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

PFG

Provident Financial plc
Annual Report and Financial Statements 2020

Our strategic roadmap

Purpose

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

Read more on pages 8 to 11

Blueprint strategic drivers

- Customer progression
- Human experiences
- Head AND heart decisions
- Fighting fit

Our behaviours

Be hungry for better	Put the customer on the team	Act like it's yours

Our strategy

Grow customer-centric businesses	Act responsibly and with integrity	Maintain a secure funding and capital structure

Read more on pages 20 to 24

Our sustainability strategy

Operating our business of lending to our customers in a responsible manner	Acting responsibly and sustainably in all our stakeholder relationships

Read more on pages 30 and 70

Visit: www.providentfinancial.com

View: Corporate Responsibility Report at www.providentfinancial.com/sustainability/corporate-responsibility-report-2020

At a glance

2.1m
Customer numbers
(2019: 2.3m)

£1.8bn
Amounts receivable from customers
(2019: £2.2bn)

£674.8m
Regulatory capital
(2019: £697.2m)

£1.0bn
Liquidity
(2019: £0.4bn)

(£47.1m)[1]
(£113.5m)[2]
Loss before tax
(2019: Adjusted profit £152.8m)
(2019: Statutory profit £119.0m)

100%
Operational carbon footprint offset
(2019: 100%)

Strategic report

Governance

Directors' Remuneration Report

Financial statements

Shareholder information

Certain alternative performance measures (APMs) have been used in this report (see pages 245 and 246)

1 Adjusted
2 Statutory

We help...

create a vision for 2021

"

As I reflect on how difficult 2020 was for so many people, I am extremely proud of how all colleagues across PFG responded. We continued to support our customers through very challenging circumstances, whilst not losing sight of our strategic objectives. This focus leaves us well positioned for the year ahead.

Patrick Snowball
Chairman

Introduction

We have seen unprecedented levels of disruption and hardship for many people during 2020. The Board and the Executive Management team responded quickly to the challenges of Covid-19 to ensure that we could continue to supply the vital support our customers require, whilst safeguarding our colleagues and ensuring their wellbeing.

Despite the Covid-19 crisis, we were able to make good progress against the strategic objectives which we set out at our Capital Markets Day in November 2019 including product development and striving towards making our funding structure as efficient as possible.

Covid-19

With the onset of Covid-19 during the first quarter, 2020 was very challenging for a lot of people and the vast majority of companies. As the UK Government placed the whole country into lockdown on 23 March, the Executive Management team at PFG made swift and effective decisions that positioned the business well for the remainder of the year and beyond. Remote working was introduced, including the provision of several hundred laptops, and new ways of providing credit to our customers were rolled out ahead of plan.

The financial impact of Covid-19 on the Group has been profound and, sadly, it has not ceased at the end of 2020. As a result, the Board took the very difficult decision to withhold the final dividend payment with respect to our 2019 financial year, in order to preserve our balance sheet strength given the overwhelming uncertainty facing the UK economy. We are not proposing to pay a dividend for our 2020 financial year either. However, it is absolutely the Board's intention to resume paying a dividend to our shareholders as soon as operating conditions normalise.

Our Consumer Credit Division

In March 2021, we informed the market of our intention to launch a Scheme of Arrangement in order to address the issue of rising volumes of customer complaints in our home credit business. The Board felt this was the best option to protect the interests of all our stakeholders, including our customers, and the most effective way to protect the Group's wider interests moving forward. In addition, we have taken the difficult decision to stop serving the home credit market and move towards closing that business over the course of 2021.

This decision was not taken lightly, and the Board undertook a significant amount of consideration before reaching this conclusion. In recent years, the home credit market has shrunk significantly, reflecting changing customer preferences. The Board felt that it would be in the best interests of our shareholders to focus on larger market segments, including our existing sub- and near-prime credit card and vehicle finance products, as well as new segments including the unsecured personal loan market.

Our shareholders

We maintained a regular dialogue with our shareholders throughout 2020 which has, in many ways, been more important to do than ever. Issues of environmental, social and corporate governance (ESG) are forming central parts of investment cases for many of our largest shareholders. PFG has a sustainable, responsible business strategy which aims to put the customer at the heart of everything we do. Please see our Corporate Responsibility section for more details on pages 70 to 90.

Our investor relations programme for 2020 was put on hold and all our shareholder meetings were conducted virtually. As and when conditions allow, we plan to be more active in 2021 and we have plans to attend more broker and industry conferences.

Our governance

The Board is responsible for the effective oversight of the Group and determines its strategic direction and objectives. We are committed to the highest possible standards of corporate governance and delivering long-term, sustainable shareholder value.

I am delighted to welcome Margot James to the Board. Margot joined in July 2020, bringing with her a wealth of experience from both the public and private sectors. Between 2010 and 2019, Margot served as a Member of Parliament and held a number of ministerial offices. In 1985, she founded Shire Health Group which provided public relations and medical educational services to pharmaceutical companies. Margot's roles in the public sector provide her with a strong understanding of the expectations of regulators and other public stakeholders, as well as strong knowledge of corporate governance, labour markets and UK technology and retail sectors. She has a track record of driving value for shareholders and has a demonstrable record as a successful entrepreneur and CEO.

Our people

The Board and I would like to extend our heartfelt gratitude to Malcolm, the wider management team and everyone at PFG for their hard work and perseverance during 2020. The fact that we have been able to continue supporting our customers, whilst delivering some key strategic objectives, is a significant outcome.

I am pleased to report that our Strategic Blueprint is now embedded across everything we do at PFG and our Purpose of helping to put our customers on a path to a better everyday life is more relevant than ever.

Our Group and divisional Executive Committees have had to work especially hard during 2020 to help keep colleagues across the Group motivated during very difficult circumstances. Towards the start of 2020, Neeraj Kapur joined as CFO and Gary Thompson joined Vanquis Bank as Finance Director. In July, David Shrimpton was appointed Managing Director of Moneybarn, having carried out the role on an interim basis for a short period and, in September, Hamish Paton joined Consumer Credit Division (CCD) as Managing Director.

In October, Malcolm Le May, our Group CEO, took a short period of absence to recuperate from an operation. During this time, I held the position of Executive Chairman and took over the day-to-day running of the business. This is reflected in our Executive Remuneration section on pages 148 to 171.

Outlook

2021 will undoubtedly be another very challenging year as we start to reshape the Group post-Covid-19 and following our decision to withdraw from the home credit market.

PFG has provided essential support to some of the most financially vulnerable in society for over 140 years. This ambition will remain our principal focus whilst ensuring we return to generating sustainable shareholder returns.

Patrick Snowball
Chairman
10 May 2021

Read more in our Corporate Responsibility Report at
www.providentfinancial.com/sustainability/corporate-responsibility-report-2020

Chairman's ESG Q&A

What are your reflections on PFG's commitment to managing ESG issues?

Of course, if the Group is to continue to deliver the products and services that help put our customers on a path to a better everyday life, we need to be financially sustainable. It is also clear, however, that there is increasing interest amongst our stakeholders in the wider role that PFG plays in society. This is why we have a sustainability strategy which not only focuses on responsibly serving our customers, but also underlines our commitment to take action to respond to climate change. This strategy is integral to our long-term success and the value we create for all our stakeholders, and frames the way we manage and report our ESG responsibilities. It also ensures that ESG considerations are regularly discussed and assessed by the Board, and factored into the way we run the business.

How does the Board stay abreast of the ESG concerns that are material to the Group's stakeholders?

One of my first actions when I joined PFG as Chairman in 2019 was to establish the Board's Customer, Culture and Ethics (CCE) Committee. This Committee is chaired by Non-Executive Director Graham Lindsay and its membership comprises a mix of other Board non-executive directors and senior leaders from across the business. By having this Committee in place, the Board is able to stay up to date of all material ESG-related developments.

What do you see as being the most pressing ESG issue for the Board?

ESG issues have risen in prominence for all Boards over the past 18 months as institutional investors and other stakeholders have made the link between ESG performance and business strategy, and its potential to impact the bottom line. And the events of 2020 have served to further underline the importance to PFG of playing a role in responding to the key ESG issues, such as climate change, inequality and poverty, and creating a truly sustainable business. This is why the Board approved a number of long-term objectives that are aligned with five UN Sustainable Development Goals along with PFG's route map to meet the recommendations of the Task Force on Climate-related Financial Disclosures.

How is the Board ensuring that ESG performance is linked to PFG's strategy?

In addition to the CCE Committee overseeing the embedding of our Blueprint, our Remuneration Committee also ensures that ESG performance aligns with the Group's strategic objectives by integrating relevant metrics into the pay and reward systems for the senior leadership team. This not only ensures that pay is aligned with delivering strong financial performance that accords with our Blueprint, but also helps to hold our senior managers to account for the delivery of sustainable business goals.

How does PFG engage with its shareholders on the ESG agenda?

I recognise that shareholder interest in our ESG performance has increased in recent years, which is why we are committed to sharing information on our ESG performance, alongside our financial performance, with the investment community so investors, analysts and other shareholders can see how we have, in delivering our business activities, balanced profit and purpose. We do this by disclosing ESG performance information in our main corporate reports and presentations, responding directly to requests for information from investors and analysts, and by maintaining a presence on specific investment indices. This enables us to share with the investment community information on the progress we are making in terms of delivering our business strategy in accordance with our Purpose, and on a broader spectrum of issues such as climate change, inclusion and diversity, and human rights.

We help...

customers through our market-leading businesses

As the leader in our chosen market segments, the Group meets the needs of customers through three divisions: Vanquis Bank, Moneybarn and the Consumer Credit Division (CCD), supported by a central corporate office. Vanquis Bank offers a range of credit cards, unsecured personal loans and retail deposits. Moneybarn offers secured vehicle finance on a range of asset classes, including cars, motorbikes and light commercial vehicles. CCD offers home credit and provided short-term online loans through Satsuma until February 2020.

VANQUIS

Credit cards

1.7m
Customers*

£150–£4,000
Credit card limits

£1,000–£5,000
Loan range

1–3 years
Loan terms

Read more on pages 38 to 41

moneybarn Vehicle Finance

Vehicle finance

91,400
Customers*

£4,000–£25,000
Loan range

3–5 years
Loan terms

Read more on pages 42 and 43

Provident satsuma.

Home credit and online loans

311,000
Customers*

£100–£2,500
Loan range

13–104 weeks
Loan terms

Read more on pages 44 to 47

* Customer numbers as at 2020 year end.

We...
understand our customers

The Group is a specialist lender focused on serving the one in five UK adults who are not well served by mainstream lenders.

Consumers may be not be well served by mainstream lenders for a multitude of reasons:

- managing on below-average incomes with limited savings, meaning unforeseen expenses can be challenging;
- have variable incomes (e.g. self-employed, on a zero-hours contract, have multiple part-time jobs);
- experienced a significant life event (e.g. job loss, ill health, divorce);
- new to credit or new to the UK and therefore have little or no credit history;
- looking to build or rebuild their credit rating; and
- value a more tailored product and service.

A wider range of suitable and sustainable credit products is required than is typically provided by mainstream lenders. In addition, our customers sit across a broad range of risk profiles. It is therefore important that a range of price points can be offered, increasing financial inclusion. Finally, our customers' needs and circumstances are often more fluid then those of consumers served by mainstream providers, requiring us to provide a more flexible approach.

Our customers' typical characteristics

	Provident	satsuma.	moneybarn Vehicle Finance	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	35–64 years	18–34 years	25–44 years	35–54 years
Bank account	>80%	100%	100%	100%
Savings	Limited or no savings		Some savings for specific goals	

Our response to Covid-19

In Q1'20, the Group faced significant uncertainty with the onset of the Covid-19 pandemic. The uncertain and challenging times required a reassessment of the operating model to protect our stakeholders. The need for the whole Group to work together was paramount and this was delivered seamlessly.

The Covid-19 pandemic has underlined just how important technology is in keeping us connected with our customers. A great example of this is Provident Direct. This brought the best in face-to-face service in lending with a continuous payment authority (CPA) then used for future payments.

Our customers

Our Purpose is to help put customers on a path to a better everyday life. The relationship with our customers is a fundamental part of our business. Meeting their needs and expectations, while keeping colleagues safe, has been the number one priority through the year.

Prior to the FCA regulations on payment holidays, Moneybarn took a proactive approach to forbearance and initiated payment holidays, contacting customers proactively to update them on how the business was responding to the pandemic. We know that, for a Moneybarn customer, the monthly repayment is one of their largest monthly expenses, and that a rapid response was needed to support our customers. Moneybarn, therefore, saw the highest proportion of customers requiring support with approximately 25% of customers immediately taking a payment holiday at the onset of Covid-19. This moderated to 2% as customers adapted to their changing financial circumstances and have predominantly returned to their contractual repayment profile.

In Vanquis Bank, there was relatively low take-up of payment holidays for card customers due to the lower minimum monthly payment required on a credit card. In addition, due to constricted spend during the pandemic, many customers were actually able to pay down on their existing debt. Vanquis Bank loan customers had a higher take-up on payment holidays with approximately 10% at the start of the pandemic moderating down to under 5% by the end of the year.

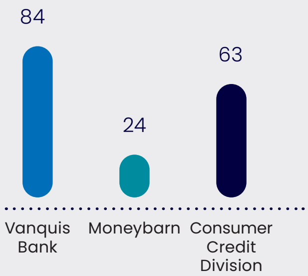
The CCD customer base is more used to budgeting on low incomes and less sensitive to changes in the macroeconomic environment. A payment holiday is also a core part of the home credit business model. Significant changes were therefore not required in forbearance with only 5% of customers explicitly being impacted by Covid-19 and requiring support.

The historical success of the home credit business is built on the unique personal relationships which the Customer Experience Managers (CEMs) develop with each of their customers over time. Being able to maintain this relationship when a CEM could not have a face-to-face relationship was a challenge. However, several remote methods were created for a customer to manage their account including online and telephone repayments and remote loan applications followed by e-disbursements to transfer a loan into a customer's bank account.

Read more on pages 8 and 9

New publications have been created to foster engagement such as the ‘Stay Connected’ magazine providing Group performance and colleague achievement, in and out of their working day.

Payment holidays granted in 2020 (‘000)



Colleagues

Managing the health and wellbeing of colleagues was critical when required to work remotely. In a matter of weeks, c.70% of colleagues were enabled to work from home. Tech and Change teams across the Group provided laptops and essential equipment to replicate the office environment. It was essential that colleagues had the software working to interact with both customers and their teams.

With concern that the isolation of working from home could affect the mental wellbeing of our colleagues, Engagement Committees were formed to ensure colleagues continued to interact on both a professional and social level. The executive directors took the lead, ensuring that colleagues were kept abreast with the latest Group developments, and broadcast weekly vlogs throughout the year. Malcolm Le May was a prominent contributor to these videos, providing regular updates on achievements and developments, as well as lifting spirits with information updates on his weekend gardening. This more visible presence through the online platforms and videos has been a benefit achieved through Covid-19. The use of Teams, Skype and Zoom has also allowed many to put a face to a name, without travel required.

For colleagues who have required further support, management has promoted the Thrive app – recommended by the NHS – to provide access to a huge range of mental health and wellbeing resources with practical tools to help maintain mental wellbeing, from stress-busting techniques to a full cognitive behavioural therapy programme and a ‘progress journey’ which helps to monitor how colleagues are getting on.

Investors

Due to the uncertainty the Group faced in March, the Board took the difficult decision to withdraw the 2019 final dividend in order to strengthen the capital base to help withstand the uncertain economic outlook. The Board, Group and divisional Executive Committees and senior management also voluntarily took a 20% pay reduction to strengthen the Group when faced with such uncertainty. The Group has not directly taken any proceeds from the government support initiatives offered.

The tight control of capital was essential to create a sustainable Group, able to withstand the economic uncertainty. As a result of the withdrawal of the final dividend, the benefit from the removal of the countercyclical capital buffer and the lower new lending, regulatory capital headroom has significantly increased in the year. This will benefit the Group in 2021 as the economy continues to deteriorate.

Funding and liquidity was a key focus, particularly following customers being supported through payment holidays. The Group immediately increased liquid assets to £1.2bn to protect against the uncertainty. This was in addition to the securitisation of Moneybarn assets to provide additional funding in the first half.

Suppliers

When the first lockdown took place in 2020, various supplier initiatives took place. An initial assessment for each supplier was undertaken to highlight where there could be potential risks. This was based on resources, inability to work from home and financial status. These initial checks initiated in-depth supplier conversations, to ensure that critical supplies to the Group were not affected by the pandemic. This additional due diligence ensured more regular contact with our strategic suppliers, which allowed flexibility on both sides of the partnership. This ensured continuity of supplies for the Group which has continued into 2021.

Moneybarn’s Learning and Development team used Skype to remotely train more than 150 colleagues in email admin and a new payment holiday process.

Customers

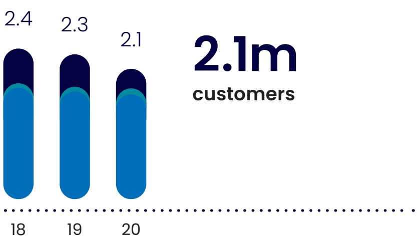
We help...

support a better quality of life

As a specialist lender, tailored products and services are offered to customers across three divisions - Vanquis Bank, Moneybarn and the Consumer Credit Division.

Each division operates with the aim of supporting customers through lending responsibly. The better we understand our 2.1 million customers, the better the service we can provide. This allows us to make strides in becoming true customer champions. We have remained closer to customers in 2020, monitoring customer satisfaction and using surveys and feedback to raise areas for improvement.

Customers (m)



2.1m
customers

Vanquis Bank

Moneybarn

Consumer Credit Division

VANQUIS

Vanquis Bank
Vanquis Bank has supported customers throughout the pandemic by continuing to lend to existing customers and activating payment freezes and arrangements where needed. This was evidenced by an increased customer satisfaction rating in the year to 91%. Colleague input was used to develop a new customer proposition "We stand with you on your journey to better and fairer credit", which was introduced in August 2020. Alongside providing credit cards, loans and retail deposits to its customers, innovations such as Payit™ provide customers with a quick, simple and secure way to make repayments to their credit card without the use of a debit card, and allow an instant update to available credit limit.

Vanquis Bank ranked as #1 in 2020 within the Bank category on Trustpilot based on reviews received from customers.

Vanquis activated its 100,000th payment freeze in January 2021.

Further details on how we adapted our business during the pandemic can be found on pages 6 and 7

Our awards

UK's Best Workplaces™ in 2020 by Great Places to Work (in the Large Organisations category)

A Lotus Award for Culture for the third year running

Best Brand at the Lending Awards 2020

Moneyfacts Consumer Awards – Credit Card App of the Year

Non-Prime Lender of the Year at the Motor Finance Europe Awards 2020

Moneybarn

In 2020, Moneybarn continued to offer credit when many other lenders ceased lending to preserve capital and liquidity. Moneybarn continued to provide for customers, many of whom are key workers. The business partnered with Exchange & Mart to create an online 'vehicle finder' which enables applicants to search for cars tailored to the loan offer. Payment freezes were provided to support customers when needed. Moneybarn prides itself "on providing a service that customers love, in a way that is simple to understand and easy to use". The business has won many awards in the year for the level of service and approach to lending, including Best Brand at the Lending Awards 2020 and Non-Prime Lender of the Year at the Motor Finance Europe Awards 2020.

Consumer Credit Division

The Consumer Credit Division was quick to react to the initial lockdown which was essential when the face-to-face relationship was prevented. Customer Engagement Managers (CEMs) continued to support customers remotely and the national roll-out of Provident Direct during March 2020 continued to provide a remote lending solution for existing customers. Customers were offered greater control with a wider range of loan disbursement and repayment options, including the introduction of e-disbursement and a wide choice of collection methods including continuous payment authority (CPA), online, automated IVR and debit card payments taken by the CEM either in the home when permitted or over the phone.

Moneybarn has been crowned Non-Prime Lender of the Year at the Motor Finance Europe Awards 2020. The awards celebrate excellence and innovation in the European motor finance industry with Santander Consumer UK and KPMG among the other big winners.

Colleagues

We help...

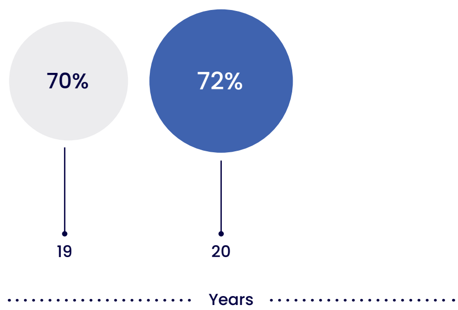
empower our colleagues

It is fundamental that colleagues are proud of what they do. Their hard work delivers our Purpose to help put customers on a path to a better everyday life.

The Group's culture has continued to be developed in 2020, whilst supporting colleagues during the challenges faced during Covid-19. 88% of colleagues understand our Purpose and what it is trying to achieve (+6% in the year).

There has been a huge focus on the wellbeing of all colleagues. A programme of events was launched to support mental health including a network of mental health first aiders and a number of other support tools such as a Wellness Guide, the Thrive app and a new Employee Assistance Programme. This is a 24-hour confidential helpline to provide support to colleagues and to help manage their mental health and wellbeing.

Colleague engagement
(survey response)



KPIs

74%
More people chose to participate in the survey this year (+2%)

60%
Positive shift in how our colleagues feel we are bringing our Blueprint to life, changing the culture of our business and taking people on the journey (+6%)

88%
88% of colleagues understand our Purpose and what it's trying to achieve (+6%)

83%
83% of our colleagues feel PFG is an organisation that cares and put the safety of its colleagues first in response to the Covid-19 pandemic

It has been vital to provide safe working environments in our offices. We have talked with our colleagues on a daily basis to ensure they also have safe working environments at home. 83% of our colleagues felt PFG is an organisation which cares and put the safety of its colleagues first in response to the Covid-19 pandemic.

Communication was key with the creation of a new Group-wide online magazine, 'Stay Connected', containing guides for line managers to support colleagues throughout the pandemic. There was also a shift to virtual leadership communications including regular vlogs and virtual 'town halls'.

We continued focus on our inclusion and diversity (I&D) strategy to reinforce our culture of supporting and developing a diverse workforce. This has included development of our pipeline of female talent through delivery of the Women in Leadership Programme and increased gender pay reporting. The 'Diversity and Inclusion' network was launched, comprising four affinity groups based around gender, LGBTQ+, ethnicity and disability. The network developed a Be Yourself Inclusion Calendar and work has begun on updating HR management systems to collect information from colleagues on their ethnicity, religious beliefs, sexual orientation, disability status, caring responsibilities and gender identity to enable us to understand our workforce better to be able to ensure everyone feels supported. More details can be found in the Sustainability Report on pages 77 and 78 and within the Section 172 Report.

The PFG Blueprint has continued to be embedded with the launch of the 'Blueprint Behaviours' framework combined with the launch of three 'Better Everyday' recognition awards - Isolation Icon, Corona Hero and Champ in a Crisis – which reward colleagues for outstanding performance. A Group-wide engagement survey was rolled out to take colleagues' feedback to improve the colleague and customer experience. The results demonstrate noticeable improvements across the board. Engagement increased by 2% to 72% despite a year of disruption experienced by all colleagues. This reflects high levels of commitment from colleagues since the beginning of the pandemic. There has been a positive shift in how our employees feel management are bringing the Blueprint to life, changing the Group's culture and taking all colleagues on this journey (+6% to 60%).

Key emerging themes at Group level:

- **Future direction of the PFG:** Continued high levels of engagement from individual colleagues to the Group's future direction, including how each colleague contributes to the Group achieving its goals.
- **Our Purpose:** Understanding and engagement continue to be high, with a significant increase in colleagues stating they see daily evidence of the Blueprint being brought to life. There are opportunities for this to continue with the introduction of the 'Blueprint Behaviours' performance management framework which will be used fully for the first time in Q1'21.
- **Leadership vs 'my manager':** Trust and confidence in managers continue to be high, and we have seen an increase in sentiment towards confidence in the leadership cohort (defined as directors/senior leaders within a division) (+14%).
- **Customer focus culture:** The response to questions related to supporting and looking after customers has increased across the divisions, with respondents agreeing that the interests of Provident are aligned with the interests of the customers (+12%).

We help...
improve our customers' lives

"There is no doubt that 2020 was a tremendously difficult year for our customers. My colleagues across the Group worked tirelessly to ensure the continued support our customers needed during these challenging circumstances and, for that, I would like to extend my most sincere gratitude to everyone at PFG.

Malcolm Le May
Chief Executive Officer

Introduction

Immediately after the Government's initial response to Covid-19 in March 2020, the Group focused on adapting the operations of its three divisions – Vanquis Bank, Moneybarn and the Consumer Credit Division (CCD) – to enable them to keep supporting customers, whilst keeping colleagues safe. Within a matter of weeks, the vast majority of colleagues from Vanquis Bank and Moneybarn were working remotely and Provident Direct was introduced nationwide for CCD colleagues, enabling remote lending and collections. Unlike many of its competitors, Moneybarn was able to stay open throughout the year, including during the first Government lockdown, enabling it to capture market share and attract new customers. In addition, all of our divisions took the decision to tighten underwriting standards during the first half of the year.

I am pleased to report that the Group maintained its focus on key strategic targets set out at our November 2019 Capital Markets Day. PFG successfully tendered for £75m of its June 2023 senior bonds, Moneybarn launched a new securitisation vehicle and Provident Direct was utilised to increasing effect in home credit. With our third quarter update in November, we informed the market that we had initiated an operational review of CCD to make sure that this business was positioned to provide shareholders with sustainable returns over the long-term. Please see the CCD section for more details.

Towards the end of the year, PFG established a new intermediate holding company, Provident Financial Holdings Limited, to streamline the structure of its operating subsidiaries and ensure that the Group is well-positioned going forward. As part of this process, Provident Personal Credit, Provident Financial Management Services Limited, Greenwood Personal Credit and Provident Investments Ltd were retired as guaranteeing subsidiaries from the Group's fixed income securities and Provident Financial Holdings Limited was added as a guaranteeing subsidiary.

Group financials

Turning to the financial results for 2020, the Group reported an adjusted loss before tax of £47.1m (FY'19 profit of £152.8m), which reflects lower revenue year-on-year driven by lower receivables and higher impairment as a result of Covid-19. This is consistent with the 2020 statutory loss of £113.5m, reducing from a profit of £119.0m in 2019. Throughout 2020, as a management team, we focused on maintaining strong capital and liquidity positions whilst ensuring that colleagues across the Group have all the resources they need to work remotely.

Covid-19 had an immediate impact on our customers and their demand for credit. It also impacted their credit scores as unemployment started to rise. Across the Group, underwriting standards were tightened in April in response to the changing consumer landscape. As a result, new bookings for 2020 fell and so did receivables. At the end of December 2020, the Group had 2,070k customers (FY'19: 2,319k) and a total receivables balance of £1.8bn (FY'19: £2.2bn).

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

The Group's capital and liquidity positions have remained robust throughout the period. At the end of December, the Group held total regulatory capital of £675m, equating to a total CET1 ratio of 34.2% and a surplus above the minimum regulatory requirement of approximately £264m. Just after the period end, Vanquis Bank launched its first securitisation programme, which is backed by a revolving portfolio of credit card receivables. The notes will be held internally as an additional liquidity contingency option initially, enhancing Vanquis Bank's ability to diversify its sources of funding.

CCD operational review

In November 2020, PFG communicated its intention to initiate an operational review of CCD, to be carried about by Hamish Paton, Managing Director, and his team. In the context of Covid-19, rising customer complaint volumes driven by Claims Management Companies (CMCs) and evolving customer choice dynamics, it was clear that CCD needed to evolve its business model in order to keep providing sustainable returns to shareholders.

On 15 March 2021, PFG informed the market of its decision to launch a Scheme of Arrangement (the 'Scheme') to address the liability of ongoing customer complaints based on historic lending at CCD. The £65m cost of the Scheme has been recorded as a provision in 2020. On 22 April 2021, the Court made an order enabling CCD to convene a meeting of Scheme creditors to consider the merits of the Scheme. CCD customers, past and present, as well as the Financial Ombudsman Service (FOS), now have the opportunity to vote on the Scheme. The creditors meeting will be held on 19 July 2021 and, if creditors vote in favour of the Scheme, the final Court sanction hearing will be held on 30 July 2021.

In response to evolving customer demand, changing home credit market dynamics and the desire to focus on larger market segments, it is with regret that PFG has decided to withdraw from the home credit market entirely and is considering a sale of this business. The home credit business will be placed into a managed run-off, which would be expected to conclude by December 2021. We expect to manage the IT infrastructure and support service expenditure lower as the receivables book falls. At the end of March 2021, CCD had approximately 2,100 employees and an internal consultation for these employees has started today. It is anticipated that the cost to the Group of placing the business into managed run-off or disposing of CCD will be up to c.£100m.

PFG will leverage its existing expertise to expand its unsecured personal loan product. The new loan offering will be a 'mid-term, mid-cost' product and will take into account the most recent sector regulation whilst catering much more closely to modern customer requirements. Further details will be provided in due course.

Payment holidays

Following FCA guidance in March 2020, payment holidays were offered to customers in Vanquis Bank, Moneybarn and CCD of between 1 and 3 months. Payment holiday take-up by PFG customers peaked during H1'20, before gradually declining throughout the second half of the year.

Vanquis Bank saw payment holiday activations grow to a peak of 47k customers or 3.5% of total customers in June. At the end of December, the number of Vanquis customers with an active payment holiday was c.8.5k which equated to 0.5% of customers or 1.4% of receivables.

For Moneybarn, payment holidays increased significantly in April to c.19k customers or 23%. At the end of December, c.1.2k customers had an active payment holiday, equating to 1.3% of the total customers or 1.6% of receivables.

Within CCD, the concept of forbearance is implicit within the business model. Payment holidays peaked during H1'20 at c.4% of customers but, by the end of December, this had improved to c.5.0k customers equating to 1.6% or 1.1% of receivables.

Regulation

Vanquis Bank responded to FCA guidance throughout 2020 in order to manage evolving customer requirements during Covid-19, which included the introduction of payment deferrals and extensions, as well as tailored support for customers who required additional help. The persistent debt measures for credit card lending came into effect in October having been delayed because of Covid-19. Vanquis Bank has made good progress in managing the level of customers in persistent debt, through changes to the credit line increase programme, increasing minimum payments due and enhanced communication encouraging customers to make higher recommended payments.

During 2020, the main regulatory changes focused on the high-cost credit market and impacted CCD. In August, the FCA published the findings of a review into relending by firms that offer high-cost credit, which required businesses to ensure that relending did not lead to worse customer outcomes. At the same time, the Kerrigan vs. Elevate Credit (trading as Sunny) decision was published by the High Court which, in part, focused on affordability and creditworthiness procedures in place at Sunny, including repeat borrowing assessments.

After the period end, in February 2021, the initial findings of the Woolard Review were published. The recommendations included encouraging alternatives to high-cost credit, promoting better access to debt advice and that the FCA work with the Bank of England and the UK Government to allow credit unions to expand their product offering. PFG is reviewing the recommendations set out in the Woolard Review and will look to incorporate anything taken forward by the FCA. Notably, the Group's new unsecured personal loan product will be a 'mid-cost' offering, in keeping with the Review's suggestions.

Also, after the period end, at the start of February, Moneybarn was able to start collecting vehicles from customers where a Default Termination (DT) had occurred. Before then, as per FCA guidance, Moneybarn was only able to collect vehicles from Voluntary Terminations (VT).

In February 2021, CCD was informed by the FCA that it had opened an enforcement investigation focusing on the consideration of affordability and sustainability of lending to customers, as well as the application of a FOS decision into the complaint handling process, in the period between February 2020 and February 2021. The start of the investigation period relates to the FOS decision which was taken in February of last year.

The appointment of investigators does not mean that the FCA has determined that rule breaches or any other contraventions have occurred. CCD intends to work closely with the FCA in relation to the investigation, which is unlikely to conclude until the end of 2022 at the earliest. There is no further update at this stage.

Environmental, Social and Corporate Governance (ESG)

Issues of Environmental, Social and Corporate Governance (ESG) are increasingly important for us and many of our largest shareholders. PFG has a sustainable, responsible business strategy which aims to put the customer at the heart of everything we do. Our strategy of lending to our customers in a responsible and sustainable way is a key aspect of the Group's purpose. We are constituents of the FTSE4Good and Dow Jones Sustainability Indices and submit an annual survey to them. We have set several long-term objectives which are aligned with the UN's Sustainable Development Goals and Taskforce on Climate-related Financial Disclosures (TCFD). We also work very closely with several charities and partners to address issues such as access to debt advice, financial education and consumer vulnerability issues. Please see our Corporate Responsibility report, published today, for more details.

Environmental, Social and Corporate Governance (ESG) continued

As part of PFG's response to Covid-19, the Board and senior management team elected to take a 20% pay cut for three months from April 2020 and there were no bonuses paid in respect of 2020. In June 2020, the Group repaid HMRC all money received in respect of the Government's job retention scheme, as well as all deferred tax payments and to not benefit from future Government support again.

In 2020, PFG committed c.£1.2m to its Social Impact Programme which supports partners in tackling customer and colleague vulnerability issues, supporting its education and skills agenda and investing in projects which address a range of social inclusion issues and promote community cohesion. Through the support the Group provides to School-Home Support, a charity working with families and children to maximise educational opportunities, 1,710 interventions were made with families in urgent need of support during the pandemic.

For 2020, the Group was able to offset 4,507 tonnes of CO_2e, which accounted for the Group's annual operational footprint, through the purchase of carbon offset certificates in the Weyerhaeuser Carbon Sequestration Project. The Group is targeting to be fully carbon neutral by 2040, ahead of the UK Government's target of 2045.

Board and senior management changes

In April, Neeraj Kapur took up his role on the Group Board as Group Chief Financial Officer (CFO). Neeraj brings significant relevant experience as a main board director of a FTSE business and as a bank CFO.

> The measures put in place to meet the challenges brought on by the early stages of Covid-19 positioned the Group well for the requirements of 2020 from an operational perspective.

At a divisional level, Hamish Paton was appointed as Managing Director of CCD in September and David Shrimpton was appointed to the same position at Moneybarn. Gary Thompson, who was Director of Group Finance and Investor Relations for over ten years, was appointed as Finance Director of Vanquis Bank and Neill Moore, who has held various senior finance positions at KPMG, Boots and FGH, was appointed to the same position at CCD. After the period end, in February 2021, Chris Anderson joined Moneybarn as Finance Director, having also held senior finance positions at CitiFinancial Europe, Everyday Loans and Secure Trust Bank.

Outlook

The Group's credit card and vehicle finance businesses reported improving trends during Q1'21, with credit card spend improving and the demand for vehicle finance increasing as lockdown restrictions eased. These positive trends, supported by the Group's strong balance sheet, mean that we feel confident about how we are positioned in our markets. Over the course of 2021, PFG intends to launch an unsecured personal loan product in the 'mid-cost' segment of this £1.6bn market, an ambition first set out at our Capital Markets Day in 2019. The unsecured loan offering is an important step towards the Group's ambition of becoming a broader banking group to the financially underserved customer. We expect to update the market with a Capital Markets Day in the fourth quarter of 2021.

There are indications that Covid-19 will increase the size of our addressable markets in the future, as household finances are impacted. As a result of the Covid-19 pandemic, the 10 to 12 million adults in the UK who sit outside of high street bank risk appetites will likely increase. Indeed, the FCA published recently that, over the course of 2020, the number of adults in the UK with low financial resilience had increased from 10.7m to 14.2m.

The Group remains mindful of Government support schemes coming to an end and the impact that this will have on the wider economy in the UK. However, as a result of our balance sheet strength and proactive but prudent approach to risk management, the Group remains well positioned.

We will continue to work towards many of the objectives we set out in our 2019 Capital Markets Day including expanding our digital footprint, investing in new products, focusing on funding efficiencies to become a broader banking group for the financially underserved customer.

Malcolm Le May
Chief Executive Officer
10 May 2021

Q&A

with
Neeraj Kapur
Chief Finance Officer

> I was excited about joining this purpose-driven company and I value what the Group provides to the underserved segment of our society.

Q1.

What are your first impressions since joining the Group?

I joined the Group in April 2020, just as the impact of the pandemic began. I was excited about joining this purpose-driven company and I value what the Group provides to the underserved segment of our society.

The tone from the Board demonstrated a positive culture as the Group was rebuilding after a number of challenging years. I liked the strategic Blueprint and the connection to the Group's Purpose. We spend so much of our lives working, it's important that we remain connected to the Purpose we're delivering. The recovery which the Group had already achieved demonstrated a strong Board and management team. I felt part of that team very quickly. We continue to work together on the new issues the Group faces through the impact of the pandemic and the challenges of the Consumer Credit Division (CCD).

Q2.

What has been your key focus in 2020?

Becoming CFO from 1 April meant I had to hit the ground running. Preparing the Group for the potential impacts of Covid-19 was the immediate priority. Being from a banking background, I felt well placed to support Vanquis Bank, and I also had previous experience in motor finance, but CCD faced very different challenges due to not being able to lend in the home.

My first response was to ensure the Group had sufficient capital, liquidity and funding which we built quickly through April and May, raising £0.7bn of liquidity over six weeks. My attention was then on reforecasting to better understand the financial impact of the pandemic. This was a very challenging and draining time for the finance teams and I was conscious to do all I could to protect our colleagues' wellbeing across the Group.

Q3.

What will be your key focus now for 2021?

To help create a more sustainable Group business model which can serve all stakeholders. The future operating model will need to be more dynamic in line with customer requirements. Meeting stakeholder requirements will be a key focus of all colleagues in order to take the Group forward.

I will also focus on ensuring the Group remains financially secure by retaining a strong capital, liquidity and funding structure to include the use of Vanquis Bank deposits as much as is feasible to reinvest in the Group's Purpose.

"

My focus is to help build a more sustainable Group business model delivering the commitments of 2019 Capital Markets Day and most importantly our Purpose.

Q4.

Details were provided at the 2019 Capital Markets Day (CMD) that Vanquis Bank will fund Moneybarn through retail deposits. Is this still the case and how will this be delivered?

The Vanquis Bank voluntary requirement was removed in 2020 and as such the Group already has access to retail deposits from Vanquis Bank.

We are planning to fund more of the Group with retail deposits over time as communicated at the 2019 CMD.

Q5.

Will the Group be using the Bank of England funding schemes?

The Vanquis Bank securitisation provided contingent funding capacity and, subject to Bank of England (BoE) approval, access to its cheap and long-term funding schemes, e.g. TFSME.

Usage of any BoE funding will be modest and proportionate to the bank, which will remain predominantly retail deposit funded.

Reasons to invest

PFG is a market-leading FTSE 250 company. We aim to deliver long-term value for our shareholders through our strong market positions, robust balance sheet and competitive advantages. Our investment case is based on five key areas:

1. We are well positioned in the large, growing market segments of sub- and near-prime credit cards, vehicle finance and unsecured personal loans

In the UK, there are between 10 and 12 million working adults who are underserved by mainstream lenders. With our broad range of products and services, we are well positioned to be the credit provider of choice for these customers.

2. We have a purpose-driven strategic Blueprint, which sets us up for sustainable growth

Our Blueprint brings together why PFG exists as an organisation, framed in the context of the role our business plays in the lives of our customers. It also sets out the strategic focus and key priorities that will drive both competitive advantage and commercial success for the whole Group.

3. We have a customer-centric, responsible culture

While our customers share many similarities with mainstream credit customers, there are important differences arising from their individual circumstances. Our customers need a tailored approach and a wider range of suitable and sustainable credit solutions to best serve their needs. We aim to put the customer on the team.

4. Financial resilience and strong capital position

Over the medium term, our plan is to become a broader banking group for the underserved customer. To achieve this, we are working collaboratively across the Group and focusing on our customers. We have significant opportunities to take our Group forward as we look towards new markets, new products and new digital advancements and we have the financial strength to achieve this.

5. Sustainable growth over the medium term

To support the delivery of our Purpose, we have a financial model founded on investing in customer-centric businesses with attractive returns, which aligns an appropriate capital structure with the Group's dividend policy and future growth plans.

We are...
driven by our Purpose

Our key relationships

Customers
Our 2.1 million customers are at the heart of what we do; they are the 20% of UK adults who at any one time are looking for something that mainstream lenders do not offer. We specialise in serving their needs and have adapted our business model to do so.

Colleagues
Our 4,200 colleagues are critical to delivering our tailored and understanding business model, balancing the personal touch with the use of technology where customers increasingly want and expect it.

Regulators and government
The nature of our customer base and the market we specialise in makes the building and maintaining of open and trusting dialogue with policy makers and our key regulators (the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Central Bank of Ireland (CBI)) critical to a sustainable business model.

Equity and debt investors
We secure long-term, lower-rate funding through strong relationships with our lending banks, depositors and investors. We generate capital to deploy in growing our business to serve more customers as well as delivering returns to shareholders.

Suppliers
Our suppliers are essential to provide our divisions with the goods and services required to enable us to continue to meet our customers' needs. They play a vital role in our operations so it is important that we develop strong relationships with them.

Communities
Our community investment strategy is aligned to our social purpose and seeks to invest in activities and initiatives which address the key factors that tend to reduce access to credit.

Customers are at the heart of what we do

1
We develop tailored products to meet customers' needs.
We focus on the UK credit market, developing simple, transparent products with flexibility to help customers manage life despite not being well served by mainstream lenders.

2
We attract customers who we can serve.
We use many ways to reach consumers including increasingly digital methods, as well as face to face and partners such as agents and brokers.

3
We carefully assess customer affordability and creditworthiness.
We use internal and external data, including face-to-face interactions, taking into account both the current situation and the likely future.

4
We lend responsibly.
We tend to lend smaller amounts over shorter periods and only lend when customers demonstrate suitability.

5
We collect payments due.
We offer many ways to pay in cash and remotely. We maintain frequent customer contact and stay close to customers through call centres, digital communications and face-to-face meetings in the home.

6
We manage arrears and customer difficulties.
We establish early contact and ensure an ongoing dialogue with customers who have difficulties. This provides a sympathetic approach to understand customer circumstances and offer forbearance.

Our sustainability strategy

Operating our business of lending to our customers in a responsible manner
We provide our customers with credit products that meet their particular needs, deliver fair outcomes throughout their journey with us, and help put them on a path to a better everyday life.

Acting responsibly and sustainably in all our stakeholder relationships
We respond to the needs of our stakeholders by creating a fair, inclusive and diverse workplace, supporting our local communities, responding to climate change, treating suppliers fairly, and engaging with them on environmental, social and governance (ESG) matters.

Focused on our strategic objectives

The Group's strategy provides the direction needed to ensure that we can help to put people on a path to a better everyday life.

The strategy has remained consistent over time but has, more recently, been supported by the strategic Blueprint. This defines not only what we do, but how we do it. The three key pillars of our strategy are aligned to the Blueprint which ensures all of our decisions are aligned to stakeholder expectations.

When stakeholder expectations are aligned, we can build a sustainable Group which will continue to provide for both our current and future customers.

Key

Our Blueprint strategic drivers

- Customer progression
- Human experiences
- Head AND heart decisions
- Fighting fit

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

1 Grow customer-centric businesses which continue to diversify to meet customer expectations by delivering positive outcomes and providing positive returns for shareholders.

Objective

- Grow businesses to provide customers with products which help put them on a path to a better everyday life.
- Tailor products to meet the needs of our customers.
- Ensure products are distributed and collected in a way which meets both customer and regulator expectations.
- Generate a sustainable return from each division which meets the Group's target returns.

Progress in 2020

- Increased demand for vehicle finance in Moneybarn as customers have chosen to own a vehicle over travelling on public transport including for key workers to get to work.
- Broaden Vanquis Bank card offering to additional price points and products including Payit.
- Home credit continued to serve customers through its Customer Experience Managers (CEMs) on a remote basis without requiring to visit the home due to local and national lockdown restrictions.

Challenges in 2020

- Lower credit card spend and higher repayments as a result of lower discretionary spending during the pandemic.
- Lending tightened at the onset of Covid-19 to fully ensure responsible lending decisions could continue to be made based on latest customer affordability assessments.

Performance

£2.5bn	2.1m	£1.8bn
Credit issued	Customers	Amounts receivable from customers

Read more on page 25

Risks

- Credit risk
- Operational risk
- Information and data security risk
- Regulatory risk
- Conduct risk
- Business resilience risk
- People risk
- Model risk

Read more on pages 48 to 61

Focus for 2021

- Leverage existing expertise to expand the Group's unsecured personal loan product.
- Broadening of Vanquis Bank proposition including card balance transfers and support features such as LOQBOX and Payit.
- Moneybarn will target growth in its traditional markets and through their newly issued near-prime product.
- Withdrawal from the home credit market either through managed run-off or sale.
- Deliver Scheme of Arrangement.
- The Group will adopt a product-centric view of its portfolio going forward.

2 Act responsibly and with integrity in all we do. Creating sustainable businesses which our stakeholders are proud to be a part of.

Objective
- Lend to customers in a sustainable manner, offering support when needed throughout the customer journey.
- Develop a positive and proactive relationship with the regulator.
- Ensure colleagues are proud of what they do and how it will benefit customers' lives.
- Generate sustainable profitability to provide a positive return to shareholders.
- Continue to support the communities where we lend.
- Treat all suppliers fairly.

Progress in 2020
- Supported customers through forbearance payment arrangements and holidays when their circumstances were adversely impacted.
- Continued to provide for customers in 2020 when many peers ceased lending due to capital and liquidity constraints.
- Increased colleague engagement scores across the Group.
- Focus on preserving balance sheet strength given the overwhelming uncertainty facing the UK economy through the very difficult decision to withhold the final 2019 dividend payment.
- Ongoing investment in the community.

Challenges in 2020
- Increased level of alleged complaints in CCD causing a delay to the settlement of genuine customer complaints.
- Enabling over 4,000 employees to effectively work from home.
- Capital preservation required at the onset of Covid-19.
- No dividend being declared in respect of 2020 to retain capital while the economy continues to stabilise.

Performance

72% Colleague engagement

£1.2m Community investment

(11.0p) Adjusted loss per share

Read more on page 26

Risks
- Information and data security risk
- Conduct risk
- People risk

Read more on pages 48 to 61

Focus for 2021
- Vanquis Bank LOQBOX launch to build customer credit scores.
- Development of the Group inclusion and diversity programme.
- Development of the IR programme and a 2021 CMD to communicate the Group's ongoing strategy following a period of significant change.
- Development of the Group ESG programme working collaboratively across all divisions.

3 Maintain a secure funding and capital structure to enable us to continue to provide for all of our stakeholders.

Objective
- Maintain a secure funding structure which meets contractual maturities and fund growth over the subsequent 12 months.
- Diversify the Group's funding sources.
- Maintain regulatory capital headroom in excess of 5% risk-weighted exposures (c.£100m), inclusive of all PRA and management buffers.
- Adopt a progressive dividend policy.

Progress in 2020
- Increased CET1 ratio to 34.2%.
- Average surplus liquidity of £0.6bn in 2020 to protect the Group during the pandemic.
- Diversification of funding through the Moneybarn securitisation and the Vanquis securitisation developed for future benefit from TFSME.
- Senior bond tender of £75m.

Challenges in 2020
- Capital preservation required at the onset of Covid-19 resulted in a cancellation of the final 2019 dividend.
- Interest cover covenant waiver from June 2020 agreed due to losses incurred during the onset of Covid-19.

Performance

34.2% CET1 ratio

£0.9bn Liquidity

£144m Funding headroom

Read more on page 27

Risks
- Capital risk
- Liquidity and funding risk
- Model risk

Read more on pages 48 to 61

Focus for 2021
- Development of the Group's capital stack.
- Launch of Vanquis Bank securitisation with notes held internally, diversifying the Vanquis Bank sources of funding.
- Ongoing diversification of the non-bank group funding.
- Continue to work towards many of the objectives we set out in our 2019 Capital Markets Day.

Our strategy in action

1 Grow… customer-centric businesses

Cheryl

Due to some bad choices my credit score was poor. Vanquis offered me a £500 limit four years ago. My credit score shot up and I can now move out of rented accommodation.

Diversification of products offered by Vanquis Bank

During 2020, Vanquis continued its progress against its ambition to create a digital bank, driving greater levels of self-service, usage of open banking and delivering the digital experience our customers desire. As well as providing credit cards, loans and retail deposits to our customers, we have continued to diversify the products we offer to meet our customer needs. In 2020, we have invested in our app, our primary customer channel, enabling us to be more innovative, flexible and resilient in meeting our customers' needs. We have also launched new services into the app, including Payit, the result of a successful partnership with NatWest. Payit now provides our customers with an effortless, safe and open banking-driven payment experience and puts us well ahead of the competition. 2020 was also the year that the Vanquis app won Moneyfacts Consumer Award for Best Credit Card App of the Year, voted for by our own customers.

We recognise that we need to continually evolve in an increasingly digital and competitive landscape. Vanquis Bank's aim is to deliver a first-class digital customer experience on which it can iterate over time, allowing us to meet emerging customer needs and continuing to deliver value. We've launched a new website and having listened to our customers, developed those areas customers cared about the most: ease of use, simplicity and feeling welcome. The new website offers improved readability, simpler navigation, a new tone of voice and better use of imagery. The new website also showcases the new digital branding with a cleaner look and feel.

The website has also been underpinned by new capabilities, including the introduction of LOQBOX into the application journey for declined customers. LOQBOX, a credit building solution, will give our declined customers the opportunity to save while building their credit score to ultimately gain access to credit. This simple and convenient integration offers a great solution for customers who are struggling to get credit and firmly aligns with our Purpose to help put people on a path to a better everyday life.

1.2m
Number of customers registered for the Vanquis mobile app

92m
The app is well used, with our customers logging in six to eight times a month (that's over 92 million logins this year)

73%
Proportion of payments now made via the app (debit card and Payit payments)

Moneybarn expanding into the near-prime sector

In recent years Moneybarn has expanded from not only providing cars to our customers, to also providing motorbikes and vans for our self-employed customers. This followed increased demand and therefore our offering has been adapted to meet customers' needs.

In 2020, the credit quality of customers has improved. The lending to tier 1, the highest credit quality customer, doubled from 14% of lend in January to 38% in December 2020. This reaffirmed our intention to move into the nearer-prime market which we have initiated in January 2021.

This proposition is expected to be a key area of development to serve a wider market share with the product which our current customers rate highly.

2 Act... responsibly and with integrity

Supporting our customers

Customer forbearance

Covid-19 has been a difficult time for many of our customers, who have required tailored support. Customer support and forbearance is a fundamental part of the Group's business model, as can be seen in our business model on page 19. It is essential that our customers are offered a higher level of personal service and support than would typically be offered by prime financial services providers.

In Vanquis Bank, clear communication and engagement have been offered to our customers so they are aware what support is available to them. The safeguarding of customers has been a key priority. The bank provided over 420k individual solutions to support customers in financial difficulty in 2020. This included payment holidays to over 100k customers and matched pay support through partial arrears write off to over 60k customers; lifeline support was also offered to over 50k customers who forgot or were unable to make a payment. This is along with a number of other short and long-term forbearance measures.

The availability of digital channels has been increased to allow a remote service in all our divisions. In the vehicle finance market, many peers ceased lending but Moneybarn continued to offer products to customers at a time when they needed it the most. Typically supporting key workers and those who did not want to travel on public transport. This was at the same time as over 1,000 payment plans being agreed with existing customers experiencing financial difficulty.

In CCD, payment holidays are already built into the business model through the fixed cost home credit loan product. Around 40% of customers have missed repayments at the end of 2020 for which they have incurred no additional charges. Our focus has been to offer enhanced flexibility and remote support where needed.

Supporting national debt support charities

The Group has continued to support customers through the money advice sector to ensure that any customers experiencing financial difficulty, or other vulnerability issues, are supported. In doing so, we agreed our partners could release the funding provided to them, enabling funds to be repurposed for a more immediate need. This enabled our partners to play an active role in the emergency response to the pandemic by supporting those individuals who may be disproportionately affected by it.

The funding provided to National Debtline enabled the organisation to fund a specialist advisor to assist around 1,200 clients. National Debtline, a charity that is run by the Money Advice Trust, offers free and impartial debt advice to help callers understand their debt options and to more confidently manage their money, offering services over the phone, via webchat and online.

The Group also helped partners to adapt their operational models to continue to support consumers. A fair share contribution is made to the StepChange Debt Charity, in the event that one of our customers enters a debt agreement plan with the charity. This enabled the charity to continue to provide free, independent advice and operate independently of tax payer support.

Our strategy in action

3 Maintain… a secure funding and capital structure

Moneybarn and Vanquis Bank securitisations

In January 2020 Moneybarn signed a bilateral warehouse securitisation with NatWest Markets. To date, £200m has been drawn under the facility. The transaction has provided a number of benefits to Moneybarn and the broader Provident Financial Group. Firstly, the transaction represents PFG's inaugural securitisation and is therefore a source of funding diversification. A number of Moneybarn's direct competitors also have access to asset-backed funding and securitisation is a strategic component in their funding strategy. For example, Oodles, Blue Motor, Startline and First Rand/MotoNovo all issue public ABS securities to fund their loan books. Secondly, securitisation offers a competitive cost of funding versus unsecured alternatives and the warehouse facility now represents Moneybarn's cheapest source of funding. Finally, by arranging funding on a bilateral basis, as opposed to a public bond issue, funding can be drawn in phases as required, as opposed to one larger block. This offers a high degree of flexibility.

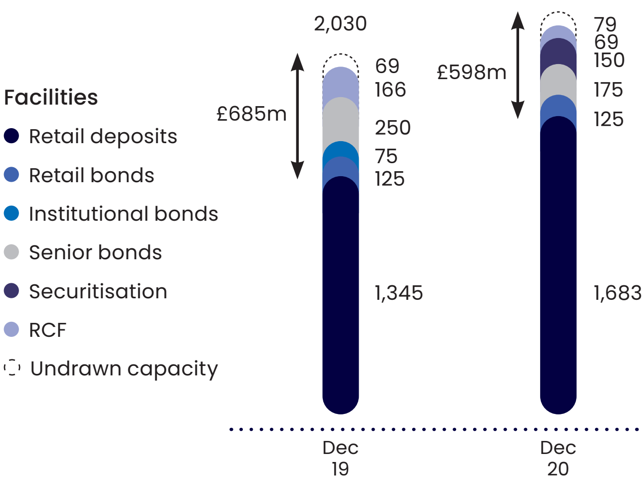
In January 2021, Vanquis Bank established a credit card securitisation programme and issued its inaugural transaction. This resulted in approximately £230m of AAA notes that have been retained on balance sheet. The notes are initially to be held internally as an additional liquidity contingency option, also enhancing the bank's ability to diversify its funding sources. The bank remains primarily retail funded. Longer term, the securitisation provides a platform for potential public issuance in the debt capital markets. This will offer the bank a new source of debt funding on terms comparable to its closest competitors such as NewDay and Capital One.

Future focus

Maintaining a secure capital and funding structure will continue to be a priority of the Group.

A significant surplus of regulatory capital is currently held following a contraction in amounts receivable from customers in 2020. As lending resumes from 2021 as there is greater certainty of the economic outlook, management will focus more on capital efficiency.

PFG funding (£m)



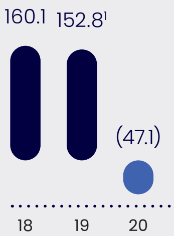
Read more on page 68

The key performance indicators (KPIs) represent the principal metrics reported to Group management on a monthly basis to support the strategic decision making across the Group.

1 Grow... customer-centric businesses

Adjusted PBT/(LBT) (£m)

R



(£47.1m)
Performance

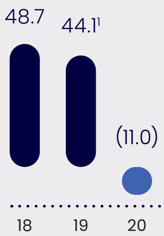
Definition
Adjusted profit/(loss) before tax is stated before amortisation of acquisition intangibles and exceptional items.

Strategic focus
Profits/(losses) which will impact organic investment within the Group or dividend payments to the Group's shareholders.

Comment
Losses have increased by £198m in the year as a result of an 18% reduction in customer receivables leading to a £190m reduction in revenue.

Adjusted basic EPS (p)

R



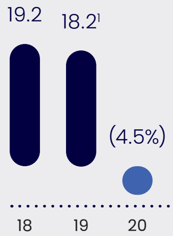
(11.0p)
Performance

Definition
Adjusted PBT/(LBT) divided by the weighted average number of shares in issue.

Strategic focus
Demonstrates value generated/(sustained) per shareholder.

Comment
Losses have been incurred in the year following a reduction in gross customer receivables leading to lower revenue combined with increased impairment provisions recognised due to payment holidays and a forecast deterioration in the macroeconomy. Share capital is unchanged year on year.

Adjusted ROE (%)



(4.5%)
Performance

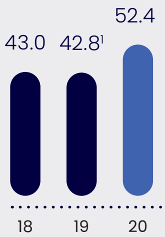
20–25%
Target*

Definition
Adjusted profit/(loss) after tax as a percentage of average equity. Equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments.

Strategic focus
Returns generated on equity held show how efficiently the Group is delivering for its shareholders.

Comment
Losses have been incurred in the year following a reduction in gross customer receivables combined with increased impairment provisions recognised due to Covid-19 and a forecast deterioration in the macroeconomy.

Cost:income ratio (%)



52.4%
Performance

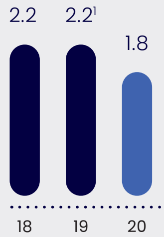
38%
Target*

Definition
Adjusted annualised operating costs as a percentage of annualised revenue.

Strategic focus
Efficiency of the cost base in delivering returns.

Comment
Deteriorated cost:income ratio due to a largely fixed cost base and a reduced customer receivable leading to lower revenue.

Customer receivables (£bn)



£1.8bn
Performance

Growth of 5–10% p.a.
Target*

Definition
Amounts receivable from customers as reported on the balance sheet for the Group's trading divisions representing gross receivables less impairment provision calculated in accordance with IFRS 9.

Strategic focus
Amounts receivable from customers in helping to put them on a path to a better everyday life.

Comment
Customer receivables have reduced due to lower lending, increased collections and significant impairment provisions recognised.

Key

Certain alternative performance measures (APMs) have been used in this report

+ See pages 245 and 246 for an explanation of relevance as well as their definition

R Links to remuneration

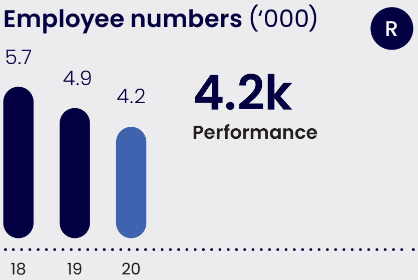
+ Read more on pages 148 to 171

* Targets as disclosed at the 2019 Capital Markets Day; an update on medium-term targets will be communicated following the delivery of the changes to CCD when there is also greater certainty on the recovery of the UK economy.

1 Refer to accounting policies for detail of restatement.

2 Act… responsibly and with integrity

Employee numbers ('000)

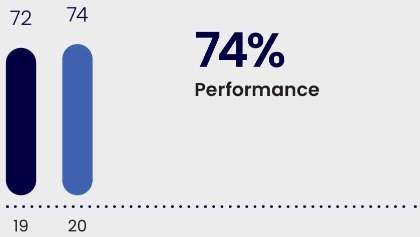


Definition
Number of people working for the Group under contracts of employment.

Strategic focus
Number of employees delivering for all stakeholders.

Comment
Reduced receivables and improved efficiency have led to lower headcount, largely in CCD.

Employee engagement (%)

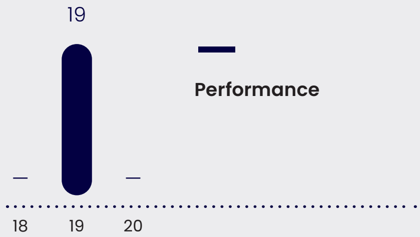


Definition
The number of employees who responded to the Colleague Pulse Survey, divided by the number of employees who were asked to respond to the survey.

Strategic focus
Employees feeling engaged at work and wanting to provide their views to improve the Group.

Comment
Increased employee engagement as a result of a focus on engagement during Covid-19 and a more proactive Group HR programme.

Dividend per share (p)

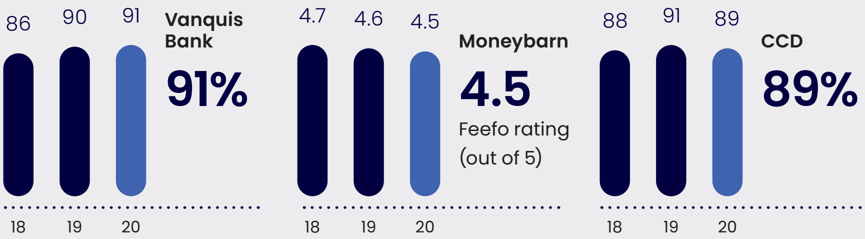


Definition
Dividends paid in the period to ordinary shareholders of Provident Financial plc per share.

Strategic focus
Dividend returns provided to our shareholders from the value generated by the Group.

Comment
Focus on preserving balance sheet strength given the overwhelming uncertainty facing the UK economy through the very difficult decision to withhold the final 2019 dividend payment.

Customer satisfaction

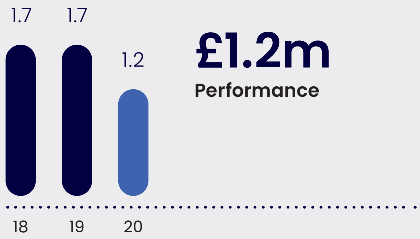


Definition
The percentage of customers surveyed who are satisfied (or more than satisfied) with the service they have been provided.

Strategic focus
Demonstrates how happy our customers are with the service they are receiving.

Comment
Customers participating in the customer surveys have continued to demonstrate they are satisfied with the service being provided.

Community investment (£m)



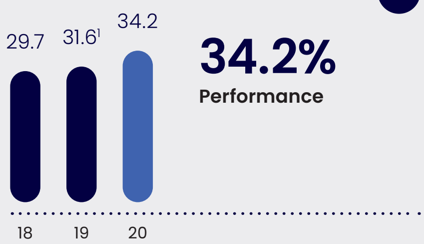
Definition
The cash cost of contributions provided to community projects or charities.

Strategic focus
Investments in the communities we serve to improve our customers' lives.

Comment
The Group has committed to invest 1% of returns in the communities it serves. This has continued in the year despite losses being incurred as the Group commits to investing in the communities we serve.

3 Maintain…
a secure funding and capital structure

CET1 ratio (%) R



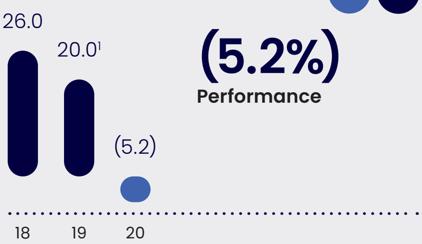
34.2%
Performance

Definition
The ratio of the Group's regulatory capital to the Group's risk-weighted assets measured in accordance with CRD IV.

Strategic focus
Demonstrates the Group's ability to withstand financial distress.

Comment
CET1 ratio has increased in the year reflecting a benefit from a 12% reduction in risk-weighted exposures, partly offset by losses sustained.

Adjusted RORE (%) R



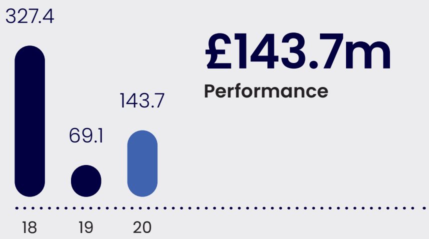
(5.2%)
Performance

Definition
Adjusted profit/(loss) after tax divided by the Group's monthly average PRA regulatory capital requirement including PRA buffers for the period.

Strategic focus
Demonstrates how well the Group's returns are reinvested and is an indicator of its growth potential.

Comment
Surplus regulatory capital and CET1 % has increased in the year as receivables have reduced, partly offset by losses sustained.

Funding headroom (£m)



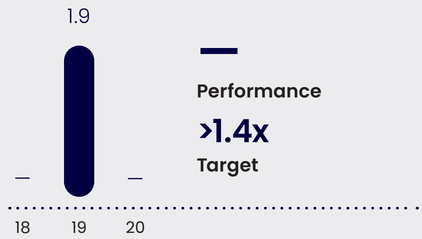
£143.7m
Performance

Definition
Available funding on committed facilities to fund the non-bank group businesses.

Strategic focus
Demonstrates liquidity immediately available to fund the non-bank group.

Comment
Funding headroom has increased in the year as cash is held on deposit to withstand the short-term impact of Covid-19.

Dividend cover (x)



–
Performance

>1.4x
Target

Definition
Adjusted basic earnings per share divided by dividend per share.

Strategic focus
Proportion of earnings generated provided to shareholders.

Comment
Focus on preserving balance sheet strength given the overwhelming uncertainty facing the UK economy through the very difficult decision to withhold the final 2019 dividend payment.

Key

Certain alternative performance measures (APMs) have been used in this report

+ See pages 245 and 246 for an explanation of relevance as well as their definition

R Links to remuneration

+ Read more on pages 148 to 171

* Targets as disclosed at the 2019 Capital Markets Day; an update on medium-term targets will be communicated following the delivery of the changes to CCD when there is also greater certainty on the recovery of the UK economy.

1 Refer to accounting policies for detail of restatement.

CCD operational review following rising customer complaints

Adverse CCD trading performance

The Consumer Credit Division (CCD) has suffered significant financial difficulties since 2016. Whilst there are a number of reasons for the poor financial performance, three key factors have led to its recent decline: i) Covid-19 lockdowns; ii) the increasing number of customer complaints for loans which may have been incorrectly issued; and iii) reduced customer access to new loans following the tightening of regulatory requirements. An operational review of CCD was announced in November 2020 as it became clear that PFG needed to address the viability of the division. Further details on the Operational Review are set out below.

Rising costs of customer complaints

As previously communicated, CCD was on track to break even on a monthly basis in 2020, prior to the impact of Covid-19.

As a result of the significant reduction in lending during the initial stages of the pandemic, CCD receivables ended H1'20 at £147m, a decline of c.40% year on year. The level of new credit issued continued to reduce during H2'20 resulting in the monthly credit issued halving during 2020. As a result, revenue reduced from £118m in H1'20 to £74m in H2'20, driving increased losses due to the inherent high cost base of the business and rising levels of complaint costs.

Redress payments to customers of c.£25m were incurred in H2'20 (H2'19: c.£2.5m) including FOS redress payments. In addition, CCD has processed balance reductions for home credit customers of c.£11m during the same period (H2'19: c.£1.0m).

Under the regulatory regime, CCD was required to ensure that loans issued met certain minimum creditworthiness requirements. These requirements included an obligation to perform checks to ensure that customers could afford to repay their loans on the date that repayment was due. Furthermore, repeat borrowing, if any, had to be justified and sustainable. Unfortunately, in certain cases, CCD may have failed to meet some of these requirements. This has led to a number of customer complaints, largely driven by claims management companies (CMCs).

Although CCD has made a number of compensation payments to customers in recent years, the business cannot now afford to continue to pay the claims in full at the rate seen during H2'20 for the reasons stated above.

Whilst compensation claims are carefully considered and only awarded where appropriate, if compensation claims continue to be brought against CCD at the current rate, it is likely that CCD would need to enter into an insolvency process.

Regulatory timeline

- **1 APR 2014** — FCA regulates the consumer credit market
- **25 JUN 2014** — FCA published a statement regarding the voluntary imposition of requirements on the permission of Wonga Group Ltd
- **NOV 2015** — FCA published Policy Statement 14/16: Detailed rules for the price cap on HCST credit including feedback on CP 14/10 and final rules
- **4 NOV 2015** — FCA published a statement regarding redress provided to certain customers of CashEuroNet UK LLC
- **NOV 2016** — FCA published the Call for Input: High-cost credit including review of the HCST credit price cap
- **2017** — FCA committed on reviewing effectiveness of the price cap
- **JUL 2017** — FCA published a Feedback Statement on high-cost credit including review of the HCST credit price cap
- **JAN 2018** — FCA published an update on the Call for Input: High-cost credit including review of the HCST credit price cap
- **SEP 2018** — FCA published decisions involving Lender C and Lender D
- **15 OCT 2018** — FCA issued a 'Dear CEO' letter to HCSTC regarding affordability

Scheme of Arrangement

The regulatory dynamics set out above have changed the operating environment materially for CCD during the second half of 2020. When combined with the impact of Covid-19 on CCD's profitability, customer complaints can no longer be treated as part of its operating costs. As a result, CCD has decided to seek a Scheme of Arrangement, under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from historical customer creditworthiness complaints.

Once approved by customers and the Court, a Scheme would bring certainty, as well as the most equitable outcome for all stakeholders and would ensure that customers with a legitimate claim get fair access to redress payments. The Group will fund Scheme claims with £50m and will cover further Scheme-related costs estimated at approximately £15m. The total commitment would be met out of PFG's existing capital resources.

On 22 April 2021, the Court made an order enabling CCD to convene a meeting of Scheme creditors to consider the merits of the Scheme. CCD customers, past and present, as well as the Financial Ombudsman Service (FOS), now have the opportunity to vote on the Scheme. The creditors' meeting will be held on 19 July 2021 and, if creditors vote in favour of the Scheme, the final Court sanction hearing will be held on 30 July 2021.

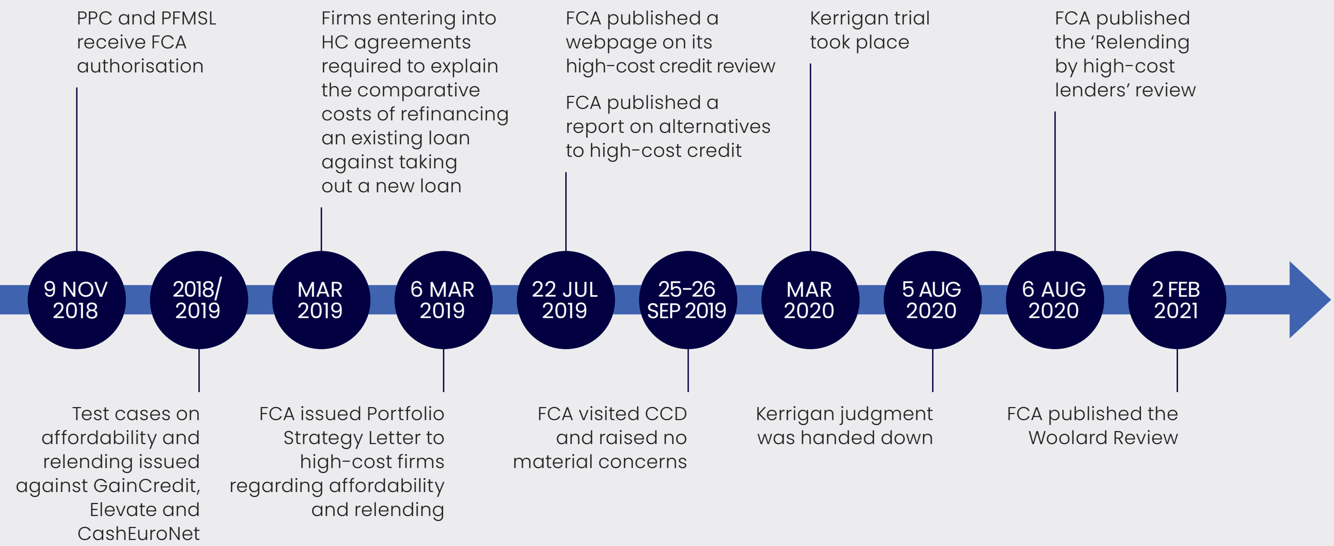
The proposed Scheme is considered by the PFG Board to be the fairest compromise that can be offered for CCD customers and if the Scheme is not sanctioned, it is likely that CCD will be placed into administration or liquidation. If this were to happen, CCD customers would not be expected to receive any redress payment.

CCD operational update

In November 2020, PFG communicated its intention to initiate an operational review of CCD, to be carried out by the incoming Managing Director, Hamish Paton.

Following the review, which highlighted reducing customer demand, changing home credit market dynamics and the desire to focus on larger addressable market segments, PFG has now decided to withdraw from the home credit and high-cost short-term credit markets entirely.

PFG has therefore decided that the home credit business will be placed into a managed orderly run-off, which would be expected to conclude by December 2021. It is, however, considering a sale of the home credit business, either as a whole or in part, and has received a preliminary expression of interest. Whilst there is no guarantee that these discussions will lead to a transaction, PFG will continue to engage with interested parties in parallel with its market withdrawal plans. At the end of March 2021, CCD had approximately 2,100 employees. The cost to the Group of either a sale or a managed run-off of CCD is expected to be less than £100m.



We help...

to achieve inclusive and sustainable growth

Our Purpose of helping to put people on a path to a better everyday life goes beyond the traditional concept of mission, vision and values; it articulates our reason for being, helps differentiate the Company and contributes to the generation of trust among all our key stakeholders. Our sustainability strategy is aligned with this Purpose and centres on two areas: lending responsibly and acting sustainably.

This strategy is also aligned with several of the United Nations' Sustainable Development Goals (SDGs). By doing this, we can demonstrate how our Purpose and business strategy actively contribute towards the achievement of these important, global objectives and move us on a more sustainable and inclusive path.

Integration of the SDGs into our business strategy and plans also enables us to strengthen the identification and management of material risks and opportunities, anticipate consumer trends and demand as consumption and production patterns change, attract, retain and develop the best colleagues, and strengthen our supply chains by, for example, reducing their exposure to the effects of climate change and depletion of natural resources.

In aligning our sustainability strategy to the SDGs, we focus our efforts on the Goals where our contribution can have the most impact. These are: Goal 1: No Poverty; Goal 4: Quality Education; Goal 5: Gender Equality; Goal 8: Decent Work and Economic Growth; and Goal 10: Reduced Inequalities.

This does not mean that the other 12 SDGs are less important than the five we have prioritised, as we do, in delivering on our sustainability strategy, contribute to many of them. For example, through our commitment to minimise PFG's impact on the environment, we contribute to Goal 12: Responsible Consumption and Production and Goal 13: Climate Action.

In 2020, we established long-term objectives/targets that are aligned with each of the above SDGs. These are set out on the following pages, along with details of the aim and relevance of each SDG and PFG's main activities during 2020 and metrics and actions that contribute to each Goal.

Lending responsibly...

1 NO POVERTY

No Poverty
To end poverty in all its forms everywhere.

Acting sustainably...

4 QUALITY EDUCATION

Quality Education
To ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5 GENDER EQUALITY

Gender Equality
To achieve gender equality and empower all women and girls.

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth
To promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

10 REDUCED INEQUALITIES

Reduced Inequalities
To reduce inequality within and among countries.

Operating our business of lending to our customers in a responsible manner

We provide our customers with credit products that meet their particular needs, deliver fair outcomes throughout their journeys with us, and help put them on a path to a better everyday life.

1 NO POVERTY

No Poverty

Aim

To end poverty in all its forms everywhere.

Relevance of SDG

To reduce people living in poverty, and improve access to appropriate financial services and technology.

PFG's objective/target

By 2030 we will contribute to ending poverty in all its forms everywhere by ensuring our customers have access to cost-effective and appropriate products for their needs and supporting them through financial difficulty.

PFG's main 2020 actions and achievements

Our Purpose is to help put people on a path to a better everyday life by addressing the key barriers to financial inclusion. We do this primarily by ensuring that our 2.1 million customers have access to cost-effective and appropriate products that meet their specific needs. We also invest in activities and initiatives that address key factors which may affect someone's likelihood of being accepted for credit. To contribute to this goal in 2020, we supported IncomeMax, a community interest company that helps people, some of whom are experiencing financial difficulties, to maximise their household income. Through the partnership that IncomeMax has with Vanquis Bank, customers receive independent personal money to help them take control of their finances and help them reduce their household bills and increase their income. We also worked with The Money Charity to deliver financial education workshops to help children and young people to develop their budgeting and money management skills.

Acting responsibly and sustainably in all our stakeholder relationships

We respond to the needs of our stakeholders by creating a fair, inclusive and diverse workplace, supporting our local communities, responding to climate change, treating suppliers fairly, and engaging with them on other environmental, social and governance (ESG) matters.

4 QUALITY EDUCATION

Quality Education

Aim
To ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Relevance of SDG
To improve access for children and adults to quality education and opportunities to develop new skills as an avenue for social mobility and reducing inequalities.

PFG's objective/target
By 2030 we will contribute to ensuring access to inclusive and equitable quality education and lifelong learning opportunities for all by partnering with organisations that will help to equip children and adults with essential skills and knowledge that will allow them to excel in many different directions.

PFG's main 2020 actions and achievements
To contribute to this Goal we support children, young people and adults to boost their education, skills and aspirations. The work we have already done to support Quality Education includes being the lead supporter of National Numeracy and its National Numeracy Day campaigns. These campaigns look to raise awareness of the importance of numeracy and help people take steps to improve their numeracy skills. We also continue to support National Literacy Trust to help develop the literacy skills of young people and give them the confidence and desire to widen their aspirations. Finally, through our work with School-Home Support, we place practitioners in schools to work with young people and their families who need support to overcome challenges at home such as poverty, poor housing, domestic violence and other complex issues in order to get into school. We help to provide support in schools in Bradford and Chatham, where persistent absence levels are high.

5 GENDER EQUALITY

Gender Equality

Aim
To achieve gender equality and empower all women and girls.

Relevance of SDG
To promote more women into senior level positions, and reduce the gender pay gap.

PFG's objective/target
By 2024 we will have 40% female representation in the Group's senior management population.

PFG's main 2020 actions and achievements
PFG's senior management population currently has 27% female representation. The key actions we undertook throughout 2020 to support this SDG include: delivering our Next Generation Women's Leadership Programme to a second cohort to help strengthen the female talent pipeline at the senior/middle management level; improving our reporting capability through better data collection by creating a standardised approach across the Group for a range of diversity strands; and setting up an affinity group linked to gender. In addition, the percentage of women on the PFG Board is 40%.

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth

Aim
To promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Relevance of SDG
To ensure full and productive work, and equal pay for work of equal value, expand access to financial services, and support economic growth.

PFG's objective/target
By 2030 we will contribute to promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all by creating opportunities for all generations and protecting and promoting labour rights in both our business and supply chains.

PFG's main 2020 actions and achievements
Through our Social Impact Programme, we aim to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all by creating opportunities for all generations. We are a founding funder of the Social Mobility Business Partnership which provides an innovative programme bringing together large corporate organisations and professional sports clubs to remove barriers, develop skills and provide experiences to sixth form and college students from disadvantaged backgrounds. The programme helps build aspirations and inspire them to pursue a career in a profession which they may not have previously considered. We also support charities and other organisations in the communities we serve to help people to develop their skills and secure employment opportunities. For example, in 2020, we funded the Wecock Community Association in Hampshire to provide advice to young people who are not in education, employment or training to access work opportunities, and our colleagues volunteered their time to deliver CV writing and job interview skills to young people in Bradford.

