

B-North
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Hardman Talks Webinar

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A fintech-enabled bank, combining cloud-native technology with the trust of face-to-face relationship banking to disrupt the £150bn UK SME lending market

The first genuinely regional business Bank in 150 years

Forge your
future



Returns for Investors

The only outstanding threshold condition for the banking licence is regulatory capital

- **Series A raise of £20m** at a **pre-money valuation of £25m**
- Investment **conditional on final PRA approvals** required to secure the banking licence
- **Target Exit Strategy** - Potential exit events could be an IPO or strategic sale
- **5 years** target exit strategy
- **Target Exit Returns** - The target returns for Investors are set out in the graph on the right. These returns are indicative and should not be relied upon

Whilst not in the public domain, our **Series A investors comprise a number of top-quality institutions**, including:

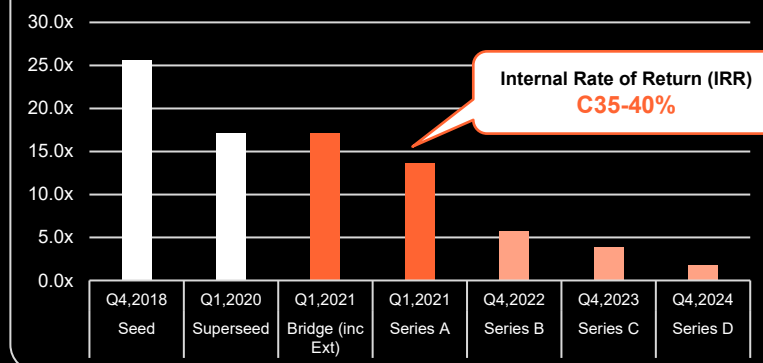
1. A diversified **Northern European Banking Group**
2. A European **Pension Fund Manager**
3. A **PRA regulated** UK lending and deposit taking institution
4. A local government **combined authority**
5. A high-profile **UK venture capital** fund

Base case 2028 valuation of £1.6bn assumes a very conservative multiple of 10.7 times Profit Before Tax

Valuation Comparisons & Target Exit Multiples

Bank	Year	Valuation/ Cap	PBT	Multiple of Profit
B-North ↑	2028	£1.6bn	£150m	10.7x
Aldermore	2015	£650m (IPO)	£50m	13x
OakNorth Bank	2018	£2.4bn	£66m	36x
Charter Court Financial Services	2017	£550m (IPO)	£46m	12x
Shawbrook Bank	2015	£725m (IPO)	£46m	16x

Target Exit Multiples for Investors



The Team



Ron Emerson CBE
Independent Chairman



- Founding Chairman of the British Business Bank (UK economic development bank)
- Chairman of the Supervisory Board of the Amsterdam Trade Bank
- 20+ years' Board roles across a wide range of organisational types and sectors including banking, insurance, university, oil & gas, mining, engineering and public sector
- Senior Adviser to the Bank of England
- 30 years' banking experience, including Global Head of Wholesale Banking at Standard Chartered



Jonathan Thompson
Chief Executive Officer



- 27 years' experience in financial services focused on UK mid market
- Divisional MD at Santander UK in its SME bank
- Deloitte (UK Big 4 consultancy) - Director specialising in Corporate Finance and Debt Advisory
- Lloyds Banking Group – Director, Structured Finance



David Broadbent
Chief Financial Officer



- 20 years' experience in financial services including international regulated markets
- Served as CFO and Chief Commercial Officer of IPF PLC, a FTSE250 provider of international consumer finance
- CFO, COO and CEO at AIM-listed Fairpoint Group PLC
- MBA qualified Chartered Accountant

A team with a proven track record and a deep understanding of the SME lending sector

