2017 year-end results

27 February 2018

Today's presentation

• Highlights and business overview	Malcolm Le May
• Financial review	Andrew Fisher
• Strategy and action plan	Malcolm Le May
• Questions	
• Appendix – Detailed financials	

Highlights and business overview

Malcolm Le May – Group Chief Executive

Review of 2017

2017 was a challenging year	• During 2017, the group announced that it was facing a number of uncertainties including: – Operational disruption in home credit following the poorly executed migration to the new operating model in July 2017 – Investigations by the FCA into Vanquis Bank's Repayment Option Plan (ROP) and at Moneybarn • Group performance significantly impacted by the disruption to trading within the home credit business: – 2017 adjusted PBT reduced by 67.3% to £109.1m (2016: £334.1m) – 2017 adjusted basic earnings per share down by 64.8% to 62.5p (2016: 177.5p) • Dividends withdrawn to protect capital and liquidity

Major regulatory and capital uncertainties resolved	• Results highlight a turning point for the company with major regulatory and capital uncertainties resolved:
	• Home credit:
	– Significant improvement in customer service and operational performance
	– Active customer numbers of 527,000 and receivables of £352m enter 2018 in line with the recovery plan
	– Rationalisation of cost base to get the business to break even on an annualised run-rate basis during H2 2018
	– New business model continues to be embedded
	• Regulation:
	– Settlement reached with FCA in respect of Vanquis Bank's ROP on 27 February 2018:
	  – Total estimated cost of £172m for non-disclosure of interest charged on purchase of ROP
	  – Proactive remediation programme covering all ROP sales (back to 2003) until customer mailing in late 2016
	  – Vanquis Bank will be working with the FCA on a plan to resume sales of ROP to new customers.
	– Moneybarn FCA investigation ongoing with an estimated cost of £20m

Business overview

Proposed rights issue underpins capital position

- Fully-underwritten rights issue proposed to raise approximately £300m (net of expenses):
  - To fund the estimated cost of the settlement in respect of the FCA investigation in Vanquis Bank and the estimated liability in respect of the ongoing investigation in Moneybarn (£192m)
  - To ensure the group has appropriate levels of regulatory capital to meet increased regulatory capital requirements, primarily in respect of an increase of c.£100m in conduct and operational risk assessments
  - Seeks to maintain the group's investment grade rating and re-establish normal access to funding from bank and debt capital markets
- The PRA is familiar with the details of the group's discussions with the FCA, its current capital position and proposed capital plan, including the rights issue

Management, governance and regulatory relationships strengthened

- Significant actions underway to strengthen culture and governance with positive customer outcomes placed firmly at the centre of the group's strategy
- Strong focus on improving the relationship with the regulator and getting ahead on our regulatory agenda
- Strengthened leadership with appointment of Group CEO, permanent MD of CCD, interim Group CRO and Group IT Strategy Officer
- Recovery plan for the home credit business on-track

Market-leading businesses with attractive returns

- Franchises of businesses protected through difficulties experienced in 2017
- Prominent regulatory agenda centred on delivering positive customer outcomes
- Group's businesses expected to deliver receivables growth of between 5% and 10% per annum with an ROA of approximately 10%
- Aim to restore dividends with a nominal dividend for the 2018 financial year before adopting a progressive dividend, consistent with maintaining a dividend cover of at least 1.4 times from the 2019 financial year

Regulatory update

ROP

- Resolution agreed on ROP investigation
- Vanquis Bank did not adequately disclose the potential charging of interest on the product fee
- An active refund programme will be implemented for all ROP sales going back to 2003 and up to the customer mailing conducted in late 2016
- Refund will be made by way of a reduction in receivables balances or cash settlement
- No requirement to withdraw the product
- Exceptional cost of £172m reflected in the 2017 financial statements:

	£'m
Balance reduction to receivables	75
Cash restitution (including notional interest)	52
Provision for forward complaint flow	31
Operational costs	12
Fine	2
Total	**172**

Moneybarn

- There are a defined number of specific cohorts of customers identified that may potentially be at risk of detriment based on historical practices
- Final resolution likely to take up to 24 months
- Scope of the investigation is understood and an exceptional cost of £20m has been reflected in the 2017 financial statements based on management's prudent estimate of the expected outcome

Regulatory Outlook

- Strong focus on improving the relationship with the regulator
- CCD continues to operate under an interim permission whilst the home credit business implements its recovery plan
- Group is under enhanced supervision from the FCA given events of 2017
- FCA industry reviews most relevant to the group relate to persistent debt, high-cost credit, creditworthiness and affordability

Financial review

Andrew Fisher – Group Finance Director

Group

Results summary

	Year ended 31 December		
	2017 £m	2016 £m	Change %
Vanquis Bank	**206.6**	204.5	1.0
CCD	**(118.8)**	115.2	(203.1)
Moneybarn	**34.1**	31.1	9.6
Central costs	**(12.8)**	(16.7)	23.4
Adjusted profit before tax[1]	**109.1**	334.1	(67.3)
Adjusted basic earnings per share[1] (pence)	**62.5**	177.5	(64.8)
Return on assets[2] (%)	**6.9**	15.3	n/a
Total dividend per share (pence)	**-**	134.6	n/a
Exceptional items[1]	**(224.6)**	17.3	

[1] Adjusted profit before tax in 2017 is stated before: (i) £7.5m of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 (2016: £7.5m); and (ii) exceptional costs of £224.6m comprising £172.1m in respect of the estimated cost of restitution, fines and other costs following resolution on 27 February 2018 of the FCA investigation into ROP in Vanquis Bank, £20.0m in respect of the estimated cost arising in respect of the FCA investigation into affordability, forbearance and termination options at Moneybarn and £32.5m in respect of redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration (2016: net exceptional credit of £17.3m)

[2] Adjusted profit before interest after tax as a percentage of average receivables for the 12 months ending 31 December

