

Chairman's statement



Sir Malcolm Williamson - Chairman

Delivering a resilient performance in an uncertain landscape

I am delighted to welcome you to Charter Court's Annual Report for 2018. This year brought some welcome relief from the introduction of significant new regulatory changes seen in our industry over recent years. However, there is no doubt that business confidence and economic growth in the UK has suffered throughout the year as negotiations with the EU progressed. Our thoughts on Brexit and the impact it could have on the Group can be found on page 45.

Despite the impact of increased uncertainty on the housing market in general, successful execution of the Group's focused growth strategy - underpinned by its strong capitalisation and competitive advantages - led to continued delivery in both our lending and funding business segments during 2018.

Optimising our corporate governance framework

In line with our commitment to delivering the highest standards of corporate governance, during 2018 we took action to further optimise our governance framework. As part of this process, we established a Stakeholder Committee to ensure appropriate stakeholder involvement in our governance and to inform strategic direction.

We also made several changes to Board committee leadership to reinforce the independence of each committee and enhance their effectiveness. As a result, as of 5 March 2019, I have taken over as Chairman of the Nomination Committee from Ian Ward, who has accepted the position of Chairman of our newly-formed Stakeholder Committee.

During the year, we published our targets for increasing diversity as part of our support for HM Treasury's Women in Finance Charter and calculated our gender pay gap under the new government rules for the first time. Looking ahead, I am committed to ensuring that the Board has the right balance of skills and experience to meet the challenges and opportunities ahead.

► For more information see [Corporate governance on pages 58 to 107](#).

Going the extra mile

Having the right people in the right position at every level across the Group is key to delivering our growth strategy. We expect our newly-formed Stakeholder Committee to be instrumental in encouraging everyone at Charter Court to participate in defining our strategic direction and to go the extra mile in delivering the best products and service to our customers.

To ensure our people have the right environment for success, we not only continue to offer excellent development opportunities but, following the expansion of our Wolverhampton offices, now have an enlarged and inspiring space in which to work.

Our high ranking in The Sunday Times Top 100 Companies to Work For 2018 reflects our strong culture, which is supported by the Board and executive management.

► For more information see [Corporate responsibility on pages 48 to 57](#).

Rewarding our shareholders

In recognition of the Group's strong performance in its first full year as a listed company and the Board's confidence in its future prospects, the Board is proposing a final dividend of 9.9 pence per share, which together with the interim dividend of 2.8 pence per share paid on 4 October 2018 brings the total ordinary dividend for the year to 12.7 pence per share. This represents a pay-out ratio of 25% of profit after tax for 2018, ten percentage points higher than proposed at the time of the IPO. In determining the level of dividend in any year the Directors assess that the Group is still able to meet its regulatory capital and liquidity requirements after dividends are paid. The Board intends to maintain its progressive dividend policy objective going forward. In 2018 the interim dividend was one third of 25% of profit after tax for 2017. Going forward the interim dividend each year will be set at one third of the prior year's total dividend.

“Despite heightened political and macroeconomic uncertainty due to the negotiations over the impending withdrawal of the United Kingdom from the European Union, Charter Court's robust performance in 2018 demonstrates that the business remains resilient and able to deliver value for all our stakeholders.”

Looking ahead

Charter Court's business model combines deep credit risk know-how and proprietary analytics, an extensive intermediary network, a scalable, bespoke operating platform and a sophisticated, flexible and dynamic funding capability. These capabilities underpin the Group's ability to navigate and adapt to uncertainty. This has always been, and continues to be, a significant strength.

With that strong foundation, the Board believes that Charter Court is well positioned to capitalise on the continued demand for the Group's specialist lending proposition to deliver sustainable returns for its shareholders, in spite of challenges that economic and political developments may bring in the near term.

Our continuing success remains dependent on the quality, dedication and commitment of our people, and the ongoing strength of our customer, intermediary and shareholder relationships. We look forward to working with all our stakeholders, as we continue to build our business together.

Potential business combination

On 9 March 2019 the Board announced that it was considering a possible all-share combination of Charter Court and OneSavings Bank ("OSB"). The Board believes that the possible combination creates a highly compelling opportunity to:

- create a leading specialist mortgage lender in the UK with greater scale and resources to deploy on growth opportunities;
- leverage complementary strengths to create a comprehensive and diversified platform across product capabilities, brands and team cultures;
- leverage complementary underwriting capabilities to enhance the customer proposition;
- establish a well-balanced, resilient and diversified retail-wholesale funding platform;
- maintain two leading, independent broker distribution platforms to create an enhanced proposition to the broker community; and
- maintain operational centres of excellence to drive service levels and platform efficiency.

Subject to the successful outcome of ongoing discussions, the Boards of Charter Court and OSB expect to recommend the possible combinations to their respective shareholders.

Sir Malcolm Williamson
Chairman