advances: £324.9m
- Expenses including overheads, capex and tax totalled £88.8m, including £8.2m in relation to the Exit Transaction resulting in an underlying increase of 31.7% on prior year (FY 2016: £61.2m). Q4 total: £24.6m
- Annual cash interest of £78.6m (FY 2016: £61.7m) due to increase in net drawings and the call premium on the bond of £14.8m. Q4 cash Interest of £9.3m is £11.4m lower than P&L charge reflecting timing of half yearly coupon payable on Senior Notes
- Interest cover above 2x and significantly higher on a cash basis

## EBITDA / Interest Cover




## Cash Interest Cover[1]



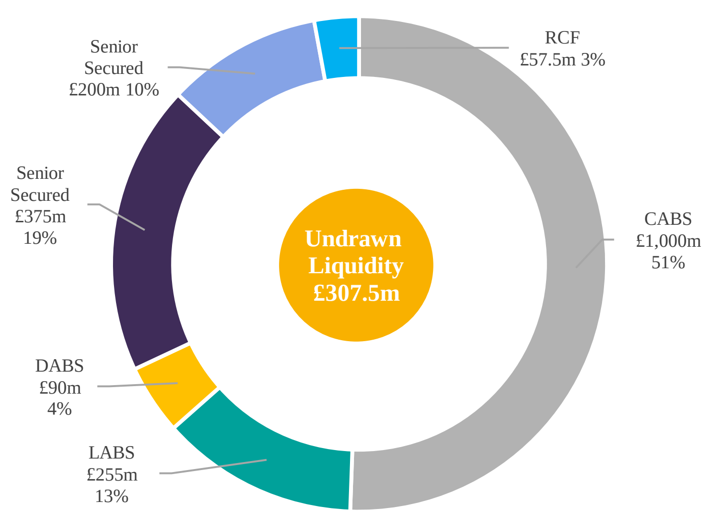

(1) Calculated on a 12 month basis using cash available for debt service (prior to new advances) and excluding upfront fees

# Increased Scale, Depth & Diversity of Funding

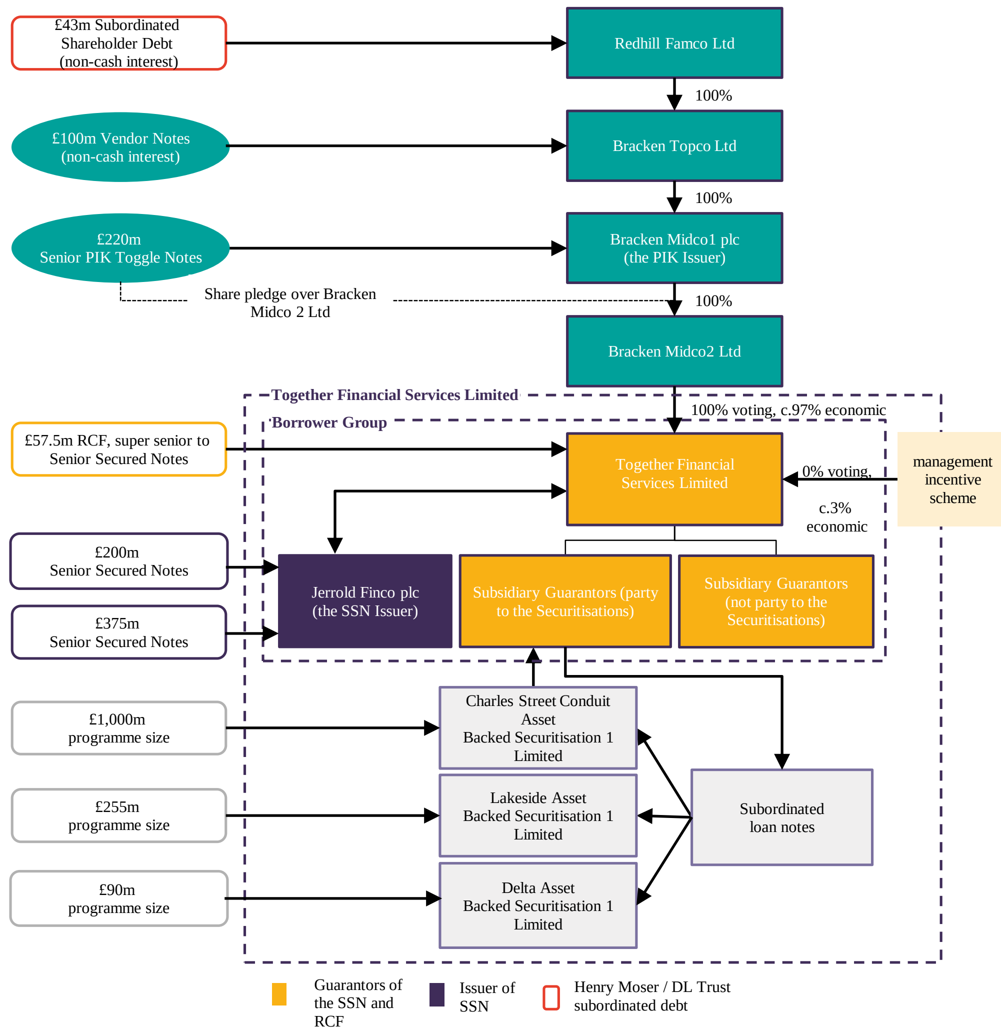
## Liquidity & Funding

- Successfully issued £375m 6 1/4% and £200m 6 1/8% senior secured notes due in 2021 / 2024 respectively, refinancing the £300m 9 3/4% senior secured notes due in 2018
- Completion of new £90m credit facility due to mature in 2021 to support commercial lending activity
- RCF increased to £57.5m and extended to 2021
- Diversified funding structure with average maturity of 3.8 years (at June 30, 2017)
- High level of liquidity: £307.5m total undrawn committed funding and £89.5m cash (at June 30, 2017) and average monthly cash receipts of £83.4m for FY 2017