Group

Exceptional costs

	Year ended 31 December 2017			
	Balance reductions to receivables £m	Provisions £m	Total £m	*Tax charge/(credit) £m*
Balance reduction to receivables	75.4	-	75.4	
Cash restitution (including notional interest)	-	51.7	51.7	
Provision for estimated forward complaint flow	-	30.7	30.7	
Operational costs	-	12.3	12.3	
Fine	-	2.0	2.0	
Total Vanquis Bank FCA investigation costs	**75.4**	**96.7**	**172.1**	*5.9*
Balance reduction to receivables	12.1	-	12.1	
Other costs (cash restitution, administration costs, fine)	-	7.9	7.9	
Total Moneybarn FCA investigation costs	**12.1**	**7.9**	**20.0**	*(3.5)*
Total FCA investigation costs	**87.5**	**104.6**	**192.1**	*2.4*
CCD restructuring costs			32.5	*(6.2)*
Total exceptional costs			**224.6**	*(3.8)*

- CCD restructuring costs comprise redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model and subsequent implementation of the recovery plan
- Tax relief is not available in respect of the ROP restitution in Vanquis Bank or FCA fines, with 10% of the ROP restitution being treated as a deemed taxable receipt

Vanquis Bank

Results

	Year ended 31 December		
	2017 £m	2016 £m	Change %
Customer numbers ('000)	**1,720**	1,545	11.3
Year-end receivables prior to balance reduction[1]	**1,630.1**	1,424.7	14.4
Reported year-end receivables	**1,554.7**	1,424.7	9.1
Average receivables[2]	**1,497.3**	1,307.0	14.6
Revenue	**638.8**	583.7	9.4
Impairment	**(186.6)**	(162.4)	(14.9)
Revenue less impairment	**452.2**	421.3	7.3
Revenue yield[3]	**42.7%**	44.7%	
Risk-adjusted margin[4]	**30.2%**	32.2%	
Costs	**(209.1)**	(174.4)	(19.9)
Interest	**(36.5)**	(42.4)	13.9
Adjusted profit before tax[5]	**206.6**	204.5	1.0
Return on assets[6]	**11.9%**	13.8%	

1 Receivables are stated prior to the estimated reduction in receivables of £75.4m arising as a result of the resolution of the FCA investigation into ROP reached on 27 February 2018 (see 5 below)
2 Calculated as the average of month end receivables for the 12 months ending 31 December excluding the impact of the balance reduction of £75.4m reflected on 31 December 2017 (see 1 above)
3 Revenue as a percentage of average receivables for the 12 months ending 31 December
4 Revenue less impairment as a percentage of average receivables for the 12 months ending 31 December
5 Adjusted profit before tax in 2017 is stated before an exceptional cost of £172.1m in respect of the estimated cost of restitution, other costs and a fine following resolution on 27 February 2018 of the FCA investigation into ROP of which £75.4m has been reflected as a reduction in receivables, comprising a gross balance reduction of £90.1m less release of impairment provisions of £14.7m, and £96.7m has been reflected within provisions (2016: exceptional gain of £20.2m)
6 Adjusted profit before interest after tax as a percentage of average receivables for the 12 months ending 31 December

CCD

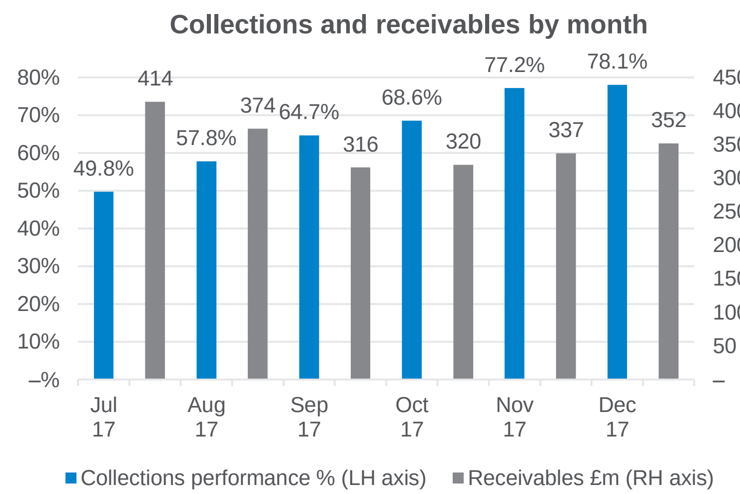
Results

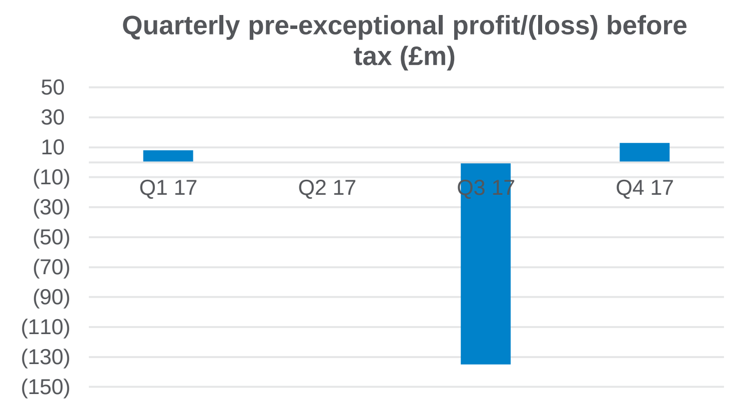
	Year ended 31 December		
	2017 £m	2016 £m	Change %
Customer numbers ('000)[1]	**780**	862	(9.5)
Year-end receivables[2]	**390.6**	584.8	(33.2)
Average receivables[3]	**443.8**	508.7	(12.8)
Revenue	**451.2**	518.8	(13.0)
Impairment	**(293.5)**	(120.0)	(144.6)
Revenue less impairment	**157.7**	398.8	(60.5)
Revenue yield[4]	**101.7%**	102.0%	
Risk-adjusted margin[5]	**35.5%**	78.4%	
Costs	**(253.4)**	(257.0)	1.4
Interest	**(23.1)**	(26.6)	13.2
Adjusted (loss)/profit before tax[6]	**(118.8)**	115.2	(203.1)
Return on assets[7]	**(17.4%)**	22.3%	

[1] Customer numbers comprise: (i) 697,000 in respect of home credit (2016: 802,000) of which 527,000 customer are active and making payments (2016: 782,000) and 170,000 customers are non-paying (2016: 20,000); (ii) 79,000 in respect of Satsuma (2016: 55,000); and (iii) 4,000 in respect of the run-off of glo (2016: 5,000)
[2] Year-end receivables comprise: (i) £352.2m in respect of home credit (2016: £560.0m), £35.8m in respect of Satsuma (2016: £18.2m) and £2.6m in respect of the run-off of glo (2016: £6.6m)
[3] Calculated as the average of month end receivables for the 12 months ending 31 December
[4] Revenue as a percentage of average receivables for the 12 months ending 31 December
[5] Revenue less impairment as a percentage of average receivables for the 12 months ending 31 December
[6] Adjusted (loss)/profit before tax in 2017 is stated before exceptional costs of £32.5m in respect of redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration (2016: exceptional cost of £2.9m)
[7] Adjusted (loss)/profit before interest after tax as a percentage of average receivables for the 12 months ending 31 December

