



Common sense  
lending for over  
four decades.

## FY 2019 20 results

Investor Presentation

23<sup>rd</sup> September 2020



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## Management team participants<sup>(1)</sup>



**Gary Beckett**  
Group Managing Director  
and Chief Treasury Officer ●



**Gerald Grimes**  
Group CEO Designate ●



**Mike Davies**  
Director of Corporate Affairs ●

(1) See appendix for biographies

## Agenda

- 1 Key highlights
- 2 Covid-19 update
- 3 Loan book performance
- 4 Funding update
- 5 Financial review
- 6 Shaping our business for the future
- 7 Summary and outlook
- 8 Q&A
- 9 Appendix

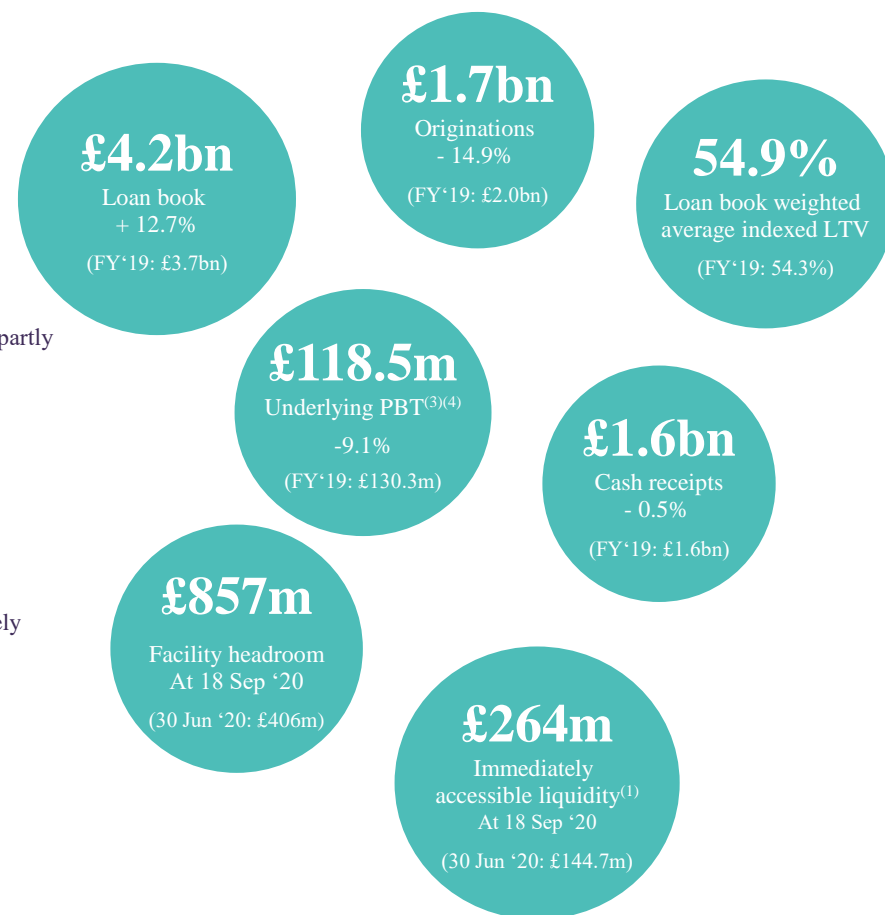
## Key highlights

### FY'20 results overview

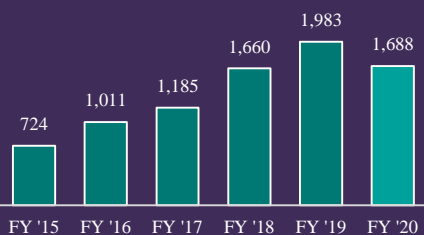
- Reporting strong profitability, cash flows and loan book growth despite Covid-19 pandemic
- £4.2bn loan book, up 12.7% (FY'19: £3.7bn) with very conservative 54.9% LTV
- Average monthly lending £140.7m, down 14.9% due to Covid-19 (FY'19: £165.2m)
  - Lending lower in March to June due to Covid-19, Q4'20: £59.9m (Q4'19: £545.8m)
- Group remains highly profitable and cash generative
  - Underlying PBT<sup>(3)(4)</sup> £118.5m (FY'19: £130.3m) despite increase in impairment charge to £66.9m partly reflecting macro outlook due to Covid-19 (FY'19: £15.4m)
  - Statutory PBT £94.6m (FY'19: £130.3m)
  - Consolidated group cash receipts £1,563m (FY '19: £1,570m)

### Supporting customers, protecting colleagues and shaping the business for the future

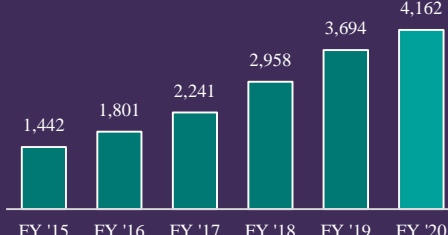
- c.23% of customers, by value, supported with payment deferrals Covid-19 forbearance
- c.7% of customer, by value, in a payment deferral arrangement at 18 September
- Covid-19 secure workplace (capacity for c60% of colleagues) along with full capability to work remotely
- Increased facility headroom and accessible liquidity:
  - Issued 4<sup>th</sup> public RMBS for £366m (16 Jul), and extended RCF facilities to 2023 (18 Sept).
  - Facility headroom £857m at 18 Sep (30 Jun: £406m; 31 Mar: £326m)
  - Immediately accessible liquidity<sup>(1)</sup> £264m at 18 Sep (30 Jun: £144.7m; 31 Mar: £82.5m)
- Completed cost review and employee consultation reducing annual costs run rate by c.£9m
- Accelerated a number of key modernisation projects



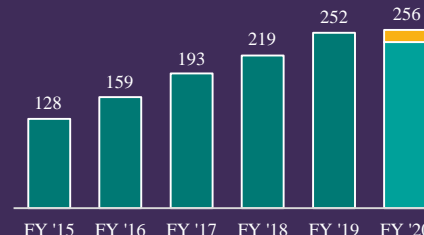
### Originations £m



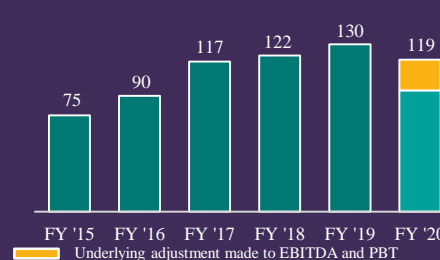
### Loan book £m



### Underlying EBITDA <sup>(2)(3)</sup> £m



### Underlying PBT <sup>(2)(3)(4)</sup> £m



(1) Includes cash at bank, undrawn RCF and cash available from securitisation structures through sale of existing eligible assets.

(2) FY '17 EBITDA and PBT adjusted for £8.2m and £23.0m, respectively, of exceptional costs in respect of the acquisition of the minority interest (£8.2m) and the refinancing of the Senior Secured Notes (£14.8m)

(3) Underlying EBITDA and PBT adjusted to exclude exceptional customer provisions; £17.2m posted in FY'20, including £2.9m posted in Q4'20.

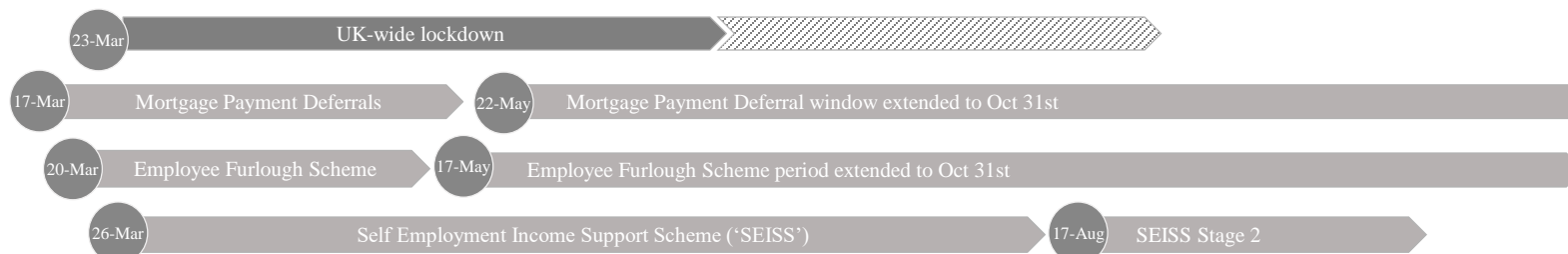
(4) Underlying PBT and Underlying Net Interest Margin adjusted to exclude £6.7m of exceptional costs in respect of refinancing of the 2021 Senior Secured Notes in FY'20.

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## Covid-19: supporting our customers

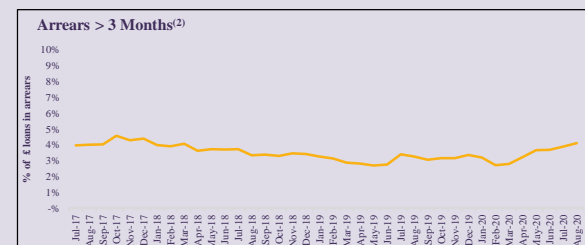
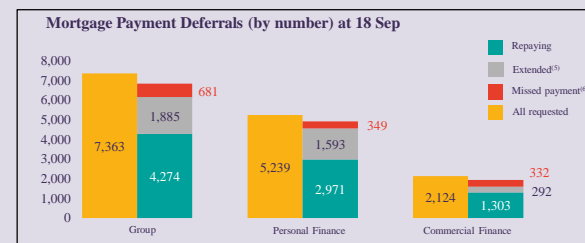
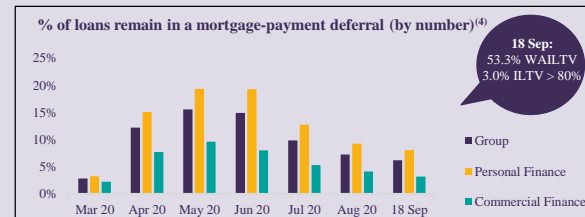
### Government and official guidance