10 REDUCED INEQUALITIES

Reduced Inequalities

Aim
To reduce inequality within and among countries.

Relevance of SDG
To provide an inclusive and secure workplace for all and address key barriers to financial and social inclusion and help people overcome them.

PFG's objective/target
By 2030 we will contribute to reducing inequality by building our capabilities to better identify, support and empower our stakeholders who may face inequality and exclusion whether it be because of their age/sex/gender identity/race/ethnicity/origin/disability/ability or where they live or what their economic status is.

PFG's main 2020 actions and achievements
Through this Goal, our aim is to contribute to reducing inequality by building our capabilities to better identify, support and empower our stakeholders who may face inequality and exclusion. We do this by supporting community projects in areas where people are more likely to face social and financial exclusion by providing them grants to support local people in improving aspects of their life. For example, we provided a grant to the Refugee and Migrant Forum of East London to enable it to deliver immigration casework to disadvantaged young refugees and migrants who are entitled to be in the UK but cannot afford to regularise their status. We also support the Newport Yemeni Community Association in Wales to deliver an online homework club that allows children from the Yemeni community to engage with tutors and access support in key subjects such as Maths, English and Science. We also seek to ensure that we create a workplace culture at PFG which aims reduce inequalities. In 2020, this saw us launch our overall inclusion community which comprises four affinity groups based around disability, ethnicity, gender and LGBTQ+ to discuss inclusion and diversity plans, developments and proposals across PFG.

We...
understand our markets

Market overview

We specialise in supporting the one in five adults (10 to 12 million people) in the UK who are not well served by mainstream lenders. These consumers' needs and circumstances typically change over time, resulting in the market being relatively fluid; c.1 to 2 million consumers move in and out of the market each year.

Market developments

We believe our market could increase in the short to medium term as more consumers find their access to mainstream lending restricted, due to:

- forecast rises in unemployment;
- the end of FCA-mandated payment holidays; and
- reduced risk appetite from mainstream lenders.

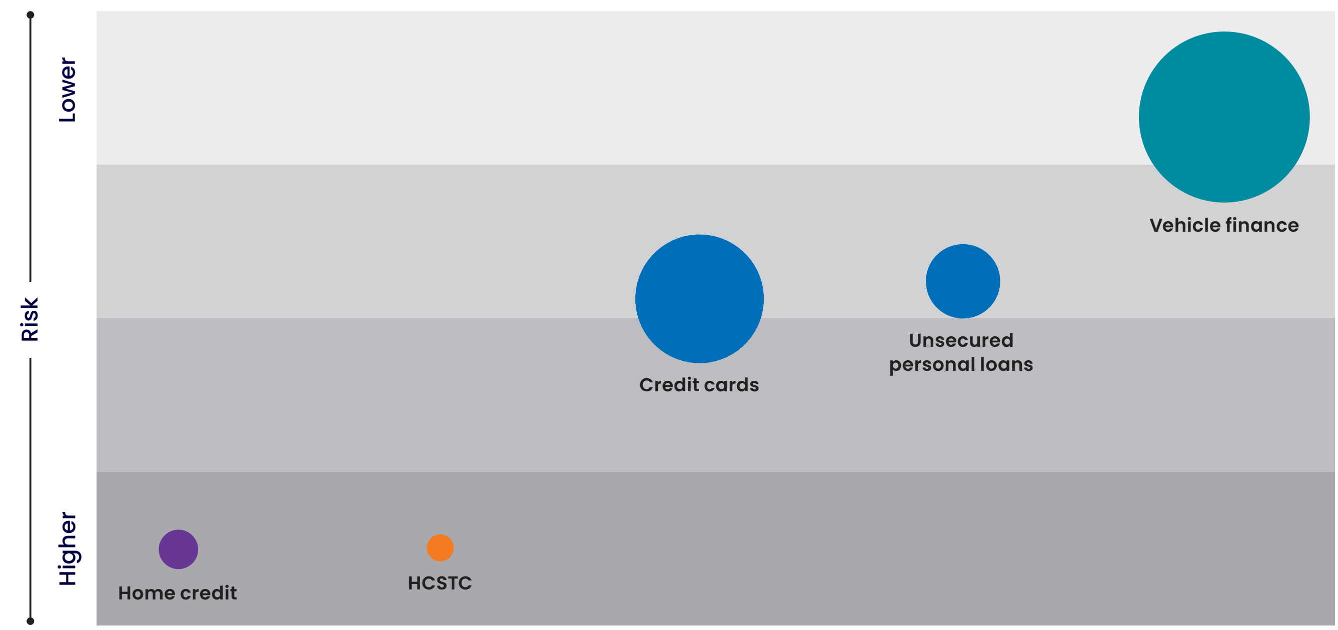
Our market is highly and robustly regulated, primarily by the FCA, PRA and CBI (in the Republic of Ireland), with regulation subject to ongoing evolution and change.

Market composition

There are three main categories of products in our market:

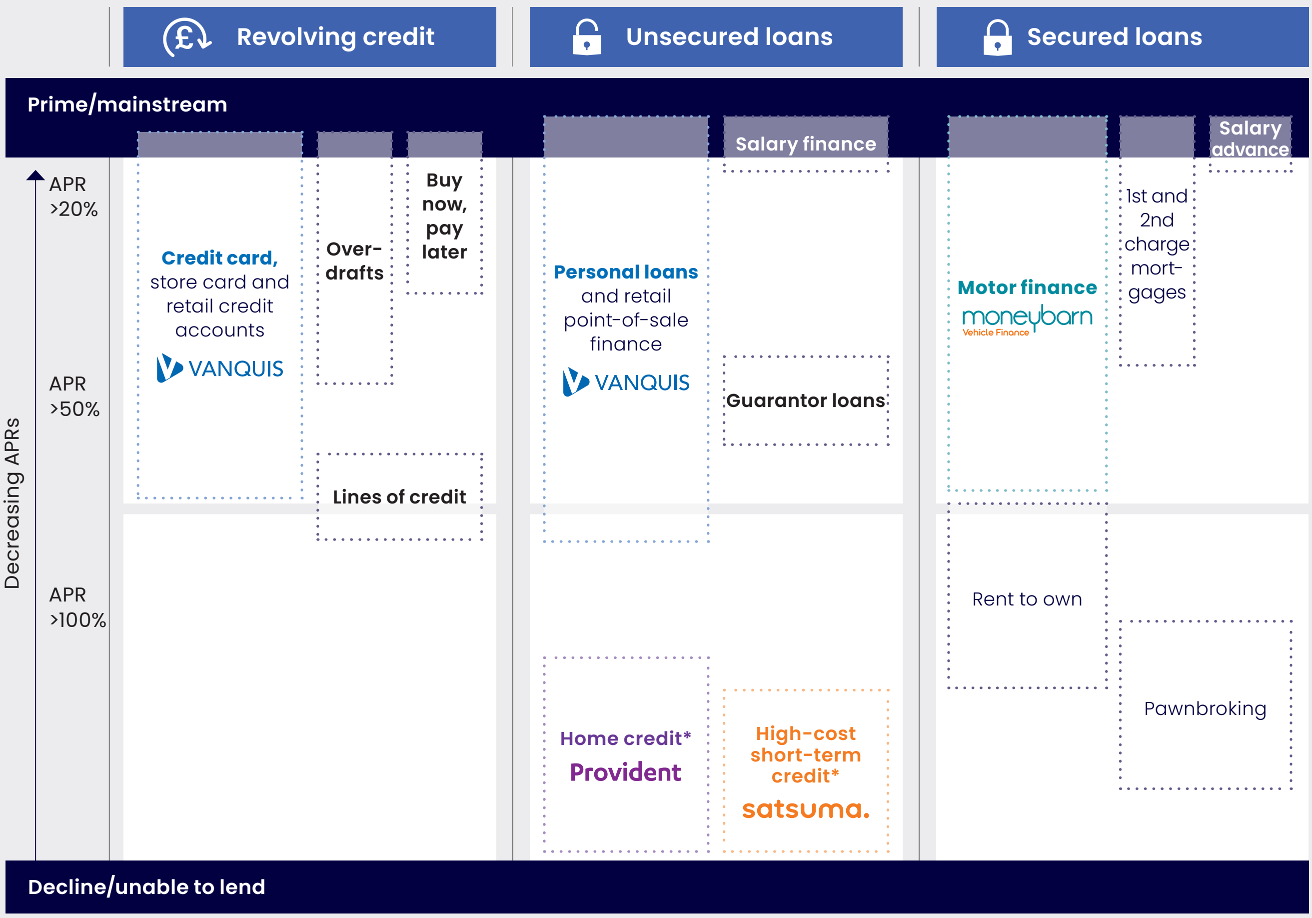
- revolving credit accounts, including credit cards;
- secured loans, where an asset is used as security for the loan; and
- unsecured loans, including personal loans, home collected credit and online high-cost short-term lending.

Average customer credit risk score



Note: Bubble size is proportionate to debt outstanding in the market at December 2020.

The products we offer



We will continue to evolve our product offering through 2021, enabling us to support more consumers on their credit journey. In particular:

- Vanquis will develop and expand its unsecured personal loan offering in 2021.
- Moneybarn expanded into the near-prime motor finance space in Q1'21 with APRs from 14.9-21.9%. In addition, Moneybarn has repositioned away from higher APR sub-prime lending through 2020, with it no longer lending above 49.9% APR.

* These are in managed run-off.

We...

understand the trends in our markets

We take a holistic approach to analysing the trends in our market and use these insights to determine our strategic priorities. The digital revolution is changing how customers expect to be served. We are well placed to adapt quickly to changes in the macro-environment and the competitive landscape as both evolve and return to their new normal post-Covid-19. Sustainability is of increasing importance to our stakeholders and aligns to our Group Purpose and we continually review our business model to ensure our lending remains suitable, sustainable and affordable for customers, in line with our regulatory and social responsibilities.

Key trend	Narrative
Digital revolution	– Consumer expectations continue to rise in the digital space, driven by the broad array of mobile banking applications and digital-first lending businesses which are continually raising the bar for speed and convenience of customer journeys. As a result, consumers now expect a frictionless experience in all channels, including mobile. – This trend has accelerated through Covid-19 as later adopters have become more accustomed to interacting digitally.
Macroeconomic factors	– UK economic conditions have deteriorated through Covid-19, although the economic outlook is improving with the OBR forecasting a return to pre-Covid-19 GDP levels in mid-2022, six months faster than previously forecast. – The OBR is now forecasting peak unemployment of 6.5% in 2021 and the furlough scheme is currently expected to end in September 2021.
Competitive landscape	– A number of competitors in our sector have been constrained by funding or have entered administration due to an inability to adapt to evolving regulation. – This trend has accelerated through Covid-19 as liquidity pressures have increased and funding has become harder to access.
Sustainability	– There is increasing consumer, investor and political expectation that firms will conduct their operations in a sustainable manner.
Regulatory environment	– Firms need to continue to adapt as the regulatory environment continues to evolve. – The regulators' focus is on ensuring all lending is sustainable, suitable and affordable.

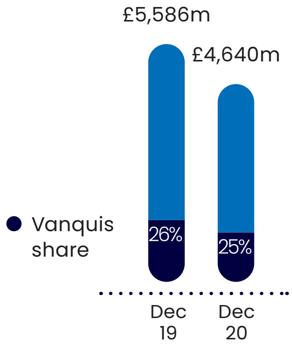
How we are responding	Annual Report reference
– Within Vanquis, we are investing in our mobile app and self-service capabilities, enabling customers to interact digitally where this is their preference. – Within Moneybarn, considerable improvements have been made to our customer onboarding journey, removing friction and making the process clearer and simpler from the outset. We have recently launched a partnership with Exchange & Mart enabling our customers to search for suitable vehicles through the Moneybarn website, further improving the customer experience. – In CCD, Provident Direct has been rolled out nationwide in 2020. This provides customers more choice in their interactions with us (for example enabling disbursement of funds into their bank accounts and offering remote collection options), whilst maintaining regular contact with customers' Customer Representative, a key feature of the home credit model that ensures customers are well supported across the life of their loan.	– Page 22: Our strategy in action – grow customer-centric businesses
– We are well placed to serve customers who may be excluded from mainstream lending due to a deterioration in the economy as we have specialist affordability and credit risk assessments. – We also have a broad risk appetite offering products across a range of price points, increasing financial inclusion across the market. – In addition, we have the necessary controls in place to ensure we can quickly respond to any material changes in macro conditions.	– Pages 184 and 185: Impairment provisioning E1 Page 59: Threats to our business model
– We have a strong balance sheet and access to low-cost retail deposit funding through Vanquis Bank. – In addition, we are constantly exploring opportunities to diversify our retail offering as well as considering commercial funding options. – A reduction in supply presents an opportunity for us to meet consumers' unmet credit needs where it is sustainable, suitable and affordable for the consumer, with our broad range of products.	– Page 38: Credit card market – Page 39: Personal loans market – Page 42: Vehicle finance market – Page 44: Home credit market – Page 45: HCSTC market P2 Page 55: Liquidity and funding risk
– We welcome the increased focus on sustainability and have a Corporate Responsibility Programme focused on making a positive contribution towards addressing key issues that fit with our Purpose. – We have set long-term objectives which relate to five of the UN's Sustainable Development Goals and the Task Force on Climate-related Financial Disclosures. – We work with charities and partners in the communities we serve to address issues such as debt advice, financial education and other consumer vulnerability matters.	– Pages 30 to 33: PFG's contribution to the SDGs – Pages 70 to 90: Sustainability – 2020 Corporate Responsibility Report P6 Page 57: Conduct
– We support regulation that protects consumers and maintains a fair and effective market. We continually review our business model to ensure our products remain sustainable, suitable and affordable for customers. – We have an ongoing transparent dialogue with our regulators and have built a good relationship with them.	P5 Page 56: Legal and regulatory E1 Page 59: Threats to our business model E2 Page 60: Responsible lending

Vanquis credit cards

Vanquis Bank has been operating in the UK credit card market since 2003 and has been the largest part of the Group, on a receivables basis, since 2013. It is a key player in the credit card market for consumers not well served by mainstream lenders, offering a range of card products across a broad range of price points to reflect consumers' varied risk profiles.

Neil Chandler
Vanquis Bank Managing Director

Non-prime credit card market stock



Market characteristics

- The credit card market is large and stable, although the market did reduce slightly in 2020 driven by lower consumer spending.
- Competition in the market remains stable with key competitors including Capital One, NewDay own-brand cards and the Barclaycard Forward card.
- There have been a few new entrants in recent years (118 118 Money and Zopa), although these providers are yet to reach significant scale.
- Vanquis is the only specialist, covering the broadest range of risk categories in the market.

Market appeal

- Credit cards have high cultural adoption and acceptance in the UK, meaning a substantial and established domestic market.
- There is an ongoing customer relationship as credit cards have everyday utility as a means of transacting.
- Credit cards are growing in importance as a means of transacting given the additional protections credit cards provide to consumers (through section 75 of the Consumer Credit Act).

Model

- Credit card providers typically offer low initial limits and responsibly grow these through credit line increases.
- Consumers are predominantly acquired online, with affiliates (e.g. ClearScore, Totally Money, etc.) becoming increasingly used by consumers who want guaranteed acceptance before applying. Mobile apps have become the principal way to manage an account.
- New advancements in credit cards include the use of open banking to assess affordability and cardless credit cards.

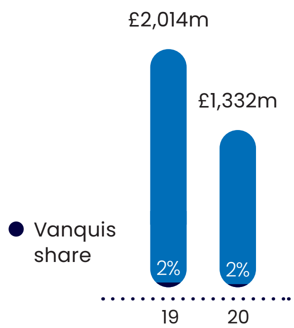
Covid-19 impact

- During 2020, credit card users have typically reduced their balances. This has been driven by lower levels of spending during Covid-19 restrictions.
- We believe that the importance of credit cards will rebuild in the coming years as the economy recovers. In addition, the acceleration of online shopping through 2020 coupled with the additional protections inherent in credit card purchases could further grow the credit card market in future years.

Vanquis personal loans

Vanquis Bank issues unsecured personal loans to existing credit card customers. Having taken substantial learnings from lending since 2016 to existing credit card customers, lending to existing customers has continued to increase.

Non-prime personal loan market (flow)



Market characteristics

- The market is of a substantial size (>£1bn) and growing.
- Providers operate at a range of price points (c.15–100% APR) enabling consumers with a broad range of risk profiles to access unsecured loans.
- There have been a number of new nearer-prime entrants (e.g. Lendable and Chetwood Financial) in recent years.

Market appeal

- The non-standard personal loans market is substantial in size and growing.
- High cultural adoption and acceptance in the UK.
- Offering personal loans provides the opportunity to leverage core skills in loans and allows Vanquis Bank to meet more of its existing customer needs.
- In addition, PFG has strong access to funding, low cost of funds and considerable capital strength versus competitors in this market providing an opportunity for Vanquis to meet a greater level of the demand in the market.

Model

- One to five-year loans at a range of APRs.
- Personal loans are typically taken to meet a specific one-off need.
- Customers are acquired increasingly through internet affiliates, with customers then typically managing their account through an online login or mobile app.

Covid-19 impact

- In 2020, supply in the market reduced significantly as lenders quickly adjusted to changing macro conditions and reduced new lending.
- Through 2021, we expect the market to normalise and lending to return towards 2019 levels as the economy stabilises.

Vanquis Bank – financial performance

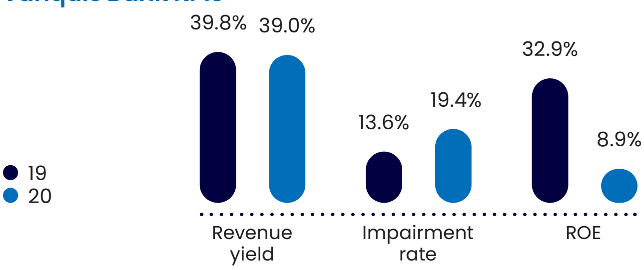
Vanquis Bank is a leading specialist in the large and established credit card market with strong capital and liquidity positions. As a direct result of Covid-19, the business reported adjusted profit before tax for 2020 of £38.0m, down from £173.5m in 2019, and receivables at the end of the period of £1,094.3m were approximately £368m lower than 2019 (FY'19: £1,461.5m).

As a result of underwriting standards being tightened materially in April, new customer bookings for the year were 248k, down from 369k in 2019. Accordingly, Vanquis Bank customer numbers reduced by 3.1% to 1,667k during the year (FY'19: 1,720k). Approximately 100k inactive customers had their account closed during Q1'21 following communications to them in November 2020 that their account would be closed if there was no activity within 60 days.

Vanquis Bank started offering its credit card and personal loan customers a payment holiday from April, in advance of FCA guidance.

During the period, lending to existing customers continued with 166k credit line increases (CLIs), equating to c.£140m of additional headroom on customer cards, and 108k interest rate reductions were delivered to customers.

Vanquis Bank KPIs



	12 months ended 31 December		
	2020 £m	2019 £m	Change %
Customer numbers ('000)	1,667	1,720	(3.1%)
Period-end receivables	1,094.3	1,461.5	(25.1%)
Average receivables[1]	1,233.9	1,459.9	(15.5%)
Revenue	481.4	580.9	(17.1%)
Interest	(34.4)	(31.4)	(9.6%)
Net interest margin	447.0	549.5	(18.7%)
Impairment	(239.9)	(198.9)	(20.6%)
Risk-adjusted net interest margin	207.1	350.6	(40.9%)
Costs	(169.1)	(177.1)	4.5%
Adjusted profit before tax[2]	38.0	173.5	(78.1%)
Annualised revenue yield[3]	39.0%	39.8%	(0.8%)
Annualised impairment rate[4]	19.4%	13.6%	(5.8%)
Annualised return on equity[5]	8.9%	32.9%	(24.0%)

1 Calculated as the average of month-end receivables for the 12 months ended 31 December.
2 Vanquis Bank profits reflect an adjustment for the release of a ROP provision (£8.3m) in 2020. The 2019 adjusted profit before tax reflects a net exceptional credit of £12.4m comprising an exceptional credit of £14.2m in respect of the release of provisions established in 2017 for the ROP refund programme and restructuring costs of £1.8m.
3 Revenue as a percentage of average receivables for the 12 months ended 31 December.
4 Impairment as a percentage of average receivables for the 12 months ended 31 December.
5 Adjusted profit after tax as a percentage of average equity for the 12 months ended 31 December.

In response to the onset of Covid-19, new customer bookings were reduced by 75% during Q2'20, all new loans activity was curtailed and the Credit Line Increase (CLI) programme was suspended. New customer booking volumes resumed in the second half of the year, although booking activity is being restricted to approximately 50% of pre-Covid-19 levels as risk appetite remains cautious given the economic backdrop. The CLI programme resumed in the second half and is currently tracking at approximately 50% of pre-Covid-19 levels.

Receivables ended the period at £1,094.3m (FY'19: £1,461.5m), a decrease of £368m compared with 2019. The reduction in receivables can be attributed to lower customer bookings, the CLI programme suspension and lower customer spending. In April, customer spending reduced by c.40% year-on-year. By the end of July, this had recovered to be 15% lower year-on-year. At the end of December, impacted by Tier 3 and Tier 4 local lockdowns and the second national lockdown, customer spending was down by 20% year-on-year, in-line with market trends. As a result of lower customer spending, utilisation rates ended the year at c.53% having been c.60% in January. Customer spending in Q1'21 continued to be heavily impacted by the UK lockdown and was approximately 25% lower than prior year levels. However, customer spending in April 2021 has seen a return to normal levels.

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

Vanquis Bank supported its customers and colleagues throughout 2020 given the significant disruption caused by Covid-19. From mid-April, 80% of contact centre and 100% of head office colleagues were working remotely with minimal impact on customer service levels.

Vanquis Bank generated revenue of £481.4m in 2020, down from £580.9m in 2019 driven by the fall in customer receivables. A slight moderation in the revenue yield to 39.0% (FY'19: 39.8%), reflected the ongoing c.£15m annual reduction in ROP income, the ban on the use of credit cards for gambling transactions, which came into force in April, and changes to the basis of charging default and over limit fees.

Interest costs increased to £34.4m during the year (FY'19: £31.4m) reflecting the additional retail deposits raised during April and May. Vanquis Bank operated with c.£650m of excess liquidity over and above its regulatory requirements during the year which has resulted in additional funding costs of approximately £5m. This increase in interest costs was partly offset by lower receivables and a lower interest rate environment which benefited retail deposit costs.

The impairment charge for 2020 was £239.9m (FY'19: £198.9m), an increase of 20% compared to 2019, which equated to an annualised impairment rate of 19.4% at the end of December, compared to 13.6% in FY'19.

The increase in impairment in 2020 reflects the impact of Covid-19, the deterioration in the macroeconomic outlook, a provision for customers entering into PD36, which came into effect from October 2020, and the exit performance of customers who had taken a payment holiday. The lower revenue yield and a higher impairment rate combined to equate to the risk-adjusted NIM reducing to 16.8% (FY'19: 24.0%).

Vanquis Bank began offering its credit card and personal loan customers a payment holiday from April, in advance of FCA guidance. The take-up peaked during May at c.3% of customers and 5% of receivables. Since then, there has been a gradual reduction in payment holiday levels with take-up as a percentage of customers falling to 0.5% and receivables to 1.0% at the end of December.

Costs reduced to £169.1m in 2020 (FY'19: £177.1m), reflecting the ongoing cost efficiency programme, together with the cessation of all discretionary spend in response to Covid-19 and lower customer acquisition costs from lower customer bookings during the year.

Vanquis Bank supported its customers and colleagues throughout 2020 given the significant disruption caused by Covid-19. From mid-April 80% of contact centre and 100% of head office colleagues were working remotely with minimal impact on customer service levels. During the period, lending to existing customers continued with 166k CLIs, equating to c.£140m of additional headroom on customer cards, and 108k interest rate reductions were delivered to customers. Vanquis Bank continues to place significant focus on providing additional support to customers in financial difficulty through either: (i) payment holidays in line with FCA guidance (to over 100k customers); (ii) payment freezes as part of the ROP product; and (iii) a number of other forbearance measures.

Vanquis Bank continues to focus on enhancing its customer proposition, which includes:

- Entering a partnership with Payit in 2020, enabling users to make simple and secure payments to their credit card balance without the use of a debit card. Payments are made through the Vanquis Bank app, which has over 1 million users, and can be made from major UK banks. It provides an instant update to available credit and provides an updated balance by the next working day.
- A partnership with LOQBOX, announced recently, which offers a way for customers to improve their credit score. If a customer applies to Vanquis Bank for a credit card and is declined, Vanquis Bank will refer them to LOQBOX. After signing up, LOQBOX will help customers decide how much they can save in a year (from £20 to £200 per month) and a 0% loan is locked away for the same amount in LOQBOX. After the 12-month period finishes, the money saved is released back to the customer's bank account and the loan is repaid. The improvement in the customer's credit rating will allow Vanquis Bank to offer them a credit card.

Vanquis Bank remained profitable for 2020 as a whole and has strong capital and liquidity positions resulting in £110m of dividends being paid to the parent, Provident Financial plc during 2020, with an additional £40m being paid following the year end. It remains focused on enhancing its customer and digital propositions as well as broadening its range of products. This dual focus forms an important part of its aim of becoming the bank for the underserved customer.

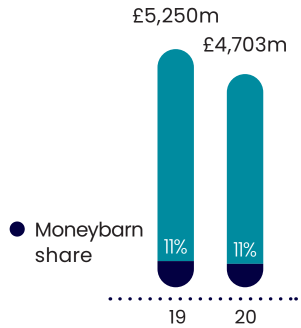
moneybarn
Vehicle Finance

Moneybarn motor finance

Moneybarn was acquired by the Group in 2014, enabling us to broaden our offering into secured motor finance. Moneybarn has since grown at a compound annual growth rate of 27% to become a leading player in the market. In addition, Moneybarn's expansion into the nearer-prime motor finance market in January 2021 provides further opportunities for Moneybarn to support more consumers excluded from mainstream lending.

David Shrimpton
Moneybarn Managing Director

Non-prime vehicle finance market (flow)



Market characteristics

- Motor finance is a secured product. Secured finance is a well-established and culturally accepted way to purchase big ticket items, such as a car, with opportunity for further growth in used car acquisition.
- Customers have an incentive to maintain their repayments due to the utility of the vehicle (e.g. a car is needed to get to work).

Market appeal

- The non-standard motor finance market is large and growing.
- Only 30% of used car sales are on finance, offering attractive growth prospects for lenders as finance penetration develops.
- There are numerous providers that span over a range of risk appetites (e.g. Advantage, MoneyWay and Close Brothers).
- Moneybarn has the broadest coverage of APRs in the non-prime market and its recent expansion into near-prime lending enables utilisation of existing capabilities to support more consumers requiring access to finance in order to purchase a vehicle.
- Moneybarn's access to lower cost funding provides a significant competitive advantage over a number of competitors.

Model

- Motor finance is typically on three to five-year secured hire purchase contracts.
- Consumers in this market are not accessing finance with the manufacturer or with their bank and are typically acquired through intermediaries.
- There are typically small levels of repeat loans with the same lender.
- The technology in this market is evolving from a manual process to increased digitisation and smoother customer onboarding (e.g. auto-affordability and ID verification).

Covid-19 impact

- The motor finance market has remained resilient through Covid-19. There has been healthy demand, particularly amongst key workers keen to avoid using public transport. In addition the used motor finance market has remained robust with stable prices.

Moneybarn – financial performance

Moneybarn is one of the largest suppliers of vehicle finance to underserved customers in the UK and successfully grew its market share during 2020. The business has a strong track record and is in an excellent position to continue to deliver good levels of growth and strong returns. For the twelve months to the end of 31 December 2020, Moneybarn generated an adjusted profit before tax of £10.9m (FY'19: restated £21.1m). The fall year-on-year was driven by higher impairment as a result of Covid-19, which more than offset good growth in its receivables and customer numbers.

Moneybarn was able to continue lending to its customers throughout 2020, including the periods of national lockdown, thanks to actions taken at the onset on Covid-19. As a result of remaining open, Moneybarn has consolidated and increased its market position and cemented its relationships with key introducers.

New business volumes during 2020 were comparable to 2019 at 38.0k (FY'19: 38.8k) despite tighter underwriting criteria. Moneybarn benefited from competitors pulling back from the market during 2020 and, as a result, has seen an improvement in the quality of the new business being written, e.g. the average credit score of new customers has increased. As a result of this improvement, the average loan value increased to its highest level in two years, to just over £8k, which drove total credit issued to over £300m for the first time. For the year as a whole, approximately 38% of Moneybarn's new lending was to people classified as keyworkers.

Moneybarn ended the year with 91k customers, representing an increase vs. FY'19 of 14k or 18.7%. The underlying demand for quality used cars, especially within Moneybarn's core market, is expected to continue post-lockdown as concerns around the use of public transport persists and prime- and near-prime providers pull back from the market.

At the end of December, receivables stood at £566.6m (FY'19 restated: £489.1m), driven by healthy new business volumes and the average loan size increasing.

As a result of the higher receivables base, revenues during FY'20 increased by 11.9% year-on-year to £134.0m (FY'19 restated: £119.8m). This growth was delivered despite a reduction in higher risk lending during the period. The annualised revenue yield at the end of December was 25.1% vs. 25.1% in December 2019. After the period end, Moneybarn launched a near-prime offering, designed to capture more of that market segment, priced at 14.9% APR.

Interest costs fell during the year to £24.6m (FY'19: £28.4m) reflecting lower funding costs being offset by a higher receivables balance. The net interest margin at the end of December stood at 20.5% vs. 19.2% a year earlier.

Impairment increased significantly during the year to £72.7m (FY'19 restated: £49.4m) as a result of Covid-19's impact on the arrears rate and increased provisions driven by a deterioration in the macroeconomic environment. As a consequence, the annualised impairment rate increased to 13.6% (FY'19 restated: 10.4%). On a risk-adjusted basis, the net interest margin fell to 6.9% at the end of December vs. 8.8% a year earlier, as a result of the increased impairment rate. The annualised impairment rate remained elevated during 2020 due, in part, to persistently higher arrears levels supported by a challenging termination process, as the company's ability to collect vehicles was restricted. This restriction, as per FCA guidance, was lifted on 31 January 2021. Whilst Moneybarn is now able to collect vehicles again, it remains sensitive to customer circumstances.

Prior to the FCA issuing guidance to the market regarding payment holidays, Moneybarn started working with its customers proactively to ease any potential financial hardship they might be experiencing. Therefore, Moneybarn experienced an earlier

	12 months ended 31 December		
	2020 £m	2019[1] £m	Change %
Customer numbers ('000)	91.4	77.0	18.7%
Period-end receivables	566.6	489.1	15.8%
Average receivables[2]	533.1	476.9	11.8%
Revenue	134.0	119.8	11.9%
Interest	(24.6)	(28.4)	13.4%
Net interest margin	109.4	91.4	19.7%
Impairment	(72.7)	(49.4)	(47.2%)
Risk-adjusted net interest margin	36.7	42.0	(12.6%)
Costs	(25.8)	(20.9)	(23.4%)
Adjusted profit before tax[3]	10.9	21.1	(48.3%)
Annualised revenue yield[4]	25.1%	25.1%	–
Annualised impairment rate[5]	13.6%	10.4%	(3.2%)
Annualised return on assets[6]	5.4%	8.4%	(3.0%)

1 The 2019 comparatives have been restated to retrospectively reflect the accelerated IFRS 9 point of default from the termination of a customer contract to when the customer has missed three contractual repayments.
2 Calculated as the average of month-end receivables for the 12 months ended 31 December.
3 Adjusted profit before tax is stated before the amortisation of acquisition intangibles of £7.5m (2019: £7.5m) for 2020. In 2019, adjusted profit before tax reflects an exceptional credit of £2.6m in respect of the release of provisions established in 2017 following completion of the FCA investigation into affordability.
4 Revenue as a percentage of average receivables for the 12 months ended 31 December.
5 Impairment as a percentage of average receivables for the 12 months ended 31 December.
6 Adjusted profit before interest after tax as a percentage of average receivables for the 12 months ended 31 December.

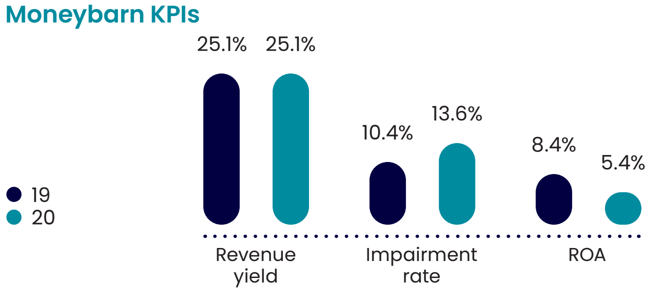
take-up of such arrangements than the wider market. At its peak, the take-up of a payment holiday by Moneybarn customers was 23.0%. Following the initial one to three-month payment holidays expiring, the overall number declined and, at the end of December, the proportion of Moneybarn customers with an active payment holiday was 1.3%.

Costs increased during the course of the year to £25.8m, from £20.9m a year earlier, reflecting an increase in headcount, volume related costs – such as credit bureau searches – and arrangements for working remotely.

For 2021, Moneybarn will continue to target growth in its traditional markets and, as mentioned above, has launched a near-prime product to expand its target market.

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

Moneybarn KPIs



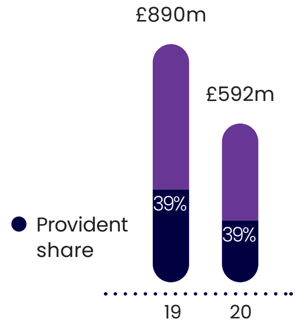
Provident

Provident Home Credit

The home credit market has experienced significant change throughout 2020 with lenders having to quickly adopt more remote business models, in order to continue serving customers through Covid-19 lockdowns.

Hamish Paton
CCD Managing Director

Home credit market (flow)



Market characteristics

- Online/purely remote lending is not appropriate for everyone. Some customers need the face-to-face service, structure and product flexibility provided by home credit to serve their needs responsibly.
- There are few key competitors nationally (e.g. Morses and Loans at Home), a number of regional providers and a large number of small local providers.

Market appeal

- The market stabilised in 2019 following the disruption caused by the change in the Provident operating model in the UK.
- The market declined significantly in 2020 driven by a reduction in supply as lenders adapted their models to facilitate remote disbursement of funds and remote collections. The receivables of lenders in the market have also fallen during 2020.
- The market is also evolving following significant recent changes to the regulatory environment, including new repeat lending guidance.

Model

- 13–104-week cash loans are typically delivered and collected in the home by employed Customer Representatives or self-employed agents (depending on the lender's operating model).
- Technology has improved operating efficiency and compliance with the regulator (e.g. lending apps).
- Lenders have focused on modernising their propositions during 2020 to provide customers with remote repayment options and online portals.

Covid-19 impact

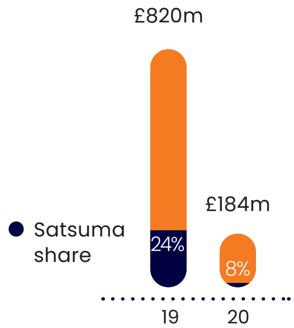
- Covid-19 has significantly accelerated changes in the home credit market, including the introduction of remote disbursement and collection options as well as the introduction of online logins/mobile apps to support customers managing their loans remotely.
- Significant reduction in the home credit customer receivables combined with the rising cost of complaints which has led to the Group regrettably deciding to withdraw from the home credit market entirely.

satsuma.

Satsuma HCSTC

Satsuma was launched in 2013 in response to consumers' growing appetite to transact financially online. Satsuma had grown to secure a top 3 position in the high-cost short-term credit market in 2019. However, it paused lending in 2020 due to Covid-19. Covid-19, coupled with a number of changes in the regulatory environment, has challenged the viability of the sector and resulted in a number of competitors entering administration.

High-cost short-term market (flow)



Market characteristics

- Strong levels of consumer demand.
- Supply in the market has been significantly impacted by the exit of a number of lenders (e.g. Wonga, Sunny and Quick Quid) with few scale operators remaining (e.g. Lending Stream).

Market appeal

- There is strong underlying consumer demand for short-term digital loans.
- In general, consumer preferences are moving towards managing their finances online, particularly for younger generations.
- Lenders in the market have struggled driven by restricted access to funding, historical lending practice liabilities and significantly increased regulation, all of which has led to a reduction in supply in the market.

Model

- 1–12-month fixed repayment loans managed and repaid digitally.
- Recent technological advancements have been focused around customer affordability (e.g. the use of Open Banking to conduct income and expenditure assessments).

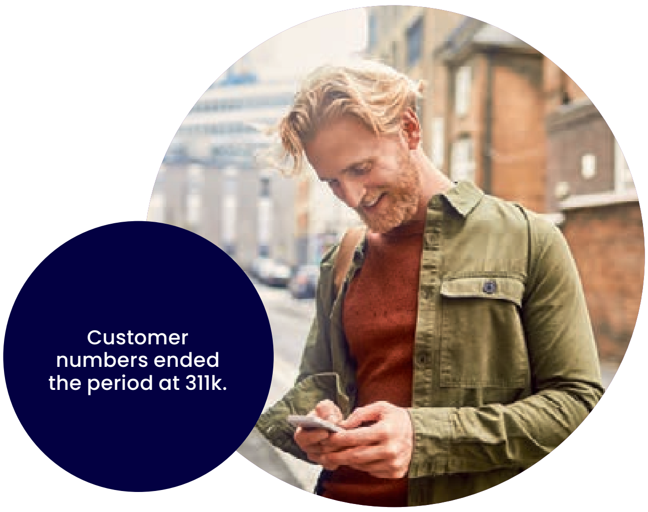
Covid-19 Impact

- During 2020, supply in the high-cost short-term credit market reduced significantly. A number of competitors in the market entered administration in the year (including MyJar, Sunny, Uncle Buck and Peachy).
- Covid-19 has accelerated the adoption of digital methods which may present greater demand for digital loans.

CCD – financial performance

The Consumer Credit Division ('CCD') comprises Provident home credit and Satsuma. For 2020, CCD reported an adjusted loss before tax of £74.9m, vs. an adjusted loss before tax for FY'19 of £20.8m. The increased loss for the period reflects lower receivables driving overall lower net revenue but including increased impairment, driven by Covid-19, and significant cost efficiencies being substantially offset by a significant increase in complaints costs in 2020.

The home credit business responded quickly to the challenges presented by Covid-19 by introducing several new ways of working for its field-based colleagues in order to continue supporting its customers. They are able to offer lending and collections services on a fully remote basis including: taking repayments online, over the phone or via an Allpay card, managing loan applications remotely to new, existing or returning customers, offering Provident Direct and utilising central collections activity support with a particular focus on arrears and customers missing payments consecutively.



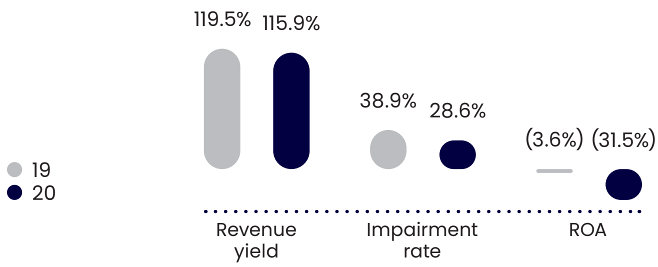
The home credit team implemented a process to help identify customers indicating that they have been impacted by Covid-19 and whose circumstances have changed as a result.

	Twelve months ended 31 December		
	2020 £m	2019 £m	Change %
Customer numbers ('000)	**311**	522	(40.3%)
Period-end receivables	**138.9**	249.0	(44.2%)
Average receivables[1]	**166.0**	247.3	(32.9%)
Revenue	**192.4**	295.4	(34.9%)
Interest	**(10.3)**	(9.7)	(6.2%)
Net interest margin	**182.1**	285.7	(36.3%)
Impairment	**(47.5)**	(96.2)	50.6%
Risk-adjusted net interest margin	**134.6**	189.5	(29.0%)
Costs	**(209.5)**	(210.3)	0.4%
Adjusted loss before tax[2]	**(74.9)**	(20.8)	(260.1%)
Annualised revenue yield[3]	**115.9%**	119.5%	(3.6%)
Annualised impairment rate[4]	**28.6%**	38.9%	(10.3%)
Annualised return on assets[5]	**(31.5%)**	(3.6%)	(27.9%)

1 Average of month-end receivables for the 12 months ended 31 December.
2 Adjusted loss before tax is stated before exceptional items of £66.6m (2019: £14.4m).
3 Revenue as a percentage of average receivables for the 12 months ended 31 December.
4 Impairment as a percentage of average receivables for the 12 months ended 31 December.
5 Adjusted loss before interest after tax as a percentage of average receivables for the 12 months ended 31 December.

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

CCD KPIs



The home credit team implemented processes to help identify customers indicating that they have been impacted by Covid-19 and whose circumstances have changed as a result. At the end of June, there were c.8.5k customers identified which equated to around 4% of customers and 1% of receivables. By the end of December, this had fallen to c.5k, representing 1.6% of customers and 1% of receivables.

Customer numbers ended the period at 311k, which represents a reduction vs. FY'19 of c.40%, driven by significantly reduced new customer bookings and lower total issue volumes in home credit, and the decision in Q2 2020 to pause lending on the HCSTC Satsuma book. This is reflected in new issue volumes being down by c.47% vs. FY'19 in home credit as a result of tighter underwriting standards and operational restrictions due to Covid-19, the latter particularly in the earlier stages of the pandemic.

CCD receivables ended the period at £138.9m, which represents a decline of 44% year-on-year, driven by significantly lower issue volumes and higher impairment due to Covid-19. Satsuma receivables stood at less than £5m at the end of December as lending to new and existing customers was paused in Q2 2020, although collection activity remaining strong throughout the period.

Revenue for the period was £192.4m, which equates to a reduction of 34.9% vs. FY'19, which was driven by the fall in customer receivables during the period. The reported revenue yield for FY'20 was 115.9%, lower than the comparable figure for FY'19 of 119.5% due to the significant reduction in the higher-yielding HCSTC Satsuma loan book in 2020. The net interest margin for the year was £182.1m (FY'19: £285.7m) driven by the significantly lower revenue recognised in the period from the lower receivables and slightly lower yield.

Impairment for the year amounted to £47.5m, a decrease of 50.6% vs. FY'19 of £96.2m. The lower impairment charge year-on-year is driven by the dynamics in both the home credit and Satsuma receivables books. Despite the significantly smaller book year-on-year, the home credit impairment charge increased, impacted by higher relative levels of write-off after the initial onset of Covid-19. The collect out of the Satsuma book during the year was stronger than initially anticipated and contributed to a lower than expected impairment charge. As a result, the impairment rate at the end of December was 28.6% vs. 38.9% in FY'19 with the impact of the lower Satsuma impairment outweighing the lower total average receivable for the year.

On a risk-adjusted basis, the net interest margin fell by 29% year-on-year to £134.6m, with lower recognised revenue being partly offset by lower impairment. The risk-adjusted net interest margin as a proportion of average receivables rose to 81.1% vs. 76.6% in FY'19 driven by the lower impairment rate dynamics.

Costs fell by 0.4% during 2020 to £209.5m vs. FY'19 (£210.3m). Total expenses were reduced significantly year-on-year driven by lower salary costs, following management action taken in 2019 and 2020 to reduce headcount, and savings realised across several other operating areas including travel, property, marketing and lower commission costs in the ROI business. The cost efficiencies were substantially offset by a significant increase in complaint costs, primarily from the UK home credit business, of c.£40m vs. FY'19.

Within CCD, the concept of forbearance is implicit within the business model. Payment holidays peaked during H1'20 at c.3% of customers but, by the end of December, this had improved to c.5.0k customers equating to 1.7% or 1.3% of receivables.

We are...

continuing to enhance our risk management capabilities while harmonising our supporting risk infrastructure and frameworks

Q&A

with
David Rutherford
Group Chief
Risk Officer*

"

Our risk appetite framework is critical in demonstrating the effectiveness of our risk governance. It provides a clear line of sight between the risk parameters set by the Group Board and decisions taken by management when developing divisional business plans.

David Rutherford
Group Chief Risk Officer

* David Rutherford served as Group CRO for the financial year ended 2020, and until 30 April 2021. On 1 May 2021 Gareth Cronin became Group CRO.

Q1.

How are we ensuring our risk management capabilities stay aligned with the rapidly changing needs of the Group?

Under the leadership of the Group CRO and sponsored by the Group Risk Committee (GRC), we have made good progress in implementing key aspects of our risk harmonisation programme including aligned Group risk appetite framework and measures. When the programme is fully implemented in 2021, the Group will have a single Enterprise Risk Management Framework (ERMF) and associated policies, tools, systems and processes. This is, and will continue to drive greater consistency in our approach to risk management across all the divisions, while reinforcing the importance of line management being accountable for the risks they own.

Q2.

How are we responding to the significant changes in our regulatory environment?

As a market leader across all our businesses, we are ensuring the lessons learned from past regulatory failings are incorporated into all aspects of our regulatory risk management and business models. We now have stronger and more trusted regulatory relationships, with improved insights into emerging and horizon risks. We are beginning to leverage the strength of the Group through an aligned approach to regulatory risk management, as well as improved collaboration through formal cross-divisional forums. These include customer complaints, responsible lending, managing vulnerability and customer outcome monitoring.

Q3.

What is our main risk focus for the next 12 months?

Effective risk management is something which is integral to our culture and underpins everything we aim to achieve as an organisation. As our businesses continue to evolve, we are supporting management in ensuring our customer propositions continue to serve their changing needs, through, for example, the launch of a personal loans loan product. We will embed these and any other required control changes through our risk and control self-assessment at all levels of the organisation. This will provide ongoing assurance to the Group Board that critical business processes continue to have adequate controls in place, as well as allowing us as a Group to prioritise any required investment spend for the future.

Introduction and recent developments

Introduction/overview

During 2020, the Group has continued to strengthen its risk management capabilities. This has been significantly influenced by the pandemic. It has highlighted that our current risk management arrangements are resilient where we have had to adopt an agile and flexible approach to decision making, reflecting the significant uncertainty in the macroeconomic environment.

Group's approach to risk management

The Group operates a robust and dynamic approach to risk management. This reflects the sector in which we operate and is aligned with our Customer Blueprint, which helps put people on a path to a better everyday life. We achieve this through strong controls with the aim of supporting sustainable business growth and profits, while simultaneously delivering fair customer outcomes. Each of our divisions currently has its own risk management frameworks (RMFs), with strategic direction provided by the Group CRO (via the Group RMF) to drive consistency, improved collaboration and effective aggregation of our risk reporting.

While the Group framework is fairly recent in its adoption (12-18 months), it is becoming increasingly important in supporting the Group Board and Executive as we move towards a more integrated business strategy and cross-collaboration of activities. We have plans to integrate the various divisional RMFs into a single ERMF through 2021. This programme of 'risk harmonisation' will ensure our risk management capabilities continue to evolve alongside future strategic developments. This enterprise approach will enable a single view of all risks, while managing these in a consistent way up, down and across the enterprise.

Risk culture

Based on the Group's business model and guided by the Group Board, the senior management articulates the core risk values through our Blueprint and risk appetite framework (RAF). We have a number of strategic risk drivers with the overall aim of delivering sustainable profits as a Group, while meeting the needs and requirements of all our key stakeholders including customers, regulators, investors, colleagues, communities and suppliers. Our culture is underpinned by an appropriate balance between risk and reward, with accountabilities reinforced through the Senior Managers and Certification Regime (SMCR). Risk objectives are also included as part of non-financial measures in Group and divisional executive scorecards.

Risk appetite

The Group defines its risk appetite as the amount and type of risk the organisation is prepared to seek, accept or tolerate at any point in time, and measured over a rolling 12-month period. Our risk appetite is holistic and covers 10 principal risks detailed later in this report. The Board is responsible for approving the Group's risk appetite statements at least annually with the supporting Board-level metrics cascaded into more detailed business appetite metrics, limits and thresholds at a divisional level.

Recent developments

The Group has continued to make significant progress on key initiatives in strengthening and embedding its overall risk governance, frameworks and capabilities.

– Under the leadership of the Group CRO and sponsored by the GRC, we have formally launched our risk harmonisation programme with the goal of consolidating the various divisional frameworks into an integrated single ERMF for the Group. This incorporates a number of key activities including a single risk policy taxonomy, RCSA methodology, risk systems and reporting. The majority of this is expected to be implemented in 2021. This will be led by our newly appointed Head of Enterprise Risk.
– We have proven our ability to manage the Group's risks through the pandemic despite the significant number of challenges this has raised both internally and externally. A more detailed overview is provided overleaf.
– We have refreshed our Group risk appetite with a move towards more dynamic and outcome-based risk measures to support decision making and to drive further alignment across the divisions.
– A new model risk governance framework has been established, led and managed by our recently appointed Head of Model Risk. This provides 'Group-wide' capabilities to undertake internal model validation which is becoming increasingly important from both a commercial and regulatory perspective.
– Under the Risk office, we have established a number of 'cross-divisional forums' alongside our formal risk governance committees to improve coordination and oversight of any emerging risks especially in relation to conduct risks that are inherent in our business.
– Within Vanquis, we have undertaken an extensive review of our controls across the business through the 'Risk Enhancement Programme' with a formal attestation on its adequacy shared with the PRA.
– The Group Data Protection Office (DPO) now reports into Group Risk, which is better aligned with its role in setting policy and overseeing compliance. Through this transition, a comprehensive review of its activities has been undertaken which is reflected in the new Group Data Protection Policy.

For 2020 we have refreshed our principal risks as part of the updated risk appetite. In addition, we have reviewed our strategic and emerging risks with particular emphasis on the longer-term impacts of the pandemic. The key changes are summarised below:

Principal risk changes

– We have removed financial risk as a principal risk as this was focused largely on financial performance measures which are already monitored extensively by Finance and reported monthly through the Group ExCo and Board.
– Tax risk has been removed as this is managed directly by Group Tax (Corporate) with its own structure and tax risk appetite approved annually by the Board. These are supported by tax policies and processes. Any risks that warrant inclusion in our risk reporting would still be captured under our emerging risks (if they are material) or under our legal and regulatory risk reporting.
– Legal and regulatory risk has been combined as this covers all external laws and regulations which we must comply with as a Group. In addition, financial crime is included under legal and regulatory risk as all requirements are driven by the regulatory (FCA) and legal (HMRC) guidance and rules.
– Strategy and governance risk has been added as a new principal risk as this was a gap in our existing RAF covering new strategic initiatives, markets, acquisitions, etc. It also aligns to the recently approved RAF within Vanquis Bank.
– Business resilience risk now falls under operational risk and is included within our Business Continuity Management Policy.

Recent developments continued

Strategic and emerging risk changes

- Our prior year risk covering threats to our industry sector has been revised to bring out the greater impact on our own internal business models. This recognises the significant regulatory changes announced by the FCA and HMRC including the Woolard Review, repeat lending in the high-cost sector, and the Debt Respite Scheme (breathing space). While we are responding decisively to these, there is recognition that in some areas these threats are not always within our direct control and require an industry approach, e.g. indiscriminate attacks by claims management companies (CMCs).
- A new overarching risk has been added covering the pandemic reflecting the multiple impacts this has had including our financial strength, regulatory challenges, customers and colleagues.
- A specific risk has been added covering the Return to Work (RTW) strategy for the business and how we will need to respond to the 'new normal' once the direct impacts of the pandemic recede.
- Persistent debt has now been removed as an emerging risk with any residual elements captured under our business model risk.

Our response to Covid-19

The risks associated with Covid-19 progressed rapidly from a low-level emerging risk to something that impacted all our principal risks.

From its emergence as a risk in early February, the Group responded decisively and promptly to the impacts of the pandemic with a number of immediate changes to our governance arrangements at a Group and divisional level. Like many organisations, dealing with the consequences of the pandemic in the early stages took us into uncharted waters, which required a flexible and agile decision making process, as well as 'short form governance.' Our immediate priorities were:

- maintaining financial strength through increased liquidity and capital to cover the immediate pandemic stress, and rebuilding our lending volumes safely;
- ensuring we continued to deliver fair customer outcomes at a time when our customers were in greatest need (access to credit and implementation of forbearance through payment holidays);
- managing the health and wellbeing of our colleagues through revised working arrangements, home working and technology support; and
- maintaining strong and proactive relationships with our regulators, especially where we were forced to change critical business processes, e.g. home credit sales and collections.

The above was successfully achieved through:

- establishment of a daily Executive Steering Committee which acted as the decision making body and communication forum for sharing important business updates Group wide;
- weekly Board meetings to maintain effective governance while at the same time streamlining the amount of formal reporting to avoid unnecessary bureaucracy;
- creation of Covid-19 risk registers and decision logs within the divisions evidencing the rationale for any material business changes and the impact on the control environment;
- weekly risk forums chaired by the Group CRO and attended by the divisional CROs;
- daily key risk indicator (KRI) dashboard covering operations, colleagues, communications and competitor impact;
- regular communications led by the Group CEO and Managing Directors with our key regulators (PRA and FCA) as well as key influencers in government, e.g. HMT and industry bodies level; and
- reprioritised audit approach for evaluating controls in areas of highest risk, e.g. liquidity reporting.

As we moved out of the emergency contingency actions arising from the pandemic, its impacts are now incorporated into our business-as-usual risk management. Our plans have been revised to reflect the macroeconomic environment and our risks recalibrated accordingly.

Vanquis Control Enhancement Programme case study

As part of our ongoing commitments to the PRA, Vanquis commenced a programme of work early in 2020 with the objective of developing and implementing a bank-wide Risk Enhancement Programme. This would enable the Vanquis Board to gain assurance that past risk management and control weaknesses had been addressed, as well as allow the Chair of the Bank Risk Committee to attest to that effect to the PRA.

A programme was mobilised led by the Bank CRO with representatives across all 3 lines of defence (3LOD) supported by representatives from across the Group. The programme was successfully delivered with a number of notable outcomes including:

- Significant improvement in line management risk maturity through completion of a First Line Control Review (FLCR) and establishment of a Group-wide control testing function. Executive management and the Board can now 'speak with confidence' on the efficacy of controls, alongside more targeted interventions where additional support is required.
- In parallel, the Bank's risk management framework has been improved through adoption of a Group-wide approach to measuring risk appetite, with more quantitative outcomes and thresholds. The programme will continue to improve and embed the end state risk culture through colleague risk awareness and learning.

Risk governance structure

The Group's risk governance structure is outlined below. In combination, the various Board, executive and risk committees strengthen our ability to identify, assess, manage and as appropriate escalate risks, while also supporting the Group in responding to the changing external and regulatory environment.

Group Board

Reviews the Group RMF annually to ensure that it remains fit for purpose and complies with relevant laws and regulations including the Code.

Board Committees

Group Risk Committee (GRC)
Board committee responsible for ensuring that there is an appropriate risk management framework embedded across the Group, monitoring key risk positions and trends, and providing oversight and advice to the Board in relation to the current and potential future risk strategy and exposures.

Customer, Culture and Ethics Committee
Board Committee responsible for reviewing the Group's culture and business processes to ensure they are focused on delivering fair customer outcomes, overseeing the Group's delivery and embedding of its Blueprint and ensuring the Board meets its corporate governance requirements under the 2018 UK Corporate Governance Code.

Management committees

Group Executive Committee (Group ExCo)
Executive committee chaired by the Group CEO responsible for developing, proposing and implementing Board approved strategy. In doing so, it is responsible for managing the Group strategic risks and overseeing divisional risks. Detailed assessment and oversight of these risks is delegated to the GERC (opposite).

Group Executive Risk Committee (GERC)
Executive committee chaired by the Group CRO responsible for managing the Group's strategic and emerging risks and overseeing divisional risks. The GERC receives reports from the individual divisional CROs which cover key risks within their respective divisions. The Group CRO also provides a regular report from a second line perspective on the enterprise-wide risks facing the Group, how they are trending, and whether there is an agreed 'path to green' to ensure these are managed within risk appetite.

Cross-divisional risk forum (CDRF)
Risk forum chaired by the Group CRO, bringing each of the divisional CROs and Head of Enterprise Risk together. It primarily acts as a platform for sharing views, coordinating forward-looking risk assessment, identifying new and emerging risks and providing an independent forum for the divisional CROs to escalate material risks. The CDRF enables the Group CRO to give an independent viewpoint on both the risks of the divisions and the Group and assists the Chair of the GRC to better understand and prioritise the key risks of the Group.

Three lines of defence (3LOD) model

The Group operates a 3LOD model to articulate key accountabilities and responsibilities for managing risk and to support effective embedding of risk management across the organisation.

The first line of defence – line management

Owns the risk and is responsible for identifying, assessing, monitoring and reporting risk within its respective areas whilst ensuring that appropriate internal controls, processes and systems are in place to deliver against business strategy and objectives.

The second line of defence – Group and divisional risk functions

Set minimum policy and control standards, establishing effective risk management frameworks, providing independent challenge and oversight, including agreeing risk appetite, and protecting the Group against non-compliance with laws or regulation.

The third line of defence – Group Internal Audit

Provides independent and objective assurance on the design adequacy and operational effectiveness of internal controls; on overall effectiveness of the Group's risk governance and risk management practices; and provides assurance on whether the first and second lines of defence fulfil their respective responsibilities.

Risk appetite framework

The Group risk appetite framework creates a clear link between PFG's business strategy and its strategic risk objectives. It defines the overarching approach through which the Group's risk appetite is established and communicated.

Group strategy and Purpose

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

Customer progression	Human experiences	Head AND heart decisions	Fighting fit

Risk appetite framework

Strategic risk objectives

Maintain a secure and efficient capital and funding structure	Deliver sustainable growth and profits	Protect and enhance our reputation and brand	Establish a strong risk and customer-centric culture	Maintain operational resilience and business capabilities

Our principal risks

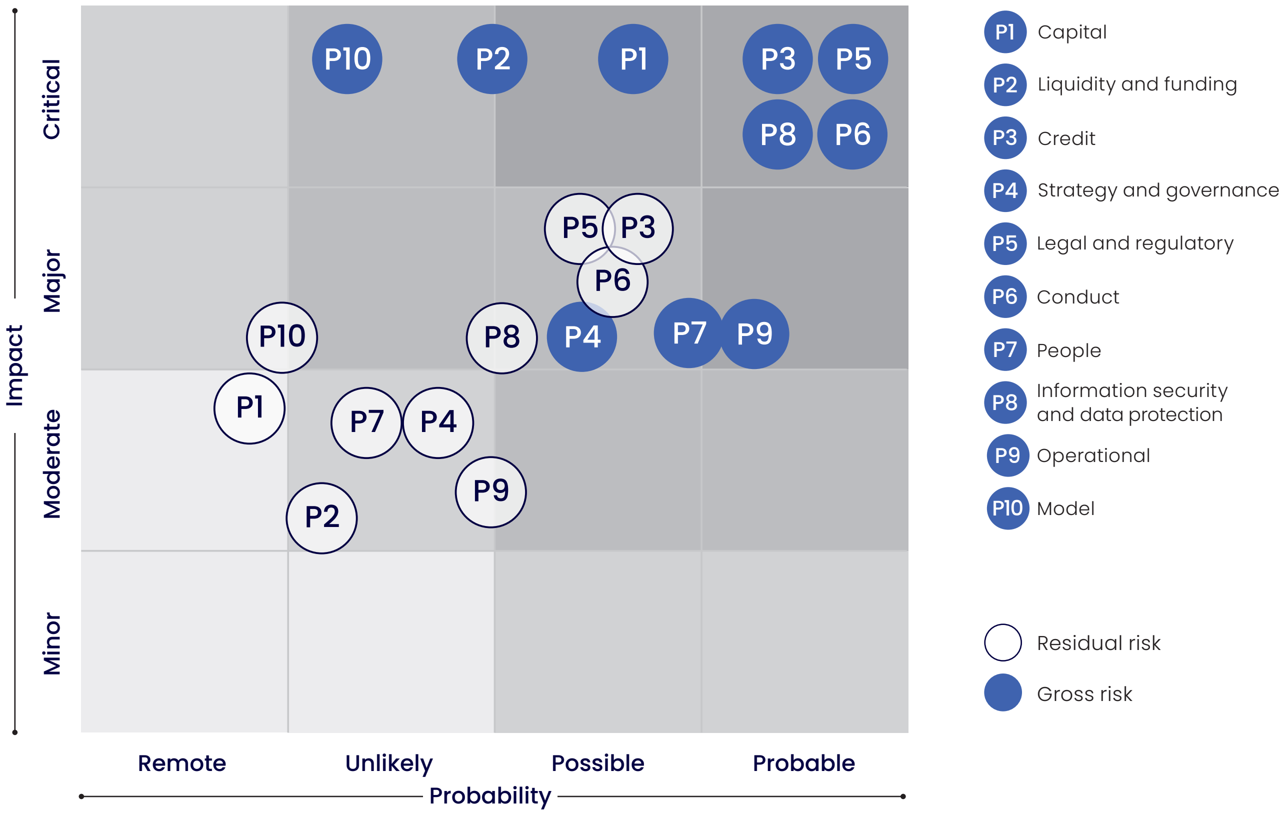
Capital	Credit	Legal and regulatory	People	Operational
Funding and liquidity	Strategy and governance	Conduct	Information security and data protection	Model

Risk appetite headlines

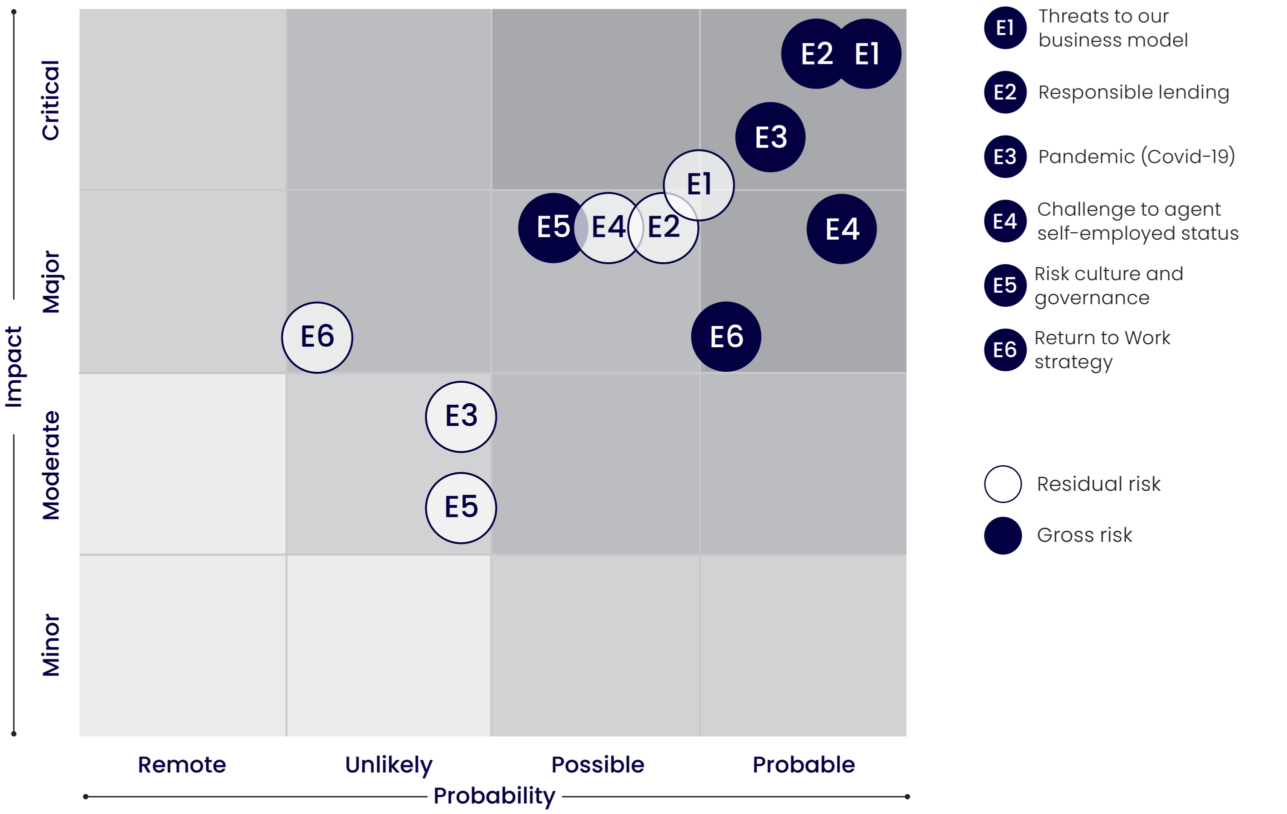
Capital	We will meet all minimum regulatory capital requirements and hold a management buffer on a consolidated basis agreed with the Board.	Conduct	We will deliver fair outcomes for our customers at all stages of the customer lifecycle.
Funding and liquidity	The Group will ensure required funding is in place at least 12 months in advance.	People	We will maintain a properly engaged and skilled workforce which is aligned to our Purpose and Group culture.
Credit	The Group will manage our credit risk exposures through effective underwriting processes, systems and controls to support appropriate lending decisions.	Information security and data protection	We will maintain strong information security and data protection controls to prevent significant customer detriment, regulatory breaches or reputational damage.
Strategy and governance	We will seek new business opportunities, both organic and inorganic, which remain aligned to our customer, regulatory and commercial objectives.	Operational	We will limit operational losses as a result of control failures attributed to people, processes and systems including those over external suppliers.
Legal and regulatory	We will aim to avoid any material regulatory breaches. In the event that they do occur, we will correct them promptly and learn from our mistakes.	Model	Through strong governance all material models will perform in line with expectations.

Key risks

Principal risks



Strategic and emerging risks



Principal risks

Principal risks are risks which are inherent to the Group's strategy and business model and have formally been articulated as part of the Group's risk appetite framework. Principal risk categories and associated risk appetite statements are reviewed and approved by the Board on an annual basis, effectively defining the Group's overall risk appetite.

P1 Capital risk

3 — Moderate — Stable — Medium

Risk description

The risk that the Group and bank has insufficient capital to either meet regulatory requirements or to sustain the long-term viability of the business.

Mitigating activities and other considerations

- The Group and bank operate within a defined capital risk appetite, with thresholds reported to and monitored by Group and bank boards.
- The Board's current view on risk appetite is to maintain a capital buffer of more than 5% of risk-weighted exposures due to market uncertainties. The Group has also refined the capital buffer it maintains to be proportionate to the risk-weighted exposures and thus reflect the current and expected state of the balance sheet.
- Preservation of capital and supporting business stability via the cancellation of the 2019 dividend in line with industry practice. The Group's capital review (C-SREP) with the PRA concluded in July 2020. The Group's Pillar 2A capital requirement has been lowered from 20.65% to 18.33% during 2020 and the fixed monetary add-on in respect of pension risk has been removed.
- As previously reported, the Group has elected to phase in the impact of adopting IFRS 9 over a five-year period. The PRA ratified additional capital mitigation proposed by the Basel Committee, in response to Covid-19, with these measures coming into force from 27 June 2020 and which the Group has fully adopted to maintain a robust regulatory capital position in light of the increased impact of IFRS 9 in the current macroeconomic environment.
- The Group and bank regularly monitor the internal assessment of capital adequacy in line with the capital adequacy rules.
- The Group has continued to actively explore a number of options to improve capital efficiency. These include, but are not limited to, supplementing the existing capital base made up entirely of core equity tier 1 with tier 2 debt capital to support growth and improved return on equity.

Links to strategy

1 Grow customer-centric businesses
2 Act responsibly and with integrity
3 Maintain a secure funding and capital structure

Risk rating after mitigation

Minor Moderate Major Critical

Change during the year

Increased risk Stable Improving

Covid-19 impact

Severe Medium Low

P2 Liquidity and funding risk

3

Risk description

The risk that the Group has insufficient liquidity to meet its obligations as they fall due, and/or is unable to maintain sufficient funding for its future needs.

Mitigating activities and other considerations

- Liquidity and funding risk appetite established at Group and bank level, with thresholds reported to and monitored by Group and bank boards.
- The Group's current funding strategy seeks to maintain a secure funding structure by maintaining committed facilities to meet contractual maturities and fund growth for at least the following 12 months and maintain access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) market funding, including retail bonds, institutional bonds and private placements; (iii) securitisation; and (iv) retail deposits.
- In January 2020, the Group successfully completed a bilateral securitisation facility to fund Moneybarn business flows, establishing and developing the securitisation capabilities within the Group.
- The Group also delivered on a number of its other funding objectives: (i) repaid early the remaining M&G loan facility of £25m on 14 February 2020; (ii) in line with its contractual maturity, repaid a £25m bond on 14 April 2020; and (iii) secured intra-group funding through Vanquis Bank.
- In June 2020, a waiver was agreed up to (but excluding) 31 December 2020. In addition, an amendment was made to the interest cover covenant as part of the revolving credit facility (RCF) with the lending banks. This was in response to the pandemic's impact on the Group's performance.
- Consistent with the Group's strategy of cost-effective management of its liabilities and in light of the contraction of the balance sheet in response to the pandemic in August 2020, the Group successfully completed a tender offer for £75m of senior bonds due to mature in 2023.
- Vanquis Bank accepts retail deposits and, in line with its regulatory requirements, maintains liquid resources to meet certain stress events as stipulated within its Internal Liquidity Adequacy Assessment Process (ILAAP). The bank also monitors and reports its liquidity coverage requirements (LCR) on a consolidated basis to the PRA and has reported LCR far in excess of the 100% minimum during 2020.
- The flow of retail deposits within Vanquis Bank has continued to be strong. In 2020, Vanquis Bank increased its retail deposit funding to bolster liquidity in response to Covid-19 and has maintained surplus liquidity against its internal requirements (which exceed requirements in satisfaction of the Overall Liquidity Adequacy Rule) throughout 2020.
- In 2021, Vanquis Bank has issued secured notes collateralised by a portion of the credit card receivables book with the intention to use the notes as collateral which will be placed with the Bank of England to support borrowings against the Sterling Monetary Framework (SMF) facilities. These include the Discount Window Facility (DWF), Liquidity Support Operations (ILTRO), and the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME). This structure will offer three primary liquidity and funding benefits to Vanquis Bank: (i) diversification of funding; (ii) access to Bank of England facilities; and (iii) creation of contingent liquidity.

P3 Credit risk

1 2

Risk description

The risk of unexpected credit losses arising through either adverse macroeconomic factors or parties with whom the Group has contracted failing to meet their financial obligations.

Mitigating activities and other considerations

- The Group has faced increased credit risk through the period as a result of the pandemic and the delayed impacts of government support schemes including furlough and payment deferrals.
- In response to the pandemic, each division has reviewed its respective credit profiles and has undertaken selective tightening of scorecards to ensure any higher than desired risk segments have been addressed.
- Credit risk appetite has been refreshed to focus more on early warning indicators (EWIs) of customer stress and predictive performance of scorecards.
- Test and learn strategies implemented in Vanquis with down-sampling of lower scoring customers to enable data gathering without generating significant, unquantifiable risk exposure.
- Prompt adjustments incorporated into rebuilds of models to support greater confidence in booking larger volumes of business.
- Selective plans being developed to supplement existing data sources to enhance both credit and affordability risk, i.e. open banking.

P4 Strategy and governance

1 2 3 Moderate — Stable — Severe

Risk description

The risk of making poor strategic decisions related to acquisitions, products, distribution, etc. as a result of ineffective governance arrangements, processes and controls.

Mitigating activities and other considerations

- Detailed business review undertaken within each division to rebase financial and operational plans as a result of the pandemic (under 1PFG strategy).
- Operational review of CCD in progress to realign activities with the changing regulatory environment, overseen by the Group Board.
- Scheme of Arrangement announced to cap potential liabilities in CCD back book.
- Board governance manual and Delegated Authorities Matrix (DAM) in place to provide framework for key decision making at all levels across the Group and divisions.
- Executive director scorecards in place with reward incentives based on a combination of financial and non-financial measures.
- Group risk appetite framework in place with agreed measures and thresholds approved by the Group Board.
- Strategic and emerging risks reported to the GERC and GRC on any areas of concern.
- Risk overlay completed annually by the Group CRO on behalf of the Remuneration Committee (RemCo) to provide recommendations on adjustments to variable reward where governance has failed.
- Independent internal audit assurance provided on a risk assessed basis, with agile plan executed to reflect the pandemic.

P5 Legal and regulatory

2 Major ↑ Medium

Risk description

The risk that the Group is exposed to financial loss, fines, censure or enforcement action due to failing to comply with regulations (including handbooks, codes of conduct, financial crime, etc.).

Mitigating activities and other considerations

- The Group operates in a highly regulated environment and in a sector where its customers are more vulnerable and need careful management.
- We remain mindful that the regulatory landscape is continually evolving and regularly assess our risks through horizon scanning and regulatory impact assessment.
- Any regulatory actions are managed and monitored closely to ensure these are delivered fully and within the spirit of any feedback received.
- During the pandemic, the Group and divisions have ensured very close contact with the regulators keeping them apprised of our contingency plans, and how we are managing capital and liquidity and ensuring our customers continue to receive appropriate support.
- All regulatory interactions are recorded and tracked, with regular reporting through our executive and Board committees to ensure consistency and read across through a Group lens.
- The Group engages with regulatory authorities and industry bodies on forthcoming regulatory changes, e.g. the Woolard Review and investigations, ensuring programmes are established to deliver new regulation and legislation.
- Financial crime improvement programme largely completed in Vanquis, closing down previous control issues.
- Further detail covering specific changes in our regulatory environment is included on page 62 including the recent notification by the FCA of an investigation into affordability and sustainability of lending to customers in CCD (February 2020–February 2021).

Links to strategy

1 Grow customer-centric businesses
2 Act responsibly and with integrity
3 Maintain a secure funding and capital structure

Risk rating after mitigation

Minor · Moderate · Major · Critical

Change during the year

↑ Increased risk — Stable ↓ Improving

Covid-19 impact

Severe · Medium · Low

P6 Conduct

1 2

Risk description

The risk of customer detriment due to poor design, distribution and execution of products and services or other activities which could lead to unfair customer outcomes or regulatory censure.

Mitigating activities and other considerations

- Conduct risk appetite refreshed providing greater focus on outcome measures.
- New conduct outcomes framework is being developed to provide improved monitoring of customer outcomes across all high-risk interactions including lending, forbearance, vulnerability and complaints.
- New Group Responsible Lending Policy being developed providing overarching principles for all the divisions in response to the changing regulatory environment and sustainable lending.
- Conduct policies and procedures in place at a divisional level to ensure appropriate controls and processes that deliver fair customer outcomes.
- During the pandemic, we have ensured throughout that our customers continue to receive the service they need during these difficult times, and in particular the provision of payment deferrals in line with FCA guidance.
- Establishment of Group complaints forum and reporting to ensure we are learning from complaints trends across the divisions, including any FOS referrals or upholds and actions of claims management companies. This has resulted in a number of strategic changes outlined in our emerging risks 'Threats to our business model' and 'Responsible lending'.

P7 People

2

Risk description

The risk that the Group fails to provide an appropriate colleague and customer-centric culture, supported by robust reward and wellbeing policies and processes; effective leadership to manage colleague resources; effective talent and succession management; and robust controls to ensure all colleague-related requirements are met.

Mitigating activities and other considerations

- Our people strategy continues to be refined with alignment of key HR processes across the Group including performance management.
- Succession plans completed and in place for all executive and senior management.
- Balanced scorecards introduced and aligned across the Group and divisions with clear frameworks and evaluation criteria established through RemCo for variable pay.
- Led by Group HR and supported by the divisional HR teams, colleague guides have been developed to raise awareness and understanding, covering important safety and wellbeing measures that needed to be implemented through the pandemic.
- A number of ongoing communications have and continue to be shared with colleagues at a Group and divisional level to keep them apprised of business changes to support wellbeing.
- We are currently formulating our Return to Work strategy which will define our future working arrangements incorporating the learnings from the pandemic including flexible working.
- Full health and safety risk assessment completed of all our key work locations with mitigating actions completed.

P8 Information security and data protection

2

Risk description

Sensitive data faces the threat of misappropriation or misuse. Failure to identify or prevent a major security-related threat or attack, or react immediately and effectively, could adversely affect the trust of our current or future customers in the services we provide, our reputation and our operational or financial performance.

Mitigating activities and other considerations

- Consolidated Group Data Protection Policy, maturity framework and reporting developed and embedded.
- Data Protection Office (DPO) reporting transferred to the Group Risk function to reinforce independence of office covering oversight arrangements.
- New data protection software rolled out across the business to enhance operational control effectiveness.
- Group-wide internal assessment completed on information security mapping capabilities against the ISO 27001 framework.
- Based on the above, an action plan has been developed and will be agreed with the Group Board in May, with Internal Audit providing assurance over its implementation through 2021.

P9 Operational

2 Moderate — Medium

Risk description

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk more broadly covers a wide range of different categories including specific event risk, fraud, IT/systems risk, business continuity, AML, etc.

Mitigating activities and other considerations

- The three lines of defence model throughout the Group ensures there are clear lines of accountability between management which owns the risks, oversight by the Risk function and independent assurance provided by Internal Audit.
- Group business continuity plan invoked in response to the pandemic.
- New operating arrangements in place including home working for non-essential workers, and deployment of new technology to serve our customers and support colleague collaboration.
- Full operating assessment completed covering home working to ensure key controls around information security, data protection and colleague health and safety meet policy requirements.
- Risk harmonisation programme launched to build out single enterprise risk management framework including control self-assessment, consolidated risk policy taxonomy and risk reporting.
- Vanquis Control Enhancement Programme completed with attestation provided to the PRA on risk maturity and control effectiveness.
- Central transformation and programme management capabilities being developed alongside investment prioritisation criteria.

P10 Model

2 Major — Low

Risk description

The risk of financial losses where models fail to perform as expected due to poor governance (including design and operation).

Mitigating activities and other considerations

- Group Head of Model Risk recruited with resourcing plan in place to build out team.
- New Group model risk management framework developed including Model Risk Policy.
- Model inventory compiled with materiality thresholds in place to drive prioritised independent model validation plan.
- Critical IFRS 9 models externally validated within Vanquis and Moneybarn.
- Group model risk forum established to drive standardised approach to model development including minimum control standards.