Home credit recovery plan

- Satisfactorily traded through peak period re-connecting with many customers
- 527,000 active customers with a receivables book of £352m at December 2017, in line with the recovery plan
- Collections performance has improved progressively since July
- Loss for CCD of £118.8m for 2017 was at the upper end of the guidance given, with losses arising in quarter three reflecting the impairment policy
- Rationalisation of the business underway with a reduction in the underlying cost base
- Breakeven on an annualised run-rate basis during H2 2018
- Collections performance in early 2018 remains in line with the recovery plan
- Business model is effective and appropriate to the current regulatory backdrop
- Home credit remains the largest participant in the market with a national footprint and strong franchise





Moneybarn

Results

	Year ended 31 December		
	2017 £m	2016 £m	Change %
Customer numbers ('000)	50	41	22.0
Year-end receivables prior to balance reduction[1]	376.2	297.3	26.5
Reported year-end receivables	364.1	297.3	22.5
Average receivables[2]	345.1	266.6	29.4
Revenue	106.3	80.7	31.7
Impairment	(31.1)	(16.4)	(89.6)
Revenue less impairment	75.2	64.3	17.0
Revenue yield[3]	30.8%	30.3%	
Risk-adjusted margin[4]	21.8%	24.1%	
Costs	(25.5)	(20.5)	(24.4)
Interest	(15.6)	(12.7)	(22.8)
Adjusted profit before tax[5]	34.1	31.1	9.6
Return on assets[6]	11.6%	13.1%	

1 Receivables are stated prior to the estimated reduction in receivables of £12.1m in respect of the ongoing FCA investigation into affordability, forbearance and termination options (see 5 below)
2 Calculated as the average of month end receivables for the 12 months ending 31 December excluding the impact of the balance reduction of £12.1m reflected on 31 December 2017 (see 1 above)
3 Revenue as a percentage of average receivables for the 12 months ending 31 December
4 Revenue less impairment as a percentage of average receivables for the 12 months ending 31 December
5 Adjusted profit before tax in 2017 is stated before: (i) an exceptional cost of £20.0m in respect of the estimated cost arising from the ongoing FCA investigation into affordability, forbearance and termination options of which £12.1m has been reflected as a reduction in receivables, comprising a gross balance reduction of £32.5m less release of impairment provisions of £20.4m, and £7.9m has been reflected within provisions (2016: £nil); and (ii) the amortisation of acquisition intangibles of £7.5m (2016: £7.5m)
6 Adjusted profit before interest after tax as a percentage of average receivables for the 12 months ending 31 December

Rights issue

- The depletion in the capital position of the group requires a proposed rights issue of £300m (net of expenses):
  - Ensures that Vanquis Bank has the appropriate levels of regulatory capital to meet current and future regulatory requirements
  - Provides the necessary headroom on a group basis against an increased regulatory capital requirement, including an additional capital requirement of c.£100m in respect of conduct and operational risks
  - Seeks to maintain the group's investment grade rating and re-establishes normal access to funding from bank and debt capital markets
- Appropriate bank covenant waivers/amendments agreed, being relaxation of net worth covenants (December 2017, March 2018) and interest cover covenant (March 2018, June 2018)

Sources and uses

Sources	£m
Gross right issue proceeds	331
Total	331

Uses	£m
ROP	172
Moneybarn	20
Balance sheet strengthening	108
Fees	31
Total	331

Rights issue terms and timetable

- Issue price of 315 pence per share with 17 new shares for every 24 existing shares
- Discount of 33.7% to Theoretical Ex-Rights Price (TERP)
- Fully underwritten by Barclays and J.P. Morgan Cazenove (the underwriters)

Illustrative effects

	Pre issue	17 for 24 rights issue	Post issue
Number of shares	**148.2m**	105.0m	**253.2m**
Share price on 26 February 2018 (A)	**588p**		
Issue price (B)		315p	
Theoretical ex-rights price (TERP) (C)			**475p**
Equity value	**£871m**	£331m	**£1,202m**
Theoretical nil-paid price (C-B)		160p	
Discount to TERP [1- (B/C)]		33.7%	
Indicative bonus adjustment factor (A/C)		1.24	
2017 adjusted EPS	**62.5p**		**50.5p**

Timetable

27 Feb	Announcement
28 Feb - 7 March	Roadshow investor meetings
21 March	General meeting
22 March	Nil paid rights commence trading
10 April	Results of rights issue/potential rump placing
12 April	Settlement

Group

Regulatory capital (IAS 39)

	At 31 December 2017					
	Prior to FCA investigation adjustments £m	FCA investigation adjustments[1] £m	Reported £m	Proposed rights issue[2] £m	Pro forma £m	At 31 December 2016 £m
Net assets	**729.6**	(194.5)	**535.1**	300.0	**835.1**	790.1
Regulatory capital adjustments[3]	**(227.0)**	-	**(227.0)**	-	**(227.0)**	(332.3)
Total regulatory capital	**502.6**	(194.5)	**308.1**	300.0	**608.1**	457.8
Risk weighted assets	**2,185.1**	(67.1)	**2,118.0**	-	**2,118.0**	2,091.8
CET 1	**23.0%**		**14.5%**		**28.7%**	21.9%
Capital requirement[4]					**25.5%**	

1 Estimated cost of settling the FCA investigation into ROP in Vanquis Bank (£172.1m) and the ongoing FCA investigation in Moneybarn (£20.0m). The total cost of £192.1m comprises £87.5m in respect of balance reductions to existing customers and £104.6m of provisions for cash settlements, other costs and fines. The tax charge on the estimated total cost amounts to £2.4m
2 Expected net proceeds from the proposed rights issue of £300.0m
3 Reflects deductions for the pension asset (net of deferred tax), goodwill, other intangible assets (net of deferred tax) and proposed dividend
4 Represents the group's minimum regulatory capital requirement following the conclusion of the proposed rights issue as expected to be set by the PRA plus the fully loaded capital conservation buffer (2.5%) and counter cyclical buffer (1.0%)