## Diversified Funding Base as at June 30, 2017




## Group Legal & Finance Structure as June 30, 2017



# Low levels of Gearing & Strong Asset Backing

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| | Consolidated Group | | | Borrower Group | | |
|---|---|---|---|---|---|---|
| | Jun-16 | Mar-17 | Jun-17 | Jun-16 | Mar-17 | Jun-17 |
| Loan Ledger after impairment (£m) | 1,800.7 | 2,129.2 | 2,240.9 | 606.4 | 910.8 | 877.4 |
| Shareholder funds (£m) (1) | 575.0 | 638.4 | 651.6 | 273.2 | 337.1 | 315.2 |
| WA Indexed LTV (5) | 52.6% | 53.1% | 53.4% | 58.4% | 56.4% | 57.1% |
| Gearing (2) | 67.5% | 69.9% | 70.5% | 54.2% | 63.2% | 63.6% |
| Underlying Asset Cover (3) | 35.4% | 37.1% | 37.6% | 31.6% | 35.6% | 36.3% |
| EBITDA margin(4) (8) | 74.0% | 75.1% | 77.1% | n/a | n/a | n/a |
| Net Debt : EBITDA (1) (4) (7) | 7.61x | 8.27x | 8.17x | 2.54x | 4.20x | 3.72x |
| Gross debt : Shareholder funds | 2.24x | 2.44x | 2.56x | 1.20x | 1.71x | 1.82x |
| ROE % (1) (4) (9)(10) | 13.6% | 14.7% | 15.8% | 14.9% | 17.0% | 19.9% |
| Interest Cover (4) (6) | 2.36x | 2.40x | 2.50x | 4.02x | 4.82x | 5.06x |
| Net Interest Margin (4)(10) | 8.9% | 8.5% | 8.5% | n/a | n/a | n/a |

## Low levels of Financial Gearing

- During the year shareholder reserves increased by £76.6m and now stands at £651.6m at June 2017
- Significant asset backing - low levels of financial gearing and high level of equity in underlying properties
- Low Gearing levels at 70.5% for the Group and 63.6% for the Borrower Group
- Prudent underlying asset cover at 37.6% for the Group and 36.3% for the Borrower Group
- Attractive profit margins, underlying EBITDA margin above 75% and low cost base
- Net senior secured leverage of 8.17x for the Group and 3.72x for the Borrower Group

**Notes**

1 Subordinated shareholder notes treated as equity

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

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

4 Calculated on 12 month basis

5 Indexed LTVs are calculated after IFRS impairment provisions

6 Excludes debt issuance costs

7 Reflects the £200m issuance on a non pro-forma basis

8 Adjusted for £8.2m of exceptional costs on completion of the acquisition of the minority interest shares

9 PAT adjusted to add back associated interest to shareholder intercompany loans

10 Full year results adjusted for £14.8m of exceptional costs relating to the refinancing of the senior secured notes and £8.2m on completion of the acquisition of the minority interest shares

# Ownership Structure

## Shareholder Buyout – November 2016

- Moser Shareholders buyout 30% interest of Equistone and Standard Life Investments ('the Funds') in November 2016
  - Shares acquired by Bracken Midco2 Limited ('Bracken Midco2') whose ultimate parent, Redhill Famco Limited, is wholly controlled by the Moser Shareholders
  - £220m of senior PIK toggle notes issued by Bracken Midco1 plc, a direct parent of Bracken Midco2 Limited
  - £100m of vendor notes issued to the Funds by Bracken Topco Limited, the direct parent of Bracken Midco1 plc and direct subsidiary of Redhill FamCo Limited
  - £17m of shareholder loans issued by Together Financial Services Limited ('TFSL') repaid and £43m novated to Redhill Famco Limited
  - TFSL replaced funding £60m interest-free intercompany loans due to Bracken Midco2 Limited
    - £43m (maturity November 2036) and £17m (maturity November 2022)
  - £8.1m interest-free intercompany loan (maturity 2 November 2022) provided to TFSL by Bracken Midco2 to fund management incentive scheme payments and expenses crystallising on completion of buyout
  - February 2017: maturity dates of £25.1m of loans (dated November 2022) extended to 30 September 2024