Links to strategy

1 Grow customer-centric businesses

2 Act responsibly and with integrity

3 Maintain a secure funding and capital structure

Risk rating after mitigation

Minor Moderate Major Critical

Change during the year

Increased risk — Stable Improving

Covid-19 impact

Severe Medium Low

Strategic and emerging risks

Strategic and emerging risks are risks whose impacts are uncertain. However, over a longer period of time they could affect the Group's overall strategy and cause the same impact as principal risks. Strategic and emerging risks are reviewed and monitored on a regular basis by the GERC and GRC.

E1 Threats to our business model

Risk description

There is a risk that the non-standard credit sector in which we operate will continue to face considerable macroeconomic, Covid-19, regulatory and political headwinds resulting in material threats to our business model.

Mitigating activities and other considerations

- There are a number of strategic initiatives across the Group to reshape our business model reflecting the changing regulatory environment and associated impacts on our customer propositions, revenue and costs.
- Within CCD we have chosen to exit the home credit business in the UK and ROI, and are implementing a robust operational strategy to optimise collection performance of existing lending.
- In parallel, we are developing our market and product propositions in CCD and Vanquis to better serve the evolving needs of our customer base. This includes new loan products in both CCD and Vanquis which will make greater use of our digital capabilities, while ensuring effective customer touch points in managing the suitability, affordability and sustainability of our lending.
- Through our 1PFG model, we are reviewing our existing functional and operational structures across the divisions to seek ways to drive alignment and where appropriate consolidating structures to improve efficiency and harness the scale of the Group.
- Together these initiatives are providing the foundations for our future business model. These changes will be supported through the refresh of our risk management framework as well as significant enhancements including building our transformation and programme management capabilities.

Links to Blueprint

Customer progression · Human experiences · Head AND heart decisions · Fighting fit

Risk rating after mitigation

Minor · Moderate · Major · Critical

Change during the year

Increased risk · Stable · Improving

Covid-19 impact

Severe · Medium · Low

E2 Responsible lending

Risk description
There is a risk that the Group will be susceptible to claims of irresponsible lending as a result of past business practices, leading to widespread remedial activities as well as a significant increase in the level of complaints from CMCs.

Mitigating activities and other considerations
- The Group and divisions have worked continuously with the FCA and FOS to seek alignment on interpretation of CONC rules and their application to our current and historical lending business.
- We have made a number of changes to our lending processes in response to new regulatory guidance, further enhancing the robustness of customer creditworthiness assessments, e.g. repeat lending.
- Within CCD we have established a model office which provides clear triggers where customer complaints may warrant specific investigation and redress. This approach is being leveraged in our other divisions as appropriate.
- We have recently announced plans for a Scheme of Arrangement within CCD which caps future liabilities around past lending to £65m (including costs). Under the scheme, customers who have complaints under the agreed scheme rules may be entitled to redress.
- We have established a Group complaints forum chaired by the Group CRO to share insights and learn about any emerging trends related to irresponsible lending across the divisions.
- Group responsible lending forum established to assess any future proposed changes to lending policies and rules in response to regulatory guidance and FOS adjudications.
- Customer outcomes framework being developed to provide assurance over lending decisions at various stages of the customer journey.

E3 Pandemic (Covid-19)

Risk description
There is a risk that the pandemic (Covid-19) will have a long-term impact on our future business performance and prospects.

Mitigating activities and other considerations
- Pandemic contingency plan instigated across the Group and divisions, which has stabilised the business.
- New value creation plans (1PFG) have been developed for each of the divisions which set out the future strategic options as we face into the 'new world'.
- Enhanced risk assessment and audit reviews conducted over key processes to ensure controls continue to operate effectively during our recovery phase.
- Payment holiday strategies have been developed and rolled out to our most vulnerable customers in line with regulatory guidance.
- Return to Work (RTW) risk assessments have been completed for each of our main sites, home workers and agents in line with government guidance and existing work arrangements.
- Numerous other actions are in place which are captured and monitored as part of individual business plans and remediation efforts, e.g. tightening of credit criteria for new business.

Links to Blueprint

Customer progression · Human experiences · Head AND heart decisions · Fighting fit

Risk rating after mitigation

Minor · Moderate · Major · Critical

Change during the year

Increased risk · Stable · Improving

Covid-19 impact

Severe · Medium · Low

E4 Challenge to agent self-employed status

Risk description

The Group has been, and may continue to be, subject to claims brought against it by either former agents or tax authorities challenging the historical employment status of the Group's home credit agents in the UK and the employment status of agents in the Republic of Ireland (ROI).

Were the Group to be unsuccessful in defending such claims, it may be required to make payments to agents and pay additional taxes, in particular National Insurance contributions, to the relevant authorities.

Mitigating activities and other considerations

- In July 2017, the Group changed the operating model of its home credit business in the UK from a self-employed agent model to an employed workforce so as to take direct control of all aspects of the customer relationship. In the Republic of Ireland the Group continues to operate a self-employed agent operating model.
- Policies and procedures were in place in the UK up to the transition to the new operating model in 2017 and continue to be in place in the Republic of Ireland to ensure that the relationship between the business and the agents it engages is such that self-employed status is maintained. Compliance with policies was also routinely evidenced and tested.
- To date the Group has successfully defended claims and challenges against the employment status of its home credit agents, although there is no guarantee that this will also be the case with future claims and challenges.
- It is understood from discussions with HMRC that they have commenced an industry-wide review of the self-employed status of agents in the UK.
- The Group's discussions with HMRC, which are focusing on the period from when the FCA took over responsibility for the regulation of consumer credit in April 2014 to the change of operating model in July 2017, remain in the initial fact finding stages. The Group is working positively and collaboratively with HMRC and it is expected that the review could continue for at least another year.
- HMRC has raised protective assessments which have been appealed but these are purely a procedural matter to ensure that, in the event the review concludes that taxes are payable, HMRC can recover such amounts in respect of the oldest year that would otherwise drop out due to the lapse of statutory time limits.
- The Group has worked with HMRC over many years to manage employment status risk and it remains confident based on advice received that agents were self-employed as a matter of law throughout their engagement by the home credit business.

E5 Risk culture and governance

Risk description

There is a risk that our culture and supporting risk governance arrangements (risk frameworks, reporting and structures) inhibit effective risk oversight leading to poor risk practices and control failures across the Group.

Mitigating activities and other considerations

- A new Group Executive Risk Committee (GERC) has been established from January 2020 which is providing more focused discussions on the major risks we face as an organisation.
- Led by the Group CRO, we have started our risk harmonisation programme. A detailed approach has been developed with the delivery plan in progress with regular updates on progress provided to the GERC and GRC.
- A refreshed Group risk appetite was approved by the Group ExCo and GRC in October 2020 reflecting the impact of Covid-19 and our 1PFG 'value creation plans'.
- Specifically, within Vanquis Bank, the Risk Enhancement Programme is driving a number of improvements in control design and operating effectiveness with an attestation provided to the PRA at the end of 2020.
- The Group Blueprint launched in 2019 is now being embedded to reflect the new customer culture.

E6 Return to Work strategy

Risk description

There is a risk that the Group and its divisions are subject to significant people risk as a result of a prolonged period of working remotely.

Mitigating activities and other considerations

- A preliminary analysis has been completed of a future model which supports increased remote working.
- While this has flagged some potential risks, e.g. productivity, mental wellbeing and the home working environment, the overall benefits significantly outweigh these and have been benchmarked against other similar organisations.
- Based on the analysis, the Group Executive has provided a mandate to mobilise a 'Future of Work' programme which will shape the Return to Work strategy. This covers a number of important areas including people and culture, IT enablement, health and safety and operating environment.
- Any changes will be implemented on a transitional basis over the next 12 months. Work on our longer-term property strategy is ongoing.

As a Group, building and maintaining strong and proactive relationships with our regulators is extremely important. It influences our strategic thinking as well as enabling us to plan for regulatory change with greater certainty and confidence.

Over the last 12 months, we have continued to strengthen these relationships, which has had added significance given the pandemic and resultant increased regulatory focus on our capital, funding and customers. In addition, while the Group is not a regulated entity in its own right, as we seek closer integration of the businesses it is paramount that our regulatory interactions are effectively coordinated and managed.

Key regulatory developments

- As a result of historical regulatory infractions, in May 2018 the Group and divisions were placed on the FCA regulatory watchlist. The majority of these actions have now been completed with the FCA formally confirming on 11 December 2020 that Vanquis has now been removed, and we are expecting the same outcome with Moneybarn in 2021.
- On 2 March 2021, CCD was notified by the FCA enforcement team that it will be starting an investigation into the affordability and sustainability of lending to customers, as well as the application of a FOS decision into the complaint handling process in the period between 26 February 2020 and 11 February 2021. While this is still at a very preliminary stage of investigation, a programme has been initiated to coordinate any additional requests from the FCA.
- During the pandemic, the FCA issued specific guidance and rules covering payment deferrals with the aim of protecting those customers who were experiencing financial difficulty. Each of the divisions responded promptly and effectively to the guidance with this incorporated into existing forbearance strategies. At its peak, the number of customers impacted equated to 3.5% (£90m) of the Vanquis Book and 26% (£140m) within Moneybarn. Given the short-term nature of CCD's lending and natural inbuilt forbearance the overall impact was minimal.
- As part of the pandemic guidance (March 2020), the FCA mandated that firms push back certain aspects of the persistent debt rules until the end of October 2020. In addition, and more recently (September 2020), Vanquis has been reviewing its PD36 solutions with FCA engagement. The FCA has now confirmed that they are supportive of the approach being adopted within Vanquis.
- On 6 August 2020, the FCA issued their report findings covering relending by firms in the high-cost lender portfolio. This has potential widespread implications for PFG which we are considering as part of revisions to our business models including lending policies. This will further reinforce our customer creditworthiness assessments to ensure all lending remains affordable, suitable and sustainable.
- On 2 February 2021, the FCA issued the 'Woolard Review' assessing change and innovation in the unsecured credit card market. There are 26 recommendations made by the FCA within the report which are also being considered at an industry level and within PFG. Amongst these, our initial assessment has identified eight of these recommendation as being particularly relevant. These include, but are not limited to, whether credit builder products in the market are effective, alternatives to high-cost credit, the overall approach to forbearance in the market, further review of relending and a more holistic approach to customer outcomes through regulatory reform.
- On 23 February 2021, the FCA published its finalised guidance (FG21/1) for firms on the fair treatment of vulnerable customers. This builds on two previous consultations issued by the FCA. The Group has detailed plans in place to assess its overall impact and ensure our plans adequately address any required policy changes. These include a consolidated Group Vulnerability Policy, gap analysis against the new guidance, improved monitoring and reporting of customer outcomes. This is germane to PFG given the sector in which we operate and the high concentration of customers who possess vulnerable characteristics.
- On 4 May 2021, HMRC introduced the Debt Respite Scheme (Breathing Space) which gives customers in problem debt the right to legal protections from their creditors. The Group has implemented its plans to take into account the new requirements. In addition, we are currently updating our forbearance and collections/recoveries policies so that these take into consideration the wider regulatory changes around forbearance in helping customers who are in financial difficulty.
- The PRA has recently set out a number of rules to implement the remaining elements of the Capital Requirements Directive (CRD V). This covers clarifying the application of supervisory requirements and guidance under Pillar 2, adjusting requirements applied to remuneration policies, requiring the establishment of intermediate parent undertakings and updating the governance requirements applied to firms.
- Within Vanquis, we have recently submitted an attestation to the PRA through the 'Risk Enhancement Programme.' This forms part of our existing commitments to the PRA demonstrating the improvements made to our risk culture and governance, as well as the efficacy of the control environment through a detailed assessment of first line controls. The attestation was provided by the Chair of the Vanquis Risk Committee and sponsored by the divisional Chief Risk Officer. Further enhancements are planned throughout 2021.
- Vanquis has implemented the majority of the required changes under the Payment Services Directive (PSD2). This has far-reaching industry impacts both to support integration of payment services and improve competition by encouraging and supporting innovation, e.g. open banking. For Vanquis, the most important activities initially are to protect customers from fraud through safer and more secure payments (Strong Customer Authentication).

Group viability statement

In accordance with the 2018 FRC Corporate Governance Code, the directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the viability period, deemed to be the next three years.

The Group's business model focuses on relatively short-term lending to consumers and operates conservative underwriting. Moneybarn typically issues four-year loans, while the average time a Vanquis Bank credit card customer remains with the business is around five years. The plan, however, which forms the basis of this statement, is three years in length. The plan makes certain assumptions about the regulatory environment, future economic conditions, new strategies, products, the acceptable performance of the Group's divisions, the ability to fund growth and the sustainability of the business models.

The Board's going concern assumption in preparing the financial statements and conclusion that the Group remains viable is made following approval of the three-year plan in May 2021. The plan is built on a divisional basis using a bottom-up model, and incorporates the latest estimate for peak unemployment and retains sufficient regulatory capital and liquidity throughout the going concern period without the requirement for market access.

The directors' assessment has been made with reference to the Group's current financial position and prospects outlined within the Strategic Report, combined with the factors that are likely to affect the Group's future performance and development. The Group's principal and emerging risks are included on pages 53 to 61. Specific focus was placed over capital risk as well as liquidity and funding risk.

The Covid-19 outbreak and its continued effects have led to a weakening in UK unemployment, and there remains the risk of more adverse economic scenarios given its ongoing impact. To minimise the short-term impact of the macroeconomic uncertainty in regulatory capital, the Group makes full use of PRA transitional arrangements announced in 2020 in respect of the increased Covid-19 provisions recognised. To address the liquidity and funding risk, the three-year plan includes no external capital debt raising requirement for the going concern period. As such, the reforecast has been very prudently constructed such that capital and liquidity preservation are foremost in the Group's planning considerations.

The Group experienced lower lending in 2020 as a result of Covid-19, combined with a significant increase in claims of alleged irresponsible lending claims in CCD, largely through CMC activity. The industry dynamics have changed the operating environment materially for CCD during the second half of 2020. When combined with the impact of Covid-19 on its profitability, customer complaints can no longer be treated as part of operating costs. As a result, the Group has decided to pursue a Scheme of Arrangement, in relation to potential redress claims arising from customer creditworthiness complaints based on historical lending in CCD prior to 17 December 2020. The Group will fund legitimate claims out of existing capital resources. The proposed Scheme is considered by the PFG Board to be the fairest compromise that can be offered for CCD customers and if the Scheme is not sanctioned, it is likely that CCD will be placed into administration or liquidation.

As part of the three-year assessment of viability, the plan has been stress tested to reflect a severe level of UK unemployment of 12%, broadly consistent with the Group's severe IFRS 9 scenario and the PRA's 2021 Solvency Stress Test. The plan has then been further stressed to the point of non-viability after reflecting management actions. The viability assessment concluded that the Group viability only comes into question under unprecedented macroeconomic conditions (20% unemployment).

As a PRA-regulated bank, which is a subsidiary of Provident Financial plc, Vanquis Bank is required to produce a Recovery and Resolution Plan (RRP) covering the bank and the wider Group. The RRP outlines how Vanquis Bank and the Group would regain viability under severe financial pressure (the recovery plan) and failing a successful recovery, the steps the PRA could take to resolve the situation (the resolution plan). The process of producing the RRP involves considering, assessing and documenting the options available to Vanquis Bank and the Group in a severe stress situation. This not only improves the understanding of the sources and impact of risks to viability, but it also enables the recovery options to be mobilised quickly and effectively, should they ever be required.

The RRP is an integral element of the overarching prudential risk management framework incorporating the ILAAP and ICAAP, and is produced at least annually. The ILAAP is designed to ensure the bank meets the overall liquidity adequacy rule and further requirements of CRD IV, whilst the ICAAP outlines the process to ensure that Vanquis Bank and the Group maintain adequate capital resources at all times. In the event that the Group suffers a severe stress, then the Group could be materially adversely affected, for example due to a breach of a financial covenant under its debt facilities or a breach of a regulatory requirement. In such a scenario, there is a risk that its creditors could initiate insolvency proceedings against the Group and/or the PRA and the FCA could exercise their wide-ranging powers over the Group and/or Vanquis Bank.

As part of the exercise, it is assumed that the Group's non-bank divisions could be subjected to a controlled run-off with no, or limited, further lending, allowing the Group to meet contractual maturities as they fall due, in the absence of dividend payments.

The review of the three-year plan is underpinned by the regular Board briefings provided by the Group and divisional management and discussion of any new strategies undertaken by the Board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally conduct, operational and credit risks. These risks are considered within the Board's risk appetite framework.

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as set out on page 147 and page 178.

We are...

building a more sustainable business

“

I am pleased to present my first Financial Review after becoming the Chief Finance Officer in April 2020. Covid-19 has significantly impacted the Group, as has been the case for many companies. Significant actions have needed to be taken in the year to create a more sustainable Group. I'm aware of the challenges the Group continues to face as it enters a period of economic uncertainty. However, I feel we have ensured the Group is well prepared to continue to deliver on its strategy.

Neeraj Kapur
Chief Finance Officer

Financial model

To support the delivery of the Group's Purpose, the Group invests in customer-centric, sustainable businesses which allow a secure funding and capital structure to be maintained.

At the Capital Markets Day in November 2019, the Group's medium-term targets were communicated as:

- customer receivables growth of between 5 and 10% per annum over the next five years;
- ROE of between 20 and 25%; and
- a cost income ratio of 38%.

These targets were considered to be a sustainable level of return for the Group, balancing the estimated impact of known regulatory changes whilst delivering positive customer outcomes. Management is still focused on delivering these targets. However, following the changes announced to the Consumer Credit Division, combined with the impact of Covid-19 on the Group's financial position and the pending economic uncertainty, the timing of delivery has been delayed.

Income statement

	2020 £m	2019 (restated) £m
Revenue	807.8	996.1
Funding costs	(71.5)	(72.0)
Net interest margin	736.3	924.1
Impairment	(360.1)	(344.5)
Risk-adjusted net interest margin	376.2	579.6
Costs	(423.3)	(426.8)
Adjusted (loss)/profit before tax	(47.1)	152.8
Tax charge/(credit)	19.1	(41.0)
Adjusted (loss)/profit after tax	(28.0)	111.8
Adjusted (loss)/profit before tax	(47.1)	152.8
Amortisation of acquisition intangibles	(7.5)	(7.5)
Exceptional items	(58.9)	(26.3)
Statutory (loss)/profit before tax	(113.5)	119.0
Tax credit/(charge)	30.1	(42.6)
Adjusted (loss)/profit after tax	(83.4)	76.4

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

Trading performance

Detailed analysis of the trading results of the Group's three operating divisions can be found on page 40 for Vanquis Bank, 43 for Moneybarn and 46 for CCD.

Loss before tax

As a result of credit lent reducing by £600m in the year, average receivables reduced by 11.5% (£251.1m). The resulting 18.9% (£188.3m) reduction in revenue led to the Group adjusted loss before tax of £47.1m (2019: (restated) profit before tax of £152.8m).

An exceptional cost of £58.9m was recognised in 2020 as a result of:

- exceptional complaints provision and associated costs in CCD (£65m);
- restructuring costs in CCD (£2.0m);
- the costs in respect of the intermediate holding company (£1.4m); and
- pension GMP equalisation costs (£0.7m); offset by
- the release of provisions following completion of the ROP refund programme (£8.3m); combined with
- a funding credit following the £75m tender of the senior bonds in August (£1.9m).

This compares to an exceptional cost in 2019 of £26.3m as a result of: (i) bid defence costs following NSF's unsolicited offer for the Group (£23.8m); and (ii) restructuring costs (£19.3m); offset by (iii) a release of Vanquis Bank provisions following completion of the ROP refund programme (£14.2m); and (iv) a release of the Moneybarn FCA provision (£2.6m).

Loss per share (LPS)

The £188.3m reduction in revenue as a result of the contraction in receivables combined with exceptional costs increasing by £32.6m in 2020 largely due to the £65.0m CCD exceptional complaints costs has resulted in a £232.5m reduction of statutory profit to a statutory loss before tax of £113.5m (2019: (restated) profit before tax of £119.0m).

As a result, earnings per share reduced from 29.9p per share (restated) in 2019 to a loss per share of 32.9p in 2020. The adjusted earnings per share reduced from 44.1p per share (restated) in 2019 to a loss per share of 11.0p in 2020.

Gross revenue margin

Revenue represents interest and fee income and is made up of interest income, charged on loans and credit cards across the Group, and fee income, charged primarily by Vanquis Bank on credit cards.

Revenue was £807.8m in 2020, reduced by 18.9% on 2019 (2019: (restated) £996.1m), which exceeds the 11.5% reduction in average receivables from £2,184.1m in 2019 to £1,933.0m in 2020 due to the significant reduction in the higher yielding higher risk Vanquis Bank and CCD receivables throughout the year, compared to the steady increase in the lower yielding lower risk Moneybarn receivables.

The revenue yield reduced from 45.6% in 2019 to 41.8% in 2020, which reflects the reduction in the higher risk Vanquis Bank and CCD revenue yields. The Vanquis Bank revenue yield reduced from 39.8% to 39.0% as lower fees have been recognised following a reduction in ROP, default and over-limit fee income. In CCD, the revenue yield has reduced from 119.5% in 2019 to 115.9% in 2020 due to the shift in the receivables mix to the lower yielding home credit book following the decision to pause lending of the higher yielding Satsuma loans in February 2020.

Funding costs

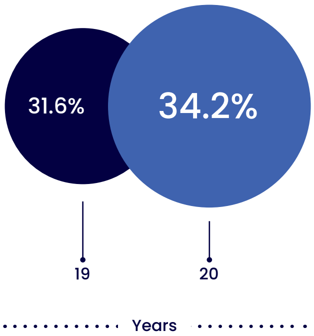
Funding costs are made up of the retail deposits in Vanquis Bank, combined with non-bank group funding through bonds and bank borrowings. From February 2020, the Moneybarn customer receivables were also securitised.

The funding cost reduced from £72.0m in 2019 to £71.5m in 2020, a decrease of 0.7% despite the 11.5% reduction in average customer receivables. This reflects the impact of holding an c.£800m buffer due to Covid.

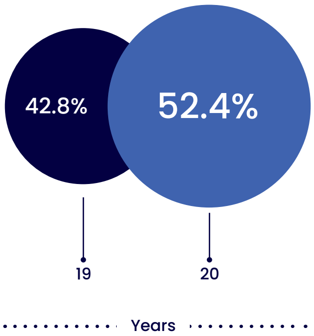
In Vanquis Bank, the funding rate reduced from 2.2% in 2019 to 2.8% in 2020 with the average new deposit rate reducing from 2.5% to 1.7% year on year. The increased cost reflects significant liquidity raised at the onset of Covid-19 and the excess liquidity of c.£650m over ILR carried through the last three-quarters of the year which increased funding costs by c.£5m.

In the non-bank group, increased borrowings were taken to hold £200m of cash on deposit through Q2'20 until the impact of Covid-19 was better understood. This was offset by £110m of dividends being received from Vanquis Bank. This increased the average funding rate from 4.2% in the first quarter to 5.8% in Q2. The overall non-banking group funding rate reduced from 5.5% in 2019 to 5.3% in 2020.

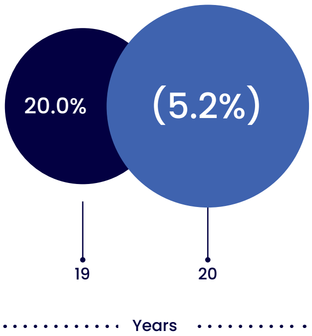
Regulatory capital CET1
(%)



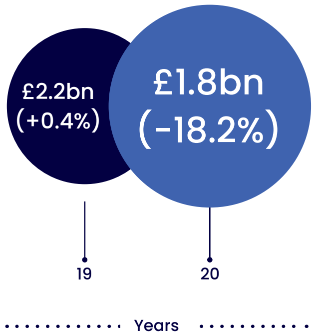
Cost:income ratio
(%)



Group RORE
(%)



Group receivables
(£bn)



Net Interest Margin (NIM)

The Group's NIM reduced by 4.2% from 42.3% in 2019 to 38.1% in 2020, reflecting the lower levels of fees being charged to Vanquis Bank customers and the reducing proportion of the Satsuma customer receivables combined with a higher funding rate as a result of carrying surplus liquidity.

Impairment rate

The Group's impairment rate has increased from 15.8% to 18.6% in the year primarily due to a 5.8% increase in the Vanquis Bank impairment rate and a 3.2% increase in the Moneybarn rate offset by a 10.3% reduction in the CCD rate as a result of the contraction in the receivables book. The Group rate increased significantly from 15.8% at December 2019 to 19.5% at June 2020 as the levels of payment holidays increased to 7.2% of Group receivables during the first half, and the macroeconomic outlook deteriorated from a peak unemployment of 5% assumed in March to a peak of 8% assumed at the end of H1'20.

In H2'20, the impairment rate moderated from 19.5% at June 2020 to 18.6% at December 2020 as payment holidays decreased to 1.6% of Group receivables during the second half. The macroeconomic outlook unemployment peak was delayed from H2'20 to Q2'21 with the peak reducing marginally from 8.0% to 7.9%. Additional impairment provisions were also recognised in H2'20 as a result of additional impairment provisions in response to Persistent Debt requirements in Vanquis Bank as the effective date of implementation was delayed from March to October 2020.

Risk-adjusted NIM

The risk-adjusted NIM has reduced from 26.5% in 2019 to 19.5% in 2020 as a result of the 4.2% lower NIM from lower fees charged combined with a 2.8% higher impairment rate being recognised as a result of the higher payment holidays and deterioration in the macroeconomy.

Cost:income ratio

The cost:income ratio has increased 9.6% in the year from 42.8% to 52.4% as a result of the £188.3m (18.9%) reduction in revenue reflecting the 11.5% reduction in average receivables compared to the 0.8% reduction in costs. The cost base has not reduced in line with receivables as the operating cost base in CCD is largely fixed; costs have also been inflated by the rising cost of customer complaints, the increased operating costs in Moneybarn as the business builds scale for growth, and only a marginal reduction in the Vanquis Bank cost base as the reduction in receivables is expected to be temporary in nature.

Returns

Investing in capital generative businesses remains central to the Group's business model. The Group now calculates returns based on Return on Required equity and Return on tangible equity:

- Return on Required equity (RORE) - Profit after tax, prior to the amortisation of acquisition intangibles and exceptional items, divided by average required equity. Average required equity is stated on a risk-weighted basis in line with PRA reporting requirements. The Group's target is to deliver an RORE of between 20% and 25%.

The Group's adjusted RORE has reduced from 20.0% (restated) in 2019 to a negative return of 5.2% in 2020. The average required equity has reduced by £22.5m year on year. The reduction in RORE reflects the increased losses sustained in the year as a result of the reduced customer receivables and the exceptional costs recognised.

- Return on tangible equity (ROTE) - Profit after tax, prior to the amortisation of acquisition intangibles and exceptional items, divided by average tangible equity. Average tangible equity reflects average equity over the period less intangible assets and goodwill.

Consistent with the reduction in RORE, the Group's ROTE has reduced from 18.7% (restated) in 2019 to a negative return of 4.9% in 2020. The average tangible equity has reduced by 25.7% year on year.

Dividend policy

The Board has not proposed a dividend in respect of 2020 due to the losses sustained in the year and whilst the economic outlook remains uncertain. Any future dividend policy will take into account regulatory capital requirements, levels of sustainable receivables growth and the resultant IFRS 9 charges. The Board is focused on the resumption of sustainable dividends.

Tax

The tax credit for 2020 represents an effective tax rate of 26.5% (2019 (restated): 35.7%) on statutory losses before tax which results in a tax credit of £30.1m being recognised in the year (2019 (restated): charge of £42.6m) which principally reflects:

- the mainstream corporation tax rate of 19.0% on Group profit before tax and the 8.0% bank corporation tax surcharge on Vanquis Bank's profits in excess of £25m (credit of £19.0m);
- the impact of the change in UK tax rate following the reduction in the mainstream corporation tax rate to 17%, previously enacted, being cancelled in 2020. The corporation tax rate has therefore remained at 19% for 2020 (credit of £3.5m); and
- a credit in respect of prior years which primarily reflects the benefit of claiming deductions for the costs incurred in 2019 in respect of the NSF bid defence, for which no tax deduction was assumed in the prior year, along with a release of part of the provision for uncertain tax liabilities net of other prior year adjustments (credit of £7.5m).

Summarised balance sheet

	2020 £m	2019 (restated) £m
Assets		
Cash and balances at central banks	919.7	353.6
Amounts receivable from customers	1,799.8	2,197.7
Pension asset	79.7	78.0
Goodwill and other intangibles	116.5	115.3
Other assets	162.4	163.3
	3,078.1	2,907.8
Liabilities		
Retail deposits	1,683.2	1,345.2
Bank and other borrowings	520.0	618.3
Trade and other payables	64.9	89.3
Other liabilities	162.3	125.7
	2,430.4	2,178.5

Assets increased by 5.9% to £3,078.1m. This was driven by the 160.1% growth in the liquid assets offset by an 18.1% reduction in amounts receivable from customers.

Liabilities increased by 11.6% to £2,430.4m. Deposits from customers increased by 25.1% offset by non-bank group funding reducing by 15.9%, the latter due to the reduction in the CCD amounts receivable from customers, offset by growth in Moneybarn amounts receivable from customers.

Cash and balances held at central banks

Cash and balances held at central banks has increased by 160% in 2020 from £353.6m to £919.7m, which reflects the increase in liquidity resources taken in response to Covid-19, and has been in significant surplus to minimum PRA requirements throughout 2020. Of the £919.7m, £833.3m is held by Vanquis Bank in its liquid assets buffer, including other liquid resources, solely in a Bank of England Reserve Account.

Amounts receivable from customers

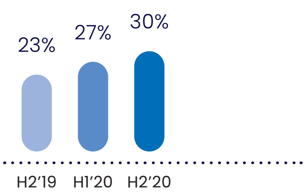
- Group amounts receivable from customers reduced by £397.9m (18.1%) in the year from £2,199.6m in 2019 to £1,799.8m in 2020. The reduction was as a result of the 20% reduction in lending year on year due to Covid-19 causing a tightening of underwriting.
- Vanquis Bank receivables reduced by 25.1% to £1,094.3m (2019: £1,461.5m) as a result of significant impairment provisions due to payment holidays, the deteriorating macroeconomic outlook and additional impairment provisions in response to Persistent Debt requirements (PD36), combined with lower customer spending, a reduced CLI programme and lower new customer acquisitions.
- Moneybarn receivables continued to show growth and increased by 15.8% to £566.6m (2019 (restated): £489.1m) largely as a result of customers, many of which are key workers, being reluctant to travel on public transport.
- CCD receivables reduced by 44.2% to £138.9m (2019: £249.0m). The home credit receivable reduced by £70.6m due to significantly lower issue volumes following limitations of lending in the home. The Satsuma receivable reduced by 91% (£39.5m) following the cessation of lending from Q2'20.

The Group's coverage ratio increased in H1'20 from 28.7% to 34.0% reflecting the significant increase in credit risk across all divisions on the onset of Covid-19.

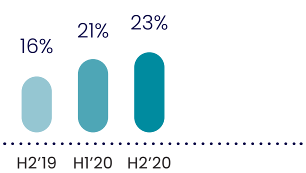
The Group's coverage ratio continued to increase in H2'20 from 34.0% to 35.0% reflecting the deterioration in unemployment combined with ongoing payment holidays and the impact of PD36 in Vanquis Bank. This was offset by CCD where customer provisions are based on the last 12 weeks of repayment performance which improved, thus reducing the CCD coverage ratio in H2'20.

Coverage ratios

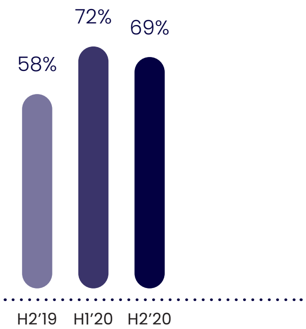
Vanquis



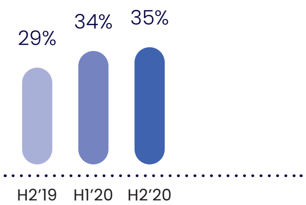
Moneybarn



Consumer Credit Division



Group



Restatement of prior period results – Moneybarn IFRS 9 definition of Point of Default

Following the scheduled review of the Moneybarn IFRS 9 model in late 2020, it was determined that the previous definition of default of 'termination of the vehicle contract' did not meet the requirements of IFRS 9. Loans in IFRS 9 stage 2 were identified to have been greater than 90 days past due, despite it being inappropriate to rebut the 90-day backstop presumption included within IFRS 9. The change in the point of default from termination to three missed payments (90 days) has resulted in higher impairment charges being recognised in current and prior periods.

The change in definition of default has not affected the 30 days past due trigger for receivables moving to IFRS 9 stage 2. It does, however, impact the point at which receivables should have moved to IFRS 9 stage 3. As revenue is calculated based on the net receivable in IFRS 9 stage 3, the change in the point of default has resulted in lower revenue as more accounts are considered defaulted. This does not impact profit before tax as it is offset by an equivalent decrease in impairment charges.

Management has concluded that this is a prior period error and has therefore retrospectively restated results. In the 2020 financial statements, the 2019 consolidated income statement, consolidated statement of comprehensive income, balance sheet and statement of changes in shareholders' equity have all been restated. An opening balance sheet as at 1 January 2019 has also been presented.

The prior year restatement has resulted in a decrease in receivables of £3.2m and an adjustment to retained earnings of £3.2m at 1 January 2019. The 2019 profit before tax decreased by £9.8m, comprising an increase in impairment of £7.6m and a reduction in revenue of £2.2m. Receivables at 31 December 2019 reduced by £13.0m.

Retail deposits

Retail deposits have increased by £338.0m in the year from £1,345.2m at 31 December 2019 to £1,683.2m at 31 December 2020. This reflects a £512m increase in liquid assets in response to Covid-19.

Bank and other borrowings

The non-bank group borrowings have reduced by £98.3m in the year from £618.3m at 31 December 2019 to £520.0m at 31 December 2020 which was driven by a reduction in Moneybarn and CCD receivables combined with a reduction from the dividends and upstream loan from Vanquis Bank. This has been offset by the largely fixed cost base in CCD combined with the increased cost of complaints.

Funding and liquidity

The Group borrows to provide loans to customers. The Group is generally less exposed than mainstream lenders to liquidity risk as loans to customers are of a short-term duration whilst the Group's borrowing facilities extend over a number of years. The profile of borrowing longer term and lending shorter term creates a positive maturity mismatch.

The Group's funding strategy is to maintain committed facilities to pre-fund the Group's liquidity and funding requirements for at least the next 12 months, maintaining access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) external market funding, including retail bonds, institutional bonds and private placements; (iii) securitisation; and (iv) retail deposits.

Retail deposits are used to fund Vanquis Bank, combined with a £70m loan to the non-bank group. The other sources of liquidity fund Moneybarn, CCD and central operations (the non-bank group).

The Group had total committed borrowing facilities, including retail deposits, of £2,272.3m at 31 December 2020 (2019: £2,042.2m). The flow of retail deposits within Vanquis Bank has continued to be strong and, at 31 December 2020, Vanquis Bank had retail deposit funding of £1,683.2m (2019: £1,345.2m), which principally reflects the steps taken by the Group to increase liquidity in Vanquis Bank in response to Covid-19.

In 2020, the Group delivered on a number of its funding objectives; it: (i) signed an agreement to fund the Moneybarn receivables book through securitisation; (ii) repaid early the remaining M&G loan facility of £25m on 14 February 2020; (iii) in line with its contractual maturity, repaid a £25m bond on 14 April 2020; and (iv) successfully completed a tender offer for £75m of senior bonds due to mature in 2023.

Group borrowings at the end of 2020 were £2,203.2m (2019: £1,963.5m), including £15.7m (2019: £16.3m) of interest accrued on borrowings and short-term overdrafts (net of amortising fees). There are no imminent contractual maturities of the Group's facilities until a scheduled maturity of a £65m bond in September 2021.

In January 2021, Vanquis Bank established a securitisation programme backed by a revolving portfolio of credit card receivables it has originated. The notes are to be held internally as an additional liquidity contingency option initially, enhancing Vanquis Bank's ability to diversify its sources of funding. Vanquis Bank remains primarily retail deposit funded.

The Group is actively exploring additional funding options including, but not limited to:

- The refinancing of the following maturities:
  - £65m retail bond maturing in September 2021;
  - refinancing of Moneybarn securitisation to extend tenor; and
  - optimisation of mix of debt capital and senior debt through tier 2 issuance.

There is further scope to: (i) change the funding mix to be more efficient; and (ii) optimise the mix of debt capital and senior debt in the funding profile:

- potential access to cheaper, long-term BoE funding. Usage of any BoE funding will be modest and proportionate to Vanquis Bank, which will remain predominantly retail deposit funded;
- efficiencies in the Vanquis Bank liquidity levels;
- acquisition of new retail funding at significantly lower market rates; and
- further efficiencies in Moneybarn collateral for funding purposes, as well as Vanquis Bank funding.

Liquidity

The Group uses a number of measures to manage liquidity. These include:

- the Overall Liquidity Adequacy Rule (OLAR), which is Vanquis Bank's view of the liquidity needs as set out in the Internal Liquidity Adequacy Assessment Process (ILAAP). Liquid resources must be maintained above the OLAR; and
- the Liquidity Coverage Ratio (LCR), which is a regulatory measure that assesses net 30-day cash outflows as a proportion of High Quality Liquid Assets (HQLA).

As at 31 December 2020, the HQLA amounted to £833.3m (2019: £321.9m). The increase during the year reflects steps taken to increase liquidity resources in response to Covid-19 and has been in significant surplus to the minimum requirements throughout 2020. Vanquis Bank currently holds its liquid assets' buffer, including other liquid resources, solely in a Bank of England Reserve Account.

As at 31 December 2020, the Group, on a consolidated basis, and Vanquis Bank, on an individual basis, had an LCR of 2,830% (2019: 224%) and 1,498% (2019: 485%) respectively.

Capital

The Group, incorporating Vanquis Bank, CCD, Moneybarn and central operations, is the subject of consolidated supervision by the PRA by virtue of Provident Financial plc being the parent company of Vanquis Bank, which is regulated by the PRA. The PRA sets requirements for Vanquis Bank as an individual entity and the consolidated Group in respect of capital adequacy, liquidity and large exposures.

The Group's regulatory capital currently consists solely of CET1, which comprises shareholders' funds, after adding back the IFRS 9 transition adjustment, deducting the defined benefit pension asset and intangible assets (including goodwill), all of which are net of deferred tax.

The Group's regulatory capital has reduced by £37m in the year from £710m to £675m in 2020, principally reflecting the Group's loss after tax (£83m) offset by the 2019 full year dividend which was cancelled (£41m) and the benefit from the IFRS 9 transitional adjustments (£19m).

The Group's risk-weighted assets have reduced by £271m, largely reflecting the £300m reduction in risk-weighted exposures in respect of customer receivables. As a result, at 31 December 2020, the CET1 ratio, on an accrued profits basis, was 34.2% (2019: 31.6%).

The Group currently only holds regulatory capital in the form of CET1. The Board's current view on risk appetite is to maintain a capital buffer in excess of 5% of risk-weighted exposures (£98m) due to macro uncertainty.

The Basel III leverage ratio is defined by the Capital Requirements Regulation as Tier 1 capital divided by on and off balance sheet asset exposure values, expressed as a percentage. The UK leverage ratio framework sets a minimum ratio of 3.25%. The Group's leverage ratio at 31 December 2020 of 20.8% (2019: 23.2%) remains comfortably above the minimum requirement.

Capital resources

The Group has elected to phase in the impact of adopting IFRS 9 over a five-year period ending 31 December 2022, arbitrarily named the dynamic 1 adjustment. This is achieved by applying add back factors of 95%, 85%, 70%, 50% and 25% for years one to five respectively to the initial IFRS 9 transition adjustment (net of attributable deferred tax) plus any subsequent increase in expected credit losses (ECL) in the non-credit-impaired book from transition to the end of the reporting period. The PRA ratified additional capital mitigation proposed by the Basel Committee, in response to Covid-19, with these measures coming into force from 27 June 2020. The new measures allow for the increase in ECL in the non-credit-impaired book arising after 31 December 2019 to be fully added back in 2020 and 2021, arbitrarily named the dynamic 2 adjustment. This relief is then phased out over the following three years on a straight-line basis, ending 31 December 2024 (2022: 75%, 2023: 50%, 2024: 25%).

The Group's capital headroom, at 31 December 2020, benefits by £62m as a result of the dynamic 2 adjustment. Further information on the impact of the IFRS 9 transitional arrangements is provided in the Group's Pillar 3 disclosures available on the Group's website, www.providentfinancial.com.

Capital & capital resources	31 December 2020	31 December 2019
Total capital/CET1 ratio	34.2%	31.6%
Leverage ratio	20.8%	23.2%
Total capital/CET1	£674.8m	£709.7m
Risk-weighted exposures	£1,973.5m	£2,244.3m

Capital requirements

The Group operates the standardised approach to credit risk, whereby risk weightings are applied to the Group's on and off balance sheet exposures. The weightings applied are those stipulated in the Capital Requirements Regulation (CRR). The Group's Individual Capital Adequacy Assessment Process (ICAAP) includes a summary of the capital required to mitigate the identified risks across the Group and the amount of capital that the Group has available. The Group has complied during the year with all of the externally imposed capital requirements. The total capital requirement, set by the PRA, includes both the calculated requirement derived using the standardised approach and the additional capital derived in conjunction with the ICAAP. In addition, capital is held to cover buffers set at a macroeconomic level by the PRA. The capital conservation buffer has been held at 2.5% of total risk exposure since 1 January 2019. The countercyclical buffer was reduced by the PRA to 0% as part of its response to Covid-19.

The Board monitors its risk appetite in respect of the appropriate level of regulatory capital headroom in light of the uncertainty caused by Covid-19.

Pillar 3 disclosures

As part of the regulatory supervision by the PRA, the Group, consistent with other regulated financial institutions, is required to make annual Pillar 3 disclosures which set out information on the Group's regulatory capital, risk exposures and risk management processes. A considerable amount of the information required by the Pillar 3 disclosures is included within the 2020 Annual Report and Financial Statements. The Group's full Pillar 3 disclosures can be found on the Group's website, www.providentfinancial.com.

Neeraj Kapur
Chief Finance Officer
10 May 2021

We help...

create a better everyday life

"Sustainability has been an integral part of how PFG operates its business for many years. And this has helped us to be more resilient as we have responded, and continue to respond, to the challenges of Covid-19. Having sustainability at the heart of our strategy has enabled us to continue to help our customers through this very difficult period, whilst at the same time contain costs and maintain a strong financial position.

I am also immensely proud that we've been able to continue to support our colleagues and work with our charity and community partners to address issues such as food poverty, educational inequality and mental health and wellbeing.

Malcolm Le May
Chief Executive Officer

Our commitment to delivering a sustainable future

The Purpose, strategic drivers and behaviours that make up our Blueprint are at the heart of PFG's approach to the sustainable growth of our business. This not only enables us to continue to provide our customers with the responsible credit products and service that meet their particular needs, whilst delivering fair outcomes at every stage of their journey with us, but also helps us to address the social, environmental and ethical challenges facing our business and society at large. This section of the Strategic Report provides an overview of PFG's sustainability programme. Further information is set out in the PFG 2020 Corporate Responsibility Report which can be found at www.providentfinancial.com.

Engaging with our stakeholders

We are committed to acting responsibly and sustainably in all the relationships we have with our key stakeholders. These are our customers, colleagues, communities, suppliers, investors (both debt and equity), regulators and government, as well as the environment. We engage with our key stakeholders on an ongoing basis to ensure that their views and concerns are factored into our decision making processes. Details relating to the relevance of these stakeholders to PFG, along with examples of the reasons why we engage with them, are set out on the following pages. We also engage with a number of other stakeholders who have an interest in, or are affected by, our business activities. These stakeholders were identified as a result of a mapping exercise that we undertook in 2020 and include the media, claims management companies, the money advice sector, consumer forums and trade associations.

These are also important stakeholders for our business which is why we engage with them to ensure that no issues are arising from their perspective, and to help us to improve our products, services and the way we operate.

Further information on how we engage with our key stakeholders, along with details of the topics and issues on which we engage them, and the outcomes and actions of the engagement activities is set out where we refer to each individual key stakeholder and in our Section 172 Statement on pages 91 to 98 of this report.

In accordance with sustainability reporting best practice, we also engage with our stakeholders to ensure that we manage and report on the environmental, social and governance (ESG) issues that matter most to them and our business. We do this by undertaking a materiality assessment at least every two years to identify and prioritise the ESG issues that are material to the Group. Our most recent materiality assessment was undertaken throughout March and April 2021 by the independent sustainability management consultancy Corporate Citizenship. The issues that were identified as a result of the materiality assessment exercise have been plotted on the matrix which is set out on page 18 of the PFG 2020 Corporate Responsibility (CR) Report.

Governing and managing sustainability

The governance and management structures we have in place within our business ensure that we are able to continue to align the Group's culture more closely to the developing needs of the customer. It also enables us to oversee the ongoing embedding and monitoring of the culture and ethics of the Group with regard to a range of other matters which relate to the CR agenda, and ensure we operate our business in a way that is consistent with being a trusted, responsible and sustainable business.

Overall responsibility for the delivery of PFG's Purpose and sustainability strategy continues to rest with the Group Board generally and Malcolm Le May, the Chief Executive Officer, specifically. The PFG Executive Committee, which is chaired by the Chief Executive Officer and includes the Group's Chief Finance Officer, General Counsel and Company Secretary, Chief Risk Officer, Chief Information Officer, Corporate Communications Director, HR Director, Chief Internal Auditor and Managing Directors of the operating companies, also plays an important role as it reviews and approves aspects of the responsible business programme and its budget. This Committee also continues to be tasked with overseeing the ongoing development, embedding and monitoring of the culture and ethics of the Group, ensuring they are aligned with our Purpose, strategic drivers and behaviours.

Our Customer, Culture and Ethics (CCE) Committee also plays a key role in providing oversight of matters that relate to the sustainability agenda. The Committee is chaired by Non-Executive Director Graham Lindsay and its non-executive director members are Elizabeth Chambers, Margot James and Robert East. Through active participation in Committee meetings by key senior management members, such as the Chief Executive Officer, Group General Counsel and Company Secretary, Group Communications Director and Head of Sustainability, the Committee is able to effectively challenge and discuss the embedding of our culture and the delivery of fair customer outcomes.

The day-to-day delivery of the PFG CR programme is carried out by the Group's CR team, which is supported by colleagues from across CCD, Moneybarn and Vanquis Bank. This includes the colleagues who sit on the various working groups we have in place and oversee the management of environmental and community investment matters.

Our Purpose

Helping to put people on a path to a better everyday life

Our sustainability strategy

Lending responsibly

1 NO POVERTY

Our customers

– Provide our customers with the credit products that meet their particular needs and deliver fair customer outcomes throughout their journey with us

Read more on pages 72 and 73

Acting sustainably

4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Our investors

– Engage with the investment community on sustainability matters

Read more on page 74

Our regulators and government

– Remain a responsible taxpayer

Read more on page 75

Our colleagues

– Create an inclusive and engaging workplace

Read more on pages 76 to 79

Our suppliers

– Ensure that we treat our suppliers fairly

Read more on pages 80 and 81

Our communities

– Support our Purpose through our Social Impact Programme

Read more on pages 82 to 85

Our environment

– Respond to climate change

Read more on pages 86 to 89

Our customers

PFG has enabled financial inclusion by lending responsibly to consumers whose needs are not well served by mainstream credit providers and helping put them on a path to a better everyday life since 1880. We achieve this by operating tailored business models which offer products, services and partnerships through our three divisions, Vanquis Bank, Moneybarn and CCD, that meet the specific needs of our customers (see pages 38 to 47 of the report for more information). This means that we provide our customers with appropriate and affordable amounts of credit, maintain close contact with them throughout the term of their loan, and work with them sympathetically if they experience difficulties.

By operating our business in accordance with our Purpose and having a customer-centric culture, all our businesses have been able to adapt well to the Covid-19 pandemic, which has enabled us to implement new lending and collections processes so that we can continue to support our customers through what has been a challenging 2020 for many (see page 6 of the report for more information).

Engaging with our customers

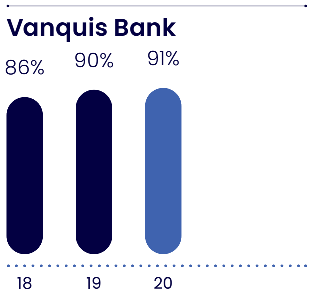
Relevance to PFG

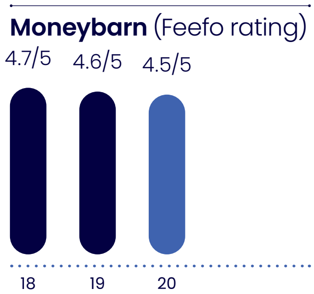
- To ensure that we are providing our customers with opportunities to access products and services that are transparent, responsible and sustainable, and which meet their specific needs.

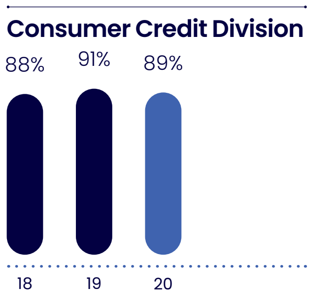
Reason for engagement

- To measure customer engagement across PFG, including: customer satisfaction surveys, Net Promoter Score surveys and complaints monitoring through online forums, phone calls, face-to-face surveys and focus groups.
- To engage with customers on a daily basis to responsibly lend and provide tailored products, assess customer vulnerability and address any complaints.
- To support product and service development and innovation.

Overall customer satisfaction rates







Maintaining customer satisfaction rates

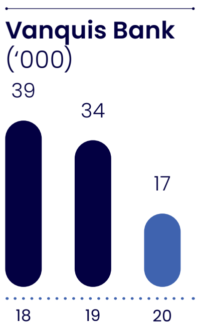
One of the metrics we track to determine whether we are providing our customers with products, services and partnerships that meet their particular needs and help put them on a path to a better everyday life is customer satisfaction. Measuring this year on year also gives us some insight into where we can make improvements to our offerings so that we can continually meet or surpass customer expectations. Information on customer satisfaction is collected through a variety of methods such as online forums and phone and face-to-face surveys, as well as focus groups. In what has been a challenging year, we have been able to maintain high customer satisfaction ratings across PFG.

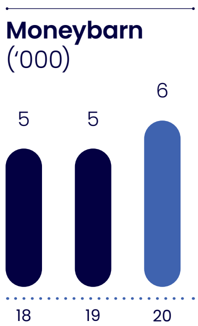
The overall customer satisfaction rates in 2020 for each of our brands are set out opposite on page 72.

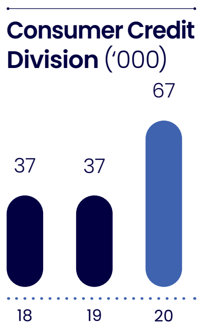
Handling customer complaints responsibly

Ensuring that we keep customer complaints to an absolute minimum is a good indicator that we are treating our customers fairly and that our products, services and partnerships meet their specific needs. We have well-established complaint handling processes, procedures and timescales to guide our Customer Relations teams in resolving issues in a professional and timely way.

Information on the customer complaints received in 2020 is set out below:







We provide the contact details of the Financial Ombudsman Services (FOS) to all our customers, so they have another option if they feel we have been unable to resolve their complaint to their satisfaction. During 2020, the total number of complaints referred to the FOS was 13,736 (2019: 4,253). In addition, 8,934 (2019: 1,489) complaints that were referred to the FOS were upheld in favour of the customer. Details relating to the percentage of complaints that are upheld in favour of the customer by business unit is made publicly available twice a year on the FOS website.

Supporting customer vulnerability issues

The culture of our business is centred on delivering fair outcomes for our customers at every stage of their journey with us, even if they experience financial difficulties or other vulnerability issues. We have developed relationships with organisations and charities such as IncomeMax and the Money Advice Trust, which provide training to our colleagues to help them communicate effectively with such customers and to increase understanding of the UK welfare system.

We also work with a number of money advice providers which offer free support to consumers (some of whom may be our own customers) who may find themselves having difficulty in managing their debt repayments. These include the Money Advice Trust, Money Advice Scotland, The Money Charity, Advice UK, Christians Against Poverty, StepChange, IncomeMax, the Institute of Money Advisers, and the Money Advice Liaison Group.

Our investors

Engaging with our investors

Relevance to PFG

- It is key that we meet with shareholders and engage with investors, the owners of the Group, to maintain their support and to keep them updated on the Group's progress in delivering its Purpose, sustainable shareholder returns, strategy, governance and culture.

Reason for engagement

- To provide accurate and timely information such as regular financial statements and other material announcements.
- To maintain investors' support by keeping them updated on the Group's progress in delivering its Purpose, sustainable shareholder returns, strategy, governance and culture.
- To engage with the investment community on CR matters by responding to requests for information and through our inclusion in the DJSI World, DJSI Europe and FTSE4Good Index Series.

Sharing ESG information with investors and other stakeholders

Investors, regulators, government and other stakeholders are increasingly looking for companies to be more transparent with regard to a range of key ESG issues including their contribution to reducing the impact of climate change and advancing inclusion and diversity, as well as demonstrating that they are a responsible taxpayer. This is why, in addition to publishing an annual Corporate Responsibility Report which sets out in detail our ESG performance, we make regular submissions to the main sustainability investment indices and benchmarks, and respond to requests for information from other stakeholders.

Throughout 2020, the Group engaged with:

CDP

We made our annual submission of climate change data to CDP in August 2020. CDP requests information on the risks and opportunities of climate change from the world's largest companies, on behalf of over 590 institutional investor signatories with a combined US$110tn of assets under management and 200 plus major purchasers with over US$5.5tn in procurement spend. Through the CDP submission, we can inform investors of any material climate change-related risks and opportunities and how we manage them. Our 2020 CDP submission was rated 'D' which underlines our commitment to be transparent about climate-related issues and their potential to impact our business. Our most recent and previous CDP submissions are published at www.cdp.net.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

In November 2020, S&P Dow Jones Indices, a leading provider of financial market indices, and RobecoSAM, the investment specialist focused exclusively on sustainability, announced that the Group continues to be included in both the Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Europe Index (DJSI Europe). Inclusion in the DJSI World means that the Group is in the top 10% of the largest 2,500 companies in the S&P Global Broad Market Index with regard to its sustainability performance. Being included in the DJSI Europe means that it is in the top 20% of the largest 600 European companies in the S&P Global BMI based on long-term economic, environmental and social criteria.

FTSE4Good

Following the annual review undertaken by the FTSE4Good Advisory Committee, we were once again included in the FTSE4Good Index Series. The FTSE4Good is an extra-financial market index, which measures the performance of over 800 companies against a range of ESG criteria. Our overall score in the FTSE4Good Index Series in 2020 was 4.7 out of 5.

ISS ESG

During the summer of 2020, we engaged with ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc, who were undertaking a corporate rating of our ESG performance. As a result, PFG continues to be rated as 'Prime', meaning that we fulfil ISS ESG's demanding requirements regarding sustainability performance in our sector.

Our regulators and government

Being a responsible taxpayer

We are a fair and responsible taxpayer, and report all our tax matters in an open, transparent and straightforward way. We are committed to complying with all tax rules and regulations in each of the territories in which we operate and safeguarding our reputation as a responsible taxpayer, while recognising that we also have a responsibility to protect shareholder value by managing and controlling our tax liabilities.

Further information on the Group tax strategy, including comprehensive details on the total direct and indirect tax contributions we pay on an annual basis and our approach to managing tax risk, is set out on pages 71 to 75 of PFG's 2020 CR Report which can be found at www.providentfinancial.com.

In accordance with paragraph 16(2), Schedule 19 of the Finance Act 2016, our tax strategy, which has been approved by our Board, can be accessed on our website at www.providentfinancial.com.

Engaging with our regulators and government

Relevance to PFG

- The nature of our customer base and the market in which we specialise makes the building and maintaining of open and trusting dialogue with our regulators, the PRA, FCA and CBI, critical to the sustainability of our business model, as is ensuring that we engage with related stakeholders such as the FRC, FOS and government.

Reason for engagement

- To build strong and enduring relationships with our regulators and government agencies to influence our strategic thinking and enable us to plan for regulatory change with greater certainty and confidence.
- To maintain a sustainable business model and our reputation as a responsible lender.
- To ensure compliance with regulations and that we avoid disputes and prosecutions.

“We are committed to, as a minimum, complying with all tax rules and regulations in each territory in which we operate and safeguarding our reputation as a responsible taxpayer, while recognising that we also have a responsibility to protect shareholder value by managing and controlling our tax liabilities.

Our colleagues

Engaging with our colleagues

Relevance to PFG

- Our colleagues have a direct stake in our Company. They interact directly with our customers, and therefore support the delivery of our Purpose, and they create and deliver the products and services that our current and future customers will consume. They also have a key role to play in supporting the development of a diverse, open and inclusive workplace culture where everyone is a valued member of PFG.

Reason for engagement

- To ensure that we maintain high levels of colleague engagement.
- To support our employment practices to enable us to attract, retain and develop the talent we need to help us deliver our Purpose.
- To provide a stimulating and rewarding working environment.

“

Since joining Provident in December 2020 I have continued to be impressed by colleagues' drive and commitment. Their seamless adaptation in the year to changing working practices emphasises the dynamism of the workforce and makes me proud to be part of the Group.

Cheryl Ball
Group Human Resources Director

Supporting our colleagues

Our colleagues are the bedrock of our business and their continued dedication and hard work is what gives PFG its unique character and culture, which enables us to provide the best service to our customers. The challenges we have faced as a result of the impact of the Covid-19 pandemic have tested the resilience and strength of all our teams more than ever. As such, our priority during this period has been to make sure that our colleagues can stay safe, and to look after their wellbeing and mental health.

We also maintained our commitment to building and sustaining an inclusive and diverse workforce, ensuring that it is engaged and developed so that we can continue to work towards our financial and operational objectives, as well as helping to put our customers on a path to a better everyday life.

Mental health and wellbeing

Throughout 2020, we worked hard to ensure that all our colleagues could access support and tools to help them maintain positive mental health and wellbeing.

This included issuing regularly updated guidance to our line managers throughout the year so that they can support the colleagues they manage during the pandemic. These guides set out a range of principles and resources for line managers on matters including remote and flexible working, social distancing and returning to the office, and looking after colleague physical and mental health wellbeing.

To complement this, we have also published a stand-alone Wellness Guide which is designed to enable all colleagues to learn more about how they can support and promote their own mental health and wellbeing at work. This guide includes a number of tools to help colleagues to identify early warning signs, such as triggers of stress, so that they can proactively maintain their mental wellbeing and, where appropriate, get support from their line manager, our HR teams or existing charitable organisations such as MIND or the Bank Workers Charity.

Using technology to promote mental health and wellbeing

To support the many hundreds of colleagues who have been working remotely for much of 2020, it was vitally important that we used technology to deliver mental health and wellbeing advice and resources to them. In March 2020, following a pilot we undertook with Vanquis Bank colleagues in 2019, we gave all the Group's colleagues free access to Thrive, the UK's only NHS-approved wellbeing app.

This app includes psychological techniques and a cognitive behaviour therapy (CBT) programme, the ability to access further support via a Thrive coach at the touch of a button and a comprehensive, and ever-changing programme of webinars covering a variety of topics that help colleagues and their families to manage their mental health and wellbeing.

We also rolled out a new Employee Assistance Programme (EAP) to all colleagues in 2020. This is a 24-hour confidential helpline which provides support on range of topics including debt and consumer matters, personal and family relationships, stress and anxiety and lifestyle addictions. It also includes a 'Health e-Hub' that all colleagues can access via an app or a dedicated portal which is home to a range of wellbeing resources such as webinars, CBT, factsheets and four-week programmes which are designed to enable colleagues to make positive changes to their health and wellbeing.

Be Yourself: inclusion and diversity at PFG

Throughout 2020, we continued on the journey we have been on for the past couple of years towards being a more inclusive and diverse company. We are doing this because know that our colleagues' unique backgrounds, experiences and abilities are at the core of our culture and vibrant workforce, and that the communities we operate in and our customer bases are made up of equally diverse mixes of race, gender, sexuality and disability and other protected characteristics. So, by building diverse teams at all levels of our business that represent and understand these populations, we can innovate, provide the best products and service to our customers, and contribute to the long-term success of PFG.

But we know that having a diverse workforce alone is not enough. Our workplace culture also needs to be inclusive, where difference is appreciated and respected, while at the same time making sure that differences do not act as a barrier to participation, promotion or consideration. This is because we believe that all colleagues have the right to be themselves, while being treated as equals wherever they work across PFG.

The main focus of the work we have delivered over the past 18 months to create and maintain a fair, diverse and inclusive culture for our colleagues and other stakeholders has been on achieving a better gender balance in our senior management population. This saw us, in 2019, become a signatory to the HM Treasury's Women in Finance Charter and set a target to have 40% female representation in the Group's senior management population by December 2024.

Building on our gender diversity work, we launched Be Yourself in 2020, which is our programme to promote and advance inclusion and diversity across PFG. The launch of this programme was borne out of the recognition that our colleagues and other stakeholders can only embrace our Purpose and move along a path to a better everyday life if they feel that its their path and they feel comfortable walking it.

This has seen us designate an executive sponsor for the inclusion and diversity agenda at PFG, Gareth Cronin, PFG's Chief Internal Auditor (Chief Risk Officer as of 1 May 2021).

Women in Finance Charter: 2020 update

As of 31 December 2020, we had 27% female representation in our senior management population. Despite this percentage going down from 30% since 2019, we believe we are on track to meet our overall target of having 40% female representation in this population by December 2024. Over the course of the past 12 months, we have laid the foundation that will enable us to work towards meeting our target. This has included:

- restructuring our Group Executive, which has enabled us to confirm the direct reports that are included in our defined senior management population, and creating a talent pipeline into this population;
- initiating work to review and update the HR policies and processes that will enable the Group's businesses to consistently to support the work to improve our gender diversity performance;
- delivering the Next Generation Women's Leadership Programme to 21 high-potential women from across Provident Financial Group (of these, 24% have gained promotion); and
- reviewing our external recruitment process to ensure a 50/50 gender balance in shortlists for all senior leadership vacancies.

> "I am proud and thrilled to sponsor such an important initiative. I've been with PFG for just over a year now and have been impressed with the colleagues we have working throughout the business. I'm certain that we'll further improve as a Group by maximising inclusion and diversity. It's something I'm passionate about.

Gareth Cronin
Chief Internal Auditor (Chief Risk Officer as of 1 May 2021)

Our colleagues continued

Be Yourself: inclusion and diversity at PFG continued

We also launched our overall inclusion community which comprises four affinity groups based around disability, ethnicity, gender and LGBTQ+. Each affinity group has a sponsor and chair drawn from CCD, Vanquis Bank, Moneybarn and Provident corporate office, and these meet regularly with the overall executive sponsor to discuss inclusion and diversity plans, developments and proposals across the inclusion community as a whole. They also ensure that issues and updates are circulated to the executive committees at the Group and divisional levels. The affinity groups have a colleague lead and are made up colleagues from across our business, with support provided from our HR and Communications teams, and, since their launch in September 2020, have articulated their terms of reference and fed into the development of a Be Yourself Inclusion Calendar which includes a range of events that will be celebrated throughout the course of the year. In 2021, our affinity groups will be given training on the effective running of their groups by an inclusion and diversity specialist.

Finally, through the Be Yourself programme we have started work to update our HR management systems to collect consistent information from our colleagues on their ethnicity, religious beliefs, sexual orientation, disability status, caring responsibilities and gender identity. This work will enable us to report on these issues in a more consistent way, similar to the way we report the gender diversity information below.

While the work to update our HR management systems is being undertaken, we have continued to use our Colleague Engagement Survey to ask colleagues to volunteer information on their sexual orientation; ethnicity; impairment, health condition or learning difference; and caring responsibilities. This information is set out opposite.

EDI data as at 31 December 2020*

11%

Ethnic background
Percentage of colleagues from a BAME background

5%

Disability
Percentage of colleagues who disclose they have an impairment, health condition or learning difference

7%

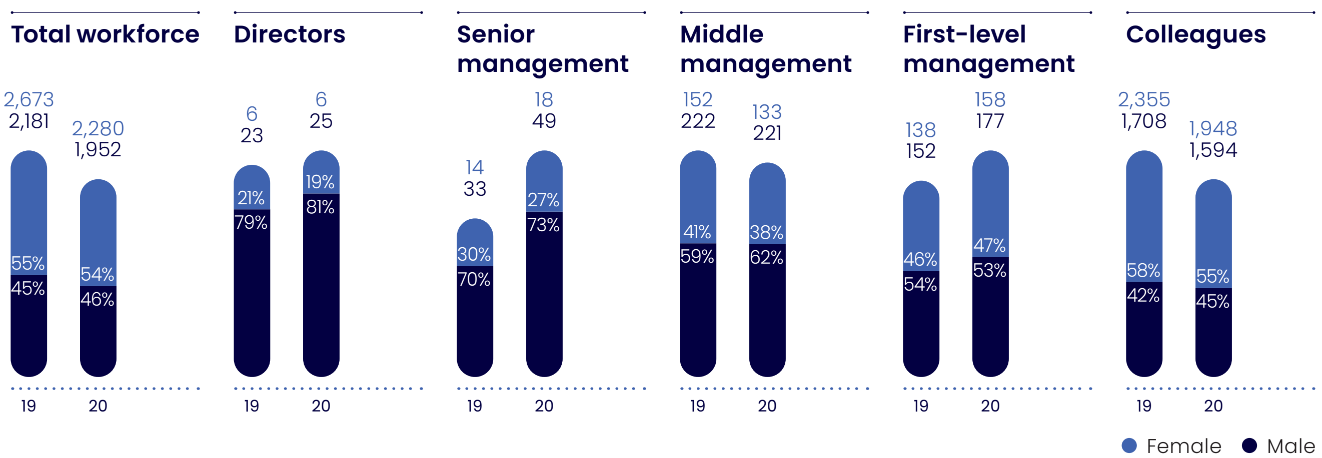
Sexual orientation
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender

39%

Caring responsibilities
Percentage of colleagues who disclosure they have caring responsibilities

* This EDI data is based on colleagues' voluntary self-declaration via our November 2020 engagement survey. It accounts for 74% of the PFG workforce.

Gender diversity data as at 31 December 2020



Engaging our colleagues

During the challenges we have faced during 2020 it has been important that we communicate and engage with our colleagues on range of matters, including on mental health and wellbeing, and colleague volunteering in the communities we serve. We have done this through our Blueprint, Stay Connected magazine, video blogs from our CEO and other members of the senior management team, and work-related and social meetings hosted on video conferencing platforms.

We also carried out our second Group-wide Colleague Survey in November 2020. We did this so that we can determine how engaged our colleagues are, and to understand the views they have with regard to a range of other issues including PFG's leadership and management, how we support our customers and their development and reward opportunities. This year, 74% of colleagues from across the Group took their time to respond to the survey, up 6% on the previous year. The headline results from the 2020 survey are set out below. As was the case following our 2019 survey, we will, throughout 2021, convene sessions with the individual teams within our divisions to share more detailed findings with them and develop action plans to address any specific issues.

Further embedding our Blueprint

Despite having to deal with a range of other priorities during 2020, we continued to integrate the Blueprint we launched in 2018 into the fabric of the business. This has seen us embed Blueprint behaviours within our performance management frameworks by publishing guides for colleagues and managers that measure and reward performance against the same criteria. These guides were also accompanied by an e-learning module which was rolled out to all colleagues across the Group. By continuing to embed our Blueprint within our business, we will not only ensure that our business is focused on meeting the developing needs of our customers to deliver better outcomes for them, but also that we build and sustain an inclusive and diverse workplace culture that supports the attraction and retention of talented people, improves operational effectiveness, delivers superior performance, and ultimately contributes to the long-term success of the Group.

Colleague responses to key areas across the Group

Our suppliers

Engaging with our suppliers

Relevance to PFG

- Our suppliers play a vital role in our operations and so it is important that we develop strong relationships with them and only buy products and services from those which operate responsibly. Strong relationships with suppliers can also mitigate risk in our supply chain.

Reason for engagement

- To engage with suppliers to identify and manage supply chain risks and comply with our own policy requirements and meet legislative requirements such as the Modern Slavery Act 2015.
- To maintain good, long-term relationships with suppliers so that we have the products, services and skills required to run our business.
- To ensure prompt payment of invoices.

Responsible supply chain management

Our suppliers play a vital role in our operations, so it is imperative that we encourage best practice within our supply chain by ensuring we are compliant with legislation such as the Modern Slavery Act 2015 and support supplier payment by being signatories to the Prompt Payment Code. We also seek to be forward thinking in our approach to supply chain management and develop strong supplier relationships to ensure we only procure products and services from those who operate in a responsible manner and can help us to minimise our climate change impacts.

Treating suppliers fairly

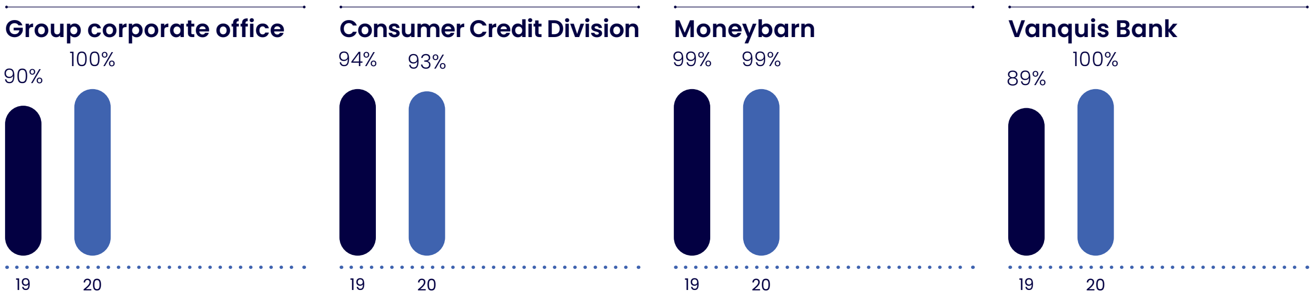
A significant number of the suppliers we use are small and medium-sized businesses and we know that paying them promptly is a key issue for them as failure to do so can result in cash flow challenges. In recognition of this, we signed up to the Prompt Payment Code over five years ago, which requires us to pay suppliers within 60 days of receiving an invoice, and aim to pay all suppliers within 30 days of receiving an invoice. In 2020, 97% (2019: 96%) of the Group's invoices were paid within 60 days and 92% (2019: 86%) of them were paid within 30 days. We will continue to aim to pay all our suppliers, in particular smaller businesses, within 30 days. As such, we support the reform of the Code which obliges signatories to pay all small businesses within 30 days – half the time outlined in the original Code.

Managing human rights issues

In the conduct of our business activities, PFG will respect all fundamental human rights. This involves, among other things, ensuring that our procurement processes take account of the corporate responsibility practices of our suppliers to ensure that there are no conflicts with the Group's culture, and understanding the risks posed by modern slavery and human trafficking and ensuring that they do not exist in our businesses or supply chains.

As a business with a turnover of more than £36m we are required to produce an annual statement which describes the steps that have been taken to prevent modern slavery and human trafficking from occurring in our supply chain and direct business activities. Our most recent statement, dated May 2020, sets out the actions that the Group is taking to ensure instances of modern slavery or human trafficking are not occurring directly in our businesses as well as indirectly in the supply chains that we use to procure goods and services. The statement also communicates the measures we have taken to improve internal understanding and awareness around modern slavery and human trafficking and can be found at www.providentfinancial.com.

Percentage of suppliers paid in 60 days in 2020



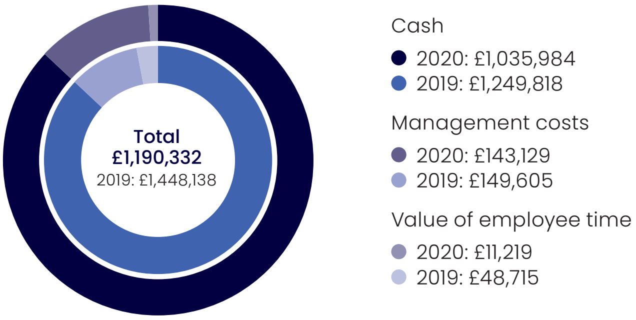
Percentage of suppliers paid in 30 days in 2020*

Group corporate office	Consumer Credit Division	Moneybarn	Vanquis Bank
81%	**81%**	**98%**	**100%**

* This information is being reported for the first time in 2020.

Our communities

2020 community investment figures explained



Engaging with our communities

Relevance to PFG

- To enable us to engage with the communities we serve to address factors including lack of literacy or numeracy skills; disabilities and/or mental health issues; unemployment or under-employment; low levels of educational attainment; and low, uncertain or fluctuating incomes.

Reason for engagement

- To ensure that we fulfil our Purpose of helping to put people on a path to a better everyday life by investing in activities which seek to address key barriers to financial inclusion and helping people overcome them.
- To encourage colleagues to volunteer to take part in our community investment activities.

The PFG Social Impact Programme

The Purpose that underpins PFG's reason for being and the role we play in the lives of our customers also informs the choices we make in our community investment activities. This is why the Social Impact Programme (SIP) that we launched in 2019, following consultation with our many partners and external experts, invests in activities and initiatives which seek to address some of the key factors which, on their own or acting together, can reduce someone's likelihood to be accepted for credit.

The three pillars of our SIP strategy focus on tackling customer and colleague vulnerability issues, supporting the education and skills agenda and investing in projects which address a range of social inclusion issues and promote community cohesion. We do this because these are issues that are not only very much aligned with our Purpose of helping to put people on a path to a better everyday life, but also because this supports our SDG commitments which relate to no poverty, quality education, decent work and economic growth, and reduced inequalities (go to pages 30 to 33 of this report for more information).

In 2020, we committed almost £1.2m to fund a range of activities through our SIP.

> The Purpose that underpins PFG's reason for being and the role we play in the lives of our customers also informs the choices we make in our community investment activities.

Supporting our community partners to respond to Covid-19

Through the contact we have had with our many community partners over the past 12 months, we know that the Covid-19 pandemic has impacted the way they operate as well as their ability to secure funding. At the same time, it is clear that it will be these same community and voluntary organisations that are playing now, and will continue to play in the future, a key role in responding to the impact that Covid-19 is having on some of the most vulnerable in society.

Early in 2020, we agreed to honour the commitments we made to fund our existing charity and community partners. We took this decision because we recognise that the charities and community organisations we already have relationships with are either supporting communities in need right now, or will have a fundamental role to play in supporting them in the pandemic recovery process. In doing so, we have worked with many of our partners to derestrict the funding that we have provided to them, which has enabled them to repurpose it for use in areas of immediate need (e.g to cover additional core, service delivery and volunteering costs). This enabled our partners, many of which are directly providing frontline community support or disbursing grants to organisations involved in the emergency response to the pandemic, to continue to support the communities we serve, some of which will be facing a tougher recovery from the impacts of Covid-19. We also worked with our partners to ensure that, where relevant, our funding is used to develop the advice and support that they usually deliver to recipients face to face in local schools and colleges, community centres or our offices into resources that can be delivered online or remotely using technology.

A summary of the work we have delivered throughout 2020 through the Provident Financial Social Impact Programme is set out below, with further information on our work included on pages 51 to 67 of our 2020 CR Report at www.providentfinancial.com.

Supporting the education and skills agenda

Through this workstream, we support children, young people and adults to boost their education, skills and aspirations in order to participate in society and secure a brighter financial future.

National Literacy Trust

During the first lockdown in March, the National Literacy Trust (NLT) provided support to over 300,000 children and young people with printed writing materials and books and over 500,000 with access to high-quality digital literacy resources.

As part of this work, we were able to print and deliver resource packs to local foodbanks which then provided copies to digitally excluded families.

This need continued with each lockdown, so to support literacy and wellbeing in disadvantaged communities during lockdown, our work with NLT has focused on three key areas: delivering high-quality programme content for teachers to support the delivery of online learning and in-school teaching for vulnerable and key workers' children through literacytrust.org.uk; providing reading resources and activities for parents through wordsforlife.org.uk; and giving digitally excluded children and young people printed resources to support their learning, distributed through NLT's hubs and partnerships.

National Numeracy

In 2020, we were once again a lead supporter of National Numeracy Day. The day focuses on raising awareness of the importance of numeracy and helps people take steps to improve their skills. In the midst of lockdown, National Numeracy was able to adapt the day to run as an online festival. During the festival, people were encouraged to take the National Numeracy Challenge as a first step to improving their number confidence and skills. Over 54,000 people engaged with the Challenge through May 2020 as a result of the collaborative funding from 13 companies, including PFG (go to www.nationalnumeracy.org.uk for more information).

We are also working with National Numeracy to trial its new 'Becoming a Numeracy Champion Training: Maths, Money and Mindset', for those who work in community-facing roles and who regularly communicate directly with clients or provide support to members of the community. The aim of the programme is to tackle the issues around maths anxiety in the UK and how low number confidence can impact on someone's ability or willingness to engage in conversations about maths and money.

School-Home Support

School-Home Support is a charity which places practitioners into schools across the country to work with children and families who need support the most. We provide funding for a practitioner at one school in Bradford and two schools in Chatham.

Throughout the year, the charity has seen demand for its services more than quadruple but has continued delivering vital support to families facing issues such as domestic violence and food poverty. It also helped out with delivering digital devices to those without access to them and we were able to partner it up with the National Literacy Trust to provide literacy resource packs to these families. In the lead-up to Christmas, our colleagues also took part in a gift-giving appeal which meant that disadvantaged children across the UK woke up to gifts on Christmas morning.

Social Mobility Business Partnership

During the summer, some of our colleagues played virtual hosts to young students in Bradford as part of a Work Insights Week organised by SMBP. SMBP is a charity which provides an innovative programme, bringing together large corporate organisations and professional sports clubs to remove barriers, develop skills and provide experiences to sixth form and college students from disadvantaged backgrounds. The programme helps build aspirations and inspire the students to pursue a career in a profession which they may not have previously considered. Usually the event we host as part of this week is held at our head office in Bradford, but due to school closures and lockdown restrictions the event in 2020 was delivered online. Colleagues volunteered to deliver presentations and workshops to inspire the young people who attended.