Extensive experience of managing through the Global Financial Crisis

Market Opportunity

SMEs are poorly served by the big banks

- The SME lending market has outstanding stock of **£150bn**
- Lending relationships have been **eroded over time**
- **Rigid centralised credit policies** don't fit SMEs (growth and scale-ups)
- The lending process is **painfully slow and bureaucratic**
- More SMEs relationships are **through call centres**



This has been exacerbated by the market dislocation with existing lenders focused on collections and closed for new business



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Economic Backdrop

Where asset values are realistic, where risk is sensibly priced and where its experienced team selectively support high quality, well priced, downside protected lending opportunities

Why Bank North

- **UK-wide local delivery** – Regional Pods (local banks) for SME focus and face-to-face relationships
- **Secured Loans** – £0.5m-£5.0m tailored to the borrower, front-line bankers and underwriters supports more flexible finance proposals
- **Delivered with speed** – providing secured finance decision making and lending up to 10 times faster than the market standard for traditional banks
- **Embracing the broker channel** – Our model will ensure Bank North is the preferred partner for high quality brokers
- **Competitively priced** – banking model delivers access to low-cost capital
- **Banking licence** – Secured subject to Series A capital raise

We submitted 'one of the best applications they (the regulator) had ever seen'

And they see Bank North as 'an important addition to the supply side of credit to UK SMEs'.

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Looking to grow
your business?



Regional and National. Digital and
Face-to-Face



Fintech-enabled

- B-North has the **world's first full integration of the nCino and Mambu platform** - each colleague accesses the same single digital view of the customer
- Only **since 2016** has it been possible to host a bank in the cloud, we are one of the first
- **“Buy for Parity, Build for Competitive Advantage”** ensures we optimise investment by enhancing our key differentiators, whilst not wasting time and cost reinventing base level functions
- **All platforms have their own Application Programming Interface (API)** - meaning they are inherently “pluggable”
- **Lending platform built** - v4 is the go-to-market version of our unique, fully-integrated platform
- **Deposit-taking platform built** in collaboration with market-leading outsource partner, NSSL



Loan Origination system



1st UK clearing bank in 250 years



Cloud-native core banking solution



AML and KYC/KYB



Automated risk-grading tool



Financial analysis and monitoring

Customer experience

Platform features

- Enhanced automation
- Intelligent design – one platform for all roles
- Scalability

Efficiency and speed

- Key processes / data entry automated
- Underwriting reports prepopulated
- 10x faster lending achieved

