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20 February 2019

PCF Group plc

("PCFG", the "Company" or the "Group")

Proposed Placing and Open Offer

and

Notice of General Meeting

Proposed Placing to raise a minimum of £10.0 million for the Company and Open Offer to raise up to £0.75 million

PCFG (AIM: PCF), the AIM-quoted specialist bank, today announces a proposed placing to raise gross proceeds of not less than £10 million (the "**Placing**") through the issuance of new Ordinary Shares of 5 pence each in the Company (the "**Placing Shares**"). It is expected that the Placing Shares will be priced at 30 pence each (the "**Issue Price**"). The Company's majority Shareholder, Somers Limited ("**Somers**") has indicated that it intends to subscribe for Placing Shares in the Placing. In addition, certain Directors of the Company are intending to subscribe for Placing Shares in the Placing.

The net proceeds of the Transaction will be used to fund continued organic growth in vehicle and asset finance, particularly in the prime market; support and grow the recently acquired Azule business; and enable the Group's new property bridging finance to grow beyond its initial pilot scheme.

The Directors believe that the net proceeds of the Transaction will provide capital headroom to support the next stage of the Group's strategic plan as it moves towards its targets of a portfolio of receivables of £750 million and a return on equity of 15 per cent. by September 2022.

The Placing will be conducted by way of an accelerated bookbuild (the "**Bookbuild**"), which will be launched immediately following this Announcement in accordance with the Terms and Conditions set out in Appendix II. Panmure Gordon (UK) Limited ("**Panmure Gordon**") will be acting as nominated adviser and joint bookrunner, and Stockdale Securities Limited ("**Stockdale**") will be acting as joint bookrunner, in connection with the Bookbuild. The Placing will be made to new and existing eligible institutional and other investors, and the books are expected to close no later than 4.30 p.m. London

time on 20 February 2019. Details of the number of Placing Shares, the Issue Price and the approximate gross proceeds of the Placing will be announced as soon as practicable after the closing of the Bookbuild. The Placing will not be underwritten.

In addition to the Placing, in order to provide Qualifying Shareholders with an opportunity to participate in the proposed issue of New Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for Open Offer Shares, to raise up to £0.75 million (before expenses) for the Company, with the number of Open Offer Shares to be determined following confirmation of the Issue Price. Shareholders subscribing for their full entitlement under the Open Offer may also request further Open Offer Shares through an Excess Application Facility. The Open Offer will not be underwritten. The net proceeds of the Open Offer receivable by the Company will be utilised to further support the Group's strategic plan.

The terms and conditions of the Open Offer, including the Excess Application Facility, will be set out in the Circular to Shareholders, which will also include a notice convening a General Meeting. The Circular will set out the reasons for, and provide further information on, the Transaction, to explain why the Board considers the Transaction to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that Shareholders vote in favour of the Resolutions. It is expected that the Circular will be dispatched on or around 20 February 2019 and will also be available at this time on the Company's website at www.pcf.bank.

The Placing and Open Offer are conditional, *inter alia*, on the approval of the relevant Resolutions by Shareholders at the General Meeting to be held at 11.00 a.m. on 8 March 2019 at 1 Cornhill, London EC3V 3ND and on the Admission of the New Shares to trading on AIM. The Open Offer is conditional on the Placing. It is expected that Admission will become effective and that dealings in the New Shares will commence at 8.00 a.m. on 11 March 2019.

In order to maximise the number of Open Offer Shares available under the Open Offer to Qualifying Shareholders, Somers (the Company's majority Shareholder) and the Directors have indicated that they will not take up any Ordinary Shares which may have been offered to them as part of the Open Offer and will not subscribe for any Open Offer Shares. The Open Offer Entitlements which could otherwise have been available to Somers and the Directors under the Open Offer will be made available to Qualifying Shareholders under the Open Offer.

Commenting on the Transaction, Scott Maybury, Chief Executive Officer of PCFG, commented:

"This equity raise reflects the fact that PCF Bank is on track to achieve our stated target of a £350 million lending portfolio ahead of schedule – in 2019 rather than 2020.

"We have always said that we could achieve this initial target through organic growth but that to achieve our next target of a £750 million lending portfolio, we would need to acquire and invest in additional complementary business lines.

"Since gaining our banking licence we have been able to grow the volume of our retail savings and our lending book considerably faster than we had planned for, without any need to compromise on our target rates or credit quality.

"The £10 million we plan to raise today will help provide capital headroom to accelerate growth and support the next stage of the Group's strategic plan.

"We are ambitious for the next phase of PCFG's development, and are confident that we remain very well placed in both our well established divisions and in our newer broadcast and bridging finance lines."

Further details of the Placing and Open Offer are set out in Appendix I to this Announcement. Your attention is also drawn to the risk factors described in Appendix III. The capitalised terms used in this Announcement have the meaning set out in Appendix IV to this Announcement.

This Announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 ("MAR"). Market soundings, as defined in MAR, were taken in respect of the Placing with the result that certain persons became aware of inside information, as permitted by MAR. That inside information is set out in this Announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information in a market sounding are no longer in possession of inside information relating to the Company and its securities.

For more information, please contact:

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IMPORTANT INFORMATION

No prospectus will be made available in connection with the matters contained in this Announcement and no such prospectus is required (in accordance with the Prospectus Directive) to be published.

The information contained in this Announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this Announcement or its accuracy, fairness or completeness.

Forward-Looking Statements

Certain statements in this Announcement may constitute “forward-looking statements” within the meaning of legislation in the United Kingdom, including (without limitation) those regarding the Placing, the Open Offer and any other potential offering of securities, the Group's financial position, business strategy, products, plans and objectives of management for future operations, and any statement preceded or followed by, or including, words such as “target”, “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “would” or “could”, or negatives of such words. Any forward-looking statements are based on currently available competitive, financial and economic data together with management's views and assumptions regarding future events and business performance as of the time the statements are made and are subject to risks and uncertainties. We wish to warn you that there are some known and unknown factors that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Reference should be made to those documents that PCFG shall file from time to time or announcements that may be made by PCFG in accordance with the London Stock Exchange AIM Rules for Companies (“AIM Rules”) and the Disclosure and Transparency Rules (“DTRs”), which contain and identify other important factors that could cause actual results to differ materially from those contained in any projections or forward-looking statements. These forward-looking statements speak only as of the date of this Announcement. All subsequent written and oral forward-looking statements by or concerning PCFG are expressly qualified in their entirety by the cautionary statements above. Except as may be required under the AIM Rules or the DTRs or by relevant law in the United Kingdom, PCFG does not undertake any obligation to publicly update or revise any forward-looking statements because of new information, future events or otherwise arising.

No statement in this Announcement is intended to be a profit forecast and no statement in this Announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

Panmure Gordon, which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and for no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Panmure Gordon or for providing advice in relation to the Placing, or any other matters referred to in this Announcement.

Stockdale, which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and for no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Stockdale or for providing advice in relation to the Placing, or any other matters referred to in this Announcement.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by or on behalf of the Company, Panmure Gordon, Stockdale or by their affiliates or their respective agents, directors, officers and employees as to, or in relation to, the accuracy or completeness of this Announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefor is expressly disclaimed.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than to trading on AIM.

Members of the public are not eligible to take part in the Placing and no public offering of Placing Shares is being or will be made.

The contents of the Company's website, any website mentioned in this Announcement or any website directly or indirectly linked to these websites have not been verified and do not form part of this Announcement, and prospective investors should not rely on such information.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that such Placing Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Panmure Gordon and Stockdale will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

APPENDIX I

PROPOSED PLACING AND OPEN OFFER

Introduction

The Company has proposed to raise a minimum of £10 million (before expenses) by way of a Placing with new institutional investors and certain existing Shareholders (including Somers and certain Directors) at the Issue Price.

In addition, in order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of New Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for Open Offer Shares at the Issue Price to raise up to £0.75 million (before expenses) for the Company. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares through the Excess Application Facility.

In order to maximise the number of Open Offer Shares available under the Open Offer to Qualifying Shareholders, Somers (the Company's majority Shareholder) and the Directors have confirmed that

they will not take up any Ordinary Shares which may have been offered to them as part of the Open Offer and will not subscribe for any Open Offer Shares. The Open Offer Entitlements which could otherwise have been available to Somers and the Directors under the Open Offer will be made available to Qualifying Shareholders under the Open Offer.

The Directors believe that the net proceeds of the Transaction will provide capital headroom to support the next stage of the Group's strategic plan as it moves towards its targets of a portfolio of receivables of £750 million and a return on equity of 15 per cent. by September 2022.

The issue of the Placing Shares and the Open Offer Shares is conditional, *inter alia*, on the passing by Shareholders of the Resolutions at the General Meeting for the purposes of authorising the Directors to allot the Placing Shares and the Open Offer Shares and to dis-apply statutory pre-emption rights in relation thereto. The Open Offer is conditional on the Placing. The formal Notice of General Meeting, which is being convened for 11.00 a.m. on 8 March 2019, will be set out in the Circular.

Background to and reasons for the Transaction

PCFG has successfully created a new banking platform as a dual-regulated bank, significantly expanding the Group's addressable lending market and supporting the Group's growth strategy since the bank was authorised and launched in July 2017. To support the Group's medium-term growth plans and to enable the Group to maintain the level of regulatory capital and liquidity the Group is required to hold as agreed with the PRA and FCA, PCFG successfully raised £10.5 million (before expenses) through a placing and open offer in March 2017.

At the time of the previous fundraise, the Group's medium-term strategic objective was to achieve a portfolio of loans and receivables of £350 million and return on equity after tax of 12.5 per cent. at the end of the first three years following the commencement of retail deposit taking.

New business originations in the Group's existing markets of consumer motor finance and SME asset finance have since increased significantly, capitalising on the anticipated cheaper cost of funds and more flexible nature of a retail depositor base. The growth in the Group's lending portfolio has been based on prudent credit policies, with risk appetite focussing on increasing volumes by operating in the prime sector of both markets.