**Buyout demonstrates Shareholders' belief in Group's growth strategy and long-term prospects**

# Agenda

1 Key Highlights

2 Financial Review

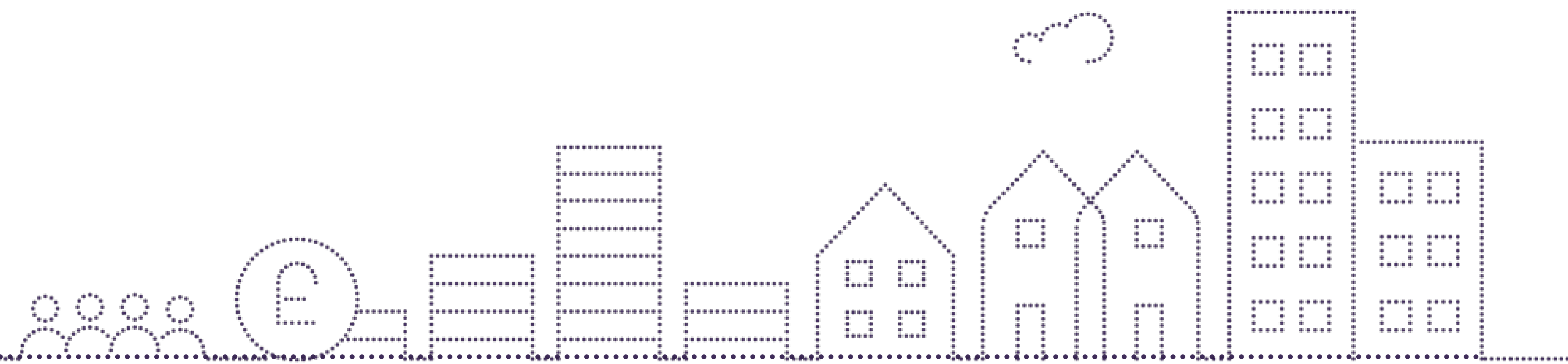
**3 Loan Book Analysis**

4 Operating Review

5 Outlook

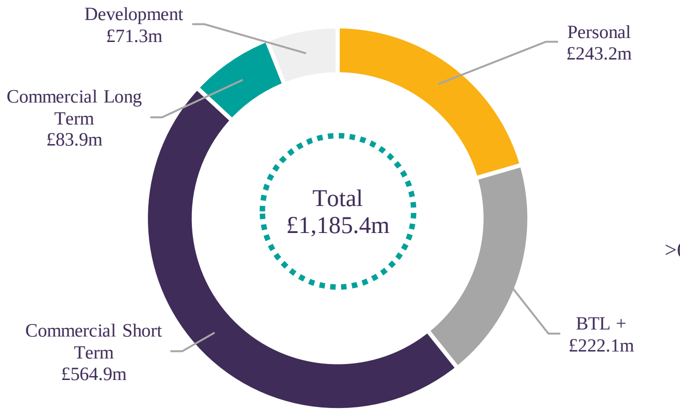
6 Q & A

7 Appendix

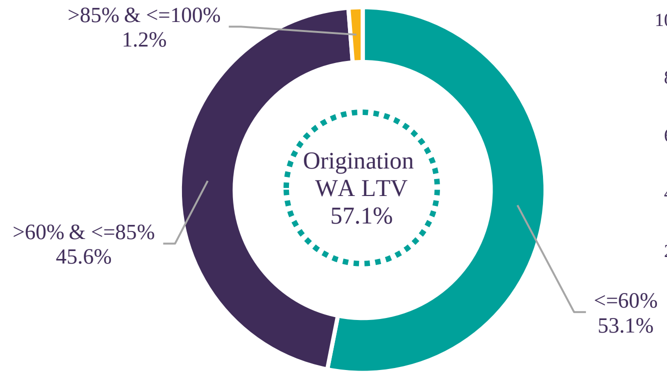


# High Quality Underwriting Focused on Low LTV's & Residential Security

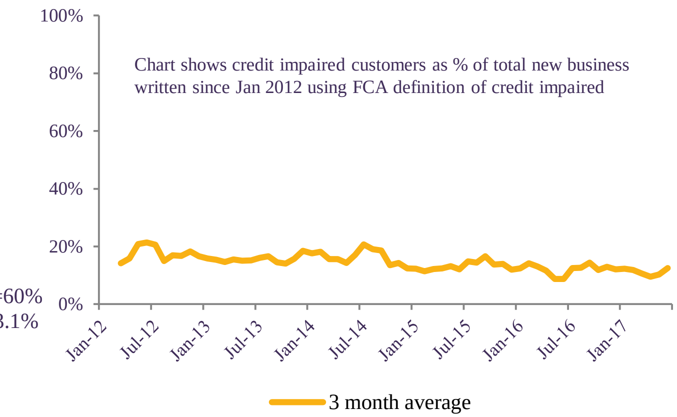
## New Business Loan Purpose LTM



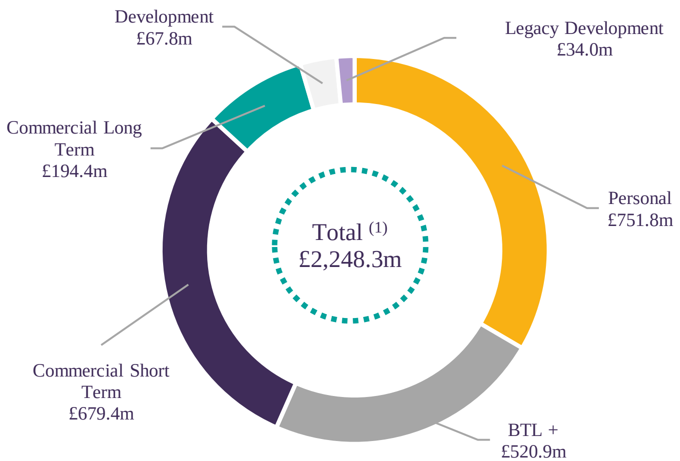

## Origination LTV's LTM



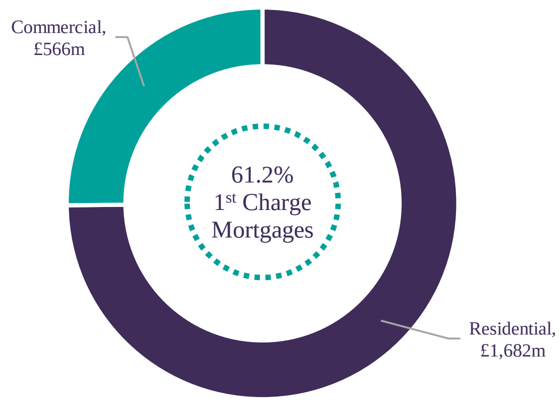

## % Customer Credit Impaired



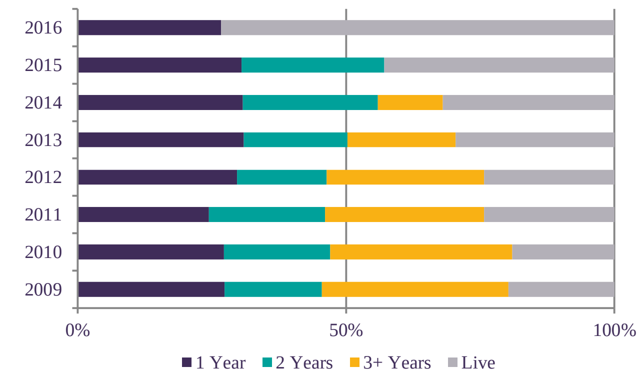

## Loan Portfolio Breakdown by Loan Purpose




## Loans Portfolio: 75% Residential Security



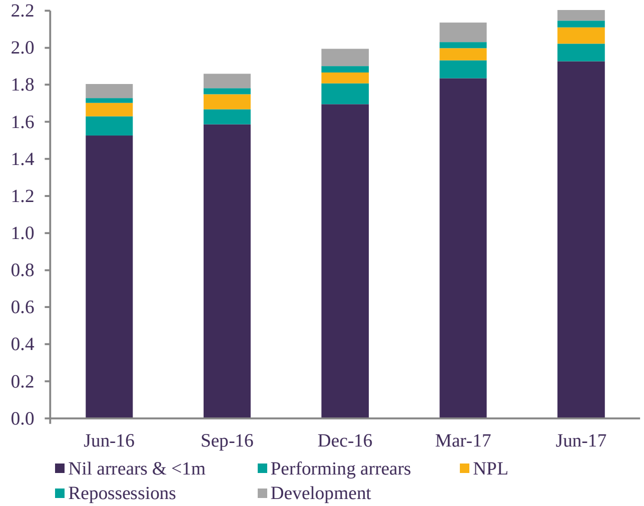

## Redemption Rates (by Loan vintage)



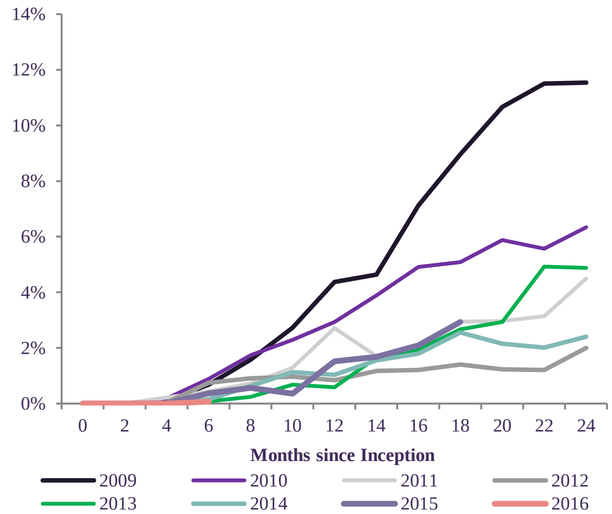

1 Loan book analysis for core operating subsidiaries is presented after allowances for impairments and before certain accounting adjustments required to comply with the income recognition requirements of IFRS