- The group's minimum regulatory capital requirement of 25.5% includes fully loaded capital conservation and counter cyclical buffers which are fully effective from 1 January 2019
- Proposed rights issue reinstates surplus capital broadly in line with historical levels
- The group's minimum regulatory capital requirement as opposed to financial gearing will be the main determinant of the group's capital structure going forward

Group

Funding and liquidity

- Following the proposed rights issue, the group's funding strategy will be broadly unchanged:
  - Security of funding through maintaining facilities to meet contractual maturities and growth over at least the next 12 months
  - Seeks to maintain investment grade credit status enabling the group to re-establish access to the bank and debt capital markets
  - Continued access to 3 main sources of funding:
    - Syndicated revolving bank facility
    - Market funding, including retail bonds, institutional bonds and private placements
    - Retail deposits which will fully fund a ring-fenced Vanquis Bank in the short to medium term
  - Intention to actively review funding options following completion of the proposed rights issue
- Bridge facility of £85m arranged with Barclays Bank and J.P. Morgan Securities pending receipt of the proposed rights issue proceeds:
  - Replacing undrawn element of Vanquis Bank's intercompany bank facility of £85m by creating a term loan which will be repaid in due course, thereby ring-fencing Vanquis Bank's funding and eliminating reliance on PFG

Group

Diversified funding base

	At 31 December 2017 £m	Bridge finance[2] £m	Proposed rights issue[3] £m	Pro forma £m
Banks	450	-	-	450
Underwriting banks	-	85	(85)	-
Bonds and private placements:				
- Senior public bond	250	-	-	250
- M&G term loan	80	-	-	80
- Other sterling/euro medium-term notes	20	-	-	20
- Retail bonds	150	-	-	150
Total bonds and private placements	500	-	-	500
Total committed facilities available to PF plc	950	85	(85)	950
Borrowings under committed facilities	(884)	(85)	250	(719)
Headroom on committed borrowing facilities	66	-	165	231
Cash (held on deposit)	34	-	-	34
Additional retail deposits capacity[1]	77	85	-	162
Funding capacity	177	85	165	427

[1] Additional retail deposits capacity of £77m at 31 December 2017 represents the outstanding amount on Vanquis Bank's intercompany loan facility
[2] Bridge finance of £85m arranged with underwriting banks in February 2018 used to remove undrawn element of Vanquis Bank's intercompany loan facility of £85m by creating a term loan of £162m
[3] Proposed rights issue net proceeds of £300m received in April 2018 used to: (i) repay £85m bridge finance; (ii) inject £50m of equity into Vanquis Bank; and (iii) reduce drawings on the syndicated bank facility by £165m

- Group headroom sufficient to fund growth and contractual maturities to maturity of £450m revolving syndicated facility in May 2020

Group

Balance sheet (IAS 39)

	At 31 December 2017					
	Prior to FCA investigation adjustments £m	FCA investigation adjustments[1] £m	**Reported £m**	Proposed rights issue[2] £m	**Pro forma £m**	At 31 December 2016 £m
Goodwill	**71.2**	-	**71.2**	-	**71.2**	71.2
Acquisition intangibles	**50.0**	-	**50.0**	-	**50.0**	57.5
Receivables:						
Vanquis Bank	**1,630.1**	(75.4)	**1,554.7**	-	**1,554.7**	1,424.7
CCD	**390.6**	-	**390.6**	-	**390.6**	584.8
Moneybarn	**376.2**	(12.1)	**364.1**	-	**364.1**	297.3
Total receivables	**2,396.9**	(87.5)	**2,309.4**	-	**2,309.4**	2,306.8
Pension asset	**102.3**	-	**102.3**	-	**102.3**	72.4
AFS investment (Visa shares)	**9.9**	-	**9.9**	-	**9.9**	8.0
Liquid assets buffer	**263.4**	-	**263.4**	135.0	**398.4**	168.9
Cash on deposit	**34.6**	-	**34.6**	-	**34.6**	-
Provisions	**-**	(104.6)	**(104.6)**	-	**(104.6)**	-
Retail deposits	**(1,291.8)**	-	**(1,291.8)**	-	**(1,291.8)**	(941.2)
Bank and bond funding	**(882.3)**	-	**(882.3)**	165.0	**(717.3)**	(913.9)
Total borrowings	**(2,174.1)**	-	**(2,174.1)**	165.0	**(2,009.1)**	(1,855.1)
Other assets/(liabilities)	**(24.6)**	(2.4)	**(27.0)**	-	**(27.0)**	(39.6)
Net assets	**729.6**	(194.5)	**535.1**	300.0	**835.1**	790.1
Gearing (times)	**3.0**		**4.3**		**2.2**	2.3

1 Estimated cost of settling the FCA investigation into ROP in Vanquis Bank (£172.1m) and the ongoing FCA investigation in Moneybarn (£20.0m). The total cost of £192.1m comprises £87.5m in respect of balance reductions to existing customers and £104.6m of provisions for cash restitution, other costs and a fine. The tax charge on the estimated total cost amounts to £2.4m
2 Expected net proceeds from the proposed rights issue of £300.0m with £165.0m used to repay the group's existing borrowings and £135.0m being applied to Vanquis Bank's liquid resources

Target financial model

Group

Invest in businesses with attractive ROAs of approximately 10%

Growth
Deliver receivables growth of between 5% and 10% per annum

CET 1
≥ 25.5%

Dividend policy
Cover ≥ 1.4x

Alignment of growth, capital requirements and dividend policy

- Achieve target ROA of approximately 10% per annum, once the home credit business returns to profitability in 2019
- Deliver sustainable receivables growth of between 5% and 10% per annum
- Maintain an appropriate buffer above a minimum CET 1 ratio of 25.5%
- Intention to pay a nominal dividend for the 2018 financial year before adopting a progressive dividend in line with the revised group policy from the 2019 financial year