The Board has also continued to assess its options for extending the Group's range of financial products and markets, whilst remaining consistent with the Group's low risk strategy. On 31 October 2018, the Group acquired Azule, a broadcast and media equipment finance specialist, and has recently recruited a bridging property finance team, which commenced operations in January 2019.

Following strong portfolio growth supported by new business initiatives and the acquisition of Azule, the Group is ahead of schedule to meet its initial portfolio target of £350 million and a return on equity of 12.5 per cent. by 2020.

Strategic objectives

The Group aims to maximise the potential of its banking model through organic growth in the prime sectors of its existing consumer and SME markets and asset diversification. The Group will seek to grow the recently acquired Azule business in its existing broadcast and media equipment finance sector. The Group also intends to complete the launch of its pilot bridging property finance operation. The Board will continue to assess opportunities to accelerate the Group's growth through market consolidation and strategic alliances.

Use of proceeds

The net proceeds will be used to fund continued organic growth in vehicle and asset finance, particularly in the prime market; support and grow the recently acquired Azule business; and enable the Group's new property bridging finance to grow beyond its initial pilot scheme.

The Directors believe that the net proceeds of the Transaction will provide capital headroom to support the next stage of the Group's strategic plan as it moves towards its targets of a portfolio of receivables of £750 million and a return on equity of 15 per cent. by September 2022.

Dividends

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid on or in respect of such Existing Ordinary Shares after Admission. This includes the right to receive the declared 2018 Final Dividend.

At the AGM, it is proposed that the Shareholders approve, *inter alia*, the 2018 Final Dividend. Shareholders will have the opportunity to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of all or part of the 2018 Final Dividend (the "**2018 Scrip Dividend**").

Qualifying Shareholders who subscribe for Open Offer Shares pursuant to the Open Offer may also elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of all or part of the 2018 Final Dividend payable in respect of their Open Offer Shares. Placees will also be entitled to receive the 2018 Scrip Dividend instead of the 2018 Final Dividend.

The timetable for the 2018 Final Dividend and the 2018 Scrip Dividend is as follows:

Date on which the Ordinary Shares quoted ex the 2018 Final Dividend	21 March 2019
Record date for entitlement to participate in the 2018 Final Dividend	22 March 2019
2018 Scrip Dividend share price set	28 March 2019
Date on which Scrip Dividend Mandate Form required to be submitted	29 March 2019
2018 Final Dividend payment date/first day of dealing in new Ordinary Shares relating to elections to receive the 2018 Scrip Dividend	12 April 2019

Action to be taken in relation to the 2018 Scrip Dividend

Shareholders wanting to receive all of the 2018 Final Dividend in cash

Any Shareholder wanting to receive all of the 2018 Final Dividend in cash in respect of their existing Ordinary Shares and any Open Offer Shares they subscribe for pursuant to the Open Offer need not do anything, provided they have not previously submitted a Scrip Dividend Mandate Form. Such Shareholders will receive the 2018 Final Dividend in cash in relation to their existing Ordinary Shares and any Open Offer Shares they subscribe for pursuant to the Open Offer. If any Shareholder has completed and returned a Scrip Dividend Mandate Form but now wishes to revoke it, they should give notice of withdrawal to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH so as to be received on or before 29 March 2019.

Shareholders wanting to receive new Ordinary Shares credited as fully paid instead of cash in respect of all of the 2018 Final Dividend and who have already completed and returned a Scrip Dividend Mandate Form

Any Shareholder wanting to receive the 2018 Scrip Dividend instead of the 2018 Final Dividend in respect of their existing Ordinary Shares and any Open Offer Shares they subscribe for pursuant to the Open Offer and who has already completed and returned a Scrip Dividend Mandate Form need not do anything. Pursuant to the terms and conditions of the scrip dividend scheme, each Shareholder who has completed and not revoked a Scrip Dividend Mandate Form will receive new Ordinary Shares in lieu of a cash dividend in respect of their holding of Ordinary Shares recorded in the register of members of the Company on the relevant record date (being 22 March 2019 in respect of the 2018 Final Dividend).

Shareholders wanting to receive new Ordinary Shares credited as fully paid instead of cash in respect of all of the 2018 Final Dividend and who have not already completed and returned a Scrip Dividend Mandate Form

Any Shareholder wanting to receive the 2018 Scrip Dividend instead of the 2018 Final Dividend in respect of their existing Ordinary Shares and any Open Offer Shares they subscribe for pursuant to the Open Offer and who has not already completed and returned a Scrip Dividend Mandate Form should complete the Scrip Dividend Mandate Form (sent to Shareholders on or around 13 February 2019 with the notice of AGM) and return it to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH so as to be received on or before 29 March 2019. Any Shareholder who has lost the Scrip Dividend Mandate Form and who would like a replacement form should contact Computershare Investor Services PLC on +44 (0)370 707 1224 to order a new Scrip Dividend Mandate Form.

Shareholders wanting to receive new Ordinary Shares credited as fully paid instead of cash in respect of part of the 2018 Final Dividend

Any Shareholder wanting to receive the 2018 Scrip Dividend instead of the 2018 Final Dividend in respect of part only of their existing Ordinary Shares and/or any Open Offer Shares they subscribe for pursuant to the Open Offer and receive cash in respect of the remaining part of their shareholding should give notice in writing to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH so as to be received as soon as possible and, in any event, on or before 29 March 2019, specifying the number of Ordinary Shares held by them in respect of which they wish to receive new Ordinary Shares. Any such partial election shall have effect only in respect of the 2018 Final Dividend. Subsequent dividends will be paid in accordance with the terms and conditions of the scrip dividend scheme.

Shareholders who hold their Ordinary Shares in CREST

Any Shareholder who holds their Ordinary Shares in uncertificated form in CREST can elect to participate in the 2018 Scrip Dividend by means of the CREST procedures to effect such an election. Shareholders who are a CREST Personal Member, or other CREST Sponsored Member, should consult their CREST sponsor who will be able to take the appropriate action on their behalf. Shareholders are advised to consult their CREST Manual for instructions on how to use the Dividend Election Input Message.

Placing

On 20 February 2019 the Company entered into a placing agreement with Panmure Gordon and Stockdale, under which each of Panmure Gordon and Stockdale has agreed to use its reasonable endeavours, as agents for the Company, to procure Places for the Placing Shares at the Issue Price on the terms of the Placing Agreement.

The Placing is conditional, *inter alia*, on the following:

- (i) the Resolutions being passed at the General Meeting;
- (ii) the Placing Agreement not being terminated prior to Admission and otherwise having become unconditional in all respects; and
- (iii) Admission having become effective on or before 8.00 a.m. on 11 March 2019 (or such later date and/or time as the Company, Panmure Gordon and Stockdale may agree, being no later than 21 March 2019).

The Placing Agreement contains warranties from the Company in favour of Panmure Gordon and Stockdale in relation to, *inter alia*, the accuracy of the information in this Announcement and other documents and other matters relating to the Company and its business. In addition, the Company has agreed to indemnify each of Panmure Gordon and Stockdale in relation to certain liabilities it may incur in respect of the Placing. Each of Panmure Gordon and Stockdale have the right to terminate the Placing Agreement in certain circumstances, in particular in the event of a breach of the warranties.

The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at that time, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission. For the avoidance of doubt, the Placing Shares will be entitled to receive the 2018 Final Dividend and are eligible for the 2018 Scrip Dividend. The Placing Shares are not subject to clawback and are not part of the Open Offer. The Placing is not underwritten.

Open Offer

Subject to the fulfilment of the conditions set out below and as further detailed in the Circular, Qualifying Shareholders may subscribe for Open Offer Shares at the Issue Price in proportion to their holding of Existing Ordinary Shares held on the Open Offer Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer.

The Open Offer is conditional, *inter alia*, on the following:

- (i) the Resolutions being passed at the General Meeting;
- (ii) the Placing Agreement not being terminated prior to Admission and otherwise having become unconditional in all respects; and
- (iii) Admission becoming effective on or before 8.00 a.m. on 11 March 2019 (or such later date and/or time as the Company, Panmure Gordon and Stockdale may agree, being no later than 21 March 2019).

The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at that time, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission. For the avoidance of doubt, the Open Offer Shares will be entitled to receive the 2018 Final Dividend and are eligible for the 2018 Scrip Dividend. The Open Offer is not underwritten.

In order to maximise the number of Open Offer Shares available under the Open Offer to Qualifying Shareholders, Somers (the Company's majority Shareholder) and the Directors have indicated that they will not take up any Ordinary Shares which may have been offered to them as part of the Open Offer and will not subscribe for any Open Offer Shares. The Open Offer Entitlements which could

otherwise have been available to Somers and the Directors under the Open Offer will be made available to Qualifying Shareholders under the Open Offer.

Further details on the Open Offer and the terms and conditions of the Open Offer will be set out in the Circular to be dispatched to Shareholders on or around 20 February 2019.

Current trading and outlook

PCFG notified its preliminary results for the year ended 30 September 2018 through the Regulatory Information Service on 5 December 2018 and published its latest Annual Report and Financial Statements for the year ended 30 September 2018 on 13 February 2019. Please refer to the Group's announcements as notified through the Regulatory Information Service and made available on PCFG's website at: www.pcf.bank.

Financial highlights for the period included:

- profit before tax (before acquisition costs) for the 12 months ended 30 September 2018 was up 50 per cent. to £5.4 million (2017: £3.6 million)
- profit before tax for the 12 months ended 30 September 2018 was up 44 per cent. to £5.2 million (2017: £3.6 million)
- fully diluted earnings per Ordinary Share for the 12 months ended 30 September 2018 was up 33 per cent. to 2.0p (2017: 1.5p)
- net interest margin for the 12 months ended 30 September 2018 was stable at 8.2 per cent. (2017: 8.3 per cent.)
- Common Equity Tier 1 Ratio (CET1) as at 30 September 2018 of 19.3 per cent. (2017: 26.3 per cent.)
- fully diluted after-tax return on equity increased to 10.3 per cent. (2017: 8.7 per cent.)
- £47 million of unearned finance charges to contribute to earnings in future years (2017: £31 million)
- the Directors recommended a dividend of 0.3 pence per Ordinary Share.