### Covid-19 update

- Provided Covid-19 forbearance to 7,363 customers (c.23% by value) since Mar 20
  - Payment deferrals (live) peaked in May at 15.6% (by number)
  - As at 18 Sep, by value;
    - Payment deferrals reduced to 7%, (Borrower Group 5%)
    - WA LTV of payment deferrals 53.4% and only 3.0% > 80% LTV
    - 5% of accounts have extended payment deferrals > 3 months
    - Of the accounts exiting payment deferrals 79.8% have resumed payments <sup>(1)</sup>, 17.5% are making part payments <sup>(2)</sup> and 2.7% making no payments
- Modest increase in 3mth arrears<sup>(3)</sup> between 30 Jun (3.7%) and 31 Aug (4.1%)
  - Expect some further increase in Q2 as accounts exit extended payment deferrals
- Continued to lend to pipeline customers throughout lockdown
  - £60m across April, May and June
  - Re-underwritten on revised Covid-19 criteria and customer re-assessed
- Cautious return to new lending on tighter criteria – July: £33.3m; August: £49.0m; and up to 18 Sep: £35.9m

### Mortgage Payment Deferrals update



(1) Current level of arrears is less than or equal to the level of arrears at the month end prior to the first mortgage-payment deferral period by at least 5% of the regular monthly payment

(2) Current level of arrears is greater than the level of arrears at the month end prior to the first mortgage-payment deferral period by at least 5% of the regular monthly payment

(3) Analysis presented as loans in arrears > 3 months (including whether classed as performing or non performing arrears) as a percentage of total loan book excluding development loans, repossession, loans past term and non serviced loans

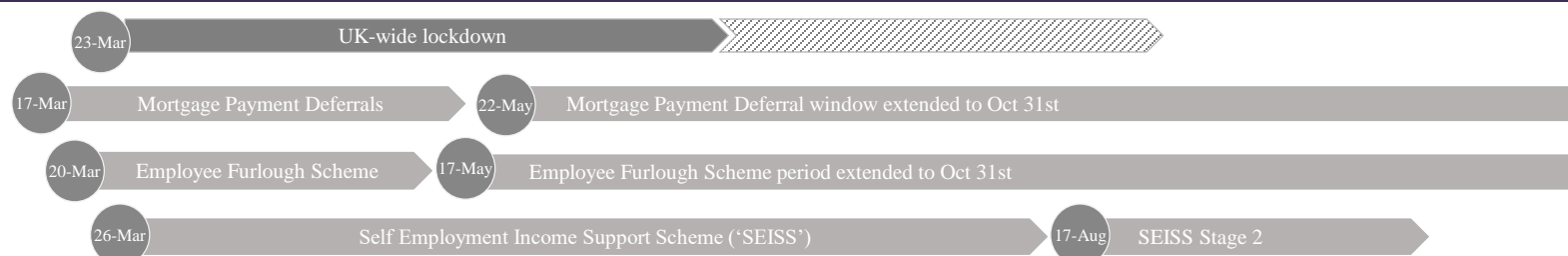
(4) Customer has not reached the first payment after the mortgage-payment deferral and the end of their latest agreed mortgage-payment deferral was after at each specified time period

(5) Customer is currently in an extended plan, so excludes loans who extended their mortgage-payment deferral and have subsequently exited that extended plan

(6) Current level of arrears is greater than the level of arrears at the month end prior to the first mortgage-payment deferral period by at least 5% of a customers regular monthly payment, includes customers that are past their contractual term

# Covid-19: protecting our colleagues and ensuring our business remains strong and resilient

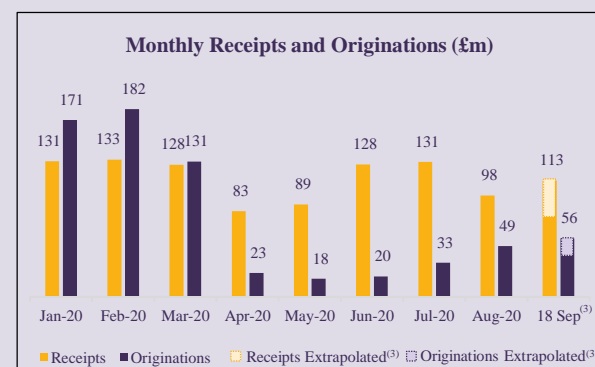
## Government and official guidance



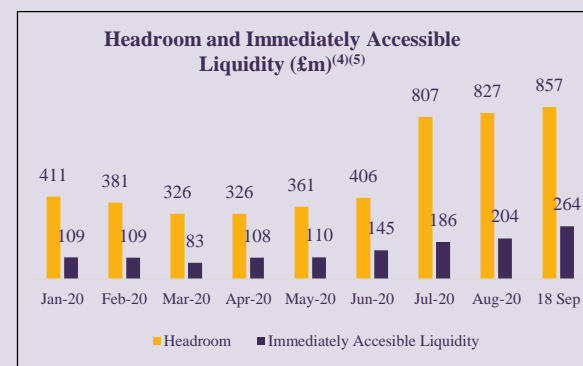
## Covid-19 update

- 98% of colleagues working effectively from home shortly after lockdown
- Furloughed up to 290 colleagues, making salaries up to at least 80%
- Phased return to office from mid-July – c.60% of colleagues by 18 Sep
- Commenced exercise to shape our business for the future
  - Accelerated transformation and automation projects including delivery of e-file
  - Completed, thorough review of costs and colleague consultation process
    - 191 roles removed and a number of new roles created, creating savings of c.£9m p.a.
- Acted quickly to preserve capital and liquidity
  - Paused new applications and actively managed cash and costs
  - Negotiated Covid-19 facility waivers and extensions with securitisation banks
  - Issued £366m RMBS (July)<sup>(1)</sup> and refinanced RCF (September)<sup>(2)</sup>
  - 18 Sep - total accessible liquidity <sup>(4)</sup> £264m, facility headroom<sup>(5)</sup>: £857m
- Enhanced leadership team with arrival of Gerald Grimes as Group CEO Designate
- Remaining cautious but in a strong position to capitalise on future opportunities

Monthly Receipts and Originations (£m)



Headroom and Immediately Accessible Liquidity (£m)<sup>(4)(5)</sup>



(1) £370m TABS4 RMBS priced - effective advance rate 92%; principal aggregate balance £366m

(2) Revolving Credit Facility extended from Jun-21 to Jun-23

(3) 18 Sep receipts and originations extrapolated out to a full month, based upon working days

(4) Incorporates Borrower Group gearing constraint, cash at bank, undrawn RCF and cash available from securitisation structures through sale of existing eligible assets.

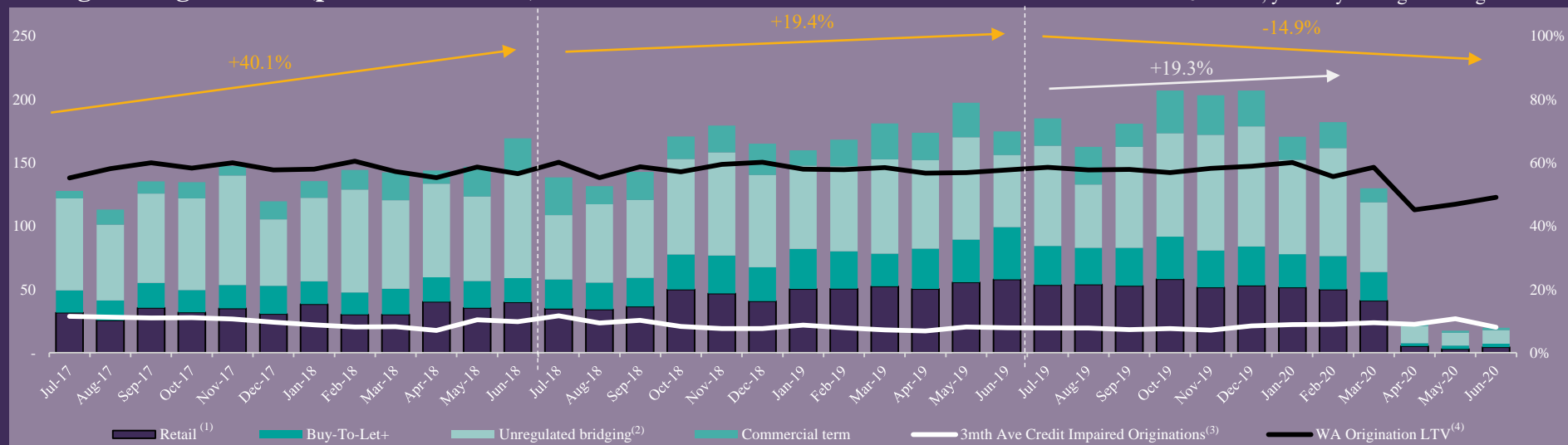
(5) Facility headroom represents undrawn amounts on existing facilities including private securitisations and RCF through sale of existing eligible assets and origination of new eligible assets



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## Strong lending volumes (prior to Covid-19) with conservative LTVs

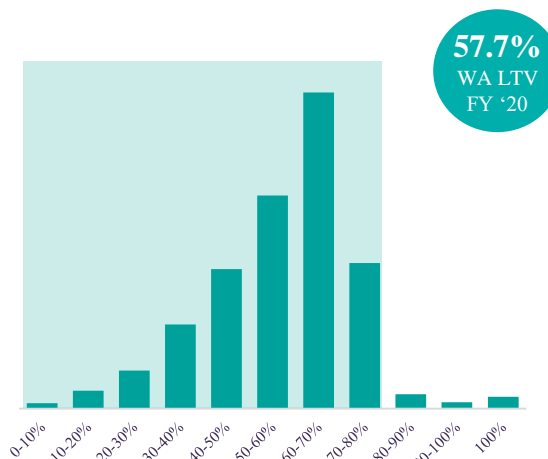


### Strong lending volumes

- Originations down 14.9% to £1.7bn (FY '19 £2.0bn) due to Covid-19 impact on Q4 lending of £60m (Q4 '19 £546m)
- Robust credit quality maintained:
  - Weighted average origination LTVs remain very conservative at 57.7% (FY '19: 58.0%)
  - Credit impaired originations(3) remain low, with recent vintage arrears showing no deterioration in credit quality
- FY '20 new business nominal rate reduction levelling off reducing by 0.4% to 7.6% (FY '19: reduction of 1.1% from 9.1% to 8.0%)) due to increased competition and redemption of higher yielding loan book