Our communities continued

Projects supported through our PFG Social Impact Programme funds

Essex Community Foundation

- Basildon Community Resource Centre
- Basildon Foodbank
- Citizens Advice South Essex
- Signpost
- South Essex Advocacy Services

Community Foundation Wales

- Community Engagement, Technology, Media & Arts
- Hope Church Rhydyfelin
- Ystradgynlais Mind
- Inside Out Cymru
- Steps4change
- Newport Yemeni Community Association

London Community Foundation

- Future M.O.L.D.S Communities
- Barking & Dagenham Ab Phab Youth Club
- Refugee and Migrant Forum of East London
- Rainham Foodbank
- Excel Women's Association
- Barking & Dagenham Progress Project
- Sarah Agnes Foundation
- Empowering Deaf Society
- My Family Organisation
- Wellgate Community Farm

Leeds Community Foundation

- Bradford Community Broadcasting
- Common Wealth Theatre
- Muslim Women's Council
- Peak Tuition Academy

Kent Community Foundation

- Evelina Children's Heart Organisation
- Medway Watersports Ltd
- Rochester Indoor Skatepark Club
- Slide Away
- Swale Gloves Amateur Boxing Club
- The Princess Project

Hampshire and IOW Community Foundation

- Enterprise
- Frontline Petersfield
- Hayling College
- Headway Portsmouth and South East Hampshire
- King's Arms Youth Centre
- Wecock Community Association

Foundation Scotland

- Articulate Cultural Project
- Fablevision
- Feel Women's Group
- Finding Your Feet
- Kingston Gymnastics Club
- Potential in Me
- Youth Interventions

To read more detail on the projects that we support, view our Corporate Responsibility Report at: www.providentfinancial.com/sustainability/corporate-responsibility-report-2020

Working with community foundations

PFG currently has community foundation partnerships in areas where our business has high numbers of customers or colleagues. These are with the Leeds Community Foundation, London Community Foundation, Hampshire & Isle of Wight Foundation, Kent Community Foundation, Community Foundation in Wales and Foundation Scotland. Our community foundation partnerships provide the perfect opportunity for colleagues to input into the decision making process around how our funds are allocated in their local communities.

Throughout 2020, we engaged with our community foundation partners to ensure we understood the issues and challenges they were facing as a result of the pandemic. By doing this, we identified two issues that were priorities for them: the need to raise funding to help build their capacity so that they can respond to any immediate needs, and ensuring that core funding is protected. Our partners also told us that there will be key social and financial exclusion challenges that will need to be addressed as the restrictions that have been in place as a result of the pandemic start to get relaxed, and the small charities and community organisations they fund will have a key role to play in addressing them. We therefore took the decision in 2020 not to divert our funding to one of the emergency funds that were set up during the year, but to maintain our Social Impact Programme funds to enable the small community organisations we fund to continue their existing support programmes. In 2020, we were able to award grants totalling over £265,000 to 44 community organisations. Details of the projects our grants supported during 2020 are set out on page 84.

Tackling customer and colleague vulnerability

We support the vulnerable customer agenda through a dedicated workstream of the Group's Social Impact Programme. The focus of this workstream is to support charities and specialist partners to address issues such as money/debt advice, customer vulnerability and financial difficulties. Details of some of the money/debt advice organisations are set out on page 73.

We continue to support The Money Charity to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives. In doing so, we ask The Money Charity to prioritise supporting the most disadvantaged students and hard to reach groups. In more normal circumstances, this is done through the delivery of face-to-face workshops in schools, colleges and other settings. Following discussion with the charity about how best to deliver its support to schools and adult groups impacted by ongoing Covid-19 restrictions, we agreed to support it to convert these learning resources to be delivered online. Entirely new content has been created for adult workshops, tailored to the challenges individuals are most likely to face as a result of the Covid-19 pandemic.

Encouraging colleague volunteering

We launched an updated Volunteering and Matched Funding Policy in 2020 to encourage all colleagues from across PFG to participate in community volunteering and fundraising activities. Under this policy, colleagues are able to take a full day's paid leave to volunteer for a community organisation or charity of their choosing. In addition, we offer a number of Company-led opportunities to colleagues through our Social Impact Programme.

Our matched funding programme continues to be popular with colleagues, who tell us that being able to fundraise for the organisations that are close to their hearts is important to them. We provide matched funding of up to £500 per person each year, and in 2020, colleagues' causes benefited from matched funding of over £8,169.

Volunteering case study

Supporting parents to get back into work

Volunteers from Vanquis Bank got involved in an employment skills workshop for a group of parents at King's Cross Academy in London through our involvement with School-Home Support. During the session colleagues helped the parents with their CV writing and interview skills. These are important interventions that School-Home Support does not have the resources to deliver, so it was fantastic that our colleagues were able to deliver these important sessions. Parents very much appreciated the opportunity to work with someone in business, getting advice and support. The activity resulted in a real boost to their confidence and self-esteem.

Fundraising case study

Crisis at Christmas

During December 2020, we launched a fundraising campaign to raise money for Crisis by encouraging colleagues to do something locally, whilst fundraising towards one central cause – homelessness. By setting up a fundraising page we encouraged colleagues to see this as the virtual 'collection bucket' that they might have walked around the office with. We matched all their fundraising efforts, which even included Vanquis Bank's Chief Risk Officer, David Poole, completing a marathon by running a mile every hour for 26 hours.

Our environment

Engaging with our environment

Relevance to PFG

- To ensure that the impacts that PFG has on the environment, whether directly as a result of the energy that we use, or indirectly through the activities in our supply chains or the use of our products, are kept to a minimum.

Reason for engagement

- To demonstrate to our stakeholders (e.g. investors, regulators, government and colleagues) that we continue to meet the requirements of ISO 14001 and are seeking to minimise our impact on the environment.
- To report in line with the recommendations of the Task Force on Climate-related Financial Disclosures by 2022.

Protecting the environment and responding to climate change

We believe that delivering our Blueprint for sustainable growth also commits us to ensuring that PFG's impact on the environment is kept to an absolute minimum. This is because our long-term success is tied to the resilience of our operations, supply chains, and the communities where our customers and colleagues live and work. As such, it is essential that our business, alongside other stakeholders, responds to the globally important issue of climate change, which means embracing the Paris Agreement and keeping global warming to 1.5 degrees Celsius above the temperature set before the beginning of the Industrial Revolution to avoid the worst of the predicted effects.

Managing our impact on the environment

We continue to manage our operational environmental impacts with the environmental management system (EMS) we have had in place for almost 20 years. This helps us to identify, assess and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. Our EMS is independently audited each year. The EMS at our Bradford head office and Vanquis Bank's business premises in London and Chatham have been certified to the international management standard ISO 14001:2015 since 2011 and 2018 respectively. In 2020, Moneybarn's offices in Petersfield, Hampshire, were also brought within the scope of this certification which means that all PFG's main premises are accredited to an internationally recognised environmental management standard.

Managing climate change-related risk

In 2020, in support of the UK Green Finance Strategy, we set out our ambition to achieve net-zero greenhouse gas emissions by 2040. We also conducted a review to identify how the Group can work towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which also took into account our environmental targets. In terms of the review of our environmental targets, we determined that we will need to achieve deeper emissions reductions that align with climate science and the rules governing the setting of science-based targets, while enabling us to deliver our commercial objectives. We will therefore develop and publish a science-based carbon reduction target and other related targets that will enable us to realise our net-zero ambition by the end of 2021.

In terms of the TCFD, we fully support the aim of this framework and will increase our disclosures in line with its recommendations. A summary regarding the progress we made last year regarding the TCFD recommendations is set out on the page opposite, with further details included on pages 42 to 45 of our 2020 Corporate Responsibility Report at www.providentfinancial.com.

Our approach to managing climate-related risk

TCFD recommendation	Ongoing progress in 2020	Focus areas for 2021
Governance	In 2020, we established a Company-wide Climate Risk Committee to review our climate change strategy and monitor material risks and opportunities. This Committee, which will have its first meeting in April 2021, will be chaired by the Group Chief Risk Officer and will report directly to the Group Executive Committee. It will also report into the Board's Customer, Culture and Ethics Committee and Group Risk Committee. Below this, the PFG Corporate Responsibility function is responsible for monitoring climate-related issues.	In addition to finalising the Committee's terms of reference and PFG's new climate risk strategy, the focus for 2021 will be on agreeing the methodology that will be used to undertake a Group-wide climate risk scenario analysis which takes account of our value chain, divisions and functions, and the different aspects of our business models, assets, operations and organisational structures.
Strategy	Climate change risks have the potential to impact PFG's business strategy through increased costs for us as a business as well as our customers, reduced productivity of colleagues and reputational damage. Throughout 2020 and into 2021, we have undertaken initial work to understand what the most material climate-related risks are to our business, as well as the most material opportunities in the short term. This built on work carried out by Vanquis Bank to understand the short-term and long-term financial risks that climate change presents to its business model. We also initiated work to develop a methodology that will enable us, using the risks referred to above, to undertake scenario analyses to assess the probability and magnitude of the financial implications of climate change to our business.	Through our Committee, we will work with colleagues from Finance, Risk and Operations to undertake analyses to test the impacts on our business of the following scenarios: one in which rapid decarbonisation achieves a 1.5 degrees Celsius above pre-industrial level increase; and one where emissions remain high (4 degrees Celsius above pre-industrial levels) and physical climate impacts dominate.
Risk management	Throughout 2020, we undertook work to start to identify the physical and transition climate-related risks that have implications for PFG's business model and stakeholders (e.g. customers, colleagues and suppliers). This built on the work that Vanquis Bank carried out to allocate responsibility for identifying and managing financial risks from climate change to the relevant senior management function(s) (SMF(s)) most appropriate within its organisational structure and risk profile as is requested by its regulator, the PRA.	Once our Climate Risk Committee has started to meet, we will be able to ensure that material climate change risks are integrated into our risk management framework and through our registers, ensuring that the following are identified: risk driver, description of risk, potential impact, timeframe, whether the risk or opportunity is direct or indirect, likelihood and magnitude of impact. We will also ensure that material exposures to climate-related risks are included within Vanquis Bank's ICAAP.
Metrics and targets	During 2020, we set out our overall target to be net zero by 2040. We also continued to measure and monitor our scope 1 and 2 emissions, along with some of our scope 3 emissions, and report progress on a range of metrics covering our direct and indirect greenhouse gas emissions.	We will set a science-based carbon reduction target and other related targets that will enable us to realise our net-zero ambition by the end of 2021. To support us to do this, we will also sign up to the 'Business Ambition for 1.5 degrees Celsius' pledge.

Our environmental performance

Further details on our approach to managing our environmental performance are set out on pages 47 to 50 of our 2020 Corporate Responsibility Report at www.providentfinancial.com.

Our environment continued

Reporting and managing our carbon emissions

Greenhouse gas (GHG) emissions in 2020*

In accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018, details of our scope 1 and 2 greenhouse gas emissions in tonnes of carbon dioxide equivalent, along with a relevant intensity ratio (i.e. kilograms of carbon dioxide equivalent per customer) and information on underlying energy use for 2020, are set out below.

This disclosure covers the greenhouse gas emissions and energy use for the Group and its operating divisions – Vanquis Bank, Moneybarn and the Consumer Credit Division.

408
(2019: 700)
(2018: 1,803)
Scope 1 GHG emissions – tonnes CO_2e

1,113
(2019: 1,502)
(2018: 1,637)
Scope 2 GHG emissions – tonnes CO_2e

327
(2019: 500)
(2018: 412)
Associated indirect (scope 2) GHG emissions – tonnes CO_2e

0.88
(2019: 1.18)
(2018: 1.61)
Scope 1 and 2 (and associated scope 3) emissions intensity ratio (kg of CO_2e/per customer)

During 2020, PFG consumed 10,768 MWh of energy.

* Our emissions are reported in accordance with the WRI/WBCSD Greenhouse Gas (GHG) Protocol. We use an operational control consolidation approach to account for our GHG emissions and use emission conversion factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2013. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use.

Scope 3 GHG emissions

The business travel of our colleagues is a significant contributor to our scope 3 GHG emissions. These emissions also include those that are associated with the waste that we dispose of and the water used in our premises. Given the travel restrictions that were in place during 2020, these emissions were lower than in previous years, and amounted to 2,986 tonnes of CO_2e (2019: 7,298 tonnes of CO_2e).

16
Air travel

4
Rail travel

2,073
Car travel – own vehicles ('grey fleet')

440
Extracting, refining and transportation of raw fuel associated with business travel

327
Extracting, refining and transportation of raw fuel associated with scope 1 and 2 emissions

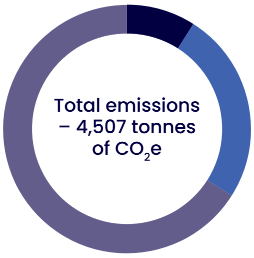
102
Waste collection and management

24
Water use

2,986
Total

Our operational carbon footprint

During 2020, our operational carbon footprint amounted to 4,507 tonnes of CO_2e. Further details relating to this footprint are shown in the pie chart below.



- Scope 1 emissions – 408 tonnes of CO_2e
- Scope 2 emissions – 1,113 tonnes of CO_2e
- Scope 3 emissions – 2,986 tonnes of CO_2e

Carbon offsetting

We continue to offset our direct operational carbon footprint. We do this by financing sustainable development projects around the world which help to mitigate the effects our operations have on our climate.

This year, we offset 4,507 tonnes of CO_2e, which accounted for all of the Group's 2020 operational footprint. These emissions were offset through the purchase of carbon offset certificates in the Weyerhaeuser Carbon Sequestration Project in La Pitanga, Uruguay.

The forest sector of Uruguay plays a significant role in the socio-economic development of the country, especially its interior regions. The project comprises a total of 18,191 hectares of land previously under extensive grazing by beef cattle, converted into forest plantations for value added, long-lived timber products and for sequestering carbon dioxide from the atmosphere in different pools, reverting the existing soil degradation process that has been occurring for several years. It will remove a total amount of 5,652,922 tonnes of carbon dioxide in a period of 100 years or an average of 56,529 tonnes of carbon dioxide per year.

The project also delivers a range of positive environmental and social impacts, including:

- the reduction of rural poverty through the generation of high-quality and stable employment, and reverting the process of rural migration to big cities in a region of Uruguay with elevated levels of poverty;
- the creation almost 260 job positions during the agrarian phase and provision of support to around 70 local farmers who are able graze cattle on the farms in the project; and
- the provision of support to important ecosystems such as Sierra de Rios, Rio Yaguaron and Arroyo Tacuari which are home to a number of vulnerable species or are at high risk of extinction in the wild environment.

Through the investment we make to this project, we are also able to contribute to four of the SDGs which relate to decent work and economic growth, responsible consumption and production, climate action and life on land.

Find out more

2020 Corporate Responsibility Report

Our stand-alone 2020 CR Report provides a balanced account of how our Purpose and strategic drivers are aligned to the Group's responsible business strategy, as well as further details of the progress that has been made during 2020 in delivering against this strategy. The report relates to the non-financial aspects of Provident Financial plc and its operating divisions – Vanquis Bank, Moneybarn and CCD – in the UK and ROI, and its key stakeholders: customers, colleagues, shareholders and debt investors, regulators, communities, suppliers and the environment.

For further details on our approach to corporate responsibility, visit www.providentfinancial.com

We listen...

Who does the Board deem to be the Group's key stakeholders?

We define our stakeholders as individuals or groups who have an interest in, or are affected by, the activities of our business. Our key stakeholders are set out above, and you can read about why we engage with them in more detail on pages 72 to 89.

You can also read about how we generate and preserve value over the long term on page 17 (reasons to invest); pages 18 and 19 (our Purpose and business model); pages 20 and 21 (our strategic objectives); pages 34 to 37 (our markets); and pages 48 to 61 (risk management).

For more details on how our Board operates, and the way in which it reaches decisions, including the matters it discussed and debated during the year, please see pages 108 to 110.

A stakeholder mapping exercise was undertaken during the year, and the resultant Stakeholder Map was approved by the Customer, Culture and Ethics (CCE) Committee on 26 October. A formal stakeholder engagement plan, based upon the results, is being prepared for the Board's approval in 2021. This will ensure we continue to engage with our stakeholders in a manner and regarding topics which are important to them and the Group, and therefore maximising the effectiveness of our engagement. You can find out more about these developments within our 2020 Corporate Responsibility Report, available at www.providentfinancial.com.

Our Corporate Social Responsibility team has also undertaken a materiality assessment, which informed us that following the materiality assessment exercise we undertook during the first quarter of 2021, we confirmed that customer vulnerability, responsible lending practices and customer satisfaction and care were the issues that rated highest in importance to both our business and our stakeholders. The exercise also identified the pandemic, climate change, diversity and inclusion, and mental health and wellbeing as issues that have grown in importance for both internal and external stakeholders since we last updated our materiality matrix, because of their potential to impact our future business performance and prospects. Further details are contained on page 18 of our 2020 Corporate Responsibility Report.

The Board received an update from the Chairman of the CCE Committee at its November 2020 meeting on a review it had undertaken of the s.172 duty and related external reporting requirements, including the decisions reached and action directed. The Committee agreed that the s.172 statement should be more strategically relevant in its second iteration.

Statement regarding section 172 of the Companies Act 2006 continued

Our customers	See pages 72 and 73 for key KPIs
How	Indirect engagement during the year included the Board receiving verbal reports from the Chairman of the CCE Committee, Graham Lindsay, regarding customer call listening sessions and associated learnings, vulnerable customer reviews, product concept reviews, its monitoring of customer payment holiday volumes and the outcomes and actions from the Customer Lives Survey. The Board also received regular management reporting on customer payment holiday tracking and the levels of customers in persistent debt, which had increased as a result of Covid-19 forbearance measures. In addition to this the Board discussed remote lending and collections facilities within CCD and the tightening of credit underwriting. At the Corporate Planning Conference (CPC) the Board received a UK non-standard marketplace update which provided updated customer segmentation and market share data, outlined the risks and opportunities of the marketplace, including key regulation, and how this impacted the Group's product portfolio and customer proposition. The CCE Committee reviewed the Customer Lives Survey results, the customer and Blueprint dashboards, customer outcomes and payment holiday performance and conduced customer call listening sessions. The CCE Committee reported to the Board as appropriate.
Topics	Lessons learned from the pandemic, including increased digitisation of the customer journey, forbearance procedures, payment holidays, persistent debt, access to credit and product proposition.
Significant feedback	That there were 12 million customers within the non-standard market and that the market was fluid, with 2 million customers expected to fall into the sub-prime category as a result of the impact of Covid-19 upon their finances. Feedback also indicated that there had been growth in both the personal loans and motor finance markets and that customers wished to retain the use of their credit facilities wherever possible, with home credit customers adapting to digital loan disbursement. The benefits of operating closely as a Group became apparent, including the provision of cross-divisional support in times of significant stress. The customer complaints root cause analysis provided valuable insights into customers' perceptions of the Group's products and services, including their affordability within the context of the pandemic.
Key outcomes	– Outcomes regarding the broadening of the Group's customer proposition were fed into the Group's strategy discussions at the CPC. – Rather than reduce the amount of available credit for customers during a time when they would likely be needed more than ever, the Board ensured that the Group increased its liquidity to responsibly accommodate customer needs. – Oversaw the regulatory matters and engagement regarding: the work undertaken to understand the feasibility and appropriateness of a Scheme of Arrangement for customer complaints arising from our home credit business; in relation to withdrawing CCD from the home credit market; and to establish a new, mostly digital, lower cost offering. See pages 13, 28 and 29 for more information. – The inception of remote lending and collections facilities implemented within CCD enabled customers to safely make payments throughout the Covid-19 related disruption in line with the Group's Purpose of helping the customer onto a path to better financial health. – Engagement with customers and close monitoring of operational performance highlighted opportunities for the Group to flex its resources to reflect changing customer needs. – The decision to tighten credit underwriting was necessary to ensure that the Group was lending responsibly in what has proven a period of unprecedented disruption.

Principal decision – the repayment of government furlough monies

Following confirmation that the Group was able to access a furlough grant via the Government's Coronavirus Job Retention Scheme (Furlough Scheme), furloughed colleagues were paid 80% of their basic salary, with the Group paying salary costs that exceeded the furlough grant limits within the Furlough Scheme, thereby assisting those colleagues with their financial security.

Following comments from the Chair of the Parliamentary Business Committee regarding the status of profitable firms, the Board further discussed the grant and considered that as the Group had mitigated the impact of the pandemic, retaining strong capital and liquidity positions, and there had been lower than anticipated colleague furloughing, repayment of grant monies should be considered.

Following a detailed assessment from management regarding the implications of grant repayment, the Board considered the benefits and risks to the Group, including the possible short and long-term implications and the reputational impacts. The Board decided that despite the impact upon the Group's cash flows, the repayment of the furlough monies was the right thing to do, aligned with the Group's values and Purpose, and clearly communicated the Board's belief in the future of the Group. The Board therefore approved the repayment of furlough monies and stipulated that no further claims be made, whilst maintaining enhanced payments for those colleagues who remained furloughed.

Our colleagues

See pages 76 to 79 for key KPIs

How	Examples of direct engagement included regular vlogs by our CEO, regular colleague newsletters and internal communication emails following external announcements in relation to Covid-19. The Colleague Forums continued their work and our designated Non-Executive Colleague Champion, Graham Lindsay, engaged with colleagues directly in 2020 by attending the forums and providing verbal reports to the Board regarding colleague feedback. For further information on Graham's work in this regard see pages 114 and 115. Indirect engagement included the reporting to the Board of the Colleague Pulse Survey, material matters from the CEM Survey and associated action plans, which were held more regularly during 2020 to ensure colleagues were provided with ample opportunity to provide feedback on adapted working conditions during the pandemic. The CCE reviewed the outcome of the Colleague Pulse Survey and considered the impact of Covid-19 upon the Group's colleagues. The 2020 Colleague Survey was considered by the CCE Committee and Board in January 2021. The Board also regularly discussed the impact of Covid-19 upon colleagues and received a Return to Work paper in June 2020 which detailed key colleague feedback in relation to office working and safety. Another indirect method of engagement was the Board's review of the whistleblowing reports and ongoing monitoring of the work of the Whistleblowing Forum. Reports on colleague furloughing and reduced hours were considered by the Board and feedback given to management as appropriate. The Group Risk Committee (GRC) conducted a detailed risk assessment of Covid-19 upon working conditions in September 2020 which identified, documented and mitigated the risks associated with colleagues returning to work. At its January 2021 meeting the CCE Committee received a follow-up paper on the Future of Work and considered the Group's updated Workforce policies; updates on these matters were provided to the Board by the Chair of the CCE Committee. The Nomination Committee reviewed the Group's talent management and succession framework, diversity within the talent pipeline and consideration of equality, diversity and inclusion (EDI) initiatives, further details of which are contained on pages 129 and 130. The Remuneration Committee considered and approved a new Group-wide colleague role and reward structure with aligned benefits at each level and coordinated training and expected behaviours. The Directors' Remuneration Policy (DRP) and launch of a Restricted Share Plan (RSP) were considered and approved by the Remuneration Committee and Board, which directly considered the impact of the incentivisation and retention of colleagues. For further details, see the General Meeting (GM) and RSP principal decision on page 96.
Topics	Remote working and plans for safely returning to offices, leadership performance, furloughing and flexible working patterns, physical and mental wellbeing and diversity and inclusion.
Significant feedback	Positive feedback was received on the Group's response to Covid-19 and how the Group had prioritised the wellbeing of its colleagues, including the launch or refresh of wellness initiatives during the year. Furthermore, whilst colleagues missed the interaction of working in offices, the majority wished to see increased flexibility and remote working in the future. It was evident that the recognition of high performance remained an area of focus for colleagues. The Colleague Pulse Survey indicated that engagement across the Group had increased year on year by 6%. The CEM Survey indicated that these colleagues were supportive of adapted collection processes and retaining onsite visits subject to being issued with appropriate personal protective equipment.
Key outcomes	– Feedback from the Colleague Forums raised awareness of the wellbeing concerns of our key workers remaining in the office throughout the pandemic, which assisted with the decision to limit those returning to the office and deactivate passes until the full Return to Office process had been completed. – The generation of a new Group-wide colleague role and reward structure with aligned benefits at each level and coordinated training and expected behaviours. – The launch of the RSP (see the principal decision for further details). – The approval of an updated Whistleblowing Policy. – The issuance of personal protective equipment to CEMs to enable safe customer visits and Field Forum feedback influenced the earlier reinstating of operational duties within CCD. – The provision of Colleague Mental Health Toolkits for managers and the roll-out of the Thrive mental health application across the Group. – The launch of our new Be Yourself diversity and inclusion initiative, sponsored by members of the executive management. – Oversaw the regulatory matters and engagement regarding: the work undertaken to understand the feasibility and appropriateness of a Scheme of Arrangement for customer complaints arising from our home credit business; in relation to withdrawing CCD from the home credit market; and to establish a new, mostly digital, lower cost offering. See pages 13, 28 and 29 for more information. – A safe Return to Work approach was approved by the Board for those who were either unable to or faced challenges with working from home. Colleague feedback regarding the Group's future approach to office/remote working was fed into the Group's Future of Work project.

Statement regarding section 172 of the Companies Act 2006 continued

Our regulators & government	See page 75 for further information
How	Indirect engagement included the Board's consideration of the ILAAP following feedback from the PRA. The Board considered management's report following discussions with the Gambling Commission prior to its ban on the use of credit cards for gambling transactions. The Board received reports from management who had liaised with Fitch in relation to the Group's credit rating (downgraded to BB+ with negative outlook from stable outlook). The Board received an update on proposed wearable technology in the ROI field teams following discussions with Central Bank of Ireland, ensuring the safety of our customers and colleagues. The Board considered and approved the tax strategy. In addition, the Board received regular updates on discussions with HMRC regarding its industry-wide review of the historical employment status of self-employed home credit agents, further details of which are contained on pages 61 and 231. The Board reviewed the CRO's regulatory horizon scanning reports which detailed all interactions with the Group's regulators, together with reports from the CEO on recent discussions. The Board was also kept apprised via the CEO in meetings regarding discussions with the FCA regarding those customers categorised as being in persistent debt, the Board adding value by authorising additional resources to successfully implement a PD36 initiative in the year. The Board considered in detail discussions management had held with the Financial Ombudsmen Service in relation to historical complaints and the requirement to retain such data as was appropriate in this regard. Consideration was given and engagement undertaken with appropriate government stakeholders regarding whether the Group would be able to access the various schemes for furloughed colleagues. Management met with the FCA to discuss a programme of work undertaken to understand the feasibility and appropriateness of a Scheme of Arrangement for customer complaints arising from our home credit business, including consideration of the impact on our stakeholders. See pages 13, 28 and 29 for more information. The Board oversaw the regulatory aspects and regulatory engagement regarding the scheme of work undertaken to move CCD away from the home model and market to a new, lower cost offering. See page 13 for more information. Direct forms of engagement include the proactive engagement undertaken by members of the Board and executive management with regulators via regular meetings and membership of trade associations. In addition, the Group CEO regularly liaised with the FCA regarding the Group's response to Covid-19. A letter from the Board to the Treasury outlining the Group's approach to managing Covid-19 related risks for its customers and colleagues was sent in March 2020. Further engagement with HM Treasury took place regards the Group's market and issues such as the detailed review of payment freezes crisis of credit availability. Face-to-face meetings were conducted with some Board members as part of the PRA's Supervisory Review and Evaluation Process in the year. Board members received letters directly from regulators and MPs and considered these with the Board or respective committee meetings, such as the FRC's 'Dear Audit Committee Chair' letter.
Topics	The Group's tax strategy, complaints volumes, strategic project progress such as product concepts, Covid-19 response and changes to customer-facing processes, the GM and launch of the Group's Restricted Share Plan, the Group's capital and liquidity position and the risk mitigation programmes within the divisions, Financial Crime and Risk Mitigation Programmes within VBL.
Significant feedback	The prohibition of credit card use in gambling transactions, requirements to ensure VBL's removal from the FCA's watchlist and the requirement for wearable technology within the ROI field. Management updated the Board with feedback received from the PRA with regard to the repurchase of Company bonds within the market.
Key outcomes	– The implementation of wearable technology in the CCD field teams following discussions with Central Bank of Ireland, ensuring the safety of our customers and colleagues. – The removal of the use of VBL's credit cards for gambling transactions. – Board approval of the ILAAP. – Approval of 2021 Group tax strategy. – Successful completion of C-SREP. – An extension of the deadline for PD36 customers to respond and agree a pay-down solution on their accounts as a result of engagement with the FCA. – The successful removal of VBL from the FCA's watchlist in December 2020.

Our investors (equity and debt)

See page 74 for key KPIs

How	See pages 116 and 117 for further details on how we engage our investors in our investor relations programme, such as the AGM, stock exchange announcements and the Annual Report. A material example of the Board's direct engagement was Andrea Blance, SID and Remuneration Committee Chair, consulting directly with major investors regarding the proposed changes to the Directors' Remuneration Policy (DRP) and share plan changes proposed at the November 2020 General Meeting (GM). The Board indirectly engages with investors via the review of an investor relations report at each Board meeting, which summarises engagement activities and feedback received. The Board further receives external communication reports at each meeting, detailing public and media relations and corporate responsibility activities. The Board reviews and approves all trading and results statements issued to the market. The Board held a dedicated session to discuss the results of an Investor Perceptions Audit which provided significant feedback as detailed below. The Board considered capital allocation across the Group and approved a new Group Capital Management Policy, setting out the coordination of capital across the Group and providing enhanced governance over the allocation of this resource, thereby maximising financial returns. The Group Capital Management Policy would be overseen through the Group Treasury Committee with updates provided to the Board as appropriate. The Board considered the timing of the Interim Results following engagement with brokers to ensure there was sufficient time to accommodate any delays through remote working and to assess the exit performance of payment holidays.
Topics	The Investor Perceptions Audit delivered key investor feedback in areas such as the Group's perceived strengths, weaknesses, regulatory outlook, investors' attitudes to market growth and the impact of Covid-19 upon the Group's strategy. The arrangements for the AGM which had to be held behind closed doors in line with the Government's Stay at Home measures. For further details regarding the RSP feedback, see our principal decision on the following page.
Significant feedback	The Investor Perceptions Audit highlighted that investors expect that, given its strong capital and liquidity positions and dominant position within its market, the Group will seek to capitalise upon its market share as a result of Covid-19 upon its competitors. Future growth opportunities to become a bank for the underserved within Vanquis Bank and further synergies between this and Moneybarn's propositions. Cautioned against driving ROE above what was considered to be a sustainable level, and to be kept below 25%. Investors were understanding of the withdrawal of the 2020 dividends, noting an expectation of a low-level resumption of dividends in 2021, subject to the Group recovering from Covid-19 related disruption. For details of investor engagement and feedback provided for the RSP, please refer to the principal decision on the following page.
Key outcomes	– Approval of the revised DRP and RSP at the GM on 3 November 2020. – The withdrawal of our 2020 dividend (see the principal decision below). – Updated Capital Allocation Policy ranking organic growth, dividends and then inorganic and capital returns in priority order. – The delaying in publishing the Interim Results until a detailed assessment of the Group's going concern position had been undertaken by the Audit Committee. – Purchase of bonds within the market, reducing the Group's interest charges by c.£4m in 2020 and c.£5m for years 2021–23. – Approval of the Capital Management Policy.

Principal decision – withdrawal of our 2019 final dividend

The Group announced on 27 March 2020 the withdrawal of the final 2019 dividend of 16.0p per share, the cash impact of which was £40m. The Board considered, in good faith, that the withdrawal of the dividend would be most likely to promote the success of the Company in the longer term and benefit its members as a whole.

In reaching this decision, the Board had discussed the uncertainty regarding the impact of Covid-19 upon the Group and proposed that the Group withdraw the 2019 final dividend in order to support a prudent and robust capital and liquidity position. Positive engagement was undertaken with investors following the Group's preliminary results announcement and it was relayed to the Board that investors would expect the Group to be prudent in regard to its decision on whether to withdraw the final dividend as their primary concern was the Group maintaining appropriate capital and liquidity positions. Further to this, the Board commissioned and received guidance from its corporate broker with regard to the likely perception of such a decision by shareholders and it was also noted that other such companies had made similar decisions.

Principal decision – the General Meeting (GM), Directors' Remuneration Policy (DRP) and Restricted Share Plan (RSP)

Shareholder feedback post the 2020 interim results announcement had included strong support for management, agreement with the articulated strategic direction of the Group and concern that management had nearly no lock-in of its talent. Further to this, the Remuneration Committee's decision that no bonus would be paid to the executive directors relating to the 2020 financial year further exacerbated concerns regarding talent retention so the Remuneration Committee developed, and the Board approved, a new DRP and RSP to address these concerns and to support compliance with regulatory requirements impacting the Group. Further details regarding the reasons for the change can be found within our DRP on pages 155 to 159.

Following the Remuneration Committee's approval of the proposed remuneration changes, engagement with shareholders through a consultation process was led by the Senior Independent Director (SID) and Chair of the Remuneration Committee. The SID sent letters to the Group's largest shareholders explaining the reasoning for the changes, following which meetings were conducted between them and the SID. Following those meetings letters were sent to other institutional shareholders and proxy advisory bodies and meetings between them and the SID were conducted. In total 65% of the Group's share register was engaged with to garner feedback on the proposals.

A paper detailing the shareholder feedback was considered at the November Remuneration Committee meetings and in response the Board clarified that any grant made in November 2020 under the RSP would, at a minimum, incorporate the reduction in value of awards that was applied to awards granted in April 2020 under the Long Term Incentive Scheme. This was communicated to the investor bodies and the 20 largest shareholders and uploaded to the Group website.

The feedback received influenced the final proposed DRP in the following ways: the RSP underpin was further strengthened and a number of financial metrics included; it was clarified that the RSP grants were made on base salary; and a target bonus payout of 50% of maximum was agreed. For further details, please refer to our DRR on pages 151 and 152.

Following consideration of the feedback provided through the shareholder consultation, the Remuneration Committee and Board approved the proposed DRP and RSP for recommendation to shareholders. A Notice of a GM, together with the proposed resolutions and detailed changes to the DRP and RSP rules were circulated to all shareholders on 9 October 2020 and the GM was held on 3 November. Shareholder questions were encouraged in advance of the meeting and were responded to via email as appropriate and we were pleased to note that 76.6% of share capital was voted at the GM, with all resolutions passing with in excess of 96% approval.

Our suppliers

See pages 80 and 81 for key KPIs

How	A tender for the Group's remuneration consultants was led by the SID and Remuneration Committee Chair. In addition a tender for the Group's external auditor was conducted by an Audit Tender Committee, led by the Audit Committee Chairman and comprised of the Board and Audit Committee members and management. The Board received recommendations from specially constituted Tender Committees regarding the provision of brokerage, remuneration advisor and external audit services. The CCE Committee reviewed the results of the Group's Top 10 Supplier Review, which assessed the internal processes of material suppliers to ensure they were compliant with required standards and identified opportunities for enhancement within the supply chain. In addition, the CCE Committee received a suppler update in July 2020 regarding how the Group had adapted its corporate responsibility programme due to the Covid-19 pandemic. The Board considered the Modern Slavery Act Declaration in March 2020.
Topics	Prompt payment, data protection, modern slavery, performance and anti-bribery and corruption. Tenders were conducted throughout the year for the provision of brokerage, remuneration advisor and external audit services.
Significant feedback	Feedback of the Tender Committees following robust tender processes for the provision of brokerage, remuneration advisor and external audit services.
Key outcomes	– Continued prompt payment of suppliers, thereby remaining signatories of the Prompt Payment Code, maintaining the Group's reputation for high standards of business conduct. – An agreed action plan in relation to the Group's Top 10 Supplier Review feedback. – Approval of the Group's Modern Slavery Statement. – The appointment of various new advisors, including Numis as joint brokers with Barclays, replacing JP Morgan, the reappointment of Deloitte as the Group's external auditor and the appointment of PwC as the Group's remuneration advisor.

Our communities

See pages 82 to 85 for key KPIs

How	The Board approved Social Impact Programme delivers community investment in a number of areas (see pages 83 and 84). The Board is kept apprised of the work of the CCE Committee in this regard and receives regular updates on community-related matters. The CCE Committee considered the Group's Social Impact Programme at both its July and October meetings, approving management's approach to funding in light of Covid-19 related challenges within our communities. The CCE Committee considered the Group's commitment to the UN Sustainable Development Goals (SDGs) at its October meeting.
Topics	Customer vulnerability, community contributions, charitable giving and volunteering activities and adaptations to the same required as a result of Covid-19.
Significant feedback	Concerns regarding the longer-term impacts of Covid-19 upon communities and investment. Feedback from partners enabled the Group to highlight areas of greatest and most immediate need. We also worked closely with our partners to ensure that where relevant, funding could be used to develop online or remote delivery of advice and support. That alignment with SDGs would enable the Group to better manage risks, anticipate consumer trends and demand, attract, retain and develop the best colleagues, attract capital, and strengthen the Group's supply chains.
Key outcomes	– The Social Impact Fund constituted a foundation in Scotland and provided 800 printed information packs for the first Virtual Numeracy Day, in keeping with the Group's Purpose of helping put customers on a path to a better everyday life. – The CCE Committee approved the Group's commitment to six long-term ESG objectives which were aligned with the SDGs. For further details on our ESG targets, please refer to pages 30 to 33. – The agreement to honour commitments made to fund existing charity of community partners. – The enabling of our partners to continue to support the communities we serve, some of which would face a tougher recovery from the impacts of Covid-19.

Our environment

See pages 86 to 89 for key KPIs

How	We manage our environmental impacts via our Environmental Management System (EMS). You can read about our greenhouse gas emissions, and our environmental impact and approach on pages 88 and 89. The Board indirectly engages on environmental issues via the provision of reports and updates from the Head of Corporate Social Responsibility via the work of its CCE Committee. The CCE Committee received an update on climate change in October, outlining the achievement of ISO 14001 in all the divisions and Group's implementation of the Task Force on Climate Related Disclosures Financial Disclosures (TCFD) recommendations.
Topics	Climate change, details of greenhouse gas emissions and the achievement of TCFD objectives.
Significant feedback	That through engagement with TCFD and the setting of long-term climate-related objectives, the Group could align a number of key global priorities for the achievement of a more sustainable and inclusive path with our Purpose and business strategy.
Key outcomes	– Board-level oversight of the Group's environmental performance including briefings provided to the Board members on TCFD. – The Board approved the Group's target to reach net zero by 2040. – The CCE approved the Group committing to the six long-term ESG objectives that were aligned with both the SDGs and TCFD. – Annual submission to the Carbon Disclosure Project. – The reduction in our operational carbon footprint by 42% from 9,468 CO_2e in 2019 to 5,493 CO_2e in 2020 with all these emissions offset through the purchase of carbon offset certificates in the Weyerhaeuser Carbon Sequestration Project in La Pitanga, Uruguay. For further information on the Group's operational carbon footprint see page 89.

Covid-19 and related stakeholder engagement

A Board commissioned Steering Group was incepted in February 2020 to plan for the potential impact on the Group's colleagues and customers and reported that a short communication had been issued to colleagues confirming the current government advice on hygiene and symptoms.

Colleagues were advised to work from home from 23 March 2020 and the Board received updates on the technology reported to make this possible, following which the Board approved a common set of policies and procedures for communication to colleagues in March. Colleague Managers received ongoing Manager Guides, outlining updated processes and advice in relation to Covid-19 and how to best engage with and manage their teams remotely. Management's enhanced communication tools and increased use of social media was overseen by the Board.

The Board oversaw the inception of remote lending and collections facilities implemented within CCD which enabled customers to safely make payments throughout the Covid-19 related disruption in line with the Group's Purpose of helping the customer onto a path to better financial health.

The Board challenged and supported management in their approach to colleague and regulator engagement with regard to the requirements for offices to remain open and ensuring they operated within applicable guidelines, receiving a Return to Work paper detailing the risk assessments undertaken prior to the reopening of the Group's offices. The Board further monitored management's customer-facing processes, including those for enhanced forbearance and in relation to payment holidays, receiving frequent collections performance updates.

Government guidance introduced a requirement to consult with elected representatives on a Covid-19 related workplace risk assessment, and colleague representatives were therefore elected and Colleague Forums and their terms of reference were updated across the Group to meet this requirement. Further, a Future of Work paper was considered by the CCE Committee in January 2021 following engagement with colleagues from across the business regarding flexible and remote working in the medium to long term.

The Board received frequent capital and liquidity updates from management, including management actions to optimise the Group's position in preparedness for Covid-19 related headwinds, especially in relation to undrawn credit card balances within VBL (see the withdrawal of our 2020 dividend principal decision on page 95). The Board monitored regulatory capital requirements and loan covenants, overseeing the increase in VBL's liquid asset buffer to £1bn. The Board also closely monitored reductions in lending volumes, decreased collections performance and payment holiday volumes, constructively challenging management on mitigating actions as appropriate.

The Board discussed and agreed a proposal for the Board directors and senior management to take a 20% reduction in fees/salary for an initial three-month period given the challenges facing customers and colleagues. Further the Board monitored levels of colleagues who were furloughed and approved the payment of 80% of their basic salary, initially funded via a combination of the Group and the Government; however, the Board agreed the repayment of the monies and further details are contained within the principal decision on page 92.

The Board held the AGM behind closed doors in line with the government guidance at that time, ensuring that shareholders were given the opportunity to ask questions in advance. The Board agreed the delayed publication of the Interim Results until management and the external auditor had sufficient time to conduct a detailed review of the Group's going concern assessment.

In May detailed reports were received by the Board in relation to the subsidiaries' responses to Covid-19, monitoring the impacts upon and action taken in relation to colleagues and customers, returning to offices, the Board advising that VBL ensure it was appropriately resourced to capitalise upon opportunities within the market presented by Covid-19. The Board received updates on colleagues' Return to Work strategy, including planning and internal communications. The CEO reported to the Board that a survey of the field CEMs had indicated that they were supportive of calling on customers subject to their consent and appropriate personal protective equipment had been issued to facilitate this. Updates to operational processes were supported by both the Group Internal Audit and Risk functions, which completed reviews of proposed processes and controls and presented findings to the Board.

Chairman’s introduction

“I am proud of the tenacity and professionalism shown by our colleagues who have continued to deliver our Purpose during a year of unprecedented challenges.

Read more about our corporate responsibility strategy in our 2020 CR Report at **www.providentfinancial.com**

Dear fellow shareholder,

I am pleased to introduce the Corporate Governance Report for 2020.

Throughout 2020, we found ourselves in unprecedented times, and the Board has been focused on guiding our Group as safely as possible through the Covid-19 pandemic. The pandemic has had a profound impact on how we serve our customers, work with our colleagues and lead the Group, and we fully recognise the importance of effective governance to our success during such challenging circumstances. You can read more about how we have tackled the challenges brought about by the Covid-19 pandemic in our case study on pages 6 and 7 of the Strategic Report.

The long-term impacts of the Covid-19 pandemic on the wider UK economy are uncertain; however, the Group has robust contingency plans in place. We have strong capital and liquidity positions and I am confident we have a talented and well composed Board with the right balance of skills and experience to provide the professional, thoughtful leadership needed in times such as these. Embedding and monitoring the Group’s Blueprint, Purpose, strategic drivers and behaviours, together with the work the Board has done to rebase the strategy, put us in a strong position.

Purpose and culture

Provident Financial is a financial services company that, as a specialist lender, provides tailored credit products and services to customers who have difficulty accessing credit from mainstream providers. Reflecting on the challenges of the Covid-19 pandemic only brings into even clearer focus for the Board the important role the Group plays in helping its customers on their paths to financial stability and a better everyday life. In providing access to responsible and sustainable credit products the Group believes it provides an essential service for its customers. The Group seeks to represent its wider role in society and the needs of its customers through participation in regulatory consultations, such as the Woolard Review. The Blueprint was developed in an evolving regulatory and cultural landscape and this year the Board, through the work of the CCE Committee, has continued to drive and monitor the embedding of the Blueprint strategic drivers. You can find further information about the work of the CCE Committee on pages 131 and 132.

Purpose and culture continued

The restrictions of the Covid-19 pandemic accelerated delivery of customer initiatives, such as remote disbursement in the Consumer Credit Division. The Board, whilst concerning itself with the operational resilience of the Group and health and safety of all stakeholders, has encouraged the evolution of products, policies, infrastructure and services to benefit our customers across all of our brands.

Operating responsibly and sustainably is central to our business and this includes addressing the wider social, environmental and ethical impacts of our activities. This year we have committed to five of the UN's Sustainable Development Goals, and you can read more about how we will achieve this in our Sustainability Report on pages 70 to 90 and in our standalone Corporate Responsibility Report available on our website.

Board appointments

In 2020 we welcomed two new members to the Board. Neeraj Kapur formally joined us on 1 April 2020 and has already made a significant contribution. Margot James joined us on 27 July 2020 and you can read more about her appointment in the Nomination Committee Report from page 127.

As announced to the market on 11 September 2020, and effective for the period 23 September to 3 November 2020, I assumed the role of Interim Executive Chairman whilst our CEO Malcolm Le May undertook a planned medical procedure. I used this opportunity to work more directly with senior executives and observe from an alternative perspective some of the intricacies of our Group operations. This allowed me to get an even clearer picture of the challenges we face. Malcolm resumed his CEO role on 3 November 2020, at which point I relinquished any executive responsibilities. This was a temporary measure, and we believe an appropriate and proportionate period of non-compliance with Provision 9 of the Corporate Governance Code 2016 (the Code), further details of which are in the Directors' Report on page 146.

Effectiveness

As Chairman, I am responsible for ensuring the Board is able to effectively perform its responsibilities. Following our external Board evaluation in 2019, this year I decided that an internal evaluation was appropriate. Overall, we believe that the Board and its Committees worked effectively during 2020 and continue to do so. We expanded the evaluation to cover the Board's response to the Covid-19 pandemic and you can read more about the outcomes on page 125. Focus areas for the Board in 2021 will include getting closer to our customers, the Group's IT strategy and digital engagement.

Continued refinement of the Board's composition, bolstered by the appointments of Margot and Neeraj, further enables the Board in successfully discharging its responsibilities. The Board Skills Matrix was refreshed during 2020, the results of which have demonstrated that the Board has been strengthened in a number of areas including digital and technology.

With the additions of Margot to the Nomination, Remuneration and CCE Committees, and Neeraj to the Board, we believe that there is the correct balance of skills and experience in each Committee to operate successfully. You can read more about the work of each of the Committees in their reports throughout the Corporate Governance Report.

Risk & governance

The Board remains committed to the highest standards of corporate governance to enable it to oversee effectively the strategic direction, objectives and viability of the Group.

Work has been undertaken in recent years to enhance and clarify the roles and responsibilities across the Group, including the implementation of our matrix management model with functional reporting lines in areas such as Legal and Internal Audit. The Group continues on this harmonisation journey toward an enterprise-wide approach to risk management. Overseen by the Group Risk Committee (GRC), the risk harmonisation programme incorporates: policy alignment; standardised risk control self-assessment; a centralised risk management system; and a Group risk appetite framework. Amongst other deliverables due throughout 2021, the GRC has supported management in their redesign of the framework, principles and allocation of resource to the harmonisation programme.

The Board has played an important role in overseeing detailed risk assessments of the impact of the Covid-19 pandemic upon the Group and the safety of colleagues' Return to Work. The Group's risk appetite has also been re-based to consolidate principal risks, standardise risk definitions and deliver dynamic and outcome-based risk measures across the Group. The Board has received assessment reports on the overall risk profile of the Group and how this has changed in the period including undertaking a thorough and robust review of the principal and emerging risks.

The economic impacts of the Covid-19 pandemic continue to be widespread, and have altered the circumstances of a large number of our customers. Our ability to accurately predict the risk of lending is fundamental to our business model. We have therefore commissioned a review of underwriting across the Group to understand and act upon the risks and opportunities in this area. You can find more information about the work of the GRC in its report on pages 138 to 140.

Strategic initiatives

As set out in more detail on pages 28 and 29, in March 2021 the Group announced its intention to launch a Scheme of Arrangement (Scheme) to address the issue of rising customer complaints in CCD. Furthermore, the operating environment for traditional home collected credit has evolved materially. Consumer behaviour has moved rapidly toward digital solutions, accelerated by the necessary physical restrictions of the Covid-19 pandemic. To this end an operational review of CCD was conducted between November 2020 and May 2021. These are complex decisions and are of significant importance to the long-term success of the Group. Our governance framework has supported the Board to ensure that the key decisions throughout the Scheme project have been fully considered and made by the appropriate forums. The Group CEO established a dedicated Steering Committee to oversee the Scheme project at a management level which the Board oversaw. The Board received regular updates and considered amongst other things: the project governance arrangements; timeline and project plans; budget and resource; and the impact for our key stakeholders. The Board believes the Scheme to be the best option to protect the interests of all our stakeholders, including our customers, and the most effective way to protect the Group's wider interests moving forward.

The Disclosure Committee regularly assessed the Group's disclosure obligations in relation to the Scheme in order to ensure compliance with the requirements.

Stakeholders and s.172

Last year we presented our first section 172 (s.172) statement that documented how the Board engaged with stakeholders and utilised stakeholder feedback in its decision making. This year we have sought to provide greater focus on areas of significant strategic importance and you can find this year's s.172 statement on pages 91 to 98. Through the CCE Committee the Board has furthered its work towards the development of a stakeholder engagement strategy, through detailed stakeholder mapping and materiality assessment exercises. You can read more about the work of the CCE Committee in its report on pages 131 and 132.

We made enhancements to our colleague engagement model evolving the scope and membership of our divisional workforce panels. These changes were of particular importance given the significant changes in working circumstances and have operated effectively in the period. Our designated Non-Executive Colleague Champion, Graham Lindsay, has executed his responsibilities admirably, particularly given the government restrictions on travel and congregation, and has provided the Board with valuable insight into the opinions, concerns and wellbeing of colleagues. You can hear directly from Graham on pages 114 and 115.

Previous plans to hold Board meetings across our various offices have been put on hold until such time as it is safe for them to be resumed. I look forward to being back in the office and meeting colleagues face to face, when circumstances allow.

Following UK Government guidance and with the health, wellbeing and safety of our colleagues, shareholders and wider communities in mind, it was with regret that we announced our decision to hold both our AGM in May and a General Meeting in November without shareholders present.

> The robustness and strength of our governance framework have provided a much needed base of solidity from which we have managed the business effectively.

Dividend

Following careful consideration of all the issues, including: the directors' responsibilities under s.172; the potential longer-term consequences of the evolving Covid-19 pandemic; and the uncertainties present at the time, the Board withdrew its recommendation of the 2019 final dividend in 2020 to preserve the capital and liquidity positions of the Group. You can find more detail about how we reached this decision in our s.172 statement on page 95.

Restricted Share Plan and Remuneration Policy

Effective remuneration design is central to promoting our long-term sustainable success, supporting our strategy and driving our culture. As such, during the year we updated our Directors' Remuneration Policy (DRP) and introduced a Restricted Share Plan (RSP). I am pleased to confirm, as was announced on 3 November 2020, that all proposed resolutions were passed at our General Meeting and I thank our shareholders for the support they have shown for the changes. You can read more about the extensive work of the Remuneration Committee in our Directors' Remuneration Report (DRR) from page 148.

We have found as we have navigated the difficulties of 2020 that the robustness and strength of our governance framework have provided a much needed base of solidity from which we have been able to continue to manage the business effectively. I am confident that our governance framework will continue to provide the foundation upon which the Group can deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders.

Patrick Snowball
Chairman
10 May 2021

Compliance with the UK Corporate Governance Code

For the year ended 31 December 2020 the Board considers that the appropriate corporate governance standards were in place throughout 2020. For the period under review, the Company complied in full with the provisions of the UK Corporate Governance Code, except for the one temporary and short-term (provision 9) exception as explained in our Directors' Report on page 146.

This report explains the main aspects of the Company's governance structure to give a greater understanding of how the Company has applied the principles and complied with the provisions in the Code. The Corporate Governance Statement also explains compliance with the FCA's Disclosure Guidance and Transparency Sourcebook. The UK Corporate Governance Code is published by the Financial Reporting Council (FRC) and is available on its website, www.frc.org.uk.

Our Board

Patrick Snowball
Chairman

N

Appointed: 21 September 2018

Tenure: 2 years

Career and experience:
Patrick was CEO of Suncorp Group Limited, an ASX 20 Australian financial services group, between 2009 and 2015 where he successfully led the turnaround of the group following the global financial crisis. Before joining the Board, Patrick was Chairman of IntegraFin Holdings plc between 2017 and 2018 and was Chairman of Sabre Insurance Group plc until September 2020. Prior to this Patrick was a Non-Executive Director at Jardine Lloyd Thompson Group plc from 2008 to 2009, Deputy Chairman at Towergate Partnership between 2007 and 2009 and a member of the FSA Practitioner Panel from 2006 to 2008.

Patrick's contribution to the Board, key strengths, skills and reasons for re-election:
Patrick's unique career and experiences bring a wealth of skills to the Board. In particular, as Chairman, his previous leadership and demonstrable success in driving change, strengthening governance, creating strong and effective boards, and instilling stability through a positive culture are key strengths he brings to the Board.

- Experienced chairman, non-executive director and chief executive officer.
- Extensive experience of the financial services industry and the regulatory environment.
- Wealth of knowledge of the challenges faced by the financial services sector, acquired over a 30-year career.
- Long track record in leading companies to develop and deliver growth plans.
- Change project management, typically involving digital transformation and brand building.
- Building strong customer relationships, leveraging data and insights, as well as leading and developing wider stakeholder engagement.

Malcolm Le May
Chief Executive Officer

D

Appointed as CEO: 1 February 2018

Tenure: 7 years

Career and experience:
Malcolm joined the Group as an Independent Non-Executive Director in 2014, becoming Interim Executive Chairman in November 2017. Malcolm provided effective leadership to the Board, working with them to redefine roles and responsibilities, and initiated a process to ensure the Board had the right mix of skills, experience and diversity. Prior to joining the Group, he held several senior positions within banking, including as Co-Head of Banking for Barclays in New York; Head of European Investment Banking at UBS; and Deputy CEO at Morley Fund Management (now Aviva Investors).

Malcolm's contribution to the Board, key strengths, skills and reasons for re-election:
Malcolm's extensive career, his deep knowledge of various businesses and sectors, his understanding of the regulatory environment and turnaround situations and his proven leadership skills are considered by the Board to be invaluable qualities that make him best placed to lead the business, as well as effectively contributing to the Board.

- A deep knowledge and experience of the financial services industry and regulatory environment.
- Relationships with key stakeholders, such as investors and the Group's banks, enabling the Group access to funding.
- The strengthening of the Group's governance framework and the realignment of the Group's culture more closely to the developing needs of the customer.

Current external appointments:
- Director of IG Group Holdings plc.
- Trustee of the Grange Festival.
- Partner at Opus Corporate Finance* and Juno Capital LLP.
- Trustee at Peace at the Crease.

* Non-equity.

Neeraj Kapur
Chief Finance Officer

D

Appointed: 1 April 2020

Tenure: 1 year

Career and experience:
Neeraj was Group Chief Financial Officer of Secure Trust Bank plc, a UK retail and SME bank. He is an experienced chief financial officer with a strong retail banking background, including consumer finance and savings products expertise. As a qualified accountant, Neeraj is technically strong, with a diverse background that commenced as an RAF fighter pilot. He brings versatility and intellectual agility to the Board and Group Executive Committee.

Neeraj's contribution to the Board, key strengths, skills and reasons for re-election:
As a qualified accountant, Neeraj is technically strong and has a diverse background that has included time as a pilot in the RAF, an entrepreneur running his own business and working in a large-scale regulated bank. Neeraj has a strong retail banking background, including consumer finance and savings products expertise, and has experience in accounting, finance, professional services, governance, operations, marketing and risk.

- Experienced chief financial officer.
- Significant experience in leading end-to-end finance functions, including for a bank and other corporates, as well as managing accounts for individuals and small business owners.
- Proven ability to build effective working relationships with key stakeholders, including regulators, investors and analysts.
- Deep understanding of, and strong experience in, the Group's sector.

Current external appointments:
- Trustee of Edgeborough Educational Trust.
- Trustee of The Worshipful Company of Chartered Accountants.

Committee key:

N Nomination Committee
R Remuneration Committee
Committee Chairman
A Audit Committee
C Customer, Culture and Ethics Committee
G Group Risk Committee
D Disclosure Committee

Andrea Blance
Senior Independent Director (SID)

N A R

Appointed: 1 March 2017

Tenure: 4 years

Career and experience:
Andrea has extensive board and financial services experience. She spent her executive career at Legal & General Group plc, where she was a member of the Group Executive Committee and held a range of senior leadership roles, including Divisional Chief Financial Officer, Group Financial Controller, Group Chief Risk Officer and Strategy & Marketing Director. Andrea's past non-executive roles include Senior Independent Director and Audit Committee Chair at Reassure Group plc, Risk Committee Chair at Scottish Widows plc and Lloyds Banking Group Insurance and a member of William & Glyn's pre-IPO board.

Andrea's contribution to the Board, key strengths, skills and reasons for re-election:
Andrea brings a wealth of relevant experience, including her understanding of governance, the regulatory environment and conduct risk. She has extensive experience of strategy and customer marketing, complex change, finance & reporting, investor relations and stakeholder management.

- Experienced senior independent director, non-executive director, board committee chair and senior leader.
- Deep understanding of the financial services industry.
- Track record of working with businesses at different stages of development and supporting both growth and recovery strategies.

Current external appointments:
- Non-Executive Director of Hargreaves Lansdown plc.
- Non-Executive Director at The Mentoring Foundation.

Elizabeth Chambers
Independent Non-Executive Director

N G C

Appointed: 31 July 2018

Tenure: 2 years

Career and experience:
Elizabeth is an experienced board director, senior financial services executive, strategist and marketing leader in the UK and globally. Her previous board experience includes being a Non-Executive Director at Dollar Financial Group, Hibu plc (formerly Yell Group) and The Home and Savings Bank. Elizabeth served on the board of Western Union International Bank and boards relating to consumer finance joint ventures between Barclaycard and other brands, such as Argos and Thomas Cook. She has extensive executive experience through roles including Chief Marketing Officer at Barclays and Barclaycard.

Elizabeth's contribution to the Board, key strengths, skills and reasons for re-election:
Elizabeth brings more than 25 years of experience in strategy, marketing and product development across a range of financial services. As an executive, she has a long track record of driving revenue growth and solving complex business challenges at major global financial institutions. In various roles she has led businesses through brand and reputation transformations, strengthened customer acquisition and engagement, built innovative digital businesses, and led major business turnarounds.

- C-suite marketing and communications executive, board director and strategist.
- Proven people leader.
- Broad and deep knowledge of financial services, including credit cards and payments products, a wide range of customer loan segments and marketing in a regulated environment.
- Substantial expertise in turnarounds, as well as M&A and cultural change.
- Wide exposure to international operations and the unique challenges of leading them.

Current external appointments:
- Non-Executive Director of TSB Bank Plc.
- Non-Executive Director of Tilney Smith & Williamson Ltd and subsidiaries.
- Non-Executive Director of University of Colorado Anschutz Medical Campus (non-profit).
- Senior Advisor to Searchlight Capital Partners and its portfolio companies.

Paul Hewitt
Independent Non-Executive Director

N A G

Appointed: 31 July 2018

Tenure: 2 years

Career and experience:
Paul is an experienced chief financial officer, chairman, non-executive director and audit committee chair who operates in a number of different sectors. Paul's past non-executive director roles include chairing the audit committees of Tokio Marine, Kiln, NEST Corporation, Tesco Bank, Collins Stewart Hawkpoint, Charles Taylor Plc and GMT Global Aviation. He began his executive career in finance, working for over 20 years as a finance director of various companies, culminating in becoming Deputy Group Chief Executive and CFO of the Co-operative Group between 2003 and 2007.

Paul's contribution to the Board, key strengths, skills and reasons for re-election:
Paul's varied and wide-ranging career is built on a successful career in finance. He has a track record of creating and realising value for shareholders and has worked across a number of sectors including financial services, technology, healthcare, retail and business services. Through his non-executive roles he has helped several management teams adapt their business models to respond to, and anticipate, changes in their competitive and regulatory environments. In both his executive and non-executive career he has had extensive experience of transactions and ensuring that businesses have an appropriate financial structure.

- Experienced non-executive director, chairman and chief financial officer.
- Broad experience of the financial services industry and the regulatory environment.
- Strong track record in delivering good returns for shareholders.
- Extensive experience of transactions.
- Broad experience as both an executive and a non-executive of developing and challenging business strategies.
- Has helped several management teams adapt business models in anticipation of changes in their environments and markets.

Current external appointments:
- Non-Executive Director of ICNH Limited (trading as Dr Doctor).
- Non-Executive Director of Feebris Limited.
- Limited Partner at Horizon Capital Fund 3.
- Limited Partner at Exponent Fund 2.

Angela Knight
Independent Non-Executive Director

N A G

Appointed: 31 July 2018

Tenure: 2 years

Career and experience:
Angela has extensive experience in both the public and private sectors. Prior to joining the Board, Angela was CEO at Energy UK, British Bankers Association (BBA, now UK Finance) and APCIMS (now Personal Investment Management and Financial Advice Association). She was previously a Member of Parliament and Treasury Minister between 1992 and 1997 and was the Chairman of the Office of Tax Simplification from December 2015 to March 2019.

Angela's contribution to the Board, key strengths, skills and reasons for re-election:
Her experience in the public sector means Angela has a strong understanding of the expectations of regulators and other public stakeholders. This combination means she is a skilled director who knows how to manage organisations and how to challenge management to deliver. Angela's thought leadership, technical and policy skills, as well as a deep understanding of the financial sector, are demonstrated through her leadership of the repositioning of Energy UK in the energy sector and of the BBA through the banking crisis.

- Experienced Government Minister, CEO, chair and non-executive director.
- Wealth of knowledge of the financial services sector.
- Deep knowledge of regulated industries.
- Adept at solving difficult problems with effective solutions.
- Understanding of public presentation, in particular as a proficient public speaker.

Current external appointments:
- Senior Independent Director of TP ICAP plc.
- Non-Executive Director of Taylor Wimpey plc and Arbuthnot Latham & Co.
- Non-Executive Director of Encore Capital Group, Inc.

Graham Lindsay
Independent Non-Executive Director

N R C

Appointed: 1 April 2019

Tenure: 2 years

Career and experience:
Graham has held a number of senior executive roles, including responsibility for the Lloyds branch network and as Corporate Responsibility Director. Graham joined the Wonga UK board in 2016 as part of the new leadership team engaged to improve the business and deliver change. Graham sat on the Board of the Institute of Banking & Financial Services and on the Professional Standards Board.

Graham's contribution to the Board, key strengths, skills and reasons for re-election:
Graham brings to the Board extensive experience in commercial and retail banking following a 40-year career at Lloyds Banking Group and a deep understanding across various distribution channels. Graham has had demonstrable success in focusing organisations on their customers, ensuring they are at the heart of decision making and product design. Graham also has a strong appreciation of the Group's regulatory environment.

- Extensive customer knowledge, strong customer focus and a track record of enabling and overseeing businesses to ensure that they put the customer at the heart of what they do.
- Significant stakeholder engagement experience.

Current external appointments:
- Senior Independent Director at OneFamily.
- Vice Chair and Trustee at the Brain Tumour Charity.
- Consultant for Trustees Unlimited.

Robert East
Independent Non-Executive Director and Chairman of Vanquis Bank Ltd

N C

Appointed: 26 June 2019

Tenure: 1 year

Career and experience:
Robert worked for 32 years in various leadership roles with Barclays Bank, latterly as Chief Risk Officer of Absa in South Africa. He joined Cattles Plc, a consumer finance group, in 2008, where he led its restructuring from 2009 and was its Chief Executive from 2010 until completion of the wind down of the group in 2019. Having joined its board in 2011, Robert became Chairman of Skipton Building Society in 2017, where he is helping develop the Society's strategy, grow its membership and ensure it remains financially strong. He is an Associate of the Chartered Institute of Bankers.

Robert's contribution to the Board, key strengths, skills and reasons for re-election:
Robert brings experience in, and understanding of, retail and commercial banking in the UK and internationally, acquired over a 40-year career. Robert is an experienced chairman, non-executive director and chief executive officer, enabling him to support a culture of openness and debate on the Board and to challenge management to deliver for the Group's shareholders and other stakeholders.

- In-depth knowledge of financial services, consumer finance, risk management and leadership.
- Extensive knowledge of the Group's regulatory environment and expectations of the PRA and FCA.
- Track record of driving cultural change to ensure focus on customers, employees and value.

Current external appointments:
- Chairman of Skipton Building Society and Director of Skipton Group Holdings Limited.
- Non-Executive Director of Hampshire Trust Bank Plc.
- Director of RCWJ Limited.

Committee key:
- N Nomination Committee
- R Remuneration Committee
- Committee Chairman
- A Audit Committee
- C Customer, Culture and Ethics Committee
- G Group Risk Committee
- D Disclosure Committee

Margot James
Independent Non-Executive Director

N R C

Appointed: 27 July 2020

Tenure: Less than 1 year

Career and experience:
Margot served as a Member of Parliament between 2010 and 2019 and has held a number of ministerial offices, latterly as Minister of State for the Department of Digital, Culture, Media & Sport, where she championed the interests of both industry and consumers in the digital world. In her role as Parliamentary Under Secretary of State at the Department for Business, Energy & Industrial Strategy, Margot had responsibility for small businesses, consumers and corporate governance, including labour markets and the retail sector.

Margot's contribution to the Board, key strengths, skills and reasons for election:
Margot has a wide-ranging successful career in both the public and private sectors. Her public sector experience provides Margot with a strong understanding of the expectations of regulators and other public stakeholders, as well as strong knowledge of corporate governance, labour markets and the UK's technology and retail sectors. She has a track record of driving value for shareholders and has a demonstrable record as a successful entrepreneur and CEO.

- Experienced Government Minister and Member of Parliament.
- Results-focused entrepreneurial business owner.
- Strong track record as a CEO and business leader.
- Non-executive director and chair experience.
- Deep governance knowledge.
- Strong relationships with wider stakeholders in a variety of sectors.

Current external appointments:
- Executive Chair of the Warwick Manufacturing Group.
- Member at the Court of Governors of the London School of Economics.

Charlotte Davies
Group General Counsel and Company Secretary

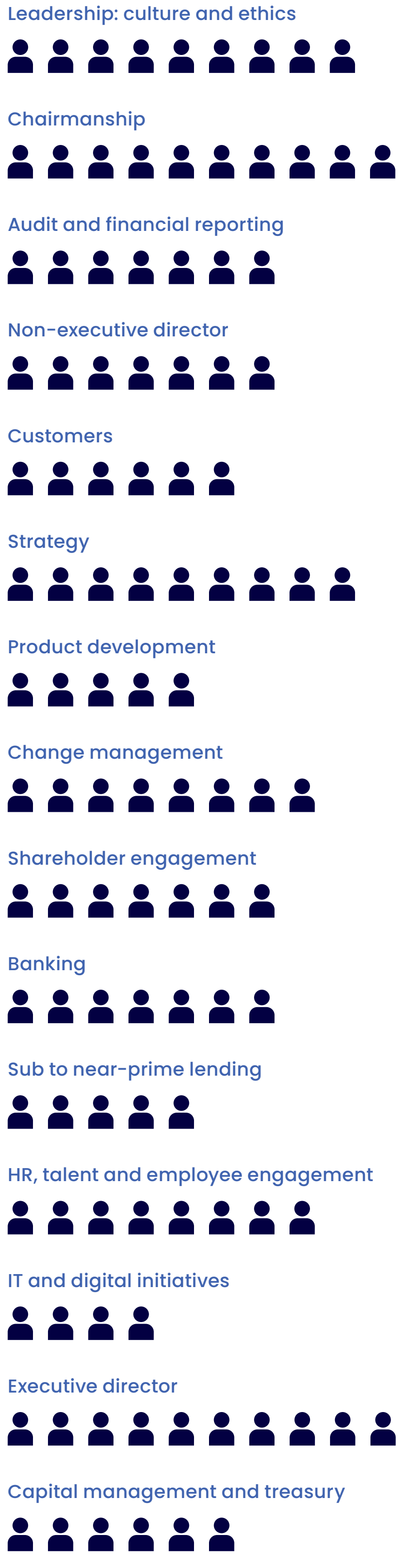
Appointed: 1 April 2019

Career and experience:
Charlotte brings a wealth of experience in the financial services sector and is an experienced General Counsel and Company Secretary. Charlotte previously worked at Cabot Credit Management where she was General Counsel and Company Secretary for many years and reviewed the governance structure and redesigned the regulatory structure in consultation with the FCA.

Prior to this Charlotte was Head of Affinity Legal and General Counsel of Lockton.

Charlotte's contribution to the Board, key strengths and skills:
Charlotte's legal experience has been gained predominantly within insurance before moving into the debt purchasing space. Charlotte brings extensive experience in and knowledge of the financial services sector, and also has legal experience in corporate, commercial, risk management, regulatory and governance advice.

Skills and experience
This diagram shows those Board members with strong or very strong skills or experience in some key skill areas. This diagram, together with the biographies, shows the combined strength of our Board in areas central to the Group's sustainable success.



Setting our strategy

A fundamental role of the Board is to determine the Group's Purpose and set out the strategy and objectives for long-term success.

We describe in this section how we approach that task and explain our monitoring of management's execution of the strategy.

Having a clear purpose has helped focus our decision making to support long-term sustainable growth and customer centricity. Our Blueprint and Purpose and the strategic drivers that underpin them have remained consistent this year, and the Board continues to pursue the ambition to be the best and most trusted provider of credit to the underserved. In light of this ambition, the strategic initiatives process has been focused on designing and developing strategic goals.

The annual Corporate Planning Conference (CPC) was held in July 2020 in order for the Board to review the Group's strategy and agree the supporting initiatives and enable the Group to respond to the impact of the Covid-19 pandemic. Board members and executive management participated in working sessions to discuss the future direction of the Group and the risks and opportunities for the Group's future success, including: customer profile and market analysis; competitive environment; new and evolved product offerings; sustainable growth initiatives; profit improvement initiatives; stakeholder value; and human resources and the future of work. The Board considered objectives under the strategic pillars: Grow, Act and Maintain, and the opportunities and challenges to its strategy as outlined in our Strategic Report on pages 20 and 21.

A key output from the CPC was the recognition that ensuring the Group had in place the appropriate capabilities, resources, framework and tools to oversee and deliver key strategic initiatives and change projects was a strategic imperative. As such, a Group Transformation function has been established, with a supporting governance structure to provide the Board the necessary oversight. Furthermore, a Group-wide Change Delivery Framework has been implemented to capitalise on the benefits of increased collaboration and harmonisation across the divisions. To this end in support of monitoring the progress of the Group's strategy, the Board will receive regular reports on the prioritisation and progress of the delivery of the strategic initiatives agreed at the CPC.

Blueprint in action – Covid-19 response

The Group's Covid-19 pandemic response required us to change the way we work across all our businesses, including the ways in which we engage with our customers, suppliers, investors and support our colleagues.

During the pandemic strategic guidance and direction from the Board was required quickly and as a consequence the Board met more frequently, with several additional meetings taking place, particularly at the outset in March, April and May.

The Board considered detailed reports about customer products, the forbearance changes that had been made within each division and how these impacted the future strategy of the Group. The Board agreed that focus should be maintained on the key strategic targets that had been set out at the Capital Markets Day in November 2019, including the launch of a new securitisation vehicle in Moneybarn and the increased utilisation of Provident Direct in CCD.

The unique circumstances brought about by the Covid-19 pandemic necessitated significant operational changes, including:

- increased availability of digital distribution channels and self-serve payment options for customers;
- enhanced forbearance options for our customers; and
- remote working for the majority of colleagues.

At the CPC, the Board considered the 'lessons learned' from the initial months of the pandemic and how they could influence our strategy. This included assessing the risks and opportunities that the alternative ways of working and serving our customers had presented to the Group.

In order to benefit from the learnings through this period and address any risks that have arisen as a result of these changes, we are undertaking a strategic review of the future of work in each business.

Governance in action – supporting our strategy

Our governance structure ensures that the Board is responsible for setting the Group's Purpose and strategy, and provides a framework from within which effective decision making can occur. The Board, having determined the Group's Purpose, sets out the strategy and objectives for long-term success. The Board then monitors how the executive directors, supported by the Group Executive Committee and wider management teams, deliver against the strategy. The governance framework describes how and by whom decisions can be taken, and includes our Board Governance Manuals, Delegated Authorities Manuals, Matters Reserved for the Board and Committee terms of reference. Together these documents allocate responsibilities and authorities within the Group. The Chairman and Committee Chairs are responsible for ensuring that the Board and Committee agendas and annual cycle of business remain focused on the right issues, and that sufficient time is spent on strategic matters and the delivery of long-term objectives. As described on page 120, our reporting templates require that those matters within s.172 are reported on in all written reports, including those in relation to new strategic initiatives presented to the Board.

Governance is critical to the Group achieving its Purpose and the successful delivery of its strategy and the diagram on the next page describes the key responsibilities for the Board and its Committees in the delivery of strategy. We believe our governance provides the appropriate framework for the effective running of the Group, supporting appropriate, high-quality decision making that balances the interests of our stakeholders.

Board

The matters reserved to the Board include the approval and monitoring of the strategy. The governance framework allocates responsibility for the setting of strategic objectives and desired behaviours to the Board. It is for the Board to ensure that the objectives have been designed with due regard for the Group's stakeholder obligations and promote the long-term success of the Company. Supported by the GRC, the Board also has a key role in determining the nature and extent of the Group's principal and emerging risks. You can read more about the responsibilities of the Board on page 118.

Group Risk Committee

The GRC assists the Board by taking an active role in defining the Group's risk appetite. The risk appetite sets out the acceptable risk parameters within which the strategy can be delivered. The GRC assesses the effectiveness of the Group's risk management strategy ensuring that appropriate governance arrangements and operating models are in place to manage risks. The GRC supports the strategy through its robust scrutiny of the Group's principal and emerging risks and opportunities. In collaboration with the CCE, it supports the embedding of a risk culture aligned to the strategic Blueprint. The GRC Report is on page 138.

Audit Committee

The duties and responsibilities of the Audit Committee in support of the strategy are in its monitoring of the effectiveness and integrity of key strategic programmes and systems of internal control, such as those that identify, assess, manage and monitor financial risks. Through this work the Audit Committee considers the progress and quality of programme delivery and areas of significant judgement, estimation or uncertainty including emerging risks or issues. The Audit Committee reviews the efficacy of external financial announcements with a view to maintaining the Group's reputation in the investment market. Further details of how the Group's processes and internal controls work are set out on page 133.

Nomination Committee

The Nomination Committee considers Board and Committee composition requirements, including experience, diversity, skills and knowledge. In its work on senior management structure, diversity and succession, the Nomination Committee plays an important role in ensuring the leadership needs of the Group are met, facilitating the right environment for the governance arrangements to operate effectively and the strategy to be delivered. The Nomination Committee Report is located on page 127.

Remuneration Committee

The Remuneration Committee's role is to ensure that remuneration policies and practices are designed to support our strategy, promote long-term sustainable success and encourage behaviours consistent with the Group's Purpose, values, strategy and business model. More about the work of the Remuneration Committee can be found on page 148.

Customer, Culture and Ethics Committee

The Blueprint provides the Group with a sustainable long-term direction and customer centricity to underpin the strategy. The CCE Committee is the Board's dedicated forum to consider the Group's progress on culture and business process to ensure that they are focused on delivering fair outcomes and aligning workforce policies and practices. In support of the overall strategy, the CCE Committee plays a crucial role in product governance, overseeing the design principles of new products to ensure they align to the Group's long-term customer and cultural objectives. You can read more in the CCE Committee Report on page 131.

Group Executive Committee

The Group Executive Committee is responsible for supporting the CEO in implementing the Group's strategy. The Committee encourages the continued alignment of Purpose and strategy across divisions and identifies opportunities for collaboration. Furthermore, in support of the Group's recognition of change as a strategic imperative, there is representation from the newly formed Group Transformation function. The Group Executive Risk Committee (GERC) provides a dedicated forum for the Executive to consider risks and opportunities including evaluating ways in which barriers to strategic opportunity might be mitigated.

The Committees' terms of reference are available at:
www.providentfinancial.com/who-we-are/corporate-governance

Promoting long-term sustainable success: Board activities

Board meetings follow a carefully designed agenda that is agreed by the Chairman, in conjunction with the CEO and General Counsel and Company Secretary. A typical Board meeting would comprise reports on operational and financial performance, legal and governance updates and chosen deep dives into areas of particular strategic importance. The following pages provide examples of key Board activities during the year. Whilst the table is non-exhaustive, it provides an insight into the Board's discussions and how the directors promote the success of the Company. You can also read about principal decisions made during the year in our s.172 statement on pages 91 to 98. You can read about how the Board sets the strategy on pages 106 and 107.

Link to Blueprint strategic drivers: Customer progression · Human experiences · Head AND heart decisions · Fighting fit

Operational and financial performance, funding and capital

Board activity and outcome

- Reviewed operational and financial performance and progress against the budget at each meeting, with the Chief Executive Officer and Chief Finance Officer presenting their own reports.
- Reviewed and approved the full and half-year results statements and trading updates.
- Reviewed and approved the Group's medium-term funding strategy.
- Reviewed and approved the partial tender regarding the Group's £250m 7% notes due 2023.
- Oversaw the completion of a bilateral securitisation facility to fund Moneybarn business flows.
- Reviewed the Group's business continuity response to the Covid-19 pandemic, including how the pandemic impacted business operations and how this could inform future business continuity planning.
- Considered the Group's capital buffer. As announced in our interim results, the Board's view on risk appetite was to maintain a capital buffer in excess of £100m due to market uncertainties.
- Reviewed and approved a proposal to create an intermediate holding company in the Group.

Key stakeholders

- Investors
- Customers
- Colleagues
- Debt providers
- Regulators

Link to Blueprint strategic drivers

Link to risk

- P1, P2, P3, P9, P10, E1 & E3

Governance, stakeholders and risk

Board activity and outcome

- Reviewed and approved proposals for changes to the Group's Long Term Incentive Schemes and DRP for submission to shareholders for approval at a General Meeting held on 3 November 2020. This included consideration of investor views arising from the investor consultation process and how these views had been responded to. See pages 151 and 152 for more information.
- Approved the appointment of Margot James as Non-Executive Director; see page 128.
- Reviewed the results of an investor perceptions audit and received regular investor relations updates, including updates on engagement activity. See pages 116 and 117 for details of our investor engagement.
- Considered the effectiveness of the directors and recommended them for election/re-election at the 2020 AGM.
- Reviewed and approved our principal and emerging risks, reviewed the status of risks against risk appetite, action plans to bring risks within risk appetite and reviewed the appetite itself in response to Covid-19.
- Reviewed effectiveness of the Group's internal control and risk management systems.
- Received updates from the Group Communications Director regarding external communication, political and community matters.
- Considered the Group's approach to how it manages its external reputation and how it engages with its external stakeholders in government, regulators and media on its purpose and its societal role.
- Reviewed and approved the Group's Modern Slavery Act Statement.
- Approved the appointment of external auditor following tender; see pages 135 and 136.
- Approved the repayment to HM Government of furlough funds received from the Coronavirus Job Retention Scheme.