New business originations for the 12 months ended 30 September 2018 were 75 per cent. ahead of the comparative period in the prior year at £148.4 million (2017: £84.6 million), while the loan impairment charge was maintained at 0.5 per cent. (2017: 0.5 per cent.). The lending portfolio grew by 50 per cent. during the 12 months ended 30 September 2018 to £219 million (2017: £146 million) with a continued focus on prime quality customers. Retail deposits grew to £191 million as at 30 September 2018 (2017: £53 million).

The Company acquired Azule, a broadcast and media finance specialist, on 31 October 2018, the first step in the Group's strategic plan to diversify its portfolio. The acquisition of Azule was earnings enhancing and integration of the business is progressing well. A further diversification initiative is the Company's newly-recruited bridging property finance team, which has commenced operations targeting an initial portfolio of £20 million by 30 September 2019.

The Board is pleased to report that current trading is in line with management expectations. As at 31 December 2018, the lending portfolio had grown to £250 million and retail deposits stood at £203 million held across approximately 4,600 customer accounts. PCFG is targeting new business originations of £250 million in the year to 30 September 2019. Following strong portfolio growth supported by new business initiatives and the acquisition of Azule, the Group is ahead of schedule to meet its initial portfolio target of £350 million and a return on equity of 12.5 per cent. by 2020. The Directors are confident in the Company's business model and strategy as it continues to target a lending portfolio of £750 million and return of equity of 15 per cent. by 30 September 2022.

General Meeting

The Directors require the authority of Shareholders in order to allot the New Shares free of statutory pre-emption rights. The Circular will contain a notice convening a General Meeting to be held at the offices of the Company on 8 March 2019 at 11.00 a.m. in order to consider and, if thought appropriate, pass the Resolutions to grant authority to allot the New Shares free of pre-emption rights.

Expected timetable of principal events

Open Offer Record Date for entitlements under the Open Offer	Close of business	19 February 2019
Announcement of the proposed Placing and Open Offer		20 February 2019
Announcement of the Result of Placing		20 February 2019
Publication and posting of the Circular (including Notice of General Meeting), Application Forms and Forms of Proxy		20 February 2019
Ex-entitlement Date of the Open Offer	7.00 a.m.	21 February 2019
Open Offer Entitlements and Excess Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	as soon as possible after 8.00 a.m.	21 February 2019
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess Entitlements from CREST	4.30 p.m.	1 March 2019
Latest time and date for depositing Open Offer Entitlements and Excess Entitlements into CREST	3.00 p.m.	4 March 2019
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m.	5 March 2019
Latest time and date for receipt of Forms of Proxy	11.00 a.m.	6 March 2019
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m.	7 March 2019
General Meeting	11.00 a.m.	8 March 2019
Announcement of the results of the General Meeting and Open Offer		8 March 2019

**Admission and commencement of dealings
in New Shares**

8.00 a.m.

11 March 2019

New Shares in uncertificated form expected
to be credited to accounts in CREST

As soon as possible after
8.00 a.m.

11 March 2019

Despatch of definitive share certificates for
the New Shares in certificated form

Within 10 business days of Admission

If any of the details contained in the timetable above should change, the revised time and dates will be notified to Shareholders by means of a Regulatory Information Service (as defined in the AIM Rules) announcement.

In this Announcement, all references to times and dates are to times and dates in London, United Kingdom. The timetable above assumes that the Resolutions are passed at the General Meeting without adjournment.

APPENDIX II

TERMS AND CONDITIONS OF THE PLACING

IMPORTANT INFORMATION FOR PLACEEES ONLY REGARDING THE PLACING.

THIS ANNOUNCEMENT, INCLUDING THIS APPENDIX II (TOGETHER, THE "ANNOUNCEMENT") AND THE INFORMATION CONTAINED HEREIN IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM THE UNITED STATES, CANADA, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA, JAPAN OR ANY JURISDICTION IN WHICH THE SAME WOULD BE UNLAWFUL. PERSONS INTO WHOSE POSSESSION THIS ANNOUNCEMENT COMES ARE REQUIRED BY THE COMPANY, PANMURE GORDON AND STOCKDALE TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THIS ANNOUNCEMENT DOES NOT ITSELF CONSTITUTE AN OFFER OR INVITATION TO UNDERWRITE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN THE COMPANY.

THE SECURITIES TO WHICH THIS ANNOUNCEMENT RELATE HAVE NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. THERE WILL BE NO PUBLIC OFFERING OF THE SECURITIES IN THE UNITED STATES.

EACH PLACEE SHOULD CONSULT WITH ITS OWN ADVISERS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF A SUBSCRIPTION FOR THE PLACING SHARES.

Persons (including individuals, funds or otherwise) who have chosen to participate in the Placing, by making an oral or written offer to subscribe for Placing Shares, will be deemed to have read and understood the Announcement, including this Appendix II in its entirety and to be making such offer on the terms and conditions, and to be providing the representations, warranties, acknowledgements, and undertakings contained in this Appendix II.

In this Appendix II, unless the context otherwise requires, "Placee" means a person (including individuals, funds or others) by whom or on whose behalf a commitment to subscribe for Placing Shares has been given. In particular, each such Placee represents, warrants and acknowledges that:

1. it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
2. in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Placing Shares acquired by it in the Placing have not

been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State of the European Economic Area which has implemented the Prospectus Directive other than Qualified Investors or in circumstances in which the prior consent of Panmure Gordon and Stockdale has been given to the offer or resale; or (ii) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;

(a) (i) it is not in the United States and (ii) it is not acting for the account or benefit of a person in the United States, unless in the case of this clause (ii) it is acting with full investment discretion for such person or, if such person is a corporation or partnership, the person agreeing to purchase the Placing Shares is an employee of such person authorised to make such purchase; (b) it is a dealer or other professional fiduciary in the United States acting on a discretionary basis for a non-US person (other than an estate or trust) in reliance on Regulation S under the US Securities Act of 1933, as amended (the "**Securities Act**"); or (c) it is otherwise acquiring the Placing Shares in an "offshore transaction" meeting the requirements of Regulation S under the Securities Act;

3. it is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion and has the authority to make and does make the representations, warranties, indemnities, acknowledgements and agreements contained in this Announcement; and
4. it understands (or, if acting for the account of another person, such person understands) the resale and transfer restrictions set out in this Appendix II.

The Company, Panmure Gordon and Stockdale will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

Details of the Placing

Panmure Gordon and Stockdale have entered into an agreement with PCF Group plc (the "**Placing Agreement**") under which, subject to the conditions set out in that agreement, each of Panmure Gordon and Stockdale has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the placing price that is to be determined as set out below with certain institutional and other investors.

The Placing is conditional upon the Placing Agreement becoming unconditional in all respects.

The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at that time, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission. For the avoidance of doubt, the Placing Shares will be entitled to receive the 2018 Final Dividend.

Application for admission to trading

Application will be made to the London Stock Exchange for admission of the Placing Shares ("Admission") to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on AIM at 8.00 a.m. on 11 March 2019.

Participation in, and principal terms of, the Placing

Each of Panmure Gordon and Stockdale is arranging the Placing as agent for and on behalf of the Company. Participation in the Placing will only be available to Placees who may lawfully be, and are, invited to participate by Panmure Gordon and/or Stockdale.

The Issue Price and the number of Placing Shares to be issued will be agreed between Panmure Gordon, Stockdale and the Company following completion of a bookbuilding exercise by Panmure Gordon and Stockdale (the "Bookbuild"). The Issue Price and number of Placing Shares will be announced on a Regulatory Information Service following the completion of the Bookbuild.

Panmure Gordon and Stockdale will determine in their absolute discretion the extent of each Placee's participation in the Placing, which will not necessarily be the same for each Placee and this will be confirmed orally by Panmure Gordon or Stockdale as agent of the Company ("**Confirmation**"). No element of the Placing will be underwritten. Confirmation will constitute an irrevocable legally binding commitment upon that person (who will at that point become a Placee) to subscribe for the number of Placing Shares allocated to it at the Issue Price on the terms and conditions set out in this Appendix II (a copy of the terms and conditions having been provided to the Placee prior to or at the same time as such oral confirmation) and in accordance with the Company's Articles of Association. For the avoidance of doubt, the Confirmation constitutes each Placee's irrevocable legally binding agreement, subject to the Placing Agreement not having been terminated, to pay the aggregate settlement amount for the Placing Shares to be subscribed for by that Placee regardless of the total number of Placing Shares (if any) subscribed for by any other investor(s).

Panmure Gordon and Stockdale reserve the right to scale back the number of Placing Shares to be subscribed by any Placee in the event of an oversubscription under the Placing. Panmure Gordon and Stockdale also reserve the right not to accept offers for Placing Shares or to accept such offers in part rather than in whole.

Each Placee will be required to pay, to Panmure Gordon or Stockdale on the Company's behalf, the Issue Price for each Placing Share agreed to be acquired by it under the Placing in accordance with the terms set out herein. Each Placee's obligation to acquire and pay for Placing Shares under the Placing will be owed to Panmure Gordon or Stockdale and the Company. Each Placee has an immediate, separate, irrevocable and binding obligation, owed to Panmure Gordon or Stockdale, to pay to it (or as it may direct) in cleared funds an amount equal to the product of the Issue Price and the number of Placing Shares for which such Placee has agreed to subscribe. Each Placee will be deemed to have read and understood this Appendix II in its entirety, and to have agreed to participate in the Placing upon the terms and conditions contained in this Appendix II, and to provide the representations, warranties, agreements, acknowledgements and undertakings, in each case as contained in this Appendix II. To the fullest extent permitted by law and applicable Financial Conduct Authority ("**FCA**") rules (the "**FCA Rules**"), (i) neither Panmure Gordon nor Stockdale, (ii) nor any of their respective directors, officers, employees or consultants, nor (iii) to the extent not contained within (i) or (ii), any person connected with Panmure Gordon or Stockdale as defined in the FCA Rules ((i), (ii) and (iii) being together "affiliates" and individually an "affiliate"), shall have any liability to Placees or to any person other than the Company in respect of the Placing.

