Capital Markets Day

7 November 2019

We help put people on a path to a better everyday life

Welcome

- CEO since Feb-18
- Board member since '14
- Previously Head of European Investment Banking at UBS

Malcolm Le May

- CFO since Nov-18
- Previously CFO of Just Group plc

Simon Thomas

- Vanquis Bank MD since Apr-19
- Previously CEO of Shop Direct FS and Sainsburys Bank

Neil Chandler

- Moneybarn MD since Jan-17
- Previously Moneybarn Commercial Director

Shamus Hodgson

- CCD MD since Sep-17
- Previously MD of 118118 Money, Amigo and CCD

Chris Gillespie

Today's presentation

Timing	Session		Presenter
1.30-1:55		Marketplace and strategy	Malcolm Le May
1:55-2.35	VANQUIS	Vanquis Bank	Neil Chandler
2.35-3.00	moneybarn credit you can trust	Moneybarn	Shamus Hodgson
3.00-3.20		Coffee break	
3.20-4.00	Provident satsuma.	CCD	Chris Gillespie
4.00-4.15		Funding and capital	Simon Thomas
4.15-4.30		Investment case	Malcolm Le May

Marketplace and strategy

Malcolm Le May – Chief Executive Officer

Executive summary

Who we are	• **Specialist lender for the 1 in 5 UK adults not well served by the mainstream**
Current position	• Market leader with 2.4m customers across the group • Resilient customers and businesses with counter cyclical opportunity • Successfully managing through tougher regulation • New Blueprint supports sustainable market leadership • Q3 trading in line with internal plans
Growth ambitions	• Substantial opportunities to take the group forward: – Markets, products and digital – Costs, funding and capital • Clear strategic focus to deliver our "Vision for the Future" • Medium term direction to evolve Vanquis Bank to become a broader bank for the underserved
Financial targets	• **Group medium term targets:** – **Receivables growth 5-10% p.a. to c.£3bn** (Current: £2.1bn) – **ROE 20-25%**[1] (Current: c.18%) – **Cost income ratio 38%** (2018: 43%) – **Dividend cover ≥ 1.4x** (2018: 4.7x)

[1] Based on TCR of 25.5%

Putting people on a path to a better everyday life through our market leading businesses

VANQUIS

Credit cards and personal loans

c.1.8m customers[1]

c.£1,425m receivables[1]

Provident

Home credit loans

c.0.4m customers[1]

c.£190m receivables[1]

PFG | Provident Financial Group

- Providing financial inclusion for over 135 years
- Responsible lender to consumers whose needs are not well served by mainstream lenders
- Tailored business models for our customer segments

Secured vehicle finance

c.0.1m customers[1]

c.£490m receivables[1]

moneybarn
credit you can trust

Digital loans

c.0.1m customers[1]

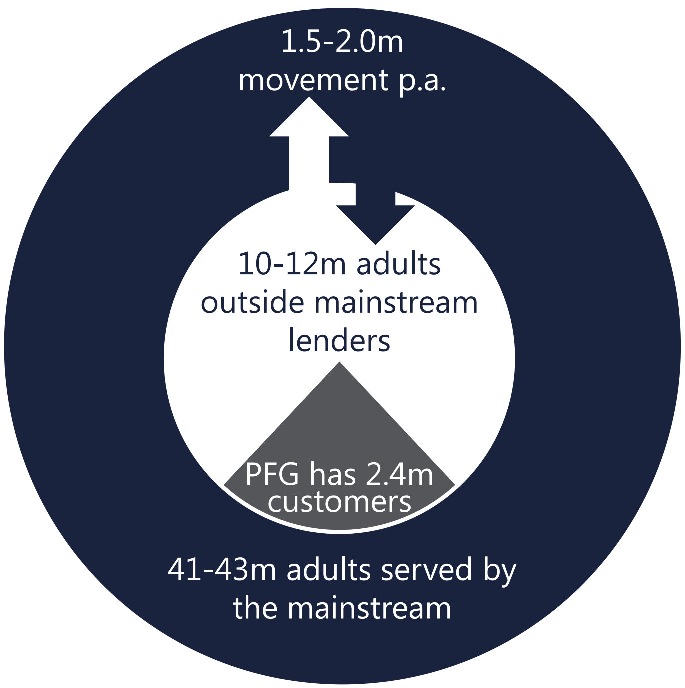
c.£45m receivables[1]

satsuma.

[1] At 30 Sep-19

Specialist lender for the 1 in 5 UK adults not well served by the mainstream

Significant opportunity to grow remains



Consumers may not be well served by the mainstream for a number of reasons

- Experienced a **significant life event** e.g. divorce, loss of a job, etc.
- **New to credit** in the UK and therefore have little or no credit history
- Looking to **build or rebuild their credit rating**
- Managing everyday life on **low, irregular or average incomes** with no savings
- Have **variable incomes** e.g. self-employed, a number of part time jobs
- **Value a more tailored product and service**

Source: PFG analysis of TransUnion data, Oct-16 and Oct-19

Our customers' typical characteristics

Provident	satsuma.	moneybarn (credit you can trust)	VANQUIS
Income source			
Not working / benefits / part time and casual			Full time salaried / 15-20% self-employed
Income levels			
Below national average (£10-15k)			Around national average (£20-30k)
Housing			
Rented accommodation / social housing			Renters / c.20% mortgages
Typical age			
25-54 years	25-35 years		35-45 years
Bank account			
>80%	100%	100%	100%
Savings			
Limited or no savings			Some savings for specific goals

Our customers' core needs

Our customers tell us what they want from us:

Access and acceptance	**I need someone to say yes, and give me credit**	**I need to trust you**
Affordability	**I need my repayments to be manageable and affordable**	**It's the cost per month / week that is important to me**
Empathy and flexibility	**Recognise that my circumstances can change**	**I need to not feel judged or patronised**
Ease and convenience	**I need dealing with you to be quick and easy**	**I need simplicity**
Reward	**I need to improve my credit score (build and re-build)**	**I need the cost of credit to reduce over time**

Our customers (video)

We spoke to a handful of people from across PFG to hear about their everyday lives. Here's what they had to say...

You will be able to listen to the customer interviews on the Capital Markets Day audio on demand on the PFG website.

Resilient customers and business models with counter cyclical opportunity

PFG's customers	Used to living month to month, on tight budgets and managing financial bumps along the way, even during economic growth Lower levels of indebtedness versus prime customers (typically not mortgaged) More accustomed to job changes or have multiple jobs
PFG Provident Financial Group	Core competencies mean we are well placed should mainstream lenders tighten credit underwriting and more customers flow into our market Capabilities stronger than they were in 2008 We have several levers to quickly tighten underwriting if necessary and protection from strong risk-adjusted margins

Highly regulated landscape with significant ongoing change

	Vanquis	Moneybarn	Provident	Satsuma
EU	GDPR (May-18)			
	PSDII (Staged to Mar-21)			
UK Government	Living wage and pensions auto enrolment rates (Apr-19)			
	Breathing space (estimated 2021)			
	Gambling commission consultation (pre Apr-20)		HMRC review of self-employed status of agents	
FCA / PRA	SMCR (Dec-19)			
	CCMS remedies (e.g. persistent debt Q1-20)		High cost credit review (CP 18/43)	
	Minimum payment de-anchoring consultation (Date TBC)	Review of motor finance market (Mar-19)		Review of creditworthiness and lending processes in high cost short term credit (Date TBC)
	Duty of care consultation (TBC)			
	Affordability guidance (PS18/19)			
	ICAAP / ILAAP			
CBI			Possible Irish rate cap bill	
FOS	Customer complaints			

PFG is working closely with our regulators and successfully managing through increased regulation and the associated business impacts

Our new Blueprint provides sustainable long term direction, customer centricity and unifies colleagues

New Blueprint – Springboard for change

- **Purpose:** refreshed to unify and give long term direction
- **Strategic drivers:** critical pillars
- **Behaviours:** embedding an improved culture

Supported by:

- Training and development
- Performance management
- KPI measurement

Increased focus on more sustainable models

Increased customer centricity

Unifying colleagues

Ensuring sustainable leadership in our sector

Significant opportunities to take the group forward

Market and product

1 Growing markets and / or growing market share

2 Expanding product range, distribution and digital

3 Moving into other non-mainstream markets

- Digital personal loans
- Near prime motor finance

Costs, funding and capital

4 Costs, funding and capital opportunities

Medium term – Evolve Vanquis Bank to become a broader bank for the underserved

Future bank = Vanquis Bank + Moneybarn

Funded through:

- Retail deposits (fixed term and instant access)
- Securitisation

Product offering:

- Revolving credit (Vanquis cards)
- Secured finance (Moneybarn)
- Loans (Vanquis loans)
- Financial Fitness
- Helping customers save

CCD

Provident
satsuma.

Funded through:

- RCF
- Wholesale

Product offering:

- Provident:
  – Home credit
  – Provident Direct
- Satsuma:
  – High cost short term credit
  – Personal loans

Conclusion

Who we are	✓ **Specialist lender for the 1 in 5 UK adults not well served by the mainstream**
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Vanquis Bank

Neil Chandler – Managing Director, Vanquis Bank

Executive summary

Who we are	• Well capitalised, liquid bank with further capital and funding opportunities • A leading specialist player in a large, established and growing cards market
Current position	• We are better at understanding our customers and what they need • Well progressed through the recalibration of the model: – Persistent debt – ROP income attrition – Customer and culture
Growth ambitions	• Delivering profitable growth while recalibrating our model: – Strong new customer origination engine – CLI balance growth on strong upward recovery track – Credit card innovation (white label partnerships / self-employed card) – Digital programme – Cost programme – Unsecured personal loans opportunity – Leveraging core capabilities in credit risk and data and analytics
Financial targets	• **Targeting c.£2bn receivables and c.20-25% ROE in the medium term**

VANQUIS

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Well capitalised, liquid bank with further capital and funding opportunities

Vanquis Bank

- **Credit cards**
- **Personal loans**

Well capitalised

Highly capital generative

Excess capital passed to PFG as dividends

Highly liquid

Fully funded by retail deposits

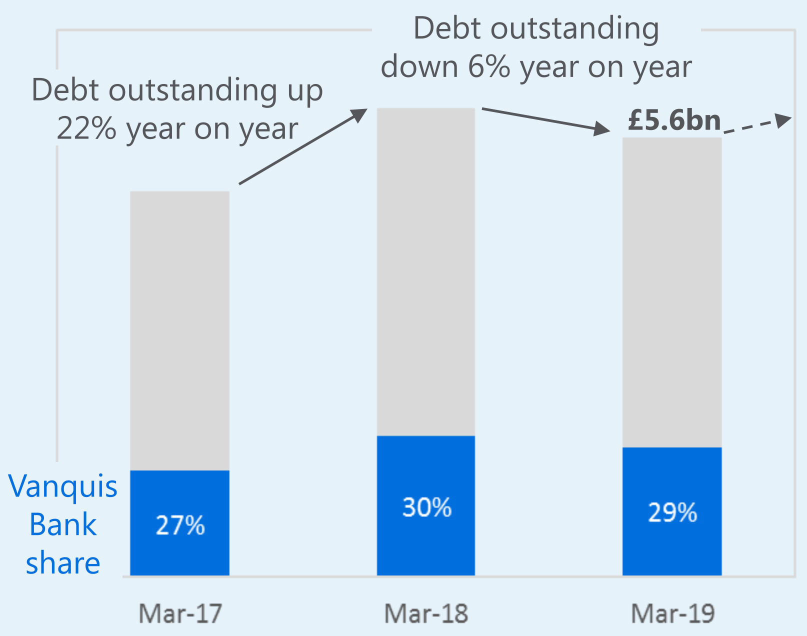
Comfortable liquid asset buffer

Stable and maturity matched to card assets

Proven ability to raise significant new flows

A leading specialist player in a large, established and growing cards market

Market size and share



- Debt outstanding in the credit card market grew at a compound annual growth rate of 7% in the two years to Mar-19, driven by new account openings

Market attraction

- Everyday product
- Transacting importance growing given move to digital
- High cultural adoption and acceptance in the UK

Market features

- **Market:** Several recent new entrants (e.g. 118118 Money and Tandem)
- **Model:** Typically low and grow through credit line increases, increasingly through internet affiliates
- **Tech:** Mobile apps, contactless, digital onboarding and soft search prevalent

Source: PFG analysis of TransUnion data, Oct-19

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We are better at understanding our customers and what they need

'Approve' segments that other issuers find challenging

- Re-building credit history
- Building credit history
- Life event shock
- New to credit
- Variable income
- New to country