# Continued Improvement in Loan Book Quality

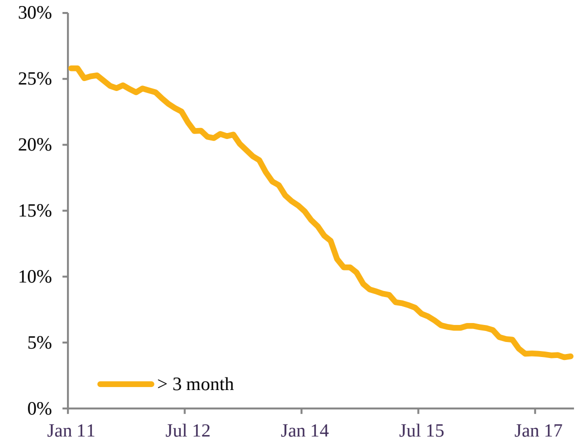
## Loan Book Segmentation




## > 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
- Between June 2013 and June 2017, percentage of performing loans increased from 78.9% to 94.1% for Consolidated Group and from 57.6% to 84.7% for Borrower Group (excluding development loans)
- Development loan book, reported net of impairment provisions, was £102m (March 2017: £104m) given a number of new loans written at conservative LTV's representing good lending opportunities. Overall we can show a healthy reduction to £34.0m (March 2017: £36.0) of legacy loans written pre 2010, down from £90m in June 2013

# Low LTV provides significant downside protection

## LTV's Remain Conservative at 53.4%

- WA indexed LTV of total loan portfolio 53.4%; Borrower Group: 57.1%
- Percentage of loans in Borrower Group with origination LTV of > 75% is 11.7% reflecting very conservative approach to loan origination