Unique broker App

- Easy to use and ‘gamified’
- Flexible, enhanced pricing model

Advanced analytics

- Granular data insights
- Optimising decision making
- AI and Machine Learning

Pod Operational Model

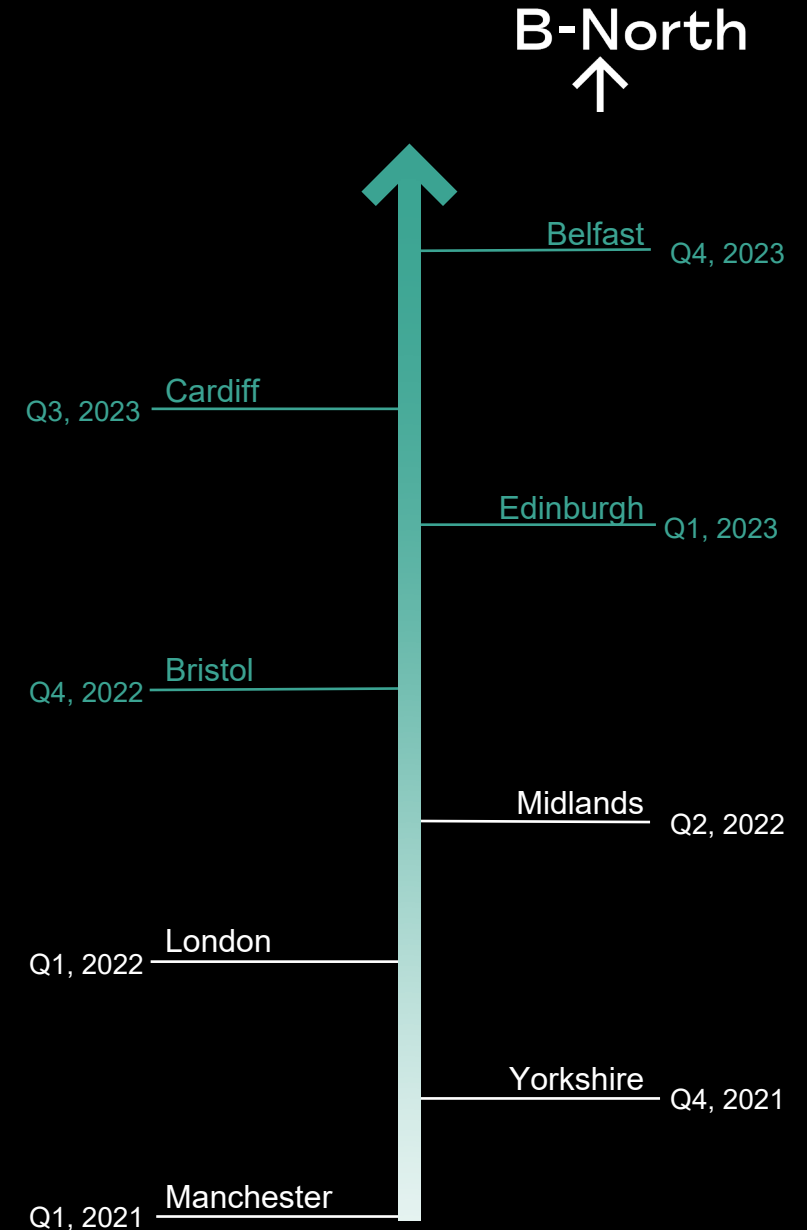
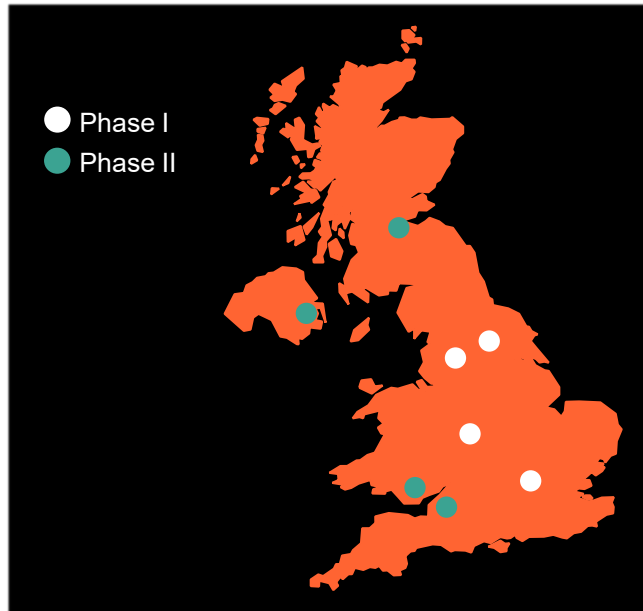
- Pods are staffed by **market leading, highly experienced lending bankers**
- **Local decision makers** provide an incredibly customer-focused faster lending process
- First Pod to open in Manchester 2020
- 8–10 Pods will provide the bank with **UK wide coverage** by 2023

Market leading, highly experienced
Customer facing teams

Automated legal documentation
capability

Local credit underwriting

Tech-enabled in-house property
valuers



The Growing Broker Channel

- **Very few banks have the technology** to support such a proposition for brokers
- **The channel places £20bn of lending every year** - £13bn+ directly aligned to B-North products
- B-North Team **successfully cultivated this channel** when building Atom Bank's SME loan book

	B-North ↑	Traditional Banks
Fees for Brokers	1% up-front	1% up-front
Partner Broker Programme	0.15% p.a. trail commission	--

