

Delivering our Vision for the Future



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At the end of my first full year as Chairman of the Group, I am delighted with the progress that has been made by the Chief Executive Officer, the wider management team and all employees under extremely challenging circumstances. We have strengthened the business, continued to rebuild trust with regulators and defended an unsolicited takeover bid from NSF.

Patrick Snowball
Chairman

Introduction

2019 has been my first full year as the Chairman of the Group. As I set out last year, I joined the Board in the second half of 2018 as I felt I could provide support and assistance to the Chief Executive Officer in delivering on the commitments provided at the time of the rights issue. To recall, these were stabilising the home credit business, rebuilding trust with our regulators, strengthening the governance and culture across the Group, and refinancing the Group's bonds to ensure we had a robust funding and capital position to take the Group forward. We made good progress on these matters in 2018 and our objectives for 2019 were to build on this momentum by substantially completing the turnaround of the Group, clearly establishing our Vision for the Future and ensuring that we are well placed to begin to grow the business in 2020.

Despite the significant challenges we faced in 2019, particularly from the unsolicited bid from Non-Standard Finance plc (NSF) in the first half of the year and the ongoing economic uncertainty in the UK, I am very pleased to report that we have delivered on our 2019 objectives. I am confident that going forward we are well placed to continue to serve our customers with the products and services they need whilst delivering attractive returns to shareholders.

Unsolicited approach from NSF

The unsolicited approach for the Group, made by NSF in February 2019, was highly opportunistic. The Board did not believe the bid was in the best interests of the Group and its stakeholders. The lapse in June was therefore a relief. Despite being clearly in the best interests of all stakeholders, I deeply regret the unnecessary distraction, cost and impact of the uncertainty on the Group's customers and employees caused by NSF pursuing a poorly thought through bid.

The Board has carefully reflected on the terms of the offer and, having done so, clearly communicated the Group's strategy through our Vision for the Future. We remain focused on this strategy and committed to maximising value for all of the stakeholders in fulfilling the Group's potential.

Dividends

As a result of the Group's ongoing recovery and good performance in 2019, the Board has declared a final dividend of 16p per share (2018: 10p) which, together with the interim dividend of 9p per share (2018: £nil), results in a total dividend of 25p per share for 2019 (2018: 10p), a 150% increase on 2018.

As previously stated, the Board's policy is to maintain a dividend cover of at least 1.4 times as the home credit business recovers and moves into profitability. The resumption of dividend payments has led to a more diversified shareholder register through 2019. I look forward to meeting with many of our new shareholders, as well as those who have supported us in recent years, in 2020.

Our Vision for the Future

We recognise that operating in our market comes with extra responsibility, particularly as we are the market leader. For over 140 years, the Group has played a very important role in the financial services sector and in society more generally. We have a social purpose to provide financial inclusion to the 10 to 12 million adults in the UK and Ireland who are not well served by mainstream lenders. We help our 2.3 million customers build better financial futures by providing them with access to credit, which they may otherwise be unable to gain, and helping them to develop their credit profile.

The Board and Group Executive Committee (ExCo) will continue to deliver on the Group's purpose to help put people on the path to a better everyday life. We will continue to provide customers with a broad product range appropriate for their circumstances through our wide distribution capabilities to deliver good customer outcomes. We aim to deliver attractive and sustainable returns for our shareholders by making sure that we appropriately balance the needs of all our stakeholders – customers, regulators, equity and debt investors and employees. Operating within our sector is quite rightly the focus of considerable external attention from regulators and politicians. We have learned that good governance, adherence to regulatory best practice and putting the customer at the forefront are absolutely fundamental to our ongoing success. These principles are clearly non-negotiable. The cost of not complying has been demonstrated in the past; the direction of travel for the whole industry is now very clear.

I was pleased that the Chief Executive Officer and wider management team were able to clearly communicate the detail as to how we intend to deliver the Group's strategy over the medium term at the Capital Markets Day presentation in November. Further detail is provided in the Chief Executive's Review.

Our shareholders

Our focus over the last two years has been on ensuring we maintain a regular dialogue with our existing major shareholders whilst we recovered from the events of 2017 and adapted our businesses to the emerging regulatory environment. The Capital Markets Day marked an important event in recent history in drawing a line on the past and clearly setting out our Vision for the Future. We have a clear financial model and we have communicated our medium-term financial targets, further detail on which is provided in the Chief Executive's Review.

By doing the right thing by our customers and our regulators we are confident we can deliver on these commitments and deliver attractive, sustainable returns to shareholders.

Our investor relations programme in 2020 will be more active, including overseas roadshows and greater attendance at broker conferences, as we seek to attract new investors into PFG and diversify the Group's share register.

Our governance

The Board is responsible for the effective oversight of the Group. We determine the strategic direction and objectives, the viability of the business and the governance structure. We remain committed to the highest standards of corporate governance when delivering in these areas and in delivering long-term, sustainable value to our stakeholders.

This has been a key area of focus and development over the past two years and a significant improvement of the governance and

culture across the Group is already evident through the delivery of the Strategic Blueprint and associated behaviours. We must ensure that the governance and culture continue to develop and remain a focus of both the Board and all employees.

I am delighted that we have appointed two new members to the Board in 2019. Graham Lindsay joined as Non-Executive Director in April 2019 and Robert East as Chairman of Vanquis Bank and Non-Executive Director of the Group from June 2019. This role on both the Group and the bank's boards will help improve decision making and coordination between the listed Group and Vanquis Bank boards.

I would like to thank Simon Thomas who joined the Board in 2018 as Chief Finance Officer (CFO), but who will retire in March due to personal health reasons. Simon has made a valuable contribution to the Group, and I would like to thank him for everything he has achieved and wish him all the best for the future. Simon will be replaced by Neeraj Kapur, an experienced CFO. Neeraj Kapur is the Group Chief Financial Officer of Secure Trust Bank plc, a UK retail and SME bank. He has a strong retail banking background, including consumer finance and savings products expertise.

We now have a strong Board with the right skills, experience and balance to run the Group centred around a PRA authorised and regulated bank, coordinated with smaller complementary consumer finance businesses authorised and regulated by the FCA and CBI.

[+ Read our Corporate Governance Report on pages 88 to 106](#)

Our people

The Board and I would like to thank Malcolm and the wider management team for their hard work this year in defending the hostile takeover bid and continuing to deliver the Group's objectives during a very difficult time. I would also like to thank all of our nearly 4,900 employees for their continuing diligence and hard work in the face of many months of uncertainty through 2019.

The new Cultural Blueprint was rolled out throughout the organisation in 2019. This is based on a renewed purpose and a defined set of behaviours which give employees the strategic direction and guidance to help them make the right decisions for our customers on a daily basis. It has continued to be embedded through management-led workshops and the development of an initial key performance indicator (KPI) dashboard which is monitored by our newly formed Customer, Culture and Ethics (CCE) Committee.

We have strong Group and divisional Executive Committees and strong divisional management teams that we have built and maintained. Key appointments made in the year include Neil Chandler as Managing Director of Vanquis Bank, Charlotte Davies as General Counsel of both the Group and Vanquis Bank, Gareth Cronin as Chief Internal Auditor of both the Group and Vanquis Bank and Cheryl Ball as Group HR Director. We will continue to fill key roles within the Group in 2020. The focus on divisional collaboration will create a more streamlined and efficient Group.

I am very much looking forward to working with the whole team to deliver our strategy to ensure that PFG is a strong and successful business to deliver for all of our stakeholders going forward.

Patrick Snowball

Chairman

27 February 2020