Irrespective of the time at which a Placee's participation in the Placing is confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the same time, on the basis explained below under "Registration and Settlement".

Completion of the Placing will be subject to the fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Termination of the Placing Agreement". In the event that the Placing Agreement does not become unconditional in any respect or is terminated, the Placing (save to the extent already completed) will not proceed and all funds delivered by the Placee to Panmure Gordon or Stockdale in respect of the Placee's participation will be returned to the Placee at the Placee's risk without interest (save where Placing Shares have been validly issued to Placees).

By participating in the Placing, each Placee agrees that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not otherwise be capable of rescission or termination by the Placee.

By participating in the Placing, each Placee is deemed to have read and understood this Announcement, including this Appendix II, in its entirety and to be making such offer on the terms and conditions, and to be providing the representations, warranties, acknowledgements, and undertakings contained in this Appendix II.

To the fullest extent permissible by law, neither the Company, Panmure Gordon, Stockdale nor any of their respective affiliates shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise). In particular, neither Panmure Gordon, Stockdale nor any of their respective affiliates shall have any liability (including to the extent permissible by law, any fiduciary duties) in respect of Panmure Gordon's or Stockdale's conduct of the Bookbuild or of such alternative method of effecting the Placing as Panmure Gordon, Stockdale and the Company may agree.

Conditions of the Placing

The obligations of Panmure Gordon and Stockdale under the Placing Agreement in respect of the Placing Shares are conditional on, amongst other things:

- (a) the Company having complied with its obligations under the Placing Agreement (to the extent that such obligations fall to be performed prior to Admission);
- (b) the passing of the Resolutions at the General Meeting of the Company being held on or about 8 March 2019; and
- (c) Admission having occurred not later than 8.00 a.m. 11 March 2019 or such later date as the Company, Panmure Gordon and Stockdale may agree, but in any event not later than 8.00 a.m. on 21 March 2019.

If (i) any of the conditions contained in the Placing Agreement in relation to the Placing Shares are not fulfilled or waived by Panmure Gordon and Stockdale by the respective time or date where specified, (ii) any of such conditions becomes incapable of being fulfilled or (iii) the Placing Agreement is terminated in the circumstances specified below, the Placing will not proceed and the Placee's rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee in respect thereof.

Panmure Gordon and Stockdale, at their discretion and upon such terms as they think fit, may waive compliance by the Company with the whole or any part of any of the Company's obligations in relation to the conditions in the Placing Agreement. Any such extension or waiver will not affect Placees' commitments as set out in this Announcement.

Neither Panmure Gordon, Stockdale, the Company nor any other person shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision they may make as to whether or not to waive or to extend the time and/or the date for the satisfaction of any condition to the Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Placing generally, and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of Panmure Gordon and Stockdale.

Termination of the Placing Agreement

Each of Panmure Gordon and Stockdale is entitled (but after, where practicable, having consulted with the Company) at any time before Admission, to terminate the Placing Agreement in relation to their obligations in respect of the Placing Shares (save to the extent already performed) by giving notice to the Company if, amongst other things:

- (a) the Company fails, in any material respect, to comply with any of its obligations under the Placing Agreement; or
- (b) any of the warranties given by the Company in the Placing Agreement was untrue, inaccurate or misleading in any material respect when made or has ceased to be true and accurate in a material respect or has become misleading in a material respect by reference to the facts and circumstances then subsisting; or
- (c) an event of force majeure occurs or there is a material adverse change in the financial position and/or prospects of the Company or any member of the Group.

Upon such termination, the parties to the Placing Agreement shall be released and discharged (except for any liability arising before or in relation to such termination and save to the extent already performed) from their respective obligations under or pursuant to the Placing Agreement subject to certain exceptions.

By participating in the Placing, Placees agree that the exercise by Panmure Gordon or Stockdale of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of Panmure Gordon or Stockdale and that it need not make any reference to Placees and that it shall have no liability to Placees whatsoever in connection with any such exercise or failure so to exercise.

No prospectus

No offering document, prospectus or admission document has been or will be submitted to be approved by the FCA or submitted to the London Stock Exchange in relation to the Placing and Placees' commitments will be made solely on the basis of the information contained in this Announcement (including the Appendices) released by the Company today.

Each Placee, by accepting a participation in the Placing, agrees that the content of this Announcement (including the Appendices) is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Company, Panmure Gordon, Stockdale or any other person and neither Panmure Gordon nor Stockdale nor the Company nor any other person will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

Registration and settlement

Settlement of transactions in the Placing Shares following Admission will take place within the system administered by Euroclear UK & Ireland Limited ("**CREST**"), subject to certain exceptions. The Company reserves the right to require settlement for and delivery of the Placing Shares (or a portion thereof) to Placees in certificated form if, in the opinion of Panmure Gordon or Stockdale, delivery or settlement is not possible or practicable within the CREST system or would not be consistent with the regulatory requirements in the Placee's jurisdiction.

Participation in the Placing is only available to persons who are invited to participate in it by Panmure Gordon or Stockdale.

A Placee's commitment to acquire a fixed number of Placing Shares under the Placing will be agreed orally with Panmure Gordon or Stockdale and a trade confirmation will be despatched as soon as possible thereafter. Such agreement will constitute a legally binding commitment on such Placee's part to acquire that number of Placing Shares at the Issue Price on the terms and conditions set out or referred to in this Appendix II and subject to the Company's Articles of Association.

Following the close of the Bookbuild, each Placee allocated Placing Shares in the Placing will be sent a trade confirmation in accordance with the standing arrangements in place with Panmure Gordon or Stockdale, stating the number of Placing Shares allocated to it at the Issue Price, the aggregate amount owed by such Placee to Panmure Gordon or Stockdale and settlement instructions.

Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with the standing CREST or certificated settlement instructions that it has in place with Panmure Gordon or Stockdale. Settlement should be through Panmure Gordon against CREST ID: 83801 or through Stockdale's settlement agent (CREST ID: MAMAY). For the avoidance of doubt, Placing allocations will be booked with a CREST trade date of 5 March 2019 and settlement date of 11 March 2019.

The Company will deliver the Placing Shares to the CREST accounts operated by Panmure Gordon and/or Stockdale as agent for the Company and Panmure Gordon and/or Stockdale will enter its delivery (DEL) instruction into the CREST system. The input to CREST by a Placee of a matching or acceptance instruction will then allow delivery of relevant Placing Shares to that Placee against payment. The Placing Shares will be held as nominee for the relevant Placee.

It is expected that settlement will take place on 11 March 2019 for the Placing Shares on a delivery versus payment basis.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of four per cent. per annum above the base lending rate of the Bank of England, as determined by Panmure Gordon and Stockdale.

Each Placee is deemed to agree that, if it does not comply with these obligations, the Company may sell any or all of the Placing Shares allocated to that Placee on such Placee's behalf and retain from the proceeds, for the Company's account and benefit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the trade confirmation is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

Representations and warranties

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) acknowledges, undertakes, represents, warrants and agrees (as the case may be) with Panmure

Gordon, Stockdale and the Company, in each case as a fundamental term of their application for Placing Shares, the following:

That it:

1. represents and warrants that it has read this Announcement, including this Appendix II, in its entirety and that its acquisition of Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained herein, and undertakes not to redistribute or duplicate this Announcement.
2. acknowledges that it has received this Announcement solely for its use and has not redistributed or duplicated it;
3. acknowledges and agrees that no offering document, prospectus or admission document has been or will be prepared in connection with the Placing and represents and warrants that it has not received a prospectus, admission document or other offering document in connection with the Placing or the Placing Shares;
4. acknowledges that its participation in the Placing shall also be subject to the provisions of the Placing Agreement and the Articles of Association of the Company in force both before and immediately after Admission;
5. acknowledges that the ordinary shares in the capital of the Company are admitted to trading on AIM, and the Company is therefore required to publish certain business and financial information in accordance with the rules and practices of AIM (collectively, the "**Exchange Information**"), which includes a description of the nature of the Company's business and the Company's most recent balance sheet and profit and loss account and that it is able to obtain or access such Exchange Information without undue difficulty and is able to obtain access to such information or comparable information concerning any other publicly traded company without undue difficulty;
6. acknowledges that neither Panmure Gordon, nor Stockdale nor the Company nor any of their respective affiliates or any person acting on behalf of any of them has provided, and will not provide, it with any material regarding the Placing Shares or the Company other than this Announcement; nor has it requested any of Panmure Gordon, Stockdale, the Company, any of their respective affiliates or any person acting on behalf of any of them to provide it with any such information;
7. acknowledges that the content of this Announcement is exclusively the responsibility of the Company and that neither Panmure Gordon nor Stockdale nor any person acting on its respective behalf has or shall have any liability for any information, representation or statement contained in this Announcement or any information previously published by or on behalf of the Company and will not be liable for any Placee's decision to participate in the Placing based on any information, representation or statement contained in this Announcement or otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing itself to subscribe for the Placing Shares is contained in this Announcement and any information previously published by the Company by notification to a Regulatory Information Service, such information being all that it deems necessary to make an

investment decision in respect of the Placing Shares and that it has neither received nor relied on any other information given or representations, warranties or statements made by Panmure Gordon, Stockdale or the Company or their respective affiliates and neither Panmure Gordon nor Stockdale nor the Company nor their respective affiliates will be liable for any Placee's decision to accept an invitation to participate in the Placing based on any other information, representation, warranty or statement. Each Placee further acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in deciding to participate in the Placing;