Key stakeholders

- Investors
- Customers
- Regulators
- Colleagues
- Government
- Suppliers
- Communities

Link to Blueprint strategic drivers

Link to risk

- P4, P6, P7, P9, P10, E3, E5 & E6

Link to Blueprint strategic drivers: Customer progression · Human experiences · Head AND heart decisions · Fighting fit

Strategy, budgets and dividends

Board activity and outcome
- Reviewed and approved the annual budget and ensured adequate resources were in place for the Company to meet its objectives.
- Approval of the 2019 final dividend in February 2020 and subsequent withdrawal of that dividend in response to the uncertainties driven by Covid-19 (see page 95 regarding this principal decision).
- Reviewed and approved the Group's strategy at the CPC and monitored the progress of its delivery.
- Reviewed the Group's strategy regarding its personal loans products.
- Reviewed product pricing changes in VBL.
- Oversaw a programme of work undertaken to understand the feasibility and appropriateness of a Scheme of Arrangement for customer complaints arising from our home credit business, including consideration of the impact on our stakeholders. See pages 13, 28 and 29 for more information.
- Oversaw progress of the work undertaken to withdraw CCD from the home credit market.
- Oversaw the development of a new, mostly digital, lower cost offering structured as an unsecured personal loan. See page 13 for more information.

Key stakeholders
- Investors
- Customers
- Regulators
- Colleagues
- Debt providers
- Suppliers

Link to Blueprint strategic drivers

Link to risk
- P1, P2, P4, E1 & E3

People and culture

Board activity and outcome
- Received a report from the designated Non-Executive employee Champion on his engagement with colleagues and workforce panels.
- Reviewed results and action planning regarding the Colleague Survey. The Board also reviewed the results from a Colleague Pulse Survey, including how this information would support the generation of a colleague future working strategy.
- Reviewed whistleblowing data and enhancements to whistleblowing processes and reporting.
- Received updates on key management changes in the Group.
- Reviewed reports from each division on health and safety, including enhancement to processes.

Key stakeholders
- Investors
- Customers
- Colleagues

Link to Blueprint strategic drivers

Link to risk
- P5, P6, P7, E3, E5 & E6

IT, data and change

Board activity and outcome
- Received an in-depth cyber briefing, which included key risks and priorities and the impact of Covid-19.
- Discussed and agreed key principles regarding how change initiatives are developed, approved and implemented across the Group.
- Reviewed progress in relation to key change initiatives and enhancements to how change is managed, governed and resourced across the Group.
- Reviewed the arrangements in place supporting the Group's compliance with GDPR.
- Approved a contract for CCD's IT support strategic partner.

Key stakeholders
- Customers
- Colleagues
- Regulators

Link to Blueprint strategic drivers

Link to risk
- P4, P5, P8 & E8

Promoting long-term sustainable success: Board activities continued

Link to Blueprint strategic drivers: Customer progression · Human experiences · Head AND heart decisions · Fighting fit

Regulatory

Board activity and outcome

- Received updates regarding the Group's regulatory interactions and regulatory horizon scanning.
- Reviewed and approved the Group's Liquidity Adequacy Assessment and Regulatory Capital Pillar 3 Disclosure.
- Reviewed the impact of revised FCA guidance and Covid-19 on Vanquis Bank's approach to persistent debt.
- Reviewed the Group's compliance with the General Data Protection Regulation.
- Received updates on complaint levels across the Group and reviewed the Group's approach to managing complaints.
- Oversaw the regulatory matters and engagement regarding: the work undertaken to understand the feasibility and appropriateness of a Scheme of Arrangement for customer complaints arising from our home credit business; in relation to withdrawing CCD from the home credit market; and to establish a new, mostly digital, lower cost offering.

Key stakeholders

- Regulators
- Customers
- Investors

Link to Blueprint strategic drivers

Link to risk

- P5, P6, E1, E2, E4 & E5

Covid-19

Board activity and outcome

In response to Covid-19, the Group established an Executive Steering Committee to oversee day-to-day management of the Group's response to challenges driven by Covid-19. Additionally, the Board met frequently, particularly during the initial stages of the pandemic to oversee the Group's response, with the Group's immediate priority being the safeguarding of the health and wellbeing of our colleagues and customers.

The Board oversaw the management of the impact of Covid-19 on the Group's customers, colleagues, regulatory obligations and engagement and its operational and financial performance. In light of Covid-19, the Board also regularly reviewed the governance arrangements and management of the Group's capital and liquidity positions, and any actions required to address risks posed by Covid-19. The Board was supported by Board committees in its response to the pandemic and you can read about this on the following pages:

- the GRC – pages 138 to 140;
- the Audit Committee – pages 133 to 137;
- the Remuneration Committee – pages 149 and 150; and
- the CCE Committee – pages 131 and 132.

The Disclosure Committee also regularly reviewed and assessed whether any disclosure obligations and price sensitive information had arisen in relation to the impact of Covid-19 on the Group and considered how the Group should appropriately keep the market updated on the impact.

The Board reviewed how Covid-19 had impacted each of our divisions, and how each division had responded and adapted to the challenges they faced. Furthermore, the boards and executive management at divisional level also had oversight of each division's response to the pandemic. You can read more about how we have responded to Covid-19 on pages 6 and 7 and the impact of Covid-19 on the Group and its businesses on pages 38 to 47.

The Board discussed in detail the Group's approach for the safe return of colleagues to the office, where necessary and in line with government guidance, and the arrangements in place to protect them. The Board also discussed how colleague communication was being undertaken during the pandemic in order to maintain colleague engagement whilst many of the Group's colleagues worked remotely and flexibly.

As a result of the pandemic, the Board also took some difficult decisions including the withdrawal of the previously announced 2019 final dividend and the holding of both the AGM and General Meeting of 3 November, behind closed doors. You can read more about our decision to withdraw the 2019 final dividend in our s.172 statement on page 95.

Also, as noted on page 92, the Group decided to repay all furlough support to the Government.

Key stakeholders

- Investors
- Customers
- Colleagues
- Regulators
- Government
- Debt providers
- Communities

Link to Blueprint strategic drivers

Link to risk

- P1, P2, P3, P7, P9, E1, E3 & E6

Looking forward to 2021, key areas of focus are expected to include:

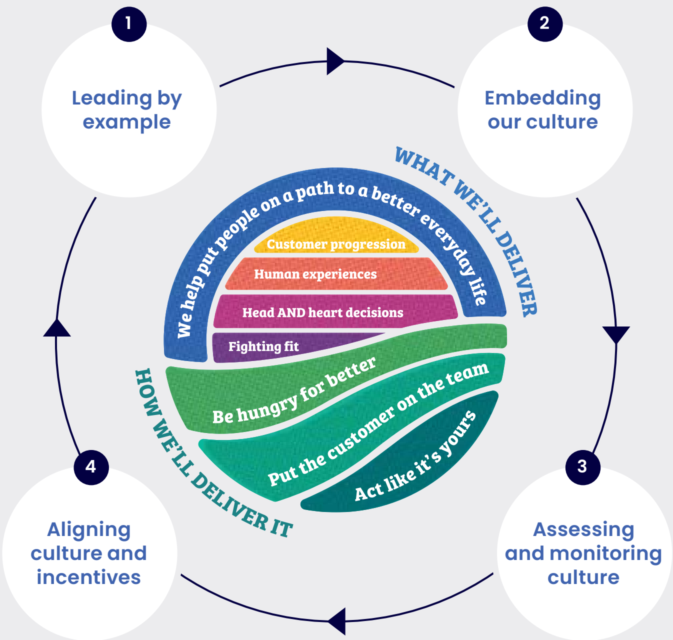
- overseeing business performance;
- overseeing the delivery of the Group's strategic initiatives and change programmes;
- continuing to understand and manage the impact of Covid-19 and its economic consequences on the Group, including its performance and its strategy;
- monitoring the Group's culture and customer centricity;
- continued focus on addressing and responding to the regulatory environment and maintaining working relationships with our regulators; and
- continuing to oversee the implementation of a Scheme of Arrangement in CCD and evolution of CCD's customer proposition of CCD in response to the changing market dynamics in the high-cost credit market, including pursuing a sale or managed run-off of the business and establishing a new, mostly digital, lower cost offering structured as a personal loan.

The Board: steering our culture and uniting our colleagues

The Board remains focused on continuing to embed a culture that is aligned with the Group's Purpose and long-term strategy.

Being a purpose-driven organisation, our Board recognises the importance of creating and sustaining the right culture across the Group. Our Purpose of helping to put people on the path to a better everyday life is personified by, and will be achieved through, our colleagues' behaviour. This is why we launched our Blueprint in 2019, which brings together why the Group exists as an organisation, framed in the context of the role that our business plays in the lives of our customers. It also outlines the key strategic drivers of focus that will drive both competitive advantage and commercial success for the Group. Our Blueprint behaviours are designed to foster a culture where the customer is forefront in our minds and we hold ourselves and each other personally accountable for success. Further information on our Blueprint is detailed on the inside cover of our report.

The Board is responsible for promoting the desired culture and ensuring that the governance framework supports its embedding and monitoring. This enables the Board to receive the right information, maintain the appropriate level of oversight and to be able to challenge management on performance, strategy and culture. Our Board understands that a strong culture, underpinned by good governance, enables long-term growth and generates sustainable value for our stakeholders. You can read on pages 91 to 98 how the Board has had regard to the interests of our stakeholders and their s.172 responsibilities to deliver long-term growth.



Leading by example

Culture must be driven from the top in order to set the tone and ensure that the Group's decision making and behaviours are guided by a set of values that allow for the right outcomes to be achieved for our stakeholders.

Our Board is responsible for establishing the Group's Purpose and long-term strategy, aligned appropriately with stakeholders' expectations. During the year the Board has reviewed and approved the Group's strategy at the CPC and monitored the progress of its delivery, considered its stakeholders through a combination of direct and indirect engagement, and stimulated debate through its oversight and challenge of management.

The desired behaviours and culture are reinforced by the Board, leading by example. Regular Board meetings were held throughout the year to provide oversight and direction on key strategic business activities, the work of its Committees and legal and governance matters. This allowed the Board to hold management to account and reinforced the tone from the top. Due to Covid-19 related restrictions, the Board's direct engagement with wider colleagues has been limited to remote means, such as our CEO's weekly vlog to keep colleagues informed on developments across the Group and to recognise their contributions. Prior to the restrictions, our Chairman visited colleagues in the Bradford office and hosted a Colleague Forum lunch which provided the opportunity for direct wider colleague engagement.

Culture and governance are intrinsically linked, as a healthy culture is underpinned by good governance. We have therefore continued to invest time during the year in reviewing, updating and formalising the delegated authorities, roles and responsibilities across all the divisions. The Group also aligned its corporate support functions (Finance, Legal, Enterprise Risk, Audit, Information Technology and Data Protection) via matrix function management to improve communication and resource efficiency across the Group.

The Board must operate effectively in order to deliver successful leadership, including in relation to culture. Therefore part of the Board's governance framework includes an annual evaluation of its performance, its Committees and individual directors. The internal effectiveness evaluation this year assessed how effectively the Board monitors and shapes culture. The evaluation identified some successes in this area (such as the colleague engagement mechanisms), as well as opportunity areas (such as broader diversity amongst the Board and executives). For further information on the evaluation process please see page 125.

Cultivating the desired culture and delivering our long-term strategy also requires an appropriate risk management and internal control framework. The Board maintains responsibility for reviewing the effectiveness of the Group's internal control and risk management systems.

The Board: steering our culture and uniting our colleagues continued

Embedding our culture

Last year we reported how the Board had engaged with colleagues, through executive-led workshops and roadshows, in rolling out the Blueprint to ensure that our Purpose and behaviours were understood and embraced by colleagues. This year we are pleased to report on how the Blueprint has been lived by the Group and embedded into our everyday working culture.

The Board oversaw our executives, supported by Group Human Resources and Internal Communications, in the delivery of the following initiatives to unite and support colleagues through this challenging year:

- our Blueprint 'Stay Connected' magazine and regular vlogs from the CEO;
- our colleagues were kept regularly updated on the Government's guidance on Covid-19, our response to the pandemic and provided with access to support resources;
- dedicated professional mental wellbeing support through our Thrive mobile application and Employee Assistance Programme;
- mandatory e-learning modules on a wide variety of key processes, such as returning safely to the workplace, and expected behaviours, including diversity, equality and mental health awareness;
- diversity & inclusion communities formed affinity groups based around gender, LGBTQ+, ethnicity and disability;
- workforce panels, in the form of Colleague Forums across each division, and a designated non-executive director to engage with colleagues;
- a 'Better Everyday' award scheme to recognise colleagues who demonstrate our Blueprint behaviours; and
- a review of existing workforce-related policies to further embed the Blueprint into our ways of working and create a fair, consistent experience for colleagues across all divisions.

Blueprint in action: human experiences

Our Blueprint: Stay Connected magazine was launched this year to enable colleagues to keep in touch, share inspiring stories and keep informed of the latest developments across the Group. Each issue includes a message from the CEO and key updates from each division. Features this year have included: financial updates from the Group Chief Finance Officer; mental health and wellbeing articles; inspiring personal stories from colleagues; activities that demonstrate the Blueprint behaviours; pub quizzes; and charity and community work.

You can read more about our colleague engagement initiatives on pages 76 to 79.

Assessing and monitoring culture

The CCE Committee is chaired by the Group Non-Executive Colleague Champion and the activities of the Committee are regularly reported to the Board. As well as more qualitative methods for assessing culture, the Committee also adopts a quantitative evidence-based approach to their work, through the monitoring of Blueprint and Customer Dashboards. The key performance indicators in these dashboards measure performance against our Blueprint and the delivery of fair customer outcomes. Further information on the CCE Committee is detailed on pages 131 and 132.

The Board ensures that colleagues are able to raise concerns confidentially through appropriate whistleblowing procedures. During the year, the Board reviewed the Annual Whistleblowing Report and approved a new Whistleblowing Policy to increase oversight of whistleblowing incidents and promote ethical conduct. The new policy, which extends the level of protection to beyond the legal definition of whistleblowing, further promotes a 'speak up' culture within the Group.

Our Group-wide Colleague Engagement Surveys are also a vital feedback tool, as they allow colleagues to anonymously have their say about the leadership, culture and working life in the Group. This year we conducted two Group-wide Colleague Engagement Surveys as a temperature check on the wellbeing of colleagues and to seek their views on how the Group had responded to the pandemic. You can find the results of our surveys on page 79. The results are reviewed by the Board and used to identify the key focus areas where there appears to be misalignment between the Group's Purpose, values and strategy.

During the year, the Board carried out a robust assessment of the principal and emerging risks facing the Group, as well as reviewed risks against risk appetite. The Board also has oversight over compliance and health & safety reports, internal audit reviews (including management awareness ratings) and whistleblowing statistics, which help to identify any areas falling below expected standards and enabling the appropriate corrective actions to be taken.

Aligning culture and incentives

Remuneration and incentives have an important role to play in achieving a healthy culture and encouraging ethical conduct. The Board led by example during Covid-19 disruption by opting to take a 20% fee reduction for a period of three months. Our Remuneration Committee has discretion to override formulaic remuneration outcomes; to this end the Committee designed and consulted on the introduction of an RSP, which is intended to drive behaviours consistent with the Company's Purpose and values which are focused on delivering long-term sustainable value for our stakeholders. The Board recommended and obtained shareholder support this year for a new DRP and RSP to ensure an appropriate balance of fixed and variable remuneration for executive directors. You can read more about this in our DRR on pages 148 to 171. For further information on the work of our Remuneration Committee in ensuring that remuneration policy and practices are aligned with the Group's culture, Purpose, values and strategy, please see our DRR.

The Board considered feedback from the 2019 Colleague Engagement Surveys. Subsequently, the Remuneration Committee ensured that improving the survey results in 2020 was embedded into the executive directors' 2020 objectives. Additionally, the non-financial performance objectives of our executive directors are aligned to our Blueprint, and colleagues' performance reviews are based around our Blueprint behaviours.

How we engage effectively with our stakeholders

The Board recognises that the key to the long-term success of the Group is effective engagement and consideration of our stakeholders. This is also a fundamental aspect to how we operate as a responsible leader in our markets especially in light of the challenges we faced during 2020, as a result of the Covid-19 pandemic. To read our s.172 statement please refer to pages 91 to 98.

Stakeholder engagement

In order to ensure that the Board considers the matters set out in s.172 of the Companies Act 2006 in its discussions and decision making, appropriate direct and indirect engagement and information flows are key. We have set out in our s.172 statement on pages 91 to 98 more detail regarding how the Board has considered the matters set out in s.172 of the Companies Act 2006 during the year and the impact of that regard. We have also reported in our s.172 statement specific examples of how the Board considered these factors in key decisions made during the year. As described on page 120, our reporting templates require that an assessment of risk and also those matters within s.172 are reported on in all Board and Committee written reports.

The effectiveness of the Board's stakeholder engagement and its understanding of the views and requirements of key stakeholders, together with how it considers the matters in s.172 of the Companies Act 2006, were reviewed in the Board and Committee effectiveness evaluation.

The CCE Committee oversees our stakeholder engagement activity and, subsequent to the review of stakeholder engagement commissioned by the Committee, the following actions have been completed in 2020 to enhance stakeholder engagement and reporting:

- the standard Board reporting templates have been enhanced to prompt writers to consider stakeholder impacts of their activities;
- a stakeholder map has been produced and reviewed by the CCE Committee to understand the nature, influence and interest that our stakeholders have in respect of our business objectives and/or strategy; and
- s.172 training and guidance materials have been developed and provided to subsidiary directors and included as part of the director induction process.

Stakeholder engagement is an evolving area of governance and in October 2020 the CCE Committee commissioned a stakeholder materiality assessment. The results of this, together with the stakeholder map, will be considered by the CCE Committee during 2021 and are expected to inform the Group's future stakeholder engagement strategy.

The CCE Committee has utilised a number of regular reports and activities during the year to support it in discharging its responsibilities. These include, but are not limited to:

- the Blueprint Dashboard, which measures progress made against our cultural key performance indicators, such as customer outcomes and colleague engagement;
- the Customer Dashboard, which reports trends and progress against the customer commitments made in each of the divisions;
- regular customer call listening sessions; and
- a review of the Group's key suppliers.

You can read in more detail about the work of the CCE Committee on pages 131 and 132, and our Sustainability Report can be found on pages 70 to 90. For more information about the role of colleagues in delivering sustainable returns please read about our business model in our Strategic Report on pages 18 and 19.

Engaging with our colleagues

Supporting our colleagues as they navigate through the Covid-19 pandemic has become the primary focus of the Board's colleague engagement this year. The Board's designated Non-Executive Colleague Champion, Graham Lindsay, has led direct colleague engagement on behalf of the Board. You can hear more from Graham about his role and how messages from the Board have been communicated to colleagues on the next page.

We use our management structure to cascade and reinforce communications where appropriate and house communications on our divisional intranets. Graham's attendance at our divisional workforce panels provided him with a direct opportunity to thank colleagues on behalf of the Board and to engage with them on the Board's priorities and its view on Group performance.

Understandably there have been limitations on face-to-face engagement during 2020 and consequently the Group has used technology to facilitate continued consultation and dialogue with colleagues. Divisional workforce panels have continued to meet remotely and feedback from these has been provided to the executive and Board to help shape and inform the decisions made by the Group, particularly concerning remote working, the Return to Office process and providing a Covid-19 secure office environment. For example, the CCD workforce panel identified Covid-19 secure ways of working that allowed customer representatives to recommence some aspects of their role earlier than had been expected. The divisional workforce panels also highlighted the concerns of our key workers who had remained in the office throughout the pandemic regarding the possible wider Return to Work approach, assisting in the approach taken as to how we managed the number of other colleagues returning to the office.

The Board has received regular reports on colleague engagement activity from both the Group HR Director and its designated Non-Executive Colleague Champion, Graham Lindsay. You can read more about this, and about the good progress in our Colleague Survey results, on page 79.

Workforce policies and practices

In addition to overseeing that the Group's workforce policies and practices are aligned to the Blueprint, the CCE Committee also monitored our response to the Government's Covid-19 related rules as they evolved. A Group HR policy review has been initiated with the objective to create one set of overall Group HR policies, applicable across the divisions, and to deliver a simplified, fair and consistent colleague experience. You can read more about this and the work of the CCE Committee in its report on pages 131 and 132 and how the GRC reviewed the Group's Covid-19 risk assessment on pages 138 and 139.

Investing and rewarding our workforce

You can read more about the ways in which we invest in our workforce on pages 144 and 145 and about our approach to rewarding our workforce on pages 166 and 167.

Listening to our colleagues

> Getting company culture right is the most important thing to me, as everything flows from it. A good culture delivers the right outcomes for all stakeholders, internal and external.

Graham Lindsay
Independent Non-Executive Director

Graham Lindsay, our designated Non-Executive Colleague Champion and Chair of the CCE Committee, has had a busy first year in role. Below he discusses his highlights from the year, and how the Colleague Champion role has enhanced effective engagement for the Board...

Q. Can you talk a little about your engagement with colleagues during the year? It must have been different than you might have planned given the travel restrictions of the Covid-19 pandemic?

A. I would argue that 'first among equals' in terms of directors' responsibilities to all stakeholders is to listen to the views of and engage with its own colleagues. Shareholders, in my view, are beginning to realise how important all colleagues are in delivering a successful company. To have open communications, celebrate the successes, discuss areas that need improvement and ask for their help in solving the challenges. We are fortunate to have four elected colleague workforce panels across the businesses, with dedicated and engaged colleagues who are very open with their opinions, and I have spent time with them all during the year, albeit not able to meet face to face, but hopefully that will change soon. A lot of colleague panel focus has been on Covid-19 and colleague and customer welfare, which is right given the exceptional circumstances. Going forward, I would also expect the panels to focus on other areas like business strategy and colleague engagement, assuming the pandemic is successfully tackled.

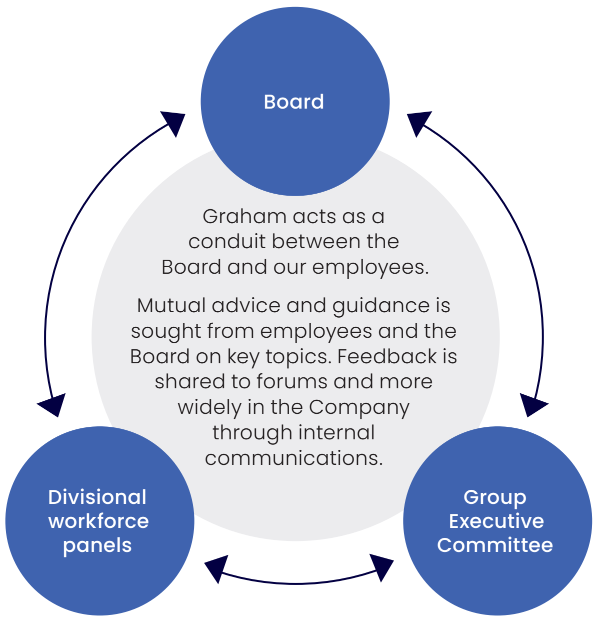
Q. What does s.172 of the Companies Act mean for boards of directors and is it of benefit to companies?

A. I see the purpose of the s.172 directors' duty being to encourage boards of companies to create a culture whereby decisions are made with greater consideration for the wider impact upon the organisation, beyond the traditional emphasis on just financial performance and strategic objectives. Some companies, and Provident Financial Group is one of them, have recognised that as society and its expectations are changing, we need a radically different approach, a broader purpose beyond customer service and profitability.

That is why our Purpose 'to help put people on a path to a better everyday life' is so important. This is our reason for being; it unifies us and is something that we can get behind both practically and emotionally. It aligns the commercial goals with the broader needs and ambitions of all of our stakeholders: our customers, the communities we serve, investors, regulators, suppliers and of course our colleagues. We must, however, take the time to seek their views and perspectives, and build those into how we operate and deliver goods and services to our customers.

Q. How else do you seek feedback from colleagues?

A. We have all adapted to our increasingly digital world, and whilst I advocate seeing colleagues face to face wherever possible, we have had some high-quality discussions using our enabling technology. My Board colleagues and I are in regular contact across the businesses, in normal times making regular visits talking to staff and joining them for various activities. This has been substituted with lots of video conferencing interactions since March 2020. The Board also receives all internal communication briefings, which gives us a feel for how, and what is being communicated to the Company's key asset – its colleagues – and allows us to get a sense of how our colleagues feel. We also spend time reviewing the Colleague Surveys as soon as they are received.



Q. Have there been any insights that the Board has found particularly valuable?

A. Yes, absolutely. Discussions and feedback have helped shape remote working, the Return to Office process and the Covid-19 secure office environment. They have helped to interpret the Colleague Surveys and provided an insight into the general mood, wellbeing and concerns of the workforce, enabling support to be provided in key areas. Wellbeing concerns expressed by key workers, who were required to remain in the office throughout the pandemic, assisted the decision as to how to appropriately limit those returning in the office. Ensuring a balance of treating those within the office and those working remotely equally and fairly was also informed by the workforce panels, formal survey results and informal colleague feedback.

Q. What has been your highlight of the role so far?

A. Meeting and engaging with so many dedicated colleagues across the Group. Their passion, commitment, dedication and support for their colleagues and their customers and a desire to make it a better place for everyone is a shining example of how communication, openness and creating the right culture can only have positive outcomes. When you also consider how Covid-19 has impacted everyone's lives this year, their commitment is even more remarkable.

Q. And, looking forward to next year, are there any areas of particular focus for the Board?

A. We are building a Group agenda to continue the momentum of positive support that has been forthcoming from the workforce panels and amongst the topics for 2021 are customer service initiatives, HR initiatives, wellbeing support, colleague engagement, diversity and inclusion, HR policy review and change projects to name but a few. I will also be focusing on culture; as I said earlier, I believe it is very important, and as companies evolve it can always be improved.

Blueprint in action – Covid-19 response: colleague engagement case study

The Covid-19 pandemic presented a need to engage quickly, frequently and consistently with our colleagues across the Group. Communications was identified as a key workstream in the initial business continuity response work and the Group's communications framework was reviewed and enhanced.

Internal communications

The frequency of internal communications has been increased and the format of delivery enhanced. Regular communications include vlogs from the Group CEO, online newsletters and virtual huddles (informal Q&A sessions). Regular operational communications, such as those that responded to government announcements, ensured that colleagues were kept informed about the Company's approach and expectations. Colleague safety, health and wellbeing were focused on, with the supporting tools available to colleagues regularly reinforced. This area continues to be a priority for the Board.

Surveys

A Colleague Survey was completed to gather data about our colleagues' opinions regarding the new working arrangements, including those working from home. Survey questions covered colleagues' ability to work remotely, their productivity, their physical and mental health and general wellbeing, presenting an opportunity for colleagues to self-identify any home workspace requirements. Smaller subsets of colleagues have been surveyed for specific reasons, including to help inform the Return to Work and future of work strategies.

The Group ran an additional Colleague Pulse Survey in June 2020 to gather insights into colleague engagement and the annual 'Be Open' Colleague Engagement Survey was undertaken in November 2020.

Workforce panels

The Group utilised the existing workforce panels, adapted to remote meetings, and the designated NED Colleague Champion, Graham Lindsay, to engage with colleagues.

Workforce panel terms of reference were enhanced to recognise some additional duties and ensure the panels were representative of our current workforce. The workforce panels have consulted on: the Covid-19 workplace risk assessment; returning to work and workplace practices for key workers; shaping specific divisional operational processes; the future of work; and mood, wellbeing and areas of specific employee concern.

The work of the workforce panels and recommendations for ways in which they might be used to consult on future Group-wide matters has been reported to the Board.

Effective engagement with shareholders and stakeholders: investor relations

Key investor engagement themes in 2020

Engagement overview

The Group is committed to engaging in open and honest dialogue with its investors and maintains the following mechanisms to ensure effective engagement with its investors:

- meetings with shareholders;
- a Capital Markets Day every two years (last held in 2019);
- the Annual Report and Financial Statements;
- the Annual General Meeting (AGM);
- stock exchange announcements (RNS) and press releases;
- a dedicated investor relations team;
- investor roadshows;
- investor perceptions audits;
- the Corporate Responsibility Report; and
- the Investors section of the Group website.

Regular engagement provides shareholders with an opportunity to discuss particular areas of interest and raise any concerns which can be communicated to the Board. The Group aims to communicate its plans effectively and understand investor views on its overall strategy and performance. In turn, this enables our shareholders and investment analysts to formulate a strong understanding of our Purpose, strategy, performance and culture.

How the Board engages

One aspect of our Chairman's role is to ensure effective engagement with investors and to understand their views. This is enabled by the various communication channels listed above. The Chairman and Chair of the Remuneration Committee have both held meetings with investors during 2020. The Chairman also ensures that the Board as a whole receives feedback and has a clear understanding of the views of investors.

The Group has a dedicated Investor Relations (IR) team which is in regular dialogue with our shareholders and sell-side analysts. The IR team reports regularly to the Board, outlining the general nature of matters communicated and discussed with investors, including feedback and engagement plans. Furthermore, feedback from our joint corporate brokers, Barclays and Numis, is distributed to the Board and senior management team after each market update. An independent perception study of investor views is commissioned once a year and reviewed by the Board. Our quarterly management statements and half- and full-year results statements are reviewed and approved by the Board prior to their release. Further information regarding how the Board engages with our shareholders and debt investors is contained within our s.172 statement on page 95.

Annual General Meeting (AGM)

The AGM presents investors with an opportunity to ask Board members questions and to cast their votes for proposed courses of action, including the appointment of Board members and the approval of the DRR.

Government restrictions in response to the global Covid-19 pandemic resulted in the 2020 AGM being held behind closed doors. Investors were asked to provide any questions for the Board in writing in advance of the meeting and to vote by proxy.

General Meeting (GM)

Andrea Blance engaged with investors through an investor consultation process prior to the Group's GM on 3 November 2020 regarding proposed changes to our DRP and the introduction of an RSP, seeking investor feedback. All the resolutions were passed at the GM and you can read more about the DRP and the investor consultation on pages 151 and 152.

2020 IR Programme

- JAN: 2019 Trading Update – 15 January 2020
- FEB: Preliminary Results Announcement – 27 February 2020
- MAR: Announcement regarding the withdrawal of the final dividend – 27 March 2020
- APR: Announcement regarding the impact of Covid-19 upon AGM arrangements – 20 April 2020
- MAY: AGM – 7 May 2020
- MAY: Q1 Trading Update – 27 May 2020
- JUN

IR Programme

Our dedicated IR team maintains a planned IR Programme throughout the year that ensures ongoing dialogue with our shareholders and debt investors. Other investor engagement activities during the year included the following:

1 The Annual Report

This is the most significant engagement tool and is intended to show shareholders how the Board has set the Company's Purpose and strategy; and how the Board is actively focused on meeting its objectives and achieving outcomes through the decisions it has taken. Most importantly, it enables investors to evaluate our approach to governance arrangements.

2 The Group website

The Group website provides investors with timely information about each of our three divisions, our management team and Board members and the Group's strategy and performance. It also provides investors with details regarding up-to-date financial information, regulatory news and all released RNS, together with detail regarding how the Group meets its Code obligations.

3 Investor days

As shown above, the Group holds a Capital Markets Day every two years (last held in 2019). These events are a key engagement tool which allow our stakeholders to hear the latest views from senior management and for us to communicate the strategic ambitions for the Group.

4 Investor/analyst meetings

The Group takes a proactive approach by inviting investors and analysts to meet with senior management on a regular basis.

5 US and European roadshow programmes

The Group is dedicated to facilitating necessary access for overseas investors to management, enabling them to receive the same access to information as investors in the UK. Roadshows are usually attended by the CEO, the CFO and the Head of IR. The Group did not undertake overseas roadshow activity in 2020 due to Covid-19 travel restrictions. However, we continued to interact with our international shareholders via video conference. The Group plans to resume overseas roadshows when permitted.

6 Attending broker conferences

Senior management regularly presents at industry conferences hosted by sell-side analysts and brokers to ensure accessibility for a wide variety of stakeholders. Attendance at broker conferences was limited to video conference during 2020, and senior management spoke at the Barclays Global Financials Conference in September and the Goodbody Conference in November. Such events continue to form a core part of our shareholder engagement programme for 2021.

7 Corporate Responsibility Report (CR Report)

The CR Report offers investors a clear and comprehensive insight into the Group's Blueprint and its social purpose of providing financial inclusion for those who are underserved. It also highlights the Group's contribution towards reducing carbon emissions.

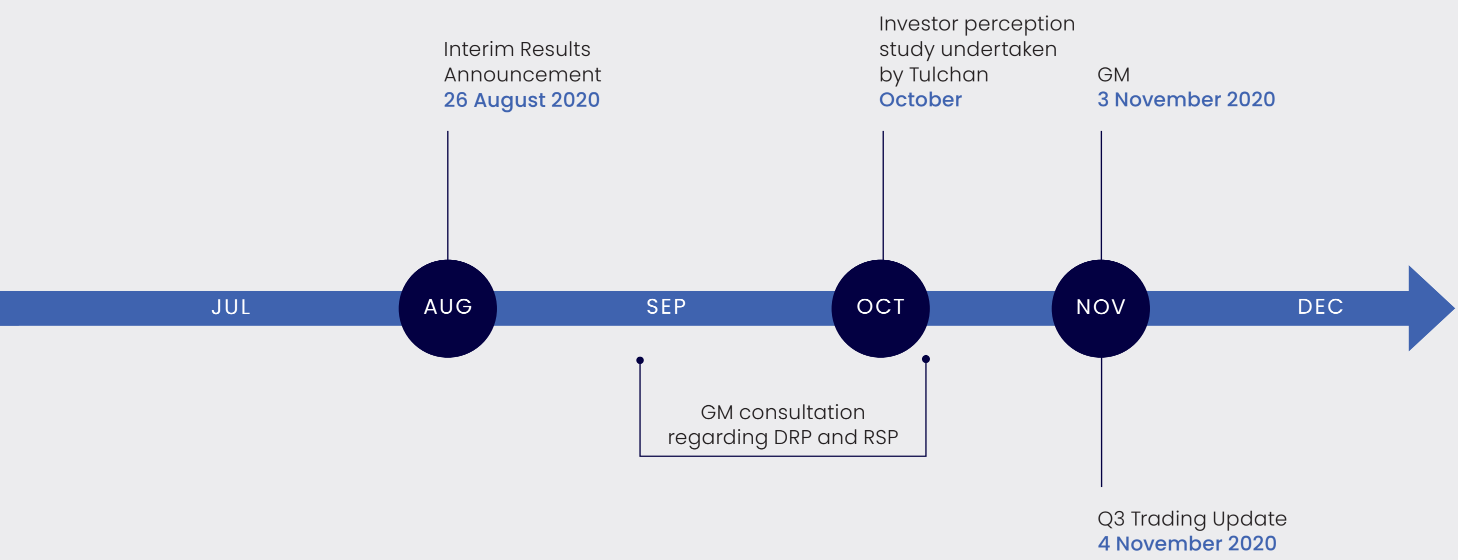
8 Shareholder correspondence

The Group is committed to engaging and responding to all investor queries on a timely basis and this role is performed by our dedicated IR team.

9 Investor perception study

The Group commissioned an investor perception study, undertaken by Tulchan Communications LLP, during the third quarter of 2020. This was designed to collate the views of our shareholders and other market participants. Its findings, which were presented to the Board in December, were:

- PFG has strong market positions with long-established businesses;
- the Group's balance sheet is a source of real competitive advantage;
- our relationships with key stakeholders have improved markedly in recent years;
- regulation of our markets remains a concern to some shareholders; and
- the turnaround of CCD will be key to future performance.



How we structure our governance

Our Board

Our Board is responsible to its shareholders and other stakeholders for the management, performance and long-term success of the Group. It sets and oversees the Group's Purpose and strategy and ensures that the Group is managed effectively. Our Board provides challenge and advice to management, and has established a number of committees with specific remits to assist it in operating effectively. There are certain matters that are reserved for the Board's approval and cannot be delegated. These include, but are not limited to, the following:

- approval of and monitoring implementation of the corporate strategy;
- oversight of the Group's operational and subsidiary performance;
- approval of the annual budgets for the Group and its subsidiaries;
- approval of the Annual Report and Financial Statements;
- oversight of the Group's system of internal controls, risk management processes and the adequacy of both;
- the setting, instilling and monitoring of the Group's Purpose, culture and values; and
- approval of any major changes to the Group's capital or corporate structures.

Board committees

Nomination Committee
The Nomination Committee determines the right structure, size and composition of the Board. It also considers Board diversity, succession and the leadership needs of the Group and recommends any Board appointments.

Read more on **page 127**

Audit Committee
The Audit Committee examines the integrity of the Group's financial statements and oversees the system of internal controls. It monitors the independence and effectiveness of both Internal and External Audit.

Read more on **page 133**

Group Risk Committee (GRC)
The GRC considers the Group's risk appetite, recommends its adoption to the Board and monitors the status of the Group's risks against it. It examines the Group's principal and emerging risks and oversees the effective implementation of the risk management framework, including associated assessment processes. The GRC is also responsible for reviewing the Internal Capital Adequacy Assessment Process (ICAAP).

Read more on **page 138**

Remuneration Committee
The Remuneration Committee determines the DRP and ensures that it aligns with the Group Purpose and strategy. It sets the level of remuneration for senior management, executive directors and the Chairman and examines workforce remuneration-related policies. The Committee provides oversight of key remuneration-related matters for those divisions that do not have a remuneration committee.

Read more on **page 148**

Customer, Culture and Ethics (CCE) Committee
The CCE Committee oversees stakeholder engagement and the alignment of Group policies, procedures, systems and behaviours with the Group's desired customer outcomes. Furthermore, the Committee examines the embedding of the Group's Purpose, culture, ethics and Blueprint behaviours. The Committee oversees the Group's environmental impact and activities and corporate responsibility strategies.

Read more on **page 131**

Disclosure Committee
The Disclosure Committee ensures compliance with the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules. It oversees that there are appropriate policies and processes in place to govern the identification, treatment and disclosure of inside information.

Executive Committee

Where a matter is not reserved to the Board or one of its Committees, it is delegated to the CEO who has established the Group Executive Committee, which he chairs, to assist him in his decision making and in making recommendations to the Board. The Committee membership includes the managing directors (MDs) of each division and those senior Group executives with functional reporting lines including HR, Finance, Communications, Internal Audit, Risk, Legal and IT. The Committee oversees delivery of the strategy and day-to-day management of the Group, promoting the Group's culture, values and Purpose. It receives reports from each of the divisional MDs and works to achieve consistency and alignment across the Group. The Committee meets regularly and considers most material matters ahead of the Board.

Matters that the Committee has considered this year include: the results of the Employee Opinion Survey and the associated action plans; the Gender Pay Gap Report and action plan; detailed product proposals; the Group's Business Continuity Plan including actions in response to the Covid-19 pandemic; the Group's principal and emerging risks and mitigating actions; a review of the Group Code of Ethics; and financial forecasts, including year-end forecasting, reforecasting in response to the Covid-19 pandemic, budgets and financial scenario modelling.

Group Executive Risk Committee (GERC)

The GERC provides a dedicated forum for the executive team to consider risk. The Group Chief Risk Officer chairs this Committee and members include the Group CEO, Group CFO, divisional MDs and senior executives in HR, Communications, Internal Audit, Legal and IT. The Committee monitors the strategic approach to risk management across the Group. This includes the overall coordination, review and, as appropriate, delivery of risk management activity. The GERC supports the Group and its divisions to operate within the risk appetite parameters approved by the Board. Matters that the Committee has considered this year include: risk harmonisation and risk and control self-assessment; regulatory contact and horizon scanning; divisional risk management; new or material amendments to products; the Group Business Continuity Plan including the Group's Covid-19 risk assessment and plans for safe Return to Work; the Group's Wind Down Plan; and the Group's risk appetite.

Governance framework

Our governance framework has been designed to establish good governance practices that facilitate cooperation within the Group, enabling the Board to discharge its governance responsibilities under the Code effectively. In addition the governance framework provides accountability to the Company's stakeholders including shareholders.

Documents that are key components of the governance framework, in addition to the terms of reference, are:

The Board Governance Manual

The Board Governance Manual sets out how we govern the Group, including the key roles and responsibilities, details of our Committee structure and their purpose.

The Delegated Authorities Manual

The Delegated Authorities Manual formalises what matters can be approved, and by whom, including thresholds for escalation, below Board level. This year we have reviewed and refreshed the divisional delegated authorities manuals.

Terms of reference

We have established clear terms of reference for all forums within our governance framework. The terms of reference define the duties, responsibilities, authorities and membership of each Committee and are consistent in format. Group Company Secretariat review the suite of terms of reference at least annually. This year ICSA: The Chartered Governance Institute has published updated model terms of reference for the Risk, Audit, Remuneration and Nomination Committees and we have reviewed our documentation against this best practice guidance and updated it where applicable.

Policies

The Group has established a suite of corporate policies that set out at a high level the codes of conduct, controls, processes and requirements of all employees, divisions and the corporate office. The divisions are responsible for embedding the corporate policies at a local level via the implementation of divisional policies and procedures with the Board having oversight. The corporate policies are reviewed on a regular basis and we expect them to evolve in tandem with policy harmonisation work that is taking place across the Group and divisions in areas such as HR and Risk.

How we divide our key responsibilities

We define the roles of our Chairman, CEO and Senior Independent Director (SID) clearly and in writing and they are available on our website www.providentfinancial.com/who-we-are/leadership. Patrick, our Chairman, leads the Board in its setting our strategy and generating long-term sustainable value and also in ensuring its effectiveness. Malcolm, our CEO, is responsible for implementing the strategy, running the Company's business and leading the Executive Committee. In her role as SID, Andrea acts as sounding board for the Chairman and serves as an intermediary for the CEO, the other directors and shareholders.

Chairman

- Leads the Board
- Ensures alignment of strategic objectives
- Safeguards corporate governance
- Leads with integrity
- Promotes critical discussion and encourages challenge
- Promotes diversity and inclusion
- Ensures shareholder value is generated and stakeholders are engaged
- Ensures Board decisions are taken on a sound, well informed basis

Chief Executive Officer (CEO)

- Provides leadership for the Group and executive team
- Is responsible for day-to-day management
- Is responsible for developing the strategy
- Recommends long-term objectives to the Board
- Is responsible for ensuring risk management and internal controls are in place

Senior Independent Director (SID)

- Is available to shareholders to address any concerns
- Is a sounding board for the Chairman
- Acts as a conduit for other directors
- Leads reviews of the effectiveness of the Chairman

Chief Finance Officer

- Leads the Group Finance function
- Supports the CEO to develop and implement the Group's strategy
- Is responsible for effective financial reporting, processes and controls
- Deputises for the CEO as required

Non-executive directors

- Provide independent and constructive challenge
- Monitor and review the performance of the executive directors
- Apply their knowledge and experience from other sectors to the Group
- Chair Committees in their area of expertise as appropriate
- One non-executive director undertakes the role of Colleague Champion (see pages 114 and 115 for further details)

General Counsel and Company Secretary

- Provides comprehensive legal support to the Board and individual directors
- Is the subject matter expert on corporate governance matters
- Ensures that Board-level information is fit for purpose
- Facilitates effective discussion between management and the Board
- Is responsible for communicating with shareholders on governance-related matters

Information and reporting

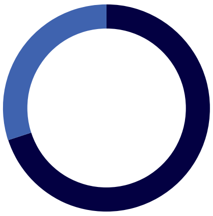
The Chairman is responsible for ensuring that the Board receives the information it needs, when it needs it, in order to effectively carry out its role. The General Counsel and Company Secretary, together with her team, facilitates the effective flow of information to and from the Board, Committees and management by working with the Chairman, the CEO and the management team. Our reporting is standardised and our templates have been designed in such a way as to ensure that consideration is given to s.172, risk and the Group's culture when drafting. As well as ensuring the quality and consistency of our reporting, our templates assist our directors in navigating the information, enabling them to focus on material matters and use their time effectively. We ask our Board members to comment on the length, structure and timeliness of materials during the year and take action on the feedback received. As a direct result of Board feedback this year, we have enhanced our Board reporting to include CEO, Blueprint and Customer Dashboards.

Each Committee has an annual forward agenda plan that is based upon the duties and responsibilities documented in its terms of reference. Group Company Secretariat monitors adherence with the terms of reference on an annual basis, thereby ensuring that the Board and its Committees successfully deliver on their responsibilities.

Independence of non-executive directors

Independent non-executive directors provide independent oversight and constructive challenge to executive directors. As well as independence, they bring impartiality, skills and experience, knowledge and their own personal qualities to the boardroom.

Board balance



- Independent non-executive directors 7
- Executive directors and Chairman 3

The Nomination Committee and Board review the independence of its directors on appointment and thereafter annually, taking into consideration the factors set out in the Code and any other circumstances which may impair independence. Following consideration and recommendation from the Nomination Committee, the Board has determined that each non-executive director remains independent except the Chairman, who was independent on appointment. Margot James, who was appointed during the year, was formally determined to be independent on appointment.

All directors are required to disclose to the Board any outside interests which may pose a conflict with their duty to act in the best interests of the Company. The Board reviewed and approved a Conflicts of Interest Policy during the year which applies to all Group directors and sets out the arrangements for when a director of any company within the Group has an actual or potential conflict of interest. Further details on conflicts of interest can be found in the Directors' Report on page 142.

Board appointments and time commitment

To support the robustness and transparency of our Board appointments, we have a formally documented Board Appointment Process which sets out what the Nomination Committee needs to consider when recommending Board appointments, including the Board's diversity, directors' skills, other commitments, independence and culture. The process also stipulates that open advertising be used for the recruitment of the position of Chair, CEO or non-executive director.

During the year, Margot James was appointed as Independent Non-Executive Director. A rigorous appointment process was followed for her appointment as detailed on page 128.

Directors are required to ensure that they will have sufficient time to meet what is expected of them effectively. The Board reviews the time commitment of each director on appointment on an ongoing basis in response to changes in their external time commitments. For the period under review the Board is determined that all directors had sufficient time to effectively discharge their responsibilities.

The Board will consider appointments that the directors may wish to take on in order that they do not compromise their effectiveness and the Code also requires that additional external appointments should not be undertaken without prior approval of the Board. The Board's External Appointment Policy is designed to ensure that all directors remain able to effectively discharge their responsibilities to the Company, whilst recognising the benefit of external appointments to director developments and experience. The Board considers all requests for permission to accept other directorships carefully, subject to the following principles:

- a non-executive director would not be expected to hold more than four other material non-executive directorships;
- if a non-executive director holds an executive role in a FTSE 350 company, they would not be expected to hold more than two other material non-executive directorships;
- in line with the Code, an executive director will be permitted to hold one non-executive directorship in a FTSE 100 company (and to retain the fees from that appointment) provided that the Board considers that this will not adversely affect their executive responsibilities to the Company; and
- the Board would not permit an executive director to take on the chairmanship of a FTSE 100 company.

Member attendance at Board and Committee meetings in 2020

> "During the year, the Board considered Andrea Blance's and Elizabeth Chambers' proposed appointments as Non-Executive Directors of Hargreaves Lansdown plc and TSB Bank plc respectively. The Board took account of their existing time commitments and resolved that they would have sufficient time to discharge their duties to the Company and, as such, approved the appointments.

The Board holds meetings at regular intervals, where the Group's financial and business performance is reviewed, along with risk, IT, legal, human resources and strategic matters. There is a comprehensive meeting pack and agenda which are circulated before both Board and Committee meetings to allow the directors adequate opportunity to consider the matters to be discussed. Board and Committee meetings are scheduled more than a year in advance and if any director is unable to attend a meeting, they are encouraged to provide their opinions and comment on the papers and matters to be considered upon circulation prior to the meeting.

Meetings are structured such that appropriate time is devoted to all agenda items. In addition to these scheduled meetings, 'ad-hoc' meetings are held outside the published cycle where circumstances require, for example, to discuss the Covid-19 pandemic, to approve appointments to the Board, to deal with any material transactions or to approve regulatory submissions.

Member attendance at Board and Committee meetings in 2020 continued

The table below sets out the Board and Committee attendance during the year. Attendance is shown as the number of meetings attended out of the total number of meetings possible for each individual director. During 2020, the absences by directors shown below were all as a result of other pre-planned commitments, urgent personal matters or meetings which were called at short notice.

Board member	Board	Ad hoc	Audit Committee	Ad hoc	Nomination Committee	Ad hoc	Remuneration Committee	Ad hoc	Group Risk Committee	Ad hoc	Customer, Culture and Ethics Committee
Total number of meetings	9	6	6	1	4	1	6	3	4	1	3
Patrick Snowball	9/9	6/6	–	–	4/4	1/1	–	–	–	–	–
Malcolm Le May[1]	8/8	6/6	–	–	–	–	–	–	–	–	–
Simon Thomas[2]	3/3	–	–	–	–	–	–	–	–	–	–
Neeraj Kapur[3]	6/6	6/6	–	–	–	–	–	–	–	–	–
Andrea Blance	9/9	6/6	6/6	1/1	4/4	1/1	6/6	3/3	–	–	–
Graham Lindsay	9/9	6/6	–	–	4/4	1/1	6/6	3/3	–	–	3/3
Robert East	9/9	6/6	–	–	4/4	0/1	–	–	–	–	3/3
Paul Hewitt	9/9	6/6	6/6	1/1	4/4	0/1	–	–	4/4	1/1	–
Elizabeth Chambers	9/9	6/6	–	–	4/4	0/1	–	–	4/4	1/1	3/3
Angela Knight[4]	9/9	6/6	6/6	1/1	4/4	1/1	3/3	3/3	4/4	1/1	–
Margot James[5]	3/3	–	–	–	2/2	–	3/3	0/2	–	–	1/1

1 Malcolm Le May took extended leave from September 2020 to November 2020 to have a pre-planned operation.
2 Simon Thomas stepped down on 31 March 2020.
3 Neeraj Kapur was appointed on 1 April 2020.
4 Angela Knight was a member of the Remuneration Committee until 31 August 2020.
5 Margot James was appointed on 27 July 2020.

Board composition

We believe the right Board composition is a key cornerstone of Board effectiveness and successful delivery of the Group's strategy. In that regard, the Board strives to ensure that its composition and that of its Committees is appropriate, with a sufficient combination of skills, diversity, experience and knowledge. In determining this, consideration is given to the length of service of the Board as a whole to ensure membership is appropriately refreshed. In addition, outcomes from the Board evaluation pertaining to Board composition are shared with and discussed by the Nomination Committee; these are then used to identify gaps in skills and experiences for incorporation into the Board training and development programme. You can read more about this in the Nomination Committee Report on page 127.

A review of the Board to consider its composition and diversity and how effectively its members work together to achieve the Group's objectives is undertaken annually. The Nomination Committee ensures that a rigorous and transparent appointment procedure is followed, with a diverse pool of candidates considered for any vacancy which arises. Appointments are based on merit, having regard to the skills, competencies and experience of the candidate. The Committee also ensures that succession plans are in place for Board and senior management positions and is responsible for overseeing the development of a diverse pipeline of talent. The Board approved its Equality, Inclusion and Diversity (EDI) Policy in December 2019, which is designed to promote equality, diversity and inclusion across the Group and to ensure that our business and working environment is one that respects and includes everyone. This means understanding the potential that all people bring to the workplace regardless of age, disability, gender, gender reassignment, marital and civil partnership status, pregnancy and maternity, race, religion or belief, or sexual orientation. Whilst initially our EDI initiatives were focused on driving improved gender diversity, with positive results, the focus is now on diversity in a broader sense. The Board's gender and ethnicity diversity perspective has also improved following appointments made during 2020. The Board met and continues to meet the Hampton-Alexander target of at least 33% female representation on the Board by December 2020. The Board also meets the recommendations of the Parker Review to have at least one director of colour by 2024. Further details on our EDI initiatives, objectives and progress can be found within the Nomination Committee Report on pages 129 and 130.

Board changes

Our Board composition has continued to evolve in 2020 and, following a thorough search to identify appropriate candidates with the right cultural fit, skills and experience, the Group was pleased to welcome Margot James in July 2020 as an Independent Non-Executive Director. The appointment of Margot was completed at the recommendation of the Nomination Committee, providing the Board with a wealth of expertise from her successful career in both the public and private sectors. The refreshed Board is appropriately sized and now reflects sufficient size and independence to continue to operate effectively. As reported last year, on the recommendation of the Nomination Committee, Neeraj Kapur was appointed on 1 April 2020 as Chief Finance Officer.

More details on the role of the Nomination Committee in the Board Appointment Process can be found on page 128.

The Board currently consists of 10 members, which includes the Non-Executive Chairman, one Senior Independent Director, six independent non-executive directors, and two executive directors. Biographical details of all directors are given on pages 102 to 105.

Graham Lindsay has performed his first full year in his role as designated Non-Executive Colleague Champion. Following Graham's appointment to this role, it was considered appropriate that he chair the CCE Committee, and you can read about this work during 2020 on pages 131 and 132.

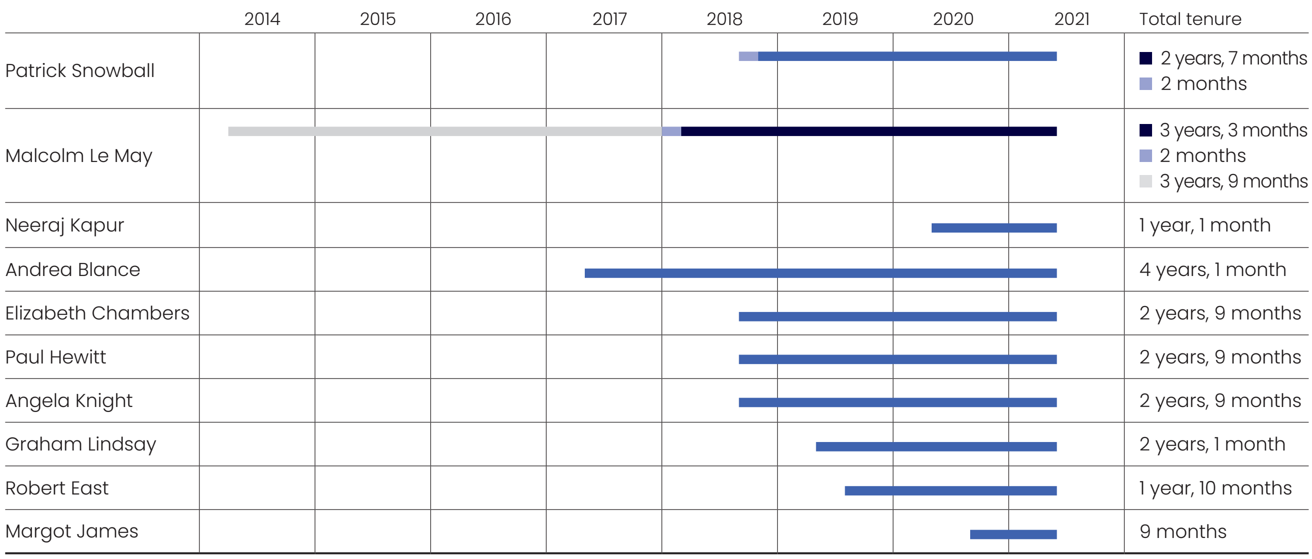
On appointment, non-executive directors receive a formal appointment letter and executive directors receive a formal service contract, which identifies the time commitment expected of them. As a result of the Covid-19 pandemic, time demands on the non-executive directors have necessarily increased due to a number of unscheduled meetings and you can read about our Board and committee attendance levels on the previous page. Further details on the terms and conditions of appointment of non-executive directors and service contracts of executive directors are available to investors for inspection at the Group's registered office address during normal business hours.

During 2020, the following changes to the Board took place:

- on 31 March, Simon Thomas stepped down from the Board;
- on 1 April, Neeraj Kapur was appointed to the Board as Group Chief Finance Officer; and
- on 27 July, Margot James was appointed to the Board as an Independent Non-Executive Director.

More details of their skills and experience can be found on pages 102 to 105.

Directors' Board tenure as at 10 May 2021



Malcolm Le May key: Chief Executive Officer Interim Executive Chairman Non-Executive Director

Patrick Snowball key: Interim Chief Executive Officer

Induction for new directors

Board induction
The Chairman and General Counsel and Company Secretary ensure that all newly appointed directors receive a comprehensive and tailored induction programme. Our induction provides directors with an in-depth understanding of the business, our Purpose, culture and values, and the markets in which the business operates, as well as providing directors with the opportunity to meet with colleagues. The induction programme comprises a combination of site visits and meetings with other Group executives and senior management as illustrated below.

The tailored induction programme
On joining the Board in 2020, Margot was provided with a tailored induction programme which was designed to ensure that she gained a full understanding of the Group. An example of a programme that is individually tailored to the knowledge and experience of each director includes the following:

One-to-one meetings
Margot met with senior management including the members of the Executive Committee and the Divisional MDs. A director's specific induction is tailored to the role they are appointed to; therefore, senior management induction meetings are also held as appropriate, including with Group Internal Audit, Group Finance, divisional Chief Finance Directors and divisional Chief Risk Officers. The new director will also meet key stakeholders relevant to their specific role such as the Group's key advisors and brokers, representatives from the FCA and Prudential Regulatory Authority (PRA), the Group's major investors, and the Group's auditor, Deloitte LLP.

Induction materials
Each new director is provided with full access to an electronic 'reading room', which includes induction material, such as various relevant policies, terms of reference, Group organisational charts, the latest trading statements, the Annual Report and Accounts, recent shareholder information, broker notes and relevant regulatory correspondence.

Field and site visits
Relevant arrangements are made for all new appointments to undertake customer visits accompanied by a Customer Representative. This gives an insight into the Consumer Credit Division and enables directors to experience how we service our home credit customers in line with our Purpose. This year, given the restrictions in place due to the Covid-19 pandemic, the field visit was tailored to be a virtual experience, which involved Margot meeting online with representatives from a regional home credit office with local management, who provided her with an overview of the home credit operation and how the team, together with the Customer Representative, works towards achieving the best outcomes for the customer.

To preserve the safety of colleagues during the Covid-19 pandemic, director site visits were deemed non-essential. Therefore Margot was unable to undertake these this year. The site visits will be rescheduled when the restrictions are lifted and when safe to do so. In November Margot participated in virtual field experience meetings, with the Head of Field Performance, Divisional Managers, Area Managers, Business Managers and Customer Representatives to understand the CCD business in more depth.

Ongoing Board training and development
The Board believes that continuous director training and development supports its Board effectiveness. Under the direction of the Chairman, the General Counsel and Company Secretary facilitates Board training, and assists the Board with ongoing professional development. The Board has an annual training plan which was adapted this year to ensure that the directors have further knowledge of the business. Throughout the year the Board attended various training sessions on key topics such as the Good Customer Outcomes Framework and Cyber and Information Security, to gain further insight into current key subject matters. These sessions were led by both internal and external facilitators.

The ever-evolving regulatory landscape means that there is an increased need to continuously scan the horizon and identify any significant developments that require the Board's prioritisation. As such, the General Counsel and Company Secretary delivers updates to the Board on any developing regulations, laws and corporate governance developments by presenting Legal Reports at each meeting. Regular updates are also provided by the Chief Risk Officer in relation to emerging regulatory themes and anticipated regulatory changes.

During the year the Nomination Committee reviewed and updated the Board Skills Matrix, which will enable even more targeted training and the continuous improvement of our directors during 2021.

In addition, the Board also received the following 'deep dive' sessions:

- Customer Complaints and;
- Investor Relations Perceptions Audit Outcomes and Recommendations.

Directors are also given access to an external online academy tool which provides a wide array of briefings, education and bespoke training.

2020 internal evaluation

In line with the 2018 Code, a review of the effectiveness of the Board, its Committees and individual directors is conducted annually. Following the external Board evaluation which was undertaken last year, the 2020 Board and Committee effectiveness evaluation process was internally facilitated by the Group General Counsel and Company Secretary. Reflecting his role in ensuring the effectiveness of the Board, our Chairman played a key role in the design and approach of the annual Board and Committee effectiveness evaluation and agreed the proposed approach with the General Counsel and Company Secretary. The 2020 effectiveness evaluation focused on a number of areas of Board, Committee and Chairman effectiveness, including:

- Board composition, including diversity;
- the Board's understanding of the views of key stakeholders;
- monitoring of culture and behaviours;
- Board oversight of risk;
- how the Board members work together to meet objectives;
- Board support, including induction, training and information;
- Board oversight of strategy; and
- oversight of succession and talent management.

The 2020 evaluation process:

1 Design and implementation of evaluation approach

The purpose and scope of the evaluation were agreed with the Board and detailed questionnaires designed and agreed in relation to following areas: Board and Committee effectiveness; Chairman effectiveness; and individual director effectiveness. The questionnaires were issued by the Group Company Secretariat to the Board members for completion.

2 Data collation and analysis

The responses to the questionnaires were collated by the Group Company Secretariat, who prepared anonymised reports on the Board and its Committees, the Chairman and individual director effectiveness. The reports summarised the findings of the evaluation and proposed recommendations for consideration.

3 Review of results

The draft report on Board and Committee effectiveness was reviewed by the Chairman and a final report shared with the wider Board, including the Chairs of each Committee. The Senior Independent Director reviewed the Chairman's effectiveness report prior to its discussion by the Board members (excluding the Chairman).

4 Board discussion and actions

At its 1 February 2021 meeting, the Board discussed the evaluation results and approved focus areas to enhance the effectiveness of the Board and its Committees.

Feedback on the Chairman's performance, including areas of strength and enhancement, was discussed by the directors and provided to the Chairman by the Senior Independent Director. The results from individual director effectiveness questionnaires were discussed by the Chairman and the individual director in the annual performance evaluation.

Outcome of the 2020 evaluation process: Board and Committees

Following review of the findings of this year's evaluation of the performance of the Board and its Committees, the directors agreed that the Board and its Committees were performing effectively and discharging their duties and responsibilities. Overall, it was felt that the Board was functioning well, with good Board composition and strong relationships across the Board. The evaluation also highlighted opportunity areas to enhance effectiveness, and these are set out below together with a summary of some of the Board strengths identified in this year's evaluation.

Some of the Board strengths identified

- Board composition, including the Board's balance of skills and experience.
- The quality of Board relationships and how the Board works together to achieve objectives.
- The constructive atmosphere in the boardroom, which encourages balanced contribution, candid discussion, critical thinking and challenge.
- The effectiveness of its role in the response to the Covid-19 pandemic.
- The understanding of the views and requirements of regulators.

Areas of focus to enhance performance

- Continue to enhance the Board's awareness of and affinity for the Group's customer base through actions to be developed by the CCE Committee.
- Continue to focus on how to enhance the Board's oversight of risk.
- Drive continued focus on the Board's oversight of the Group's IT and digital strategy.
- Continue to drive enhancements to the Group's strategy and how it sets its strategy.

Outcome of individual director effectiveness review, independence and reappointment

As noted above, the Chairman held an individual performance and development discussion with the directors, utilising the output of the evaluation process to inform his discussions regarding the directors' development.

The composition of our Board is reviewed annually by the Nomination Committee to ensure that there is an effective balance of skills, experience and knowledge. Having considered the skills, experience, knowledge and tenure of the Board, and the independence and time commitment of the directors and Chairman, the Nomination Committee and Board considered that each director continued to be committed to their roles, have sufficient time available to perform their duties and to contribute effectively and, accordingly, should stand for election/re-election at the 2021 AGM. The independence of the non-executive directors is also considered at least annually along with their character, judgement, commitment and performance. The Board took into consideration the 2018 Code and circumstances which would likely impair, or could appear to impair, a non-executive director's independence, including their length of service. At the year end, all of the non-executive directors, with the exception of the Chairman, whose independence is only determined on appointment, have been determined by the Board to be independent. In determining the independence of Robert East, the Nomination Committee and Board did take into account that he is the Chairman of Vanquis Bank, and confirmed that he still remained independent in relation to his appointment to the Company.

Outcome of the Chairman's effectiveness review

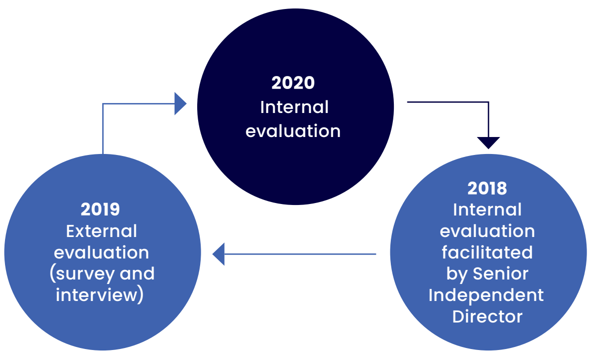
As noted above, each director completed a questionnaire on the performance of the Chairman. The review of the Chairman's performance focused on, amongst other matters, the effectiveness of his relationship with the Chief Executive Officer and other Board members, how he manages meetings and how he manages the input of directors both inside and outside of meetings. Following discussion by the Board (excluding the Chairman), it was concluded that the Chairman was performing his role of leading the Board effectively. Andrea Blance discussed the feedback and areas for development with the Chairman.

Update on areas of focus from 2019 evaluation

Focus area	Progress
Continue to enhance the Board's understanding of the Group's: customer proposition; key commercial relationships; performance relative to competitors; and strategic plan.	The Board reviewed the Group's customer proposition, key commercial relationships, performance relative to its competitors and strategic plan at the Corporate Planning Conference. This included detailed briefing on the UK sub-prime market and analysis of the Group's customer base, including both categorisation and preferences.
Continue to ensure the Board dedicates appropriate time to setting and overseeing strategy.	As noted above, the Board reviewed the Group's strategy at its Corporate Planning Conference during 2020. Additionally, the Board reviewed the progress of the Group's strategic priorities and considered such initiatives for approval during the year. Good progress against some of the Group's medium-term strategic objectives has been made during 2020; see pages 20 and 21.
Continue to focus on the Board's understanding of colleagues and oversight of talent management and development.	During 2020 the Board has reviewed the output and action planning resulting from the 2019 Colleague Survey. The CCE Committee considered the output of a Colleague Pulse Survey, undertaken part way through the year, which included feedback from colleagues on changes to working practices arising from the Covid-19 pandemic. The Group's other key colleague engagement mechanisms have also operated during the year: the workforce panels and designated Non-Executive employee Champion. The output of these engagement mechanisms has been considered by both the CCE Committee and Board. See pages 113 to 115 for more details on our engagement activities. The Nomination Committee has reviewed and challenged the Group's talent management, development and succession framework and strategy and its implementation. As part of this, the Committee reviewed and discussed the Group's talent pool and leadership needs in September 2020 and January 2021. You can read more about this on page 129.
Increase focus on ensuring that the Board has a clear understanding of the regulatory agenda and horizon scanning.	The GRC, which has responsibility for overseeing regulatory matters on behalf of the Board, receives regular reports which provide key updates regarding the regulatory agenda and horizon scanning. The GRC Chair reports to the Board on the Committee's discussions after each meeting.

Next year

A rigorous and formal evaluation will also be undertaken next year. Under the 2018 Code, we are not required to undertake an external evaluation next year; however, the Chairman and Board will review and determine the most appropriate evaluation process at the time.



Meeting our leadership needs

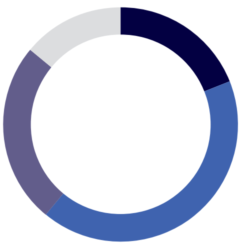
"We have further strengthened our Board and leadership teams this year and remain focused on ensuring they are fit to deliver long-term sustainable value.

Patrick Snowball
Nomination Committee Chairman

Members

Patrick Snowball (Chairman)
Andrea Blance
Elizabeth Chambers
Paul Hewitt
Angela Knight
Graham Lindsay
Robert East
Margot James (member from 27 July 2020)

Allocation of time*



Diversity	19%
Succession and talent	42%
Board composition and appointments	25%
Governance	14%

* Data includes January 2021 Committee meeting which was rescheduled from December 2020 due to a late but necessary change to the date and time of the Committee meeting in response to government restrictions regarding Covid-19.

The Committee's terms of reference are available at: www.providentfinancial.com

I am pleased to present my Nomination Committee Report for 2020. Turning first to reflect on Board changes during this year, as reported and announced previously, Simon Thomas stepped down from the Board at the end of March 2020 for personal health reasons and his contribution to the Group will be missed. On 1 April 2020, Neeraj Kapur joined the Board as our new Chief Finance Officer and has since made a strong contribution to the Group. As mentioned in my Chairman's governance statement on page 100, Margot James joined the Board on 27 July 2020 and brings a great balance of skills and experience from her wide-ranging career as a commercial and entrepreneurial business owner and her work within the UK Government. The Committee and its members formed a key part of her recruitment and appointment process, which you can read more about on the next page.

Board composition and succession

The Committee continues to ensure that we have a strong and well-balanced Board with the appropriate skills, experience and diversity to lead the Group as it navigates the opportunities and challenges that we face in delivering our Purpose.

This year, as in each year, the Committee reviewed the composition and balance of the Board and its Committees taking into account a number of key factors, including: diversity; balance of skills, experience and knowledge; director length of service and time commitment; stakeholder expertise; the size and structure of the Board; and the balance between executive and non-executive directors. The Committee also continued to oversee the composition of the Board through its Board Skills Matrix, which is designed to support the Committee and in our considerations of Board appointments, succession planning and training and development. The Committee reviewed the current balance of skills and progress against previously identified improvement areas during the year. We, as a Committee, believe the Board's composition is appropriate to fulfil its role effectively, and we will continue to keep this under review.

Board composition and succession continued

As well as reviewing the composition of the Board and its Committees, we considered the independence of the non-executive directors during the year and concluded that they all remain independent in character and judgement and contribute effectively to Board discussions and debate. We are recommending to shareholders that all directors be either elected or re-elected at the 2021 AGM. You can read about each director's contribution to the Board in their biographies on pages 102 to 105.

Succession planning for Board members remains a key priority for the Committee, and the Committee considered the succession of the executive directors and also the succession plan for non-executive directors during the year. Our non-executive succession plans are based upon the skills and experience of our directors, as informed by our Board Skills Matrix. Read more on our executive succession planning on the next page.

Non-executive director appointment: Margot James

The recruitment and appointment of Margot James was led by the Committee and its members and was facilitated by Odgers Berndtson. Other than in relation to the recruitment as described above, Odgers Berndtson had no other connection to the Group or directors.

Candidate requirements	A role specification was agreed and designed to address possible enhancements to Board composition which had been identified through the Board effectiveness evaluation process and our Board Skills Matrix through the appointment of an additional non-executive director. It was key that the new appointee was able to reinforce the Group's financial inclusion purpose and was also able to support us in ensuring that the social and economic benefits the Group provides to the underserved are well understood by our stakeholders.
Search process	The search was led by Odgers Berndtson. Eleven potential candidates were reviewed by members of the Committee. To see how diversity was addressed in this process, see below.
Interviews	Following review of the potential candidates, two were interviewed by Patrick Snowball, Andrea Blance, Angela Knight and Graham Lindsay, ahead of meetings with other Board members. At interview, candidates were assessed against role fit, technical capability, key aspects of our Blueprint (see below) and specific requirements of the role.
Appointment	Margot James was identified following the interviews as the preferred candidate. The Nomination Committee recommended the appointment of Margot to the Board following consideration of the composition of the Board and having made a determination that Margot had sufficient time, skills, knowledge and experience to carry out the proposed role and responsibility as a non-executive director. Margot's appointment brings a great balance of skills and experience to the Board, with her wide-ranging career as a commercial and entrepreneurial business owner and her work in the UK Government. Her experience of working in consumer policy and citizens advice and advising on labour markets enables her to understand and promote the interests of our customers and wider stakeholders, as we seek to deliver our Purpose of helping put people on the path to a better everyday life.

How our Blueprint informed our recent appointment process

At interview, the assessment of candidates included assessment against our Blueprint. Questions at interview focused on how a candidate would support the Group in the delivery of its strategic drivers, reinforce our ethos and demonstrate the behaviours expected of a non-executive director, all of which support the delivery of our Purpose.

How diversity was addressed in our recent appointment process

Our formal Board appointment process sets out that appointments should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths; the Group worked with Odgers Berndtson to ensure that the appointment search was alert to all aspects of diversity and inclusion throughout the process. The candidate specification for the non-executive director role was prepared to clearly recognise the value of diversity in the boardroom and throughout the Group, particularly in enabling us to understand our stakeholders. Furthermore, a key attribute sought in the right candidate was someone who fosters an environment of inclusivity and diversity at all levels. Of the 11 shortlisted candidates, eight were female and three were male. Odgers Berndtson is accredited for the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms, which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in FTSE 350 companies against the scope of the Davies Review.

Committee role

The Committee oversees the leadership and succession requirements of the Group. As part of this, the Committee monitors the balance of skills and experience on the Board and its Committees to ensure that they comprise individuals with the necessary skills, knowledge, experience and diversity to operate effectively.

Key activities in 2020	Key priorities for 2021
– Considering how the outcome of the 2020 Board evaluation should inform Board composition. – The recruitment and appointment of Margot James as a Non-Executive Director. – Detailed review of the Group's talent management and succession framework and its talent pool.	– Continue to work towards having the right mix of diversity and skills by working to achieving a target of 33% female representation on its Executive Committee (and its direct reports) as well as maintaining its target at Board level. – Continue to focus on succession planning and leadership development across the Group to strengthen the diverse talent pipeline and identify and seek to enhance our Group-wide approach to talent management.

Board evaluation outcome

During the year, the Committee reviewed the outcome of the 2019 Board evaluation as it pertained to the composition of the Board and the progress made in the areas where possible enhancement had been identified. As detailed on the previous page in relation to Margot James' appointment, the outcome of the 2019 Board evaluation was used to inform the recruitment of an additional non-executive director during the year. This year an internal effectiveness evaluation was undertaken of the effectiveness of the Board and its Committees. The review process is described in more detail on pages 125 and 126. In relation to Board composition, the balance of skills and experience on the Board was rated very highly in this year's evaluation and whilst the current diversity of the Board was considered to be strong, the Board recognised the need to remain focused on diversity in its broadest sense, including ethnicity, cognitive styles and social backgrounds. The Committee will continue to remain cognisant of the matters raised in the Board and Committee evaluation as it continues to review Board composition during 2021. The performance of the Committee was considered as part of the annual evaluation process and the evaluation found the performance of the Committee to be rated highly overall.

Talent management

The Committee plays a key role in overseeing the leadership needs of the Group. This year we reviewed in detail the Group's talent management and succession framework, which is designed to support the identification, development, retention and progression of a diverse talent pipeline. During the year, the Committee reviewed the Group talent management framework, which consists of processes and tools for identifying and managing talent and succession such as: a talent identification and growth potential tool; talent profiles; retention risk assessment; and succession plans. In response to restrictions implemented by the Government in its response to Covid-19, our December 2020 Committee meeting was rescheduled to January 2021. At this meeting, the Committee undertook a review of a single view of talent and the collective strength of leadership across the Group, including the Group's emergency, short and medium-term succession plans for executive director and Group Executive Committee roles. As part of the succession planning discussion, the Committee considered where action was needed to enhance succession plans and the how the Group was developing internal succession candidates. As part of the talent review, the Committee discussed the diversity of the talent pipeline, and you can read more on this below. The Committee's review of talent in January 2021 also included consideration of recent actions to strengthen our senior management talent, the outcome of our talent identification cycle and retention risk and related action plans. Our Group Executive Committee met, and will continue to meet to discuss succession pipeline and strength of our talent pool.

As a result of this process in 2020, a number of individuals were identified as potential successors to key positions. Through its discussions, the Committee also discussed the recruitment of talent for key roles and the importance of considering diverse candidates for those roles. During the year, the Committee also considered non-executive director succession and agreed that the current Board composition was appropriate that given the relatively short tenure of the non-executives there were no immediate succession concerns. Furthermore, our Board Skills Matrix, which is a key tool in the management of our leadership needs at Board level, was reviewed and updated during the year.

Equality, diversity and inclusion

Objectives and link to strategy

The Board continues to be committed to supporting diversity and inclusion in the boardroom and beyond. It believes that diversity, in its broadest sense, contributes towards a high-performing and effective Board and colleague population. We have in place a Group-wide Equality, Diversity and Inclusion (EDI) Policy for directors and colleagues which acknowledges how diversity supports the Group in delivering its Purpose and strategy, such as through enabling us to truly understand and deliver for our diverse customer base and providing the foundations for us to support stakeholder views, and challenge each other by having a wider range of perspectives represented at each level of management. We remain a signatory of the Women in Finance Charter with the aim to increase female representation in our senior management population to 40% by December 2024.

Developing a diverse pipeline

Our EDI Policy requires that appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, thus supporting the development of a diverse pipeline. Our HR functions across the Group are responsible for monitoring EDI-related matters throughout our colleagues' life with the Group. As noted above, the Committee held a talent review session in January 2021, which included consideration and discussion of the diversity of the Group's talent pipeline and actions to enhance this. The Committee discussed the actions undertaken to enhance diversity during the year, including through strong focus on ensuring diverse candidate lists for roles and through the setting of robust internal targets. The Committee also discussed actions planned to strengthen internal diversity data in order to set robust internal diversity targets across broader areas of diversity.

We consider that wider EDI initiatives across the Group are essential to the development of a diverse talent pipeline. During the year we launched our 'Be Yourself' inclusion and diversity initiative, which you can read more about on pages 77 and 78.

Equality, diversity and inclusion continued

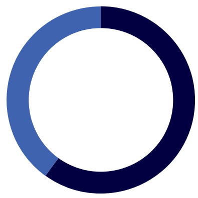
Developing a diverse pipeline continued

This included a number of plans to develop the diverse aspects of our culture and promote inclusion, including formally establishing a series of communities around several protected characteristics and inviting colleagues to be a part of them and the launch of our Inclusion Calendar. The four affinity groups that will make up our overall inclusion community will be based around gender, LGBTQ+, ethnicity and disability. Each business area has an Inclusion Chair and an Executive Sponsor. During the year our CCE Committee reviewed the Group's long-term environmental, social and governance targets which are aligned with both the United Nations Sustainable Development Goals that we have prioritised and the Task Force on Climate-related Financial Disclosures recommendations, and include an objective in relation to diversity. You can read more on this on page 32. The Committee will continue to support and encourage initiatives that strengthen the talent pipeline within the Company during 2021.