Strategy and action plan

Malcolm Le May – Group Chief Executive

Enhancing governance and culture

- Appointed a new group CEO, appointed an interim Chairman and initiated the recruitment of a new permanent external Chairman
- Reaffirmed a clear purpose, vision, mission and set of values which are centred firmly on the customer first, and helping them to help themselves to build brighter financial futures
- Re-constituted a wider group Executive Committee which will play a far greater role in enhancing information flows and control
- Review to strengthen governance structure well underway
- Begun to build and staff a group risk and compliance function for the first time under the leadership of the interim group CRO
- An interim IT Strategy & Procurement Executive has been appointed and the group also intends to appoint an HR Executive to improve coordination, cooperation and efficiency across the group
- Initiated the recruitment of two new non-executive directors with directly relevant experience to work alongside the new group CEO to deliver on the Board's vision
- Begun the process of establishing a new Board committee, to be chaired by one of the new non-executive directors to focus on the customer, culture and ethics

Group strategy

Market-leading businesses with attractive returns

Vanquis Bank	• Maintain leading position in non-standard credit cards • Further expand into the near prime sector and develop an instalment loans business
CCD	• **Provident home credit** – Remains the largest home-credit provider in the market – Establish a strong reputation based on differentiated approach to customer service and compliance in the sector – Move to annualised run-rate break even during H2 2018 • **Satsuma** • Achieve profitability
Moneybarn	• Maintain leadership position in non-standard car finance • Widen channel presence and product range, including building a larger direct business

Group business case

PFG is well placed to deliver attractive returns to shareholders

- Market leader in non-standard credit with sustainable business models focused on the customer
- Good mix of businesses with attractive growth and returns over medium term
- Proven low volatility through economic cycle
- Competitive advantage derived through a combination of technology, marketing, underwriting and collections capabilities
- Highly skilled and experienced management
- Future strong capital generation will support receivables growth and a progressive dividend policy
- Prudent capital management with modest leverage and diversified funding
- Strengthened risk and governance processes
- Home credit recovery plan is progressing well

Outlook

Group

- Major regulatory and capital uncertainties faced by the group are now resolved
- Home credit recovery plan is on-track and the group's regulatory agenda focused on the customer first will underpin the delivery of sustainable growth and returns
- Proposed rights issue will provide a strong capital base and access to the funding that will allow the group's businesses to deliver their customer focused growth strategies going forward
- Each of the group's businesses has performed well through the early weeks of the year

Questions

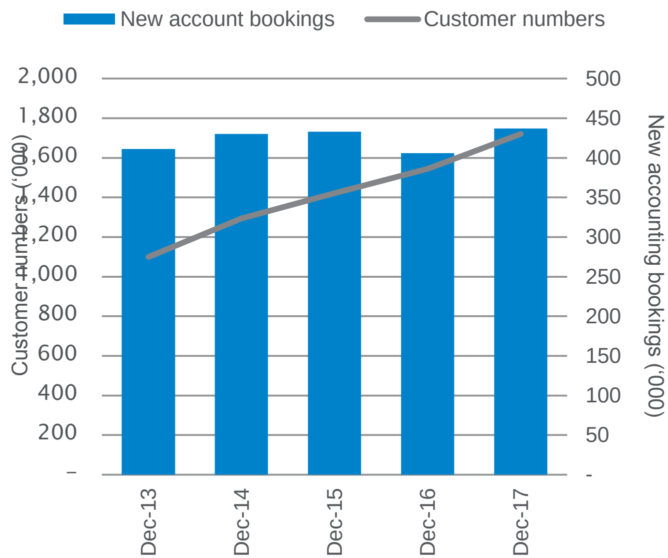
Malcolm Le May – Group Chief Executive
Andrew Fisher – Group Finance Director

Appendix

Vanquis Bank

Customer numbers and new customer bookings

Customer numbers and new customer bookings

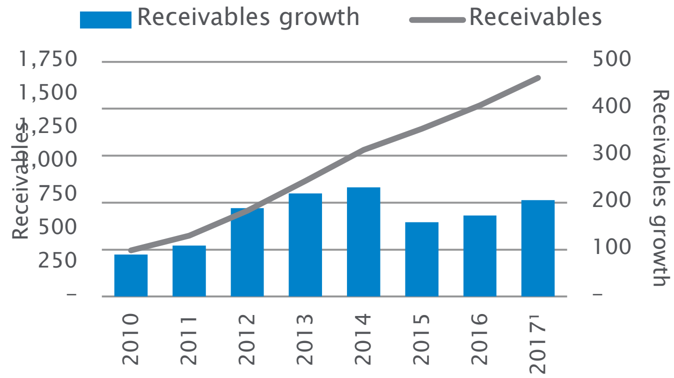


- New customer credit card bookings of 437,000 in 2017, 7.6% higher than 2016 (2016: 406,000):
  - Strong volumes from Chrome near prime credit card, 'Express Check' pre-acceptance service and price comparison websites
- Q4 new customer bookings of 93,000 showed a reduction of 20% from Q4 2016:
  - Underwriting tightened during Q3 which reduced new booking volumes by c.10%
  - Lower volumes through Argos during strategic review of all financial services partnerships by Sainsbury's
- Argos notified Vanquis Bank in late December 2017 of its intention to exit the partnership when the contact expires in early 2018 (card-issuing activities to be taken in-house)
- Vanquis Bank continues to work on a number of partnering opportunities with other lending institutions, brokers and providers of retail finance
- Customer numbers ended the year at 1,720,000, up 11.3% from 2016 (2016: 1,545,000),

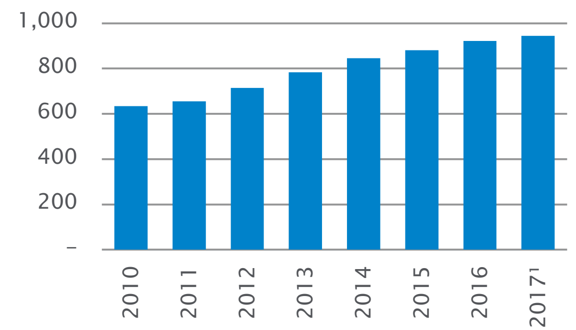
Vanquis Bank

Receivables

Receivables (£m)



Average balance (£)