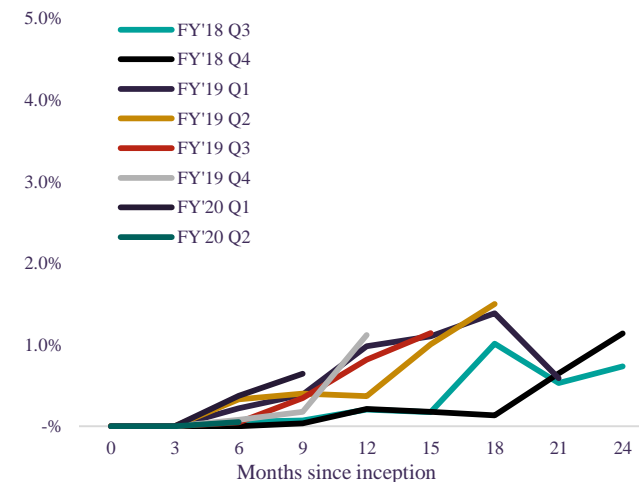
### Conservative origination LTVs (4)

96.7% of FY '20 originations < 80% LTV



### Strong recent vintage performance (5)

(>3m arrears by quarterly vintage)



(1) Includes CBTL and Regulated Bridge accounting for £25m and £123m of FY '20 originations, respectively, compared to £31m and £174m, respectively, in FY '19

(2) Includes development loans

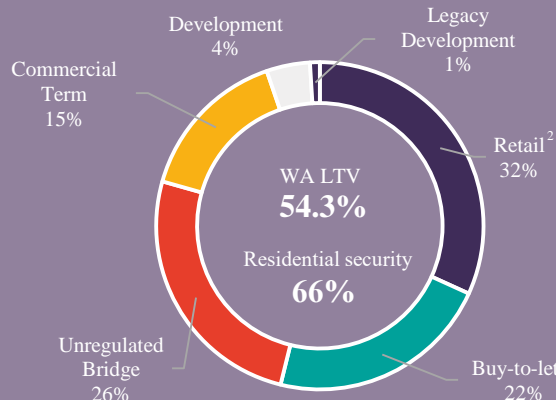
(3) 3-month rolling average of credit impaired customers as % of total new business written, using FCA definition of 'credit impaired'

(4) This analysis is prepared on a loan-by-loan basis, and as such does not take into account any cross-charges which provide additional security

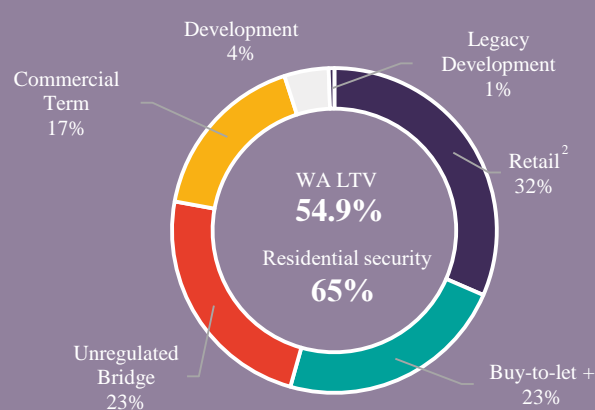
(5) Origination balance of loans > 3months arrears divided by the total originated in the quarter

## High quality diversified portfolio focused on affordability and low LTVs <sup>(1)</sup>

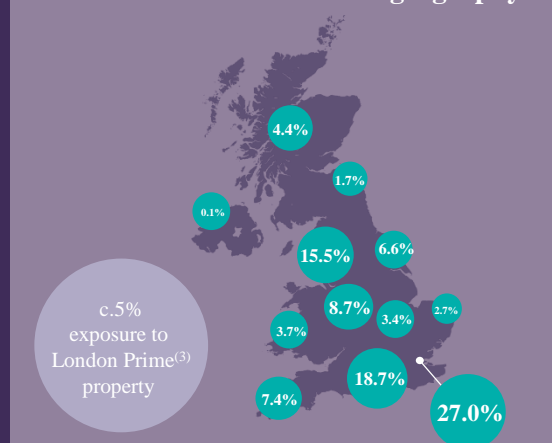
### Loan book at Jun-19: £3.7bn



### Loan book at Jun-20: £4.2bn

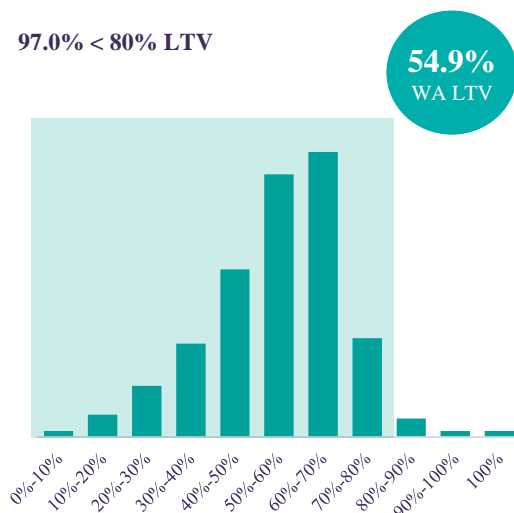


### Loan book diversified across geography



### Loan book by indexed LTV at Jun '20

97.0% < 80% LTV



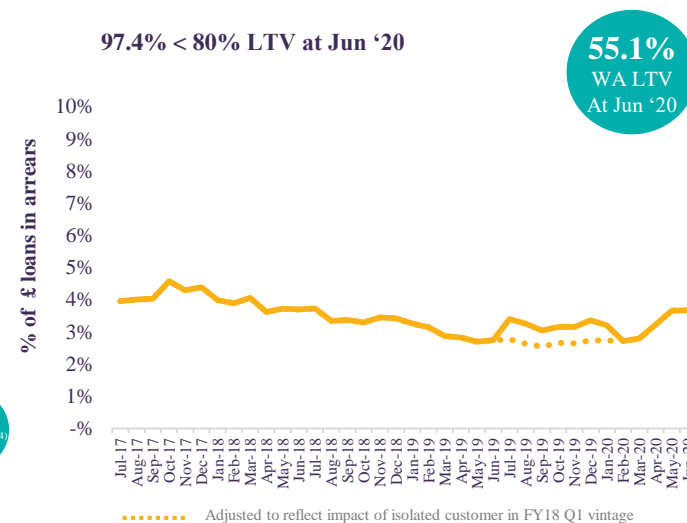
### Diversified and conservative loan book profile

Total Loan Book	Avg. Loan Size (£k)	WA Indexed LTV	% Loans > 80% WA LTV
Retail	61.7	50.2%	0.3%
Buy-to-let +	107.6	58.3%	1.2%
Unregulated Bridge	325.1	57.8%	4.8%
Commercial Term	196.5	52.7%	0.9%
Development	878.0	62.3%	27.3% <sup>(4)</sup>
<b>Total</b>	<b>112.6</b>	<b>54.9%</b>	<b>3.0%</b>

Prudent Calculation<sup>(4)</sup>

### > 3 Month Arrears <sup>(5)</sup>

97.4% < 80% LTV at Jun '20



(1) Loan book analysis for core operating subsidiaries is presented after loss allowances

(2) Includes CBTL and Regulated Bridge, accounting for £78.9m and £129.7m as at 30 June '20 compared to £70.9m and £161.2m at 30 June '19

(3) As defined by the Court's London Prime Index – residential property only

(4) LTV of development loans based on origination advance plus further advances divided by valuation at origination plus further advances

(5) Analysis presented as loans in arrears >3 months (including whether classed as performing or non performing arrears) as a percentage of total loan book excluding development loans, repossession, loans past term and non serviced loans

## Low LTVs provide significant downside protection<sup>(1)</sup>

### LTVs remain conservative at 54.9%

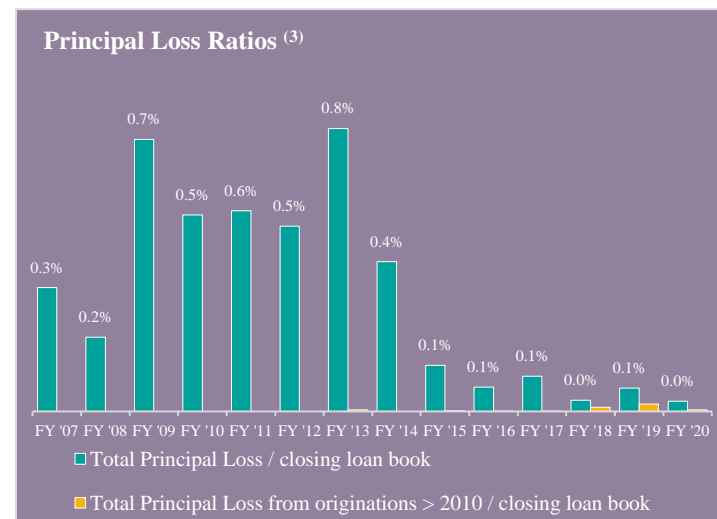
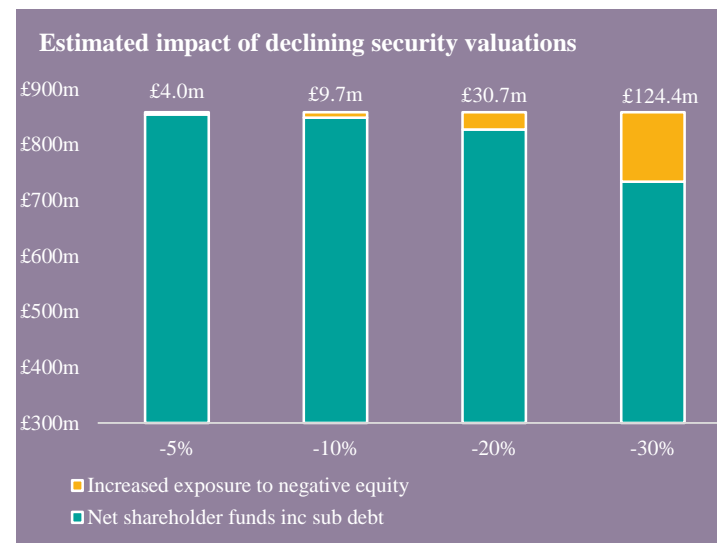
- Weighted average indexed LTV of loan portfolio of 54.9%
  - 57.4% for the Borrower Group
- Percentage of loans with indexed LTV of > 80% is 3.0%
  - 10.8% for the Borrower Group

### Loans in negative equity

- Group had a negative equity exposure of £28.2m (attached to 1.3% of total loans, by value)
- Compared to £118.8m of IFRS9 impairment allowances<sup>(2)</sup> for the total loan portfolio