84%
felt that Vanquis Bank helped them to improve their credit rating

76%
are satisfied with their credit limits

80%
feel that the Vanquis Bank credit card meets their needs

'Improve' customers' financial wellbeing

- ✓ Getting access to credit / payments
- ✓ Improve credit rating
- ✓ Alleviate an emergency
- ✓ Manageable credit limit growth
- ✓ Reducing cost of credit over time
- ✓ Pathway to prime borrowing
- ✓ Treating customers empathetically during difficulty

Source: Vanquis Bank customer survey (31k respondents), Aug-19

Regulatory landscape continuously evolves and always presents new challenges for the industry to overcome

Approaching → ***... on the horizon***

Payment Services Directive II
E-Commerce
Timeline: Feb-20 to Mar-21

Payment Services Directive II
Accessing account information
Timeline: Mar-20

Persistent debt (PD)
Timeline: Starts Mar-20

Gambling Commission call for evidence
Timeline: pre Apr-20

FCA fair treatment of vulnerable customers
Timeline: Feedback due Q1-20

Credit Information Services Thematic Review
Timeline: Spring 2020

Breathing space
Timeline: Early 2021

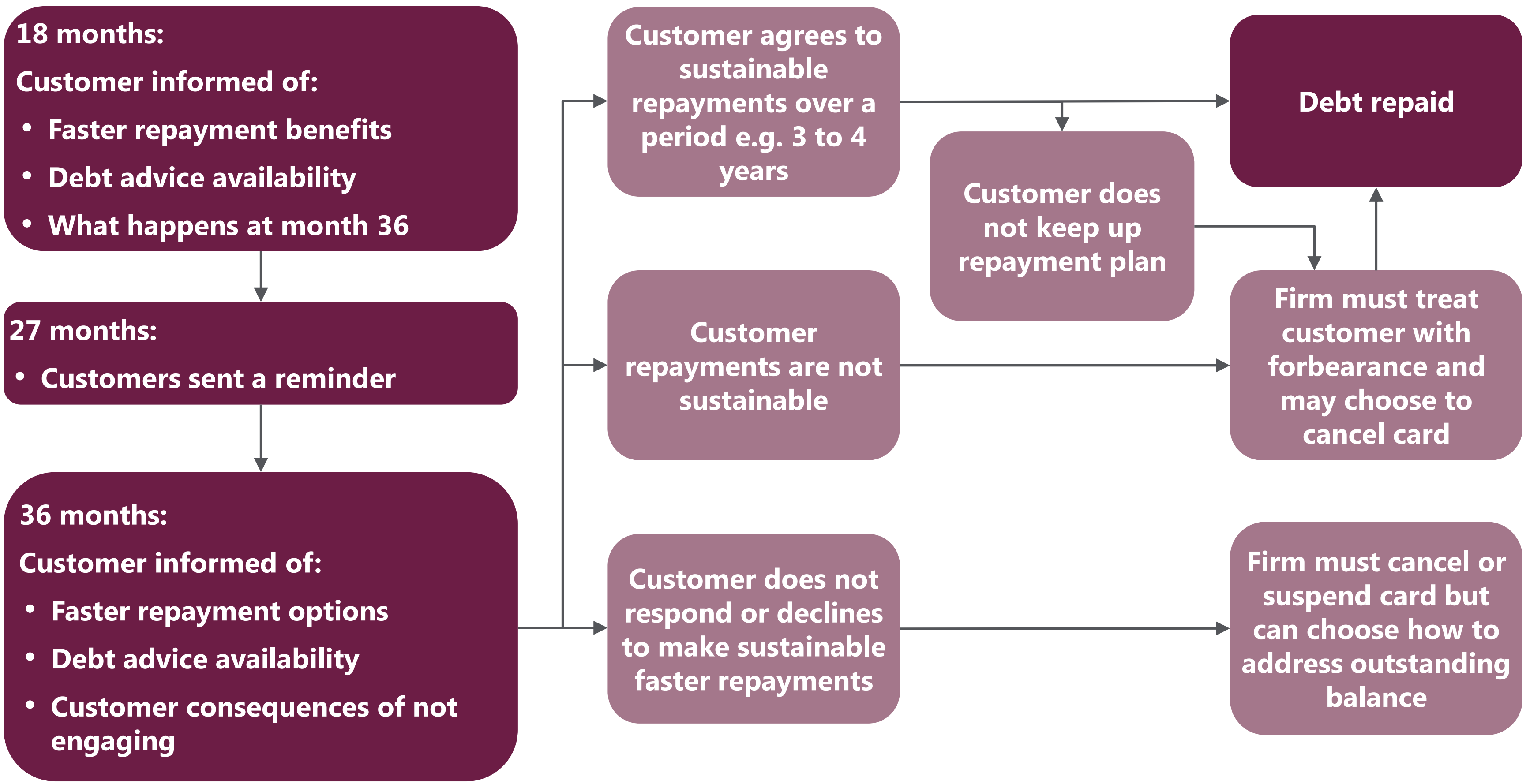
FCA de-anchoring
Timeline: TBD

FCA **Other**

VANQUIS

Persistent debt: regulatory overview

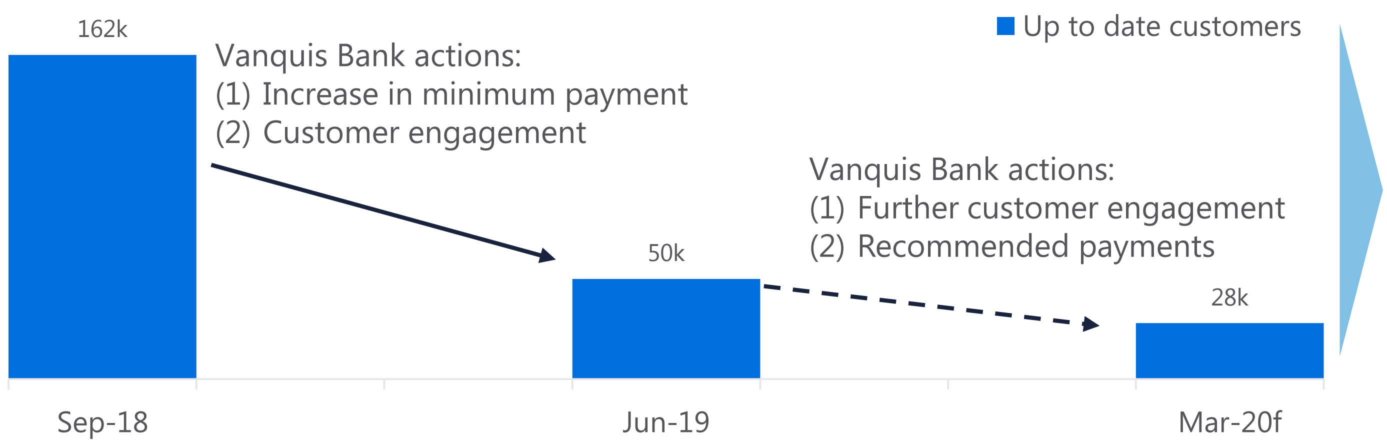
A customer's "PD clock" is started when the total fees and interest paid over 18 months exceeds total repayment of principal debt (excluding customers where the balance falls below £200)



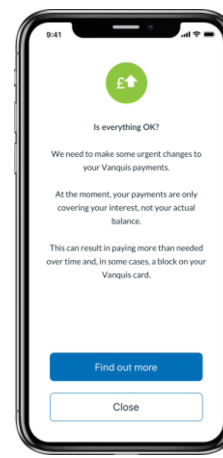
On track to significantly reduce PD population and manage impact

1 Sept 2018 PD Cohort

PD18	PD27	PD36
c.11% of active customers	c.3% of active customers	c.2% of active customers



2 Ongoing flow is estimated to be c.1.3k pm



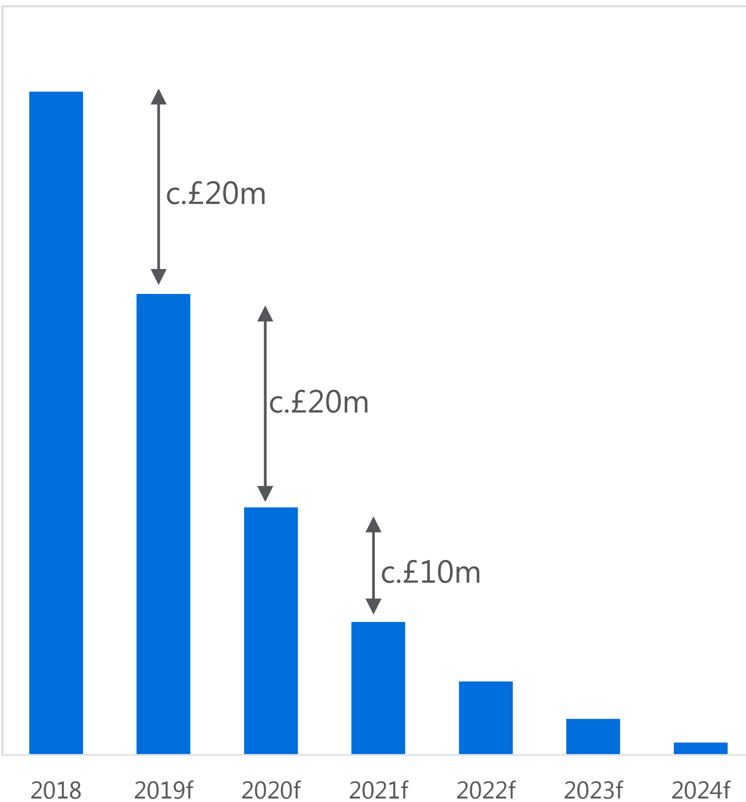
3 Front book – Reducing the flow into PD relative to initial cohort:

(1) 69.9% APR card stopped
(2) Minimum payment due increased / recommended payments
(3) Progressive pricing strategies
(4) Customer engagement strategies
(5) Credit line increases reduced

VANQUIS

Managing back book ROP income attrition

ROP income



- ✓ Successful closure of refund programme, within original provision
- ✓ Customer feedback reinforces value of the ROP
- ✓ Enhancement plan to increase customer value on the back book
- ✓ Sales of a new ROP product remain under discussion with FCA – the Vanquis Bank plan does not include any future sales of ROP