8. represents and warrants that it has neither received nor relied on any inside information (as defined in Article 7 of MAR) concerning the Company in accepting this invitation to participate in the Placing;
9. acknowledges that neither Panmure Gordon nor Stockdale nor any person acting on their behalf nor any of their respective affiliates has or shall have any liability for any publicly available or filed information, or any representation relating to the Company, provided that nothing in this paragraph excludes the liability of any person for fraudulent misrepresentation made by that person;
10. represents and warrants that it has complied with its obligations under the Criminal Justice Act 1993, MAR, and in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 (as amended), the Terrorism Act 2006, the Criminal Justice (Money Laundering and Terrorism Financing) Act 2010 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the "**Regulations**") and any related or similar rules, regulations or guidelines, issued, administered or enforced by any government agency having jurisdiction in respect thereof and the Money Laundering Sourcebook of the FCA and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
11. if a financial intermediary, as that term is used in Article 3(2) of EU Directive 2003/71/EC, as amended (the "**Prospectus Directive**") (including any relevant implementing measure in any member state), represents and warrants that the Placing Shares subscribed for by it in the Placing will not be acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a member state of the European Economic Area which has implemented the Prospectus Directive other than to qualified investors, or in circumstances in which the prior consent of Panmure Gordon and Stockdale has been given to the proposed offer or resale;
12. represents and warrants that it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of FSMA;
13. represents and warrants that it has not offered or sold and will not offer or sell any Placing Shares to persons in the European Economic Area prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted in and which will not result in an offer to the public

in any member state of the European Economic Area within the meaning of the Prospectus Directive;

14. represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;
15. represents and warrants that it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;
16. represents and warrants that it is a person falling within Article 19(5) and/or Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or is a person to whom this Announcement may otherwise be lawfully communicated;
17. acknowledges that any offer of Placing Shares may only be directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive and represents and agrees that it is such a qualified investor;
18. represents and warrants that it and any person acting on its behalf is entitled to subscribe for Placing Shares under the laws of all relevant jurisdictions which apply to it and that it has all necessary capacity and has obtained all necessary consents and authorities to enable it to commit to this participation in the Placing and to perform its obligations in relation thereto (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this Announcement) and will honour such obligations, and that its subscription of the Placing Shares will be in compliance with applicable laws and regulations in the jurisdiction of its residence, the residence of the Company, or otherwise;
19. acknowledges and agrees that the Placing Shares have not been and will not be registered under the relevant Canadian, Japanese, South African or Australian securities legislation and therefore the Placing Shares may not be offered, sold, transferred or delivered directly or indirectly into Canada, Japan, the Republic of South Africa, Australia or their respective territories and possessions, except subject to limited exemptions;
20. warrants that it has complied with all relevant laws of all relevant territories, obtained all requisite governmental or other consents which may be required in connection with the Placing Shares, complied with all requisite formalities and that it has not taken any action or omitted to take any action which will or may result in Panmure Gordon, Stockdale, the Company or any of their respective directors, officers, agents, employees or advisers acting in breach of the legal or regulatory requirements of any territory in connection with the Placing;
21. acknowledges and agrees that its purchase of Placing Shares does not trigger, in the jurisdiction in which it is resident or located: (i) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; (ii) any disclosure or

reporting obligation of the Company; or (iii) any registration or other obligation on the part of the Company;

22. undertakes that it (and any person acting on its behalf) will make payment for the Placing Shares allocated to it in accordance with this Announcement on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other subscribers or sold as Panmure Gordon or Stockdale may in its discretion determine and without liability to such Placee;
23. acknowledges that neither Panmure Gordon nor Stockdale nor any of their respective affiliates, nor any person acting on behalf of any of them, is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing, and that participation in the Placing is on the basis that it is not and will not be a client of Panmure Gordon or Stockdale for the purposes of the Placing and that neither Panmure Gordon nor Stockdale has any duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of its rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;
24. undertakes that the person whom it specifies for registration as holder of the Placing Shares will be (i) itself or (ii) its nominee, as the case may be. Neither Panmure Gordon nor Stockdale nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Each Placee and any person acting on behalf of such Placee agrees to participate in the Placing and it agrees to indemnify the Company, Panmure Gordon and Stockdale in respect of the same on the basis that the Placing Shares will be allotted to the CREST stock accounts of Panmure Gordon and/or Stockdale who will hold them as nominee on behalf of such Placee until settlement in accordance with its standing settlement instructions;
25. acknowledges that these terms and conditions and any agreements entered into by it pursuant to these terms and conditions and any non-contractual obligations arising out of or in connection with such agreements shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, Placing dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company, Panmure Gordon or Stockdale in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;
26. acknowledges that Panmure Gordon, Stockdale and their respective affiliates will rely upon the truth and accuracy of the representations, warranties and acknowledgements set forth herein and which are irrevocable and it irrevocably authorises Panmure Gordon and Stockdale to produce this Announcement, pursuant to, in connection with, or as may be required by any applicable law or regulation, administrative or legal proceeding or official inquiry with respect to the matters set forth herein;
27. agrees to indemnify on an after tax basis and hold the Company, Panmure Gordon and Stockdale and their respective affiliates harmless from any and all costs, claims, liabilities and

expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix II and further agrees that the provisions of this Appendix II shall survive after completion of the Placing;

28. represents and warrants that it will acquire any Placing Shares subscribed for by it for its account or for one or more accounts as to each of which it exercises sole investment Placing discretion and it has full power to make the acknowledgements, representations and agreements herein on behalf of each such account;
29. acknowledges that its commitment to subscribe for Placing Shares on the terms set out herein and in the relevant trade confirmations will continue notwithstanding any amendment that may in future be made to the terms of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's conduct of the Placing. The foregoing representations, warranties and confirmations are given for the benefit of the Company, Panmure Gordon and Stockdale. The agreement to settle a Placee's subscription (and/or the subscription of a person for whom such Placee is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to the subscription by it and/or such person direct from the Company for the Placing Shares in question. Such agreement assumes, and is based on a warranty from each Placee, that neither it, nor the person specified by it for registration as holder, of Placing Shares is, or is acting as nominee or agent for, and that the Placing Shares will not be allotted to, a person who is or may be liable to stamp duty or stamp duty reserve tax under any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services). If there are any such arrangements, or the settlement relates to any other dealing in the Placing Shares, stamp duty or stamp duty reserve tax may be payable. In that event, the Placee agrees that it shall be responsible for such stamp duty or stamp duty reserve tax, and neither of the Company, nor Panmure Gordon nor Stockdale shall be responsible for such stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and notify Panmure Gordon or Stockdale accordingly;
30. understands that no action has been or will be taken by any of the Company, Panmure Gordon, Stockdale or any person acting on behalf of the Company, Panmure Gordon or Stockdale that would, or is intended to, permit a public offer of the Placing Shares in any country or jurisdiction where any such action for that purpose is required;
31. in making any decision to subscribe for the Placing Shares, confirms that it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for the Placing Shares. It further confirms that it is experienced in investing in securities of this nature in this sector and is aware that it may be required to bear, and is able to bear, the economic risk of, and is able to sustain a complete loss in connection with the Placing. It further confirms that it relied on its own examination and due diligence of the Company and its associates taken as a whole, and the terms of the Placing, including the merits and risks involved;
32. represents and warrants that it has (i) made its own assessment and satisfied itself concerning legal, regulatory, tax, business and financial considerations in connection herewith to the extent it deems necessary; (ii) had access to review publicly available information concerning the Company that it considers necessary or appropriate and sufficient in making an investment decision; (iii) reviewed such information as it believes is necessary or appropriate in connection with its subscription of the Placing Shares; and (iv)

made its investment decision based upon its own judgment, due diligence and analysis and not upon any view expressed or information provided by or on behalf of Panmure Gordon or Stockdale;

33. understands and agrees that it may not rely on any investigation that Panmure Gordon or Stockdale or any person acting on their behalf may or may not have conducted with respect to the Company, or the Placing and Panmure Gordon or Stockdale has not made any representation to it, express or implied, with respect to the merits of the Placing, the subscription for the Placing Shares, or as to the condition, financial or otherwise, of the Company, or as to any other matter relating thereto, and nothing herein shall be construed as a recommendation to it to subscribe for the Placing Shares. It acknowledges and agrees that no information has been prepared by Panmure Gordon or Stockdale for the purposes of this Placing;
34. accordingly it acknowledges and agrees that it will not hold Panmure Gordon or Stockdale or any of their respective affiliates or any person acting on their behalf responsible or liable for any misstatements in or omission from any publicly available information relating to the Company or information made available (whether in written or oral form) in presentations or as part of roadshow discussions with investors relating to the Company (the "**Information**") and that neither Panmure Gordon nor Stockdale nor any person acting on behalf of Panmure Gordon or Stockdale makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of such Information or accepts any responsibility for any of such Information;
35. understands that the Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and accordingly, may not be offered or sold or otherwise transferred in the United States except pursuant to a registration statement under the Securities Act or an exemption from, or a transaction not subject to, the registration requirements of the Securities Act; and
36. each Placee (and any person acting on such Placee's behalf) agrees, represents and warrants as follows:
 - a. it is aware that the Placing Shares are being offered outside the United States in reliance on Regulation S promulgated under the Securities Act;
 - b. it is, at the time of the offer and acceptance of the Placing Shares, outside the United States for the purposes of Regulation S; and
 - c. it did not purchase or otherwise acquire the Placing Shares based on or due to directed selling efforts (as defined in Rule 902 under the Securities Act), including based on an advertisement in a publication with a general circulation in the United States, nor has it seen or been aware of any activity that, to its knowledge, constitutes directed selling efforts in the United States.