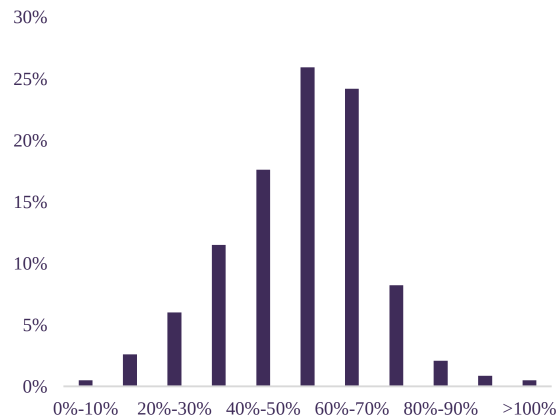
## Loans in Negative Equity

- Group had negative equity exposure of £24.7m, supported by £27.0m of provisions
- Group's provisioning policy under IFRS requires discounting of Indexed property values at the Effective Interest Rate (EIR) to achieve a present value based on an expected realisation period

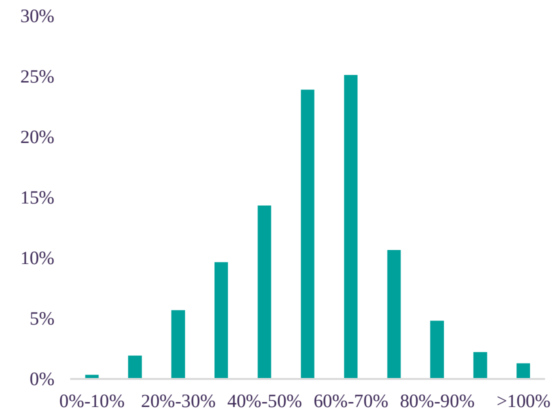
## Downside Scenario Analysis

- Additional Group exposure to negative equity from 10% and 20% falls in property values estimated to be £5.4m and £17.3m respectively
- Additional Borrower Group exposure to negative equity from 10% and 20% falls in property values estimated to be £5.3m and £16.6m respectively
- Excludes excess impairment provisions of £2.3m held for Group and £0.8m held for Borrower Group

## Loan Booked by Indexed LTV




## Borrower Group Indexed LTV




## Estimated Impact of Declining Security Valuations

# Agenda

# Strategy & Business Model

**Strategy**

**Be the best specialist secured lender in the UK and deliver value to key stakeholders by:**

| Focusing on profitable underserved market segments | Increasing lending volumes and growing loan book | Generating increased returns while maintaining prudent risk profile |
|---|---|---|

**Business Model**

- Prudent risk management based on affordability, sustainability and low LTVs
- Broad distribution channels and tailored product offerings
- High quality service, flexibility and speed of completion
- Efficient and cost effective in house servicing and collections
- Continuous investment in people, governance, systems and technology
- Significant Equity Protection
- Proven Management Team

- **43 year track record:** of successful mortgage underwriting; including uninterrupted financial profitability through the last global financial crisis
- **Diversified loan book:** across products and geographies -- London regions represents less than 30% of total loan book
- **Prudent LTVs:** WA Indexed LTVs at 53.4% for Consolidated Group with only 6.8% of properties at 75%+ LTV
- **Low impairment ratio**: current net impairments of 0.33% of loan book
- **High Net Interest Margin[(2)]:** 8.5% average net interest margin provides a high degree of protection against deteriorating credit quality
- **Growth opportunities:** Investments in unified brand, distribution channels and market experience provide opportunities to build market share
- **Shareholders' funds of £651.6m:** 20% decline in UK house prices would result in a £17.3m negative equity exposure (only 2.6% of Shareholder funds)

1 Relates to loans made during the financial crisis and before enhancements made in risk assessments and underwriting criteria in 2010
2 Underlying net interest margin. Full year results adjusted for £14.8m of exceptional costs relating to the refinancing of the senior secured notes and £8.2m on completion of the acquisition of the minority interest shares