Multiple initiatives on customer and culture

Group Blueprint rollout and embedding

Vanquis Bank organisation design – inc. Customer Director ExCo role

Customer research on wants and needs

Customer

Culture

Good customer outcomes framework

Pricing structure changes e.g. fees and charges, progressive pricing

Product propositions – Financial Fitness

Digital transformation programme

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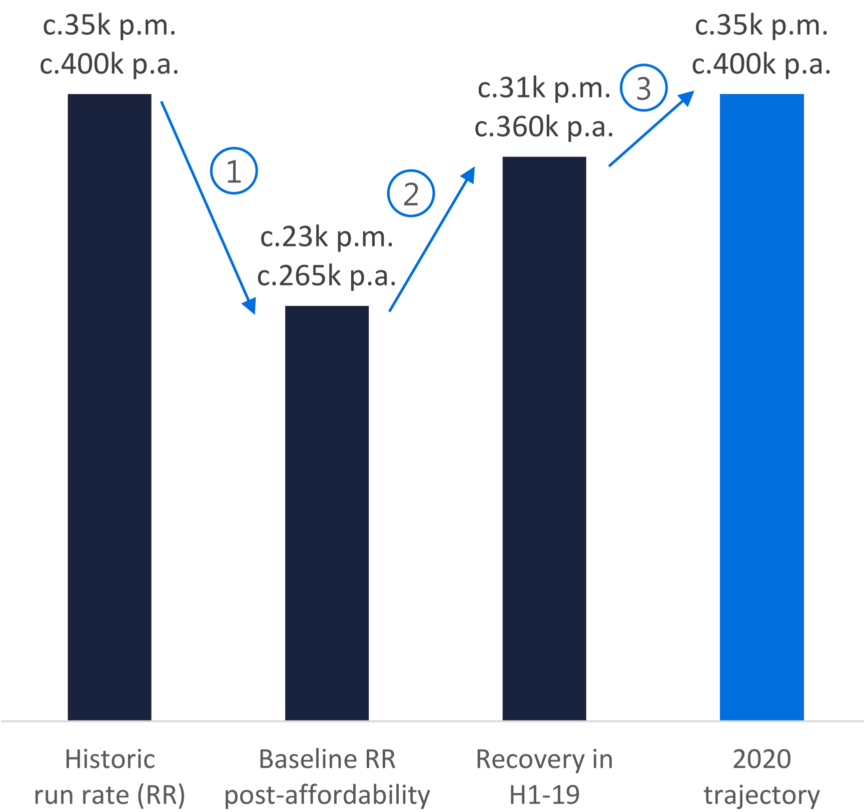
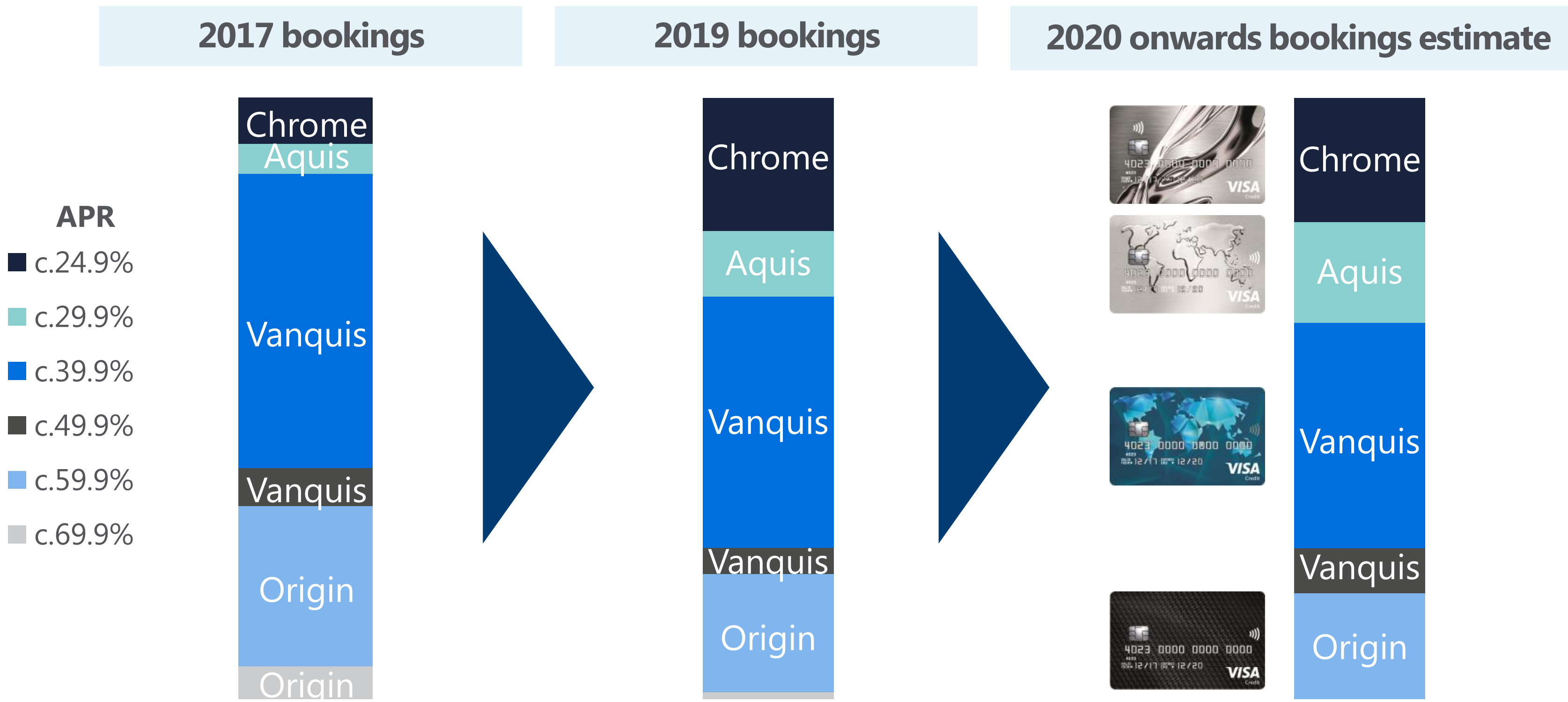
Financial targets	• **Targeting c.£2bn receivables and c.20-25% ROE in the medium term**

Strong new customer origination engine



1. Run rate reduced as a consequence of multiple changes over recent years
2. H1-19 recovery as a consequence of changes to origination channels at the front end and improvements in data driven decisioning
3. Enhancements continue into 2020 around origination processes

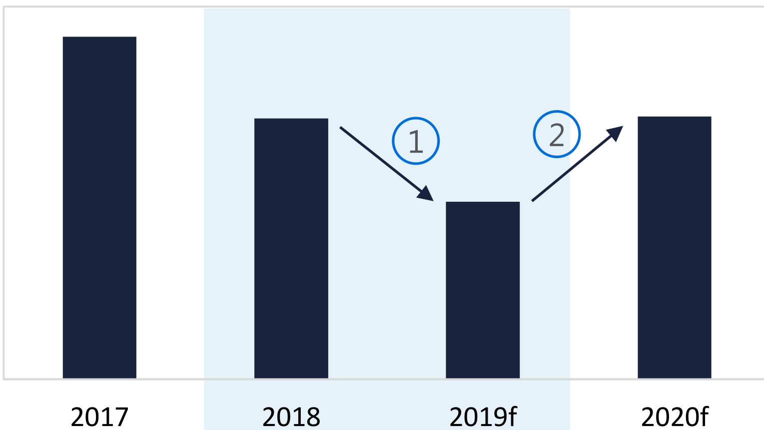
Stable profitability in new bookings post mix change



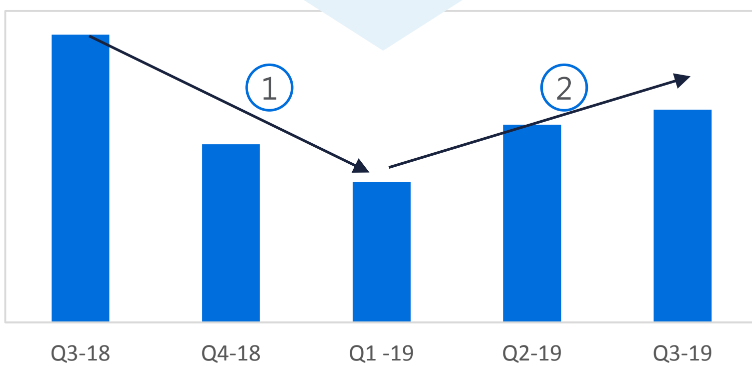
- Vanquis Bank retains high inclusion, broad APR model
- Minimal impact on portfolio profitability

Credit line increase balance growth on strong upward recovery track

Credit line increase (CLI) incremental balance growth by year

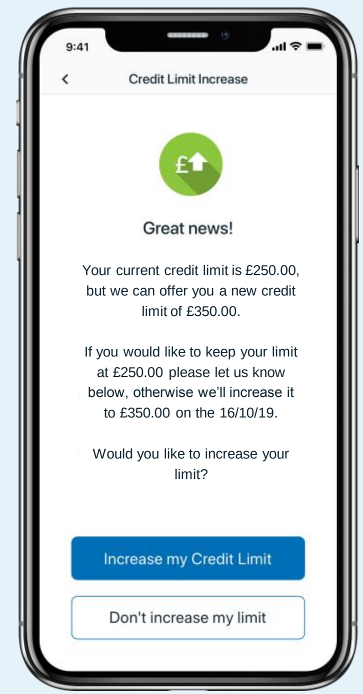


By quarter



- Customer led CLIs are a core aspect of the low and grow model.
- CLI trends:

1. Reduction due to implementation of revised affordability processes (Nov-18) and persistent debt rules
2. Improvements progressing well through:
   - Use of mobile app
   - Refinement of CLI strategy rules
   - Reducing friction from customer journey
   - Moving to “always available” rather than campaign based



Innovation initiatives supporting growth in credit cards

Channel innovation – White label credit cards partnerships

White label partner → API → **Vanquis Bank**

- Partner brand
- Digital marketing specialism
- Customer onboarding

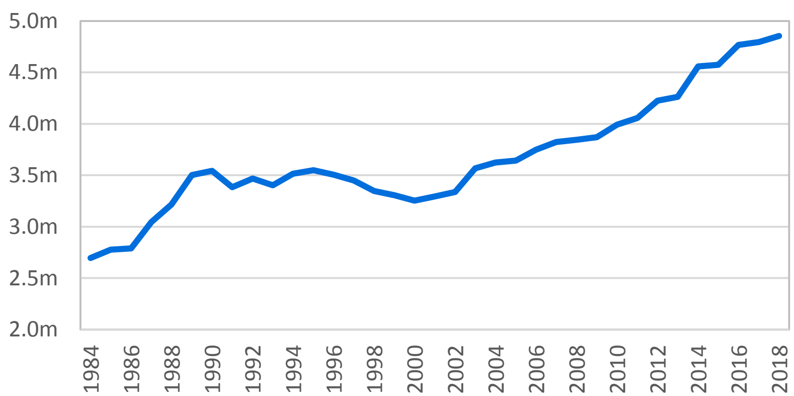
- Product (39.9% and 59.9%)
- Credit decisioning, affordability and existing customer management
- Customer servicing
- Balance sheet

Timing	• Working to Q1-20 launch with partner
Economics	• Attractive volume and standard profitability in medium term • J-curve in initial years

Innovation initiatives supporting growth in credit cards

Product innovation – Self-employed ecosystem

Self-employed market



Attractive market	• c.15% of UK working population • c.5m adults and growing, of which 2.4m addressable • Lack of tailored card product available
Vanquis Bank context	• Book c.40k p.a. on consumer cards • c.240k customers today • Good fit with existing core competencies

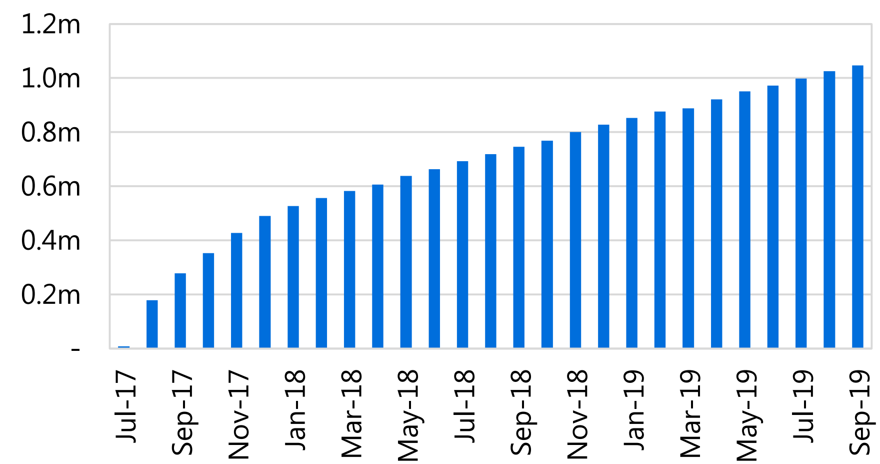
Stage 1 – 2020	**Stage 2** – 2021 onwards	**Stage 3** – 2022
• Develop tailored self-employed card through controlled small scale pilot	• Launch tailored self-employed card across existing price points • Development of bespoke features	• Establish broader self-employed ecosystem • Wider product and services • Vanquis, PFG and select partners
Economics	• Attractive volume and standard profitability in medium term • J-curve in initial years	

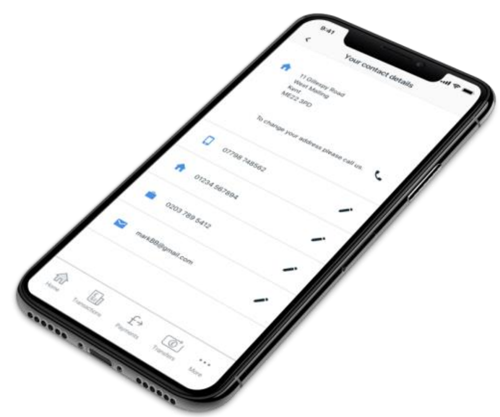
Our customers' appetite for digital is significant

Mobile app

- Over **1m** registered customers on the mobile app
- **85%** of new customers register for the app
- **75%** of active customers used the app in the last 30 days
- Our mobile app customers log in on average **8 times a month**
- More than **£93m** in-app payments per month
- **75%** of Balance Transfers occur in-app:
  - In-app Balance Transfer delivering £761k balance growth per month
- **200k** push notifications sent per month

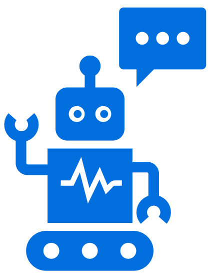
Active customers registered on the app





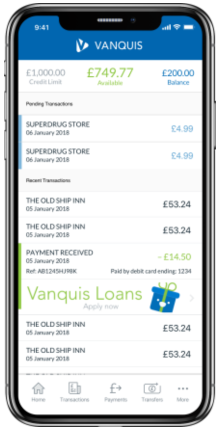
VANQUIS

Digital is already improving our customer experience and reducing cost



Chatbot Ivan

- Launched Mar-19 to automate customer SMS conversations
- Instigates c.70% of SMS conversations
- Improved customer response rates