Objective	Progress and implementation
To ensure a rounded and diverse Board and Executive Committee, appointments will be made on merit, taking into account different backgrounds, diverse experience, perspectives, personalities, skills and knowledge, as well as alignment with the Group's culture.	In alignment with our EDI Policy and documented Board appointment process, our appointments to the Board and Executive Committee continue to be made on merit, taking into account diversity in its broadest sense and culture. The Committee regularly reviews the composition of the Board, including diversity. Please see how diversity and our cultural Blueprint was considered during the appointment of Margot James on page 128. This year, the Committee also reviewed the Board members' skill matrices to ensure the appropriate balance of skills and experience was in place. Diversity, equality and inclusion remains a key focus area for Executive Committee appointments, including ensuring diverse candidates are considered for new appointments, and we continue to work with executive search firms to drive diverse candidate lists. We remain a signatory of the Women in Finance Charter with the aim to increase female representation in our senior management population to 40% by December 2024.
To ensure Board appointment 'long lists' reflect the Board's diversity commitments.	For new Board appointments, the Nomination Committee works with executive search firms to drive diverse candidate 'long lists' for consideration by the Committee and considers culture as part of the appointment process. Please see how diversity was considered during the appointment of Margot James on page 128.
Maintain a balance of one-third of the directors being women as a minimum.	Following our recent appointment, the percentage of women on the Board is 40%, exceeding the target.
Maintain a minimum of one director from an ethnic minority background in support of the Parker Review target.	Following appointments during 2020, we have one director on the Board from an ethnic minority background, meeting the target.
The Board will support and monitor Group activities undertaken to meet its diversity objectives and to increase the percentage of senior management roles held by women and other underrepresented groups across the Group.	During the year the Committee kept under review the progress made regarding the equality, diversity and inclusion strategy across the Group, including the delivery of EDI initiatives. The Committee discussed the diversity of the Group's talent pipeline and actions to strengthen diversity at its talent review session in January 2021. As set out on page 78, senior management population is 27% female. The Committee also discussed how management would seek to strengthen internal diversity data in order to set robust diversity targets for management across broader areas of diversity. The Board has continued to meet its target of at least one-third of the directors being women and has also met the target set by the Parker Review for FTSE 250 companies to have at least one director from an ethnic minority background by 2024.

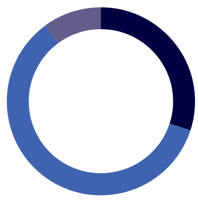
Patrick Snowball
Nomination Committee Chairman
10 May 2021

Board gender diversity



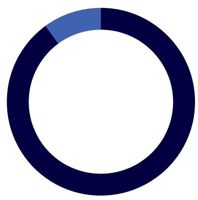
- Male 60%
- Female 40%

Board tenure



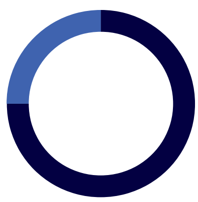
- 0-1 years 3 (30%)
- 2-4 years 6 (60%)
- 5+ years 1 (10%)

BAME representation on the Board



- Non-BAME 90%
- BAME 10%

Executive Committee and direct reports gender diversity



- Male 75%
- Female 25%

Monitoring our culture and strategy to deliver fair customer outcomes

Monitoring our culture and strategy

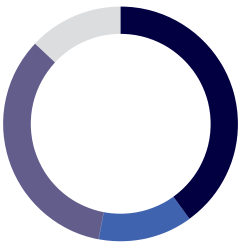
> For many of our customers, this year has been one of unprecedented challenges, making the Committee's work of monitoring the delivery of our customer-focused culture and Purpose even more important.

Graham Lindsay
Customer, Culture and Ethics Committee Chairman and designated Non-Executive Colleague Champion

Members

Graham Lindsay (Chairman)
Elizabeth Chambers
Robert East
Margot James (member from 27 July 2020)

Allocation of time



Monitoring customer outcomes and KPI tracking	40%
Reviewing products, business practices and policies against the Group's Purpose and culture	13%
Monitoring governance, ESG commitments and corporate responsibility reporting	34%
Monitoring stakeholders' expectations and engagement mechanisms	13%

The Committee's terms of reference are available at:
www.providentfinancial.com

As the recently appointed Chairman, I am pleased to report on our work and achievements throughout 2020 and our priorities for the year ahead.

At each meeting, the Committee:

- reviewed and discussed a dashboard of metrics to oversee the embedding of the Group's Blueprint that was launched in 2019 (the Blueprint Dashboard);
- reviewed and discussed a dashboard of metrics to oversee the monitoring of customer outcomes (the Customer Dashboard);
- listened to a sample of customer calls from across the different divisions to monitor customer outcomes and identify any areas of improvement to be fed back to the business; and
- received an update on colleague engagement mechanisms, such as the Colleague Engagement Survey and Colleague Forums.

Key Committee responsibilities

The primary role of the Committee is to monitor the Group's culture, stakeholders' expectations and evolving governance requirements, and review business processes to ensure they are delivering fair customer outcomes. The Committee's principal areas of responsibilities are as follows:

- assisting the Board with the evolving corporate governance requirements, including full compliance with the Code and the accountabilities of the Board under s.172 of the Companies Act to consider the interests of wider stakeholders in their decision making. For further information on our compliance with the Code this year please see page 101;
- examining the business policies, practices and products in alignment with the Group's Purpose, culture and overall strategy;

Monitoring our culture and strategy to deliver fair customer outcomes continued

Key Committee responsibilities continued

- overseeing the embedding and monitoring of the Group's culture and ensuring that any material issues in regard to the culture and ethics of the Group are addressed;
- ensuring that appropriate employee engagement mechanisms are in place for the Board to understand the views of colleagues in order to factor these views into its decision making, and keeping these mechanisms under regular review;
- overseeing the Group's investment in community activities which aims to deliver a positive impact on the local communities within which our businesses operate; and
- examining the impact of the Group's activities on the environment and ensuring that the Group has a suitable approach to managing and reporting its impact on the environment.

The Committee adopts an evidence-based approach to its work, using key performance indicators in the Blueprint and Customer Dashboards to measure and benchmark progress against set targets.

The Customer Dashboard includes set targets for a series of measures that are based around the Financial Conduct Authority's (FCA) six customer outcomes that firms should strive for in the fair treatment of customers. Each division has tailored metrics that are relevant to that division's products, channels and customer segments. These metrics are tracked at a divisional level and reported to the Committee. The Customer Director of Vanquis Bank is a standing attendee of the Committee and has responsibility for monitoring and reporting all divisional metrics to the Committee.

The same evidence-based approach is also taken to overseeing the embedding of the Group's culture through the Blueprint Dashboard. This determines whether we are delivering our business activities in accordance with our Purpose, strategic drivers and behaviours. The Dashboard consists of five Blueprint outcomes, each measured by a variety of metrics, with targets set where appropriate. The Group's Corporate Responsibility Manager is a standing attendee of the Committee meetings and has responsibility for monitoring and reporting metrics within the Blueprint Dashboard. During the year, additional metrics were added to the Blueprint Dashboard to widen the range of stakeholder interests being measured.

These metrics included the number of colleague volunteering hours, percentage of suppliers paid within 60 days of invoice date and the greenhouse gas emissions intensity ratio. An external benchmark of culture and colleague engagement is also included within the Blueprint Dashboard in order to assess our culture against a range of similar organisations in the financial services sector.

The Committee monitors colleagues' engagement with, and support for, the Group's Purpose and culture. This is measured using metrics such as colleague volunteering hours and results from Colleague Engagement Surveys, as well as qualitative feedback gathered from workforce panels. This year the Committee paid particular attention to the Group's engagement with colleagues on the Covid-19 pandemic and the adequacy of support made available (such as reviewing the Colleague Pulse Survey results and tracking progress against the key focus areas identified from the results). The Committee also oversees corporate responsibility activity so that the Group can be recognised as a responsible and inclusive employer that colleagues feel proud to work for.

Committee activities in 2020

- Reviewed progress made against the Customer Dashboard and Blueprint Dashboard.
- Listened to customer calls and provided feedback on whether fair customer outcomes had been achieved and identified opportunities for improvement where appropriate.
- Reviewed and recommended to the Board the approval of the Group's Modern Slavery Act Statement, suggesting improvement opportunities and actions as appropriate.
- Tracked progress made on the actions identified from the Colleague Engagement Surveys.
- Reviewed and approved a new customer product plan, ensuring that the product concept and design were aligned with the Group's Purpose and delivered fair customer outcomes.
- Considered the Group's stakeholders and their materiality through a stakeholder mapping exercise. Further information on the Group's key stakeholders can be found in the s.172 statement on page 91.
- Reviewed the previous year's s.172 statement against the market, considered external advice and identified areas for enhanced reporting in this area.
- Reviewed the 2019 Corporate Responsibility Report and external independent assurance on the report to identify areas of enhanced reporting.
- Reviewed colleague engagement and support provided by the Group to colleagues and local communities in response to the Covid-19 pandemic.
- Approved the Group's setting of six long-term environmental, social and governance (ESG) objectives/targets that are aligned with both the United Nations Sustainable Development Goals and the recommendations of the Task Force on Climate-related Financial Disclosures.

Committee priorities for 2021

- Continue to monitor the embedding of the Group's culture and the delivery of positive customer outcomes, and continue to review the Group's workforce engagement mechanisms, provide feedback and monitor actions arising from such engagement.
- Continue to ensure the voice of the customer is elevated by engaging in call listening, reviewing customer feedback, and monitoring customer surveys.
- Continue to ensure that workforce-related policies and practices, such as gender pay and D&I, are consistent with the Group's values and support long-term sustainable success.
- Continue to review and challenge the Group's work spanning climate risk, supply chain management and broader ESG initiatives.
- Continue to analyse the Group's stakeholders through stakeholder mapping, which will determine the nature of engagement activities, and oversee the development of a stakeholder engagement strategy.

Graham Lindsay
Customer, Culture and Ethics Committee Chairman
10 May 2021

Maintaining an effective control environment

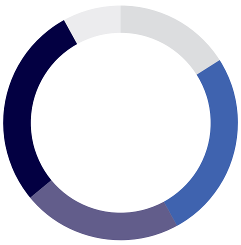
"The independent challenge and oversight the Committee affords the Group's external reporting process has never been more important, given the increased level of judgement required in what has proven to be a highly uncertain macroeconomic environment.

Paul Hewitt
Audit Committee Chairman

Members

Paul Hewitt (Chairman)
Andrea Blance
Angela Knight

Allocation of time



Governance	16%
Financial reporting	26%
External audit	22%
Internal audit	28%
Management reporting	8%

The Committee's terms of reference are available at:
www.providentfinancial.com

At each meeting, the Committee:

- had, on a rotating basis, a discussion with both the external and internal auditor without any executive director being present;
- reviewed a Group internal audit activity report; and
- reviewed updates from the external auditor.

I am pleased to present the Audit Committee's Report for the year ended 31 December 2020. This report summarises the activities of the Audit Committee during 2020 and confirms compliance with the Competition and Markets Authority's Statutory Audit Services Order. Furthermore, I look forward to attending the AGM on 30 June to answer any questions on the work of the Committee subject to prevailing government restrictions at that time.

The Committee continues to benefit from a membership with a wide range of business and financial experience and has retained sector competence in compliance with the Code Provision 24. Member biographies, including details of my recent and relevant financial experience, are detailed on pages 103 and 104. Angela Knight, GRC Chairman, continues to be a member of the Committee to ensure the work of both Committees remains coordinated.

Key Committee responsibilities

The primary role of the Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring the integrity of the financial statements of the Group and other financial information before publication, and reviewing significant financial reporting judgements contained in them.

In addition, the Committee also reviews:

- the system of internal financial and operational controls on a continuing basis (the GRC reviews the internal control and risk management systems); and
- the accounting and financial reporting processes, along with the roles and effectiveness of both the Group Internal Audit function and the external auditor.

Key Committee responsibilities continued

The Committee is also specifically responsible for:

- conducting the tender process and making recommendations to the Board in relation to the appointment of an external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process;
- developing, implementing and monitoring compliance with the Group's policy on the engagement of the external auditor to supply non-audit services;
- assisting the Board in assessing the Company's going concern status and ongoing viability, the basis of the assessment and the period of time covered;
- reviewing and recommending to the Board quarterly trading statements;
- approving the Group internal audit plan on a bi-annual basis; and
- keeping under review the effectiveness of the Group's system of internal financial controls.

Committee activities in 2020	Committee priorities for 2021
– Completed a tender process for the Group's external auditor, approving and recommending to the Board the reappointment of Deloitte LLP as the Group's external auditor from 2022 onwards. – Reviewed and approved the 2019 financial statements and areas of significant judgement, including going concern basis and viability statement. Confirmed that the 2019 financial statements were fair, balanced and understandable. – Reviewed and approved the Preliminary Results Announcement. – Reviewed and approved the non-audit fees policy and non-audit fees for 2019. – Reviewed and approved the external audit fees. – Confirmed Internal Audit's charter, statement of independence and objectivity and effectiveness. – Reviewed the 2019 external auditor's full-year report, management letter and 2020 internal controls report and recommended approval of the same by the Board. – Reviewed and approved the annual internal statement of governance, risk management and internal control. – Received updates regarding internal audit actions in relation to Group IT remediation, model validation, financial crime processes and first line controls within Vanquis Bank. – Received the external auditor's interim review. – Reviewed and approved the interim management statement, carefully considering contingent liability disclosures and going concern in the context of Covid-19 impact. – Confirmed the coordination of activities between internal and external audit. – Reviewed and recommended to the Board the Q1 and Q3 Trading Statements. – Reviewed and approved the 2021 internal audit plan. – Received an update from internal audit regarding its Covid-19 response. – Reviewed the underlying assumptions, including the carrying valuations of the divisions, as part of the creation of the intermediate holding company. – Reviewed the Committee's adherence with its terms of reference during 2020.	– Provide oversight of the Risk Mitigation Programme within Vanquis and Control Enhancement Programme within Moneybarn. – Continue to monitor the closure of historical overdue internal audit actions. – Oversee change in audit partner following Deloitte LLP's reappointment as external auditor in 2022. – Provide oversight of the 1PFG agenda and monitor via internal audit reporting the Group's ability to execute and govern change. – Monitor Group Finance transformation. – Assess the key assumptions of the future CCD expected credit losses.

Fair, balanced and understandable

As in previous years, the Committee considered, in accordance with Code Principle N, whether, in its opinion, the Annual Report and Financial Statements 2020, taken as a whole, is fair, balanced, and understandable and provides the necessary information for the reader to assess the Group's position and performance, business model and key audit matters.

In justifying this statement the Committee adopted the same robust process as adopted in prior years, including:

- the early involvement of the Committee in the preparation of the Annual Report and Financial Statements 2020 which enabled it to provide input into the overall messages and tone;
- the input provided by divisional and Group senior management and the process of review, evaluation and verification to ensure balance, accuracy and consistency;
- the regular review of the Group internal audit activity reports which are presented at Committee meetings and the opportunity for the non-executive directors to meet the external auditor without any executive of the Group being present via the private sessions of the Committee;
- the Committee reviewed and considered the draft Annual Report and Financial Statements 2020 in advance of the final sign-off;
- the reviews conducted by external advisors appointed to advise on best practice; and
- the final sign-off process by the Board.

In addition to this approach, the Committee considered in detail management's critical accounting assumptions detailing the approach taken and key sources of estimation uncertainty set out in the financial statements on pages 183 to 185.

These and the going concern assumption were carefully reviewed and challenged by the Committee following the review performed by the external auditor, which also fully analysed and concurred with the assumptions made as part of the year-end process. A review of the consistency between the risks identified and the issues which were of concern to the Committee was performed.

Following conclusion of this review, the Committee is of the opinion that the Annual Report and Financial Statements 2020 is representative of the year, and presents a fair, balanced, and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

However, the ultimate responsibility for reviewing and approving the Annual Report and Financial Statements 2020 remains with the Board.

Financial reporting process internal control and risk management systems

The effectiveness of the risk management and internal control systems is reviewed regularly by the Board and the Audit Committee, which also receives reports of reviews undertaken by Group Risk and Group Internal Audit. The Audit Committee receives reports from Deloitte LLP, the Group's external auditor. Deloitte LLP also provides a management letter on an annual basis, which draws significant internal control matters which have been identified to the Audit Committee's attention, along with management's response. The Audit Committee also has a discussion with the external auditor at least three times a year without executives present, to ensure that there are no unresolved issues of concern.

The Group's risk management and internal control systems are reviewed by the Board and are consistent with the guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council and compliant with the requirements of CRD IV. They have been in place for the full year under review and up to the date of the approval of the Annual Report.

Annual assessment of risk management and internal control systems

To assess the effectiveness of the risk management and internal control systems within the Group, Internal Audit conducted an analysis of the aggregate outcomes from audits carried out in 2020 from both a control environment and a risk and control culture perspective, assessed the progress made in terms of the enhancement of the second line of defence, and assessed the number of open and overdue audit issues. In addition Internal Audit also worked closely with the second line of defence to monitor levels of risk awareness across the Group. Internal Audit confirmed to the Committee that both the control environment and the level of risk and control awareness had improved within the Group during 2020 and that there was a commitment from management to maintain momentum with regard to the embedding of a risk-aware culture.

Work conducted by Group Internal Audit and KPMG in the second half of 2020 identified significant deficiencies in Moneybarn's IFRS 9 models and the control environment within its finance function. As a result of this the Group CEO, CFO and the Committee commissioned a function-wide review of controls within Moneybarn's finance function. This is being conducted by Group Internal Audit with the support of KPMG and Group Internal Audit and, following discussion with the Committee, will also assess other functions within Moneybarn to provide assurance that the wider control environment is fit for purpose.

Internal Audit

The Group operates an in-house Group Internal Audit function which is managed by the Group Chief Internal Auditor with specialist services provided by third-party consultants where necessary. The Group Internal Audit function also reports, via the Group Chief Internal Auditor, to the Committee at each meeting, ensuring the function's independence from Group management. As Chairman of the Audit Committee, I also meet separately with the Group Chief Internal Auditor on at least a quarterly basis.

Internal auditor effectiveness

The Committee approves the internal audit charter on an annual basis and reviews, approves and monitors progress against the annual internal audit plan. As part of this approval process, the Committee requires confirmation from the Group's Chief Internal Auditor that the Internal Audit function has the requisite expertise and resources to successfully fulfil its role. The Committee also confirms annually that the activities of Internal and External Audit are coordinated.

As part of its review of Internal Audit's effectiveness, the Committee received Internal Audit's 2020 self-assessment of its conformance with both the International Professional Practices Framework (IPPF) and the CIIA Financial Services Code, benchmarks against good practice for internal audit functions operating within the financial services sector in the UK. The Committee confirmed Internal Audit's conclusion that it generally conformed with all but three of the IPPF and all but one of the CIIA Financial Services Code standards and agreed with Internal Audit's plan to address the areas where conformance could be enhanced. Following the outlined process, the Committee confirmed the effectiveness of the Internal Audit function for the year ended 31 December 2020.

The Audit Committee debated and approved the internal audit plan for H1 2021 and I can confirm that the audit plan is reflective of both the material risk themes the Group faces, as well as the Group's strategic drivers. The Committee is satisfied that the Group Internal Audit function has the appropriate resources to deliver the 2021 plan.

External audit

Principle M of the Code states that the Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of Internal and External Audit functions.

External auditor appointment and tenure

Deloitte LLP, the Group's external auditor, has been the Group's auditor for eight years, having been appointed in 2012. It is the Group's policy to undertake a formal tender process every 10 years, or earlier, if the Audit Committee feels that this would be in the best interests of the Group. At February's meeting it was concluded that Deloitte LLP was performing in line with expectations and was considered to be independent of the Group. It was therefore considered that Deloitte LLP be proposed to be reappointed as the Group's auditor for the financial year ended 31 December 2020. An annual assessment of the performance of Deloitte LLP is undertaken following finalisation of the Annual Report and Financial Statements and presented to the Committee in May each year and the last assessment took place in May 2020.

In accordance with best practice and guidance issued by the FRC, the Committee will continue to review the qualification, expertise, resources and independence of the external auditor and the effectiveness of the audit process during the next financial year.

Further to the annual proposed reappointment of the external auditor, on 8 October 2020, the Committee, together with the Vanquis Audit Committee, approved selection criteria against which tendering firms would be assessed as part of the approval of the initiation of the Group external audit tender process. The selection criteria focused on the audit team, their understanding of the business, the proposed audit approach and audit quality considerations. An evaluation panel was formed from both Group and divisional management, including the Group CEO, CFO and divisional MDs and FDs, who all met with the tendering firms and provided their view on suitability based on the selection criteria.

External auditor appointment and tenure continued

A selection panel was also formed which included all members of the Committee, the Chair of the Vanquis Audit Committee and the Group CFO. The analysis provided by the evaluation panel was provided to the selection panel in advance of the tendering firms presenting their tender submission on 4 December 2020. Following an in-depth discussion of the selection criteria and each firm's strength and weaknesses, it was determined that Deloitte LLP would be proposed for reappointment. The recommendation was proposed to the Committee on 16 December, which recommended the reappointment to the Group Board. This was approved and will be proposed to shareholders at the 2022 AGM.

Working with the external auditor

The Committee held separate sessions with the external auditor without any executive director or employee of the Group being present at three of its meetings in 2020. This gave members of the Committee the opportunity to raise any issues, including any issues on the interim and final results of the Group, directly with the external auditor. The Committee schedules private sessions with the internal and external auditors on a rotating basis, with the option for an additional private session upon request. In addition I meet with the external audit partner on a quarterly basis to discuss pertinent issues. An annual feedback report was provided to the external auditor and discussed by the Committee at the August 2020 meeting.

External auditor independence and objectivity

The Committee has in place a policy on the appointment of staff from the external auditor to positions within the various Group finance departments. Neither a partner of the audit firm who has acted as engagement partner, nor the quality review partner, nor other key audit partners, nor partners in the chain of command, nor a senior member of the audit engagement team, may be employed as Group Chief Finance Officer, Group Finance Director or Divisional Finance Director.

The Committee has considered the independence of the Deloitte LLP audit team and has deemed that adequate safeguards have been in place including: separate partners and staff being responsible for the delivery of this work; the non-audit team does not prepare anything which would be relied upon in the audit of the Group; and the work performed is also subject to an independent Professional Standards Review and Engagement Quality Control Review process.

The Committee considers the reappointment of the external auditor, including the rotation of the audit partner, annually. This includes an assessment of the independence of the external auditor and an assessment of its performance in the previous year. This is achieved primarily through a questionnaire and scorecard which is completed by key stakeholders involved in the annual audit process, including the Audit Committee, and Heads of Finance in each of the divisions and at Group level. The scores and results of the questionnaire are collated and shared with the external auditor and an action plan to address any areas of concern identified is agreed.

External auditor Audit Quality Review

As reported in the 2019 Annual Report and Accounts, the FRC concluded a review of the audit performed by Deloitte LLP of the Group's financial statements for the year ended 31 December 2018, for which Deloitte received a 2A rating. The focus of the review and its reporting was on identifying areas where improvements are required. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte LLP.

Policy on non-audit work

The Company has a formal policy on the use of the external auditor for non-audit work which reflects the requirements of the EU Audit Directive and Regulations. This policy is reviewed annually by the Committee and was reviewed and approved at the May 2020 meeting.

The award of non-audit work to the external auditor is managed and monitored in order to ensure that the external auditor is able to conduct an independent audit and is perceived to be independent by the Group's shareholders and other stakeholders. Work is awarded only when, by virtue of its knowledge, skills or experience, the external auditor is clearly to be preferred over alternative suppliers.

I am also required to approve in advance any single award of non-audit work with an aggregate cost of between £50,000 and £250,000 and the Committee must provide prior approval for items in excess of £250,000. The Committee will always seek confirmation that Deloitte LLP's objectivity and independence are safeguarded.

The level of fees paid to Deloitte LLP for non-audit work during the year was £269,000 (2019: £156,000) comprising £40,000 for services related to profit verifications for inclusion within regulatory capital, £75,000 for reporting accountant verification of the EMTN programme, £11,000 for the review of the ROI branch statutory accounts and £143,000 for the Group interim review.

The ratio of audit to non-audit fees during the year was 6.4:1.

Significant issues and areas of judgement

The critical accounting assumptions and key sources of estimation uncertainty considered by the Committee in relation to the Annual Report and Financial Statements 2020 are outlined on pages 183 to 185. In addition to the matters set out on the next page, the Committee also considered the going concern statement set out on page 178. The Committee discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Independent Auditor's Report on pages 235 to 244.

Issue	Judgement	Actions
Impairment of amounts receivable from customers Receivables are impaired on recognition in accordance with IFRS 9. The impairment allowance is initially dependent on the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) within 12 months, discounted at the original effective interest rate (EIR). Lifetime losses are recognised following a significant increase in credit risk.	Judgement is applied to the impairment allowance required. This includes whether past performance provides a reasonable estimate of future losses implicit within the PD, LGD and EAD. This is significantly enhanced in 2020 when past customer performance may not be indicative of future performance.	The Audit Committee reviews and challenges the key judgements applied throughout the year. This includes adjustments to determining significant increases in credit risk and default. Post model adjustments are reviewed and challenged when impacting PD, LGD or EAD. The process of creating future estimates is considered with peer analysis performed. Evidence following the period end is assessed to determine if the evidence would have been available at the period end and included within the assessments.

Issue	Judgement	Actions
Impairment of amounts receivable from customers continued The assessment of credit risk and therefore impairment allowance should be probability weighted, and should utilise all information available, including past events, current conditions and supportable forecasts of economic conditions at the reporting date. In 2020, adjustments have been required to impairment allowances due to Covid-19.	This may be due to customers: – taking payment holidays; – receiving furlough income; and – restricted customer termination of Moneybarn agreements. These factors may be indicative of increased future losses. An assessment of macroeconomic factors, including the latest economic forecasts, is also required to estimate expected losses.	The work performed by Deloitte LLP on validating the management assumptions is considered. Findings are presented in Deloitte LLP's report to the Audit Committee which is challenged with knowledge of the latest circumstances. The work performed by Group Internal Audit is considered, in particular, on technology and operational controls. The review performed by the Vanquis Bank Audit Committee on the Vanquis Bank significant assumptions is also taken into account.
Provisions for customer redress The Group makes provisions for customer remediation if all of the following are present: (i) a present obligation (legal or constructive) has arisen as a result of a past event; (ii) payment is probable (more likely than not); and (iii) the settlement amount can be estimated reliably. A contingent liability is recognised if the present obligation is not probable or the amount cannot be estimated reliably or there is a possible obligation dependent on a future event occurring. Provisions have been created in 2020 in respect of ongoing customer claims of irresponsible lending of home credit in CCD and for the resulting proposed Scheme of Arrangement (the Scheme) to provide remediation, combined with the costs of delivering the remediation.	Judgement is applied as to whether the criteria for recognition have been met: – the level of valid claims which may be received and be due remediation in the future based on recent experience of valid claims volumes; – the validity of claims being provided at 31 December 2020 to the issuance of the Practice Statement Letter (PSL); – the proportion of irresponsible lending claims which may be upheld both internally and by the FOS; – the average redress payments paid to customers both internally and by FOS; – claims received after the PSL is issued are expected to be covered by the Scheme; and – the Scheme will be approved by creditors. For contingent liabilities disclosed, judgement is required as to the nature of the event and that settlement is possible. Potential outcomes are considered to provide disclosure, including if there are a range of outcomes which may be disclosed.	In order to assess the appropriateness of the judgements applied, the Committee: – challenged the assumptions made by management to determine the provision for redress to be recognised, including the impact of post balance sheet events; – where a provision is not recognised and a contingent liability is disclosed, reviewed the level of disclosure; – reviewed the work performed by external consultants in respect of conduct matters relating to the investigations where applicable, including the probability of the Scheme being approved by creditors; and – considered the work performed by Deloitte LLP and its views on the appropriateness of assumptions used by management, based on its experience.
Retirement benefit asset The valuation of the retirement benefit asset is dependent upon a series of actuarial assumptions. The key assumptions are in respect of the discount rate, inflation rates and mortality rates used to calculate the present value of future liabilities.	Judgement is applied in formulating each of the assumptions used in calculating the retirement benefit asset. This considers any adjustments made to the key judgements to ensure they remain appropriate for the Group's defined benefit pension scheme.	The Company's external actuary, Willis Towers Watson, proposes the appropriate assumptions and calculates the value of the retirement benefit asset. The Committee considers the adjustments made by management to the core assumptions proposed by the actuary. The Committee also considers the audit work performed by Deloitte LLP on the assumptions and to what extent the assumptions are within the suitable ranges of assumptions based on audit experience.

Compliance statement

The Group has fully complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the 2020 financial year.

Paul Hewitt
Audit Committee Chairman
10 May 2021

Mitigating risk during the pandemic

"The pandemic has overlaid the entire operation of Provident Financial Group. Covid-19 was unexpected and rapidly impacted all our principal risks. The response in turn had to be quick, agile and flexible, as in a few days we had to operate with a new and untried business model, where overwhelmingly our colleagues were working from home.

Angela Knight
Group Risk Committee Chairman

Members

Angela Knight (Chairman)
Elizabeth Chambers
Paul Hewitt

Allocation of time

- Reviewing Group strategic and emerging risks and monitoring divisional risk reporting 30%
- Setting overall risk appetite, framework and policy and risk harmonisation 18%
- Reviewing regulatory and prudential risk reporting 7%
- Assessing risk management effectiveness 25%
- Maintaining good governance and approving external reporting 20%

The Committee's terms of reference are available at:
www.providentfinancial.com

At each meeting, the Committee:

- reviewed and assessed the overall risk management status of the Group;
- reviewed and assessed the Group's key strategic and emerging risks;
- reviewed and confirmed the risk appetite status across the Group;
- reviewed the Group Regulatory Report including horizon scanning and breaches;
- reviewed divisional risk reports;
- reviewed minutes and actions from prior meetings; and
- received quarterly reports from the Group Executive Risk Committee (GERC).

The pandemic has overlaid the entire operation of the Group, with Covid-19 unexpectedly and rapidly impacting all our principal risks. The clear need was to ensure that our risk management approach catered for this new environment, while at the same time not losing sight of the fundamental risks within the business and the 2020 agenda of identify, resolve and mitigate.

The Group CRO has worked closely with me, the Committee and the executive team, to bring about a harmonised approach to Covid-19 and to take forward a number of important initiatives. These have included commencing the programme to strengthen oversight and reporting capabilities, the Risk Harmonisation Programme and cross-divisional alignment, through a single enterprise risk management framework (ERMF).

A Group credit underwriting review was also undertaken to identify the material risks and potential opportunities presented by the pandemic, as clearly the requirements of our customers were no longer the same as they had been. Some customers were furloughed and others were key workers, so the Committee sought to focus on payment deferrals and forbearance for hard pressed customers, revising affordability criteria as appropriate. These and the Committee's priorities, activities and responsibilities are set out in more detail in the report.

Overall, I believe that good progress has been made this year on improving risk control in all parts of the Group, and through the culture programme there is now a greater recognition that every member of staff has their part to play in good risk control and the overall benefit that comes from it. At the same time, there is more work to be done, and so looking ahead to 2021, we see as our priorities: overseeing the implementation of the Risk Harmonisation Programme and the management approach to mitigating the strategic and emerging risks; embedding further the updated customer conduct culture which includes a customer outcomes framework; and supporting the Board in the execution of its strategy through the re-evaluation of the Group risk appetite framework following the Covid-19 and related disruptions.

We are also cognisant of the legal and regulatory risks associated with having as our Purpose the provision of finance to the underserved. Amongst the many outcomes of the pandemic is the probability that more of the population of this country is likely to be in this financially challenged category than was the case at the outset. The Committee is well aware how important it is to continue to improve our risk management, the controls and the culture within the organisation, to ensure that our customers are treated fairly at all times. However the Committee is also aware of the difficulties of meeting our customers' requirements in an environment in which regulatory thinking continues to develop and third parties seek financial benefit from opportunist challenging of the rules. To continue to provide finance to this sector requires a stable regulatory and legal framework, and one of the risks of concern to the Committee, but which is outside its remit, is that the need for this stability is not sufficiently recognised by the relevant authorities.

The Group CRO has worked closely with me ensuring that our risk management approach has been agile and flexible to support the required rapid decision making in assessing the risks arising through the Covid-19 pandemic. In the early stages of the pandemic, the executive undertook a refreshed Covid-19 risk assessment including updated reporting to ensure the Committee was kept fully informed of the emerging risk landscape, thus helping the Committee guide management through its contingency actions. Despite these unique challenges, we continue to safely navigate through the crisis, enabled by the Group's robust Business Continuity Plans.

The Committee sponsored a Covid-19 risk assessment of health and safety considerations for colleagues returning to work within our offices, demonstrating the robust approach taken by management to ensure their ongoing safety.

Our overall risk management oversight and reporting capabilities continue to be strengthened via the Risk Harmonisation Programme. This will over time drive Group and cross-divisional alignment through a single ERMF. This covers a number of key activities including refreshed risk appetite, consolidated risk policy taxonomy and Risk and Control-Self Assessment (RCSA).

The Committee considered the results of a Group credit underwriting review, which identified the material risks and potential opportunities presented by the pandemic through our lending activities. The Committee also supported the resulting prioritised actions from this review.

Given the rapidly evolving regulatory environment, the Committee has played a key role in overseeing emerging regulatory risks. This has included: 1) the Group's implementation of payment deferrals/forbearance in line with the FCA's mandated guidance; 2) revised affordability criteria in support of our responsible lending strategy; and 3) trends and associated management actions in addressing customer complaints.

Committee activities in 2020	Committee priorities for 2021
– Approved the revised Group Risk Management Framework and Policy. – Reviewed the principal risks, internal control and Committee reports within the 2019 Annual Report and Financial Statements. – Received the prudential regulation timetable for 2020. – Approved the Group Risk Management Framework effectiveness review. – Received a Group CRO report covering our strategic and emerging risks. – Reviewed in detail the divisional anti-money laundering reports. – Monitored in detail Group complaints performance across the Group. – Monitored IT resilience across the Group and the progress of the IT Modernisation Plan via regular reporting from the Group Chief Information Officer (CIO). – Monitored the progress of the Group Risk Harmonisation Programme, including resource, reporting and risk appetite. – Reviewed management's Covid-19 response, including refreshed business risk assessments, colleague Return to Work arrangements and reports on payment holidays for our customers in line with regulatory guidance. – Received a prudential risk report from the Group Treasurer. – Approved the Committee's revised terms of reference (ToR). – Reviewed and approved the approach for refresh of the Group's Wind Down Plan (WDP). – Received an update on gifts and hospitality. – Reviewed the results of the Group Credit Underwriting Review. – Received a Data Protection Plan update. – Approved the Group's Annual Risk Acceptance approach.	– Oversee the implementation of the Risk Harmonisation Programme. – Support the Board in the execution of its strategy through the re-evaluation of the Group's risk appetite framework following Covid-19 related disruption. – Approval of the Group ICAAP, Vanquis ILAAP and Group liquidity assessment. – Oversee management's approach to mitigating our strategic and emerging risks. – Further embedding of our updated customer conduct culture including customer outcomes framework.

Key Committee responsibilities

As the Group is a non-regulated parent company which owns three individually regulated operating entities, the primary role of the Committee is to make sure that there is an effective enterprise risk management framework in operation which enables effective oversight over the Group's aggregated risk position. The Committee's principal areas of responsibility are as follows:

- understanding the Board's strategy, desired culture and direction and identifying the key strategic and emerging risks which might prevent delivery;
- endorsing an overall risk appetite and recommending it to the Board for approval at least annually;
- carrying out an assessment of the principal risks facing the Group;
- overseen by the Group CRO, monitoring the overall effectiveness of risk management across the Group and divisions;
- in conjunction with the Audit Committee, reviewing the Group's capability to identify and manage new risk types, and keeping under review the effectiveness of the Group's internal control and risk management systems;
- reviewing the Group's management of current and forward-looking risk exposures;
- reviewing the Group's business continuity plans;
- notifying the Board of any changes in the status and control of material risks;
- reviewing and approving the Group ICAAP, Vanquis ILAAP and Group liquidity assessment, including the stress testing and capital allocation approach; and
- continuous improvement of risk outcomes for the Group through effective risk management planning.

Principal and emerging risks

The Committee is responsible for carrying out an assessment of the principal and emerging risks to the Group, including those which have the potential to impact delivery of its strategy and culture, business model and future performance. The Committee received reports from the CRO detailing the Group's aggregated risk profile, reviewing this in detail and confirming its accuracy.

Our principal and emerging risks are set out in the table below:

Principal risks	Key strategic and emerging risks
– Capital risk. – Funding and liquidity risk. – Credit risk. – Strategy and governance risk. – Legal and regulatory risk. – Conduct risk. – People risk. – Information security and data protection risk. – Operational risk. – Model risk.	– Threats to our business model. – Responsible lending. – Pandemic – Covid-19. – Challenge to agent self-employed status. – General IT controls. – Risk culture and governance. – Return to Work strategy.

For further details regarding the principal and emerging risk assessment, including full details of those principal and emerging risks the Board is willing to take in order to achieve its long-term strategic objectives, please see pages 48 to 61.

Risk Harmonisation Programme

The Risk Harmonisation Programme is a strategic programme to be delivered in 2021 led by Group Risk to drive Group and cross-divisional alignment through a single ERMF. This includes:

- a refreshed Group risk appetite with clear statements, measures and thresholds surrounding the amount of risk we are prepared to take as a Group;
- a move towards a single Group risk policy taxonomy. All divisional policies will over time be replaced with single Group policies to drive consistency, alongside aligned standards around how we conduct our business;
- a single risk and control self-assessment methodology which will over time further embed risk management across the Group. This will be achieved through improved accountability, better understanding of the risks owned by management, and mandatory testing and reporting of control effectiveness;
- improved risk reporting that meets the needs of all our stakeholders at a Group and divisional level. It also provides evidence around how we are fulfilling our responsibilities in what is a demanding regulatory environment; and
- taken together, the above will support the Risk function in determining the most appropriate operating model, thus enabling it to most effectively discharge its responsibilities.

Committee review of internal controls

In accordance with the 2018 UK Corporate Governance Code Principle O, the Group Board has a responsibility to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Provision 29 requires the Board to monitor the Company's risk management and internal control systems. The directors can confirm that the Group's key risks have been robustly assessed. This has been achieved through ongoing review of the emerging and principal risks by the Committee and Board, as well as tracking of the associated mitigating actions undertaken by management. Internal Audit has supported the Board in this regard by providing independent assurance over the key internal control systems.

To manage risk and ensure compliance with regulatory obligations, the Board sets the overall risk appetite of the Group. It seeks to ensure that the divisions (and corporate centre) have designed, implemented and maintained effective and appropriate risk management frameworks and processes of their own, consistent with those set by the Group. The divisions have day-to-day responsibility for risk management through their regulatory responsibilities, with key risks aggregated by Group Risk and closely monitored at the Committee. Each division adopts a three lines of defence approach, with the Group continually seeking opportunities to enhance the model through improved collaboration and integration over time.

Each of the divisions is developing its risk and control self-assessment approaches, facilitated by Group Risk. These are all at differing levels of maturity. Through this approach, key controls are identified, evaluated and monitored by line management as part of day-to-day activities. All divisions have continued to enhance these internal control frameworks during the year, with greater focus on end-to-end processes ensuring a better articulation of risks and controls.

Angela Knight
Group Risk Committee Chairman
10 May 2021

Our responsibilities as a listed business

"The Group remains committed to good governance, which we believe is more important now than ever before."

Charlotte Davies
General Counsel and Company Secretary

Introduction
In accordance with section 414C(11) of the Companies Act, the directors present their report for the year ended 31 December 2020. The following provisions, which the directors are required to report on in the Directors' Report, have been included in the Strategic Report:

- future business developments (throughout the Strategic Report, in particular on pages 20 to 29);
- important events since the balance sheet date (throughout the Strategic Report and on page 146);
- Viability Statement (page 63);
- greenhouse gas emissions, energy consumption and energy efficient action (pages 88 and 89);
- risk management (pages 48 to 61);
- how the directors have engaged with employees, how they have had regard to employee interests and the effect of that regard, including on the principal decisions taken by the Company in the financial year (pages 91 to 98); and
- how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year (pages 91 to 98).

Both the Strategic Report and the Directors' Report have been prepared and presented in accordance with, and in reliance upon, applicable company law. The liabilities of the directors in connection with both the Directors' Report and the Strategic Report shall be subject to the limitations and restrictions provided by company law. Other information to be disclosed in the Directors' Report is given in this section.

Directors
The membership of the Board and biographical details of the directors at the year end are given on pages 102 to 105 and are incorporated into this report by reference.

All directors, except as set out below, served throughout 2020 and up to the date of signing the Annual Report and Financial Statements 2020. The following individual stepped down from the Board on the following date:

- Simon Thomas 31 March 2020

With effect from the beginning of the 2020 financial year there have been the following additions to the Board on the following dates:

- Neeraj Kapur 1 April 2020
- Margot James 27 July 2020

Further commentary about the Board's composition, Board changes and Board tenure can be found on page 123.

Appointment and replacement of directors
Rules about the appointment and replacement of directors are set out in the Company's articles of association. In accordance with the recommendations of the 2018 UK Corporate Governance Code (the Code), all directors will offer themselves for appointment or reappointment, as appropriate, at the 2021 AGM.

Articles of association
The directors' powers are conferred on them by UK legislation and by the articles of association. Changes to the articles of association must be approved by shareholders passing a special resolution and must comply with the provisions of the Companies Act and the FCA's Disclosure Guidance and Transparency Rules.

Directors' indemnities
The articles of association permit the Company to indemnify directors of the Company (or of any associated company) in accordance with section 234 of the Companies Act.

The Company may fund expenditure incurred by directors in defending proceedings against them. If such funding is by means of a loan, the director must repay the loan to the Company, if they are convicted in any criminal proceedings or judgment is given against them in any civil proceedings. The Company may indemnify any director of the Company or of any associated company against any liability.

Directors' indemnities continued

However, the Company may not provide an indemnity against:

1. any liability incurred by the director to the Company or to any associated company;
2. any liability incurred by the director to pay a criminal or regulatory penalty;
3. any liability incurred by the director in defending criminal proceedings in which they are convicted;
4. any liability incurred by the director in defending any civil proceedings brought by the Company (or an associated company) in which judgment is given against them; or
5. in connection with certain court applications under the Companies Act. No indemnity was provided and no payments pursuant to these provisions were made in 2020 or at any time up to the date of this report.

There were no other qualifying indemnities in place during this period.

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors.

Information required by Listing Rule 9.8.4R

Information required to be disclosed by LR 9.8.4R (starting on page indicated):

Interest capitalised	Not applicable
Publication of unaudited financial information	Not applicable
Details of Long Term Incentive Schemes	Page 165
Waiver of emoluments by a director	Pages 161 and 165
Waiver of future emoluments by a director	Page 165
Non-pre-emptive issues of equity for cash	Not applicable
Item (7) in relation to major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Page 230
Provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Page 165
Shareholder waivers of future dividends	Page 165
Agreements with controlling shareholders	Not applicable

Share capital

The Company's issued ordinary share capital comprises a single class of ordinary shares. The rights attached to the ordinary shares are set out in the articles of association. Each share carries the right to one vote at general meetings of the Company.

During the year, 237,193 ordinary shares in the Company with an aggregate nominal value of £49,163.64 were issued to employees in relation to the Deferred Bonus Plan (DBP) at a price of £2.2030 in relation to grants made on 30 March 2020.

No new shares were issued to satisfy awards made under the Provident Financial Long Term Incentive Scheme 2015 (LTIS), the RSP or the Provident Financial Savings-Related Share Option Scheme 2013.

Conflicts of interest

The Companies Act and the articles of association require the Board to consider any potential conflicts of interest of its members.

The Board has a formal policy and operates formal procedures regarding conflicts of interest in order to identify and manage conflicts and to maintain independent judgement. All members of the Board have completed conflict of interest forms which are reviewed annually. All directors have an ongoing duty to notify the Company of any changes and to ensure that appropriate authorisation is sought where required and are required to renew and confirm their external interests annually.

The Board (excluding the director concerned) considers and, if appropriate, authorises each director's reported actual and potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the director's ability to act in accordance with his or her duties is affected. The Board will stipulate, where it deems appropriate, controls to manage an approved conflict of interest.

Records and Board minutes of all authorisations granted by the Board and the scope of any approvals given are held and maintained by the Company Secretary.

Rights of ordinary shares

All of the Company's issued ordinary shares are fully paid up and rank equally in all respects and there are no special rights with regard to control of the Company. The rights attached to them, in addition to those conferred on their holders by law, are set out in the articles of association. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except:

1. where the Company has exercised its right to suspend its voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act; or
2. where their holder is precluded from exercising voting rights by the FCA's Listing Rules or the City Code on Takeovers and Mergers.

Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules (DTR 5) the Company, as at 14 April 2021 (being the latest practicable date prior to publication of this report), had been notified that the following persons hold directly or indirectly 3% or more of the voting rights of the Company.

Schroder Investment Management	16.05%
BlackRock	6.69%
Redwood Capital Management	6.69%
Aberforth Partners	6.01%
Marathon Asset Management	5.86%
Davidson Kempner Capital Management	5.22%
Coltrane Asset Management CfD	5.04%
Vanguard Group	4.64%
Wellington Management	3.38%
NBIM	3.02%

Interests as at 31 December 2020 were as follows:

Schroders Plc	15.74%
Marathon Asset Management LLP	6.15%
Aberforth Partners LLP	5.90%
BlackRock Inc	5.87%
Coltrane Asset Management LP	5.83%
Wellington Management Company LLP	4.55%
Vanguard Group Inc.	4.27%
David Kempner Capital Management LLP	4.18%
Norges Bank Investment Management	4.00%
Sanford DeLand Asset Management Ltd	3.14%

All interests disclosed to the Company in accordance with DTR 5 that have occurred since 14 April 2021 can be found on the Group's website: www.providentfinancial.com.

Directors' interests in shares

The beneficial interests of the directors in the issued share capital of the Company were as follows:

	Number of shares	
	31 December 2020	31 December 2019
Patrick Snowball	96,477	96,477
Malcolm Le May	914,241	528,395
Andrea Blance	–	–
Angela Knight	–	–
Elizabeth Chambers	12,000	12,000
Paul Hewitt	34,205	34,205
Robert East	5,000	5,000
Graham Lindsay	9,771	9,771
Neeraj Kapur	300,143	–
Margot James	–	–

The above interests include those held by connected persons. There have been no changes to the above interests between 31 December 2020 and the date of this report.

Dividend waiver

Information on dividend waivers currently in place can be found on page 165.

Powers of the directors

Subject to the articles of association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The directors currently have powers both in relation to the issuing and buying back of the Company's shares, which were granted by shareholders at the 2020 AGM. The Board is seeking renewal of these powers at the 2021 AGM.

All-employee share schemes

The current schemes for employees resident in the UK are the Provident Financial Savings-Related Share Option Scheme 2013 and the Provident Financial Share Incentive Plan (SIP).

The current scheme for employees resident in the Republic of Ireland is the Provident Financial Irish Savings-Related Share Option Scheme 2014.

Share schemes are a long-established and successful part of the total reward package offered by the Company, encouraging and supporting employee share ownership. The Company's schemes aim to encourage employees' involvement and interest in the financial performance and success of the Group through share ownership.

Around 1,110 employees were participating in the Company's Save As You Earn schemes as at 31 December 2020 (2019: 1,259).

The Company's SIP offers employees the opportunity to further invest in the Company and to benefit from the Company's offer to match that investment on the basis of one matching share for every four partnership shares purchased.

Around 344 employees were participating in the SIP as at 31 December 2020 (2019: 553).

Executive share incentive schemes

Awards are also outstanding under the RSP, LTIS and DBP. The Remuneration Committee did not grant any options during the year under the LTIS or DBP. RSP and CSOP options were granted under the RSP on 9 November 2020. Further information is set out on page 165.

Following approval by shareholders at the General Meeting held on 3 November 2020, shares were awarded to the CEO under the role-based allowance (RBA). Further information is set out on page 156.

Provident Financial plc 2007 Employee Benefit Trust (EBT)

The EBT, a discretionary trust for the benefit of executive directors and employees, was established in 2007. The trustee, SG Kleinwort Hambros Trust (CI) Limited, is not a subsidiary of the Company. The EBT operates in conjunction with the LTIS, RSP, RBA and DBP and either purchases shares in the market or subscribes for the issue of new shares. The EBT is funded by loans from the Company which are then used to acquire, either via market purchase or subscription, ordinary shares to satisfy awards granted under the LTIS, RSP and DBP. Funds are used to acquire shares by way of market purchase for the RBA. For the purpose of the financial statements, the EBT is consolidated into the Company and Group. As a consequence, the loans are eliminated and the cost of the shares acquired is deducted from equity as set out in note 27 on page 226 of the financial statements.

In 2020, the EBT agreed to satisfy awards made under the LTIS in relation to 3,768,097 shares in the Company and to satisfy RSP and CSOP options under the RSP in relation to 1,521,919 shares and 635,686 shares respectively in the Company. The majority of the RSP options and CSOP options granted during 2020 replaced previous awards granted during 2020 under the LTIS and accordingly, following the grant of the RSP options and CSOP options during the year, the EBT agreed to lapse 2020 LTIS awards in relation to 3,473,516 shares in the capital of the Company in their entirety on 9 November 2020. The EBT subscribed for the issue of 237,193 new shares in relation to the DBP during the year. In 2020, the EBT also agreed to satisfy a buyout award agreement in relation to 175,662 shares in the Company and to satisfy an award under the RBA of 3,208 shares in the Company by way of market purchase.

As at 31 December 2020, the EBT held the non-beneficial interest in 2,857,442 shares in the Company (2019: 2,853,722). The EBT may exercise or refrain from exercising any voting rights in its absolute discretion and is not obliged to exercise such voting rights in a manner requested by the beneficiaries.

Provident Financial Employee Benefit Trust (the PF Trust)

The PF Trust, a discretionary trust for the benefit of executive directors and employees, was established in 2003 and operated in conjunction with the PSP. The trustee, Provident Financial Trustees (Performance Share Plan) Limited, is a subsidiary of the Company.

The PF Trust has not been operated with the Performance Share Plan since 2012, when the previous PSP expired. As at 31 December 2020, the PF Trust had no interest in any shares in the Company (2019: nil).

Provident BAYE Trust (the BAYE Trust)

The Provident BAYE Trust is a discretionary trust which was established in 2013 to operate in conjunction with the SIP. The trustee, YBS Trustees, is not a subsidiary of the Company. The BAYE Trust is funded by loans from the Company which are then used to acquire ordinary shares via market purchase to satisfy the Matching Awards for participants of the SIP.

For the purposes of the financial statements, the BAYE Trust is consolidated into the Company and Group. Participants in the SIP can direct the trustee on how to exercise its voting rights in respect of the shares it holds on behalf of the participant. As at 31 December 2020, the BAYE Trust held the non-beneficial interest in 284,183 shares (2019: 180,363 shares).

Profit and dividends

The loss before taxation, amortisation of acquisition intangibles and exceptional items amounts to £47.1m (2019 profit: £152.8m).

The directors have declared dividends as follows:

Ordinary shares (p) per share	
Interim dividend	
2020	£nil
2019	9p
Proposed final dividend	
2020 (dividend withdrawn)	£nil
2019	16p
Total ordinary dividend	
2020	£nil
2019	16p

In March 2020, as part of our update on the impact of Covid-19, we announced the decision to withdraw the proposal to pay a final dividend given the uncertainties caused by the pandemic. We later announced in August 2020 that we did not propose an interim dividend, with the continued aim of preserving capital and supporting business stability.

Colleague engagement and involvement

The Group is committed to colleague involvement across the Group. You can also read about how our directors have engaged with colleagues, how they had regard to colleague interests and the effect of that regard on pages 93 and 113.

We provide colleagues with information on matters of concern to them through a number of mechanisms, including: workforce panels in each division, Company briefings and updates, the intranet, mobile applications, 'town halls' and internal newsletters from our CEO and Managing Directors. Colleagues were also kept up to date during the year in relation to the Group's response to the Covid-19 pandemic. Following external announcements regarding the Group's operational and financial performance, internal communications and engagement are carried out to keep colleagues up to date on Group performance. Senior leaders across the Group regularly keep colleagues updated on financial and operational performance and relevant strategic issues through frequent updates. A weekly vlog-style update from the CEO, Malcolm Le May, highlights our progress and focus on plans across the Group.

Colleagues are consulted with via our Group-wide Colleague Survey and a Colleague Pulse Survey was also undertaken during the year. Colleagues are also consulted via our divisional workforce panels, as well as other local engagement initiatives. We have a designated Non-Executive Colleague Champion who plays a lead role in Board engagement with colleagues and understanding colleague interests. You can read more about this in a Q&A with our designated Non-Executive Colleague Champion on pages 114 and 115.

The Group recognises Unite Ireland in respect of employee relations, collective consultation and pay and conditions for approximately 60 staff in the Republic of Ireland and the Group engages with Unite Ireland as appropriate.

You can read how we encourage the involvement of UK colleagues in the Company's performance through an employees' share scheme on page 143.

Business relationships with suppliers, customers and others

You can read about how our directors had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company, on pages 91 to 98.

Training

The Group is fully committed to continual personal and professional development, encouraging colleagues at all levels to study for relevant educational qualifications.

In particular, the Group has continued with established talent and development initiatives as part of its investment in the career progression of its colleagues.

The Group is committed to making use of the apprenticeship levy with focus at present on continuing to upskill our existing colleagues. Opportunities to grow our apprenticeship programme will be revisited in 2021 taking into consideration the challenges we face during the global pandemic. The Group is authorised by the Solicitors Regulation Authority and the Institute of Chartered Accountants of England and Wales to issue training contracts to colleagues wishing to qualify as solicitors or chartered accountants, respectively.

Equal Opportunities and Diversity Policy

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all colleagues, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the Group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary. This year the Group launched a new diversity and inclusion initiative with specific inclusion communities created around protected characteristics. Details of our new inclusion communities are set out on page 77.

Investing in our workforce

We invest in our colleagues through recognition, reward, development, wellbeing, the working environment and culture. Colleagues are recognised through our new 'Better Everyday' recognition platform (see page 11 for more detail) and our 'Perks at Work' scheme, which offers colleagues in-store and online rewards and discounts, online training courses and mental wellbeing courses.

Vanquis Bank operates its 'Make Work Mean More' proposition, which is designed to provide a total rewards package to colleagues, which not only covers financial reward, but also includes lifestyle, culture, wellbeing and career opportunities, seeking to provide a suite of benefits to suit the needs of colleagues at every stage of their personal and professional lives. In 2019, Moneybarn launched its 'Be Brilliant' leadership programme to over 50 managers and senior managers, and onboarded 110 people on a revised new starter induction. CCD provides colleagues with the opportunity to find a mentor through the 'Mentoring for Success' programme, which supports the personal development of colleagues. The Group also has mentoring programmes to focus on the personal development of colleagues and the apprenticeship levy has enabled CCD to provide opportunities for our existing workforce to develop their key technical skills and achieve industry recognised qualifications which range from digital to accountancy and HR.

Our divisions support colleague wellbeing in a number of ways, such as through mental health training and mental health first aiders. In 2020 we improved our Employee Assistance Programme to provide more comprehensive support services to colleagues who were struggling with personal issues, which you can read more about on page 76.

In 2019, we signed up to the Women in Finance Charter and this year we increased our female senior leadership representation following the appointment of Cheryl Ball, Group HR Director, to the Group Executive Committee. We also remain committed to achieving 40% female senior leadership representation by December 2024.

Pensions

The Group operates five pension schemes in the UK.

Employee involvement in the Group defined benefit pension scheme is achieved by the appointment of member-nominated trustees and by regular newsletters and communications from the trustees to members. In addition, there is a website dedicated to pension matters. The trustees manage the assets of the defined benefit pension scheme which are held under trust separately from the assets of the Group. Each trustee is encouraged to undertake training and regular training sessions on current issues are carried out at meetings of the trustees by the trustees' advisors. The training schedule is based on The Pensions Regulator's Trustee Knowledge and Understanding requirements. The trustees have a business plan and, at the start of each year, review performance against the plan and objectives from the previous year. In addition, they agree objectives and a budget for the current year. The trustees have a risk register and an associated action plan and a Conflicts of Interest Policy, both of which are reviewed at least annually.

As at the year end there were three trustees nominated by members and five trustees appointed by the Company.

The trustees have implemented a de-risking investment strategy which has been agreed with the Company. The objective of the strategy is to reduce the risk that the assets would be insufficient in the future to meet the liabilities of the scheme. The de-risking investment strategy is kept under close review by both the trustees and the Company.

The Company has put Pension Trustee Indemnity Insurance in place to cover all of the Group's pension schemes where individuals act as trustees. The trustees are also protected by an indemnity within each scheme's rules and this insurance effectively protects the Group against the cost of potential claims impacting on the solvency of the pension schemes.

The Group also operates a Group Personal Pension Plan for employees who joined the Group from 1 January 2003. Employees in this plan have access to dedicated websites which provide information on their funds and general information about the plan.

The Group also operates a Group Personal Pension Plan for employees of Moneybarn who joined the Group from 1 January 2003. Employees in this plan have access to the insurer's website which provides information on their funds and general information about the plan.

In 2011, the Company established an Unfunded Unapproved Retirement Benefits Scheme (UURBS), for the benefit of those employees who are affected by the HMRC annual allowance and lifetime allowance which applies to members of registered pension schemes. The UURBS offered an alternative to a cash payment in lieu of a pension benefit. This scheme was not offered to new entrants after 2015.

In October 2013, the Group auto-enrolled all eligible staff into a new scheme designed for auto-enrolment.

The Group also operates two defined contribution pension schemes for employees in the Republic of Ireland.

Health and safety

The Group is committed to achieving high standards of health and safety in relation to all of its colleagues, those affected by its business activities and those attending its premises. Each division has its own health and safety agenda, policy standards and mandatory training in place to help colleagues work safely at all times.

CCD has the particular risk of personal safety whilst out collecting from customers. During 2020, CCD has implemented a lone working safety app, device and access to an external 24/7 Alarm Receiving Centre for our UK field colleagues, to enhance our personal safety controls. In addition, a new incident management system has been introduced to enrich our reporting capability and help gain a deeper insight into the health and safety of the business. There has been an increased focus on health and safety engagement and consultation within the business, along with personal safety weeks, with the aim of further embedding our workplace safety culture.

Anti-bribery and corruption

The Group policy

The Group has a policy on anti-bribery and corruption which reflects the requirements of the Bribery Act 2010 (the Policy).

The Policy sets out the Group's zero-tolerance approach to bribery and corruption and its commitment to acting professionally, fairly and with integrity in all its business dealings and relationships, wherever it operates, and implementing and enforcing effective systems and controls to counter bribery, corruption and other financial crimes.

The Policy applies to all employees, self-employed agents, contractors and directors in relation to the business activities undertaken by, or on behalf of, the Group. It also applies to any third-party which is undertaking business for or on behalf of the Group, which must comply with the Policy or maintain equivalent standards and safeguards to prevent bribery and corruption.

Under the Policy, all employees, self-employed agents, contractors, directors, and relevant third parties of the Group and its divisions must comply with the following minimum requirements:

- they must not directly or indirectly engage in bribery or corruption in any form; and
- they also must not accept, solicit, agree to receive, promise, offer or give a bribe, facilitate payment, kickback or other improper payment.

The Policy also states that if an employee, self-employed agent, contractor, director or relevant third party of the Group or its divisions becomes aware of a breach of the above minimum requirements they must immediately comply with applicable protocols and procedures to inform an appropriate person within the Group who must as soon as is reasonably practicable report the incident to the Deputy Company Secretary.

Compliance

The GRC and Audit Committees oversee compliance and work together to review the systems and controls for the prevention of bribery. Compliance is also monitored by the Divisional Boards.

Related policies

Gifts and Corporate Hospitality Policy

The Group also has a Corporate Hospitality Policy which requires divisional review, approval and documentation of any gifts or corporate hospitality which is accepted, offered or provided. The Audit Committee oversees the Corporate Hospitality Policy.

Whistleblowing Policy

The Group has a Whistleblowing Policy which is overseen by the Board. The Group is committed to fostering a culture of openness, honesty and accountability and requires the highest possible standards of professional and ethical conduct.

A Group Whistleblowing Forum is in place which oversees whistleblowing investigations, reviews management information and takes the opportunity to consider any concerns regarding persistent trends and shares best practice.

Should any Group colleagues have any concerns relating to anti-bribery and corruption or corporate hospitality then anonymous concerns can be raised through the Group's external third-party helpline facility as detailed in the corporate Whistleblowing Policy. Whistleblowing arrangements are overseen by the Board.

Training

The Group provides anti-bribery and corruption and whistleblowing training to all of its colleagues.

Environmental management

The Group's directors are committed to minimising the environmental impacts of the Company's operations, as well as managing the risks that climate change presents to the business and its key stakeholders. The Group's Environmental Management System (EMS) helps to identify, assess and address key environmental risks and impacts; set and achieve environmental targets; and ensure compliance with environmental rules, regulations and policy requirements. The EMS at the Group's Bradford head office has been certified to the international environmental management standard ISO 14001:2015 since 2011, and in 2018 this was extended to include all of Vanquis Bank's operations in Chatham, Kent and London. In April 2020, the ISO 14001:2015 was further extended to include Moneybarn's operations in Petersfield, Hampshire. The Group has voluntarily reported greenhouse gas (GHG) emissions and other environmental performance metrics since 2007, and since 2013 has reported its direct and indirect GHG emissions in line with the requirements of the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. This data is independently assured by Corporate Citizenship in accordance with the ISAE 3000 assurance standard and is set out in the Strategic Report section of this document on page 88, and in the Group's 2020 Corporate Responsibility Report at www.providentfinancial.com. This year, the Group has also disclosed climate-related risk information in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). This information is set out on page 87. The Group has also disclosed its energy consumption and the principal measures taken to increase energy efficiency in line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018; this information can be found in the Strategic Report on page 88.

Overseas branches

The Group has an overseas branch in the Republic of Ireland.

Important events since the end of the financial year (31 December 2020)

Provisions were recognised in CCD following the year end for a proposed Scheme of Arrangement which will provide remediation of £50m, plus estimated costs of delivering the settlement (£15m). The Group has decided to pursue the Scheme, under Part 26 of the Companies Act, in relation to potential redress claims arising from complaints based on historic home credit lending prior to 17 December 2020 (relevant claims) and has worked collaboratively with the FCA to get to this point.

When approved, the Scheme will remediate all outstanding relevant claims, as well as new relevant claims received before the proposed Scheme is sanctioned. The Group will fund legitimate Scheme claims with £50m and will cover further Scheme-related costs estimated at approximately £15m. See note 25 for further detail.

On 28 January 2021, Vanquis Bank issued secured notes collateralised against a portion of the credit card receivables book. This is a fully retained transaction; therefore, Vanquis Bank will keep all of the notes issued and the notes will not be sold publicly. It is intended that the notes will be placed with the Bank of England later in the year to support borrowings against the Sterling Monetary Framework facilities. The transaction issued two classes of notes with an aggregate principal amount of £453m. The programme enhances the Group's ability to diversify its sources of funding.

In the March 2021 Budget, the Government announced that the mainstream corporation tax rate would increase to 25% from 1 April 2023. Revaluing the deferred tax balances at 31 December 2020 at 25%, to the extent they relate to temporary differences which are expected to reverse after 1 April 2023, gives rise to a tax credit of £8.3m.

Corporate governance statement

The Group's Corporate Governance Report is set out on pages 99 to 147. The Group was fully compliant with all the provisions of the Code throughout the whole of 2020 with the exception of the following:

Provision 9 – Interim Executive Chairman

Our CEO took a short leave of absence from late September 2020 to early November 2020 to undergo a planned heart procedure. During this interim period, our Group Chairman temporarily assumed the executive duties of the CEO and acted as Interim Executive Chairman. This resulted in the Group not complying in full with Provision 9 of the Code between the period of late September to early November. Due to the short period of the CEO's absence and the Chairman's familiarity with the business, the Board determined this was the most appropriate way to manage these duties during the CEO's short absence, was in the best interests of the Company and was a reasonable and proportionate non-compliance with the Code provision. Furthermore, following his stepping down as Chairman of Sabre Group plc on 1 September 2020, it was considered that the Chairman had sufficient time to undertake these additional responsibilities. This decision was communicated to shareholders and notified to the market during September 2020, prior to taking effect. Throughout this short and temporary period of non-compliance, the Group's governance arrangements that are in place to ensure appropriate independence and challenge remained in place such as: the majority of the Board being independent and a Senior Independent Director being in place with a clear role and responsibilities, which are published on our website.

Financial instruments

Details of the financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, liquidity risk, cash flow risk, price risk, interest rate risk and foreign exchange rate risk are included on pages 186 to 190 of the financial statements.

Significant agreements

There are no agreements between any Group company and any of its employees or any director of any Group company which provide for compensation to be paid to an employee or a director on termination of employment or for loss of office as a consequence of a takeover of the Company.

Political donations

The Group did not make any political donations nor incur any political expenditure during the year.

Directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the Independent Auditor's Report on pages 235 to 244, is made to distinguish for shareholders the respective responsibilities of the directors and of the external auditor in relation to the financial statements.

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors have also considered and accepted the review undertaken and the report provided by the Audit Committee, as set out on pages 133 to 137 of this report, and are satisfied that the Annual Report and Financial Statements 2020, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

The directors are also required by the FCA's Disclosure Guidance and Transparency Rules (DTR) to include a management report containing a fair review of the business of the Group and the Company and a description of the principal risks, emerging risks and uncertainties facing the Group and Company.

The Directors' Report and the Strategic Report constitute the management report for the purposes of DTR 4.1.5R and DTR 4.1.8R. The directors are responsible for keeping proper accounting records that are sufficient to:

- show and explain the Company's transactions;
- disclose with reasonable accuracy at any time the financial position of the Company and Group; and
- enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Financial Statements 2020 will be published on the Group's website in addition to the normal paper version.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Patrick Snowball	Chairman
Malcolm Le May	Chief Executive Officer
Neeraj Kapur	Chief Finance Officer
Andrea Blance	Senior Independent Director
Angela Knight	Independent Non-Executive Director
Elizabeth Chambers	Independent Non-Executive Director
Margot James	Independent Non-Executive Director
Paul Hewitt	Independent Non-Executive Director
Graham Lindsay	Independent Non-Executive Director
Robert East	Independent Non-Executive Director

Disclosure of information to auditor

In accordance with section 418 of the Act, each person who is a director as at the date of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- they have taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

Auditor

Deloitte LLP, the external auditor for the Company, was first appointed in 2012 and a resolution proposing its reappointment will be proposed at the 2021 AGM. Following a tender process conducted this year, Deloitte has been approved by the Board for proposed reappointment as the Group's external auditor for 2022 onwards.

2021 AGM

The 2021 AGM will be held at our London office on Floor 28, 20 Fenchurch Street, London EC3M 3BY, on 30 June 2021 at 1.30pm. The Notice of AGM, together with an explanation of the items of business, will be contained in the circular to shareholders dated 10 May 2021.

Approved by the Board on 10 May 2021 and signed by order of the Board.

Charlotte Davies
General Counsel and Company Secretary
10 May 2021

Engaging positively with our stakeholders

> Remuneration continues to play a key role in strengthening our culture and supporting our strategy.

Andrea Blance
Remuneration Committee Chairman

Committee members (attendance)

Andrea Blance (Chair) (9/9)
Margot James (3/5)* (member from 27 July 2020)
Angela Knight (6/6) (member until 31 August 2020)
Graham Lindsay (9/9)

The Chairman, the Group Chief Executive Officer (CEO), the Group Human Resources Director (HRD), the Group Reward Director and the Committee's independent advisor (Aon to 31 May 2020 and PwC thereafter) attend Committee meetings by invitation. No person is in attendance when their own remuneration is being discussed.

For details of the responsibilities of the Committee and the key activities over 2020 please see page 165.

The report complies with the provisions of the Companies Act, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Conduct Authority (FCA). The Company also follows the requirements of the UK Corporate Governance Code (the Code) updated in July 2018.

* Did not attend first two meetings (which took place within weeks of becoming a member due to existing commitments).

I am pleased to present the report of the Group Remuneration Committee which explains how we have engaged positively with our investors and other stakeholders during 2020 and, in particular, as part of the November 2020 General Meeting (GM) consultation. Thanks to those discussions we have a modern reward framework which is robust and flexible and further strengthens the links with performance, our strategic agenda, underlying Blueprint behaviours, cultural transformation and the evolving regulatory environment.

We have achieved this principally through the introduction of a new Directors' Remuneration Policy (DRP) which received shareholder approval on 3 November 2020.

Covid-19 has presented unprecedented challenges to the Company, its stakeholders and wider society over the course of 2020. Throughout this year, the Committee has been very aware of the societal and business disruption caused by the Covid-19 pandemic and has sought to reflect this in its thinking and decisions.

2020 performance and outcomes for the executive directors in the context of the impact of Covid-19

Given the impact of Covid-19 on the Company, its stakeholders and the wider economy, the Committee felt that in line with our strategic priority to act responsibly and with integrity, it was crucial that 2020 pay decisions were appropriate given the internal and external contexts. Notwithstanding the significant impact on our financial performance, there were many positive aspects of our response to the pandemic including:

- colleagues, e.g. successful transition to working from home, introduction of additional colleague wellbeing initiatives, successful (and quick) return of colleagues from CJRS/furlough and no Covid-19 related redundancies;
- government, e.g. full (and early) repayment of CJRS/furlough support, not taking any government loans and repayment of all amounts owing to HMRC;
- customers and society, e.g. uninterrupted service to customers, increasing digital access and proactively increasing forbearance prior to regulatory guidance; and
- shareholders, e.g. tight management control of capital and increasing liquid assets allowed management to maximise options.

Despite this, the Committee felt it was appropriate to pay no bonus to the executive directors in respect of 2020 performance. The table below sets out a summary of all of the decisions relating to remuneration that the Committee made during 2020.

Element of remuneration	Committee decision	Rationale
2019 bonus	To pay the bonus in the normal manner with no adjustment.	The 2019 bonus is reflective of the Company's strong performance in a challenging year, prior to the impact of Covid-19. All eligible colleagues received their 2019 bonuses. At the time of the bonus determination the Company's balance sheet, liquidity and finances were strong. The bonus was paid prior to regulatory, and shareholder, guidance regarding Covid-19.
2020 salary rises	The salary rises in 2020 were determined in the normal manner for 2020.	The decisions in relation to salaries were made prior to the impact of Covid-19 on 1 January 2020. The salary rises for the executive directors reflected the rise for all colleagues, which was an underlying 2% and a similar amount for general adjustments.
2020 salaries (voluntary)	The executive directors, and senior management, volunteered to take a 20% reduction in base pay and all non-executive directors a 20% reduction in fees for three months (15 April 2020 to 15 July 2020).	The Committee felt that this was a fair alignment of the executive directors with the broader colleague population. At the point the salaries of the executive directors reverted to their normal level on 15 July 2020, 33% of CJRS/furloughed colleagues were no longer on CJRS/furlough and paid fully by the Company. However, there were plans in place to reinstate the balance of our colleagues and this happened during August.
2020 bonus	The Committee exercised its discretion to reduce the bonus outcome for executive directors to zero despite the achievement of some of the non-financial measures, which make up 40% of the annual bonus opportunity.	The Committee felt it would not be appropriate to exercise upwards discretion on the 2020 targets and instead decided to exercise downwards discretion to the achievement of the non-financial targets. The Committee felt that this was an equitable outcome considering the experience of all the Company's stakeholders over the period. This decision was taken in July 2020.
Long Term Incentive Scheme 2018 (LTIS 2018) vesting	The Committee concluded that the metric outcome was zero and therefore no LTIS 2018 would vest.	The Committee felt that this was an equitable outcome considering the experience of all the Company's stakeholders over the period.
2020 Restricted Share Plan (RSP 2020) award	The Committee determined to make the award to the executive directors in line with the 2020 Remuneration Policy. The grant included the 'haircut' that was made to the LTIS 2020.	The Committee felt it was important to grant the first award following shareholder approval to provide some lock-in and incentivisation for the executive directors given the lack of value in their historical share incentives and no 2020 bonus. This was discussed with shareholders prior to the GM. In addition, the Committee has made it clear that the actual number of shares vesting on the third anniversary of the date of grant will be adjusted to ensure the share price used to determine the number of shares has not resulted in a windfall gain. The Committee feels that at present it is too early to judge whether or not there will be any windfall gains and does not feel at this point that it can determine a precise definition of a windfall gain but will provide a full explanation of its decision on the level of vesting at the vesting date.

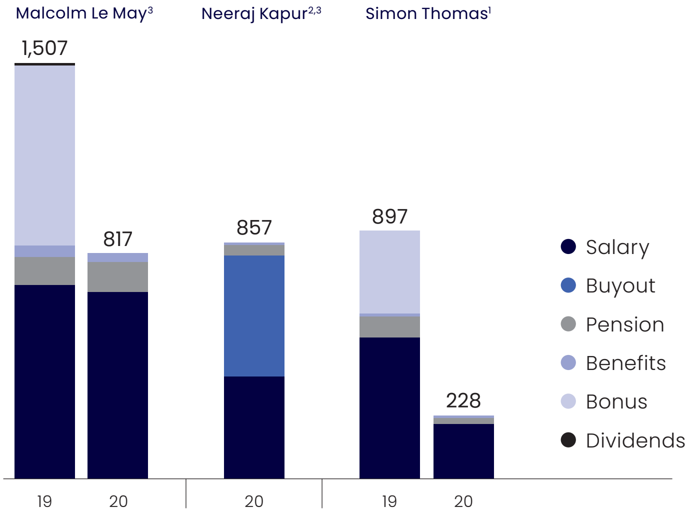
2020 performance and outcomes for the executive directors in the context of the impact of Covid-19 continued

Element of remuneration	Committee decision	Rationale
2020 Restricted Share Plan (RSP 2020) award continued		As promised at the GM, the grant of options under the Long Term Incentive Scheme in April 2020 was cancelled for those who participated in the new plan.
2021 salary rises	No salary rises for the executive directors. Average colleague salary rise in 2020 was 4%. No salary rises will be in effect from 1 January 2021. There will also be no increase in non-executive director fees.	The Committee does not feel in the current circumstances that it would be appropriate to increase the salaries for the executive directors nor fee levels for the non-executive directors.
2021 bonus	The Committee is proposing to operate the 2021 bonus with overall weighting in line with the 2020 Policy applying the performance conditions set out on pages 156 and 157.	Shareholders were supportive of the approach to performance conditions and weightings on approval of the Policy this year and therefore the Committee feels that it is appropriate to continue with this approach, given its view that fair and realistic performance targets can be set for these performance conditions.
2021 Restricted Share Plan award	The Committee intends to make awards in line with the Remuneration Policy.	The Committee in 2021 will review the size of grants taking into account business and individual performance and other factors the Committee considers relevant. In addition, the Committee will ensure an adjustment if it determines that there have been windfall gains due to the share price used to determine the grant.
Recognition of wider workforce	£500 payment was made to each colleague (excluding senior management) in December 2020.	The Committee wished to recognise colleague efforts, and their support to our customers, throughout the year.

Single total figure of remuneration for each director

The impact of paying no variable pay is clear in the single figure outcomes set out below. Full details are in the Annual Report on Remuneration on pages 163 to 165.

Single figure remuneration (£'000)



1 Simon Thomas ceased to be an executive director on 1 April 2020.
2 Neeraj Kapur became an executive director on 1 April 2020.
3 The compensation for Messrs Le May and Kapur includes a 20% voluntary salary reduction for the period from 15 April 2020 to 15 July 2020. Benefits and/or associated insurances were not proportionally reduced for the same period (consistent with how we treated CJRS/furloughed colleagues). This amounted to a reduction of £35,700 for Mr Le May and £26,250 for Mr Kapur.

A new Directors' Remuneration Policy better linked to strategy

In the normal course of events, we would have sought shareholder approval for a new Directors' Remuneration Policy in 2022, three years after the approval of the existing Policy in 2019. However, there were a number of factors which resulted in the Committee deciding to seek shareholder approval for a 2020 Remuneration Policy at a GM of the Company on 3 November 2020. Shareholder feedback post the mid-year financial announcements included strong support for management, agreement with the articulated agenda/direction but also concern that management had virtually no lock-in or retention. These concerns were further exacerbated by the Committee's decision earlier in 2020 to pay no bonus to the executive directors in relation to 2020. Additionally the introduction of CRD V imposed a 'bonus cap' on PFG for the first time, requiring a rebalancing of our fixed and variable remuneration to ensure ongoing compliance.

The new Policy, including the new Restricted Share Plan (RSP), was developed to:

- support the new Company strategy, including a better alignment with the 'new normal' – market, customer and structural change (as highlighted by the Group CEO during the mid-year results);
- align the executive directors' ownership experience over the period for which the 2020 Policy applies with shareholders;
- simplify our remuneration structures;
- incentivise the creation of long-term shareholder returns through sustainable long-term performance of the Company;
- reflect the current context and the additional uncertainties it introduces over the mid term;
- develop a remuneration approach which encourages a focus on the long-term interests of our shareholders and customers, rather than driving short-term performance which may be detrimental;
- lower maximum remuneration opportunities which reflects that our services are being provided to less affluent members of society; and
- reflect the regulatory changes (it is currently only the CEO who is impacted):
  - this is being addressed by the introduction of role-based allowances (RBAs) under the 2020 Policy; and
  - for the CEO, the RBA will be equivalent to 15% of base salary per year.

Key changes in the new Policy

Element	Rationale
Introduction of the RBA for the CEO of 15% of salary, paid in shares over three years	The introduction of an RBA has been required to maintain competitive pay levels while complying with the regulations applicable in the financial services sector, in particular CRD V and the associated restrictions on the ratio of fixed remuneration to variable remuneration. Previously the Company was able to disapply this restriction on the basis of proportionality under the previous iteration of the Capital Requirements Directive, i.e. CRD IV.
Alignment of incumbent executive director pension with the wider workforce (10% of salary)	Brings provision in line with the Code and corporate governance best practice.
Replacement of the LTIS with an RSP	Simplifies long-term incentive arrangements and addresses challenges set out above.

The details of the new Policy, the rationale for the changes made and details of the implementation of the Policy for 2021 are set out on pages 155 to 159.