The foregoing representations, warranties and confirmations are given for the benefit of the Company, Panmure Gordon and Stockdale.

In addition, Placees should note that they will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by them or any other person on the subscription by them of any Placing Shares or the agreement by them to subscribe for any Placing Shares.

Each Placee and any person acting on behalf of each Placee acknowledges and agrees that either Panmure Gordon, Stockdale or any of their respective affiliates may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares.

All times and dates in this Announcement may be subject to amendment. Panmure Gordon or Stockdale shall notify the Placees and any person acting on behalf of the Placees of any changes.

The past performance of the Company and its securities is not, and should not be relied on as, a guide to the future performance of the Company and its securities. Persons needing advice should consult an independent financial adviser.

APPENDIX III

RISK FACTORS

Shareholders should be aware that an investment in the Company is speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this Announcement including, in particular, the risk factors described below, which are not presented in any order of priority and may not be exhaustive.

The following risk factors are all those known by the Directors which are considered to be material in their opinion. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations.

General Risks

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Risks relating to the Transaction

Investment in AIM securities

An investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid than an investment in a company whose shares are listed on the Official List. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

AIM Rules

The AIM Rules are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has examined or approved the contents of this Announcement. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Dilution of ownership of Ordinary Shares

Shareholders' (who are not Placees) proportionate ownership and voting interest in the Company will be reduced pursuant to the Placing. In addition, to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their shareholdings represent of the ordinary share capital of the Company will, following Admission, be reduced accordingly. Subject to certain exceptions, Shareholders with registered addresses in, or who are resident or located in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer.

Volatility of share price

The trading price of the Ordinary Shares may be subject to fluctuations in response to a number of events and factors, such as variations in operating results, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Group, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

The following factors, in addition to other risks described in this Appendix III, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market conditions;
- analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business. In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

Future payment of dividends

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and shareholders of the Company and will depend upon, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

Valuation of shares

The Issue Price has been determined by the Company and may not relate to the Company's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

Market perception

Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

Suitability

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. An investment in the Company involves a high degree of risk. Prospective investors are advised to consult a person authorised by the FCA (or, if outside the UK, another appropriate regulatory body) before making their decision.

Strategic and business risk

Strategic and business risk is the risk which affects the Group's ability to achieve its corporate and strategic objectives. Earnings and profitability can be impacted by the Group's strategic decisions, a change in business conditions, improper implementation of decisions or lack of responsiveness to industry changes. Strategic risk can arise as a result of both internal and external factors, including operational, financial, macroeconomic, market, pricing and technological challenges.

The success of the Group's business model also requires obtaining significant numbers of new savings and lending customers, either through new customer acquisition or returning existing customers. Implementing the Group's strategy will also require management to make complex judgements, including anticipating customer trends and needs across a range of financial products, identifying suitable borrowers for the expansion of its loan book, and structuring and pricing its products competitively. There also can be no guarantee that the Group's technological infrastructure will be adequate to support its planned growth, or that the Group will be able to successfully augment its systems if required in a timely manner, or at all.

Furthermore, the Group's strategy is based on, among other things, certain financial expectations, including its ability to raise new capital and/or debt, which in turn, could be impeded by macroeconomic factors, including a downturn in the UK, European or global economies, increased competition in the retail banking sector and/or significant or unexpected changes in the regulation of the financial services sector in the UK or Europe.

Moreover, in recent years, there has been an increased focus by UK regulators on the appropriateness and sustainability of the business models and growth strategies of regulated firms such as PCFG. Regulators no longer focus exclusively on the financial strength of regulated firms but also consider non-financial resources, including governance and infrastructure, available to the firm in assessing the sustainability of the business model and whether it continues to meet regulatory requirements. In addition, certain regulators have the power to restrict regulated firms' ability to develop products or make material acquisitions. If the Group's regulators believe that it does not have a sustainable business model or does not meet any of the regulatory conditions, they could remove or restrict the Group's operating licences and/or the way in which it conducts its business.

The Board seeks to operate the business in such a way as to achieve a consistent increase in profits and shareholders' return. The Group does not intend to undertake any medium to long-term strategic actions within its business model which would put at risk its vision of being a successful, specialist lender in its chosen and target markets, backed by a strong and dependable savings franchise. It will assess and evaluate its strategic initiatives in relation to the requirements and expectations of key stakeholders, and will monitor, review, and challenge its performance against strategy using established key performance indicators. The Group will not put its core strategic and business objectives at a level of risk which is beyond its financial resources and operational capabilities under both normal and stressed conditions.

Credit risk

Credit risk is the risk that a borrower fails to pay the interest or to repay the capital on the Group's loans and receivables, thereby giving rise to the Group incurring a financial loss on that borrower's account. The Group aims to minimise the impact on profitability from defaults through a prudent and stringent underwriting policy and case management when customers are in difficulty. It is exposed to the risk that customers owing the Group money will not fulfil their obligations. An increase in defaults among its customers may have a material adverse effect on the Group's performance. The Group regularly reviews its lending criteria as well as its credit exposure to all customers. However, default risk may arise from events which are outside the Group's control, primarily customer performance due to factors such as loss of employment, family circumstances, illness, business failure, adverse economic conditions or fraud.

The Group intends to focus its lending on its specific areas of expertise and continually stresses its portfolio to test resilience. The majority of the Group's lending is secured and amortised over the life of the assets. The credit risk from concentration is limited due to the relatively low value of each customer's debt and to the Group's large and diverse customer base. In order to ensure that arrears are minimised, emphasis is placed on retaining a diversified portfolio, using prudent underwriting methods and resisting the inclination to increase credit risk in the quest for increased volumes of new business.

Capital risk

Capital risk is the risk that the Group will have insufficient capital resources to support the business. The Group is subject to capital adequacy requirements implemented by the PRA. If the Group fails to meet its minimum regulatory capital requirements, this may result in corrective action or sanctions against it which could adversely impact its business and, in particular, its reputation. The Group may also experience increased requirements for capital as a result of new regulations.

A capital exposure arises when the Group has insufficient capital resources to support its strategic objectives and plans. This could arise due to the depletion of its capital resources, as a crystallisation of any risk to which it is exposed or an inability to raise capital.

The Group aims to maintain a sufficient level of capital above the total regulatory capital requirement and CRDIV capital buffers as detailed in the internal capital adequacy assessment process ('ICAAP'). The level of surplus capital held is formally reviewed by the asset and liability committee ('ALCO'), executive committee ('ExCo') and the Board on at least an annual basis, with metrics produced for review by the Board.

The Group intends to monitor closely and regularly its capital and leverage ratios to ensure that it meets current and future regulatory requirements. It has a supportive majority shareholder who has participated in previous capital raisings, and is able to accumulate additional capital through profits and by raising new equity as a listed company on a recognised stock exchange. The Group is able to

manage the demand for capital through management actions including adjusting its lending strategy and regularly conducts stress tests and sensitivity analyses on a forward-looking basis.

Effective management of the Group's capital is critical to its ability to operate its business and to pursue its strategy. The Directors set the Group's internal target amount of capital by taking account of its own assessment of the risk profile of the business, market expectations and regulatory requirements. If regulatory requirements as to capital levels increase, driven by, for example, new regulatory requirements or expectations, the Group may be required to increase its capital ratios. The Group may also need to increase its capital level in response to changing market conditions or expectations. If the Group is unable to increase its capital in response, it may no longer comply with regulatory requirements or satisfy market expectations related to its capital strength and, as a result, its business, financial condition, and results of operations and prospects may be adversely impacted. Any change that limits the Group's ability to effectively manage its capital (including, for example, reductions in profits and retained earnings as a result of credit losses, write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets, or the inability to raise capital or funding through wholesale markets as a result of market conditions or otherwise) could have a material adverse effect on its business, financial condition, results of operations, liquidity and/or prospects.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Group is not able to fund new business originations or meet cash flow or collateral obligations as they fall due without adversely affecting either its daily operations or its financial health. The Group intends at all times to maintain liquidity resources that are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The Group will not tolerate liquidity risk that leads to it being unable to meet its liabilities as they fall due in a scenario consistent with its standard pillar 1 and pillar 2 internal liquidity adequacy assessment process ("ILAAP") stress tests. The Group seeks to maintain strong relationships with its banks for funding purposes, be active in the retail deposit taking market and maintain a diversified funding strategy. The Group seeks to align the tenor of its funding to the average effective life of its loan portfolio. The Group intends to continue to maintain wholesale debt and have at its disposal an appropriate level of facility headroom. However there can be no guarantee that such funding will continue to be available to the Group.

All the Group's loans and advance to customers are at fixed rates for the term of the contract. The Bank's retail deposit products are also mainly fixed rate and term, with the overall mix of tenors set to match the maturity and refinancing profile of the Group's loans and advances, and the balance in the form of 100 day notice accounts. Legacy wholesale facilities provided by banks and finance houses are at fixed rates and naturally match the maturity profile of loans and advances.

The Group maintains its liquidity resources in the form of high-quality liquid assets ("HQLA"). It is intended that the amount of these will, at all times, exceed the minimum required by the Overall Liquidity Adequacy Rule ('OLAR') and liquidity risk tolerance. The Group carries out forward modelling to identify liquidity mismatches.

Market and interest rate risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. Market risk, therefore, results from all positions included in the Group's banking book, as well as from foreign exchange and other risk positions. Interest rate risk is the risk that the Group will be adversely affected by changes in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. The Group aims to minimise the adverse impact on NIM caused by an increased cost of variable rate borrowings

and, where necessary, to fix the cost of borrowing through the use of interest rate swaps. To the extent that the Group's receivables may not be matched by deposits and borrowings at fixed rates or covered by interest rate swaps at any point in time the Group will be exposed to the risks of changes in market interest rates and might incur higher interest costs on its debts than anticipated which may have an adverse effect on the Group's profitability. The Group does not trade wholesale financial instruments and therefore does not have a trading book.