Statements in the app

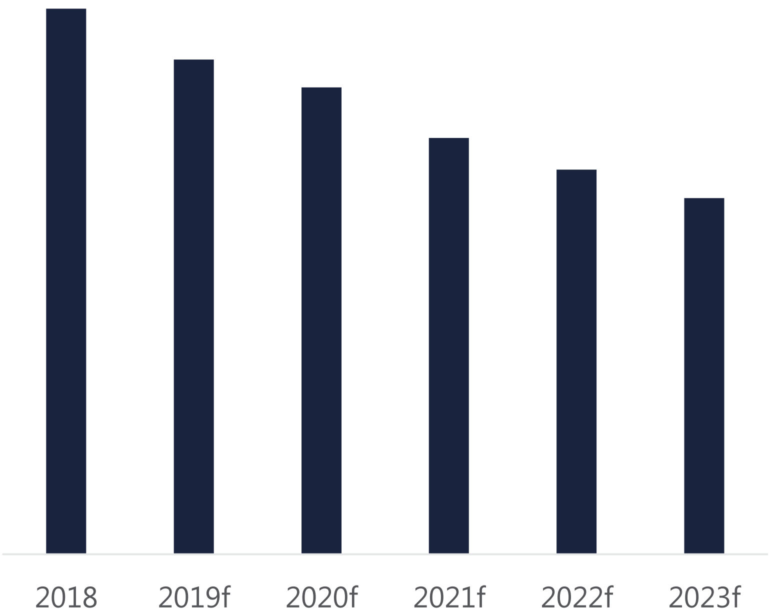
- Paper statements replaced by PDFs in the mobile app
- c.320k customers have gone paperless since launch in Sep-19
- c.£1.8m run rate saving p.a.

VANQUIS

Cost programme continues

- Robotic process automation
- Operational efficiency
- 3rd party costs and licences
- Removal of paper e.g. spent £10m on paper communications in 2018 – so far generated c.£3m p.a. of run rate savings from initiatives

Cost per customer[1]



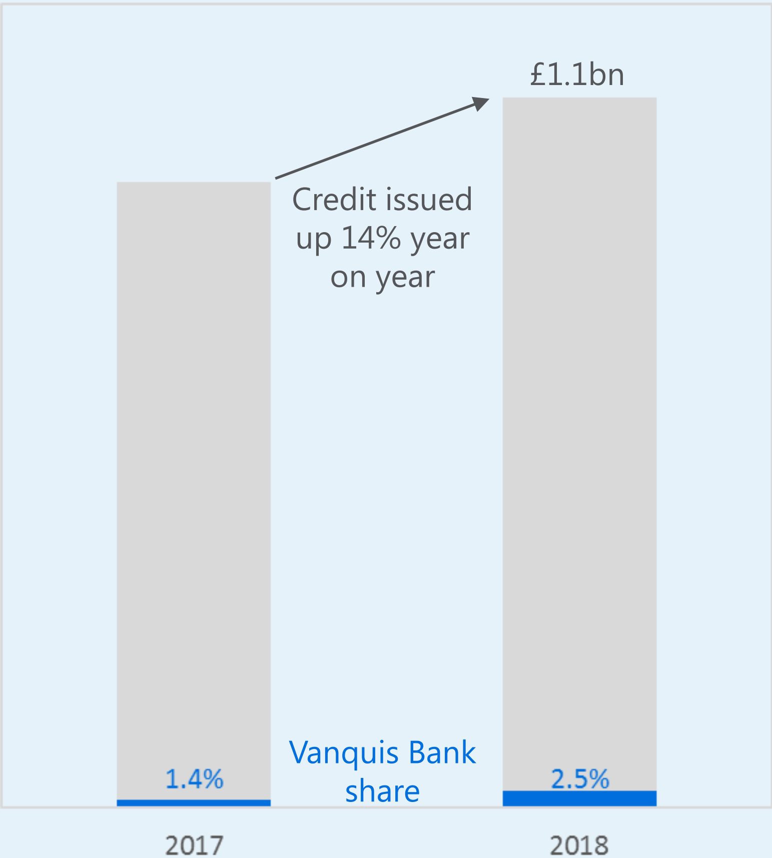
We will deliver operational leverage by keeping the cost base as flat as possible whilst growing the business

Cost programme helps underpin medium term targets

[1] Based on underlying operating costs, excluding growth initiatives

Large, attractive market opportunity in unsecured personal loans

Market size and share



Market attraction

- Credit issued rose 14% year on year in 2018 driven by a 20% increase in account openings
- Average credit issued per new loan fell slightly from £3,300 in 2017 to £3,100 in 2018
- 12% of Vanquis Bank customers held an unsecured personal loan with a peer lender at the end of 2018, showing the potential for further cross sell to the existing customer base

Source: PFG analysis of TransUnion data, Oct-19

Plan to become a leading player in the unsecured personal loans market

Successful phase 1

- Vanquis Bank to date:
  - c.£25m book
  - c.20k customers
  - Booking c.12k p.a.

Phase 2 in progress

- New Director of Loans appointed
- Finalising step change plan:
  - 25-59% APR price points
- Leveraging PFG capabilities:
  - Satsuma (marketing, decisioning, onboarding)
  - Vanquis Bank (funding, servicing / app, collections)

Medium term target

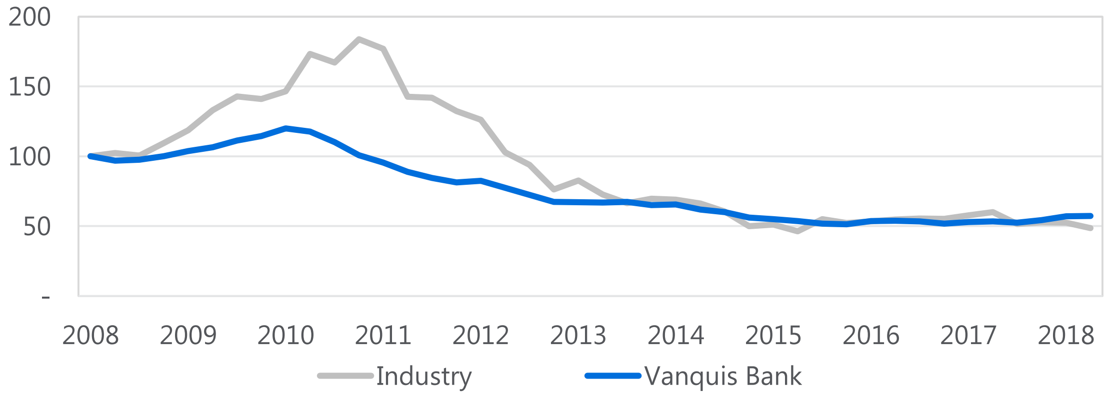
- A leading player
- £150m book:
  - Open market
  - Cross sell
- ROE c.20-25%
- J-curve in initial years

VANQUIS

Strong credit risk management capability and expertise in data and analytics

Strong credit risk management capability

Credit card write offs % gross receivables*



* Indexed to 100 Mar-08

- Strong performance during previous downturn reflects:
  - Customer characteristics
  - Specialist operating model
  - Progressive tightening of underwriting in the lead up to the downturn
- These core characteristics are still present and correct today

Demonstratable expertise in data and analytics

- Unique Provident Knowledge Universe
- 11 proprietary scorecards and 5 proprietary propensity models including machine learning techniques in our response modelling
- Decision science centre of excellence
- Exploring new sources of data - Open Banking pilot (live Q4-19)

Conclusion

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Current position	✓We are better at understanding our customers and what they need ✓Well progressed through the recalibration of the model: – Persistent debt – ROP income attrition – Customer and culture
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Financial targets	✓**Targeting c.£2bn receivables and c.20-25% ROE in the medium term**


Q&A

Moneybarn

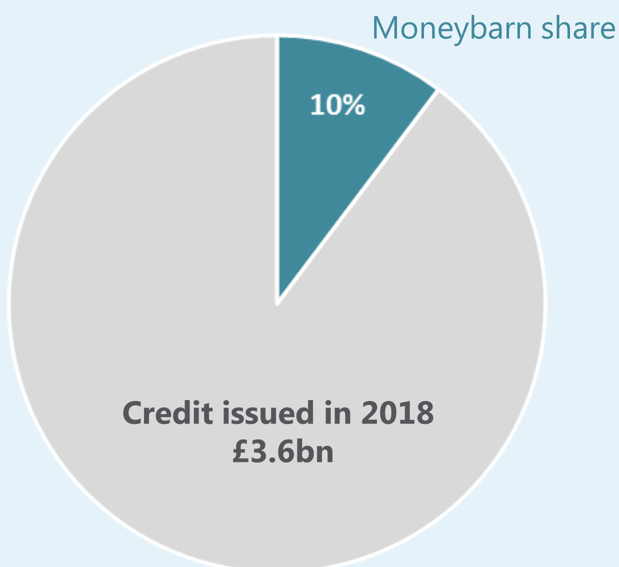
Shamus Hodgson – Managing Director, Moneybarn

Executive summary

Who we are	• A leading player in vehicle finance for those underserved by mainstream lenders
Current position	• Strong consistent growth and ROA record • No impact from FCA review of motor finance market and no known regulatory headwinds on the horizon
Growth ambitions	• Positioned for strong growth over the medium term in current markets • Longer term, well positioned for move into adjacent near prime, expanding our addressable market
Financial targets	• Resilient business model (only secured hire purchase) and customers • Funding opportunities • **Targeting c.£750m receivables and c.10% ROA in the medium term**

A leading player in vehicle finance for those underserved by mainstream lenders

Moneybarn market size and share



- The car finance market for customers underserved by mainstream lenders is large, with opportunity for Moneybarn to continue to grow, particularly in the nearer prime space

Market attraction

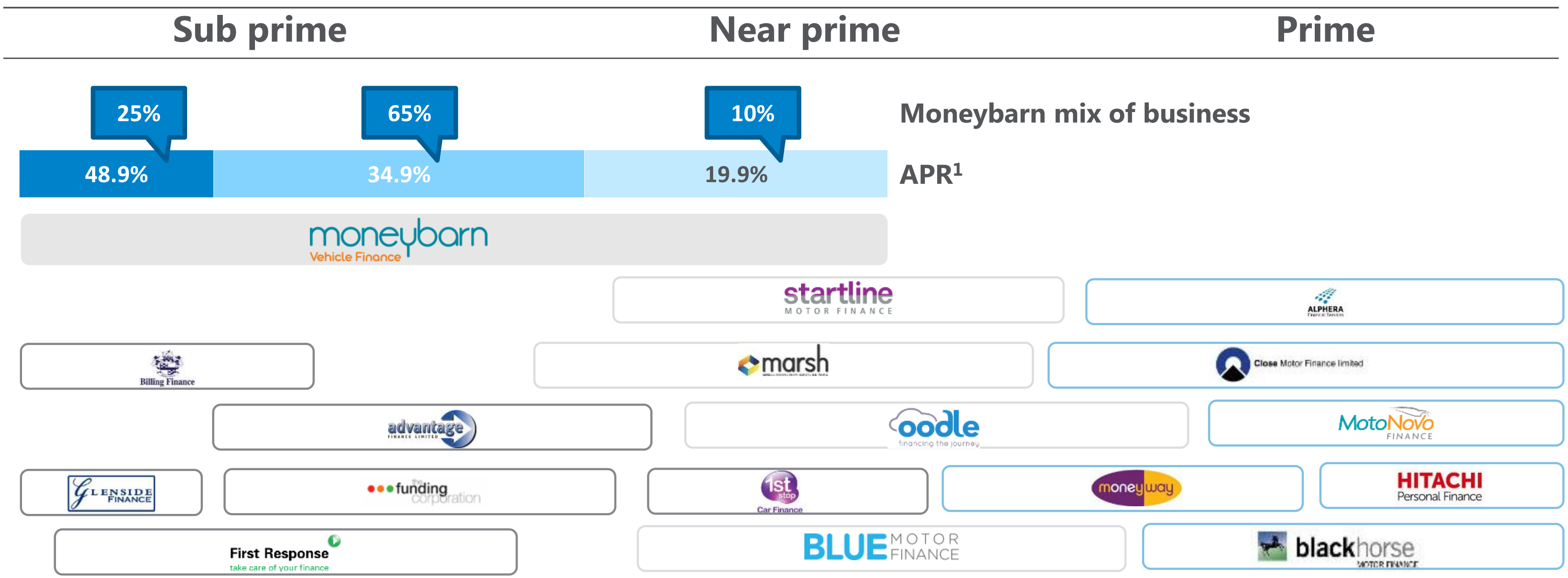
- Secured product
- Viewed as an essential cost so repayments are important e.g.:
  - Car needed to get to work
  - Commercial vehicles required to run business

