



**PREMIUM
CREDIT**

Interim Update
2021

A hand holding a pen points at a laptop screen displaying financial charts. The background is a dark blue gradient with several white hexagonal icons representing various business and financial concepts: a hand holding a globe, a person at a desk, a building, a microscope, a network diagram, a document, and a person with a speech bubble. The overall theme is digital finance and innovation.

Creating opportunities
through convenient
payments



Our business

A market leader with technology at its core.

Operating in the UK and Ireland, we are a market-leading technology-led specialist finance provider.

We support the purchase of largely non-discretionary insurance premiums and a range of other important services charged annually, including professional and golf memberships, tax, school fees and season tickets. Each year, we lend more than £3.5 billion to over two million customers through a network of almost three thousand partners.

Our end customers

We enable the purchase of critical products to our end customers, allowing them to make the annual cost of mandatory or important payments more affordable, by spreading them over regular instalments. We serve over two million individuals, SMEs and corporate clients, with a focus on strong customer outcomes. This is reflected in our customer satisfaction scores, as well as our 'Excellent' rating on Trustpilot.

Our intermediary partners

Our diversified network of c.3,000 partners outsource the provision of instalment finance for their customers to Premium Credit. Our partners include insurance brokers, insurance providers, membership organisations, schools and leisure facility providers. As a B2B2C provider, we have high brand awareness within our strong partner relationships. Those relationships are long term and multi-faceted across their sales, operations and IT functions. Partners choose to work with us because of our track record of reliable service, our significant investment in IT integration which delivers seamless journeys for them and their customers, and our strong focus on regulatory compliance.

“
Our first half 2021 has seen strong business performance across all our key metrics, underpinned by further investment in tech. We continue to build on our purpose and values to deliver great outcomes for our customers, our partners and other stakeholders.”

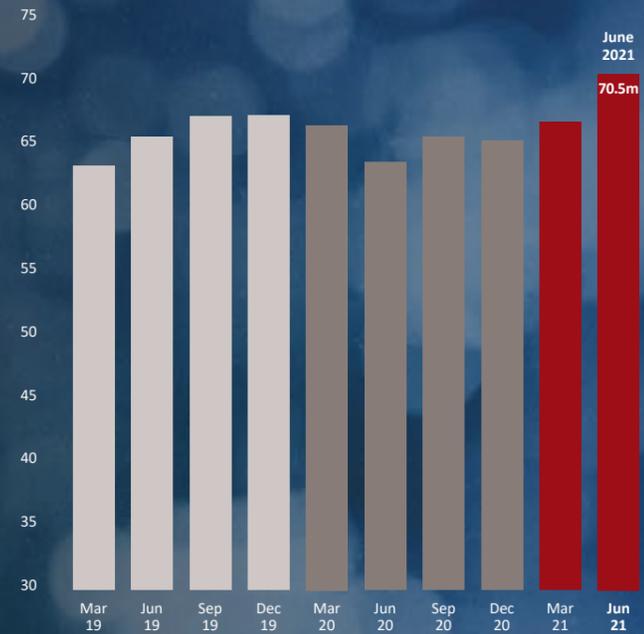
Tara Waite,
Chief Executive Officer



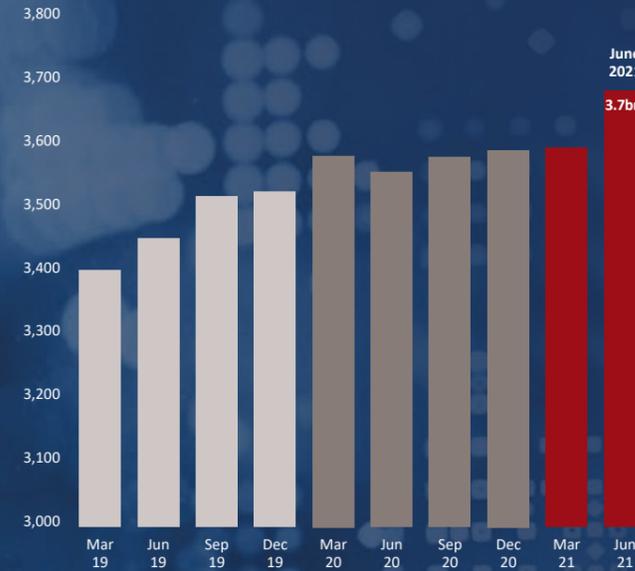
Trading update

Throughout the first six months of 2021 we have seen a strong performance across each of our key performance metrics.