Links to strategy

In making changes the Committee focused on ensuring that the variable compensation aligned with the corporate strategic priorities. The corporate strategy is covered in detail on pages 20 and 21 but in summary we link our compensation to the three strategic pillars:

- grow a customer-centric business;
- act responsibly and with integrity; and
- maintain a secure funding and capital structure.

These are reflected through:

1. **Annual bonus:** we focus on the corporate scorecard which generates the potential bonus, i.e. (i) financials (60%) – adjusted PBT and RORE; and (ii) non-financials (40%) – strategy, regulatory risk and conduct, investor relations, customer and colleague; and
2. **RSP:** pure alignment with shareholders incentivises sustainable growth while the underpin considers our financial health, our reputation and our relationship with customers (and the regulator).

Engagement with stakeholders

Given the unprecedented impact of Covid-19 and the need to implement a new executive directors' remuneration policy, the Company has been keen to ensure that its key stakeholders have been considered in all its decisions made during 2020. The following sets out how the Company has taken into account each of its main stakeholders:

Stakeholder	Decision

Colleagues	– The primary focus of the Company was to maintain jobs over this period. Any redundancies were due to wider business changes.
	– All colleagues have been treated equally:
	  – those on CJRS/furlough received 80% of their salary through the CJRS and this was mirrored by a 20% reduction in the Board salary and fees; and
	  – bonuses, payable in 2020, were paid to all eligible staff.
	– Terms and conditions of employment have been maintained.

Customers	– Customers have been supported through our technology and remote working teams. It is heartening that our customer satisfaction score over the recent period was at, or above, the target set at the beginning of the year. – Our plans have been centred around providing the normal PFG customer experience wherever possible.
Shareholders	– The objective of the Board has been to maintain our core business over this challenging period and its scalability to ensure PFG has a leading position when the market recovers and is therefore able to generate the shareholder returns over the longer term expected by our investors. – The Remuneration Committee has taken into account the experience of shareholders over this period in all its determinations in relation to executive remuneration for 2020. – It should be noted that prior to introducing the 2020 Remuneration Policy the Committee consulted with the Company's top 20 shareholders, Glass Lewis, the IA and ISS on the new Policy. Details of the main areas of discussion, comments or amendments suggested by shareholders, the Committee's response and rationale for the final position are set out in the Notice of General Meeting on 3 November 2020. During 2020, no further consultation was undertaken by the Remuneration Committee.

Conclusion

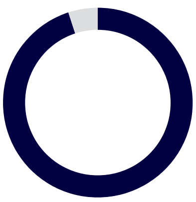
We have made a great number of changes in 2020 to further align our compensation with the expectations of shareholders and new regulation to ensure that our Policy remains fit for purpose. Although the 2019 Policy was operated as intended, we are confident that we now have in place a much improved 'pay for performance' commitment and rigour. Notwithstanding the positives from a difficult year, discretion was exercised by the Committee to exercise downwards (to zero) the non-financial measures for the Annual Bonus Plan. In the wider context the Committee felt that this was the correct thing to do.

I want to thank all investors (and their representative bodies) who provided me with feedback as part of the 2020 Remuneration Policy consultation which has allowed us to incorporate investor views into the 2020 Remuneration Policy and will inform the Committee's approach in 2021 and beyond. Our engagement with investors was demonstrated through support for the new Policy with voting outcomes of 97.8%, 99.9% and 96.2% for the Directors' Remuneration Policy, variable pay limits and RSP respectively.

Andrea Blance
Remuneration Committee Chairman
10 May 2021

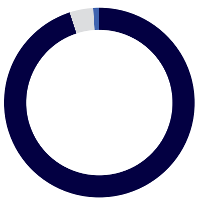
Outcomes of votes on remuneration resolutions

Shareholder vote on the 2019 Annual Report on Remuneration



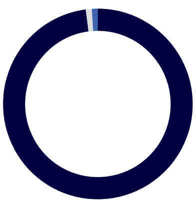
For	95%
Against	5%
Withheld	0%

Shareholder vote on the 2020 GM
Restricted Share Plan



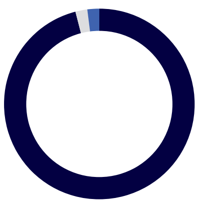
For	96.0%
Against	3.8%
Withheld	0.2%

Fixed vs variable pay ratio



For	99.7%
Against	0.1%
Withheld	0.2%

Directors' Remuneration Policy



For	96.2%
Against	2.2%
Withheld	1.6%

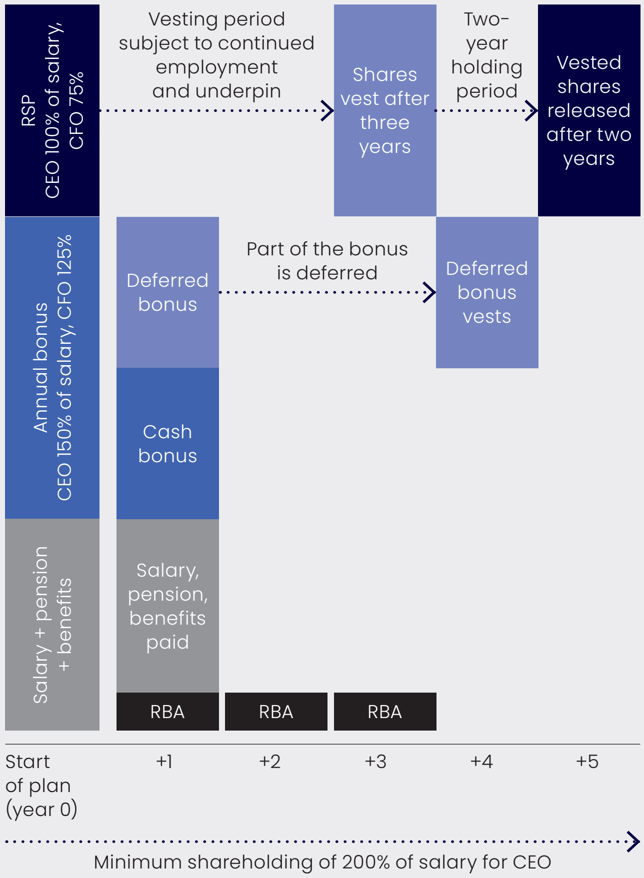
Remuneration at a glance

The following section sets out

- an illustration of the operation of the 2020 Policy approved at the GM on 3 November 2020;
- an illustration of the total remuneration that can be earned under the Policy;
- a summary of the outcomes under the 2020 Annual Bonus Plan and the LTIS 2018; and
- a summary of long-term incentives granted in 2020.

Illustration of the 2020 Policy

Implementation for the CEO



Salary: In general, increases in line with the wider workforce

- **CEO current:** £714,000 – remains unchanged
- **Role-based allowance (RBA):** 15% of salary p.a. paid in shares equally over three years
- **CFO current:** £525,000 – remains unchanged

Pension: Executive pensions aligned with the wider workforce from 31 December 2022

- **Current EDs:** CEO 15%, CFO 10% (wider workforce 10%)
- **New EDs:** In line with the wider workforce

Annual bonus: Element of the bonus is deferred

- **Maximum:** CEO – 150% of salary (reduced from 175%), CFO – 125% of salary (no change)
- **Performance conditions:**
  - 60% financial (adjusted PBT)
  - 40% non-financial:
    - Strategy (20%)
    - Regulatory risk and conduct (40%)
    - Investor relations (10%)
    - Customer (20%)
    - Colleague (10%)
  - CET1 underpin
  - **Deferral:** At least 40% of the bonus is deferred for three years in Company shares

RSP: Restricted Share Plan (replaces the LTIS)

- **Frequency:** Annual, rolling awards
- **Award level:** CEO – 100% of salary (down from LTIS of 200%), CFO – 75% of salary (down from LTIS of 150%). As part of the grant process the Committee will consider the individuals' personal and business performance for the prior year and determine that the proposed level of grant remains appropriate
- **Performance conditions:** Underpin of Committee discretion on vesting
- **Vesting:** Three years with a two-year holding period post-vesting

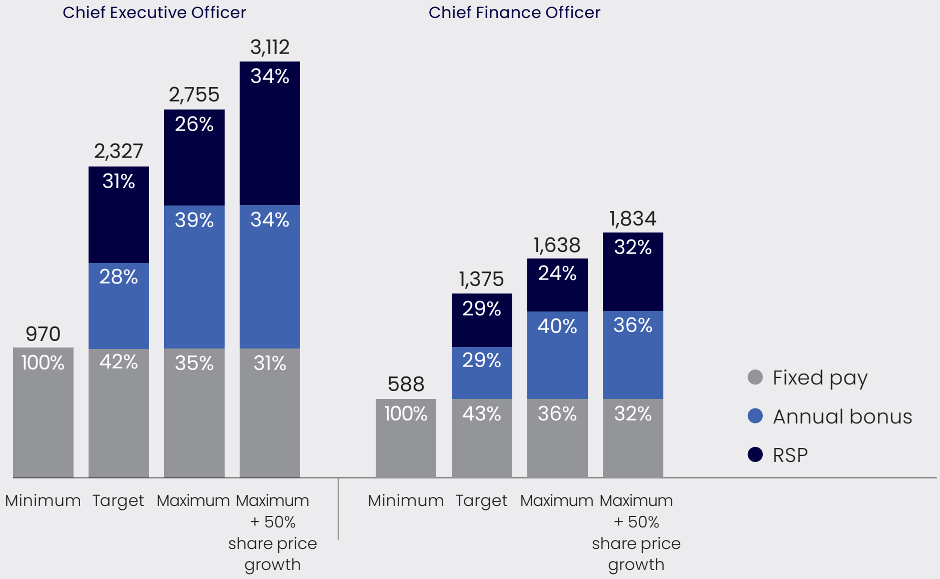
Shareholding requirement: Extend post-cessation

- Executive directors must continue to build a minimum shareholding of 200% of salary
- The full requirement extends for two years post-cessation

Illustration of the opportunities under the Directors’ Remuneration Policy

The chart below shows an estimate of the remuneration that could be received by executive directors under the new Policy.

Remuneration (£’000)



2020 bonus outcome

The tables below summarise performance against the targets set for the 2020 bonus and the outcome, before and after Committee discretion.

The Committee decided in the middle of 2020 that no bonus would be payable in 2020. Clearly the financials, whilst acceptable given the pandemic, were nevertheless significantly less than the initial budget (this represents 60% of the total bonus).

Management performed well on the non-financials even with the other challenges of the pandemic. However, the Committee felt that any payment, with respect to the Annual Bonus Plan, would be inappropriate given the wider societal and business disruption caused by the Covid-19 pandemic. Therefore no executive director, nor member of senior management, received a bonus in 2021 with respect to 2020 performance.

	Performance range					
	Threshold 85%	Target 100%	Maximum 110%	Actual	Weighting	Outcome
Financial					60%	–
Adjusted PBT	£152.1m	£178.9m	£196.8m	£(47.1)m	100%	–
Non-financial					40%	63.5%
Risk overlay			Satisfactory			
CET1 gateway			The Group achieved a CET1 ratio of 34.2% (significantly above our hurdle)			
Total outcome before Committee discretion						25.4%
Total outcome after Committee discretion						–

LTIS 2018 vesting

The LTIS 2018 did not vest as threshold performance was not met, despite some achievement in the risk indicator metric.

Performance condition (% of award)	Outcome
EPS (60%)	–
Relative total shareholder return (30%)	–
Risk indicators (10%)	–

Long-term incentives granted in 2020

Following shareholder approval at the General Meeting on 3 November 2020, the LTIS 2020 grants were cancelled and new awards were granted under the new RSP. Details can be found on page 165.

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

Directors' Remuneration Policy

The Policy as approved at the GM on 3 November 2020 can be found in full on pages 155 to 159. The Policy is intended to apply for three years.

Policy implementation in 2020 and proposed in 2021

The following table sets out the Policy that operated until shareholder approval of the 2020 Policy, the changes made as part of the 2020 Policy, the implementation of the Policies in 2020 and how it proposes to implement the 2020 Policy in 2021. The Notice of Meeting of the Company for the General Meeting sets out how the Remuneration Committee has addressed the factors in Provision 40 of the 2018 UK Corporate Governance Code, i.e. clarity, risk, predictability, proportionality and alignment to culture, through the new Policy.

Element of remuneration	2019 Policy	2020 Policy	Implementation in 2020	Rationale for change between the 2019 Policy and 2020 Policy	Proposed implementation in 2021
Salary	An executive director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of base salary, the Committee considers: – pay increases for other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant director; and – the economic environment.	No change.	CEO salary £714,000 (2%). CFO salary £525,000. Average colleague rise 4% as follows: – sales and sales support – 3.7% (3,396); and – administrative staff – 4.7% (1,118).	No change.	CEO salary £714,000 (0%) – Malcolm Le May. CFO salary £525,000 (0%) – Neeraj Kapur. Average colleague rise 0% (a number of our lower paid staff will be reviewed).
Benefits	Benefits include market standard benefits.	No change.	See single figure of remuneration table on page 161.	No change.	See single figure of remuneration table on page 161.

Policy implementation in 2020 and proposed in 2021 continued

Element of remuneration	2019 Policy	2020 Policy	Implementation in 2020	Rationale for change between the 2019 Policy and 2020 Policy	Proposed implementation in 2021
Role-based allowance (RBA)	Not part of the 2019 Policy. Introduced in the 2020 Policy due to regulatory changes.	As a consolidated entity we are now required to meet the regulatory remuneration requirements including a maximum ratio of 1:2 for fixed vs variable compensation. To ensure compliance for the CEO we reduced the annual variable element from 175% of base salary to 150%. Simultaneously, we introduced an RBA of 15% of base salary. RBAs are non-pensionable and will be released in equal instalments over three years in the form of shares. The maximum annual value of an RBA grant for an individual is 25% of base salary.	The RBA for the CEO was pro-rated for 2020 from the date of approval of the 2020 Policy on 3 November 2020. The annual RBA for the CEO is 15% of salary. There are no other RBAs currently provided within the Company. The allowance will be paid in shares in equal instalments over three years, to reflect the impact of the cap on variable pay on his total remuneration with a corresponding reduction of annual bonus potential from 175% of base salary to 150%.	The introduction of an RBA has been required because of CRD V with the associated restrictions on the ratio of fixed remuneration to variable remuneration. Previously the Company was able to disapply this restriction on the basis of proportionality under the previous iteration of the Capital Requirements Directive, CRD IV. To bring the 2020 Policy in line with the regulations applicable in the financial service sector.	CEO 15% of salary. No change.
Pension	The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice.	The maximum value of the pension contribution allowance for newly appointed executive directors will be aligned to that of the wider workforce (currently 10% per annum).	CEO 15% of salary*. CFO 10% of salary. Average colleague pension contribution 10%. * This will reduce to 10% as of 31 December 2022.	The pension contribution for incumbent executive directors will be aligned with that of the wider workforce from 31 December 2022. Brings provision in line with the Code and corporate governance best practice.	CEO 15% of salary*. CFO 10% of salary. Average Company pension contribution is 10%. * This will reduce to 10% as of 31 December 2022.
Bonus	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 175% of base salary.	Maximum participation reduced to 150% of base salary. The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity.	CEO 171% of salary*. CFO 125% of salary. * Pro-rated to take into account the regulatory cap on the introduction of the new 2020 Remuneration Policy (175% up to 3 November 2020 and 150% from 3 November 2020 onwards).	This reflects an overall deleveraging of the remuneration for the executive directors; see page 151 for more details.	CEO 150% of salary. CFO 125% of salary. Financial performance conditions: – adjusted PBT (30%); and – adjusted return on required equity (RORE) (30%).

Element of remuneration	2019 Policy	2020 Policy	Implementation in 2020	Rationale for change between the 2019 Policy and 2020 Policy	Proposed implementation in 2021

Bonus continued			Performance conditions:
			– 60% financial (adjusted PBT); and
			– 40% non-financial:
			  – strategy (30%);
			  – regulatory risk and conduct (20%);
			  – investor relations (10%);
			  – customer (30%); and
			  – colleague (10%).
			Risk overlay and CET1 underpin.
			Deferral: At least 40% of the bonus is deferred for three years in Company shares.
			No bonus was paid in respect of 2020. See pages 162 to 165 for details of the performance conditions, targets and their level of satisfaction.
					Strategic and operational objectives (40%) of which:
					– strategy (20%/8%);
					– regulatory risk and conduct (40%/16%);
					– investor relations (10%/4%);
					– customer (20%/8%); and
					– colleague (10%/4%).
					Risk overlay and CET1 underpin.
					Deferral: At least 40% of the bonus is deferred for three years in Company shares.

Long Term Incentive Scheme (LTIS)	200% of salary maximum annual award for the CEO and 150% for the CFO. Performance conditions measured over a three-year period: (i) relative total shareholder return (TSR) – 30%; (ii) earnings per share (EPS) – 60%; and (iii) risk indicators – 10%. A two-year post-vesting holding period applies to his LTIS award (net of tax).	The Company obtained shareholder approval for an RSP at the same time as the 2020 Remuneration Policy on 3 November. Awards are granted annually to executive directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to: – the executive director's continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance.	The Committee granted an RSP following the approval of the RSP and new Policy at the General Meeting on 3 November 2020. These RSP awards are conditional on the CEO and CFO agreeing to the cancellation of their LTIS 2020 awards granted in March 2020 with a grant value of 170% and 150% of base salary respectively without compensation.	Simplifies long-term incentive arrangements and addresses challenges set out on page 151.	The Committee is intending to grant an RSP award of 100% of base salary to our CEO, Malcolm Le May, and 75% of base salary to our CFO, Neeraj Kapur. This plan was approved at the November 2020 GM and replaces the LTIS.

Policy implementation in 2020 and proposed in 2021 continued

Element of remuneration	2019 Policy	2020 Policy	Implementation in 2020	Rationale for change between the 2019 Policy and 2020 Policy	Proposed implementation in 2021
Long Term Incentive Scheme (LTIS) continued		A two-year holding period will apply following the three-year vesting period for all awards granted to the executive directors. Upon vesting, sufficient shares may be sold to pay tax on the shares. The Committee may award dividend equivalents on awards to the extent that these vest.	See table on page 165 which sets out details of the 2020 LTIS awards, their cancellation and the awards of shares under the RSP.		
Variable remuneration cap	Not required in 2019 Policy under the regulations when the Policy was approved by shareholders.	Maximum variable remuneration per annum is fixed at 200% of fixed remuneration for the relevant year.	Cap was applied proportionately following the approval of the 2020 Remuneration Policy at the General Meeting of the Company on 3 November 2020.	Under CRD V and the relevant PRA Remuneration Rules, banks and other institutions that are subject to CRD V are, as a basic rule, prevented from paying Material Risk Takers an amount of variable remuneration that is more than 100% of their fixed remuneration (or 200% where shareholder approval is obtained). Shareholders approved such an increase at the GM.	Maximum variable remuneration per annum is fixed at 200% of fixed remuneration for the relevant year.
Shareholding requirements	No post cessation of employment shareholding requirements. Normal shareholding requirement of 200% of salary.	Additional requirement to hold 200% of salary for two years following cessation of employment.	Applied from March 2020.	Ensures executive directors focus on long-term sustainable performance and extends the length of alignment between management and shareholders.	200% of salary which also must be held for two years following cessation of employment.
Malus and clawback	Standard market practice malus clawback provisions as at the time the Policy was adopted.	Provisions expanded to refer specifically to risk management failure and corporate failure.	Applied from the approval of the 2020 Remuneration Policy of the Company on 3 November 2020.	To bring the provisions further in line with best practice and regulations applicable in the financial service sector.	Included in all 2021 variable incentive awards.

Element of remuneration	2019 Policy	2020 Policy	Implementation in 2020	Rationale for change between the 2019 Policy and 2020 Policy	Proposed implementation in 2021
Chair and NED fees	Provides a level of fees to support recruitment and retention of a Chairman and non-executive directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	No change.	Chair fee £320,000. NED Board fee £68,000. Committee Chair fee £20,000. SID fee £15,000. No rise in fees. Average colleague rise 4%. – Supplementary fee for Committee membership (except the Disclosure Committee): £15,000. This fee is not paid to the Chairs of these Committees. – Additional fee information: – Robert East receives a Committee fee of £10,000 (due to having fewer Committee commitments). He also receives a fee of £200,000 for his role as Chairman of Vanquis Bank.	The 2019 Policy was in line with current market practice and therefore no amendment was required for the 2020 Remuneration Policy.	– Chair fee £320,000. – NED Board fee £68,000. Additional fee for chairing the Group Audit, Remuneration, Risk and Customer, Culture and Ethics Committees: £20,000. – SID fee £15,000. – Supplementary fee for Committee membership (except the Disclosure Committee): £15,000. This fee is not paid to the Chairs of these Committees. – Additional fee information: – Robert East receives a Committee fee of £10,000 (due to having fewer Committee commitments). He also receives a fee of £200,000 for his role as Chairman of Vanquis Bank. No rise in fees. Average colleague rise 0%.

Performance conditions for the Annual Bonus Plan for 2021 were set on the following basis and will be disclosed retrospectively as we believe they are commercially sensitive:

1. The Committee believes that during 2021, which will be materially impacted by Covid-19 and its aftermath, the Company needs to focus less on absolute profit generated and more on the efficiency of the capital allocation used to generate the profit; therefore, whilst the Committee has retained the profit measure, it has introduced RORE and emphasised it as equally important as adjusted PBT.
2. The strategic and operational objectives have been focused on the successful delivery of the new Company strategy.

Annual Report on Remuneration

Contents

The Committee is satisfied that the 2020 Remuneration Policy operated satisfactorily from its approval and that the positioning of the Company's remuneration against its peers is appropriate.

Single figure of the executive directors (audited)

The table below sets out a single figure for the total remuneration received by each director for the year ended 31 December 2020 and the prior year:

		Salary/fees[1] £'000	Taxable benefits[2] £'000	Annual bonus[3] £'000	LTIS/RSP[4] £'000	Pension[5] £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive directors									
Malcolm Le May	2020	679	32	–	–	107	817	817	–
	2019	700	42	651	–	105	1,498	847	651
Neeraj Kapur[10]	2020	808	8	–	–	41	857	857	–
	2019	–	–	–	–	–	–	–	–
Simon Thomas[7]	2020	196	8	–	–	24	228	228	–
	2019	510	10	300	–	77	897	597	–
Non-executive directors									
Patrick Snowball[9]	2020	347	3	–	–	–	350	350	–
	2019	320	–	–	–	–	320	320	–
Andrea Blance	2020	112	2	–	–	–	114	114	–
	2019	116	2	–	–	–	118	118	–
Elizabeth Chambers	2020	82	23	–	–	–	105	105	–
	2019	103	16	–	–	–	119	119	–
Robert East[8]	2020	74	–	–	–	–	74	74	–
	2019	39	–	–	–	–	39	39	–
Paul Hewitt	2020	98	2	–	–	–	100	100	–
	2019	102	1	–	–	–	103	103	–
Margot James[6]	2020	36	–	–	–	–	36	36	–
	2019	–	–	–	–	–	–	–	–
Angela Knight	2020	101	–	–	–	–	101	101	–
	2019	104	–	–	–	–	104	104	–
Graham Lindsay	2020	95	4	–	–	–	99	99	–
	2019	64	–	–	–	–	64	64	–

1 It should be noted that the above fees include a voluntary reduction of 20% for three months from 15 April 2020 to 15 July 2020. This amounted to £35,700 for Malcolm Le May and £26,250 for Neeraj Kapur.
2 Directors receive standard market comparable benefits such as medical insurance and life assurance.
3 40% of the annual bonus is deferred into shares for an additional two years.
4 All future grants of stock will be granted under the RSP.
5 Pension participation is via a defined contribution plan with no executive director having a prospective entitlement under a defined benefit plan.
6 Margot James joined the Company on 27 July 2020.
7 Simon Thomas ceased to be an executive director on 1 April 2020.
8 Robert East also receives an additional fee for his chairmanship of Vanquis Bank.
9 The fee for Patrick Snowball includes a payment of £34k for the period when he was Executive Chairman (when Malcolm Le May was on medical leave).
10 The £808,000 for Neeraj Kapur includes the 'buyout' costs as set out in last year's Annual Report and Financial Statements.

Committee approach to 2020 bonus determination

Notwithstanding the decision made halfway through 2020 to pay no bonus to the executive directors, the Committee felt that it should continue to assess the metrics and the following table sets out the process the Committee followed:

Step	Element	Committee decision
Performance conditions and targets		
	The Committee felt able to set appropriately challenging and realistic performance conditions and targets for 2020 at the beginning of the financial year. However, as with many companies, the pandemic changed the nature of the economy very rapidly.	The Committee has measured the satisfaction of these targets to establish whether any bonus would have been earned on the application of the formulaic approach to their measurement. The Committee exercised no discretion in determining the formulaic outcome whether to the benefit or detriment of executives. The financial measures were not met and the Committee did not feel that it was appropriate to make any payments in respect of the satisfaction of the non-financial performance conditions (see below).
Shareholder experience		
Share price	The Committee considered the reasons behind the substantial fall in the share price during Q1 and determined that this was as a result of the market and impact of Covid-19 and was not as a result of omissions or decisions made by the executive directors. The share price has since moved up over 60% since this low point.	The Committee determined that as the fall in share price was a market-wide phenomena and not driven by the actions or omissions of the executive directors this would not be considered in the final bonus determination.
Dividends	The Company did not pay a final dividend in respect of 2019, due to the need to conserve capital, and does not intend to pay a dividend for 2020.	No specific deduction was made due to the impact on dividends. It was one factor which was taken into account when making the final decision to make no bonus payments.
Prior year financial outcomes		
	The Committee recognises that the prior year financial outcomes for 2019 are higher than 2020 primarily due to the impact of Covid-19.	As the Committee had already determined that no bonus would be payable then this element was not considered.
Government assistance		
CJRS support	All CJRS monies have since been repaid to HMRC. The Company did initially participate in the CJRS with approximately 416 (8.7%) people on CJRS/furloughed. At the date of this report all colleagues have now returned and are being paid solely by the Company.	The salaries of the executive directors, and fees of the Board, reflected a 20% discount in line with the 80% paid to colleagues on CJRS/furlough (see Covid-19 section below for full details).
Deferral of the payment of tax	The Company initially took advantage of the terms offered by HMRC to defer various tax payments. This was at the early stages of the pandemic when cash management was paramount. At the date of this report all amounts owing to HMRC have been paid and therefore the Committee does not believe this is relevant to the bonus outcome for 2020.	The Committee believes that because the payments have now been made, they are not relevant with respect to the bonus determination for 2020.

Certain alternative performance measures (APMs) have been used in this report. See pages 245 and 246 for an explanation of relevance as well as their definition.

Step	Element	Committee decision
Stakeholders		
Colleagues	The Company has not made any colleagues redundant directly as an impact of Covid-19. The objective of the Board has been to retain and support our colleagues through this challenging period – see section below around how the Company has supported colleagues.	No specific deduction was made due to the impact on colleagues. It was one factor which was taken into account when making the final decision to make no bonus payments.
Shareholders	The Committee has taken into account various factors and events which have happened in 2020 which may have influenced the bonus decision and determined that no bonus would be payable. The impact of Covid-19 on our shareholders was one factor.	No specific deduction was made due to the impact on shareholders. It was one factor which was taken into account when making the final decision to make no bonus payments.
Customers	The Company has provided excellent customer service during this period as evidenced by our recent customer satisfaction assessment which in aggregate is improving over the last 12 months and is covered in more detail in pages 72 and 73.	The Committee would have considered poor customer service over the recent period as a factor that was relevant to the final bonus determinations for the executive directors. However, this was not a factor in 2020.
Other		
Brand	The Committee recognises the strong brand the Company has in the eyes of the public and this has been a key consideration of the Committee when determining the remuneration for executive directors. The Committee and the Board as a whole do not want to make remuneration decisions which negatively impact on the PFG brand.	No specific deduction was made due to the impact on our brand. It was one factor which was taken into account when making the final decision to make no bonus payments.

2020 bonus outcome calculation

The tables below set out performance against the targets set for the 2020 bonus and the outcome, before the Committee used its discretion to reduce the outcome to zero.

Details of the financial assessment

	Performance range					
	Threshold 85%	Target 100%	Maximum 110%	Actual	Weighting	Outcome
					60%	0.0%
Adjusted PBT	£152.1m	£178.9m	£196.8m	£(47.1)m	100%	0.0%

Details of the non-financial assessment

The non-financial element was assessed at 63.5% achievement with this broken down as follows:

Category	Weighting	Type	Description	Individual weighting	Rating	Overall assessment
Strategy	30%	Corporate	CPC initiatives evolving to be 1PFG, including plan and actions for 2020 and 2021 as well as TOM vision and plan to deliver.	15%	On target	60.5%
		Product	Development of identified digital strategy and ways of working to underpin improved product design and functionality and deliver enhanced customer outcomes.	7.5%	On target	
		Financial	Effective progression of the Group Strategic Cost Review and strategic financial effectiveness.	7.5%	Exceeds target	

2020 bonus outcome calculation continued
Details of the non-financial assessment continued

Category	Weighting	Type	Description	Individual weighting	Rating	Overall assessment
Regulatory risk and conduct	20%	Corporate	(i) Regulator (PRA, FCA, CBI) understanding of Group approach to forbearance and complaints; and (ii) improving the dialogue with the regulator and changing the economic and political perception of the business.	10%	On target	61.5%
		Risk	Improve the operational effectiveness of risk management and controls across the Group and divisions.	10%	Exceeds target	
Investor and public relations	10%	Corporate	(i) Positive investor feedback; and (ii) investor perceptions and feedback improved from 2019.	5%	Exceeds target	75.5%
		Corporate	(i) Diversification of shareholder base; and (ii) investor perceptions and feedback improved from 2019.	5%	Exceeds target	
Customer	30%	Corporate	Delivery of customer elements of the CPC programme and continued improvements in the customer journey.	30%	On target	61.5%
Colleague	10%	Corporate	(i) Promote inclusion within PFG with role model leadership of management; (ii) improve diversity in PFG; (iii) increase colleague engagement with customer and Group; and (iv) improve talent management and succession planning.	5%	On target	70.5%
		Corporate	Equality, Diversity and Inclusion Policy taken into account for all succession planning.	5%	Exceeds target	
Total						63.5%

Risk overlay
A risk overlay approach was used for potential risk adjustment with a range of factual criteria for assessment agreed with the Committee. This allowed for a more flexible and holistic approach to be adopted which considers not only the business outcomes (quantitative), but also how these have been achieved (qualitative).

After discussion with the CRO, and the Chair of the Group Risk Committee, the Committee concluded that, overall, progress has been made this year on improving risk control in all parts of the Group. As a Group, this has required us to reassess our current business model in a number of areas as well as implement remedies regarding the historical lending practices in CCD. At the same time there is more work to be done as we look ahead to 2021 priorities.

As a result of the above we have made a number of individual risk adjustments.

It should be noted that the Committee accepted all of the recommendations made by the CRO with respect to the Group and Vanquis Bank in terms of ex-ante and ex-post adjustment to bonus albeit that due to no bonus being available then the practicable implications are limited. However, individual conversations about the conclusions have been had with the individuals, teams and groups involved.

Role	Formulaic bonus outcome % of salary	Maximum (based on prior year) % of salary	Reduction to % of formulaic outcome[2]	2020 bonus payable % of salary
CEO	43.4%	93.1%	100%	–
CFO[1]	23.8%	n/a	100%	–

1 This has been pro-rated to take account of service and based on annual salary.
2 Includes consideration of shareholder experience, government support and other factors (see above).

There will be no deferred bonus due to the nil result.

LTIS 2018 vesting

The following table sets out the outcome of the LTIS 2018 targets:

Performance condition (% of award)	Threshold	Target	Maximum	Actual	Outcome
EPS (60%)	137.3p	152.6p	167.9p	80.6p	–
Relative total shareholder return (30%)	Median	Median	Upper quartile	<Median	–
Risk indicators (10%)	7	7	10	6	–

Note that for both the 2020 bonus outcome and the LTIS 2018 outcome there is no impact of share price appreciation due to the nil result.

Equity interests awarded in the year

The following table sets out the details of the LTIS grants made to the executive directors of the Company, their cancellation and details of the awards made under the RSP following shareholder approval at the General Meeting on 3 November 2020:

	2020 LTIS			2020 RSP			
Executive	Date of grant	Number of shares awarded	Date of cancellation	Date of grant	Number of shares awarded	Date of vesting	End of holding period
Malcolm Le May (CEO)	30 March 2020	550,975	9 November 2020	9 November 2020	251,825	9 November 2023	9 November 2025
Neeraj Kapur (CFO)	1 April 2020	248,733	9 November 2020	9 November 2020	112,033	9 November 2023	9 November 2025

See the Policy table on pages 157 and 158 for the terms and conditions for the awards.

Share price on the date of grant of the LTIP awards for Messrs Le May and Kapur was £2.20 and £2.17 respectively.

Share price on the date of grant of the RSP awards was £2.41.

Dividend waiver

To the extent an award vests at the end of the performance period, either additional ordinary shares in the Company or a cash amount equivalent to the dividends that would have been paid on the vested awards from the date of grant would be provided to the executive directors on vesting. As the awards did not vest during 2020, no dividends were paid.

Remuneration governance

The Committee met eight times in 2020. The following schematic sets out the key considerations for the Remuneration Committee during 2020:

	Governance		Annual bonus		Share plans				
	General	DRR	Design	Review	Grant	Review	Risk	All colleague matters	Shareholder
January		●		●	●	●	●	●	●
February		●	●	●	●		●	●	
June				●		●	●		●
July (extra)	●					●			●
August (extra)	●					●			●
September				●					●
November	●					●		●	
December	●	●	●	●		●	●	●	●

Advisors to the Committee

In June 2020 the Remuneration Committee appointed PricewaterhouseCoopers LLP (PwC) to replace Aon as independent advisor to the Remuneration Committee following a competitive tender process. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. For most of the year we have operated a fixed fee arrangement to cover standard services with additional services charged on a time/cost basis thereafter. Fees charged for the provision of independent advice to the Committee on executive director pay during 2020 were:

– PwC – £97,000 – from 1 June 2020; and
– Aon – £63,380 – up to 31 May 2020.

Other than in relation to advice on remuneration, PwC provides support to management in relation to tax compliance, IT and internal audit and ad-hoc tax and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee do not have connections with the Group or the executive directors that may impair their objectivity and independence.

Our approach to fairness and wider workforce considerations

This section in the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to our director pay by explaining our colleague policies and our approach to fairness, including the following:

– the report received by the Committee on wider workforce pay policies and whether the approach to executive remuneration is consistent and the alignment of the incentives operated by the Company with its culture and strategy;
– general pay and conditions in the Group;
– gender and diversity; and
– comparison metrics on executive and colleague remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives the Committee receives a report annually from the Company setting out key details of remuneration throughout the Company. Details of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review

The table below summarises the Group's approach to workforce remuneration across five colleague groups.

Colleague group	% of workforce	Average increase in base salaries[1]	Variable pay[2] Commission schemes	Annual bonus	Share plans[3]	Pension[4]	Benefits[5]
Executive directors	0.04%	2%	No	All	Yes	Yes	Yes
Senior management	0.83%	3%	Revenue earners only	Majority	Yes	Yes	Yes
Senior sales and support staff	7.3%	3.7%	Yes	Sales directors only	Yes	Yes	Yes
Sales and sales support staff	67.3%	3.7%	Revenue earners only	No	No	Yes	Yes
Administrative staff	24.6%	4.7%	No	Role dependent	Yes	Yes	Yes

1 Base salaries:
 – Base salaries are market competitive and determined with reference to role type, experience and market practice.
 – Annual salary increases are applied on an equitable and objective basis dependent on role type. The base salaries of sales focused colleagues are subject to periodic market benchmarking rather than annual salary reviews due to the commission structures in place.
 – Average increase in base salaries include increases for the same role, changes due to promotions/demotions and changes in fixed vs variable pay arrangements. Analysis excludes new joiners and executive director appointments in the last 12 months.

2 Variable pay:
 – In line with our approach to executive director remuneration, a significant proportion of the remuneration of the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals.
 – Over 85% of the workforce benefit from variable pay which is linked to the Group's performance in the form of commission schemes or annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of objectives which are aligned to the Group's strategic priorities (refer to pages 20 and 21 of the Strategic Report).
 – For sales and sales support staff variable pay represents approximately 4% to 10% of base salary compared to 20% to 30% for senior sales and support staff. This is due to senior sales staff having managerial responsibilities, whilst sales and sales support staff are primarily sales focused.

3 Share plans:
 – Historically equity participation has been limited since the Group's variable pay arrangements provide strong linkage between workforce remuneration and the Group's financial performance and/or strategic priorities.
 – All colleagues have access to SAYE and BAYE but only senior management participates in the RSP.

4 Pension:
 – Employer contributions are consistent across the Group (10% employer contribution), with minor deviations appropriate for role type or for historical reasons.

5 Benefits:
 – Consistent approach applied and determined with reference to role type, market practice and seniority.

Clearly the levels of remuneration and the types offered will vary across the Company depending on the colleague's level of seniority and role. The Committee is not looking for a homogeneous approach; however, when conducting its review, it is paying particular attention to:

- whether the element of remuneration is consistent with the Company's remuneration principles;
- if there are differences, whether they are objectively justifiable; and
- whether the approach is fair and equitable in the context of other colleagues.

The key findings of the Committee's review for 2020 are as follows:

- Average salary increases for colleagues across the Company are being applied on an equitable and objective basis.
- The majority of our colleagues have the ability to share in the success of the Company through incentive compensation in the form of variable pay linked to performance.
- Executive directors are required to adhere to minimum shareholding guidelines.
- All colleagues are eligible for enrolment in a defined contribution pension arrangement. The CEO has agreed that his current pension contribution will be reduced with a view to achieving alignment with the wider workforce by the end of 2022. The pension contributions for the other executive director are already aligned to the wider workforce.
- Benefits are offered according to the level of seniority of the role in line with market practice. Our benefits offering is broadly in line with similar companies but our 'wellbeing' offering is generally better than companies of a similar size.

Having carried out a full review in 2020, the Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration and the pay. Further, in the Committee's opinion the approach to executive remuneration aligns with the wider Company pay policy and there are no anomalies specific to the executive directors.

Communication and engagement with colleagues

The Board is committed to ensuring there is an open dialogue with our colleagues over various decisions and the Committee has the authority to ask for additional information from the Company in order to carry out its responsibilities.

The Colleague Forum was established to facilitate effective engagement between the Board and the workforce and to encourage workforce participation in shaping strategic initiatives. It supports the Group in satisfying Provision 5 of the UK Corporate Governance Code published in July 2018, as well as capturing meaningful input and feedback from staff.

Our Colleague Forum has staff representatives from across all areas and all levels of the business and meets quarterly. The Non-Executive Director and Chair of the Customer, Culture and Ethics Committee (the CCE Committee) works closely with the Colleague Forum in his capacity as engagement sponsor on behalf of the Board to agree a rhythm of dialogue and meeting attendance to further cement the link between the Colleague Forum and Board.

Alongside the Colleague Forum, we commission a Colleague Engagement Survey, which is independently administered by People Insight, as a channel for colleague voice and feedback. The output from each Colleague Engagement Survey is reviewed by the Board and appropriate actions taken in response to any findings.

The Committee Chairs (Remuneration and CCE) are intending to discuss the remuneration policy and practice for Executive Directors with the Colleague Forum later in 2021.

In 2020, the Committee conducted a review of the wider colleague remuneration and incentives. This work is continuing in 2021 with a key part being consistency and fairness across the organisation via an appropriate framework. The conclusions will be shared with our colleagues in 2021.

In addition, there were regular communications during the pandemic to support colleagues in terms of their work and general wellbeing. This included: (i) manager briefings on polices; (ii) colleague briefings on activities (including weekly vlog from the Group CEO about business and key working changes); and, of course, (iii) updates to those who were on CJRS/furlough. Finally, we augmented the Employee Assistance Programme so that all colleagues were eligible and we could support them with a range of tools, i.e. financial, practical and emotional/mental wellbeing.

Living Wage, equal opportunities and diversity initiatives

A summary of the Company's general policies in relation to Living Wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living Wage employer	The National Living Wage is the amount of money all colleagues aged over 25 are legally entitled to. Our policy is to ensure that all colleagues, whatever their age, are paid the National Living Wage or above.
Equal opportunities and diversity initiatives	The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its colleagues, customers and the community. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its colleagues, as well as the provision of equal opportunities for the training and career development of all colleagues. Further details are provided in the Customer, Culture and Ethics Committee Report on pages 131 and 132.

Gender pay gap

We feel strongly about the importance of having a workforce which represents the areas we operate in. We hire from diverse backgrounds, employing 46% men and 54% women across our business, and our recruitment policies, salary and bonus structures are designed to be gender neutral.

The Group recognises that the key driver behind both our hourly and bonus gap is a higher proportion of male colleagues in senior roles, and so we continue to remain focused on initiatives to increase female representation at senior management and leadership level. PFG has not produced a gender pay report in 2020 due to Covid-19 as: (i) the regulations were suspended in 2020; and (ii) our data would have been impacted which would have generated a flawed set of information. We will publish our review as per recent updated HMG guidance, i.e. the end of September 2021. Due to a similar challenge in 2021 we are looking at producing a set of data based on target compensation. This is so that we make important decisions based on realistic data as opposed to data temporarily impacted by pandemic variations.

CEO pay ratio

We have decided to leverage our gender pay gap reporting data for the purposes of calculating the CEO pay ratio (Option B as set out in the requirements). This decision reflects that the hourly pay metric used in the Group's gender pay gap reporting continues to provide an appropriate comparison of workforce pay to Chief Executive Officer pay. This is due to the components of remuneration that are not captured in hourly pay being either highly standardised (benefits) or where more variable (such as bonus awards), being of a relatively low absolute and relative value, as evidenced in the table below.

In assessing our pay ratio versus likely ratios from industry peers, we believe that we are towards the lower end of the range but note that annual and long-term incentive payments have varied considerably amongst this group. In our case, the CEO single figure for 2020 comprises fixed pay, taxable benefits and pension only, given that no bonus was paid or long-term incentive vested in respect of performance in 2020. We also recognise that ratios will be influenced by levels of colleague pay, and in the sector, colleague pay will be lower than in many other sectors of the economy. The key reason for the difference between 2020 and 2019 is the lack of a bonus, due to Covid-19, and no LTIS vesting. For this reason, we would expect the ratio in 2019 to be a better indicator. For the purposes of clarity, we have provided a set of ratios based on the CEO receiving 'target' levels of remuneration, i.e. as if a bonus had been payable. This is labelled as '2020 (incl. target bonus)'. This clearly demonstrates the impact of Covid-19.

Over time, we expect that there may be significant volatility in this ratio, and we believe that this will be caused by the following:

– our CEO pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio; and

– we recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce. Where the structure of remuneration is similar, as for senior management and the CEO, the ratio is likely to be much more stable over time.

		CEO pay ratio				Colleague total pay and benefits				Colleague fixed pay		
Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio	CEO total pay £'000	25th percentile pay £'000	50th percentile pay £'000	75th percentile pay £'000	CEO salary £'000	25th percentile pay £'000	50th percentile pay £'000	75th percentile pay £'000
2020 (excl. target bonus)	Option B	28.9:1	26.9:1	21.3:1	818	28.6	30.8	38.9	714	25.3	27.4	36.1
2020 (incl. target bonus)	Option B	55.8:1	51.8:1	41.0:1		n/a	n/a	n/a		n/a	n/a	n/a
2019	Option B	62.3:1	53.3:1	44.4:1		24.2	28.0	32.3		23.7	27.4	31.6

Total remuneration for each UK colleague was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile colleagues identified as at 31 December 2020. The hourly rates were annualised using the same number of contractual hours as the CEO. Colleague total remuneration includes: basic salary, maternity/paternity pay, annual cash bonus, commissions earned and benefits. The total remuneration for the relevant colleagues was compared to that of the CEO.

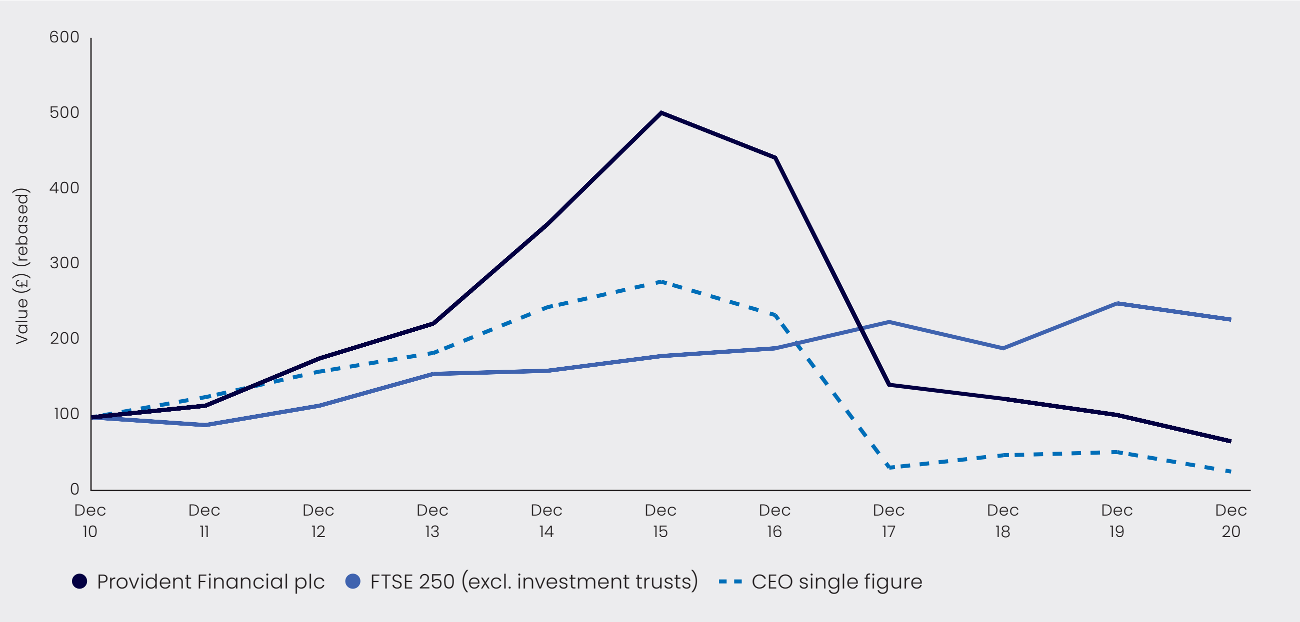
The Company believes that the median pay ratio for 2020 is consistent with the pay, reward and progression policies for the Company's employees. We also considered the pay composition of the employees who represent the median, lower and upper quartiles and were comfortable that it fairly represents pay in the Company.

CEO and average colleague pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time, and the pay of our average colleague, each rebased to 2010. We have also included our TSR performance over this period against the FTSE 250, based on £100 invested. The FTSE 250 was chosen as, in the opinion of the Committee, the size and complexity of the Company make this an appropriate basis for comparison.

Pay performance: TSR chart

(£'000)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CEO single figure of remuneration (£'000)	3,443	4,326	4,985	6,594	7,500	6,315	962	1,387	1,507	818
Annual bonus/ earning (% of maximum)	100	98	89	100	98	100	—	69	53	—
LTIS vesting (% of maximum)	49	100	100	100	100	100	—	—	—	—

The new incentive structure developed as part of the 2020 Policy has been designed to ensure that the executive directors are able to build a material shareholding, which we expect to improve alignment with the shareholder experience over time. The chart shows that our compensation approach is responsive to what our shareholders are feeling. Indeed, as you would expect, the compensation of the CEO is even more responsive given the higher level of variable pay. The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our colleagues, which introduces a higher degree of variability in his pay each year versus colleagues. The above data incorporates prior CEO data before 2018.

Percentage change in directors' remuneration

The Committee monitors the changes year on year between our directors' pay and average colleague pay. As per our Policy, salary increases applied to executive directors will typically be in line with those of the wider workforce. In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the percentage change in executive director and non-executive director total remuneration compared to the change for the average of colleagues within the Company. The comparator group is based on all colleagues.

	Salary/fees		Taxable benefits		Short-term variable pay	
	2019	2020	2019	2020	2019	2020
Executive directors						
Malcolm Le May	–	2%	45%	(24%)	14%	(100%)
Neeraj Kapur	n/a	n/a	n/a	n/a	n/a	n/a
Simon Thomas	n/a	n/a	n/a	n/a	n/a	n/a
Non-executive directors						
Patrick Snowball	–	–	n/a	n/a	n/a	n/a
Andrea Blance	–	–	(33%)	–	n/a	n/a
Elizabeth Chambers	n/a	–	n/a	n/a	n/a	n/a
Robert East	n/a	–	n/a	n/a	n/a	n/a
Paul Hewitt	n/a	–	n/a	n/a	n/a	n/a
Margot James	n/a	n/a	n/a	n/a	n/a	n/a
Angela Knight	n/a	–	n/a	n/a	n/a	n/a
Graham Lindsay	n/a	–	n/a	n/a	n/a	n/a

The above table is made more complicated as the non-executive directors took a voluntary 20% reduction in fees for three months (due to Covid-19) and hence the % change does not represent a major GBP change. In addition, the amounts are small which impacts the % changes. As mentioned earlier, the executive directors also took a 20% salary reduction for the same period.

The Committee is pleased to note the correlation between the executive directors, the non-executive directors and other colleagues in terms of the change in the remuneration above, which supports the Committee's conclusion that there is alignment between executive remuneration and wider workforce pay principles.

Fees from other directorships

Malcolm Le May has been a non-executive director of IG Group plc since September 2015. He retains the fees from this appointment.

During 2020, the fees amounted to £91,559 (£103,000 for 2019). Malcolm Le May does not receive any fees for being a non-executive of Vanquis Bank.

Neeraj Kapur did not hold any external directorship for the period from 1 April to 31 December 2020 for which he was paid. Neeraj Kapur does not receive any fees for being a non-executive of Vanquis Bank.

Simon Thomas did not hold any external directorship for the period from 1 January to 31 March 2020.

Statement of directors' shareholding and share interests (audited)

The table below shows the interests of the directors and connected persons in shares (owned outright or unvested) as at 31 December 2020. There have been no changes in directors' interests in the period between 31 December 2020 and 4 March 2021.

		Outstanding scheme interests						
	Shares owned outright	Unvested shares not subject to performance	Unvested shares subject to performance	Unvested share options subject to performance	Total scheme interests	Shareholding guideline % of salary	Current shareholding % of salary*	Guideline met
Executive directors								
Malcolm Le May	–	178,465	251,825	273,544	703,834	200%	60%	No
Neeraj Kapur	–	175,662	112,033	–	287,695	200%	68%	No
Simon Thomas	–	–	–	58,128	58,128	–	–	–
Non-executive directors								
Patrick Snowball	96,477	–	–	–	–	–	–	–
Andrea Blance	–	–	–	–	–	–	–	–
Elizabeth Chambers	12,000	–	–	–	–	–	–	–
Robert East	5,000	–	–	–	–	–	–	–
Paul Hewitt	34,205	–	–	–	–	–	–	–
Margot James	–	–	–	–	–	–	–	–
Angela Knight	–	–	–	–	–	–	–	–
Graham Lindsay	9,771	–	–	–	–	–	–	–

* Based on the share price of £2.40. Shares owned outright have been included. The shareholding guidelines have not yet been met but the Policy provides for more time to be compliant. A breakdown of the journey to compliance can be seen below.

It should be noted that no options were exercised during 2020.

Statement of directors' compliance with the Share Ownership Policy

The following sets out the expected level of share ownership that the executive directors will acquire over the period 2021 to 2025. A number of assumptions have been made about: (i) retention; (ii) personal tax rates; (iii) Company performance; (iv) Company share price; and (v) ongoing grant policy. The calculations below therefore show the shareholding if the RSP is included when: (i) granted; and (ii) vested. The RSP has been included on a net of tax basis. The current executive director holding requirement is 200% of base salary and it can be seen (under whichever model considered) that this will be achieved in the next few years – as per our requirement. Finally, in addition to the inclusion (or otherwise) of the RSP, this calculation includes: (i) shares held outright; (ii) shares provided due to 'buyout'; i.e. Neeraj Kapur; (iii) shares deferred under the bonus plan; (iv) shares deferred under the role-based allowance, i.e. Malcolm Le May; and (v) shares under the SAYE plan.

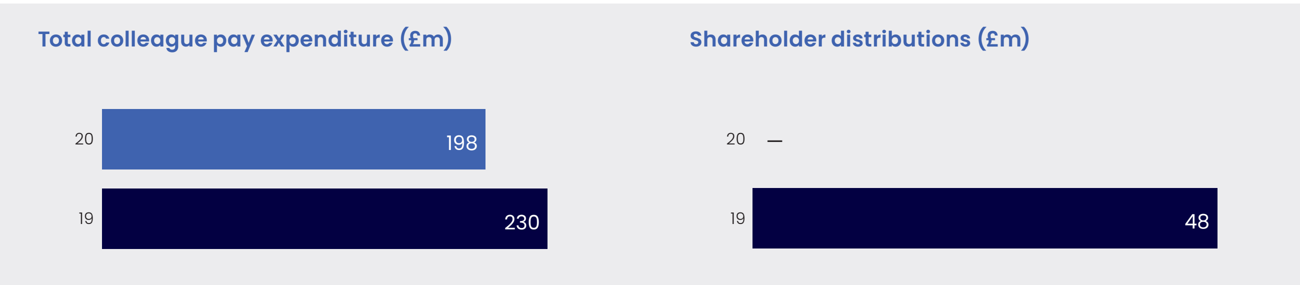
As % of base salary	April 2021	April 2022	April 2023	April 2024	April 2025
Malcolm Le May[1]	161%	249%	349%	465%	598%
Malcolm Le May[2]	60%	77%	97%	274%	369%
Neeraj Kapur[1]	109%	194%	292%	405%	534%
Neeraj Kapur[2]	68%	106%	149%	284%	361%

1 Including RSP when granted.
2 Including RSP when it vests.

The share price used for the above calculation was £2.40 (for 2021) with a 15% p.a. increase.

Relative importance of spend on pay

The chart below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total colleague pay expenditure for the financial years ended 31 December 2019 and 31 December 2020.



Service contracts

The executive directors are employed under contracts of employment with the Company. The principal terms of the executive directors' service contracts are as follows.

			Notice period	
Executive director	Position	Effective date of contract	From Company	From director
Malcolm Le May	Chief Executive Officer	1 February 2018	12 months	12 months
Neeraj Kapur	Chief Finance Officer	1 April 2020	12 months	12 months

The Chairman and non-executive directors have letters of appointment. Dates of the directors' letters of appointment are set out below:

Name	Date of original appointment	Date of appointment/last reappointment at AGM	Date and actual date of expiry
Elizabeth Chambers	31 July 2018	31 July 2018	31 July 2021
Paul Hewitt	31 July 2018	31 July 2018	31 July 2021
Angela Knight	31 July 2018	31 July 2018	31 July 2021
Patrick Snowball	21 September 2018	21 September 2018	21 September 2021
Graham Lindsay	1 April 2019	1 April 2019	1 April 2022
Robert East	26 June 2019	26 June 2019	26 June 2022
Andrea Blance	1 March 2017	1 March 2020	1 March 2023
Margot James	27 July 2020	27 July 2020	27 July 2023

Andrea Blance
Remuneration Committee Chairman
10 May 2021

Financial statements

Contents

Consolidated income statement
For the year ended 31 December

	Note	Group 2020 £m	Group 2019 (restated[1]) £m
Interest income		724.3	877.2
Fee income		83.5	118.9
Total revenue	1,2	807.8	996.1
Finance costs	3	(69.6)	(72.0)
Net interest margin		738.2	924.1
Impairment	11	(360.1)	(344.5)
Risk-adjusted net interest margin		378.1	579.6
Operating costs		(491.6)	(460.6)
(Loss)/profit before taxation	1,4	(113.5)	119.0
(Loss)/profit before taxation, amortisation of acquisition intangibles and exceptional items	1,4	(47.1)	152.8
Amortisation of acquisition intangibles	17	(7.5)	(7.5)
Exceptional items	1	(58.9)	(26.3)
Tax credit/(charge)	5	30.1	(42.6)
(Loss)/profit for the year attributable to equity shareholders		(83.4)	76.4

All of the above activities relate to continuing operations.

Consolidated statement of comprehensive income
For the year ended 31 December

	Note	Group 2020 £m	Group 2019 (restated[1]) £m
(Loss)/profit for the year attributable to equity shareholders		(83.4)	76.4
Items that will not be reclassified subsequently to the income statement:			
– actuarial movements on retirement benefit asset	19	(1.7)	(9.7)
– fair value movement on investments	13	3.8	4.5
– tax on items taken directly to other comprehensive income	5	(0.7)	0.6
– impact of change in UK tax rate on items in other comprehensive income	5	(1.7)	(0.1)
– deferred tax credit on disposal of investments		2.0	–
– current tax charge on disposal of investments		(2.0)	–
Other comprehensive expense for the year		(0.3)	(4.7)
Total comprehensive (expense)/income for the year		(83.7)	71.7

(Loss)/earnings per share
For the year ended 31 December

	Note	Group 2020 pence	Group 2019 (restated[1]) pence
Basic	6	(32.9)	30.1
Diluted	6	(32.9)	29.9

Dividends per share
For the year ended 31 December

	Note	Group 2020 pence	Group 2019 pence
Total dividend for the year	7	–	25.0
Paid in the year[2]	7	–	19.0

1 Refer to accounting policies for detail of restatement.
2 The total cost of dividends paid in the year was £nil (2019: £47.6m).

Balance sheets

	Note	Group At 31 December 2020 £m	Group At 31 December 2019 (restated[1]) £m	Group At 1 January 2019 (restated[1]) £m	Company At 31 December 2020 £m	Company At 31 December 2019 £m
ASSETS						
Cash and cash equivalents	10	919.7	353.6	387.9	59.1	17.4
Amounts receivable from customers	11	1,799.8	2,199.6	2,200.8	–	–
Trade and other receivables	12	35.7	33.3	29.8	1,050.6	892.6
Investments held at fair value through other comprehensive income	13	9.2	16.6	47.8	–	–
Property, plant and equipment	14	15.5	19.3	24.6	1.6	2.7
Right of use assets	15	58.0	67.1	81.9	17.9	20.8
Goodwill	16	71.2	71.2	71.2	–	–
Other intangible assets	17	45.3	44.1	55.0	–	–
Investment in subsidiaries	18	–	–	–	230.9	395.2
Retirement benefit asset	19	79.7	78.0	83.9	79.7	78.0
Deferred tax assets	20	44.0	25.0	34.5	–	–
TOTAL ASSETS	1	3,078.1	2,907.8	3,017.4	1,439.8	1,406.7
LIABILITIES AND EQUITY						
Liabilities						
Retail deposits	21	1,683.2	1,345.2	1,431.7	–	–
Bank and other borrowings	21	520.0	618.3	623.8	369.0	616.3
Trade and other payables	22	64.9	89.3	91.8	264.8	100.4
Derivative financial instruments	23	1.3	–	–	–	–
Lease liabilities	24	69.4	78.3	89.0	21.9	24.9
Current tax liabilities		0.6	32.9	24.6	1.1	0.1
Provisions	25	91.0	14.5	53.2	–	–
Deferred tax liabilities	20	–	–	–	14.2	11.6
Total liabilities	1	2,430.4	2,178.5	2,314.1	671.0	753.3
Equity attributable to owners of the parent						
Share capital	27	52.6	52.5	52.5	52.6	52.5
Share premium		273.2	273.2	273.2	273.2	273.2
Merger reserve		278.2	278.2	278.2	280.5	280.5
Other reserves	29	14.6	17.7	13.9	10.0	10.3
Retained earnings		29.1	107.7	85.5	152.5	36.9
Total equity		647.7	729.3	703.3	768.8	653.4
TOTAL LIABILITIES AND EQUITY		3,078.1	2,907.8	3,017.4	1,439.8	1,406.7

1 Refer to accounting policies for detail of restatement.

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of other comprehensive income. The retained profit for the financial year reported in the financial statements of the Company was £117.6m (2019: retained profit of £47.1m).

The financial statements on pages 173 to 234 were approved and authorised for issue by the Board of directors on 10 May 2021 and signed on its behalf by:

Malcolm Le May
Chief Executive Officer
Company Number – 668987

Neeraj Kapur
Chief Finance Officer

Statements of changes in shareholders' equity

Group	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings (restated[1]) £m	Total £m
At 31 December 2018		52.5	273.2	278.2	13.9	94.3	712.1
Impact of adoption of IFRS 16 'Leases'		–	–	–	–	(5.6)	(5.6)
Prior year adjustment		–	–	–	–	(3.2)	(3.2)
At 1 January 2019		52.5	273.2	278.2	13.9	85.5	703.3
Profit for the year		–	–	–	–	76.4	76.4
Other comprehensive income/(expense):							
– actuarial movements on retirement benefit asset	19	–	–	–	–	(9.7)	(9.7)
– fair value movement on investments	13	–	–	–	4.5	–	4.5
– tax on items taken directly to other comprehensive income	5	–	–	–	(1.2)	1.8	0.6
– impact of change in UK tax rate	5	–	–	–	0.1	(0.2)	(0.1)
Other comprehensive income/(expense) for the year		–	–	–	3.4	(8.1)	(4.7)
Total comprehensive income for the year		–	–	–	3.4	68.3	71.7
Share-based payment charge	28	–	–	–	1.9	–	1.9
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(1.5)	1.5	–
Dividends		–	–	–	–	(47.6)	(47.6)
At 31 December 2019		52.5	273.2	278.2	17.7	107.7	729.3
At 1 January 2020		52.5	273.2	278.2	17.7	107.7	729.3
Loss for the year		–	–	–	–	(83.4)	(83.4)
Other comprehensive (income)/expense:							
– actuarial movements on retirement benefit asset	19	–	–	–	–	(1.7)	(1.7)
– fair value movement on investments	13	–	–	–	3.8	–	3.8
– tax on items taken directly to other comprehensive income	5	–	–	–	(1.0)	0.3	(0.7)
– impact of change in UK tax rate	5	–	–	–	(0.2)	(1.5)	(1.7)
– deferred tax credit on disposal of investments	13	–	–	–	2.0	–	2.0
– current tax charge on disposal of investments		–	–	–	(2.0)	–	(2.0)
Other comprehensive income/(expense) for the year		–	–	–	2.6	(2.9)	(0.3)
Total comprehensive income/(expense) for the year		–	–	–	2.6	(86.3)	(83.7)
Transfer of cumulative gain on disposal of investment		–	–	–	(7.4)	7.4	–
Transfer of tax on disposal of investment		–	–	–	2.0	(2.0)	–
Issue of share capital		0.1	–	–	–	–	0.1
Share-based payment charge	28	–	–	–	2.3	–	2.3
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(2.6)	2.6	–
Purchase of shares for share awards		–	–	–	–	(0.3)	(0.3)
At 31 December 2020		52.6	273.2	278.2	14.6	29.1	647.7

1 Refer to accounting policies for detail of restatement.

Goodwill arising on acquisitions prior to 1 January 1998 was eliminated against shareholders' funds under UK GAAP and was not reinstated on transition to IFRS. Accordingly, retained earnings are shown after directly writing off cumulative goodwill of £1.6m. In addition, cumulative goodwill of £2.3m has been written off against the merger reserve in previous years.

The rights issue in April 2018 was undertaken through a cash box structure which allowed merger relief to be applied to the issue of shares rather than recording share premium. Of the resulting merger reserve of £278.2m, £228.2m was distributable as the capital was retained for the purposes of the Company with the remaining £50.0m not distributable as it was used to inject capital into Vanquis Bank. Following the transfer of Vanquis Bank to Provident Financial Holdings No. 2 in December 2020 (see note 18) the full merger reserve of £278.2m is now considered distributable.

Other reserves are further analysed in note 29.

Statements of changes in shareholders' equity continued

Company	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2019		52.5	273.2	280.5	9.9	44.5	660.6
Profit for the year		–	–	–	–	47.1	47.1
Other comprehensive (expense)/income:							
– actuarial movements on retirement benefit asset	19	–	–	–	–	(9.7)	(9.7)
– tax on items taken directly to other comprehensive income		–	–	–	–	1.8	1.8
– impact of change in UK tax rate		–	–	–	–	(0.2)	(0.2)
Other comprehensive expense for the year		–	–	–	–	(8.1)	(8.1)
Total comprehensive income for the year		–	–	–	–	39.0	39.0
Transactions with owners:							
– share-based payment charge	28	–	–	–	1.3	–	1.3
– transfer of share-based payment reserve on vesting of share awards		–	–	–	(1.0)	1.0	–
– share-based payment movement in investment in subsidiaries		–	–	–	0.1	–	0.1
– dividends		–	–	–	–	(47.6)	(47.6)
At 31 December 2019		52.5	273.2	280.5	10.3	36.9	653.4
At 1 January 2020		52.5	273.2	280.5	10.3	36.9	653.4
Profit for the year		–	–	–	–	117.6	117.6
Other comprehensive (expense)/income:							
– actuarial movements on retirement benefit asset	19	–	–	–	–	(1.7)	(1.7)
– tax on items taken directly to other comprehensive income		–	–	–	–	0.3	0.3
– impact of change in UK tax rate		–	–	–	–	(1.5)	(1.5)
Other comprehensive expense for the year		–	–	–	–	(2.9)	(2.9)
Total comprehensive income for the year		–	–	–	–	114.7	114.7
Transactions with owners:							
– issue of share capital		0.1	–	–	–	–	0.1
– share-based payment charge	28	–	–	–	0.7	–	0.7
– transfer of share-based payment reserve on vesting of share awards		–	–	–	(1.2)	1.2	–
– share-based payment movement in investment in subsidiaries		–	–	–	0.2	–	0.2
– purchase of shares for share awards		–	–	–	–	(0.3)	(0.3)
At 31 December 2020		52.6	273.2	280.5	10.0	152.5	768.8

Other reserves are further analysed in note 29.

Statements of cash flows
For the year ended 31 December

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Cash flows from operating activities					
Cash generated from/(used in) operations	32	450.6	190.7	(51.8)	(80.2)
Finance costs paid		(63.1)	(66.1)	(37.3)	(38.3)
Finance income received		—	—	58.0	51.7
Tax paid		(23.6)	(24.3)	—	—
Net cash generated from/(used in) operating activities		363.9	100.3	(31.1)	(66.8)
Cash flows from investing activities					
Purchase of intangible assets	17	(16.3)	(7.4)	—	—
Purchase of property, plant and equipment	14	(5.9)	(6.6)	—	(0.1)
Proceeds from disposal of property, plant and equipment	14	0.7	2.7	—	0.7
Proceeds from the sale of government gilts held as an investment	13	—	35.7	—	—
Dividends received from subsidiaries	30	—	—	110.0	139.8
Net cash (used in)/generated from investing activities		(21.5)	24.4	110.0	140.4
Cash flows from financing activities					
Proceeds from bank and other borrowings		926.8	288.3	—	39.0
Repayment of bank and other borrowings		(690.3)	(379.7)	(247.4)	(42.5)
Loan from subsidiaries		—	—	214.6	—
Payment of lease liabilities		(11.2)	(15.8)	(3.4)	(2.7)
Dividends paid to Company shareholders	7	—	(47.6)	—	(47.6)
Purchase of shares for share awards		(0.3)	—	(0.3)	—
Proceeds from issue of share capital	27	0.1	—	0.1	—
Net cash generated from/(used in) financing activities		225.1	(154.8)	(36.4)	(53.8)
Net increase/(decrease) in cash, cash equivalents and overdrafts		567.5	(30.1)	42.5	19.8
Cash, cash equivalents and overdrafts at beginning of year		350.8	380.9	16.6	(3.2)
Cash, cash equivalents and overdrafts at end of year		918.3	350.8	59.1	16.6
Cash, cash equivalents and overdrafts at end of year comprise:					
Cash at bank and in hand	10	919.7	353.6	59.1	17.4
Overdrafts (held in bank and other borrowings)	21	(1.4)	(2.8)	—	(0.8)
Total cash, cash equivalents and overdrafts		918.3	350.8	59.1	16.6

Cash at bank and in hand includes £833.3m (2019: £321.9m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank in accordance with the PRA's liquidity regime. As at 31 December 2020, £691.9m (2019: £138.2m) of the buffer was available to finance Vanquis Bank's day-to-day operations.

General information
The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, England BD1 2SU. The Company is listed on the London Stock Exchange.

Basis of preparation
The financial statements of the Group and Company are prepared in accordance with IFRS adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments and investments held at fair value through other comprehensive income.

In assessing whether the Group is a going concern, the directors have reviewed the Group's reforecast, as approved in May 2021, which includes capital and liquidity forecasts, on detailed projections for 2021 to 2023. This assessment has included consideration of the Group's principal risks and uncertainties, focusing on capital and liquidity, and the likelihood of these risks materialising into losses.

Given the uncertain outlook as a result of Covid-19, additional stress testing has been performed through modelling a range of macroeconomic scenarios. This initially assumes a severe but plausible downturn, with 'severe' being defined consistently with the Group's IFRS 9 'severe' macroeconomic weighting. This assumes that unemployment in the UK reaches a peak unemployment rate of 12%. The Group's TCR has been exceeded in all scenarios modelled both with and without management actions. The point of non-viability has been assessed for both the Group and Vanquis Bank which would need to materialise to prevent the directors from adopting the going concern assumption. This is materially higher than any economic forecasts. The Group's reforecast does not require market access for capital or liquidity during the going concern period.

Changes in accounting treatment in 2020
The Group and Company's principal accounting policies under IFRS have been consistently applied to all the years presented. In the current year the Group has updated its accounting policy in respect of the definition of default for Moneybarn.

Following the scheduled review of the Moneybarn IFRS 9 model in late 2020, it was determined that the previous definition of default of 'termination of the vehicle contract' did not meet the requirements of IFRS 9. Loans in IFRS 9 stage 2 were identified to have been greater than 90 days past due, despite it being inappropriate to rebut the 90-day backstop presumption included within IFRS 9. The change in the point of default from termination to three missed payments (90 days) has resulted in higher impairment charges being recognised in current and prior periods.

The change in definition of default has not affected the 30 days past due trigger for receivables moving to IFRS 9 stage 2. It does, however, impact the point at which receivables should have moved to IFRS 9 stage 3. As revenue is calculated based on the net receivable in IFRS 9 stage 3, the change in the point of default has resulted in lower revenue as more accounts are considered defaulted. This does not impact profit before tax as it is offset by an equivalent decrease in impairment charges.

Management has concluded that this is a prior period error and has therefore retrospectively restated results. In the 2020 financial statements, the 2019 consolidated income statement, consolidated statement of comprehensive income, balance sheet and statement of changes in shareholders' equity have all been restated. An opening balance sheet as at 1 January 2019 has also been presented.

The prior year restatement has resulted in a decrease in receivables of £3.2m and an adjustment to retained earnings of £3.2m at 1 January 2019. The 2019 profit before tax decreased by £9.8m, comprising an increase in impairment of £7.6m and a reduction in revenue of £2.2m. Receivables at 31 December 2019 reduced by £13.0m. A summary of the impact of the changes in treatment, for 2019, on the Group's primary statements is set out below:

	Previously presented £m	Adjustments £m	Restated £m
Consolidated income statement			
Revenue	998.3	(2.2)	996.1
Finance costs	(72.0)	–	(72.0)
Impairment charges	(336.9)	(7.6)	(344.5)
Operating costs	(460.6)	–	(460.6)
Profit before tax	128.8	(9.8)	119.0
Tax charge	(44.4)	1.8	(42.6)
Profit for the year attributable to equity shareholders	84.4	(8.0)	76.4
Total comprehensive income for the period	79.7	(8.0)	71.7
Basic earnings per share (pence)	33.3	(3.2)	30.1
Diluted earnings per share (pence)	33.1	(3.2)	29.9
Consolidated balance sheet			
Amounts receivable from customers	2,212.6	(13.0)	2,199.6
Other assets	708.2	–	708.2
TOTAL ASSETS	2,920.8	(13.0)	2,907.8
Current tax liability	34.7	(1.8)	32.9
Other liabilities	2,145.6	–	2,145.6
Retained earnings	118.9	(11.2)	107.7
Other equity	621.6	–	621.6
TOTAL LIABILITIES AND EQUITY	2,920.8	(13.0)	2,907.8

The impact of new standards not yet effective and not adopted by the Group from 1 January 2020
There are no new standards not yet effective and not adopted by the Group from 1 January 2020 which are expected to have a material impact on the Group.

Basis of consolidation
The consolidated income statement, consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements include the financial statements of the Company and all of its subsidiary undertakings drawn up from the date control passes to the Group until the date control ceases.

Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The accounting policies of subsidiaries are consistent with the accounting policies of the Group.

Revenue

Revenue comprises interest and fee income earned by Vanquis Bank and Moneybarn and interest income earned by CCD.

Group revenue excludes value added tax and intra-group transactions.

Company revenue includes intra-group transactions and dividends received.

Within Vanquis Bank, interest is calculated on credit card advances to customers using the effective interest rate on the daily balance outstanding. Annual fees charged to customers' credit card accounts are recognised as part of the effective interest rate. Other fees are recognised at the time the charges are made to customers on the basis that the performance obligation is complete.

Within CCD and Moneybarn, revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. For CCD this reflects estimated cash flows, being contractual payments adjusted for the impact of customers who either repay early, to term or beyond term, but do not trigger the IFRS 9 default arrears stage during the full life of the loan. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value until revenue equal to the loan's original service charge has been fully recognised.

Revenue is recognised on the gross receivable when accounts are in IFRS 9 stages 1 and 2 and on the net receivable for accounts in stage 3. Accounts can only move between stages for revenue recognition purposes at the Group's interim or year-end balance sheet date.

Directly attributable acquisition costs are capitalised as part of receivables and amortised over the life of the loan as a deduction to revenue.

Finance costs

Finance costs principally comprise the interest on retail deposits, bank and other borrowings, securitisation and, for the Company, on intra-group loan arrangements, and are recognised on an effective interest rate basis.

Dividend income

Dividend income is recognised in the income statement when the Company's right to receive payment is established.

Goodwill

All acquisitions are accounted for using the purchase method of accounting.

Goodwill is an intangible asset and is measured as the excess of the fair value of the consideration over the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units which are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the asset to the discounted expected future cash flows from the relevant cash-generating unit. Expected future cash flows are derived from the Company's latest budget projections and the discount rate is based on the Company's risk-adjusted cost of equity at the balance sheet date.

Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less provisions for impairment where required. Impairment provisions reflect the shortfall between the carrying value of the investment with the higher of: (i) fair value less costs to sell; and (ii) value in use of the subsidiary.

Investments held in Provident Financial Holdings No. 2 are carried at fair value. The valuations are reviewed at each balance sheet date.

Leases

The Group and Company as a lessee

The Group and Company assess whether a contract contains a lease at inception of a contract. A right of use asset and a corresponding liability are recognised with respect to all lease arrangements where it is a lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the lease payment is recognised within operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the incremental borrowing rate is used. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term, and with similar security the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. For Vanquis Bank, this would represent an average retail deposit rate; for all other companies this would be based on the Group's non-bank funding rate.

The lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments; and
- payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the effective interest rate method, and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- the lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group or Company did not make any such adjustments during the year.

The right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The lease liability and right of use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the income statement and presented within finance costs and operating costs respectively.

Leases continued

The Group and Company as a lessor

Moneybarn is considered a lessor for its conditional sale agreements to customers; however, both revenue and impairment are accounted for under IFRS 9.

The Company has not entered into any arrangements as a lessor.

Other intangible assets

Other intangible assets include acquisition intangibles in respect of the broker relationships at Moneybarn, standalone computer software and development costs of intangible assets across the Group.

The fair value of Moneybarn's broker relationships on acquisition was estimated by discounting the expected future cash flows from Moneybarn's core broker relationships over their estimated useful economic life which was deemed to be 10 years. The asset is being amortised on a straight-line basis over its estimated useful life.

Computer software and computer software development assets represent the costs incurred to acquire or develop software and bring it into use. Directly attributable costs incurred in the development of software are capitalised as an intangible asset if the software will generate future economic benefits. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between three and 10 years. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Other intangible assets are valued at cost less subsequent amortisation and impairment. Amortisation is charged to the income statement as part of operating costs. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

Foreign currency translation

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The Group's subsidiaries primarily operate in the UK and Republic of Ireland. The consolidated and Company financial statements are presented in sterling, which is the Company's functional and presentational currency.

Transactions that are not denominated in the Group's functional currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in equity as effective cash flow hedges.

If a foreign operation were to be disposed of, the cumulative amount of the differences arising on translation recognised in other comprehensive income would be recognised in the income statement when the gain or loss on disposal is recognised.

Amounts receivable from customers

Customer receivables are initially recognised at fair value which represents the amount advanced to the customer plus directly attributable issue costs less an impairment provision for expected losses. The impairment provision recognised is based on the probability of default (PD) within 12 months and the loss arising on default (LGD). Receivables are subsequently increased by revenue and reduced by cash collections and impairment.

On initial recognition, all accounts are recognised in IFRS 9 stage 1.

The account moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment, but has not defaulted.

An account moves to stage 3 and is deemed to have defaulted when further payments are missed or a payment arrangement is initiated.

Vanquis Bank

On inception an expected loss impairment provision is recognised using PD/LGD models which forecast customer behaviour to calculate losses.

The PD is determined by utilising a customer's application score used for underwriting the credit card. The LGD discounts the exposure at default (EAD) which adjusts the current card balance for future expected spend and interest. It does not include any future credit line increases.

Following a SICR, evident from a missed monthly payment or an increased credit score, lifetime losses are recognised.

A customer is deemed to have defaulted when they become three minimum monthly payments in arrears, they enter a temporary payment arrangement or there is evidence of a further significant increase in credit score. A customer is written off in the following cycle after becoming six minimum monthly payments in arrears.

Moneybarn

Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months. This is determined with reference to historical customers' data and outcomes.

An account moves from stage 1 to stage 2 when there has been a SICR or when the customer is assessed as vulnerable. An account cannot return to stage 1 until it has remained up to date with payments for more than 24 days.

Lifetime losses are then recognised when a significant increase in credit risk is evident from a missed monthly payment.

A customer is deemed to have defaulted when they become three monthly payments in arrears. Customer agreements which have been terminated, either voluntarily, by the customer settling their agreement early, or through the agreement being default terminated, are also included within stage 3. Customers can cure back to stage 2 if they have not been terminated and they repay contractual missed payments to become less than three payments in arrears.