### Downside scenario analysis

- Additional Group exposure to negative equity from falls in property values is  
10% = £9.7m; 20% = £30.7m and 30% = £124.4m
- Additional Borrower Group exposure to negative equity from falls in property values is  
10% = £9.5m; 20% = £29.4m and 30% = £72.5m
- Peak principal loss ratio only 0.8% during financial crisis, reducing to 0.1% in recent years. Since we tightened our underwriting policies in 2010, loss ratios have consistently been below 0.02%



(1) FY'19 and FY'20 figures and KPIs are presented on an IFRS 9 basis. Prior year figures and KPIs are presented on an IAS 39 basis

(2) IFRS9 provisions excludes impairment allowance for shortfalls fully provided for

(3) Principal losses = total principal advances + 3rd party costs (i.e. foreclosure costs) less total receipts

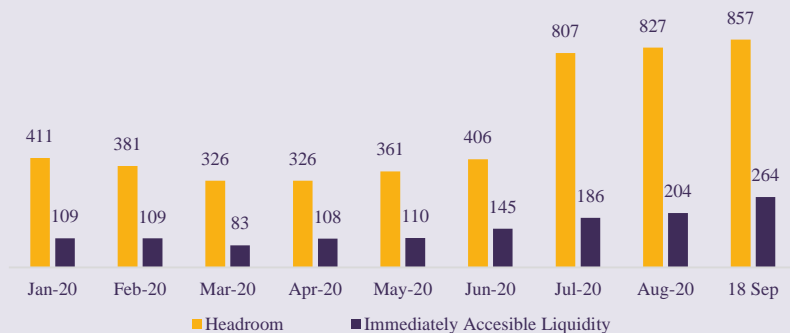
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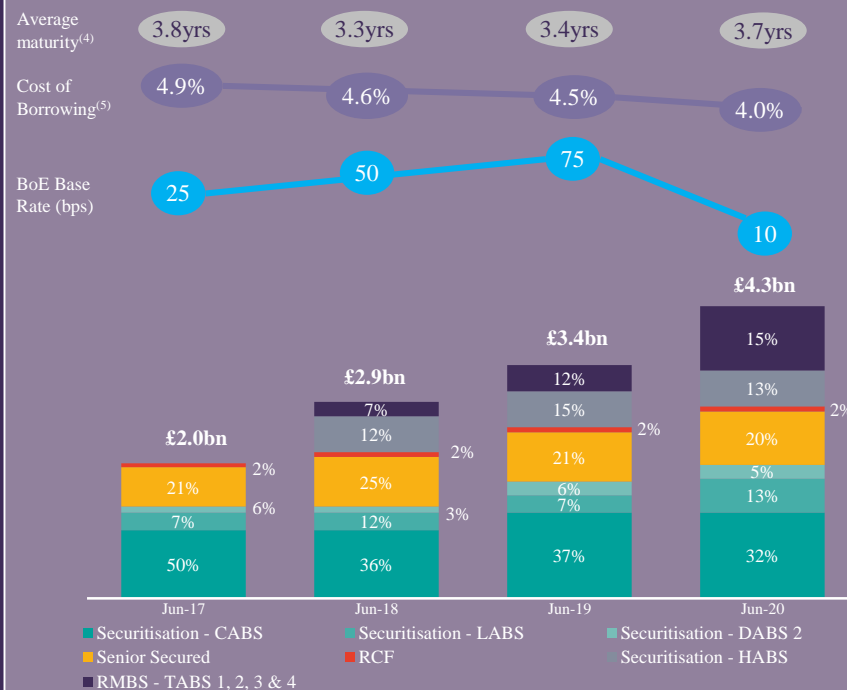
## Funding update

- Increased funding diversity, facility headroom and accessible liquidity and extended average maturity
  - Completed significant fund raising / refinancing of £1.7bn in LTM
    - Oct-19 LABS £500m
    - Oct-19 TABS 3 £315m
    - Feb-20 SSN £435m
    - July-20 TABS 4 £361m
    - Sept 20 RCF £72m
  - Recent transactions demonstrate continual Investor and Bank appetite
  - Average maturity > 3.5 years and earliest maturities: HABS Jun '22 representing 12%<sup>(1)(2)</sup> of liabilities
  - Accessible liquidity<sup>(3)</sup> at 18 Sept: £264m (30 Jun: £144.7m) based on existing assets. Further liquidity available on origination of new eligible assets
  - Facility headroom at 18 Sept £857m
  - Remain conservatively geared – Group: 78.6%; SBG 61.9%
  - Significant shareholder funding – Group: £856.4m; SBG £407.7m

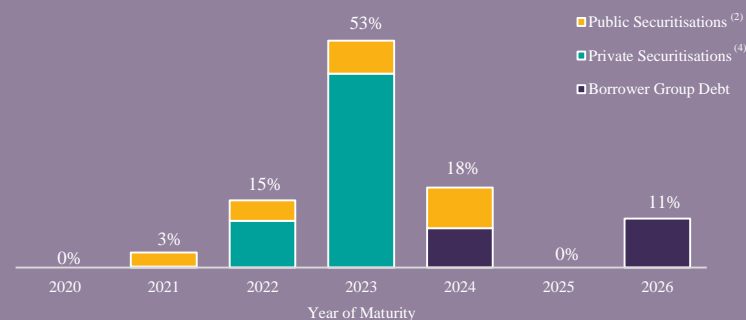
### Headroom and Immediately Accessible Liquidity<sup>(4)(5)</sup>



## Diversified funding base as at 30 June 2020 <sup>(1)(2)</sup>



## Debt Maturity Profile<sup>(1)(4)</sup>



(1) Assumed if TABS 4 and RCF transacted at 30 June 2020

(2) Based on total facility size

(3) Includes cash at bank, undrawn RCF and cash available from securitisation structures through sale of existing eligible assets.

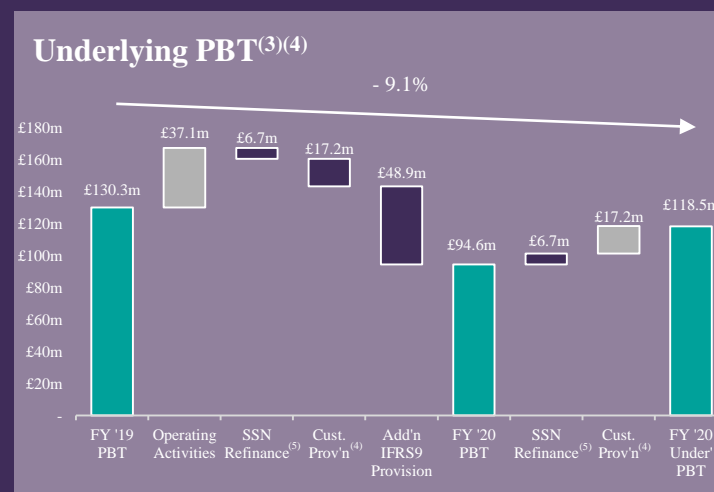
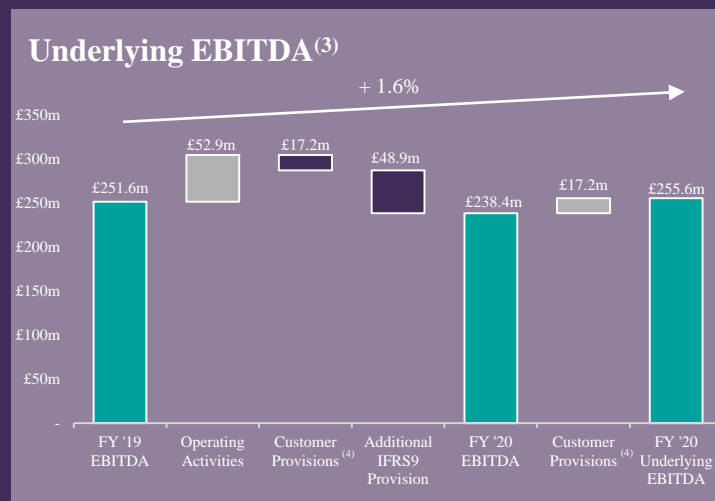
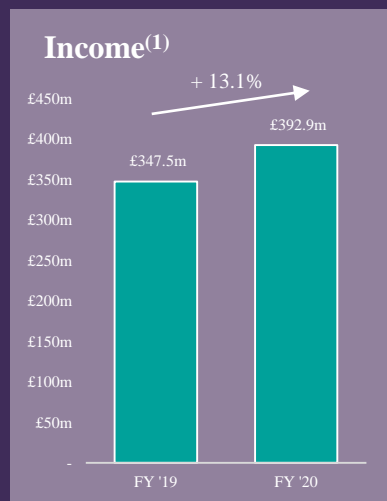
(4) Based on drawn balances

(5) Cost of Borrowing is calculated as total interest payable on an LTM basis (excluding interest on subordinated debt) divided by opening and closing gross debt. Total interest payable includes core interest, non-utilisation fees and fee amortisation. FY17 adjusted for exceptional interest payable of £14.8m and FY20 adjusted for exceptional interest payable of £6.7m.

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## Income, EBITDA and PBT



## Income & expenditure

	Q3 '20	Q4 '20	FY '19	FY '20
Income <sup>(1)</sup> £m	101.0	99.4	347.5	392.9
Underlying Interest Payable <sup>(5)</sup> £m	33.9	30.1	116.8	130.4
Underlying NIM <sup>(5)(6)</sup>	6.4%	6.6%	6.8%	6.6%
Cost of Risk <sup>(7)</sup>	1.4%	1.7%	0.5%	1.7%
Underlying Cost / Income Ratio <sup>(2)(3)(4)(5)(8)</sup>	30.0%	29.0%	36.2%	29.0%
Underlying EBITDA <sup>(2)(3)(4)</sup> £m	48.5	67.7	251.5	255.6
Underlying PBT <sup>(2)(3)(4)(5)</sup> £m	13.9	34.4	130.3	118.5
EBITDA £m	48.1	64.8	251.5	238.4
PBT £m	6.1	31.5	130.3	94.6
Underlying Return on Equity <sup>(2)(3)(4)(5)(9)</sup>	13.2%	12.8%	14.8%	12.8%

- Income increased by 13.1% to £392.9m (FY '19: £347.5m) despite Covid-19 impact in Q4 and reflecting continued loan book growth of 12.7% slightly offset by reduction in yield
- Underlying NIM levelling off at 6.6% reducing by 0.2% YoY (FY '19: 6.8% reducing by 0.9% YoY), reflecting lower yield due to increased competition, product mix and higher gearing, partly mitigated by lower costs of funds
- LTM annualised cost of risk higher than prior year due to impact of increased impairment charge to £66.9m (FY '19 £15.4m) partly driven by macroeconomic outlook revisions due to Covid-19.
- Underlying PBT £118.5m in FY '20 despite additional impairment charge to reflect the impact of Covid-19. PBT in FY '20 of £94.6m including £17.2m exceptional customer provisions and £6.7m exceptional costs associated with 2021 SSN refinancing.