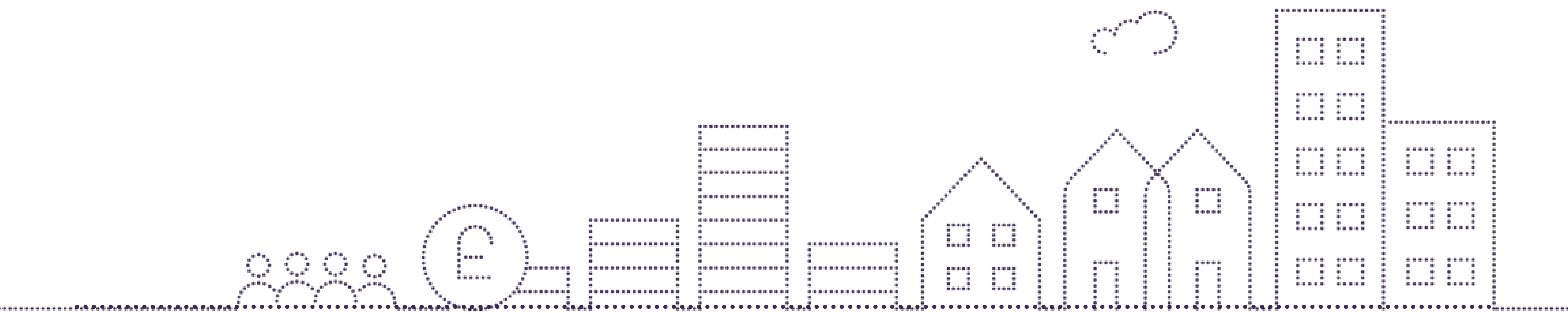
# Investing for Future Growth

**Continued significant investment to support our strategic growth objectives**

| | |
|---|---|
| **Governance** | • Established separate subsidiary boards to manage our Personal Finance and Commercial Finance divisions<br>  • Divisional governance procedures, reporting and controls have been enhanced and increasingly operating with greater authority |
| **People** | • Built out divisional management teams including recruiting Pete Ball as CEO of Personal Finance<br>• Launched "Play Your Part" initiative to instil vision, mission and beliefs and highlight colleagues roles in making Together more successful |
| **Sales, Marketing & Distribution** | • Launched residential mortgage range to broker networks and mortgage clubs across the UK<br>• Enhanced MyBrokerPortal to deliver the most fully-functional program-interface capability in the market<br>• Launched direct-to-market capability for auction finance business<br>• Streamlined Bridging application process to produce a quote in 60 seconds and offers in just 2 minutes<br>• Enhanced enterprise data warehouse and analytics to deliver real-time insight for marketing, sales and operations |
| **Technology & Systems** | • Continued enhancement of core IT platforms using on-shore / off-shore development team.<br>• Enhanced system security, providing greater protection against cyber attacks<br>• Launched Decision-in-Principle for 1st charge in just 10 minutes<br>• Enriched Back Office systems including Collections, Customer Care and payments<br>• Plans for digital transformation over the next few years including cloud, digital, analytics and algorithmic rules |

# Agenda





# Summary & Outlook

## Another Year of Strong Growth

| Underlying EBITDA | Underlying PBT | Originations | Loan Book |
|---|---|---|---|
| + 21.4% | + 29.7% | + 17.2% | + 24.4% |
| **£193.4m** (FY 2016: £159.3m) | **£117.1m** (FY 2016: £90.3) | **£1.2bn** (FY 2016: £1.0bn) | **£2.2bn** (FY 2016: £1.8bn) |

## Increased Scale, Depth & Diversity of Funding

- Issued £575m senior secured notes to replace existing £300m notes
- Introduced new £90m Delta ABS facility
- Increased RCF to £57.5m and extended to 2021

## Continued Investment for Future Growth

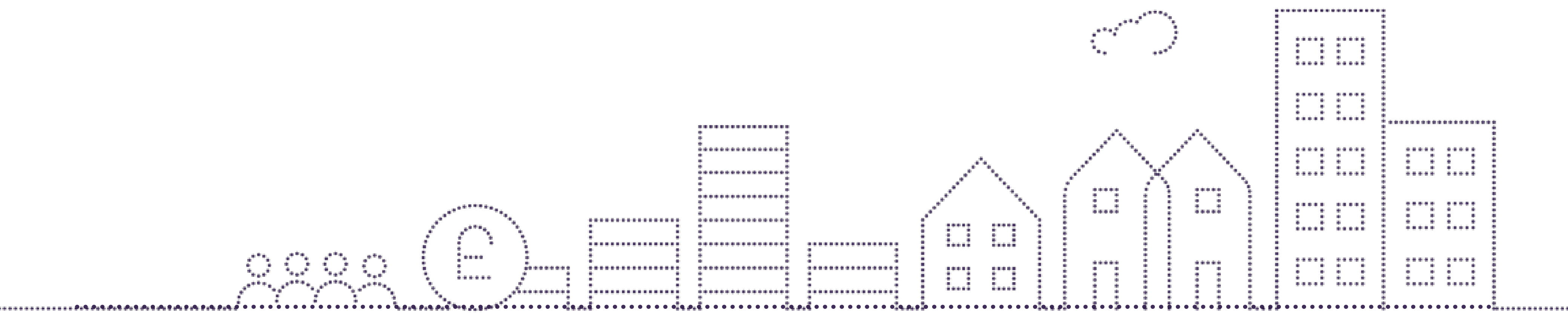
- Significant investment in governance, sales and operational platforms to support long-term strategic growth objectives

## Positive Outlook

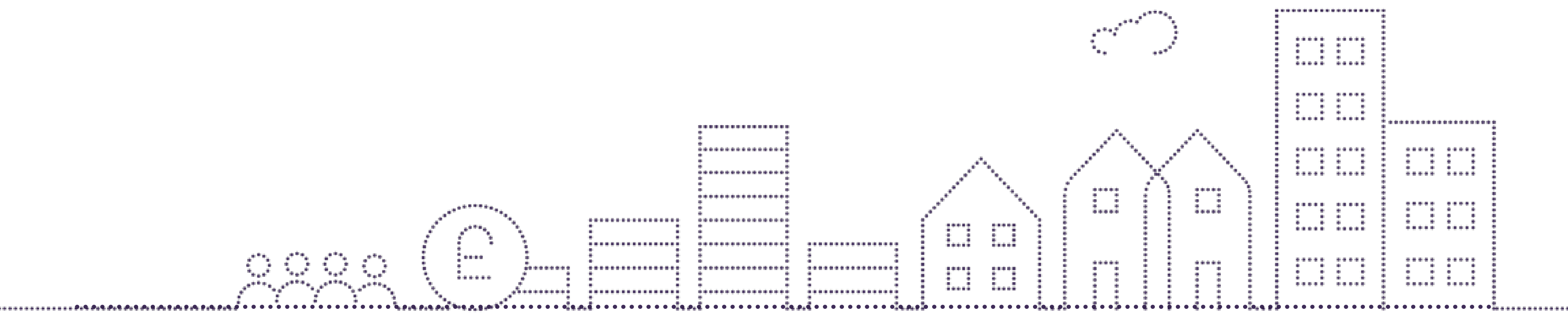
- While UK economic performance has been mixed and Brexit uncertainties remain, with our proven business model, 43-year track record of profitability and significant growth opportunities, we believe that Together has an exciting future