Market features

- **Market**: Providers with a range of risk appetites across sub prime, near prime and prime
- **Model**: 3-5 year secured hire purchase via intermediaries, small levels of repeat loans
- **Tech**: Evolving from a manual process to increased digitisation e.g. auto-affordability and ID verification

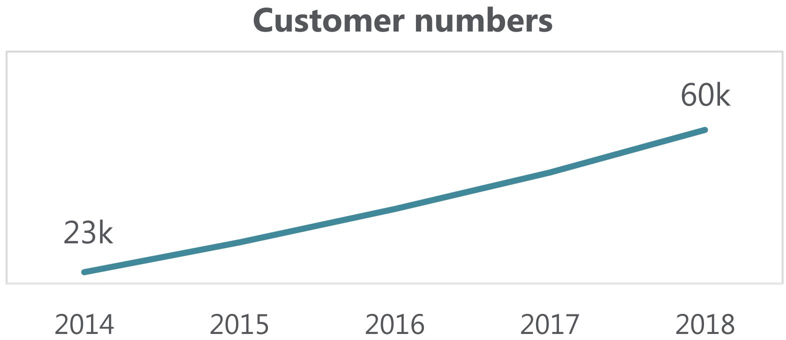
Source: PFG analysis of TransUnion data, Oct-19

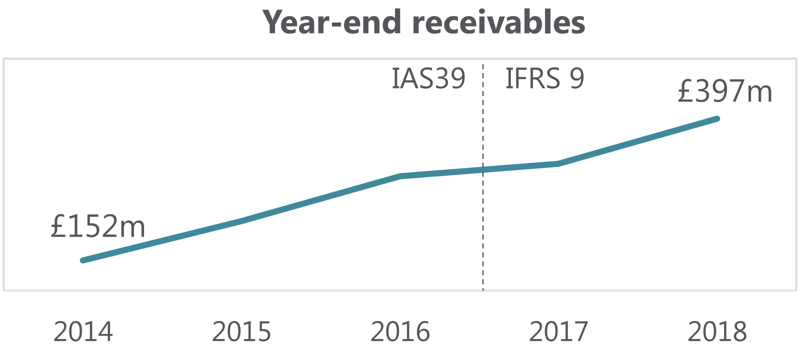
A leading player in vehicle finance for those underserved by mainstream lenders

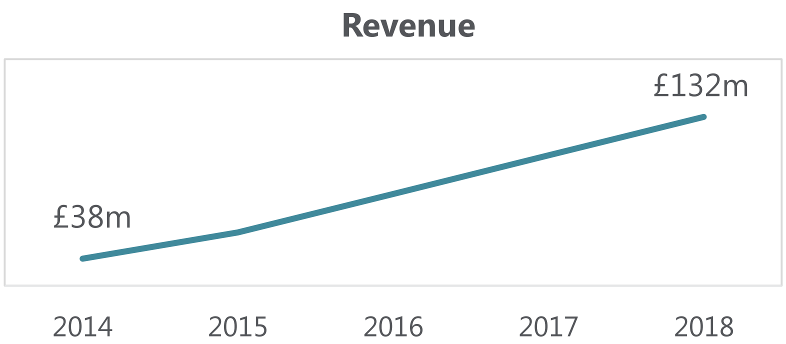


[1] Average APR in each tier

Strong consistent growth and ROA record







- Continued strong growth since acquisition by PFG in 2014
- Strong and stable ROA maintained throughout
- Future revenues underpinned by growing book with c.58 month contracted term

Positioned for strong growth over the medium term in current markets

1. Used motor finance market is large, robust and growing
2. Demonstrable competitive advantage
3. Evolving model across distribution, digital and asset classes
4. Well placed to leverage low cost base through growth
5. Strong credit quality control and resilient business model

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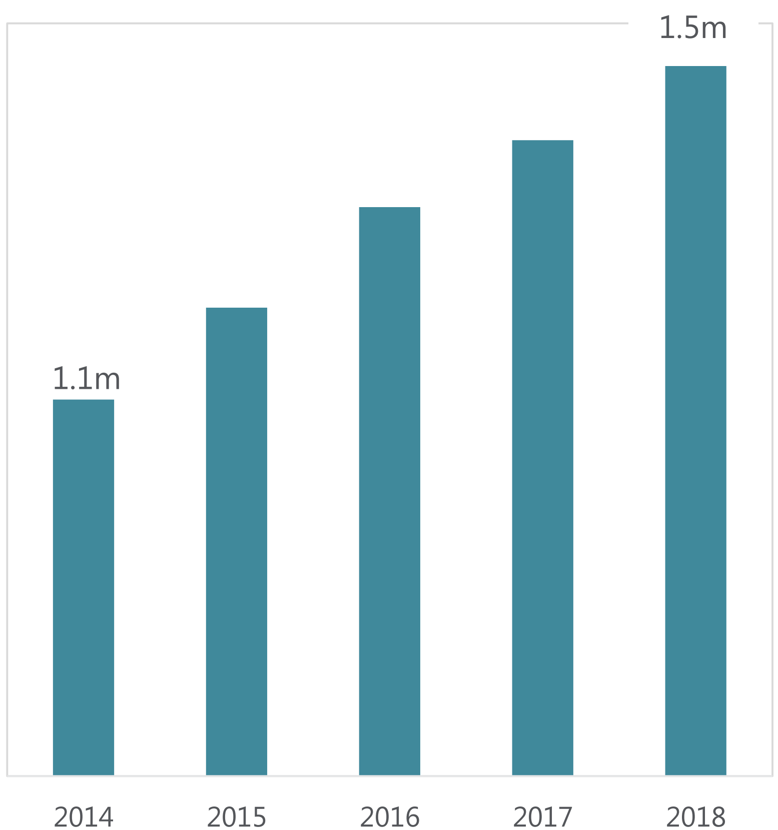
1 Used motor finance market is large, robust and growing, supporting our business today

Used car finance contracts[1]



- Used car finance continues to increase
- Although finance penetration is increasing, **78% of used cars (6.5m in 2018) purchased without finance[2]**
- Consumer car finance market forecast to grow by 21% over the next 5 years[2]
- Strong consumer appetite – 50% of licence holders would like to buy or lease a new or used car in the next 12 months, of which 27% would like to use finance[2]
- Total market opportunity remains significant – 38 million car drivers in the UK, of which 84% currently drive a car, 3% a van, 1% other vehicles and 14% don't currently drive[2]

1 – FLA (includes HP and PCP, not leases)
2 - Mintel Car Finance report June 2019

2 Demonstrable competitive advantage

Technology
- Automated affordability
- Automated credit decisioning
- API interfaces

Service
- High customer satisfaction scores
- Service proposition for intermediary partners

Scale benefits
- Operational leverage

Intermediary relationships and primacy
- Scale
- Broad risk appetite
- First mover with new internet affiliates

Underwriting, analytics and credit risk
- Scorecards
- Decision science

Leveraging group capabilities
- Technology and infrastructure
- Operational best practice
- Regulatory

Group funding

3 Evolving model across distribution, digital and asset classes

1. Distribution

Internet-fed brokers

Zuto
creditplus
MidlandCredit.co.uk Getting the Nation Driving
MsgNonstatusCars Finance Specialists For Bad Credit
CarFinance 247

Dealer-fed brokers

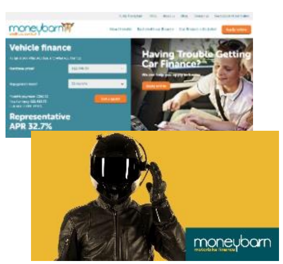
DSG auto contracts
EVOLUTION FUNDING
auto union Finance
Pinnacle. peak performance vehicle finance
Mi Finance
CASTLE CREDIT FINANCE LIMITED

+

Dealers direct

cargiant
The Trade Centre UK
HIPPO MOTOR GROUP

Direct to consumer



Group cross-sell

VANQUIS

Lead generators

Confused.com
ClearScore
TotallyMoney

2. Digital

Intermediary portals

and

Digital ID&V

and

Affordability automating

↓

Increasingly digital onboarding, improving experience, efficiency and conversion

3. Asset class

Core motor

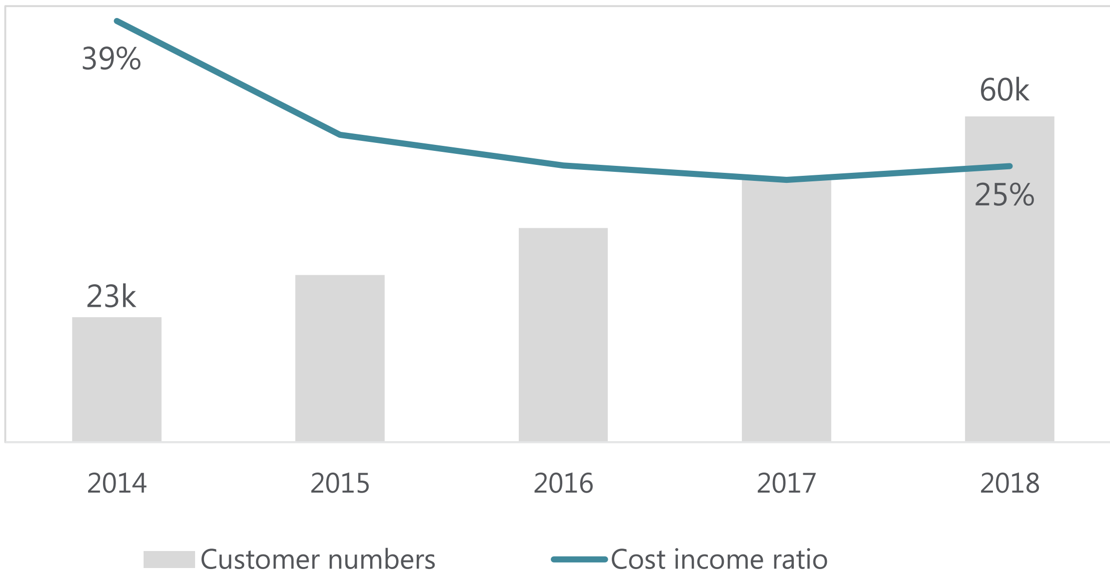
+

LCV

+

Motorbikes

4 Well placed to leverage low cost base through growth



- Our cost income ratio has reduced significantly since acquisition
- Despite a modest increase in 2018 (a result of investment in systems and the senior management team), our cost income ratio still compares well with comparable businesses (S&U plc 2019 = 30%)
- Several years of investment mean we can increasingly drive efficiencies