(1) Includes fees & commission receivables

(2) Q3 '20 EBITDA, PBT and related metrics adjusted for £0.4m of exceptional customer provisions recognised in the quarter

(3) Q4 '20 EBITDA, PBT and related metrics adjusted for £2.9m of exceptional customer provisions recognised in the quarter

(4) FY '20 EBITDA, PBT and related metrics adjusted for £17.2m of exceptional customer provisions recognised in the year

(5) Q3 '20 and FY '20 PBT and related metrics adjusted for the £6.7m of exceptional costs in respect of refinancing of the Senior Secured Notes

(6) Calculated as rolling 12 month net interest income / average opening and closing loan assets

(7) Based on rolling 12 months impairment charge / average of net loan book

(8) Rolling 12 months operating expenses excluding impairment, financing costs, and tax / rolling 12 months net operating income

(9) Calculated as rolling last 12 months adjusted PAT for subordinated debt interest and exceptional items<sup>(4)(5)</sup> net of effective tax / average of opening and closing shareholder funds (including subordinated debt interest and exceptional items<sup>(4)(5)</sup> net of effective tax)

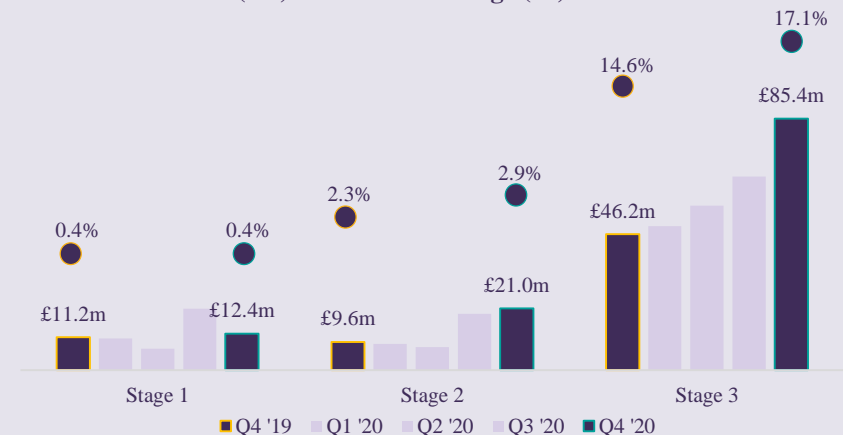


## Update on impairments

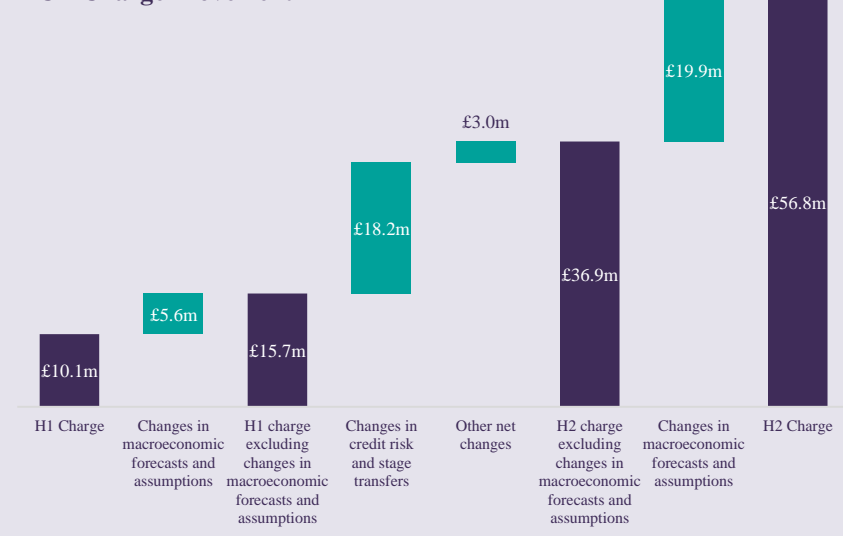
- Increase in IFRS9 charges during the year primarily driven by loan book performance and the deterioration in macro-economic outlook assumptions
- Provisioning and coverage has increased to £118.8m (Jun '19: £67.0m, Mar '20: £105.7m) and 2.8% (Jun '19: 1.8%, Mar '20: 2.4%)
- Q3 charge of £40.1m included £24.6m in respect of forward looking macro-economic assumptions and £4.4m in respect of movements in credit risk
- Q4 charge of £16.7m included an improvement of £4.7m in respect of macro-economic assumptions and £13.9m in respect of movements in credit risk reflecting actual and assumed increases in arrears
- Prudent in modelling assumptions with c.£8m of charges overlaid to cover arrears that are yet to emerge
- Adapted our modelling to react to the changing environment:
  - Extended and benchmarked sources of macro-economic forecasts
  - Increase in number of scenarios from 3 to 6, each probability weighted
  - Adopted recommended IFRS9 treatment of Covid-19 forbearance – payment deferral should not automatically move borrowers into Stage 2 ECL but overlay for extensions of payment deferrals included of £2m

Scenario <sup>(1)</sup>	Weighting	Unweighted ECL Provision	GDP		HPI		Unemployment	Base Rate
			% Change to Jun-21 <sup>(4)</sup>	Return to Dec-19	% Change to Jun-21	Dec-19 to Trough	% Peak	
Upside	10%	57.2	32.0	Mar-21	-0.4	0.0	6.2	Sep-20
Mild upside	10%	66.3	29.1	Jun-21	-3.6	-2.7	6.4	Dec-20
Base case	50%	88.0	26.2	Mar-22	-7.7	-6.8	7.5	Jun-23
Stagnation	10%	150.2	19.0	Mar-24	-13.8	-15.4	8.8	Sep-23
Downside	10%	192.7	16.3	Mar-25	-16.3	-21.3	9.8	Sep-22
Severe downside	10%	281.5	11.7	Jun-27	-20.6	-33.3	11.7	Jun-23
<b>Weighted average</b>		<b>118.8</b>	<b>23.9</b>		<b>-9.3</b>	<b>-10.7</b>		

ECL Provision<sup>(2)(3)</sup> (£m) and ECL Coverage (%)



ECL Charge Movement<sup>(3)</sup>



(1) For further details refer to Note 14 of the June '20 Financial Statements

(2) Total ECL Provision balance as at 30 June 2020 was £118.8m (30 Jun '19: £67.0m; 30 Sep '19: £68.5m; 31 Dec '19: £70.9m; 31 Mar '20: £105.7m)

(3) The differential between ECL charge for FY '20 and the increase in ECL Provision is due to £13.6m unwind discount and £1.3m of write offs

(4) Represents change from Jun-20 which saw a GDP fall of 22.1% from Jun-19

## Balance sheet and credit metrics

- £4.2bn diversified loan book with conservative LTVs
- All loans originated and serviced in house
- Prudent capitalisation and very conservative levels of gearing relative to peers
- SBG gearing improved further on completion of RMBS (TABS4) in July '20
- Strong underlying asset cover

		Consolidated Group			Borrower Group		
		FY '19	Q3 '20 <sup>(1)</sup>	FY '20	FY '19	Q3 '20 <sup>(1)</sup>	FY '20
Balance sheet / asset quality	Net loan book (£m)	3,694.5	4,315.9	<b>4,162.2</b>	1,189.3	1,166.4	<b>1,102.0</b>
	Shareholder funds (£m) <sup>(1)</sup>	789.9	829.2	<b>856.4</b>	416.9	382.7	<b>407.7</b>
	Weighted average indexed LTV of portfolio	54.3%	53.9%	<b>54.9%</b>	55.9%	55.9%	<b>57.4%</b>
Key credit metrics	Underlying EBITDA (£m) <sup>(3)(4)</sup>	251.5	257.1	<b>255.6</b>	189.8	183.0	<b>182.1</b>
	Gearing <sup>(2)(6)(7)</sup>	78.0%	80.5%	<b>78.6%</b>	63.7%	68.1%	<b>61.9%</b>
	Underlying asset cover <sup>(2)(6)(8)</sup>	42.3%	43.4%	<b>43.1%</b>	35.6%	38.0%	<b>35.5%</b>
	Net debt : Underlying EBITDA <sup>(2)(3)(4)</sup>	11.5x	13.5x	<b>12.8x</b>	4.0x	4.3x	<b>3.7x</b>
	Gross debt : shareholder funds <sup>(2)</sup>	3.8x	4.4x	<b>4.1x</b>	1.9x	2.1x	<b>2.0x</b>
	Interest cover <sup>(3)(4)(5)(9)</sup>	2.2x	2.0x	<b>2.0x</b>	4.1x	4.1x	<b>3.9x</b>
	Tangible equity <sup>(2)</sup> / tangible assets	20.4%	18.3%	<b>19.1%</b>	n/a	n/a	n/a

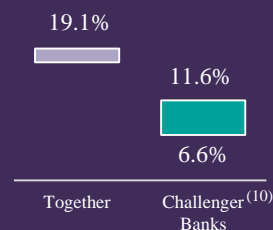
**£4.2bn**  
Loan Book  
+12.7%  
(FY '19 £3.7bn)

**£856.4m**  
Shareholder funds<sup>(2)</sup>  
(FY '19: £789.9m)

WA indexed LTV  
at FY '20  
**54.9%**  
(FY '19: 54.3%)

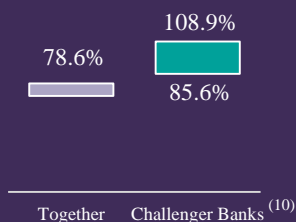
Underlying asset  
cover <sup>(8)</sup>  
**43.1%**  
(FY '19: 42.3%)

Tangible equity /  
tangible assets



Median: 8.5%

Net debt / net book value  
of loans on balance sheet



Median: 105.2%

(1) Q3'20 figures are on an LTM

(2) Subordinated shareholder loans and notes treated as equity

(3) Q3 '20 EBITDA and related metrics adjusted for £14.4m of exceptional customer provisions recognised in the last twelve months