# Agenda



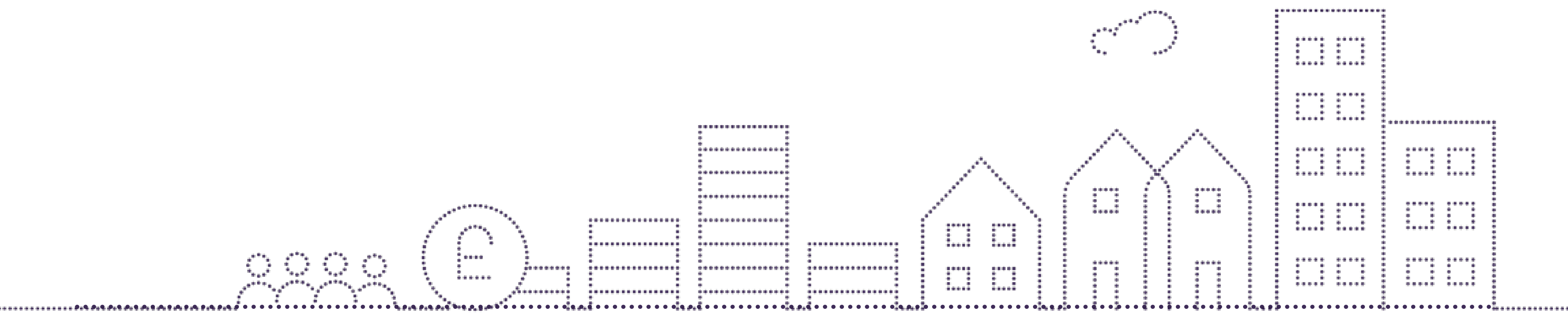


# Questions & Answer Session



# Agenda





# Overview of Securitisation Structure

| Issuer | Charles Street Asset Backed Securitisation | Lakeside Asset Backed Securitisation | Delta Asset Backed Securitisation |
|---|---|---|---|
| Note purchasers | • RBS, Barclays, Lloyds, Natixis and HSBC | • Lloyds, Natixis and HSBC | • Goldman Sachs Private Capital |
| Facility size | • £1,000m facility size<br>• £855m issued | • £255m facility size<br>• £170m issued | • £90m facility<br>• £70m issued |
| Maturity | • Revolving period January 2020<br>• Full repayment January 2021 | • Full repayment August 2018 | • Revolving period January 2020<br>• Full repayment January 2021 |
| Rating | • Rated Aa2 (sf) by Moody's and AA (sf) by and DBRS | • Not rated | • Not rated |
| Structure | • Loan pool collateral £1,065m<br>• Together Financial Services subordinated loan notes | • Loan pool collateral £214.5m<br>• Together Financial Services subordinated loan notes | • Loan pool collateral £83.7m<br>• Together Financial Services subordinated loan notes |
| Facility purpose | • Flexible facility to fund all asset types<br>• Concentration limits on % of short term commercial purpose loans | • Primarily to fund new short term commercial purpose loans and loans secured on commercial property | • Primarily to fund new short term commercial purpose loans and loans secured on commercial property |
| Purchase & recycling of assets | • Beneficial interest in qualifying loans transferred to Securitisation on a random basis in consideration for full principal balance<br>• 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[(1)] and loss rate | • Delinquency rate (arrears >1m) 3.99%<br>• Rolling 3 month average default rate 0.32%<br>• LTM £34.7m of loans were repurchased | • Delinquency rate (arrears >1m) 2.33%<br>• Rolling 3 month average default rate 0.38%<br>• LTM £7.06m of loans were repurchased | • Delinquency rate (arrears >1m) 10.62%<br>• Rolling 6 month average default rate 0%<br>• LTM £nil of loans were repurchased |

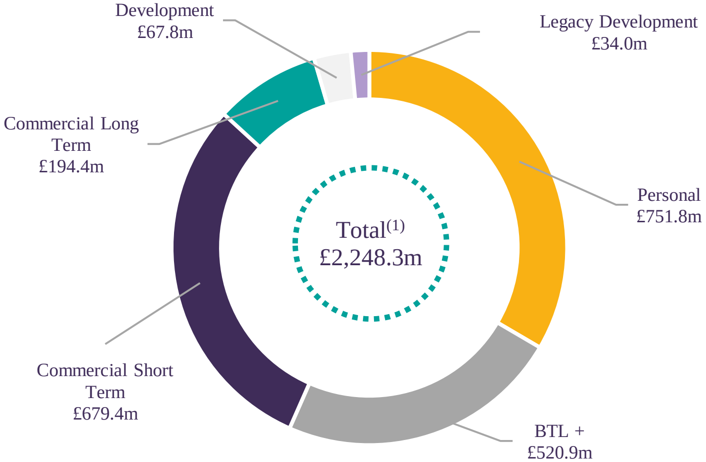


Note: Data as at 30th June 2017

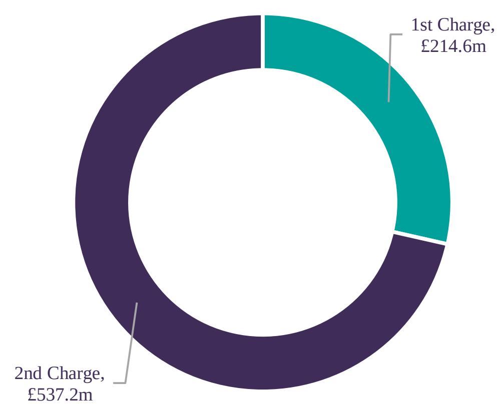
1 Delinquency rate includes the technical arrears