The Group's balance sheet exposures are predominantly in Sterling, so it has little foreign exchange risk. Some assets are bought or sold in foreign currency as are broking transactions, but these are short-term exposures. The Group manages its interest rate risk in the banking book ('IRRBB') by identifying and quantifying interest rate risk gaps due to mismatches between assets, liabilities and existing interest rate swaps. Where a significant interest rate gap is identified, the Group will execute an interest rate swap to hedge the position. It will ensure that the change in economic value of equity ("EVE") and earnings at risk ("EaR") are managed within policy limits at all times.

Operational risk including in the event of a failure of IT systems

Operational risk is the risk of loss arising from inadequate or failed controls or processes, people and systems or from external events. The Group maintains a strong internal control environment to mitigate operational risk which is inherent to its business activities and to minimise the financial impact of operational risk arising from risks such as IT disruption, human error, a breakdown of procedures, non-compliance with policy and internal or external fraud.

The principal operational risks which may result in financial loss, disruption or damage to the reputation of the Group include inability to continue or resume services to customers as a result of a disruption to business or IT system failures, cyber risks associated with malicious attacks on the confidentiality or integrity of electronic data, and external fraud arising from the act of deception or omission, including identity fraud and asset conversion. Any weakness in the Group's IT systems or operational processes could have an adverse effect on its ability to operate its business and meet customer needs.

The Group reviews IT system architecture to ensure systems are resilient and that the confidentiality, integrity and availability of critical systems and information assets are protected against cyber-attacks. It intends to invest in enhanced protection of customer information, including limiting access to key systems and enhancing the security, durability and accessibility of critical information. The Group maintains a strong internal control environment and adopt policies and procedures to detect and prevent the use of its business for operational risk, fraud, money laundering, facilitating tax evasion, bribery and activities prohibited by legal and regulatory requirements. The Group intends to continue to invest in enhanced protection of customer information, including limiting access to key systems and enhancing the security, durability and accessibility of critical information, and will continue to evolve its fraud awareness programme and keep ahead of industry threats and trends.

Regulatory risk

Regulatory risk is the risk that the Group is exposed to fines, censure, legal or enforcement action, civil or criminal proceedings due to failing to comply with applicable laws, regulations, codes of conduct or legal obligations. The Group has put in place appropriate measures to avoid regulatory breaches, fines, censure, legal or enforcement action due to failing to comply with applicable laws, regulations and codes of conduct or legal obligations.

The Group engages with industry bodies, such as UK Finance and The Finance and Leasing Association and seeks external advice from auditors and consultants. Policies and procedures set out the principles and key controls that should apply across the business and which are aligned to its risk policies. The

Group's risk and compliance divisions provide oversight, proactive support and constructive challenge to the business in identifying and managing regulatory issues and conduct thematic reviews of regulatory compliance throughout the business.

Changes in legislation relating to the consumer credit industry may lead to increased regulation and costs for the Company which may adversely affect the profitability of consumer credit business.

Conduct risk

Conduct risk is the risk of customer detriment, regulatory censure or a reduction in earnings value, through financial or reputational loss from an inappropriate or poor customer outcome or from business conduct. It is the risk that the Group's behaviour results in poor customer outcomes, exposing the firm to recourse from its customers, loss of business from reduced trading and the potential for regulatory action.

The Group has no appetite for conduct risk events arising from poor product design, corporate culture or operational processes. The Group restricts its activities to areas of established expertise and seeks to ensure the culture of the organisation delivers a fair outcome for customers. The Board has an approved statement on culture, adopted throughout the organisation and conduct risk appetite is established at Group and business area level.

Brexit and economic environment

On 23 June 2016, the UK held a referendum on the UK's continued membership of the EU. This resulted in a vote for the UK to exit the EU and the UK government formally served notice on 29 March 2017 of the UK's intention to leave the EU in accordance with Article 50(2) of the Treaty on EU, marking the start of the process of the UK's withdrawal from the EU ("**Brexit**"). Brexit could have a significant impact on the Group's business and financial condition, including the possibility of stress events in addition to those identified in the ILAAP and ICAAP assessments. The extent of the impact would depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on European Union legislation. In addition, the macroeconomic effect of Brexit on the Group's business and that of its clients is unknown. As such, it is not possible to state the impact that Brexit would have either on the Company or the Group as a whole and whether such impact would positively or adversely affect the business.

Management believes that Brexit's potential effect on the Group would be indirect and confined to the events identified above. Management's immediate concern is primarily focused on the negative effect that the prolonged process of Brexit is having on consumer and business sentiment and the effect this is having on demand in the Group's core areas of business. Prolonged political and economic uncertainty and the potential negative economic trends that may follow could have a material adverse effect on the Group's overall business and financial condition. In addition, it could potentially make it more difficult for the Company to raise capital.

There is also a risk that the vote by the UK to leave the EU could result in other member states reconsidering their respective membership of the EU. Potential changes to the respective legal systems of the EU and the UK as a result of Brexit may affect the Company's ability to take enforcement action in the jurisdictions of remaining EU member states.

The Group continues to monitor closely the Brexit negotiations and the potential economic impact on credit risk and implications for the business. It will decide whether internal scenario planning is required as the political and economic situation develops. The Government has published a series of technical notices to allow businesses and citizens to understand what they would need to do under

different Brexit scenarios, so they can make informed plans and preparations. Management will continue to review relevant technical notices as they are released and will model different Brexit outcomes, specifically looking at the effects it may have on the capital and liquidity of the Group.

Although it is not possible to predict fully the effects of the exit of the UK from the EU, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Company's business, revenue, financial condition, profitability, prospects and results of operations.

Technological and competitive changes to the motor vehicle market

The Group has a significant lending portfolio in motor cars. Technical obsolescence could result in a concentrated exposure to particular vehicle categories, such as diesel vehicles, and may lead to a diminution of vehicle values if defensive action is not taken. The evolution of electronic or autonomous vehicles is seen as long-term risk.

The sector risks are mitigated by collateral backed lending, sensible loan to value lending, low average lending balances, a wide range of models and marques for residual diversification and an increased focus on prime motor finance. The Group does not offer finance products that take a residual position in the motor vehicle.

Continued successful participation in this sector requires a good understanding of the upcoming changes in regulation, prudent lending criteria and sensible lending practices. The Group monitors its portfolio on a regular basis allowing it to amend its lending criteria to reflect changes in economic conditions and the vehicle market, including research into the electric vehicle sector. The Group has over twenty years' experience of the consumer motor finance sector.

Controlling Shareholder

As at 18 February 2019 (being the latest practicable date prior to the publication of this Announcement), the Somers Group held 139,396,547 Ordinary Shares amounting to 65.09 per cent. of the issued share capital of the Company. The Company has not entered into a relationship agreement with the Somers Group and there is no binding agreement to prevent the Somers Group from using its influence to prevent the Company from carrying on its business and making decisions in the interests of Shareholders as a whole and independently of the Somers Group. Should the Somers Group decide to disregard the interests of other shareholders, this may have a material adverse effect on the value of the Ordinary Shares. In particular, any matter proposed to be approved by shareholder resolution may not be passed if the Somers Group exercises its vote against such resolution.

If the Somers Group were to seek to sell its holding of Ordinary Shares, a lack of liquidity in the market may cause the price of the Ordinary Shares to fall dramatically and Shareholders may not be able to sell their Ordinary Shares at a price which reflects their actual or potential value. Any sale of Ordinary Shares by the Somers Group for whatever reason may have a material adverse effect on the market price of the Ordinary Shares.

Inadequate security

The Group is exposed to the risk that the security upon which its advances are made may reduce in value, so that the Group may not recover some or all of its advances in the event of a customer default. This risk is mitigated by maintaining a diverse portfolio of customers, spreading risk across a variety of assets and sectors, lending for periods appropriate to the assets' lives and forming detailed assessments on both the value of the security and the customer's ability to service the debt. Specialist third party asset and vehicle valuations are obtained, where considered necessary. A significant decrease in the value of the assets over which the Company takes security may lead to an increase in

impairments and a decrease in the earnings of the Company which may have an adverse effect on the Group's performance.

Competition

The Group may face increasing competition from other financial services providers, in particular those operating in the consumer and SME vehicle and asset finance markets. Many of the Group's current competitors are significantly larger, are part of established banks and therefore have significantly greater resources than the Group. In addition, there is the possibility of new competition entering the sector. Increased competition may have an adverse effect on the performance of the Group, reducing revenues, margins and profitability.

As technology evolves and customer needs and preferences change, there is an increased risk of disruptive innovation or a failure by the Group to introduce new products and services to keep pace with industry developments and meet customer expectations. The Group is also subject to the risk of not appropriately responding to innovation in financial technologies and the industry-wide risk of traditional banking information technology infrastructure and digital technologies becoming obsolete. The Group's financial and operational performance may be materially adversely affected by an inability to keep pace with industry trends and customer expectations.

Any failure to manage the competitive dynamics to which the Group is exposed could have a material adverse effect on its business, financial condition and results of operations.

Key personnel

The Group depends on the services of its Board and senior management team, all of whom have significant financial services and general business experience. The loss of the services of any of these key personnel could have an adverse effect on the Group's performance.