Last 12 months' EBITDA for the quarter ending (£m)



Last 12 months' loans originated for the quarter ending (£m)



Our loan origination continued to grow in the first six months of 2021, to £1.8bn (H1 2020: £1.7bn). Over the 12 months to June 2021, loan origination was £3.7bn (June 2020 LTM: £3.6bn). EBITDA has followed a similar trajectory, with a result over the period of £34.9m (H1 2020: £29.5m), and an EBITDA over the last 12 months of £70.5m (June 2020 LTM: £63.6m).

Loan origination in the first half of the year was boosted by a number of sectors of the British and Irish economies that traded better than in the comparable period in 2020, resulting in increased needs for insurance.

During the period, we also improved our total income ratio to 11.6% (H1 2020: 11.3%), through stable income margins in a decreasing funding costs environment.

At the same time, our loan loss ratio continued to decrease, with credit losses totalling 0.06% of the amount of loans originated during the period (H1 2020: 0.22%). This performance can be attributed in part to the conservative underwriting strategy we have adopted in the past 18 months, and in part to a benign economic backdrop with a number of governmental support schemes remaining active over the period.

Finally, our cost-income ratio further improved compared to 2020, as a result of lower IT spend, lower marketing costs and delayed hiring of positions.

The combination of higher origination, improved margins, fewer losses and lower operating costs resulted in an EBITDA of £34.9m for the period (H1 2020: £29.5m). Our unaudited profit before tax during the period was £25.2m (H1 2020: £21.3m).

The longer-term trends both in our origination numbers and EBITDA remain positive. The growth in origination reflects the essential nature of much of our lending, the increasing penetration of our products with our partners, and smoother origination journeys as a result of recent years' investment in technology. The longer-term EBITDA performance reflects the solid fundamentals of our business, with even the COVID-19 crisis resulting in only minimal volatility.

Our future

Over the coming years, we expect to continue to benefit from our material technology investments to date. This will allow us to:

- Continue driving growth with existing intermediary partners, through continued roll out of our payment technology, frontline training and our 'Premium Programme'. This will enable to further increase penetration of our financing products with our partners, on the back of 13.9% increase between 2019 and 2020
- Win new intermediary partners and expand our presence across our target addressable market of insurers and other types of affinity partners. We will continue to expand our specialist lending business, and in particular we will explore cross-sale opportunities. Topline growth will be complemented by the achievement of additional operational efficiency, as processes continue to digitise and we increase the operating leverage in the business



11.6%

Total income ratio
+0.3 p.p. (H1 2020: 11.3%)



0.06%

Loan loss ratio
-0.16 p.p. (H1 2020: 0.22%)



35.7%

Cost-income ratio
-1.6 p.p. (H1 2020: 37.3%)



13.9%

Increase of finance penetration with our partners



Leading through technology

In the past few years, pivoting to improved technology has enabled growth, automation and efficiency. We estimate that c.£1.7bn in loan origination was won or retained as a result of our investment in tech.

Our market-leading technology platform has allowed for a number of new partner wins, the retention of key partners and the ability to grow our loan origination volumes further without increasing operational expenditure. Recent investment included:

- Modernisation of the platform to a full Microsoft stack
- Modular scalable services offering seamless digital journeys
- A rigorous approach to cyber security with 24/7 infrastructure monitoring
- Full transition to Microsoft Azure cloud by 2023

Impact on our end customers

Technology has led to an upgraded premium service proposition for our customers. We provide 33 million real time quotes per annum through our partner integrations, and 95% of our loans are originated through these instant integrations. These allow for early soft credit decisions in principle, due diligence integration with credit reference agencies and KYC providers, as well as enhanced self-service for the customer including e-signing.

Impact on our intermediary partners

We are able to onboard standard new partners in less than 72 hours, and can build bespoke partner integrations in record time. We enable broader payment options (even if the customer does not take up premium financing), and can integrate with most industry software, driving higher levels of partner satisfaction.

Technology has allowed us to re-platform our business model across service, hardware, financials and regulation. The table below highlights the main areas of impact.

Impact of tech up to June 2021

Service		
	Large intermediary partners	Delivery of tailored data analytics, and ability to execute focused strategies through our 'Premium Programme'
	Smaller intermediary partners	Customised assistance and rapid decisions through a tech-enabled service centre
Hardware	Loan platform	Modernised, scalable loan management system based on relational database technology
	Cyber security	Transitioning to the cloud with market-leading cyber security solutions and capabilities
Financials	Growth	Scaled-up data capture that allows refined customer segmentation, new channel opportunities and specialist product growth
	Unit economics	Tech re-platforming results in ongoing cost efficiencies, enhanced cost recovery processes and operational leverage
	Funding	Strong MI and automation allow a diversified set of funding solutions through private and public capital markets with minimal operational costs
Regulation	KYC, AML and affordability	Automated and frictionless regulatory solutions including full affordability, KYC and AML checks Annual affordability checks  <p>2015 Today</p>



Operating for the benefit of all our stakeholders

By understanding the differing needs and concerns of our stakeholders, the Board can then ensure careful consideration of the potential impact of their decision-making on each stakeholder group.