# Diversified Loan Book – Consolidated Group

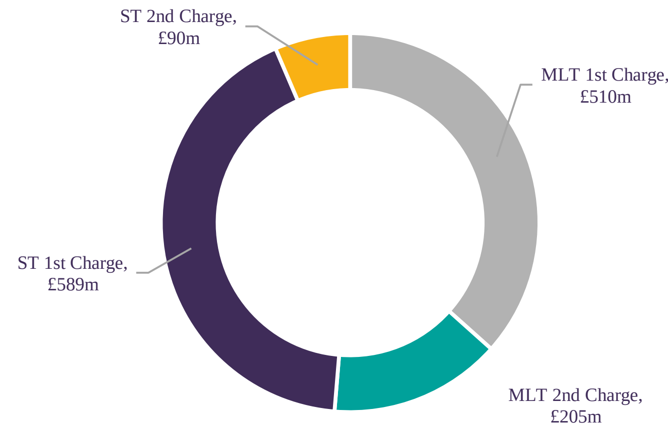
## Loan Portfolio Breakdown by Loan Purpose




## Retail Loan Book Breakdown




## Commercial Loan Book Breakdown




## 75% Secured on Residential Security

| Total Loan Book | Average Loan Size £k | WA Nominal Rate | WA Indexed LTV |
|---|---|---|---|
| **Retail** | 37.1 | 9.3% | 49.2% |
| **Commercial** | 142.7 | 11.0% | 54.5% |
| **Development** | 446.3 | 12.3% | 69.2% |
| **Total** | 74.3 | 10.5% | 53.4% |

## 100% Secured on Residential Security

| Total Loan Book | Average Loan Size £k | WA Nominal Rate | WA Indexed LTV |
|---|---|---|---|
| **1st Charge** | 70.5 | 8.2% | 45.1% |
| **2nd Charge** | 31.2 | 9.7% | 50.9% |

## 62% Secured on Residential Security

| Total Loan Book | Average Loan Size £k | WA Nominal Rate | WA Indexed LTV |
|---|---|---|---|
| **ST 1st Charge** | 310.1 | 12.8% | 57.4% |
| **ST 2nd Charge** | 221.0 | 13.6% | 56.8% |
| **MLT 1st Charge** | 114.6 | 9.2% | 50.6% |
| **MLT 2nd Charge** | 68.1 | 9.1% | 54.6% |

1 Loan book analysis for core operating subsidiaries is presented after allowances for impairments and before certain accounting adjustments required to comply with the income recognition requirements of IFRS

Note:

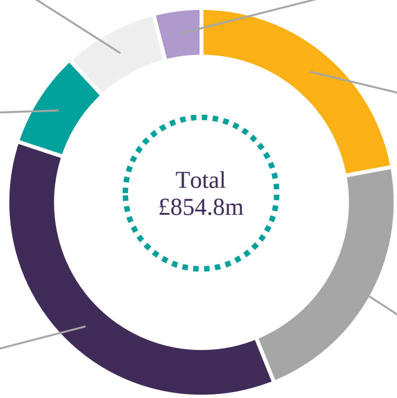
ST = Short term.

MLT = Medium + Long term

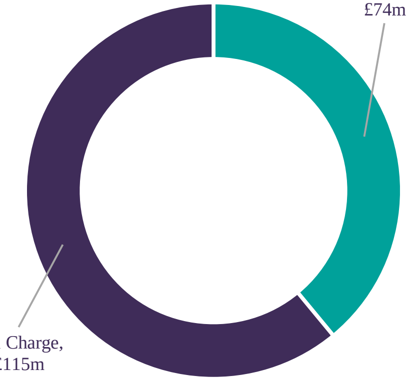
# Diversified Loan Book – Borrower Group

together. Common sense lending

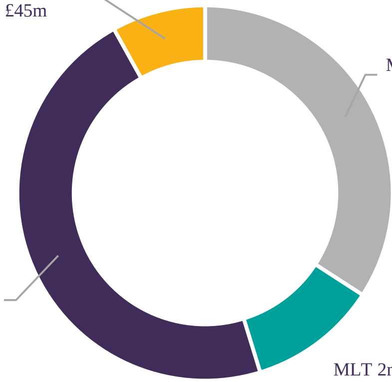
## Loan Portfolio Breakdown by Loan Purpose




## Retail Loan Book Breakdown




## Commercial Loan Book Breakdown




## 68% Secured on Residential Security

| Total Loan Book | Average Loan Size £k | WA Nominal Rate | WA Indexed LTV |
|---|---|---|---|
| **Retail** | 29.8 | 10.0% | 49.8% |
| **Commercial** | 167.2 | 11.0% | 57.4% |
| **Development** | 446.3 | 12.3% | 69.2% |
| **Total** | 85.9 | 10.9% | 57.1% |

## 100% Secured on Residential Security

| Total Loan Book | Average Loan Size £k | WA Nominal Rate | WA Indexed LTV |
|---|---|---|---|
| **1st Charge** | 81.5 | 8.0% | 46.1% |
| **2nd Charge** | 21.2 | 11.3% | 52.2% |

## 59% Secured on Residential Security

| Total Loan Book | Average Loan Size £k | WA Nominal Rate | WA Indexed LTV |
|---|---|---|---|
| **ST 1st Charge** | 420.1 | 12.4% | 59.7% |
| **ST 2nd Charge** | 192.7 | 13.9% | 61.2% |
| **MLT 1st Charge** | 124.5 | 9.0% | 53.6% |
| **MLT 2nd Charge** | 64.9 | 9.2% | 57.1% |

Note:

ST = Short term.

MLT = Medium + Long term