(4) FY '20 EBITDA and related metrics adjusted for £17.2m of exceptional customer provisions recognised in the year

(5) Q3 '20 and FY '20 Interest cover adjusted for the £6.7m of exceptional costs in respect of refinancing of the Senior Secured Notes

(6) Ratio of net borrowings to the value of the net loans and advances to customers of the consolidated group and Borrower Group

(7) Excludes lease liability classified as borrowings on adoption of IFRS16

(8) Ratio of net borrowings to the value of the underlying security valuation of the consolidated group and Borrower Group, respectively

(9) On an Underlying LTM basis. In respect of the Borrower Group represents Borrower Group EBITDA divided by cash interest payable on the senior secured notes and the RCF

(10) Challenger Banks consist of Charter Court Financial Services, Close Brothers, One Savings Bank, Paragon, Secure Trust and Shawbrook. Data based upon latest available public figures as at 8<sup>th</sup> July, 2020

## Cash generation and cash flow

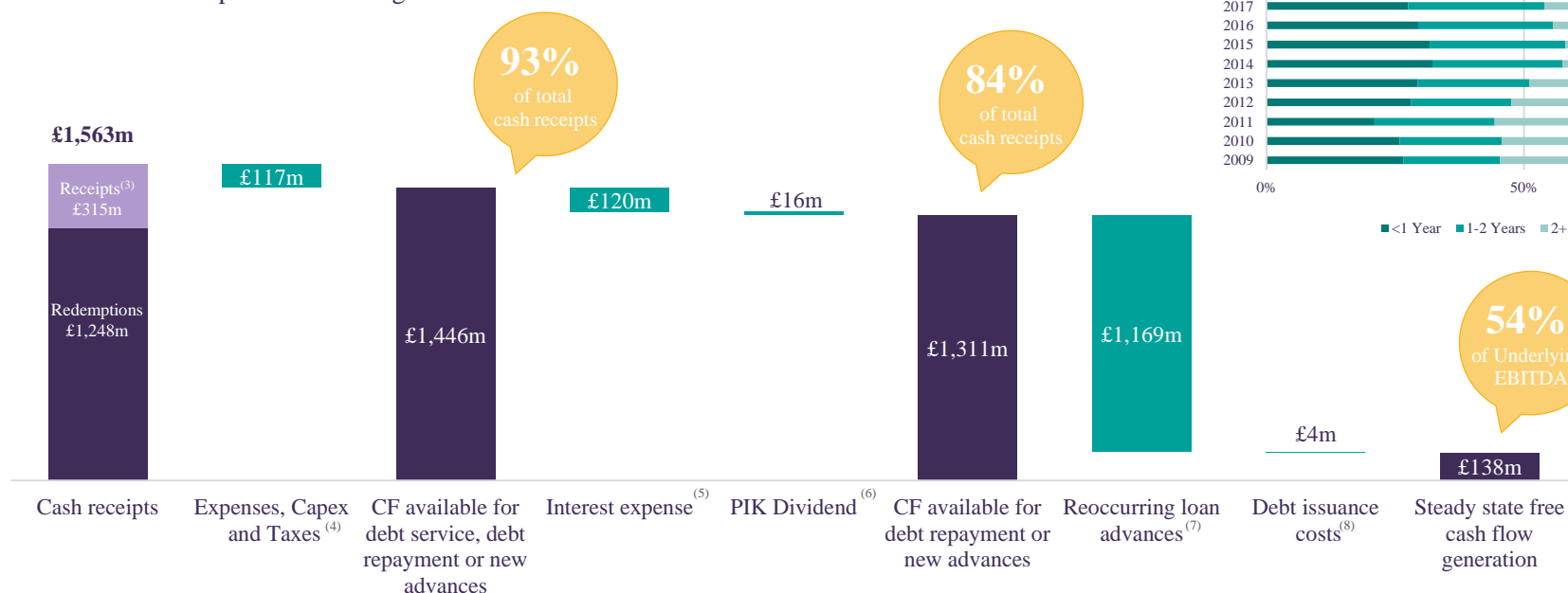
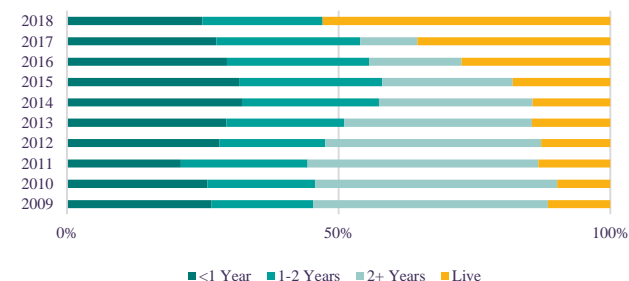
### Annual cash flows (FY '20)

- Consolidated group cash receipts of £1,563m, in line with prior financial year of £1,570m, representing 40% of average loan assets (FY '19: 47%) reflecting smaller bridging book and reduced receipts in lockdown
- Cash available for debt service, debt repayment or new advances of £1,446m (FY '19: £1,453m), cash available for debt repayment or new advances (after interest serviced) of £1,311m (FY '19 £1,318m)
- Interest cover of 2.0x on a consolidated basis and 4.0x at the Borrower Group level. Much higher on cash basis

- Interest and Fees
- Principal
- Cash receipts**
- Cash receipts as % of avg. net loan book
- Cash available for debt service, debt repayment or new advances
- Steady state cash flow

Consolidated group	
FY '19	FY '20
£291m	£305m
£1,279m	£1,258m
<b>£1,570m</b>	<b>£1,563m</b>
47%	40%
£1,453m	£1,446m
£73m <sup>(1)</sup>	£138m

### Redemption rates<sup>(2)</sup> (by loan vintage)



Strong cash flow profile underpinned by secured property lending

(1) Restated to be calculated based upon movement in gross loan book as per FY '20

(2) Based on calendar year

(3) Including other income of £35m

(4) Expenses principally represents staff costs and overheads as well as new business costs

(5) Excludes debt issuance costs, and the £5.9m exceptional one off cash cost associated with the refinancing of the Senior Secured Notes

(6) Dividend to service PIK Toggle Note; paid in Q2 '20, paid in kind in Q4 '20

(7) Reoccurring loan advances are loan advances required to maintain the size of the gross loan book at the beginning of period. Calculated as loans originated in the last twelve months less growth in loans & advances over the last twelve months

(8) Debt issuance costs adjusted proportionately to reflect costs associated with reoccurring loan advances only.

## Agenda

- 1 Key highlights
- 2 Covid-19 update
- 3 Loan book performance
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- 5 Financial review
- 6 Shaping our business for the future
- 7 Summary and outlook
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## Opportunity to build on an already impressive legacy

### Initial impressions

- Significant scale: £4.2bn loan book with conservative LTVs
- Successful 46 year through-the-cycle track record
- Unique family culture with a customer-centric ethos
- Strong experienced leadership team and Board
- Impressive distribution network with strong relationships
- Highly profitable and cash generative
- Deep, diverse and flexible funding platform
- Established governance, risk and compliance structures

### Strategic Review – Customer lifestyles and expectations

- Lifestyles and working patterns changing, relationships with assets evolving, technology driving customer expectations
  - Retail customers want fairly priced, easily understood, simple to use products, quick automated delivery, access to experts when needed and great ongoing service
  - Business customers want relationship focused lending from experts who understand their business, able to make quick decisions to help them realise opportunities
- Mainstream lending model is volume and scorecard driven
  - Excludes many 'more complex' but credit-worthy customers
    - Likely to increase due to impact of Covid-19
  - Timescales typically suit lender rather than customer

### Strategic Review – Together

- Looking after our existing customers
- Shaping our business for the future to address societal trends, meet evolving customers needs and support ambitions with common sense lending
  - Transforming and automating to improve customer journey, enhance efficiency and deliver a modern, sustainable and scalable lending platform
    - Using technology to do what technology does best and people to do what people do best
  - Meeting our regulatory obligations
  - Cautious expansion of lending activity based on revised assessment of credit risk and customer circumstances

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## Looking forwards

### Shaping Our Business for the Future

- Over next 12 months, Together will emerge as an efficient, technology-enabled modern lending platform, with two market leading operating businesses supporting our customers and intermediaries to achieve their ambitions:

#### Together Personal Finance (regulated)

- Quick, automated and more online experience for customers, with easy access to experts when needed and great ongoing service
- Easy to understand, fairly priced and simple to use products
- More balanced mix of direct and intermediary origination
- Improved efficiency
- High standards of regulatory governance and compliance

#### Together Commercial Finance

- Customer-led relationship lender providing positive outcomes through long-term trusted partnerships
- Tailored lending solutions, expert guidance, efficient data-enabled decision making and excellent ongoing service
- Delivering to customer timeframes to help SMEs, businesses and property investors take advantage of opportunities and achieve ambitions

- Operational businesses will share a common purpose and be supported by an established, well funded corporate platform:
  - Family of collegiate, motivated and professional colleagues dedicated to supporting customers ambitions with common sense lending
  - High standards of governance, regulatory compliance and internal training
  - Culture of continuous improvement based on feedback from customers, intermediaries and advisors
  - Experienced capital markets funding capability with successful long-term track record
- Expect lending volumes to continue to increase cautiously, remaining below pre-Covid-19 levels in the near term while credit risk becomes more transparent and measurable and we deliver efficiency benefits from our transformational projects
  - Cost base reduced to reflect target operating model with 191 roles removed, including voluntary redundancies, and a number of new roles created
  - Expected savings of c.£9m per annum

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## Summary and Outlook

### Summary

- Strong performance, despite impact of Covid-19:
  - £1.7bn originations with conservative LTV of 57.7%
  - Grew loan book to £4.2bn with low LTV of 54.9%
  - Robust profits and cash flows:
    - £118.5m underlying PBT, despite £66.9m impairment charge
    - £1.6bn Group cash receipts
- Further increased scale, diversity and maturity of funding
  - Raised / refinanced £1.7bn of facilities over 5 transactions in LTM
  - Extended WA maturity to 3.7 months
  - Earliest facility maturity – HABS June 2022 (12% of liabilities)
  - Balance of facilities maturing 2023 – 2026
  - Recent £366m RMBS (Jul '20) and extension of RCF (Sept '20) demonstrates continued appetite from investors and banks
- Reacted prudently and quickly to Covid-19 pandemic
  - Supporting our customers, by providing Covid-19 forbearance to 23% of Group customers<sup>(1)</sup>. (7% live at 18 Sep '20)
  - Flexible Covid-19 secure office and full remote working capability
  - Increasing capital, facility headroom and liquidity
    - Shareholder funds £856m at Jun '20
    - Facility headroom £857m at 18 Sep '20
    - Accessible liquidity £264m at 18 Sep '20