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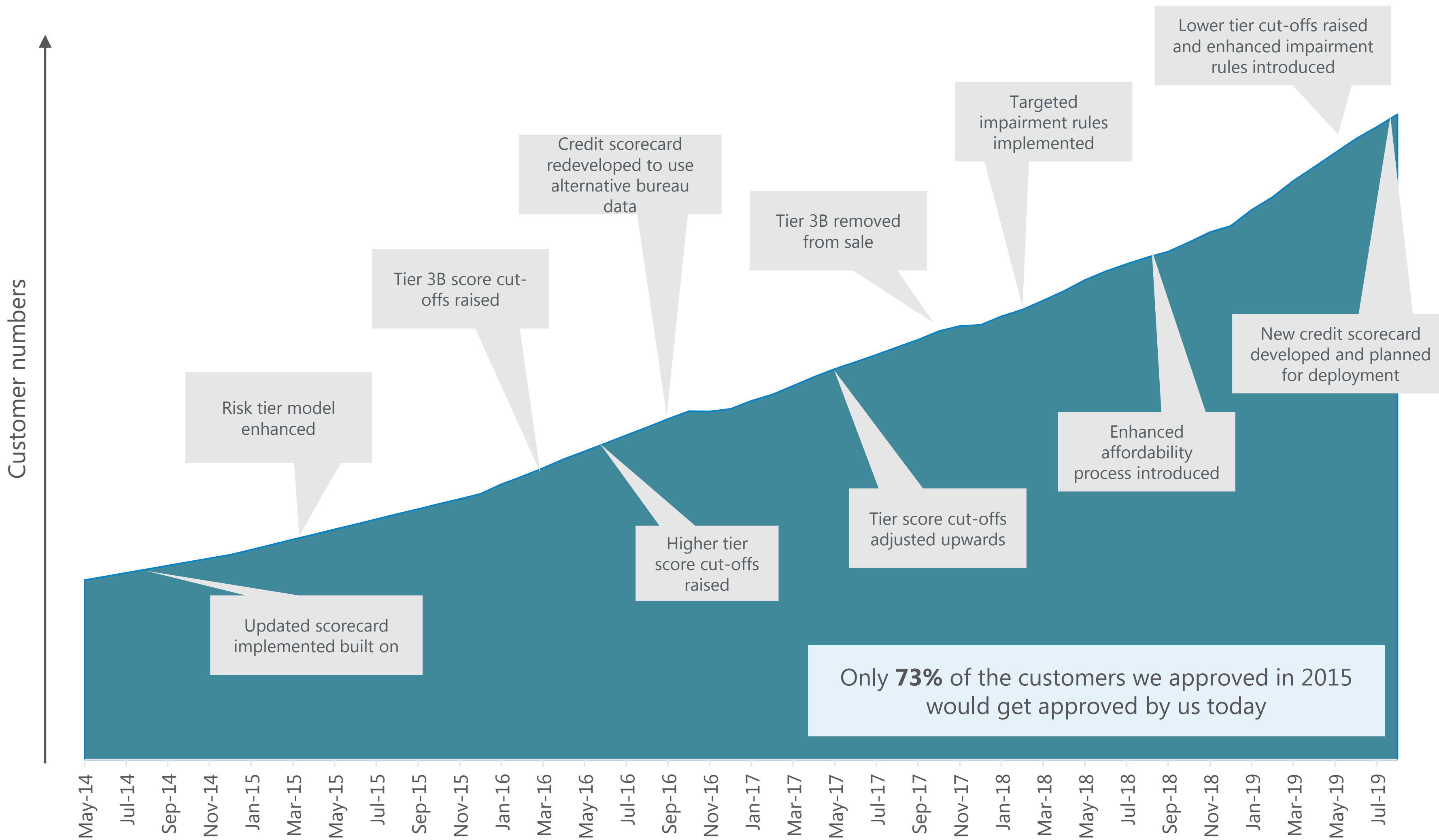
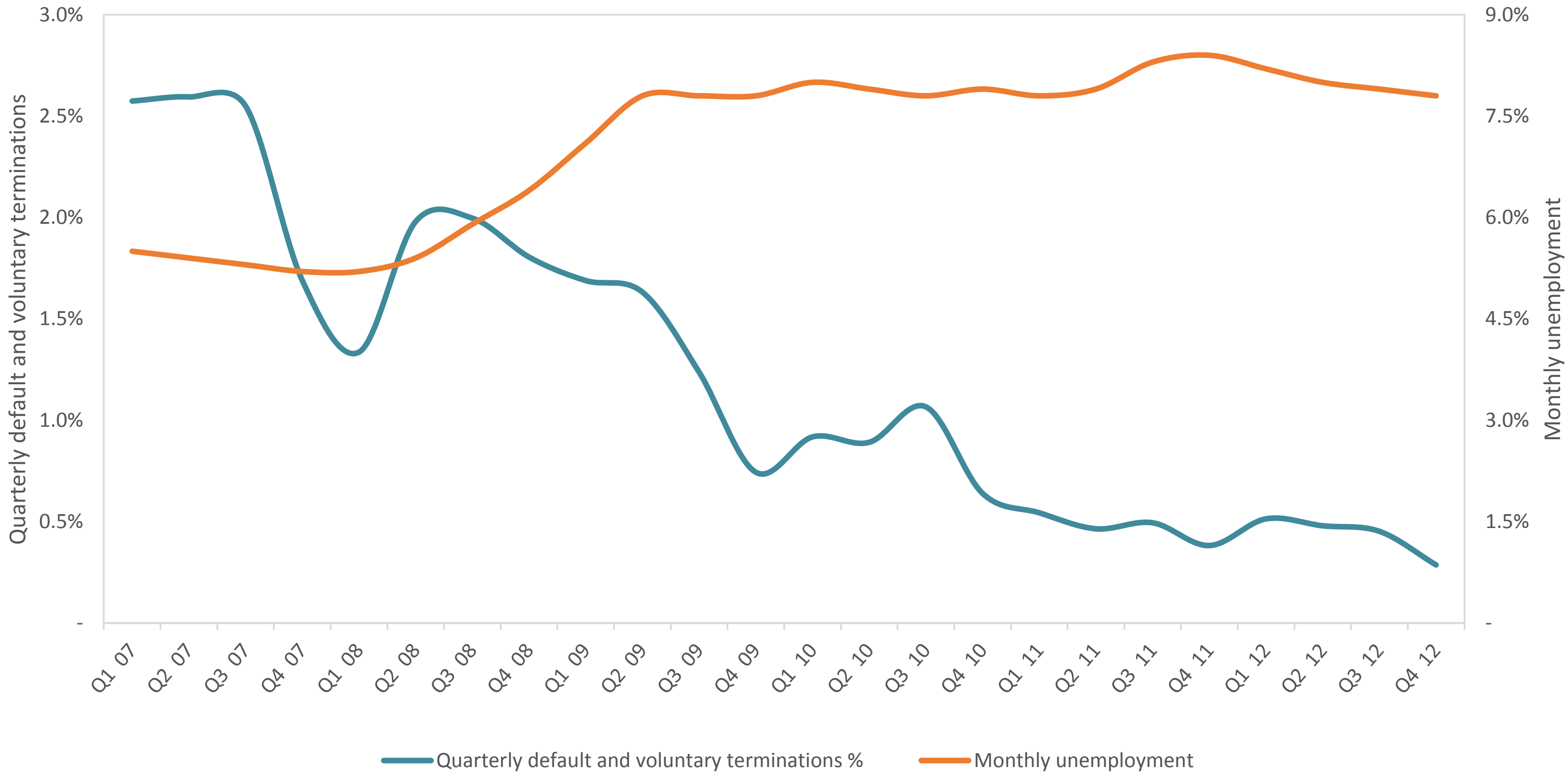
credit you can trust

5 Strong credit quality control



5

And resilience in an economic downturn



- Resilience underpinned by security from hire purchase contracts

Longer term, well positioned to move further into adjacent near prime, expanding our addressable market

Well positioned

- Operational capabilities ✓
- Digital journeys ✓
- Existing distribution ✓
- Group funding ✓

Phase 1

- Optimise existing Moneybarn offering at 19.9% APR
- Moneybarn customer retention
- Higher quality Vanquis Bank customer offer

Phase 2

- Open market through existing intermediaries

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credit you can trust

Conclusion

Who we are	✓A leading player in vehicle finance for those underserved by mainstream lenders
Current position	✓Strong consistent growth and ROA record ✓No impact from FCA review of motor finance market and no known regulatory headwinds on the horizon
Growth ambitions	✓Positioned for strong growth over the medium term in current markets ✓Longer term, well positioned for move into adjacent near prime, expanding our addressable market
Financial targets	✓Resilient business model (only secured hire purchase) and customers ✓Funding opportunities ✓**Targeting c.£750m receivables and c.10% ROA in the medium term**


Q&A

Coffee Break

CCD

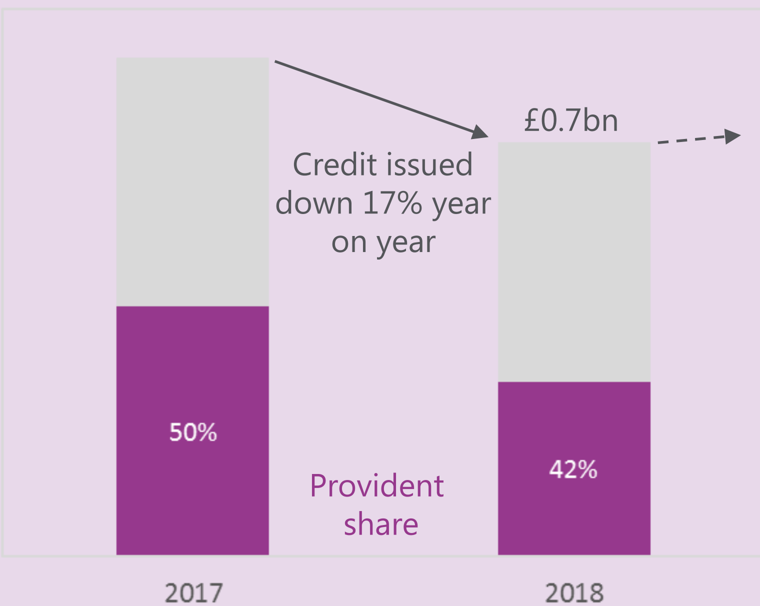
Chris Gillespie – Managing Director, CCD

Executive summary

Who we are	• Market leader in UK and ROI home credit and now a leading player in digital loans (high cost short term credit market)
Current position	• Re-engineered operating model developed and implemented following disruption in 2017: – FCA authorised and at the forefront of regulatory direction of travel (e.g. recording all issues of credit) • Significant turnaround progress, especially on reducing a largely fixed cost base
Growth ambitions	• Growth opportunities through evolution of product proposition in both home credit and Satsuma; and market consolidation
Financial targets	• Clear path to breakeven for 2020 • IT investment will deliver sustainable operational efficiency and improved capability • **Targeting c.£300m receivables and c.10% ROA in the medium term**

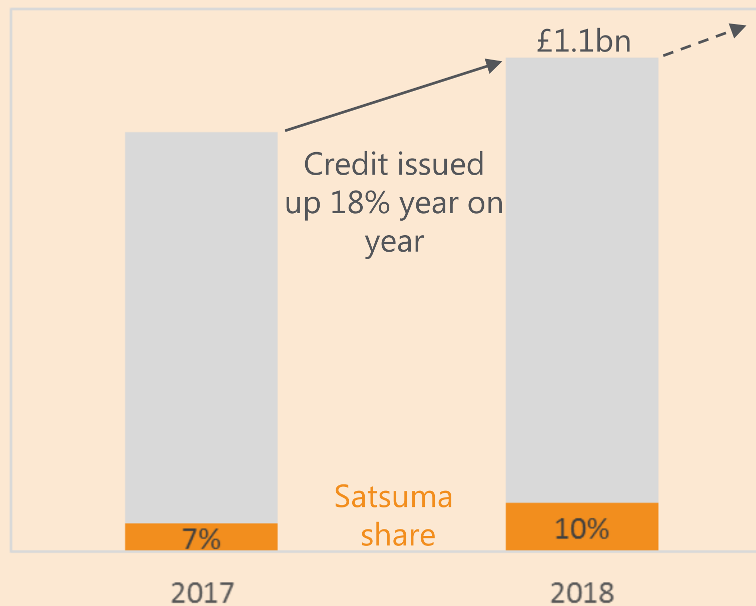
Market leader in home credit and a leading player in digital loans (high-cost short-term credit)

Provident



- Despite operational disruption, Provident still issued 42% of the credit in the market in 2018; this proportion remained stable through Q1-19
- Rest of market stable in 2017 and 2018

satsuma.



- Large, growing market driven by volume; new accounts grew 10% in 2017 and 2018
- Market size and growth illustrates strong consumer demand for digital loans
- Satsuma's market share rose further to 15% in Q1-19

Source: PFG analysis of TransUnion data, Oct-19

Home credit is uniquely tailored to meet the needs of its customers

Typical customer characteristics	Customer needs
Lower than average incomes	Affordable weekly repayments
Some reliance on government benefits	Fixed costs with no additional fees or charges
Overwhelming majority have bank accounts	In built flexibility in the product and service
Part time / casual work	Highly personal service
Bumps in the road due to little leeway in income and outgoings	Increasingly digital
Increasing internet and smartphone usage	

Provident satsuma.

FCA High Cost Credit Review published in December 2018 showed support for home credit

"The rise in arrears for home-collected credit is expected given that there are **no fees for late payments**, so this cannot be taken as a clear-cut indicator of financial distress. It could instead **reflect sensible use of the features** offered by the product."

"In summary, our analysis shows that customers who use home-collected credit over long periods **do not appear to suffer significant economic harm**."

"We do not intend to pursue any measures that limit or ban refinancing. Our objective on home-collected credit is not to cut off the supply of credit. We also recognise that it may be better for some customers to refinance, to keep weekly repayments low, rather than have a new loan."

Source: FCA High cost credit review, Dec-18

Provident satsuma.

Well progressed on recovery, with a clear path to 2020 breakeven and targeting c.10% ROA in medium term

1. Developed and embedded new home credit employed operating model
2. Significant CCD cost reduction activity
3. Reintroduction of targets and performance management into home credit
4. Modernising home credit proposition through Provident Direct
5. Satsuma into profitability and continued growth
6. Clear CCD path to breakeven in 2020
7. CCD medium term profit opportunity

Provident satsuma.