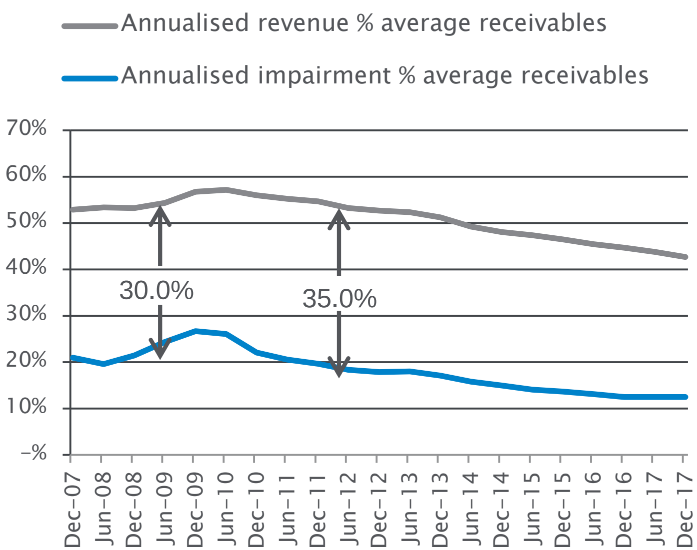
- Receivables growth of 14.4% during 2017:
  - Growth in customer numbers of 11.3%
  - Good performance from the credit line increase programme to established customers
- Average customer balance increased to £944 in 2017, up from £922 in 2016
  - Underpinned by credit line utilisation of between 65% and 70%
  - Delivers a strong stream of revenue whilst maintaining a relatively low level of contingent risk from undrawn credit lines

[1] Prior to the estimated balance reduction of £75.4m in respect of the FCA investigation into ROP

Vanquis Bank

Risk-adjusted margin (RAM)

RAM

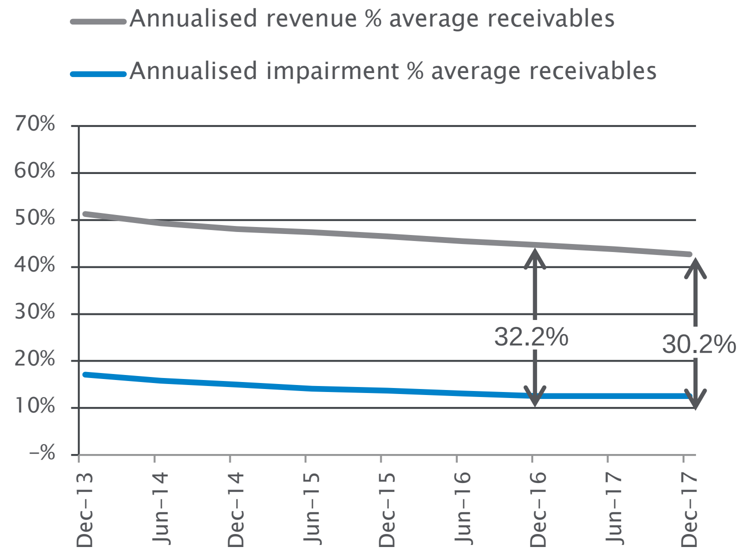


- Business model supports stability of RAM:
  - ‘Low and grow’ strategy
  - High credit line utilisation significantly reduces volatility of credit losses
- Vanquis Bank delivered a RAM above 30% during UK economic downturn between 2008 and 2010
- RAM expanded as UK employment market improved:
  - Consistently tight credit standards
  - New business is only booked which is expected to meet minimum threshold returns

Vanquis Bank

Risk-adjusted margin (RAM)

RAM



- RAM moderated from 32.2% to 30.2% over last 12 months:

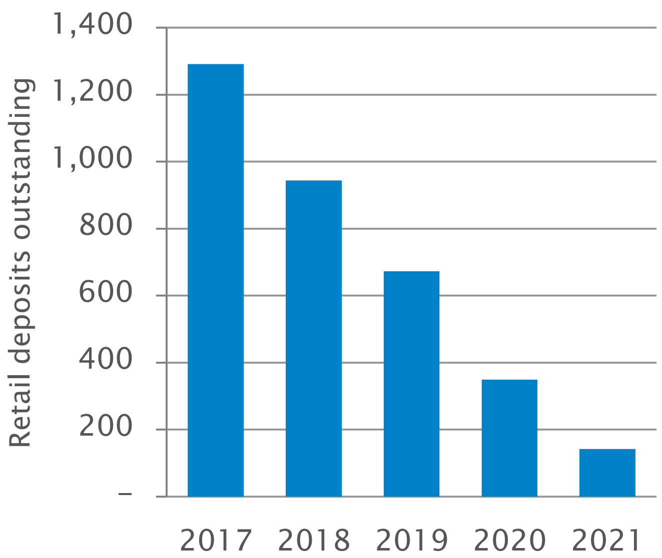
Lower interest yield due to mix (including Chrome)	(0.8%)
Reduction in ROP penetration following voluntary suspension of sales in April 2016	(1.2%)
RAM	(2.0%)

- No requirement to withdraw ROP
- RAM expected to moderate to between 28% and 29% in 2018 based on stable delinquency levels and mix of business

Vanquis Bank

Retail deposits programme

Retail deposits maturity profile (£m)

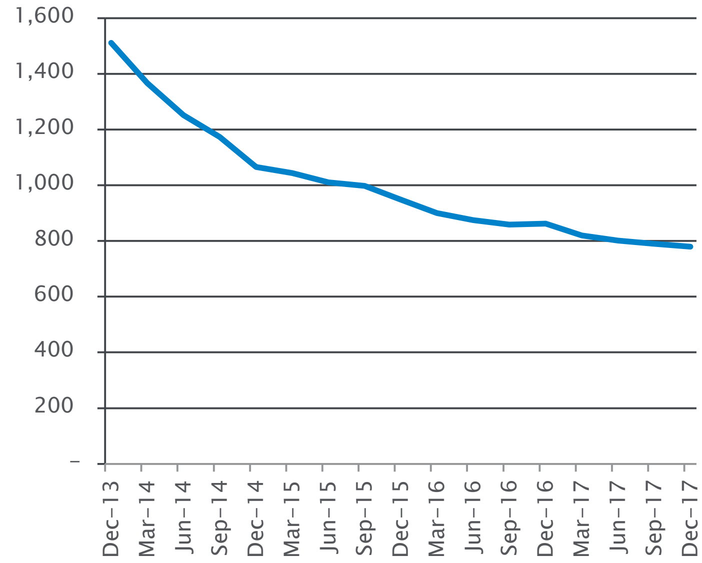


- Retail deposits represent 79% of Vanquis Bank's receivables (2016: 66%):
  - Funding growth
  - Historically attractive rates
- Weighted average period to maturity on deposits of 2.2 years (2016: 2.6 years)
- Blended deposits rate of 3.7%, after cost of holding liquid assets buffer (2016: 4.6%)
- Plan to fully fund Vanquis Bank with retail deposits and repay intercompany facility during 2019