B-North has developed a **Unique Partner Broker Programme** which provides enhanced returns and empowerment **for brokers who introduce quality business** at scale

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B-North will leverage the fixed infrastructure of the broker channel to drive loan origination at pace with an efficient variable cost per transaction
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Large scale
>£20bn
of lending placed by brokers per year

Evolving rapidly
+100%
increase in the number of Commercial Finance Brokers in the UK since 2009

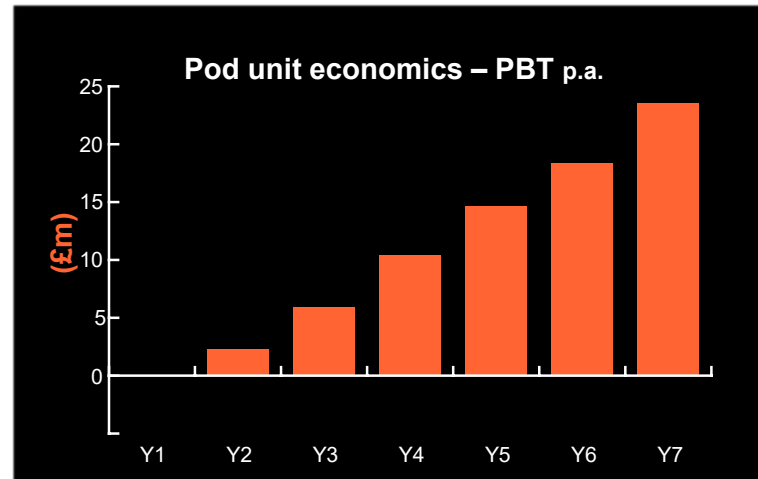
Market Testing
c.50%
of transaction sample could be won by B-North

Strategically important
c.70%
of loan origination expected from this channel

Regional Pods have Profitable Unit Economics

- We expect each Pod to **break-even in 16 months and generate £20m profit p.a. before year 7**
- **£200k set up cost** and **less than £2.0m p.a. run costs** per Pod
- Regional Pods have **full accountability** for delivery
- Lending predominantly secured on real estate in early years, loan-to-value sub 70%
- B-North's integrated technology platform will enable **granular tracking of performance** and risk at a Pod, product and transaction level

Pod unit economics	£m
Lending pa at maturity at Year 4/5	200
Loan book at Year 6/7	550
Net interest income	23
Impairment	(1)
Yearly run costs	(2)
Annual Profit (before tax) – in excess of	20



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Profit Before Tax
£20m
per Pod in year 6/7

Net Interest Margin
4.3%
5.75% loan yield
1.5% funding cost

Pod costs
£2m
15 person operations
at maturity

Pod Breakeven
16 months
costing **£1.5m**

Becoming a Bank - Why a Bank?

A UK banking licence is a rare and valuable asset

- Access to £1.3tn retail deposits market = low-cost funding
 - This allows B-North to be **competitive on price against other banks** and provides a **cost advantage over non-bank fund lenders**
- Deposit-taking outsourced to a proven, established provider to **reduce execution risk**
- Enhancing speed to market: securitisation facility to support **fast-start lending** in advance of deposits coming on stream

Obtaining a banking licence is difficult and represents a barrier to entry

- **B-North is one of just 31 companies** invited to submit a licence application in the last 7 years
- We were waived through usual challenge session on business plan due to **quality and clarity** of submission
- Our Capital and Liquidity assumptions formally **signed off without modification**
- **Now that Series A lead investors are confirmed**, B-North is going through the process of confirming no material changes to its application and has submitted investor details for approval



“We have been impressed by the quality of your documents and our interaction”

PRA – August 2020



A large market
£1.3tn
UK deposit market

Since 2013
110
Companies have started the banking licence process

31
Companies invited to submit their application

19
Authorised to date

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For more information or to register your interest:

Email Investor@b-north.co.uk

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