### Outlook

- Together entered Covid-19 crisis in a strong position
- Too early to reliably estimate the full economic impact of Covid-19, but expect conditions to remain challenging for some time
- Together has through-the-cycle experience having managed the business successfully through multiple recessions
  - Much more robust business than before financial crisis:
    - Larger, more diversified loan book with lower LTVs (2020: c. 54% compared to 2008: c. 65%)
    - Improved customer base composition
    - Enhanced procedures, processes and governance
    - Significantly more depth and diversity in funding structures
- Shaping our business for future to meet our customers' evolving needs, making us more efficient whilst mitigate downside risks
- Potential customer base likely to increase as a result of Covid-19
- Positioning the business to be able to play our part in supporting the UK's economic recovery

(1) By value



## Agenda

- 
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Q&A  
**session**

Appendix:



**additional information**

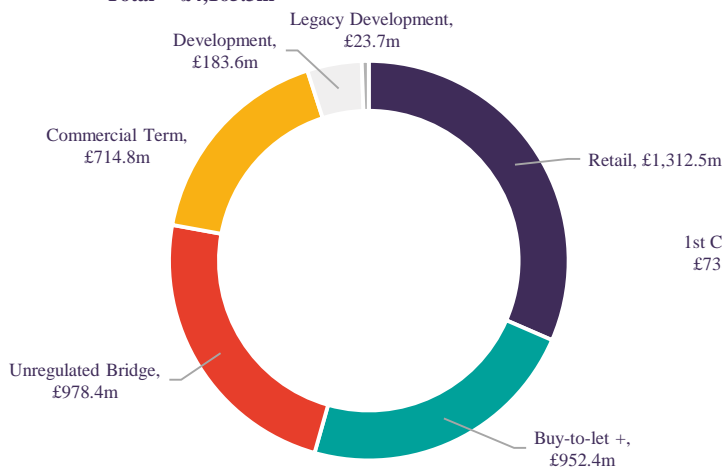
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## Diversified loan book – consolidated group <sup>(1)(2)</sup>

### Loan portfolio breakdown by loan purpose

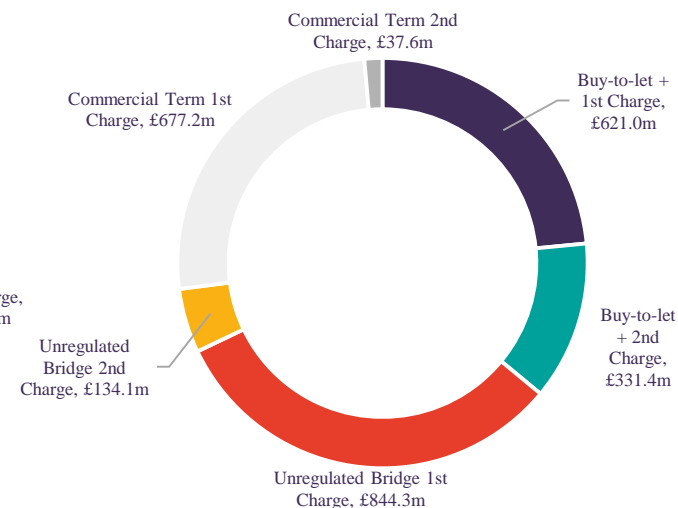
Total <sup>(1)</sup> £4,165.3m



### Retail loan book breakdown



### Commercial loan book breakdown <sup>(3)</sup>



### 65% secured on residential security

Total Loan Book	Average Loan Size £k	WA Nominal Rate	WA Indexed LTV
<b>Retail</b>	61.7	7.1%	50.2%
<b>Commercial</b>	170.7	8.7%	56.6%
<b>Development</b>	878.0	10.4%	62.3%
<b>Total</b>	<b>112.6</b>	<b>8.3%</b>	<b>54.9%</b>

### 100% secured on residential security

Total Loan Book	Average Loan Size £k	WA Nominal Rate	WA Indexed LTV
<b>1<sup>st</sup> Charge</b>	102.0	6.1%	47.9%
<b>2<sup>nd</sup> Charge</b>	40.9	8.4%	53.1% <sup>(4)</sup>

### 49% secured on residential security

Total Loan Book	Average Loan Size £k	WA Nominal Rate	WA Indexed LTV
Buy-to-let 1 <sup>st</sup> Chg.	129.2	7.2%	57.9%
Buy-to-let 2 <sup>nd</sup> Chg.	82.0	7.8%	59.1% <sup>(5)</sup>
Unreg. Bridge 1 <sup>st</sup> Chg.	330.7	10.3%	56.9%
Unreg. Bridge 2 <sup>nd</sup> Chg.	296.0	11.4%	63.0% <sup>(6)</sup>
Comm. Term 1 <sup>st</sup> Chg.	203.4	7.9%	52.9%
Comm. Term 2 <sup>nd</sup> Chg.	122.5	8.3%	48.9% <sup>(7)</sup>

(1) Loan book analysis for core operating subsidiaries is presented after allowances for impairments.

(2) All figures are presented on an IFRS 9 basis

(3) Excludes development loans

(4) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge retail loan book is 37.5%

(5) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge buy-to-let+ loan book is 39.0%

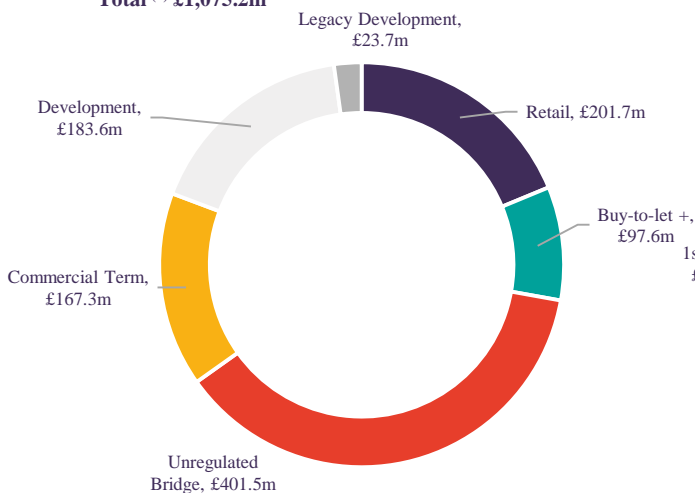
(6) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge unregulated bridge loan book is 35.4%

(7) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge commercial term loan book is 26.8%

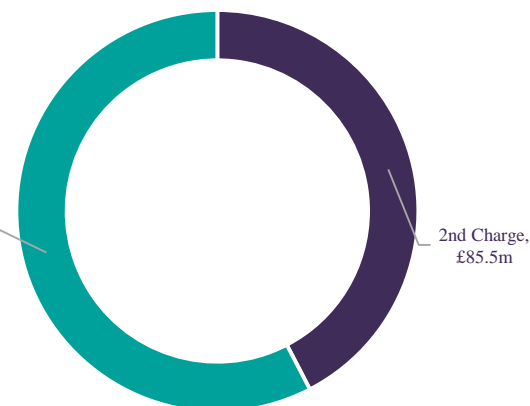
## Diversified loan book – borrower group <sup>(1)(2)</sup>

### Loan portfolio breakdown by loan purpose

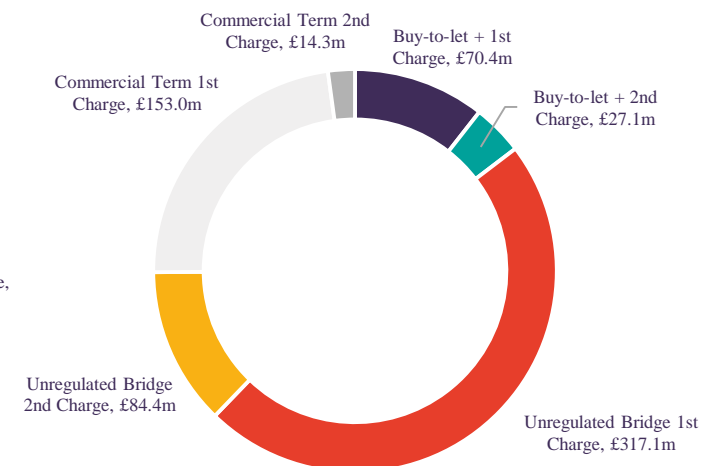
Total <sup>(1)</sup> £1,075.2m



### Retail loan book breakdown



### Commercial loan book breakdown <sup>(3)</sup>



### 42% secured on residential security

Total Loan Book	Average Loan Size £k	WA Nominal Rate	WA Indexed LTV
Retail	45.1	8.2%	50.9%
Commercial	296.2	9.8%	57.8%
Development	878.0	10.4%	62.3%
<b>Total</b>	<b>154.5</b>	<b>9.6%</b>	<b>57.4%</b>

### 100% secured on residential security

Total Loan Book	Average Loan Size £k	WA Nominal Rate	WA Indexed LTV
1 <sup>st</sup> Charge	127.0	6.7%	51.87%
2 <sup>nd</sup> Charge	24.0	10.2%	49.8% <sup>(4)</sup>

### 29% secured on residential security

Total Loan Book	Average Loan Size £k	WA Nominal Rate	WA Indexed LTV
Buy-to-let 1 <sup>st</sup> Chg.	142.9	8.4%	61.1%
Buy-to-let 2 <sup>nd</sup> Chg.	81.6	8.8%	56.4% <sup>(5)</sup>
Unreg. Bridge 1 <sup>st</sup> Chg.	573.4	10.8%	56.8%
Unreg. Bridge 2 <sup>nd</sup> Chg.	392.7	11.3%	62.9% <sup>(6)</sup>
Comm. Term 1 <sup>st</sup> Chg.	277.1	7.9%	56.7%
Comm. Term 2 <sup>nd</sup> Chg.	136.6	8.3%	49.1% <sup>(7)</sup>

(1) Loan book analysis for core operating subsidiaries is presented after allowances for impairments

(2) All figures presented are on an IFRS 9 basis.