CCD

Customer numbers

Customer numbers (000)

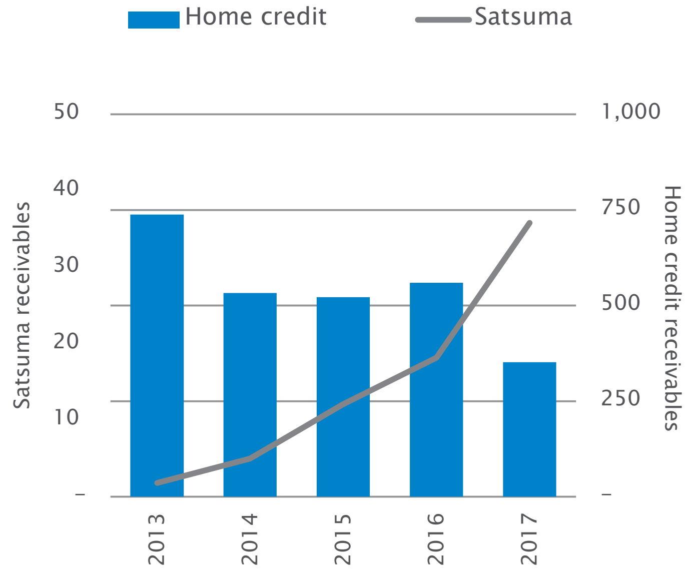


- Repositioning of home credit as a smaller, better-quality business through 2013 to 2016:
  - Tighter credit standards
  - Curtailed recruitment of more marginal customers
  - Improvement in overall credit quality
- Customer numbers in 2017 significantly impacted by the damage caused to customer relationships from poorly executed migration to new operating model
- Customer numbers reduced by 9.5% in 2017 to 780,000
  - 527,000 active paying home credit customers (2016: 782,000)
  - 170,000 customers who have ceased paying (2016: 20,000)
  - 79,000 Satsuma customers (2016: 55,000), following strong growth in new business and further lending volumes
- Home credit active customer numbers expected to be maintained at c.530,000 going forward

CCD

Receivables

Receivables (£m)

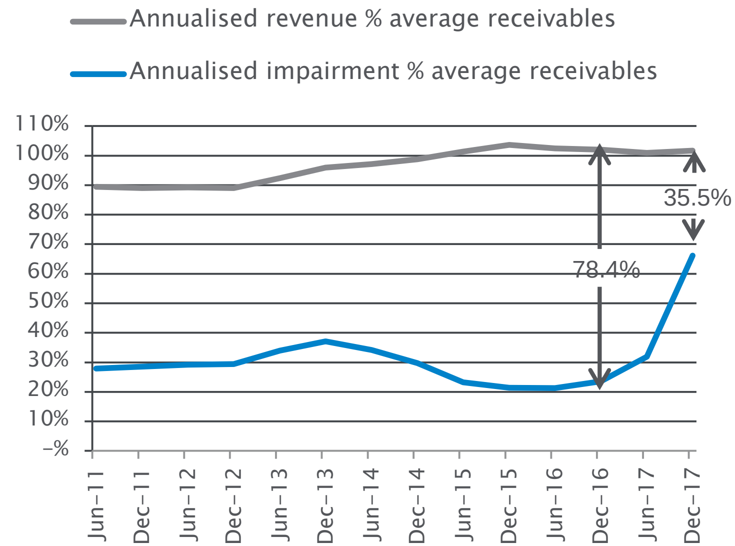


- Significant reduction in home credit receivables between 2013 and 2016 following repositioning of the business
- Home credit receivables fell by 37.1% in 2017:
  - 33% reduction in active customer numbers
  - Higher impairment from failure to reconnect with previously paying customers
  - £36m growth in receivables during the seasonal peak in Q4, 2017 following stabilisation of the business
- Home credit receivables are expected to show a further modest reduction in 2018 as the business focuses on embedding the new operating model
- Strong growth of 96.7% in Satsuma receivables to £35.8m (2016: £18.2m), reflecting step-up in new business volumes and further lending

CCD

Risk-adjusted margin (RAM)

RAM

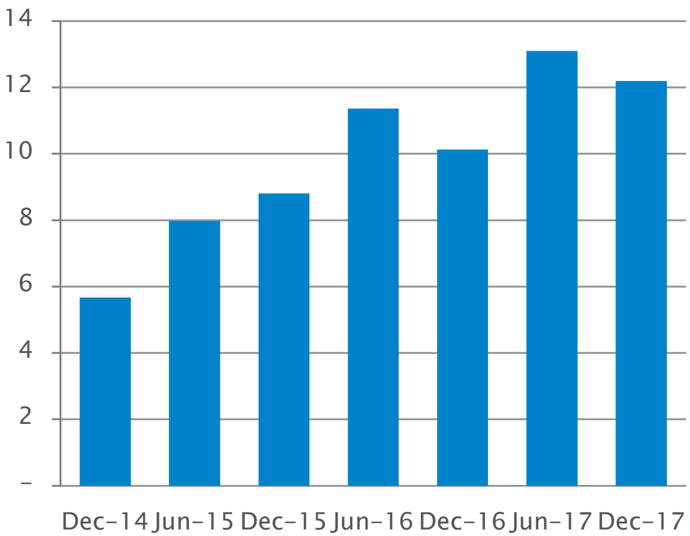


- Significant expansion in RAM from repositioning of home credit between 2013 and 2016
- RAM of 35.5% in 2017 versus 78.4% in 2016
- Revenue yield broadly stable:
  - Increased mix of lending to existing customers (lower yielding, longer duration products); offset by
  - Increase in Satsuma volumes (higher yielding, shorter duration products)
- Impairment ratio has increased from 23.6% in 2016 to 66.2% in 2017:
  - Significant disruption on migration to new operating model
  - Rate of reconnection with customers whose relationship had been affected by the transition at lower end of expectations
- Improvement in margins together with cost efficiency is expected to return the home credit business to break even on an annualised run rate basis during H2 2018

Moneybarn

New business volumes and customer numbers

Half yearly new business volumes (000)