1 Developed and embedded new home credit employed operating model… a multi-year journey

2017

July	• Major disruption on move to new operating model
Sep	• Placed under enhanced supervision by the FCA • FCA prohibits use of field targets and incentives
Oct	• Discussions with FCA on proposed recovery plan
Nov	✓ Recorded customer visits reintroduced • PwC appointed to provide assurance on recovery plan delivery

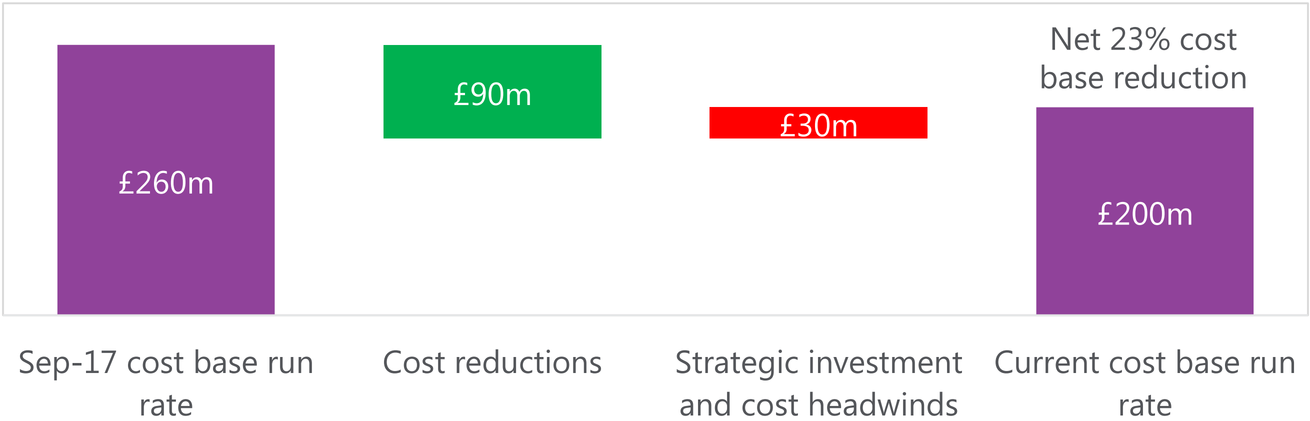
2018

Jan	✓ Operating model agreed with FCA
Feb	✓ Full recovery plan agreed with FCA
Mar ⇩ Oct	✓ CCD recovery plan implementation
Nov	✓ CCD FCA authorised
Dec	✓ Customer satisfaction levels restored ✓ Rollout of new operating model completed

2019

Feb	✓ FCA support Provident Direct, balanced scorecard and variable pay proposals
Mar	✓ High Cost Credit review requirements fully implemented
Apr	✓ Balanced scorecard linked to variable pay test commenced ✓ New RoI controls and oversight programme commences
Jul	✓ Provident Direct trial commenced
Aug	✓ National rollout of balanced scorecard and variable pay

2 Delivered over £90m reduction in costs since late 2017 partially offset by c.£30m of investment / headwinds



- Field and Head Office restructure:
  - 1,060 roles removed in the field during 2018 and 2019
  - 340 roles removed in head office during 2018 and 2019
  - 1,400 roles removed in total
- Changed ways of working
- Numerous cost saving initiatives implemented

- Oversight in new operating model compliance – over 300 new roles created
- Legacy IT infrastructure upgrades
- Incremental complaints costs
- Living wage and pensions contribution
- Inflation

Cost base run rate reduced from c.£260m in Sep-17 to c.£200m for 2020

Provident satsuma.

3 Reintroduction of targets and performance management in home credit

Challenges

- Post 2017 disruption:
  - Employed model, fixed cost
  - No targets or expectations of performance
  - No performance related variable pay
  - Focus primarily on compliance and oversight

Response

- Balanced scorecards for measuring field targets:
  - Activity
  - Collections
  - Lending
  - Oversight
- Monthly bonus

Progress

- FCA supported balanced scorecard with variable pay in Feb-19
- Iterative test and learn trials in the North West over Apr-19 to Jul-19
- Model rolled out nationally in Aug-19
- Ongoing period of learning and embedding with revised ways of working
- CEM performance dashboards reflecting the balanced scorecard rolled out in Sep-19
- Positive early results

Provident satsuma.

4 Modernising home credit proposition through Provident Direct

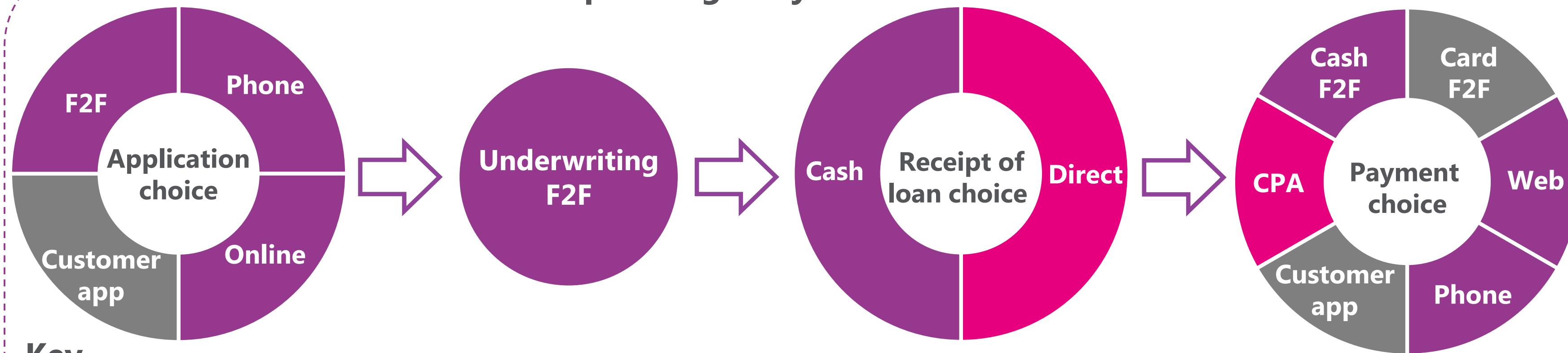
- Evolution reflecting what customers tell us they want:
  - Receive loan direct
  - Pay back loan direct

Customer feedback:
"it goes out of the bank and its done… you don't have to worry about hanging around .. it takes all that out of it"

CEM feedback:
"I personally think the concept is brilliant […] frankly to get with the times, particularly with new customers"

4 Modernising home credit proposition through Provident Direct

Customer relationship managed by CEM



Key

Current model | Provident Direct | Future developments

Hypothesis

- Customer choice
- More modern
- Operational efficiency
- Assist collections performance
- Attractive to new and returning customers

Status update

- Initial testing Q3-19 in one area office (Birmingham South):
  - 15% of loans issued during test
- Enhance functionality / capability addressing legacy system constraints
- Pilot Q1-20 in South Wales and South West to c.15% of business
- Full rollout anticipated progressively from Q2-20
- Expect at least c.30%+ of customers to borrow through Provident Direct over time

Provident satsuma.

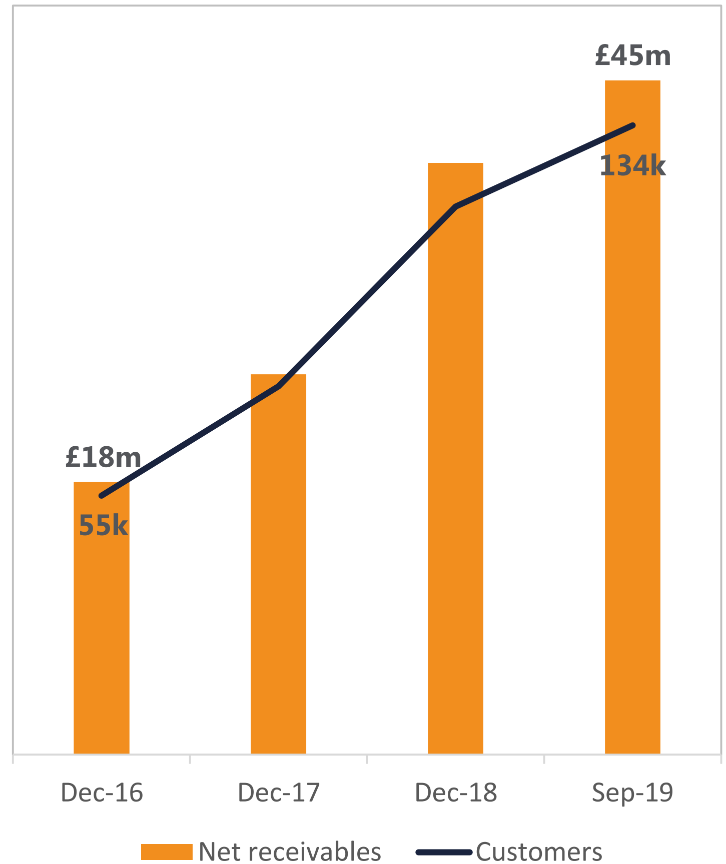
5 Satsuma into profitability and continued growth

Continued growth to no.3 position in HCSTC

- Built on the Provident DNA with a full end to end online journey
- Scale, model optimisation, credit tightening and efficiency actions move into profit during 2019 and for full year 2020; potential for continued growth; awaiting outcome of FCA review

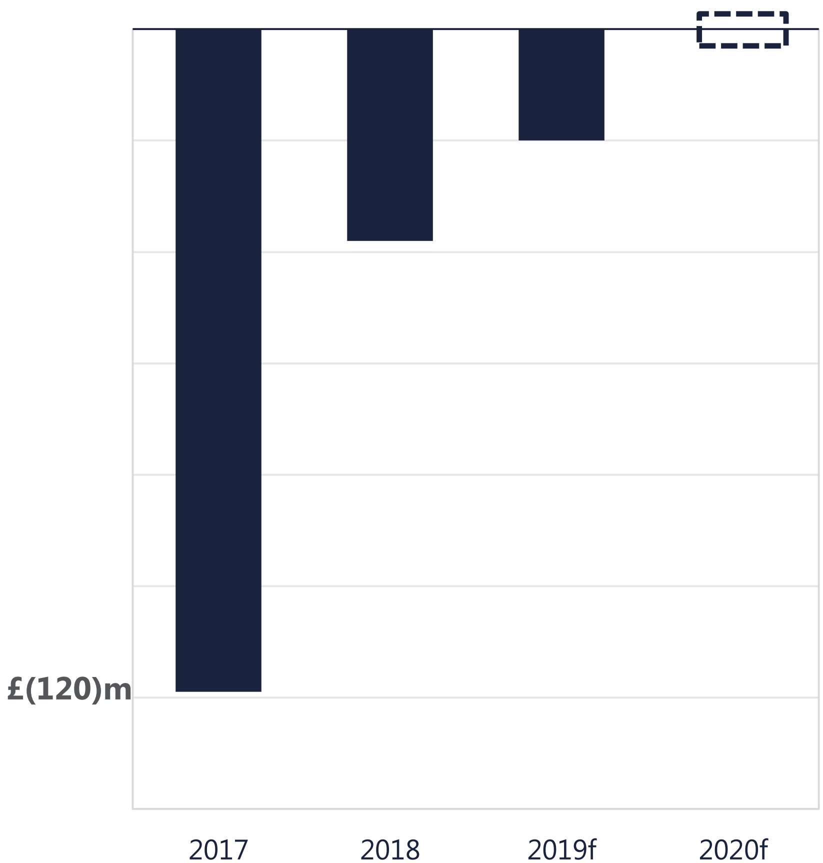
Market extension into personal loans

- Leveraging the platform, capability and distribution channels with Satsuma Personal Loans to expand our market and opportunity
- Launch H2-20:
  - £1k-5k loan for 1-5 years at a rep APR of <100%



6 Clear path to breakeven for 2020

CCD earnings progression



- Reduced loss in H2-19
- Q4-19 season peak is important to 2019 and 2020
- Cost base reduced to £200m in 2020
- Return to profitability in H2-20
- Breakeven for 2020 as a whole

6 Clear path to breakeven for 2020

Key drivers:

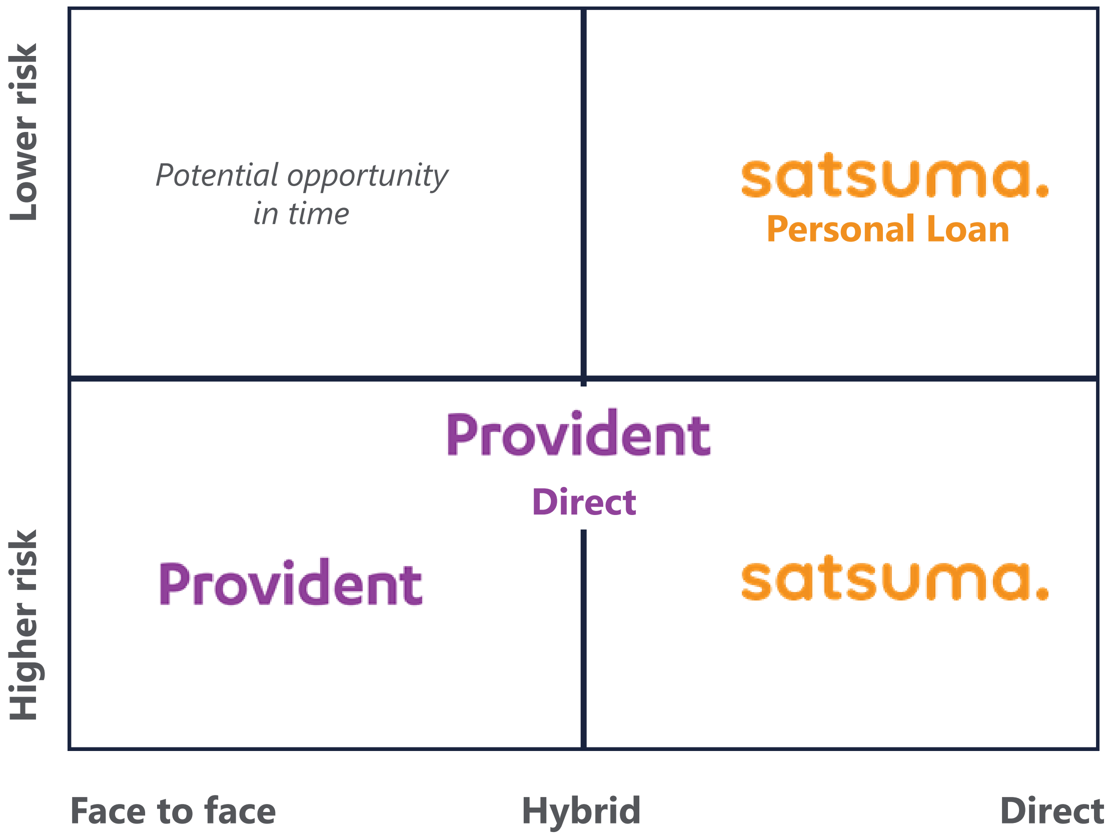
Net revenue improvement

Cost reduction

Cost base run rate now c.£200m

- Performance improvement – Ways of working supported by balanced scorecard and variable pay
- Arrears management and support and various collections initiatives
- Provident Direct
- Benefit from actions taken in 2018 and 2019 (e.g. c.1,400 workforce reduction)
- Reducing the inflexibility of the cost base
- IT – Investment to improve efficiency and resilience and underpin growth initiatives

7 Set up to deliver medium term profit opportunity



- ✓ Market leader
- ✓ Broadening product offer, addressing customer need
- ✓ Expanding addressable market
- ✓ Entry product journeys
- ✓ Well placed for future market consolidation

7 Medium term profit opportunity

Significant opportunity to build PBT

	Illustrative[1] 2020	Illustrative leverage opportunity
Receivables	c.£250m	+£10m
RAM	80-85%	+80%
RLI	c.£210m	+£8.0m
Costs	c.£200m	-£1.0m
Interest	c.£10m	-£1.0m
PBT	Breakeven	+£6m

CCD's drivers

- IT investment required to deliver risk reductions, efficiency and capability
- Tightly controlled cost base partly enabled by IT investment
- Performance management
- Provident Direct
- Satsuma current and personal loans
- Market consolidation

Medium term targets

£300m loan book

ROA of c.10%

[1] Illustrative based on Jun-19 receivables, RAM and interest costs and current run-rate on costs

Provident satsuma.

Conclusion

Who we are	✓Market leader in UK and ROI home credit and now a leading player in digital loans (high cost short term credit market)
Current position	✓Re-engineered operating model developed and implemented following disruption in 2017: – FCA authorised and at the forefront of regulatory direction of travel (e.g. recording all issues of credit) ✓Significant turnaround progress, especially on reducing a largely fixed cost base
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Q&A

Capital and funding

Simon Thomas – Chief Financial Officer

Executive summary

Capital

- Strong capital base relative to banking peers
- Highly capital generative business
- Allows progressive dividend growth towards 1.4x cover
- Potential capital opportunities to create further headroom through proactive management of regulatory capital:
  - ICAAP
  - Resolution of existing regulatory provisions

Funding

- Review has identified a number of opportunities to lower the cost of funding
- Moneybarn securitisation at advanced stage with counterparty
- Potential opportunity for Moneybarn to access Vanquis Bank retail deposits
- Other funding and liquidity opportunities to reduce funding cost being explored

Operating an efficient capital and funding structure to deliver the group's target ROE of 20-25%

Strong base for sustainable growth

CET 1 ratio	At 30 June 2019 £m
Net assets	**678**
Regulatory capital adjustments[1]	**(196)**
IFRS 9 transitional adjustment (85%)[2]	**156**
Total regulatory capital[3]	**638**
Risk weighted assets	**2,262**
CET 1[3]	**28.2%**
TCR[4]	**25.5%**

Transitional impact of IFRS 9	£m
1 January 2018	**9**
1 January 2019	**18**
1 January 2020	**28**
1 January 2021	**37**
1 January 2022	**46**
1 January 2023	**46**
Total regulatory capital impact of IFRS 9	**184**

[1] *Reflects deductions for the pension asset (net of deferred tax), goodwill, other intangible assets (net of deferred tax) and any proposed dividend*
[2] *Reflects the year 2 transitional adjustment in respect of IFRS 9 – 85% of the opening IFRS 9 adjustment to net assets of £184.0m is added back for the purposes of calculating regulatory capital in 2019*
[3] *Calculated on an accrued profits basis*
[4] *Represents the group's minimum regulatory capital requirement as set by the PRA plus the fully loaded capital conservation buffer (2.5%) and counter cyclical buffer (1.0%)*

- The TCR reflects: (i) higher capital ratio for non-prime lenders; and (ii) impact of events in 2017, particularly in CCD
- TCR increased by c.£100m at the time of the rights issue for group wide conduct risk and CCD operational risk
- Regulatory capital headroom of c.£60m at 30 June 2019 compared with current board risk appetite of £50m
- ROE guidance of 20-25% based on TCR of 25.5%

Ability to generate capital to support growth and dividends

Regulatory capital headroom reconciliation – 6 months ending 30 June 2019

	£m	Notes for future years
Regulatory capital headroom at 1-Jan-19	**100**	
IFRS 9 transition	**(18)**	2020 impact = £28m, 2021 = £37m
IFRS 16 implementation	**(26)**	One-off impact in H1-19
PBT	**75**	Your own view
Tax	**(20)**	Statutory tax rate + 8% bank surcharge on Vanquis Bank
Exceptional costs, net of tax	**(32)**	Additional c.£5m in H2-19
Share-based payments	**2**	£2m represents half-year charge
Pension contributions	**-**	£3m p.a from 2020 onwards
Capital released / (required) against receivables movement	**4**	Existing guidance: 5-10% receivables growth 2020+
Other	**(1)**	Movement in intangibles/other RWE movements
Headroom prior to dividends	**82**	
Dividends	**(22)**	Your own view
Regulatory capital headroom at 30-Jun-19	**60**	

Headroom against current TCR of 25.5% remains above Board's risk appetite of £50m based on management's plans and guidance

Potential of further capacity to support regulatory capital levels

- Further capacity to protect and strengthen capital levels through the following potential sources:
  1) Potential upside from finalisation of previously announced provisions:
     – ROP
     – Moneybarn FCA investigation
  2) Potential areas identified in the ICAAP:
     – Pension add-on (£28m)
     – IFRS 9
     – IFRS 16

     'Formulaic' reductions
- PRA review of ICAAP in Q1-20 with result expected in Q2-20
- ROE guidance of 20-25% based on TCR of 25.5%

Focus on efficient balance sheet management

Existing funding capacity and sources

VANQUIS	At 30 June 2019 £m
Retail deposits	**1,460**
Liquid Assets Ratio[1]	**29%**

Non-bank group	£m
Revolving Credit Facility	235
Bonds	477
Total committed facilities available to non-bank	**712**

Future funding options

Funding principles

- Diversification
- Cost efficiency
- Long term stability

New options

- Develop securitisation capabilities (at advanced stage)
- Moneybarn funded by retail deposits (opportunity, subject to PRA)
- Other liquidity and funding opportunities

[1] *Proportion of Vanquis Bank deposits held in liquid assets*

Exploring Moneybarn funding options

1. Advanced stage – Moneybarn bilateral securitisation

- We are in advanced dialogue to fund Moneybarn new business flows through a bilateral facility employing securitisation techniques
- Likely commencement in Q1-20
- Extends the group's funding headroom from Nov-20 to Jun-22
- Builds PFG capability in securitisation – can be deployed elsewhere in the group
- Lower cost of funding than senior bond issuance
- Expect the securitisation to stabilise the non-bank group funding rate, consistent with internal plans and ROE guidance

2. Opportunity – Retail deposits in Moneybarn

- Access to retail deposits to fund Moneybarn would provide additional funding efficiencies for the group
- Deep liquid market of deposits available to support growth
- Lowers the cost of funding to produce stronger returns
- Currently examining a number of potential structures
- Formal proposal to the PRA in Q1-20
- Not included in internal plans or ROE guidance

Conclusion

Capital

- ✓ Strong capital base relative to banking peers
- ✓ Highly capital generative business
- ✓ Allows progressive dividend growth towards 1.4x cover
- ✓ Potential capital opportunities to create further headroom through proactive management of regulatory capital:
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Operating an efficient capital and funding structure to deliver the group's target ROE of 20-25%

Investment case

Malcolm Le May – Chief Executive Officer

Investment case – Recap

Who we are	• **Specialist lender for the 1 in 5 UK adults not well served by the mainstream**
Current position	• Market leader with 2.4m customers across the group • Resilient customers and businesses with counter cyclical opportunity • Successfully managing through tougher regulation • New Blueprint supports sustainable market leadership • Q3 trading in line with internal plans
Growth ambitions	• Substantial opportunities to take the group forward: – Markets, products and digital – Costs, funding and capital • Clear strategic focus to deliver our "Vision for the Future" • Medium term direction to evolve Vanquis Bank to become a broader bank for the underserved
Financial targets	• **Group medium term targets:** – **Receivables growth 5-10% p.a. to c.£3bn** (Current: £2.1bn) – **ROE 20-25%**[1] (Current: c.18%) – **Cost income ratio 38%** (2018: 43%) – **Dividend cover ≥ 1.4x** (2018: 4.7x)

[1] Based on TCR of 25.5%

Well progressed in repositioning for regulation and to capture future growth opportunities

2017

- Reset business models for regulation – Reduction in revenue yields leading to a reduction in returns
- Management actions:
  - Improved governance and culture
  - Funding improvements (e.g. securitisation)
  - Significant cost reduction / efficiency
  - Developing growth opportunities

H1 2020

- Better placed to manage regulatory developments, more regulatory awareness
- Significant growth opportunities in all 3 divisions
- Ongoing cost efficiency
- Further capital and funding opportunities

Our strategic opportunity

Now → Medium term

VANQUIS

- Growth – core cards innovations, loans, partnerships, self-employed
- Cost and digital focus
- Evolving model to new regulation

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- Continued core market growth
- Core market asset class, distribution and digital development
- Funding improvement – securitisation / retail deposits
- Near prime market

Provident satsuma.

- Provident recovery to breakeven
- Provident efficiency / IT
- Digitising customer proposition
- Provident Direct
- Satsuma personal loan

Provident Financial Group

- Cost efficiency
- Capital efficiency
- Structure and target operating model
- Organic growth / sector consolidation

Sustainable, attractive shareholder returns based on medium term targets

PFG | Provident Financial Group

Loan book c.£3bn
c.5-10% growth p.a. over next 5 years
(Current: £2.1bn)

Cost income ratio 38%
in 2022
(2018: 43%)

ROE c.20-25%
in 2021
(Current: c.18%)

Dividend cover ≥ 1.4x
Evolving cover as CCD returns to profitability
(2018: 4.7x)

VANQUIS

Loan book c.£2bn
(Current: £1.4bn)

ROE c.20-25%

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Loan book c.£750m
(Current: £490m)

ROA c.10%

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Loan book c.£300m
(Current: £235m)

ROA c.10%

We help put people on a path to a better everyday life


Q&A

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