(3) Excludes development loans

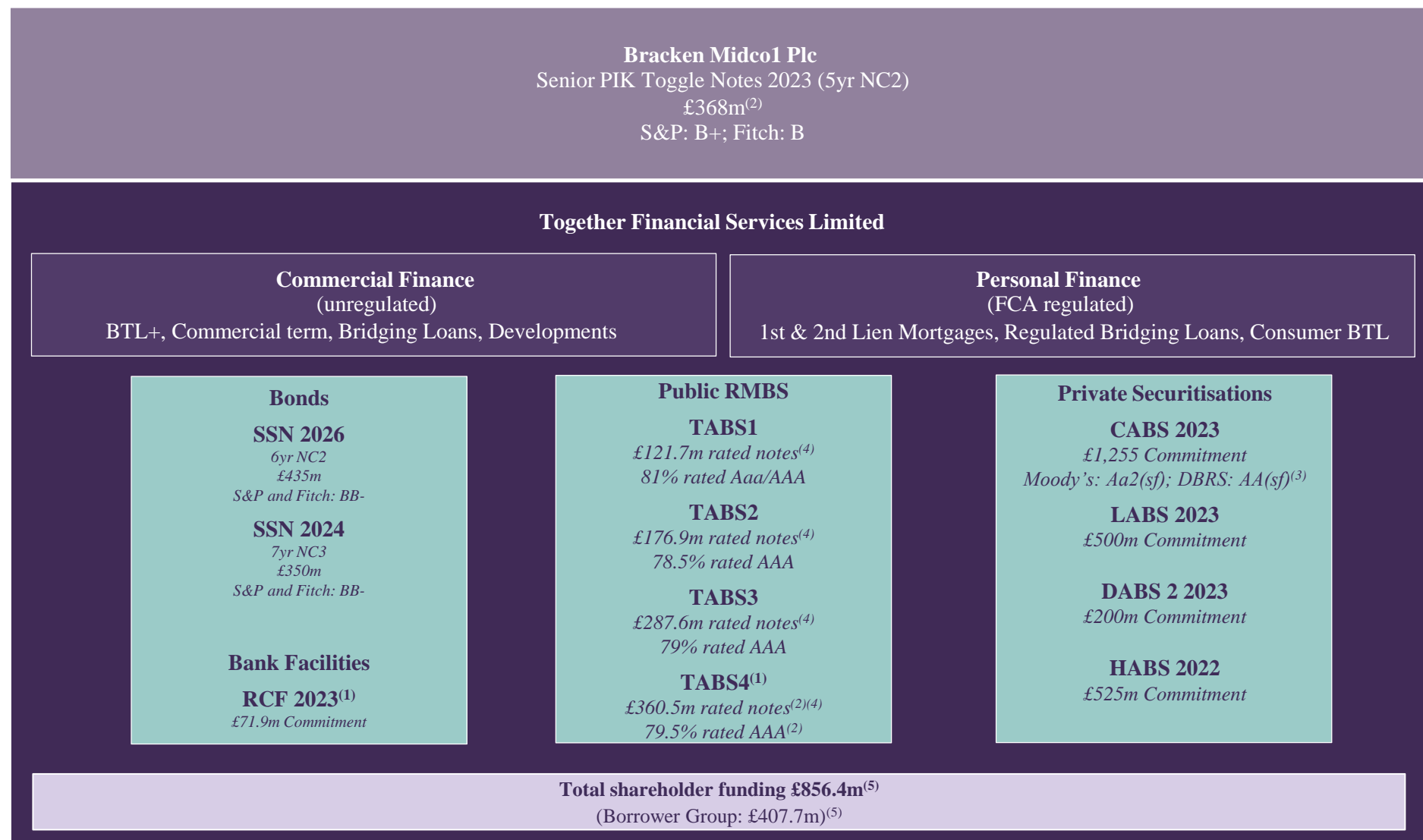
(4) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge retail loan book is 34.1%

(5) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge buy-to-let+ loan book is 34.8%

(6) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge unregulated bridge loan book is 34.8%

(7) The 1<sup>st</sup> charge attachment point for the 2<sup>nd</sup> charge commercial term loan book is 23.7%

## Funding structure as at 30<sup>th</sup> June<sup>(1)</sup>



(1) Assumed if TABS 4 and RCF transacted at 30 June 2020

(2) Increased from £350m following the issue of additional notes due to payment in kind of £18.2m on April 8<sup>th</sup>

(3) Rating in respect to the senior notes only

(4) As at 30 June 2020, net of cash receipts received in the month to be applied to reduce notes

(5) Includes shareholder debt

## Overview of private securitisation structures

Issuer	Charles Street Asset Backed Securitisation	Lakeside Asset Backed Securitisation	Delta Asset Backed Securitisation 2	Highfield Asset Backed Securitisation
Structure	<ul style="list-style-type: none"> <li>Class A – 6 Senior Lenders</li> <li>Class B / C – 4 investor's</li> <li>Sub Note – Together Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>Senior – 5 Senior Lenders</li> <li>Sub Note – Together Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>Senior – 1 Senior Lender</li> <li>Sub Note – Together Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>Senior – 4 Senior Lenders</li> <li>Sub Note – Together Financial Services</li> </ul>
Facility size	<ul style="list-style-type: none"> <li>£1,255m facility size</li> <li>£1,215m issued</li> </ul>	<ul style="list-style-type: none"> <li>£500m facility size</li> <li>£325m issued</li> </ul>	<ul style="list-style-type: none"> <li>£200m facility</li> <li>£180m issued</li> </ul>	<ul style="list-style-type: none"> <li>£525m facility size</li> <li>£415m issued</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>Revolving period September 2022</li> <li>Full repayment September 2023</li> </ul>	<ul style="list-style-type: none"> <li>Full repayment October 2023</li> </ul>	<ul style="list-style-type: none"> <li>Revolving period March 2022</li> <li>Full repayment March 2023</li> </ul>	<ul style="list-style-type: none"> <li>Revolving Period June 2021</li> <li>Full Repayment June 2022</li> </ul>
Rating	<ul style="list-style-type: none"> <li>Rated by Moody's and DBRS</li> <li>Class A – Aa2 / AA</li> <li>Class B – Baa1 / BBB (high)</li> <li>Class C – Ba1 / BB (high)</li> </ul>	<ul style="list-style-type: none"> <li>NR</li> </ul>	<ul style="list-style-type: none"> <li>NR</li> </ul>	<ul style="list-style-type: none"> <li>NR</li> </ul>
Facility purpose	<ul style="list-style-type: none"> <li>Flexible facility to fund residential property for retail and commercial purpose loans</li> <li>Concentration limits on % of short term loans</li> </ul>	<ul style="list-style-type: none"> <li>Primarily to fund unregulated bridge loans and regulated bridge loans</li> </ul>	<ul style="list-style-type: none"> <li>Primarily to fund unregulated bridge loans and commercial term loans</li> </ul>	<ul style="list-style-type: none"> <li>To fund term loans backed by small balance commercial real estate</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 <sup>(1)</sup> and loss rate	<ul style="list-style-type: none"> <li>Delinquency rate (arrears &gt;1m) 5.33%</li> <li>Rolling 3 month average default rate 0.21%</li> </ul>	<ul style="list-style-type: none"> <li>Delinquency rate (arrears &gt;1m) 4.79%</li> <li>Rolling 3 month average default rate 0.51%</li> </ul>	<ul style="list-style-type: none"> <li>Delinquency rate (arrears &gt;1m) 3.45%</li> <li>Rolling 3 month average default rate 0.72%</li> </ul>	<ul style="list-style-type: none"> <li>Delinquency rate (arrears &gt;1m) 6.00%</li> <li>Rolling 3 month average default rate 0.61%</li> </ul>
Excess spread and subordinated debt interest (LTM)	<ul style="list-style-type: none"> <li>Average monthly excess spread of £6.1m</li> <li>Average monthly subordinated debt interest of £0.3m</li> </ul>	<ul style="list-style-type: none"> <li>Average monthly excess spread of £2.2m</li> <li>Average monthly subordinated debt interest of £0.1m</li> </ul>	<ul style="list-style-type: none"> <li>Average monthly excess spread £1.7m</li> <li>Average monthly subordinated debt interest £0.1m</li> </ul>	<ul style="list-style-type: none"> <li>Average monthly excess spread of £2.4m</li> <li>Average monthly subordinated debt interest of £0.2m</li> </ul>

Note: Data as at June 30, 2020.

(1) Delinquency rate includes technical arrears



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## Management team participant biographies

### **Gary Beckett, Group Managing Director and Chief Treasury Officer**

Gary is one of the longest serving colleagues at Together, joining in 1994. He has overseen much of the organic growth of the Group, undertaking a number of roles within the Finance, Operations and Risk functions. Group CFO between 2001 and Feb. 2018, Gary contributed to the strategic development of the Group, with specific responsibility for financial reporting, taxation and treasury. In Mar. 2018 he became Group Managing Director and Chief Treasury Officer, continuing to oversee Treasury and IR and also supporting the Group CEO in developing and implementing the Group's strategy. Gary created the group structure in 1996, led the original private equity buy in during 2006 and buy out in 2016, and arranged the Group's inaugural RCF Syndication, Securitisation Programme, RMBS, Senior Note and PIK Toggle Note issuance. Gary is a qualified Chartered Accountant

### **Gerald Grimes, CEO Designate**

Gerald joined Together in April 2020 as Group CEO Designate, and was appointed to the Board in May. He has over 30 years of financial services experience having held senior executive and consultancy roles in a number of organisations including Barclays, GE Capital, The Funding Corporation, Hitachi Credit and most recently PCF Bank. In addition, he has, until recently, served as a board director of the Financial Leasing Association (previously Chairman), as a member of the Bank of England Advisory Board, and has an advisory role with the FCA Small Business Practitioner Board

### **Mike Davies, Director of Corporate Affairs**

Mike joined Together in 2017 to lead the Group's Corporate / External Affairs team. He is responsible for Together's reputation and IR programmes and has played a key role in several Senior Secured Notes and RMBS issuances. He was previously Managing Partner of Financial Services at international communications consultancy, Instinctif Partners. Earlier in his career, Mike was a Senior Director at multinational PR firm, Bell Pottinger, led investor relations at FTSE 100 companies 3i Group, The Rank Group and Invensys and was an investment banker at HSBC. Mike is a qualified Chartered Accountant

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## Contacts

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