The Group is exposed to risks relating to relationships with intermediaries

The Group is reliant on a network of intermediaries, including brokers to distribute its products. The Group has limited direct oversight of intermediaries' interactions with prospective customers, outside of the Group's regulatory responsibilities and, if intermediaries violate applicable regulations or standards when selling the Group's products, the Group's reputation could be harmed. In addition, the Group may fail to develop products that are attractive to intermediaries or otherwise not succeed in developing relationships with intermediaries. Furthermore, the Group could lose the services of intermediaries with whom it does business, for example, as a result of market conditions causing their closure or intermediaries switching to the Group's competitors due to higher commissions or other incentives. The loss or deterioration of the Group's relationships with its intermediaries could have a **material adverse effect on the Group's business, financial condition and results of operations.**

The EU General Data Protection Regulation

The EU General Data Protection Regulation ("GDPR") came into force and has applied directly to the legislation of all EU Member States from 25 May 2018 and replaced historic EU data privacy laws. The GDPR introduced a number of new more stringent obligations on data controllers and rights for data subjects as well as new and increased fines and penalties for breaches of its data privacy obligations. This increasingly restrictive and complex legal framework has resulted in a greater compliance burden for businesses with customers in Europe. The Group has incurred, and will continue to incur, costs and effort to ensure compliance with the GDPR and this could further increase compliance costs for the Group going forward.

If the Group is found not to comply with the data protection laws and regulations (including the GDPR) this may result in investigative or enforcement action (including criminal proceedings and significant pecuniary penalties) by the Information Commissioner's Office in the UK and/or claims (including possible class actions) being brought against it by affected customers. This in turn could damage the Group's reputation, lead to negative publicity and result in the loss of the goodwill of its existing customers and deter new customers, all of which would have a material adverse effect on the Group's businesses, results of operations, financial condition and prospects.

APPENDIX IV

DEFINITIONS

The following definitions apply throughout this Announcement, unless the context otherwise requires:

“Admission”	admission of the New Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Act"	the Companies Act 2006 (as amended)
"AGM"	the Company's Annual General Meeting which will be held on 8 March 2019
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies governing the admission to and operation of AIM published by the London Stock Exchange as amended from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange as amended from time to time
“Announcement”	this Announcement (including the appendices to this Announcement)
"Applicant"	a Qualifying Shareholder or a person by virtue of a <i>bona fide</i> market claim who lodges an Application Form or relevant CREST instruction under the Open Offer
“Application Form”	the application form relating to the Open Offer and enclosed with the Circular for use by Qualifying non-CREST Shareholders
“Articles”	the articles of association of the Company in force on the date hereof
"Azule"	Azule Limited, a wholly owned subsidiary of the Company
“Basic Entitlement(s)”	the <i>pro rata</i> entitlement for Qualifying Shareholders to subscribe for Open Offer Shares, pursuant to the Open Offer as described in the Circular
“Bermuda Commercial Bank Limited” or “BCB”	Bermuda Commercial Bank Limited, a company incorporated in Bermuda with registered number LC1404 whose registered office is at Bermuda Commercial Bank Building, 34 Bermudiana Road, Hamilton, HM11, Bermuda. BCB is a wholly owned subsidiary of Somers
“Board” or the “Directors”	the Directors of the Company
“Brexit”	the UK’s withdrawal from the EU
"CCSS"	the CREST Courier and Sorting Service, established by Euroclear to facilitate, <i>inter alia</i> , the deposit and withdrawal of certificated securities

“certified” or “in certificated form”	in relation to a share or other security, a share or other security that is not in uncertificated form, that is not in CREST
“Circular”	the circular of the Company giving (amongst other things) details of the Placing and Open Offer and incorporating the Notice of General Meeting, which is to be published on or around 20 February 2019
“Closing Price”	the closing middle market quotation of a share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange
“Company” or “PCFG”	PCF Group plc, a company incorporated in England and Wales with company number 02863246 whose registered office is at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER
“CREST”	the relevant system (as defined in the CREST Regulations 2001) for the paperless settlement of trades and the holding of uncertificated securities, operated by Euroclear, in accordance with the same regulations
“CREST Manual”	the rules governing the operation of CREST, as published by Euroclear
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3875), as amended
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a Sponsored Member (which includes all CREST Personal Members)
“Disclosure and Transparency Rules” or “DTRs”	the disclosure guidance and transparency rules of the FCA as amended from time to time
“EEA”	the European Economic Area
“Enlarged Share Capital”	the issued Ordinary Share capital of the Company immediately following the issue of the New Shares
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excess Entitlement(s)”	Open Offer Shares in excess of the Basic Entitlement, but not in excess of the total number of Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer as described in the Circular

“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of the Basic Entitlement in accordance with the terms and conditions of the Open Offer
"Excess CREST Open Offer Entitlement"	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to the Basic Entitlement credited to the Qualifying CREST Shareholder's account in CREST, pursuant to the Excess Application Facility, which is conditional on the Qualifying CREST Shareholder taking up his Basic Entitlement in full and which may be subject to scaleback in accordance with the provisions of the Circular
"Excess Shares"	the Open Offer Shares for which Qualifying Shareholders may apply under the Excess Application Facility in addition to their Basic Entitlement
“Ex-entitlement Date”	the date on which the Existing Ordinary Shares are marked ‘ex’ for entitlement under the Open Offer being 7.00 a.m. on 21 February 2019
“Existing Ordinary Shares”	the 214,152,601 Ordinary Shares in issue as at the date of this Announcement being the entire issued share capital of the Company prior to the Transaction
“FCA”	the UK Financial Conduct Authority established pursuant to the Financial Services Act 2012 and responsible for, among other things, the conduct and regulation of firms authorised and regulated under FSMA and the prudential regulation of firms which are not regulated by the PRA
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“GDPR”	General Data Protection Regulation
“General Meeting”	the general meeting of the Company, to be held at 11.00 a.m. on 8 March 2019 at 1 Cornhill, London EC3V 3ND
“Group”	together the Company and its subsidiary undertakings
"HMRC"	Her Majesty's Revenue & Customs
“HQLA”	high-quality liquid assets
“ILAAP”	internal liquidity adequacy assessment process
"ISIN"	International Securities Identification Number
“Issue Price”	the price at which the Placing Shares are to be placed as will be agreed between the Company, Panmure Gordon and Stockdale
“London Stock Exchange”	London Stock Exchange plc
"member account ID"	the identification code or number attached to any member account in CREST
“Money Laundering Regulations”	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

“Market Abuse Regulation” or “MAR”	regulation (EU) No. 596/2014 of the European Parliament
“New Shares”	the new Ordinary Shares to be issued pursuant to the Transaction (being the Placing Shares and the Open Offer Shares)
“NIM”	net interest margin
“Notice of General Meeting”	the notice convening the General Meeting set out at the end of the Circular
“Official List”	the Official List of the UKLA
“Open Offer”	the conditional invitation to Qualifying Shareholders to apply for the Open Offer Shares at the Issue Price on the terms and conditions outlined in the Circular and, where relevant, in the Application Form
“Open Offer Entitlements”	entitlements for Qualifying Shareholders to subscribe for Open Offer Shares pursuant to the Basic Entitlement and Excess Entitlement
“Open Offer Record Date”	close of business on 19 February 2019
“Open Offer Shares”	the New Shares to be issued pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of five pence each in the capital of the Company having the rights and being subject to the restrictions contained in the Articles
“Overseas Shareholders”	Shareholders with registered addresses, or who are citizens or residents of, or incorporated in Restricted Jurisdictions
“Panmure Gordon”, “Nominated Adviser” or “Joint Broker”	Panmure Gordon (UK) Limited, the Company’s nominated adviser and joint broker
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Placees”	any person who has agreed to subscribe for Placing Shares
“Placing”	the placing by Panmure Gordon and Stockdale, as agents of and on behalf of the Company, of Placing Shares at the Issue Price on the terms and subject to the passing of the Resolutions and the conditions in the Placing Agreement
“Placing Agreement”	the conditional agreement dated 20 February 2019 between the Company, Panmure Gordon and Stockdale, a summary of which is set out in this Announcement
“Placing Shares”	the New Shares to be issued pursuant to the Placing
“PRA”	the UK Prudential Regulation Authority, established pursuant to the Financial Services Act 2012

"Prospectus Rules"	the Prospectus Rules made in accordance with EU Prospectus Directive 12003/7VEC1 in relation to offers of securities to the public and admission of securities to trading on a regulated market
"Publicly Available Information"	any information published by the Company using a Regulatory Information Service
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Open Offer Record Date, are in uncertificated form in CREST
"Qualifying non-CREST Shareholders"	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Open Offer Record Date, are in certificated form
"Qualifying Shareholders"	holders of Existing Ordinary Shares, other than Overseas Shareholders, Somers, and the Directors, whose names appear on the register of members of the Company on the Open Offer Record Date as holders of Existing Ordinary Shares and who are eligible to be offered Open Offer Shares under the Open Offer in accordance with the terms and conditions set out in the Circular
"Registrar"	Computershare Investor Services PLC
"Regulation S"	Regulation S under the Securities Act
"Regulatory Information Service"	a service approved by the London Stock Exchange for the distribution to the public of AIM announcements and included within the list on the website of the London Stock Exchange
"Resolutions"	the Shareholder resolutions to be proposed at the General Meeting and as set out in the Notice of General Meeting
"Restricted Jurisdictions"	the United States, Canada, Australia, Japan, the Republic of South Africa and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law
"RoE"	return on equity
"Scrip Dividend Mandate Form"	mandate forms for the 2018 Scrip Dividend
"Securities Act"	the United States Securities Act of 1933, as amended
"Shareholders"	registered holders of Ordinary Shares
"Somers Group"	together Somers, BCB and any subsidiary undertaking thereof
"Somers Limited" or "Somers"	Somers Limited, a company incorporated in Bermuda with registered number 46441 whose registered office is at 34 Bermudiana Road, Hamilton HM11, Bermuda. Somers is the sole parent company of BCB
"Stockdale" or "Joint Broker"	Stockdale Securities Limited

“Transaction”	together, the Placing and Open Offer
“UK”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Person”	bears the meaning ascribed to such term by Regulation S
“2018 Final Dividend”	the final cash dividend of 0.30 pence per Ordinary Share in respect of the year ended 30 September 2018
“2018 Scrip Dividend”	the opportunity for Shareholders to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend, including in relation to the 2018 Final Dividend

A reference to £ is to pounds sterling, being the lawful currency of the UK.