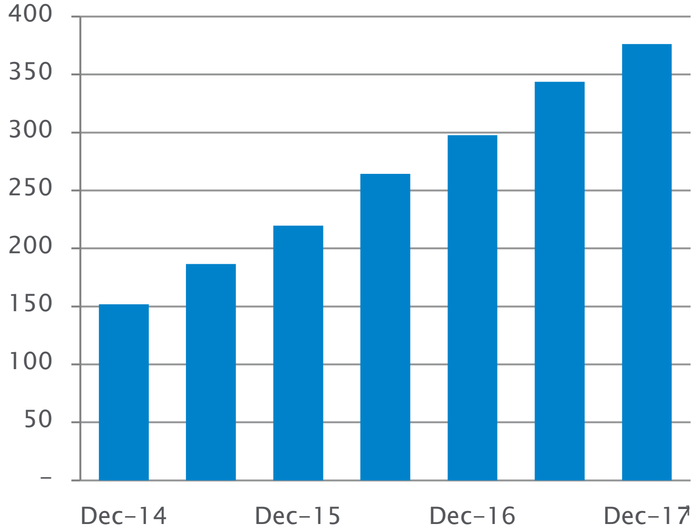


- 2017 new business volumes of 25,300 show year-on-year growth of 17%:
  - Extension of product offering and distribution channels
  - Service enhancements to intermediaries
  - Increase in volume delivered despite tightening of underwriting on higher risk categories of business in Q2 2017
  - Strong start to 2018
- Customer numbers ended 2017 at 50,000, showing year-on-year growth of 22.0% (2016: 41,000)
- Moneybarn continues to explore other opportunities through partnering with new intermediaries and developing its digital business

Moneybarn

Receivables

Receivables (£m)

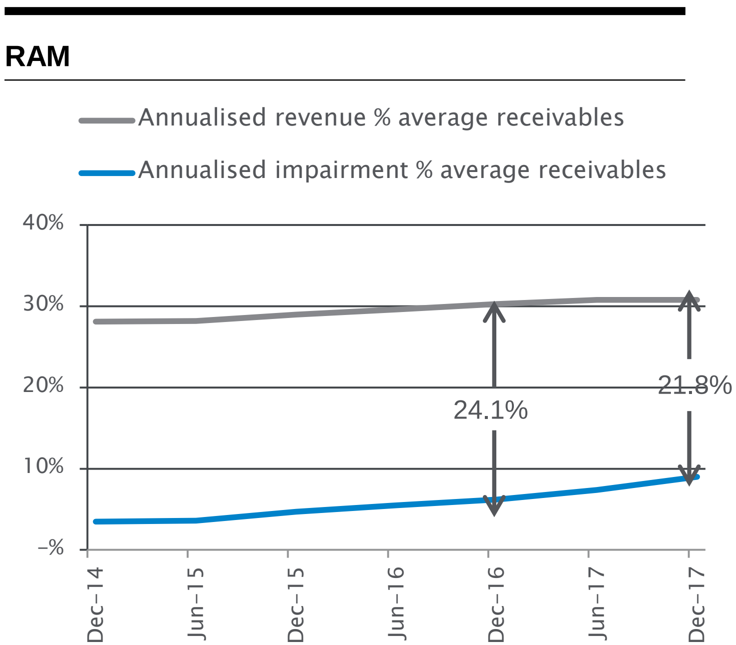


- Year-on-year receivables growth of 26.5%, before impact of estimated cost of balance reduction
- Reflects 22% increase in customer volumes and strong growth in Q4 2017
- Broadly consistent mix of business
- Receivables book at £376.2m, prior to balance reduction, up from £131.2m at acquisition (August 2014)

[1] Prior to the estimated balance reduction of £12.1m in respect of the ongoing FCA investigation in Moneybarn

Moneybarn

Risk-adjusted margin (RAM)



- RAM moderated from 24.1% in 2016 to 21.8% in 2017:
  - Flow through of impairment from higher risk categories of business prior to tightening of underwriting in Q2 2017
  - Strong growth in new business
- Moneybarn's risk-based revenue recognised over 4-5 years with peak in defaults experienced 9-12 months following inception of a loan
- RAM expected to stabilise during 2018 once full impact of tightening of underwriting has flowed through

IFRS 9 balance sheet

	As at 31 December 2017				
	IAS 39 £m	IFRS 9 adjustment £m	**IFRS 9 £m**	Proposed rights issue[1] £m	**Pro forma £m**
Vanquis Bank	**1,554.7**	(143.1)	**1,411.6**	-	**1,411.6**
CCD	**390.6**	(43.3)	**347.3**	-	**347.3**
Moneybarn	**364.1**	(37.0)	**327.1**	-	**327.1**
Total receivables	**2,309.4**	(223.4)	**2,086.0**	-	**2,086.0**
Other assets/(liabilities)	**(1,774.3)**	50.9	**(1,723.4)**	300.0	**(1,423.4)**
Total group net assets	**535.1**	(172.5)	**362.6**	300.0	**662.6**
Gearing (times)	**4.3**		**7.0**		**2.8**

[1] Expected net proceeds from the proposed rights issue of £300m

- IFRS 9 is effective from 1 January 2018
- Significantly changes the recognition of impairment on customer receivables by introducing an expected loss model:
  - IFRS 9: Impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default
  - IAS 39: Impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment
- Bank covenants are under frozen GAAP (IAS 39)
- Impact of IFRS 9 on regulatory capital spread over a 5-year transition period (5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021, 75% in 2022 and 100% in 2023)

IFRS 9 income statement

Adjusted profit/(loss) before tax	Year ended 31 December 2017 IAS 39 £m	IFRS 9 adjustment £m	IFRS 9 £m	*IAS 39 receivables growth[1]*
Vanquis Bank	**206.6**	(17.1)	**189.5**	*14.4%*
CCD	**(118.8)**	14.5	**(104.3)**	*(33.2%)*
Moneybarn	**34.1**	(5.2)	**28.9**	*26.5%*
Central	**(12.8)**	-	**(12.8)**	
Total group adjusted profit before tax	**109.1**	(7.8)	**101.3**	

[1] Prior to balance reductions applied to receivables

- IFRS 9 does not affect cash flows – only affects the timing of the recognition of profits
- IFRS 9 profits are lower in growing businesses and higher in shrinking businesses

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