In the first half of 2021, we have continued to develop positive outcomes for all our stakeholders. Areas of particular emphasis included our customers and colleagues impacted by further COVID-19-related lockdowns, and our wider community through greater focus on our Environmental, Social and Governance (ESG) programmes.

Colleagues

We create a high-performance culture in which our colleagues are accountable for their work while feeling engaged and empowered to deliver on their objectives. In the first half of the year, we have continued our investment in a diverse and inclusive culture, while keeping health as a priority. We have continued to work from home during the period, while enabling access to office desks for those who required them. We have also developed our new ways of working, informed by surveys from our colleagues and our industry partners.

Customers

We are committed to helping our clients with their credit needs, by knowing and understanding them and designing the products required to accomplish this. Our aim is to offer a seamless experience to our customers from the moment they select a product offered by one of our intermediary partners, to the last of their monthly payments, in a regulatory-compliant journey. In 2021 we continue to actively engage with customers, assisting them where necessary through a forbearance process.

Intermediary partners

Aside from regular meetings, performance reviews and the provision of insights through the use of data analytics, we continue in 2021 to engage with our partners in order to ensure we adapt to their clients' needs, including any forbearance, as a result of the pandemic.

Shareholders

We generate long-term value for our shareholders by ensuring all decisions made are aligned to the agreed strategy and long-term priorities. We ensure this happens through engagement with the Executive Committee at regular Board meetings and through regular one-to-one meetings.

Investors

The business aims to deliver sustainable returns to its funders. We regularly engage with our investor base through reporting, investor presentations and non-deal roadshows. In H1 2021, we have issued a new tranche of public asset-backed securities while preparing the extension of our bank-led asset-backed warehouse.

Regulators

We work actively with our regulators as well as industry bodies and other relevant stakeholders to ensure our services remain at the forefront of compliance. All staff receive quarterly compliance training, with modules during the year including financial crime, anti-money laundering & bribery and competition law.

Community

Our CSR and ESG agenda has evolved from a largely philanthropic programme to include structured action in a number of areas. More updates on our ESG programme can be found on the next page.



Environmental, Social and Governance (ESG) – update

We have always been focused on supporting our communities of customers, partners and colleagues. Our Company-wide purpose work last year however, led us to further review our sustainability efforts.

In recent years, our corporate responsibility agenda has evolved from a largely philanthropic programme to include structured action to improve our Procurement and Diversity & Inclusion practices, together with giving greater consideration to our Community and Environmental responsibilities.

To help establish the key areas of further focus for Premium Credit, we looked at our ESG performance from three perspectives:

- A comparison against finance and insurance industry peers
- A review against the regulatory agenda
- A risk assessment

Carrying out this assessment highlighted areas of focus for the business over coming years, both in terms of improving our societal impact and articulating activities already being undertaken today.

Resulting next steps

We will continue to follow ESG best practice established by the Financial Reporting Council in Q4 2020. We will work towards the benchmark standards set by the Sustainability Accounting Standards Board (SASB), which enable businesses to identify, manage and communicate financially material sustainability information to their investors.

We are also working to achieve standards set by the Task Force on Climate-Related Financial Disclosures (TCFD).

Finally, we are establishing a Sustainability Committee as a sub-committee of our Executive Committee, tasked with setting ESG priorities and responsibilities, together with monitoring progress.

Expected impact

The four areas of focus where we feel we can have the greatest impact in 2021 are:

1. Community: Positively benefitting our communities by delivering monthly initiatives which raise awareness and give back
2. Environment: Improving our long-term environmental impact in a cost-conscious way that addresses business risks and aligns to our environmental principles
3. Procurement: Continue to work with ethical suppliers; look at ways to enhance our Procurement Policy and supplier management processes to ensure that our supplier base operates in a sustainable and ethical way
4. Diversity & Inclusion: Provide an inclusive environment where diversity is recognised as necessary to create a high-performing culture

Silver success

An important step in our ESG strategy was to put in place an independent assessment by Ecovadis, the globally respected ratings platform assessing corporate social responsibility and sustainable procurement. Ecovadis awarded us a 'Bronze' rating last year, and a helpful list of improvement areas that became a focus in the last 12 months.

Thanks to an unwavering commitment, our firm has been tirelessly implementing its ESG programme and we are delighted to have been awarded a 'Silver' rating from Ecovadis for 2021. This award recognises the progress we've made and the standards we've achieved, which have improved all metrics.





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