A customer's debt is written off when they are sold to debt collection agencies.

CCD

CCD has created a PD/LGD model for customers who are up to date or have missed one payment in the last 12 weeks to calculate an expected loss impairment provision against a customer receivable on recognition, in accordance with IFRS 9.

Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months utilising historical repayment data, excluding data since 2017 when the business saw operational disruption which is not deemed to be indicative of future performance.

Amounts receivable from customers continued

CCD continued

Lifetime losses are then recognised using a discounted cash flow model when a SICR is evident from two missed weekly payments in the last 12 weeks. Customers can cure back into stage 1 when they have missed less than one payment in the previous 12 weeks.

A customer is deemed to have defaulted when the customer would no longer be eligible to be re-served with a subsequent loan. This is typically when a customer has missed five weekly payments in the last 12 weeks.

The home credit impairment policy is more conservative than the IFRS 9 rebuttable presumption of 30 days in arrears to define SICR and 90 days in arrears for default. This is supported by historical data which demonstrates payment recency is a more accurate indicator of potential impairment than overall days past due.

A customer's debt is written off when they are sold to debt collection agencies.

Customers under forbearance

Customers are moved to IFRS 9 stage 3 and lifetime losses are recognised for all divisions where forbearance is provided to the customer or alternative payment arrangements are established. Customers under temporary payment arrangements are separately identified according to the type of arrangement. The carrying value of receivables under each type of payment arrangement is calculated using historical cash flows under that payment arrangement, discounted at the original effective interest rate.

Macroeconomic scenarios

Separate macroeconomic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred given default, in addition to the core impairment provisions, already recognised.

For Vanquis Bank, the provision reflects an adjustment for future losses based on changes in unemployment under a range of forecasts provided by a number of economists, as approved by the Group Treasury Committee.

For Moneybarn, both changes in unemployment and used car sales values to calculate a separate macroeconomic provision.

CCD customers often have unpredictable levels of disposable income as they are often not in salaried roles. They are therefore not considered to be reflective of the wider economy. They are typically less indebted and are therefore not impacted by the same macroeconomic factors or to the same degree.

Consequently there is no evidence of any meaningful correlation between the impairment charge and any macro employment statistics. A separate macroeconomic provision is therefore not held. The assumptions are reviewed at each balance sheet date, and have been reviewed following Covid-19.

Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable values over their useful economic lives.

The following principal bases are used:

	%	Method
Land	Nil	–
Short leasehold buildings	Over the lease period	Straight-line
Equipment (including computer hardware)	10 to 33 1/3	Straight-line
Motor vehicles	25	Reducing balance

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment, other than land, are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Land is subject to an annual impairment test. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell. Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying value of the asset and are recognised within operating costs in the income statement.

Depreciation is charged to the income statement as part of operating costs.

Investments

Investments held at fair value through other comprehensive income (OCI)

Visa Inc. shares classed as equity investment holdings are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. An election was made on adoption of IFRS 9 to classify these shares at fair value through OCI as they are not held for trading.

Fair value changes including any impairment losses and foreign exchange gains or losses are recognised directly in equity through other comprehensive income. The amounts accumulated within equity are not reclassified to the income statement at derecognition. The fair value of monetary assets denominated in foreign currency are determined through translation at the spot rate at the balance sheet date.

Dividends on equity instruments are recognised in the income statement when the Group's right to receive the dividends is established.

Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group continues to apply the requirements of IAS 39 to its hedging relationships. The only derivative held by the Group is a balance guaranteed swap (BGS) entered into as part of the Moneybarn securitisation. It is recognised at fair value with changes recognised in the income statement.

Hedge accounting allows the BGS to be designated as a hedge of another financial instrument, in this case, customer receivables. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand which includes amounts invested in the Bank of England reserve account held in accordance with the Prudential Regulation Authority's (PRA) liquidity regime. Cash held as part of securitisations is not immediately available due to the terms of the arrangements. Bank overdrafts are presented in borrowings to the extent that there is no right of offset with cash balances.

Intercompany
Expected credit losses on Company intercompany balances are assessed at each balance sheet date. The PDs and LGDs are determined for each loan based on the subsidiary's available funding and cash flow forecasts.

Borrowings
Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Dividends paid
Dividend distributions to the Company's shareholders are recognised in the Group and the Company's financial statements as follows:

- final dividend: when approved by the Company's shareholders at the Annual General Meeting; and
- interim dividend: when paid by the Company.

Retirement benefits
Defined benefit pension schemes
The charge in the income statement in respect of defined benefit pension schemes comprises the actuarially assessed current service cost of working employees, together with the interest on pension liabilities offset by the interest on pension scheme assets. All charges are recognised within operating costs in the income statement.

The retirement benefit asset recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the schemes' assets less the present value of the defined benefit obligation at the balance sheet date. A retirement benefit asset is recognised to the extent that the Group and Company have an unconditional right to a refund of the asset or if it will be recovered in future years as a result of reduced contributions to the pension scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement.

Defined contribution pension schemes
Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Merger reserve
The rights issue completed in 2018 was transacted through a 'cash box' structure. The proceeds would ordinarily be recognised as share capital and share premium. However, as the proceeds were generated through a cash box structure, the proceeds are held as share capital and a merger reserve.

The share capital generated is in line with the 20 8/11 par value of the shares with the additional amounts credited to the merger reserve. All fees were recognised on an accruals basis and deducted from the merger reserve with the net credit being deemed distributable, subject to the capital injected into Vanquis Bank. Following the transfer of Vanquis Bank to Provident Financial Holdings No. 2 in December 2020 the full merger reserve of £278.2m is now considered distributable.

Share-based payments
Equity-settled schemes
The Company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Deferred Bonus Plan (DBP), the Long Term Incentive Scheme (LTIS), the Restricted Share Pan (RSP) and the Company Share Option Plan (CSOP). All of these schemes are equity settled.

The cost of providing options and awards to Group and Company employees is charged to the income statement of the entity over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity. The grant by the Company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the Company's financial statements. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding adjustment to the share-based payment reserve within equity.

The cost of options and awards is based on their fair value. A binomial model is used for calculating the fair value of SAYE options which have no performance conditions attached and the RSP for which vesting is based on the discretion of the Remuneration Committee. No charge has been recognised for the CSOP as it is linked to the RSP awards granted at the same time. Any gains made by an employee in relation to the CSOP reduces the number of shares exercisable under the RSP award.

The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on EPS, total shareholder return (TSR) versus a peer group and risk metrics. Employees of Vanquis Bank, CCD and Moneybarn also have targets relating to profit before tax of their division. The fair value of awards is determined using a combination of the binomial and Monte Carlo option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting. Where the Monte Carlo option pricing model is used to determine fair value of the TSR component, no adjustment is made to reflect expected or actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

Share-based payments continued
Equity-settled schemes continued
Cancellations by employees of contributions to the Group's SAYE plans are treated as non-vesting conditions and the Group recognises, in the year of cancellation, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period.

Modifications are assessed at the date of modification and any incremental charges are recognised in the income statement.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest, lapse or are cancelled. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Cash-settled schemes
The Company also previously granted awards under the Provident Financial Equity Plan (PFEP) to eligible employees based on a percentage of their salary. The cost of the awards is based on the performance conditions of either divisional profit before tax or EPS and TSR growth compared to a comparative group. The scheme is cash settled.

The cost of the award is charged to the income statement over the vesting period and a corresponding credit is made within liabilities. The value of the charge is adjusted at each balance sheet date to reflect expected levels of vesting.

Taxation
The tax charge represents the sum of current and deferred tax.

Current tax
Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities
Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote.

Exceptional items
Exceptional items are items that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the Group's underlying results.

Critical accounting judgements and key sources of estimation uncertainty
In applying the accounting policies set out above, the Group and Company make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates and judgements are based on historical experience; actual results may differ from these estimates.

Amounts receivable from customers (note 11) Group: £1,799.8m (2019 (restated): £2,199.6m)
Critical accounting assumptions

The Group reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. Assessments are made to determine whether there is objective evidence of SICR which indicates there has been an adverse effect on PD.

A SICR for customers in Vanquis Bank is when there has been a significant increase in behavioural score or when one contractual monthly payment has been missed.

In Moneybarn and on the Satsuma monthly product, a significant increase in credit risk is when one contractual monthly payment has been missed. In CCD, credit risk is assumed to increase significantly when the cumulative amount of two or more contractual weekly payments has been missed in the previous 12 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly.

For the purpose of IFRS 9, default is assumed in Vanquis Bank, Moneybarn and the Satsuma monthly product when three contractual repayments have been missed. In CCD, default is assumed when a customer has missed a cumulative amount of five or more contractual weekly payments in the previous 12 weeks.

Critical accounting judgements and key sources of estimation uncertainty continued

Amounts receivable from customers (note 11) Group: £1,799.8m (2019 (restated): £2,199.6m) continued

Critical accounting assumptions continued

Macroeconomic provisions

Separate macroeconomic impairment provision adjustments are recognised to reflect an increased PD and LGD, in addition to the core impairment provisions already recognised, based on future macroeconomic scenarios.

For Vanquis Bank, the provision reflects the potential for future changes in unemployment under a range of forecasts. For Moneybarn, trends in the used vehicle resale values have been analysed to estimate recoveries from the sale of the vehicle at auction. This also reflects assumptions over the timing of resale given difficulties in recovering the vehicles. Unemployment is utilised by both Vanquis Bank and Moneybarn as a key macroeconomic indicator as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred by the business.

This will continue to be analysed to assess if there are any additional macroeconomic indicators which also correlate to credit losses.

CCD customers are not considered to be reflective of the wider economy as they are less indebted and are therefore not impacted by the same macroeconomic factors or to the same degree. Consequently there is no evidence of any significant correlation between the impairment charge and macro employment statistics. Consistent with the 2019 year end, a separate macroeconomic provision is not held for CCD.

Key sources of estimation uncertainty

The level of impairment recognised by each of the Group's businesses is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. These are regularly tested using subsequent cash collections to assess accuracy.

The impact of Covid-19 has significantly influenced ECL in the year. Each division has reviewed customer behaviour in light of Covid-19 to adjust the previous assumptions within PD, EAD and LGD. This reflects assumptions in respect of:

- higher PD for customers who have already activated a payment holiday including the expectation of how a customer will continue to repay following the end of the payment holiday;
- higher PD from increased arrears where a customer may not have been able to meet their repayments but not activated a payment holiday. Future repayment expectations have been derived from detailed analysis of previous customer behaviour, including payment history or evidence of a SICR from bureau analysis;
- the potential for further payment holidays where FCA guidance was in place at the period end, extending the period over which customers could activate a payment holiday into 2021;
- higher loss given default where recoveries from the customer may be impacted, as well as lower recoveries from third-party debt collection agencies and external debt sales. For Moneybarn, trends in the used vehicle resale values have been analysed to estimate recoveries from the sale of the vehicle at auction. This also reflects assumptions over the timing of resale given the difficulties in recovering the vehicles; and
- the potential impact to PD and LGD as a result of changing forecasts in the macroeconomic environment.

Based on IASB guidance, the activation of a payment holiday by a customer is not automatically deemed to be indicative of a SICR. A customer who is not in arrears on activation of a payment holiday would remain in stage 1 unless internal data or external bureau analysis, utilised by Vanquis Bank and Moneybarn respectively, indicates a SICR. If this were to be evident, a customer would be moved to stage 2. Individual customer behaviour has continued to be analysed to understand repayment behaviour on exit of a payment holiday to update the PDs, and stage classification, accordingly.

Macroeconomic provisions

Macroeconomic provisions are recognised in Vanquis Bank and Moneybarn to reflect an increased PD and LGD, in addition to the core impairment provisions, already recognised based on future macroeconomic scenarios. The provision reflects the potential for future changes in unemployment under a range of unemployment forecasts, as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred. The Group will continue to analyse and assess if there are any additional macroeconomic indicators which also correlate with credit losses.

For Vanquis Bank and Moneybarn, the unemployment data has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks.

The table below shows the annual peak and average unemployment assumptions adopted by Vanquis Bank and Moneybarn and the weightings applied to each. The combined severe and downside scenario weightings have doubled from 20% at December 2019 to 40% at December 2020 to reflect the uncertain outlook:

	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2021				
Peak	7.9%	6.2%	10.1%	12.7%
Average	7.1%	5.7%	9.0%	11.2%
2022				
Peak	6.7%	5.0%	8.5%	10.4%
Average	6.1%	4.8%	7.7%	9.0%

Weightings applied to the macroeconomic assumptions were reviewed and reconfirmed at the March 2021 Assumptions Committee and remain unchanged from December 2020.

Increasing the downside weighting by 5%, from 35% to 40%, and a corresponding reduction in the base case would increase the allowance account by £2.1m for Vanquis Bank and £0.5m for Moneybarn.

Increasing the upside weighting by 5%, from 10% to 15%, and a corresponding reduction in the base case would increase the allowance account by £1.5m for Vanquis Bank and £0.2m for Moneybarn.

Critical accounting judgements and key sources of estimation uncertainty continued

Amounts receivable from customers (note 11)
Group: £1,799.8m (2019 (restated): £2,199.6m) continued

Key sources of estimation uncertainty continued

Macroeconomic provisions continued

The impact on the 2020 allowance account if each of the macroeconomic scenarios were applied at 100% weighting, rather than the weightings set out opposite, is shown below:

	Base £m	Upside £m	Downside £m	Severe £m
Vanquis Bank	(16.2)	(45.8)	24.8	80.0
Moneybarn	(1.8)	(5.4)	3.0	8.3

Whilst the forward-looking nature of IFRS 9 requires provisions to be established for all losses arising out of the current Covid-19 crisis, the level of uncertainty may mean that additional impairment provision, or releases, may be required in future periods.

Retirement benefit asset (note 19)
Group and Company: £79.7m (2019: £78.0m)

Key sources of estimation uncertainty:

- The valuation of the retirement benefit asset is dependent upon a series of assumptions, the key assumptions being mortality rates and the discount rate applied to liabilities. The most significant assumption which could lead to material adjustment is a change in discount rates.
- Discount rates are based on the market yields of high-quality corporate bonds which have terms closely linked with the estimated term of the retirement benefit obligation. Mortality estimates are based on standard mortality tables, adjusted where appropriate to reflect the Group's own expected experience.

Sensitivity analysis of the Group's main assumptions is set out in note 19.

Provisions and contingent liabilities for customer redress (note 25)
Group: £91.0m (2019: £14.5m)

Critical accounting assumptions:

CCD

Provisions have been created in 2020 against ongoing customer claims of irresponsible lending of home credit in CCD (£21.5m). Further provisions were recognised following the year end, for the resulting proposed Scheme of Arrangement, (the Scheme) which will provide remediation of £50m, plus estimated costs of delivering the settlement (£15m).

Critical accounting assumptions:

- the level of founded claims which have been received and would be due remediation in future based on recent experience of valid claims;
- the proportion of irresponsible lending claims which may be upheld both internally and by the FOS;
- the average redress payments paid to customers both internally and by the FOS;
- both claims received prior to the Practice Statement Letter (PSL) but not determined at the point of issue of the PSL and claims received after the PSL is issued are expected to be covered by the Scheme remediation; and
- the Scheme will be approved by creditors. This judgement has been made through consultation with advisors who are familiar with dealing with similar schemes. This is therefore deemed to be the probable outcome.

Past experience is used as a predictor of future judgements. Management applies overlays, where necessary, dependent on the nature and circumstances, considering where past experience may not be indicative of future settlements.

Key sources of estimation uncertainty:

- The level of remediation payable for irresponsible lending claims in CCD. Management estimates the level of claims which may be agreed with customers prior to the PSL being issued. These claims are expected to be remediated in full. There is significant uncertainty around the level of valid claims which will be remediated prior to the issuance of the PSL due to the volume of unfounded claims received through CMCs.
- The level of remediation payable under the Scheme is only deemed to be an estimation uncertainty to the extent that the Scheme is approved by creditors. If approved, the £50m remediation which will be payable to customers is a fixed amount payable.
- The costs of delivering the Scheme represents management's estimate of costs contracted when the PSL was issued.
- Proportion of claims upheld. Significant developments have been made in 2020 in determining whether a home credit loan was issued irresponsibly. The provision at 31 December 2020, is based on past settlement volumes over the past six months and therefore may be misstated by changes in interpretation of irresponsible lending over time.

The impact of any future regulatory changes and CMC activity is not provided for as the outcome of which cannot be reliably estimated.

Vanquis Bank

Provisions remain in respect of future claims which may arise in Vanquis Bank as a result of ROP claims that may arise in respect of ROP complaints more generally. These claims fall outside the original agreement reached with the FCA in 2018. However, this is no longer deemed to be a significant judgement due to the provision required falling to £2.6m (2019: £11.7m).

Carrying value of investments (note 18)
Company: £230.9m (2019: £395.2m)

Following the incorporation of Provident Financial Holdings No. 2 (PFH2) and the transfer of the key operating subsidiaries from the Company to PFH2, the carrying value of investments is no longer considered to include critical accounting assumptions or key estimation uncertainty (see note 18).

Financial risk management

The Group's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk, interest rate risk, foreign exchange rate risk and market risk. The objective of the Group's risk management framework is to identify and assess the risks facing the Group and to minimise the potential adverse effects of these risks on the Group's financial performance. Financial risk management is overseen by the Group Risk Committee.

Further details of the Group's risk management framework are described on pages 48 to 61.

(a) Credit risk

Credit risk is the risk that the Group will suffer loss in the event of a default by a customer, bank counterparty or the UK Government. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers

The Group's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2020 is the carrying value of amounts receivable from customers of £1,797.7m (2019 (restated): £2,197.7m).

The Group has faced increased credit risk through the period as a result of the pandemic and the delayed impacts of government support schemes including furlough and payment deferrals. Each division has reviewed its respective credit profiles and has undertaken selective tightening of scorecards. Credit risk appetite has been refreshed to focus more on early warning indicators of customer stress and predictive performance of scorecards.

Following the outbreak of Covid-19 and the subsequent FCA guidance, the Group has provided additional support to customers including payment holidays, payment freezes and other forbearance options. The table below shows the peak percentage of customers and receivables that were on payment holidays during the year and the amounts at 31 December 2020.

	Vanquis	Moneybarn	CCD
Peak			
Customers	3.5%	23.1%	3.9%
Receivables	5.8%	25.9%	2.5%
31 December 2020			
Customers	0.5%	1.3%	1.6%
Receivables	1.4%	1.6%	1.1%

Vanquis Bank

The Risk Committee is responsible for setting the credit policy.

The CRO is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy. The CRO discharges and informs this decision making through the Credit Committee.

The Credit Committee meets quarterly, or more frequently if required.

A customer's risk profile and credit line are evaluated at the point of application and at various times during the agreement. Internally generated scorecards based on historical payment patterns of customers are used to assess the applicant's potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant, such as income/expenditure and employment, and data from external credit bureaux. Initial credit limits are low, typically as low as £250. For existing customers, the scorecards also incorporate data on actual payment performance and product utilisation and take data from an external credit bureau each month to refresh customers' payment performance position with other lenders. Credit lines can go up as well as down according to this point in time risk assessment.

Arrears management is a combination of central letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing or appropriate forbearance arrangements are put in place.

Moneybarn

Credit risk within Moneybarn is managed by the Moneybarn Credit Committee which meets at least monthly and is responsible for approving underwriting parameters, decisioning strategy and credit control policy.

A customer's credit risk profile and ability to afford the proposed contract is initially evaluated both at the point of application, and subsequently should the customer fall into arrears. A scorecard based on historical payment patterns of customers is used to assess the applicant's potential default risk. The scorecard incorporates data from the applicant, such as income and employment, and data from an external credit bureau. The application assessment process involves verification of key aspects of the customer data. Certain policy rules including customer profile, proposed loan size and vehicle type are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the loan repayments are affordable.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

The FCA moratorium restricted Moneybarn from terminating customer contracts and recovering the vehicle from a customer where a default termination would ordinarily have occurred. This led to c.12k contracts which could not be terminated at the end of the year. The restriction was lifted from 31 January 2021. Moneybarn has subsequently worked with customers affected.

CCD

Credit risk within CCD is managed by the Credit Forum, which meets at least eight times per year, and which is responsible for reviewing credit risk and performance of the portfolio and for making recommendations on credit model, lending and collections strategy changes, based on a majority vote, to the CCD Managing Director for approval.

Credit risk is managed using a combination of lending policy rules, credit scoring (including behavioural scoring), individual lending approval limits, central underwriting, affordability assessment processes, and a home visit in the home credit business to make a decision on applications for credit. The loans offered by the weekly home credit business are short term, typically a contractual period of around a year, with an average value of approximately £600.

Prior to Covid-19, loans were underwritten in the home by a field-based colleague based on consideration of any previous lending experience with the customer, affordability and the field-based colleague's assessment of the credit risk based on a completed application form and the home visit, in conjunction with central decisioning enhanced through the use of credit bureau data. During Covid-19 significant adaptations were made to the home credit business lending process: lending to new customers was paused at the start of the initial lockdown

Financial risk management continued

(i) Amounts receivable from customers continued

CCD continued

in March 2020 and recommenced in mid-May with remote disbursement and tighter scorecard cut-offs; for further lending to existing customers, remote disbursement was possible seven days after lockdown started, although product offerings were restricted on term length; alongside the tighter credit risk thresholds additional focus was placed on the affordability assessment in line with the nature of the government furlough scheme; adjustments were made in April to the percentage of income accepted for employed key workers/furloughed customers and lending to self-employed customers was restricted. Throughout the year all sales calls were recorded, ID and other documents verified via video and documents uploaded where required; affordability is reassessed by the field-based colleague each time an existing customer is re-served.

Prior to Covid-19, once a loan had been made, the field-based colleague typically visited the customer weekly, to collect payment. During Covid-19, the field-based colleague has maintained regular contact with the customer and has been able to offer collections services on a fully remote basis including: taking repayments online, over the phone or via an Allpay card, offering Provident Direct and utilising central collections activity to support with a particular focus on later-stage arrears.

The field-based colleague is well placed to identify signs of strain on a customer's income and can moderate lending accordingly, managing loan applications on a fully remote basis. Equally, the regular contact and professional relationship that the field-based colleague has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This forbearance can be in the form of taking part-payments, allowing missed payments or other payment arrangements in order to support customers with their repayments. The home credit team implemented processes to help identify customers indicating that they have been impacted by Covid-19 and whose circumstances have changed as a result, with forbearance offered in line with FCA guidance.

Arrears management within the home credit business is a combination of central letters, text messages, emails, central telephony, and field activity undertaken by field management. This will involve a discussion with the customer to understand reasons for non-payment and to agree a suitable resolution, based on an affordability assessment where required.

The loans offered by the Satsuma business are short term, with a contractual period of between 3 and 12 months, or weekly equivalent, and an average value of around £370. The loans are underwritten using credit decisioning, enhanced with the use of external credit bureau data. An affordability assessment is performed on all lending decisions.

At the beginning of the Covid-19 pandemic in March 2020 all digital lending was restricted to existing customers only, with tighter thresholds applied to affordability. All applications were referred at the time to a central team of advisors to manually verify applications. In mid-May a decision was taken to stop all digital lending.

Satsuma collections processes are undertaken utilising the collections capabilities at Vanquis Bank. Contact Centre representatives are engaged at an early stage to optimise collections performance and work closely with customers and, for those customers whose circumstance have changed, representatives utilise their extensive range of forbearance measures, based on an affordability assessment where required.

(ii) Bank and government counterparties

The Group's maximum exposure to credit risk on bank and government counterparties as at 31 December 2020 was £921.0m (2019: £347.8m).

Counterparty credit risk arises as a result of cash deposits placed with banks and central government.

Counterparty credit risk is managed by the Group's Treasury Committee and is governed by a Board-approved counterparty policy which ensures that the Group's cash deposits and derivative financial instruments are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the Group's regulatory capital base in line with the Group's regulatory reporting requirements on large exposures to the PRA.

(b) Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by the Group's centralised treasury department through daily monitoring of expected cash flows in accordance with a Board-approved Group Funding and Liquidity Policy. This process is monitored regularly by the Treasury Committee.

The Group's Funding and Liquidity Policy is designed to ensure that the Group is able to continue to fund the growth of the business. The Group therefore maintains headroom on its committed borrowing facilities to fund growth within CCD and Moneybarn and contractual maturities on its bank, private placement and bond funding for at least the following 12 months. As at 31 December 2020, the Group's committed borrowing facilities including retail deposits had a weighted average period to maturity of 1.5 years (2019: 2.2 years) and the headroom on these committed facilities amounted to £137.7m (2019: £69.1m).

Vanquis Bank is a PRA-regulated institution and is fully funded via retail deposits. It is required to maintain a liquid assets buffer, and other liquid resources, based upon daily stress tests, in order to ensure that it has sufficient liquid resources to fulfil its operational plans and meet its financial obligations as they fall due. It also maintains an operational buffer over such requirements in line with the bank's risk appetite. As at 31 December 2020, the liquid assets buffer, including other liquid resources and the operational buffer, held by Vanquis Bank, in cash and cash equivalents amounted to £833.3m (2019: £321.9m).

Both the Group and Vanquis Bank are required to meet the liquidity coverage ratio (LCR). The LCR requires institutions to match net liquidity outflows during a 30-day period with a buffer of 'high-quality' liquid assets.

The Group and Vanquis Bank developed systems and controls to monitor and forecast the LCR and have been submitting regulatory reports on the ratio since 1 January 2014. The Group's LCR at 31 December 2020 amounted to 2,830% (2019: 24%). At 31 March 2021, the Group's consolidated LCR had fallen to a more normalised 180%. Vanquis Bank raised significant liquid resources in response to the pandemic, reflected in the high liquid assets buffer at 31 December 2020. The 30 day horizon for net liquidity outflows in the LCR at 31 December 2020 did not capture the corresponding deposit maturities for which, in part, the liquid resources are being held, resulting in an unusually high reported LCR at that point. Both the Group and Vanquis Bank continue to meet the LCR requirements.

The Group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business are of short-term duration (typically around one year), whereas the Group's borrowings extend over a number of years. The Group's funding strategy is to maintain committed facilities to meet contractual maturities and fund growth for at least the following 12 months and maintain access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) market funding, including retail bonds, institutional bonds and private placements; (iii) securitisation; and (iv) retail deposits. Retail deposits are used to fund Vanquis Bank whilst other funding sources fund Moneybarn, CCD and central operations (the non-bank group).

Financial risk management continued

(b) Liquidity risk continued

The Group will continue to explore further funding options as appropriate including, but not limited to, the refinancing of the syndicated revolving bank facility and further private placements and institutional bond issuance.

A maturity analysis of the undiscounted contractual cash flows of the Group's bank and other borrowings is shown overleaf.

This reflects both the interest payable and the repayment of the borrowing on maturity. Due to the seasonal nature of the home credit business, drawings under the Group's revolving bank facilities are typically drawn for only three months at any time despite having the ability to draw the borrowings for much longer under the committed borrowing facility. Retail deposits' maturity within Vanquis Bank is also matched to the average life of a credit card customer (5 years). In the table overleaf, the cash flows of borrowings made under the Group's syndicated revolving bank facility are required to be shown as being due within one year, despite the Group having the ability to redraw these amounts until the contractual maturity of the underlying facility.

Financial liabilities

2020 – Group	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Retail deposits	–	919.9	332.3	472.6	–	1,724.8
Bank and other borrowings:						
– bank facilities	1.4	69.3	–	–	–	70.7
– senior public bonds	–	14.0	14.0	189.0	–	217.0
– securitisation	–	3.2	3.3	157.4	–	163.9
– retail bonds	–	67.0	3.1	63.1	–	133.2
Total borrowings	1.4	1,073.4	352.7	882.1	–	2,309.6
Trade and other payables	–	88.1	–	–	–	88.1
Derivative financial instruments	–	0.7	0.4	0.2	–	1.3
Lease liabilities	–	9.1	9.3	29.7	21.3	69.4
Total	1.4	1,171.3	362.4	912.0	21.3	2,468.4

2019 – Group	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Retail deposits	–	423.0	387.1	592.9	–	1,403.0
Bank and other borrowings:						
– bank facilities	2.8	166.8	–	–	–	169.6
– senior public bonds	–	17.5	17.5	285.0	–	320.0
– private placement loan notes	–	26.6	25.3	–	–	51.9
– retail bonds	–	33.1	72.0	66.2	–	171.3
Total borrowings	2.8	667.0	501.9	944.1	–	2,115.8
Trade and other payables	–	89.3	–	–	–	89.3
Lease liabilities	–	8.3	7.0	30.7	32.3	78.3
Total	2.8	764.6	508.9	974.8	32.3	2,283.4

(c) Interest rate risk

Interest rate risk is the risk of potential loss through unhedged or mismatched asset and liability positions, which are sensitive to changes in interest rates. Primarily, the Group is at risk of a change in external interest rates which leads to an increase in the Group's cost of borrowing.

The Group's exposure to movements in interest rates is managed by the Treasury Committee and is governed by a Board-approved Interest Rate Hedging Policy which forms part of the Group's treasury policies.

The Group seeks to limit the net exposure to changes in interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as interest rate swaps.

A 2% movement in the interest rate applied to borrowings during 2020 and 2019 would not have had a material impact on the Group's profit before taxation or equity given that the Group's receivables can be repriced over a relatively short timeframe.

LIBOR reform

Key benchmark interest rates and indices, such as the London Interbank Offered Rate (LIBOR), are being reformed in favour of risk-free rates such as the Sterling Overnight Index Average (SONIA) in the UK. LIBOR will be withdrawn at the end of 2021.

The Group currently only has LIBOR linked liabilities relating to the Group's revolving credit facility and securitisation funding in Moneybarn. There is no impact to financial assets or our fixed rate liabilities, which are all on administered rates.

The securitisation funding is expected to be refinanced in 2021 and will be priced based on SONIA.

Discussions are underway with the revolving credit facility lenders to ensure appropriate fall-back provisions are in place by the end of 2021. LIBOR reform is therefore not considered to have a material impact on the Group.

Financial risk management continued

(d) Foreign exchange rate risk

Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity.

The Group's exposure to movements in foreign exchange rates during 2020 arose from the home credit operations in the Republic of Ireland which are generally hedged by matching euro-denominated net assets with euro-denominated borrowings or forward contracts as closely as practicable.

As at 31 December 2020, a 2% movement in the sterling to euro exchange rate would have led to a £0.4m (2019: £0.7m) movement in customer receivables with an opposite movement of £0.3m (2019: £0.7m) in external borrowings. Due to the natural hedging of matching euro-denominated assets with euro-denominated liabilities, there would have been a minimal impact on reported profits and equity.

As at 31 December 2020, a 2% movement in the sterling to US dollar exchange rate would have led to a £0.2m (2019: £0.5m) movement in the investment held at fair value through other comprehensive income and a £0.2m (2019: £0.5m) impact on equity.

(e) Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities.

The Group's corporate policies do not permit it to undertake position taking or trading books of this type and therefore it does not do so.

(f) Brexit

On 31 January 2020 the UK withdrew from the European Union and a transitional period formally ended on 31 December 2020. The economic outlook post Brexit remains uncertain against the backdrop of the impact of the Covid-19 pandemic and there remains significant amount of instability in the UK economy and capital markets, albeit unemployment levels have remained stable due to the UK Government's job retention schemes.

Despite any potential second order risks of Brexit, the Group has proven resilient during previous economic downturns due to the specialist business models deployed by its divisions which are tailored to serving non-standard customers. In addition, all four of the Group's businesses – Vanquis Bank, Moneybarn, Provident home credit and Satsuma – have tightened underwriting over the last three years in advance of a potential weakening in the UK economy.

The Group's only direct exposure to the EU is the home credit operation in the Republic of Ireland. This represents c.13% of the home credit business and is, therefore, relatively immaterial to the Group as a whole. The foreign exchange exposure to the Republic of Ireland operation is hedged through a net investment hedge.

The Group's current funding strategy is to maintain diversified committed facilities to meet contractual maturities and fund growth and maintain access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) market funding, including retail bonds, institutional bonds and private placements; (iii) securitisation; and (iv) retail deposits. No effect is anticipated on Vanquis Bank's ability to access retail deposits, although it maintains an operational buffer over its liquid requirements stipulated by the PRA to withstand any short-term disruption. The Group has engaged extensively with its lending banks throughout 2020 in response to the Covid-19 pandemic and the economic uncertainties both that and Brexit present. The Group's lending banks are predominantly UK based, have supported the Group for many years and have broader relationships through ancillary business such as transactional banking. In the event of a prolonged period of market disruption and the closure of debt capital markets, then the Group has the ability to manage receivables growth and/or dividend flows.

The Group has maintained regulatory capital headroom in excess of £100m, in line with the Board's risk appetite, in response to the Covid-19 pandemic. Despite the need to absorb the continued transitional arrangements of IFRS 9, this headroom, together with the regulatory prescribed buffers, should be sufficient to withstand a potential downturn in economic conditions caused by Brexit. Furthermore, the Group has the ability to manage receivables growth and/or dividend flows to preserve capital.

Capital risk management

To support the delivery of the Group's Purpose, the Group operates a financial model that is founded on investing in customer-centric businesses offering attractive returns which aligns an appropriate capital structure focused on optimising shareholder value, in a safe and sustainable manner. The capital management policy of the Group helps to ensure capital resources are sufficient to support planned levels of growth.

The Group Treasury Committee is responsible for monitoring the level of regulatory capital. The level of surplus regulatory capital against requirements is reported to the Board on a monthly basis in the Group's management accounts.

The minimum regulatory capital requirement imposed by the PRA on firms is the sum of the Total Capital Requirement, combined CRD buffer requirements as applicable and the PRA buffer requirements as applicable. The minimum amount of regulatory capital held by the Group and Vanquis Bank represents the higher of the imposed requirement and their respective internal assessments of minimum capital requirements based upon an assessment of risks facing the Group. The Internal Capital Adequacy Assessment Process (ICAAP) considers all risks facing the business, including credit, operational, counterparty, conduct, pension and market risks, and assesses the capital requirement for such risks in the event of downside stresses should such requirement exceed that set out under the Pillar 1 framework.

Capital risk management continued

The Group has elected to phase in the impact of adopting IFRS 9 over a five-year period ending 31 December 2022, arbitrarily named the dynamic 1 adjustment. This is achieved by applying add back factors of 95%, 85%, 70%, 50% and 25% for years one to five respectively to the initial IFRS 9 transition adjustment (net of attributable deferred tax) plus any subsequent increase in expected credit losses (ECL) in the non-credit-impaired book from transition to the end of the reporting period. The PRA ratified additional capital mitigation proposed by the Basel Committee, in response to Covid-19, with these measures coming into force from 27 June 2020. The new measures allow for the increase in ECL in the non-credit-impaired book arising after 31 December 2019 to be fully added back in 2020 and 2021, arbitrarily named the dynamic 2 adjustment. This relief is then phased out over the following three years on a straight-line basis, ending 31 December 2024 (2022: 75%, 2023: 50%, 2024: 25%).

The following table reconciles the Group's equity to the regulatory capital resources for the Group (which are all held as core equity tier 1).

Regulatory capital (unaudited)	2020 £m	2019 £m
Net assets	647.7	740.5
IFRS 9 transition	128.8	156.4
Dynamic 1 and 2 adjustments	74.2	–
Pension	(79.7)	(78.0)
Deferred tax on pension	15.1	13.3
Goodwill	(71.2)	(71.2)
Intangible assets	(45.3)	(44.1)
Deferred tax on acquired intangible asset	5.2	6.0
Proposed dividend	–	(40.5)
Total regulatory capital (common equity tier 1)	674.8	682.4*
Risk weighted exposures	1,973.5	2,224.0
CET1 ratio	34.2%	30.7%

Pillar 3 complements Basel's Pillar 1 and Pillar 2 frameworks and seeks to encourage market discipline by developing a set of disclosure requirements which would allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. Pillar 3 disclosures for the Group, for the year ended 31 December 2020, are published as a separate document and are available on the Group's website.

* Excluding the impact of dynamic adjustments.

1 Segment reporting

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The Group's chief operating decision maker is deemed to be the Group ExCo, whose primary responsibility is to support the Chief Executive Officer in managing the Group's day-to-day operations and analyse trading performance. The Group's segments comprise Vanquis Bank, Moneybarn, CCD and Central which are those segments reported in the Group's management accounts used by the Group ExCo as the primary means for analysing trading performance. The Group ExCo assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the Group financial statements.

Group	Revenue 2020 £m	Revenue 2019 (restated[1]) £m	Profit/(loss) before taxation 2020 £m	Profit/(loss) before taxation 2019 (restated[1]) £m
Vanquis Bank	481.4	580.9	38.0	173.5
Moneybarn	134.0	119.8	10.9	21.1
CCD	192.4	295.4	(74.9)	(20.8)
Central costs	–	–	(21.1)	(21.0)
Total Group before amortisation of acquisition intangibles and exceptional items	807.8	996.1	(47.1)	152.8
Amortisation of acquisition intangibles (note 11)	–	–	(7.5)	(7.5)
Exceptional items	–	–	(58.9)	(26.3)
Total Group	807.8	996.1	(113.5)	119.0

1 Refer to accounting policies for detail of restatement.

Revenue for Vanquis Bank, Moneybarn and CCD comprises interest and fee income earned on amounts receivable from customers.

Acquisition intangibles represent the fair value of the broker relationships of £75.0m which arose on the acquisition of Moneybarn in August 2014. The amortisation charge in 2020 amounted to £7.5m (2019: £7.5m).

Exceptional items represent a net exceptional charge of £58.9m in 2020 (2019: £26.3m) and comprise:

	2020 £m	2019 £m
Release of provisions in respect of ROP refund programme (note 25)	8.3	14.2
Gain in respect of the redemption of bonds (note 21)	1.9	–
Exceptional complaints provision in CCD (note 25)	(65.0)	–
Restructuring costs, primarily in respect of the ongoing turnaround of CCD	(2.0)	(19.3)
Costs in respect of the new intermediate holding company (note 18)	(1.4)	–
Pension charges in respect of GMP equalisation (note 19)	(0.7)	–
Bid defence costs associated with NSF's unsolicited offer for the Group	–	(23.8)
Release of provisions in respect of Moneybarn FCA investigation (note 25)	–	2.6
Total exceptional items	(58.9)	(26.3)

Restructuring costs in 2020 of £2.0m relate to redundancy costs in CCD. In 2019 these costs comprised £14.4m in relation to: (i) the ongoing turnaround of CCD comprising redundancy and other related costs of £13.0m, an exceptional impairment charge of £1.9m in respect of intangible assets and an exceptional pension credit of £0.5m (see note 19); and (ii) redundancy and other one-off costs in respect of central activities and Vanquis Bank of £3.1m and £1.8m respectively.

All of the above activities relate to continuing operations. Revenue between business segments is not material.

Group	Segment assets 2020 £m	Segment assets 2019 (restated[1]) £m	Segment liabilities 2020 £m	Segment liabilities 2019 (restated[1]) £m	Net assets/(liabilities) 2020 £m	Net assets/(liabilities) 2019 (restated[1]) £m
Vanquis Bank	2,037.1	1,889.5	(1,710.6)	(1,492.2)	326.5	397.3
Moneybarn	611.0	528.0	(591.7)	(499.6)	19.3	28.4
CCD	187.8	284.9	(402.9)	(344.8)	(215.1)	(59.9)
Central	730.4	443.3	(213.4)	(79.8)	517.0	363.5
Total before intra-group elimination	3,566.3	3,145.7	(2,918.6)	(2,416.4)	647.7	729.3
Intra-group elimination	(488.2)	(237.9)	488.2	237.9	–	–
Total Group	3,078.1	2,907.8	(2,430.4)	(2,178.5)	647.7	729.3

1 Refer to accounting policies for detail of restatement.

The presentation of segment net assets reflects the statutory assets, liabilities and net assets of each of the Group's divisions. This results in an intra-group elimination reflecting the difference between the central intercompany funding provided to the divisions and the external funding raised centrally.

1 Segment reporting continued

The Group's businesses operate principally in the UK and Republic of Ireland.

Group	Capital expenditure 2020 £m	Capital expenditure 2019 £m	Depreciation 2020 £m	Depreciation 2019 £m	Amortisation 2020 £m	Amortisation 2019 £m
Vanquis Bank	19.1	7.1	2.7	1.5	4.6	3.3
Moneybarn	0.8	4.4	0.8	0.7	0.8	0.8
CCD	2.3	2.4	1.6	3.4	2.2	4.8
Central	–	0.1	1.1	1.4	7.5	7.5
Total Group	22.2	14.0	6.2	7.0	15.1	16.4

Capital expenditure in 2020 comprises expenditure on intangible assets of £16.3m (2019: £7.4m) and property, plant and equipment of £5.9m (2019: £6.6m).

The acquired intangible asset in respect of Moneybarn's broker relationships is held on consolidation and, therefore, the amortisation charge has been allocated to Central in the above analysis, consistent with the segment net asset analysis.

2 Revenue

Revenue is recognised by applying the effective interest rate (EIR) to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under that loan, plus directly attributable issue costs (e.g. aggregator/broker fees). In addition, in Moneybarn, the EIR takes account of customers repaying early and in CCD customers repaying early or beyond term, but who have not defaulted.

Fee income is recognised at the time the charges are made to the customer on the basis the performance obligation is complete.

	Group 2020 £m	Group 2019 (restated[1]) £m
Interest income	724.3	877.2
Fee income	83.5	118.9
Total revenue	807.8	996.1

1 Refer to accounting policies for detail of restatement.

All fee income earned relates to Vanquis Bank and Moneybarn.

Interest income relates to the interest charges on Vanquis Bank credit cards, net of deferred acquisition costs, and Moneybarn conditional sale agreements together with the service charge on home credit and Satsuma loans. Fee income predominantly relates to Vanquis Bank and reflects default and over-limit fees as well as other ancillary income streams such as ROP fees. Interchange income is also recognised within Vanquis Bank as part of fee income on an accruals basis. Fee income in 2020 represented 18% (2019: 20%) of Vanquis Bank revenue.

3 Finance costs

Interest payable on:	Group 2020 £m	Group 2019 £m
Retail deposits	33.4	30.2
Senior public and retail bonds	25.2	29.0
Bank borrowings	7.1	5.9
Securitisation	3.5	–
Private placement loan notes	0.4	4.6
Lease liabilities finance costs	1.9	2.3
Exceptional gain in respect of the redemption of bonds (note 1)	(1.9)	–
Total finance costs	69.6	72.0

Exceptional gain of £1.9m relates to the tender and early redemption of £75m of the 2018 five-year fixed-rate bond in August 2020 (see note 21(e)).

4 (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging/(crediting):	Group 2020 £m	Group 2019 (restated[1]) £m
Amortisation of other intangible assets:		
– computer software (note 17)	7.6	8.9
– acquisition intangibles (note 17)	7.5	7.5
Depreciation of property, plant and equipment (note 14)	6.2	7.0
Loss on disposal of property, plant and equipment (note 14)	0.6	2.2
Depreciation of right of use assets (note 15)	9.5	17.6
Lease liability finance costs (note 3)	1.9	2.3
Short-term lease costs (note 24)	0.6	0.9
Impairment of amounts receivable from customers (note 11)	360.1	344.5
Employment costs (prior to exceptional redundancy costs and curtailment credit) (note 9(b))	195.2	215.9
Exceptional items:		
Exceptional release of provisions in respect of ROP refund programme (note 25)	(8.3)	(14.2)
Exceptional release of provisions in respect of Moneybarn FCA investigation (note 25)	–	(2.6)
Exceptional gain in respect of the redemption of bonds (note 21)	(1.9)	–
Exceptional complaints provision in CCD (note 25)	65.0	–
Exceptional costs in respect of the new intermediate holding company	1.4	–
Pension charges in respect of GMP equalisation (note 19(a))	0.7	–
Exceptional redundancy cost, primarily in respect of CCD (note 9(b))	2.0	14.8
Exceptional curtailment credit (note 19(a))	–	(0.5)
Exceptional bid defence costs associated with NSF's unsolicited offer for the Group	–	23.8
Exceptional intangible impairment charge (note 17)	–	1.9
Exceptional restructuring costs, primarily in respect of CCD	–	3.1

1 Refer to accounting policies for detail of restatement.

Auditor's remuneration	Group 2020 £m	Group 2019 £m
Fees payable to the Company's auditor for the audit of Company and consolidated financial statements	0.4	0.2
Fees payable to the Company's auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	1.3	1.0
– other non-audit services	0.2	0.2
Total auditor's remuneration	1.9	1.4

5 Tax charge

Tax credit/(charge) in the income statement	Group 2020 £m	Group 2019 (restated[1]) £m
Current tax:		
– UK	10.7	(32.6)
Total current tax	10.7	(32.6)
Deferred tax (note 20)		
– UK	16.0	(10.3)
– overseas	(0.1)	–
Impact of change in UK tax rate (note 20)	3.5	0.3
Total tax credit/(charge)	30.1	(42.6)

1 Refer to accounting policies for detail of restatement.

5 Tax charge continued

The rate of tax credit (2019: charge) on the loss (2019: profit) before taxation for the year is higher than (2019: higher than) the average rate of mainstream corporation tax in the UK of 19.0% (2019: 19.0%). This can be reconciled as follows:

	Group	
	2020 £m	2019 (restated[1]) £m
(Loss)/profit before taxation	(113.5)	119.0
(Loss)/profit before taxation multiplied by the average rate of mainstream corporation tax in the UK of 19.0% (2019: 19.0%)	21.6	(22.7)
Effects of:		
– impact of change in UK tax rate (note 5(a))	3.5	0.3
– impact of bank corporation tax surcharge (note 5(b))	(2.1)	(13.9)
– impact of lower tax rates and losses overseas (note 5(c))	(1.8)	(1.1)
– adjustment in respect of prior years (note 5(d))	7.5	0.7
– non-deductible general expenses	0.4	0.2
– benefit of capital losses offset against capital gain (note 5(e))	0.9	–
– utilisation of losses not recognised for deferred tax (note 5(e))	1.1	–
– write off of deferred tax assets (note 5(f))	(1.0)	–
– non-deductible bid defence costs (note 5(g))	–	(4.5)
– non-deductible bank compensation payments (note 5(h))	–	(1.4)
– additional 10% of bank compensation payments (note 5(h))	–	(0.2)
Total tax credit/(charge)	30.1	(42.6)

1 Refer to accounting policies for detail of restatement.

(a) Impact of change in UK tax rate

In 2016, changes in corporation tax rates were enacted which reduced the mainstream corporation tax rate to 17% with effect from 1 April 2020. Prior to 1 April 2020, the mainstream corporation tax rate was 19%. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate has remained at 19% for 2020. Deferred tax balances at 31 December 2019 were measured at the combined mainstream corporation tax (17.0%) and bank corporation tax surcharge rate (8.0%) of 25% to the extent that the temporary differences on which the deferred tax had been calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances have been remeasured at the combined mainstream corporation tax rate (19.0%) and bank corporation tax surcharge rate (8.0%) of 27.0% (2019: 25.0%), as have movements in the deferred tax balances during the year. A tax credit of £3.5m (2019: £0.3m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax charge of £1.7m (2019: charge of £0.1m) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

(b) Impact of bank corporation tax surcharge

The adverse impact of the bank corporation tax surcharge amounts to £2.1m (2019: £13.9m) and represents tax at the bank corporation tax surcharge rate of 8% on Vanquis Bank's taxable profits in excess of £25m where taxable profits are calculated after adding back any bank compensation payments, the 10% deemed taxable receipt in respect of such payments and other add backs, but ignoring the benefit of losses elsewhere in the Group, including capital losses.

(c) Impact of lower tax rates and losses overseas

The home credit business in the Republic of Ireland is subject to tax at the Republic of Ireland statutory tax rate of 12.5% (2019: 12.5%) rather than the UK statutory mainstream corporation tax rate of 19.0% (2019: 19.0%). In 2020, the home credit business in the Republic of Ireland made a loss (2019: loss) which can only be relieved against future profits of the business in the Republic of Ireland at the 12.5% statutory rate rather than the 19.0% UK statutory tax rate. No deferred tax asset has been recognised in respect of this loss giving rise to a total adverse impact on the Group tax charge of £1.8m (2019: adverse impact of £1.1m).

(d) Adjustment in respect of prior years

The £7.5m credit in respect of prior years primarily represents the benefit of claiming deductions for the costs incurred in 2019 in connection with the defence of the unsolicited offer from NSF, for which no tax deduction was assumed in the prior year, along with a release of part of the provision for uncertain tax liabilities net of other prior year adjustments. In the case of 2019, the £0.7m in respect of prior years represented the impact of resolving historical tax liabilities net of the release of part of the provision for uncertain tax liabilities.

(e) Benefit of capital losses offset against capital gain utilisation of losses

The conversion and subsequent sale of part of the preferred stock in Visa Inc. during the year gave rise to a capital gain which has been offset partly by: (i) in year capital losses which give rise to a beneficial impact on the tax charge of £0.9m (2019: £nil); and (ii) brought forward capital losses in respect of which a deferred tax asset was not previously recognised, which gives rise to a beneficial impact on the tax charge of £1.1m (2019: £nil).

(f) Write off of deferred tax assets

Deferred tax assets written off of £1.0m (2019: £nil) primarily relate to deferred tax assets in respect of share scheme awards where future tax deductions are expected to be lower than previously anticipated.

5 Tax charge continued

(g) Non-deductible bid defence costs

In 2019, most of the costs associated with the defence of the unsolicited offer from NSF were considered to be non-tax deductible in computing the Group's taxable profits. This gave rise to an adverse impact on the tax charge of £4.5m.

(h) Bank compensation payments

In 2019, the additional balance reductions related to charged off accounts net of the release of provisions related to balance reductions and settlements on other accounts which arose following completion of the refund programme in respect of ROP in Vanquis Bank are treated as bank compensation payments and are therefore non-deductible in computing Vanquis Bank's profits for tax purposes. This gave rise to an adverse impact on the tax charge of £1.4m. It also gave rise to an additional 10% deemed taxable receipt under the bank compensation provisions on the additional balance reductions related to charged off accounts. This gave rise to an adverse impact on the tax charge of £0.2m.

The tax credit in respect of exceptional items in 2020 amounts to £10.3m (2019: tax charge of £2.9m) and represents:

- a tax credit of £12.4m in respect of the exceptional complaints provision in CCD;
- a tax charge of £0.4m (2019: £nil) in respect of the exceptional net gain arising as a result of the bond buy back;
- a tax charge of £2.2m (2019: £6.0m) which represents tax at the combined mainstream corporation tax rate and bank corporation tax surcharge rate of 27% in respect of the £8.3m (2019: £14.2m) exceptional release of provisions established in 2017 following completion of the refund programme in respect of ROP and a re-evaluation of the forward flow of claims that may arise in respect of ROP complaints more generally. The 2019 tax charge of £6.0m also included tax at 27% on the 10% deemed taxable receipt on customer balance reductions related to charged off accounts which are treated as bank compensation payments as well as tax on the release of the related impairment provision;
- tax relief of £0.4m (2019: £3.7m) in respect of exceptional restructuring costs in CCD and the wider Group; and
- a tax credit of £0.1m (2019: £nil) in respect of the GMP equalisation charge in respect of the Group's defined benefit scheme.

The tax credit in 2019 also comprised:

- tax relief of £0.1m in respect of exceptional costs associated with the defence of the unsolicited offer from NSF; and
- a tax charge of £0.7m in respect of the £2.7m release of provisions established in 2017 following completion of the FCA investigation into affordability, forbearance and termination options at Moneybarn.

The tax credit in respect of the amortisation of acquisition intangibles, after taking into account the impact of the change in the rate of mainstream corporation tax, amounts to £0.7m (2019: £1.4m).

The effective rate of tax for 2020, prior to the amortisation of acquisition intangibles and exceptional items, is 40.4% (2019 (restated): 27.0%).

The tax credit on items taken directly to other comprehensive income is as follows:

Tax (charge)/credit on items taken directly to other comprehensive income	Group 2020 £m	Group 2019 £m
Deferred tax charge on fair value movement in investment	(1.0)	(1.2)
Deferred tax credit on disposal of investment	2.0	–
Current tax charge on disposal of investment	(2.0)	–
Deferred tax credit on actuarial movements on retirement benefit asset	0.3	1.8
Tax credit on items taken directly to other comprehensive income prior to impact of change in UK tax rate	(0.7)	0.6
Impact of change in UK tax rate	(1.7)	(0.1)
Total tax (charge)/credit on items taken directly to other comprehensive income	(2.4)	0.5

During the year, Vanquis Bank converted and subsequently sold its holding in the 'A' preference shares in Visa Inc. which has given rise to a capital gain.

The £1.0m deferred tax charge (2019: £1.2m) recognised in other comprehensive income represents deferred tax at the combined mainstream UK corporation tax and bank corporation tax surcharge rate of 27.0% on the movement in the valuation of the preferred stock in Visa Inc. which has been retained, as well as the movement in the valuation of the preferred stock in Visa Inc. up to the point of conversion and sale. The conversion and sale of the preferred stock in Visa Inc. has resulted in a deferred tax credit of £2.0m (2019: £nil) in other comprehensive income which represents the reversal of the £2.0m deferred tax charge in respect of the valuation of Vanquis Bank's shareholding in the preferred stock in Visa Inc. that has been recognised in other comprehensive income, and a current tax charge of £2.0m, representing tax at the combined mainstream UK corporation tax and bank corporation tax surcharge rate of 27.0% on the cumulative fair value gain on the disposed shares which has been recognised in other comprehensive income.

6 (Loss)/earnings per share

Basic (loss)/earnings (L/EPS) per share is calculated by dividing the (loss)/profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted L/EPS calculates the effect on L/EPS assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Deferred Bonus Plan (DBP), the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares. The Group also presents an adjusted EPS, prior to the amortisation of acquisition intangibles and exceptional items.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Reconciliations of basic and diluted earnings per share are set out below:

	2020			2019 (restated[1])		
Group	Loss £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic (loss)/earnings per share	(83.4)	253.6	(32.9)	76.4	253.4	30.1
Dilutive effect of share options and awards	–	–	–	–	1.9	(0.2)
Diluted (loss)/earnings per share	(83.4)	253.6	(32.9)	76.4	255.3	29.9

1 Refer to accounting policies for detail of restatement.

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of Moneybarn in August 2014 (see note 17) and prior to exceptional items (see note 1). This is presented to show the earnings per share generated by the Group's ongoing, underlying operations. A reconciliation of basic and diluted earnings per share to adjusted basic and diluted earnings per share is as follows:

	2020			2019 (restated[1])		
Group	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic (loss)/earnings per share	(83.4)	253.6	(32.9)	76.4	253.4	30.1
Amortisation of acquisition intangibles, net of tax	6.8	–	2.7	6.2	–	2.5
Exceptional items, net of tax	48.6	–	19.2	29.2	–	11.5
Adjusted basic (loss)/earnings per share	(28.0)	253.6	(11.0)	111.8	253.4	44.1
Diluted (loss)/earnings per share	(83.4)	253.6	(32.9)	76.4	255.3	29.9
Amortisation of acquisition intangibles, net of tax	6.8	–	2.7	6.2	–	2.5
Exceptional items, net of tax	48.6	–	19.2	29.2	–	11.4
Adjusted diluted (loss)/earnings per share	(28.0)	253.6	(11.0)	111.8	255.3	43.8

1 Refer to accounting policies for detail of restatement.

7 Dividends

	Group	
	2020 £m	2019 £m
2018 final – 10.0p per share	–	25.1
2019 interim – 9.0p per share	–	22.5
Dividends paid	–	47.6

On 27 March 2020, following the unprecedented challenges of Covid-19, the final dividend for 2019 of 16.0p was no longer proposed at the Annual General Meeting in order to retain liquidity and balance sheet stability during unprecedented levels of uncertainty.

The directors are not recommending a final dividend in respect of the financial year ended 31 December 2020.

8 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	Group and Company	
	2020 £m	2019 £m
Short-term employee benefits	2.9	3.7
Share-based payment charge	0.5	0.9
Total directors' remuneration	3.4	4.6

Short-term employee benefits comprise salary/fees, bonus, benefits earned in the year and pension salary supplements for executive directors.

The share-based payment charge reflects the expected vesting of the Group's share-based incentives.

9 Employee information

(a) Average monthly number of employees in the Group:

	2020					2019				
	Vanquis Bank	Moneybarn	CCD	Central	Group	Vanquis Bank	Moneybarn	CCD	Central	Group
Full-time	1,328	317	2,335	75	4,055	1,366	265	2,923	67	4,621
Part-time	177	43	257	12	489	171	39	343	11	564
Total	1,505	360	2,592	87	4,544	1,537	304	3,266	78	5,185

Employees comprise all head office and branch employees within CCD and head office and contact centre employees within Vanquis Bank and Moneybarn. Central employees represent corporate office employees and executive and non-executive directors employed by the Company. Vanquis Bank average employee numbers have reduced by 32 in the year reflecting the focus on tight cost control. Moneybarn's 18% increase in average headcount continues to reflect the resource required to support the growth of the business and enhance the customer experience. The reduction in CCD headcount by 21% represents the redundancies made in 2019 and the continued tight control of costs.

(b) Employment costs

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Aggregate gross wages and salaries paid to the Group's employees	166.0	184.5	13.3	11.6
Employer's National Insurance contributions	17.3	20.5	1.7	1.5
Pension charge, prior to exceptional pension charge/(credit)	10.2	9.6	(3.2)	(2.6)
Share-based payment charge (note 28)	1.7	1.3	0.7	1.3
Total employment cost prior to exceptional costs	195.2	215.9	12.5	11.8
Exceptional redundancy cost	2.0	14.8	–	1.6
Exceptional pension cost for GMP equalisation (note 19)	0.7	–	0.7	–
Exceptional pension curtailment credit (note 19)	–	(0.5)	–	(0.5)
Total employment costs	197.9	230.2	13.2	12.9

The pension charge comprises the retirement benefit charge for defined benefit schemes, contributions to the stakeholder pension plan and contributions to personal pension arrangements. The £3.2m (2019: £2.6m) credit in the Company for the pension charge represents contributions received from the subsidiaries in relation to the defined benefit schemes, partly offset by the charge in relation to the defined contribution schemes.

The increase in the share-based payment charge from a £1.3m charge in 2019 to a £1.7m charge in 2020 primarily reflects the higher SAYE costs in the year partly offset by the release of accruals against the cash-settled schemes. The share-based payment charge of £1.7m (2019: £1.3m) relates to equity-settled schemes charges of £2.3m (2019: £1.9m) and a cash-settled schemes credit of £0.6m (2019: £0.6m).

10 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and held in short-term deposits, floats held by CEMs within CCD and Vanquis Bank's liquid assets buffer, including other liquid resources.

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash at bank and in hand	919.7	353.6	59.1	17.4

In addition to cash and cash equivalents, the Group had £1.4m of bank overdrafts at 31 December 2020 (2019: £2.8m) and the Company had £nil of bank overdrafts (2019: £0.8m), both of which are disclosed within bank and other borrowings (see note 21).

Vanquis Bank's total liquid assets buffer amounted to £833.3m (2019: £321.9m). As at 31 December 2020, £691.9m (2019: £138.2m) of the buffer was available to finance Vanquis Bank's day-to-day operations.

The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Sterling	919.0	353.6	58.5	17.4
Euro	0.7	–	0.6	–
Total cash and cash equivalents	919.7	353.6	59.1	17.4

Cash and cash equivalents are non-interest bearing other than in respect of the cash held on deposit and the amounts held by Vanquis Bank as a liquid assets buffer and other liquid resources which bear interest at rates linked to the Bank of England base rate.

11 Amounts receivable from customers

	2020			2019 (restated[1])		
	Due within one year £m	Due in more than one year £m	Total £m	Due within one year £m	Due in more than one year £m	Total £m
Vanquis Bank	1,092.7	1.5	1,094.2	1,451.50	10.0	1,461.5
Moneybarn	174.8	391.8	566.6	139.1	350.0	489.1
CCD	126.5	12.5	139.0	225.5	23.5	249.0
Total reported amounts receivable from customers	1,394.0	405.8	1,799.8	1,816.1	383.5	2,199.6

Vanquis Bank receivables comprise £1,075.1m (2019: £1,432.6m) in respect of credit cards and £19.1m (2019: £28.9m) in respect of loans.

CCD receivables comprise £135.3m in respect of the home credit business (2019: £205.8m) and £3.7m in respect of Satsuma (2019: £43.2m).

The gross amounts receivable from customers and allowance account which form the net amounts receivable from customers are as follows:

	2020				2019 (restated[1])			
Group	Vanquis Bank £m	Moneybarn £m	CCD £m	Group £m	Vanquis Bank £m	Moneybarn £m	CCD £m	Group £m
Gross amounts receivable from customers	1,568.4	734.4	454.2	2,757.0	1,903.1	584.6	593.9	3,081.6
Allowance account	(474.2)	(167.8)	(315.2)	(957.2)	(441.6)	(95.5)	(344.9)	(882.0)
Reported amounts receivable from customers	1,094.2	566.6	139.0	1,799.8	1,461.5	489.1	249.0	2,199.6

1 Refer to accounting policies for detail of restatement.

11 Amounts receivable from customers continued

Amounts receivable from customers for Vanquis Bank can be reconciled as follows:

Vanquis Bank	2020 Stage 1 £m	2020 Stage 2 £m	2020 Stage 3 £m	2020 Total £m	2019 Stage 1 £m	2019 Stage 2 £m	2019 Stage 3 £m	2019 Total £m
Gross carrying amount								
At 1 January	1,367.9	171.6	363.6	1,903.1	1,303.3	174.7	519.8	1,997.8
New financial assets originated and new drawdowns	1,931.7	47.5	31.6	2,010.8	2,252.1	135.6	35.2	2,422.9
Net transfers and changes in credit risk:								
– from stage 1 to stage 2	(664.7)	664.7	–	–	(807.2)	807.2	–	–
– from stage 1 to stage 3	(127.5)	–	127.5	–	(30.9)	–	30.9	–
– from stage 2 to stage 1	412.9	(412.9)	–	–	512.8	(512.8)	–	–
– from stage 2 to stage 3	–	(224.9)	224.9	–	–	(252.1)	252.1	–
– from stage 3 to stage 1	46.0	–	(46.0)	–	55.4	–	(55.4)	–
– from stage 3 to stage 2	–	23.8	(23.8)	–	–	(22.2)	22.2	–
Write offs	(12.2)	(13.4)	(253.1)	(278.7)	(12.1)	(18.0)	(348.0)	(378.1)
Recoveries	(2,334.5)	(127.0)	(115.3)	(2,576.8)	(2,417.9)	(229.7)	(111.9)	(2,759.5)
Revenue	418.3	56.4	6.7	481.4	496.8	87.1	(3.0)	580.9
Other movements	6.6	2.5	19.5	28.6	15.6	1.8	21.7	39.1
At 31 December	1,044.5	188.3	335.6	1,568.4	1,367.9	171.6	363.6	1,903.1
Allowance account								
At 1 January	146.6	85.2	209.8	441.6	187.0	58.7	257.0	502.7
Movements through income statement:								
– drawdowns and net transfers and changes in credit risk:								
– from stage 1 to stage 2	(137.3)	334.5	–	197.2	(95.5)	314.0	–	218.5
– from stage 1 to stage 3	(20.7)	–	62.8	42.1	(13.3)	–	56.3	43.0
– from stage 2 to stage 1	95.5	(212.5)	–	(117.0)	84.9	(220.7)	–	(135.8)
– from stage 2 to stage 3	–	(153.2)	167.5	14.3	–	(183.1)	200.4	17.3
– from stage 3 to stage 1	3.4	–	(7.1)	(3.7)	2.1	–	(6.2)	(4.1)
– from stage 3 to stage 2	–	2.3	(1.6)	0.7	–	2.2	(2.0)	0.2
– other movements	93.6	46.1	(33.4)	106.3	(12.7)	131.5	(59.0)	59.8
Total movements through income statement	34.5	17.2	188.2	239.9	(34.5)	43.9	189.5	198.9
Other movements:								
– write offs	(12.2)	(13.4)	(253.1)	(278.7)	(12.1)	(18.0)	(348.0)	(378.1)
– amounts recovered	1.1	1.2	69.1	71.4	6.2	0.6	111.3	118.1
Allowance account at 31 December	170.0	90.2	214.0	474.2	146.6	85.2	209.8	441.6
Reported amounts receivable from customers at 31 December	874.5	98.1	121.6	1,094.2	1,221.3	86.4	153.8	1,461.5
Reported amounts receivable from customers at 1 January	1,221.3	86.4	153.8	1,461.5	1,116.3	116.0	262.8	1,495.1

Write offs have reduced significantly in 2020 due to: (i) tightened underwriting of new customer bookings as a result of Covid-19; (ii) lower new customer bookings; and (iii) higher number of customers remaining up to date due to payment holidays and government support. The Company's allowance accounts include the macroeconomic provision which takes into account the expected changes in unemployment under a range of unemployment forecasts.

As at 31 December unutilised credit card commitments at Vanquis Bank were £1,180.6m (2019: £1,101.1m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £3.3m (2019: £5.3m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

11 Amounts receivable from customers continued

A breakdown of the gross receivable by internal credit risk rating is shown below:

Vanquis Bank	2020 Stage 1 £m	2020 Stage 2 £m	2020 Stage 3 £m	2020 Total £m	2019 Stage 1 £m	2019 Stage 2 £m	2019 Stage 3 £m	2019 Total £m
Good	937.6	89.5	–	1,027.1	1,200.1	58.9	–	1,259.0
Satisfactory	106.9	98.8	–	205.7	167.8	112.7	–	280.5
Lower quality	–	–	335.6	335.6	–	–	363.6	363.6
Total	1,044.5	188.3	335.6	1,568.4	1,367.9	171.6	363.6	1,903.1

Internal credit risk rating is based on the most recent credit score of a customer. All lower quality customers are in stage 3 as there has been evidence of a significant increase in their credit score or they have defaulted or have entered a payment arrangement.

Amounts receivable from customers for Moneybarn can be reconciled as follows:

Moneybarn	2020 Stage 1 £m	2020 Stage 2 £m	2020 Stage 3 £m	2020 Total £m	2019 (restated[1]) Stage 1 £m	2019 (restated[1]) Stage 2 £m	2019 (restated[1]) Stage 3 £m	2019 (restated[1]) Total £m
Gross carrying amount								
At 1 January	335.4	131.0	118.2	584.6	292.8	104.4	143.6	540.8
New financial assets originated	286.5	–	–	286.5	282.8	–	–	282.8
Transfers due to changes in credit risk:								
– from stage 1 to stage 2	(69.2)	69.2	–	–	(99.3)	99.3	–	–
– from stage 1 to stage 3	(52.5)	–	52.5	–	(91.8)	–	91.8	–
– from stage 2 to stage 1	21.0	(21.0)	–	–	11.6	(11.6)	–	–
– from stage 2 to stage 3	–	(56.0)	56.0	–	–	(70.4)	70.4	–
– from stage 3 to stage 1	1.7	–	(1.7)	–	–	–	–	–
– from stage 3 to stage 2	–	4.8	(4.8)	–	–	–	–	–
Write offs	–	–	(1.0)	(1.0)	–	–	(99.2)	(99.2)
Recoveries	(171.4)	(47.0)	(73.1)	(291.5)	(153.3)	(49.4)	(79.9)	(282.6)
Revenue[2]	91.6	29.2	41.9	162.7	78.8	23.5	41.0	143.3
Other changes	0.7	(10.1)	2.5	(6.9)	13.8	35.2	(49.5)	(0.5)
At 31 December	443.8	100.1	190.5	734.4	335.4	131.0	118.2	584.6
Allowance account								
At 1 January	9.5	12.4	73.6	95.5	9.2	19.9	98.5	127.6
Movements through income statement:								
– new financial assets originated	10.0	–	–	10.0	9.6	–	–	9.6
– transfers due to changes in credit risk:								
– from stage 1 to stage 2	(1.3)	6.4	–	5.1	(1.3)	5.8	–	4.5
– from stage 1 to stage 3	(1.1)	–	13.4	12.3	(1.1)	–	10.8	9.7
– from stage 2 to stage 1	0.7	(3.1)	–	(2.4)	0.2	(2.0)	–	(1.8)
– from stage 2 to stage 3	–	(9.6)	21.5	11.9	–	(13.0)	20.7	7.7
– from stage 3 to stage 1	–	–	(0.4)	(0.4)	–	–	–	–
– from stage 3 to stage 2	–	0.6	(1.3)	(0.7)	–	–	–	–
– remeasurements within existing stage	4.0	11.2	51.4	66.6	(7.1)	1.7	48.6	43.2
– other changes	–	–	(1.0)	(1.0)	–	–	–	–
Total movements through income statement	12.3	5.5	83.6	101.4	0.3	(7.5)	80.1	72.9
Amounts netted off against revenue for stage 3 assets	–	–	(28.7)	(28.7)	–	–	(23.5)	(23.5)
Other movements:								
– write offs	–	–	–	–	–	–	(81.5)	(81.5)
– other changes	–	–	(0.4)	(0.4)	–	–	–	–
Allowance account at 31 December	21.8	17.9	128.1	167.8	9.5	12.4	73.6	95.5
Reported amounts receivable from customers at 31 December	422.0	82.2	62.4	566.6	325.9	118.6	44.6	489.1
Reported amounts receivable from customers at 1 January	325.9	118.6	44.6	489.1	283.6	84.5	45.1	413.2

1 Refer to accounting policies for detail of restatement.
2 In the income statement Moneybarn revenue is £134.0m (2019 (restated): £119.8m) and for stage 3 assets is reported net of the impairment charge, the difference of which is included in the 'amounts netted against revenue for stage 3 assets' in the loss allowance account reconciliation of £28.7m (2019 (restated): £23.5m).

11 Amounts receivable from customers continued

Write offs increased significantly in 2019 due to the sale of terminated debt towards the end of the year.

The Moneybarn allowance account includes the macroeconomic provision which reflects that a reduction in car sales and an increase in unemployment could lead to an increase in impairment. This is consistent with the prior year.

Vehicles are held as collateral against a Moneybarn conditional sale agreement until it is repaid in full. The impact of holding the collateral of £423.6m (2019: £339.8m) on the allowance account as at 31 December 2020 was £76.4m (2019: £52.9m), representing 76% (2019: 71%) of the balance.

Moneybarn gross receivables are stated net of unearned finance income of £335.8m (2019: £308.7m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.6m (2019 (restated): £0.2m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2020				2019 (restated[1])			
Moneybarn	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	106.5	11.2	10.8	128.5	72.0	13.4	5.7	91.1
Satisfactory	305.9	71.8	125.3	503.0	221.5	87.4	73.9	382.8
Lower quality	31.0	16.8	51.9	99.7	41.2	29.4	36.2	106.8
Below standard	0.4	0.3	2.5	3.2	0.7	0.8	2.4	3.9
Total	443.8	100.1	190.5	734.4	335.4	131.0	118.2	584.6

1 Refer to accounting policies for detail of restatement.

Internal credit risk rating is based on the internal credit score of a customer at inception of the loan.

The majority of good and satisfactory gross receivables is held in stage 1 reflecting the tightening of underwriting in the fourth quarter of 2019 and the first quarter of 2020.

11 Amounts receivable from customers continued

CCD	2020 Stage 1 £m	2020 Stage 2 £m	2020 Stage 3 £m	2020 Total £m	2019 Stage 1 £m	2019 Stage 2 £m	2019 Stage 3 £m	2019 Total £m
Gross carrying amount								
At 1 January	155.9	36.0	402.0	593.9	183.6	48.4	493.6	725.6
New financial assets originated	160.7	3.4	–	164.1	353.4	5.5	–	358.9
Transfers due to changes in credit risk:								
– from stage 1 to stage 2	(13.0)	13.0	–	–	(19.7)	19.7	–	–
– from stage 1 to stage 3	(58.2)	–	58.2	–	(108.8)	–	108.8	–
– from stage 2 to stage 1	3.5	(3.5)	–	–	5.4	(5.4)	–	–
– from stage 2 to stage 3	–	(18.9)	18.9	–	–	(13.5)	13.5	–
– from stage 3 to stage 1	3.2	–	(3.2)	–	4.4	–	(4.4)	–
– from stage 3 to stage 2	–	3.7	(3.7)	–	–	2.9	(2.9)	–
Write offs	(0.2)	(0.3)	(80.5)	(81.0)	(1.1)	(1.4)	(181.4)	(183.9)
Recoveries	(299.3)	(41.5)	(76.9)	(417.7)	(454.1)	(61.2)	(87.8)	(603.1)
Revenue	123.4	25.7	42.2	191.3	192.8	40.9	59.7	293.4
Other movements	0.9	0.3	2.4	3.6	–	0.1	2.9	3.0
At 31 December	76.9	17.9	359.4	454.2	155.9	36.0	402.0	593.9
Allowance account								
At 1 January	10.4	10.1	324.4	344.9	12.0	12.9	408.2	433.1
Movements through income statement:								
– new financial assets originated	7.6	0.5	–	8.1	31.5	0.7	–	32.2
– transfers due to changes in credit risk:								
– from stage 1 to stage 2	(0.6)	0.6	–	–	(3.2)	3.2	–	–
– from stage 1 to stage 3	(2.9)	–	2.9	–	(2.8)	–	2.8	–
– from stage 2 to stage 1	0.5	(0.5)	–	–	0.9	(0.9)	–	–
– from stage 2 to stage 3	–	(5.9)	5.9	–	–	(2.0)	2.0	–
– from stage 3 to stage 1	0.9	–	(0.9)	–	1.4	–	(1.4)	–
– from stage 3 to stage 2	–	1.1	(1.1)	–	–	1.2	(1.2)	–
– remeasurements within existing stages	(11.4)	(2.2)	53.1	39.5	(28.3)	(3.6)	95.9	64.0
– other movements	–	–	(0.1)	(0.1)	–	–	–	–
Total movements through income statement	(5.9)	(6.4)	59.8	47.5	(0.5)	(1.4)	98.1	96.2
Other movements:								
– write offs	(0.2)	(0.3)	(80.5)	(81.0)	(1.1)	(1.4)	(181.4)	(183.9)
– other movements	1.4	0.4	2.0	3.8	–	–	(0.5)	(0.5)
Allowance account at 31 December	5.7	3.8	305.7	315.2	10.4	10.1	324.4	344.9
Reported amounts receivable from customers at 31 December	71.2	14.1	53.7	139.0	145.5	25.9	77.6	249.0
Reported amounts receivable from customers at 1 January	145.5	25.9	77.6	249.0	171.6	35.5	85.4	292.5

Write offs increased significantly in 2019 due to receivables previously ring-fenced being transferred to the post-charge off asset.

There is no additional macroeconomic provision included in the allowance account for CCD, consistent with the prior year, as the payment performance of home credit customers is not typically correlated to the wider economy as may be the case for prime customers.

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.1m (2019: £0.3m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

11 Amounts receivable from customers continued

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2020				2019			
CCD	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Very good	38.6	5.7	4.4	48.7	62.2	8.9	6.3	77.4
Good	15.6	4.2	7.4	27.2	23.2	6.7	10.4	40.3
Satisfactory	16.7	5.5	25.2	47.4	28.8	8.4	35.2	72.4
Lower quality	3.1	1.7	55.6	60.4	10.4	3.0	72.7	86.1
Below standard	2.9	0.8	266.8	270.5	31.3	9.0	277.4	317.7
Total	76.9	17.9	359.4	454.2	155.9	36.0	402.0	593.9

Internal credit risk ratings for home credit customers are assessed on a weekly basis derived from behavioural scores which are generated from three primary underlying behavioural scorecards which vary dependent on the length of a customer's time on book. The scorecards use a combination of application data, bureau data and the customer's performance since origination, to create a behavioural score which is then consolidated into one of five credit risk grades. These risk grades are used to determine decisioning on further lending to customers in conjunction with lending mandates, as well as being a variable in the expected loss assessment of a customer.

The significant amount of below standard gross receivables held in stage 3 in 2019 reflected the post-charge off asset and ring-fenced book held in CCD following the change to the employed operating model in 2017.

The movement in directly attributable acquisition costs included within amounts receivable from customers can be analysed as follows:

	2020				2019			
Group	Vanquis Bank £m	Moneybarn £m	CCD £m	Group £m	Vanquis Bank £m	Moneybarn £m	CCD £m	Group £m
Brought forward	31.8	24.6	1.9	58.3	21.3	19.8	1.3	42.4
Capitalised	11.9	22.4	1.6	35.9	18.3	23.0	8.8	50.1
Amortised	(10.8)	(19.1)	(3.1)	(33.0)	(7.8)	(18.2)	(8.2)	(34.2)
Carried forward	32.9	27.9	0.4	61.2	31.8	24.6	1.9	58.3

The impairment charge in respect of amounts receivable from customers can be analysed as follows:

	Group	
Impairment charge on amounts receivable from customers	2020 £m	2019 (restated[1]) £m
Vanquis Bank	239.9	198.9
Moneybarn	72.7	49.4
CCD	47.5	96.2
Total impairment charge	360.1	344.5

1 Refer to accounting policies for detail of restatement.

The average effective interest rate for the year ended 31 December 2020 was 24% for Vanquis Bank (2019: 25%), 34% for Moneybarn (2019: 34%) and 112% for CCD (2019: 125%).

The CCD average effective interest rate has decreased from 125% in 2019 to 112% in 2020 due to shift in mix to lower-yielding products following the pause in Satsuma lending.

The average period to maturity of the amounts receivable from customers within CCD is 6 months (2019: 6 months) and within Moneybarn is 36 months (2019: 39 months). Within Vanquis Bank, there is no fixed term for repayment of credit card loans other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. For the majority of customers, this is currently the greater of 3% of the amount owed plus any fees and interest charges in the month and £10.

The currency profile of amounts receivable from customers is as follows:

	Group	
Group	2020 £m	2019 (restated[1]) £m
Sterling	1,781.5	2,166.1
Euro	18.3	33.5
Reported amounts receivable from customers	1,799.8	2,199.6

1 Refer to accounting policies for detail of restatement.

Euro receivables represent loans issued by the home credit business in the Republic of Ireland, and amount to 13% of CCD's receivables (2019: 13%).

12 Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	0.1	0.1	–	–
Other receivables	14.8	2.8	–	–
Stock	2.2	3.7	–	–
Fair value adjustment for portfolio hedged risk	0.6	–	–	–
Amounts owed by Group undertakings	–	–	1,047.6	890.8
Prepayments and accrued income	18.0	26.7	3.0	1.8
Total assets	35.7	33.3	1,050.6	892.6

There are £nil amounts past due in respect of trade and other receivables (2019: £nil). Within the Company, an impairment provision of £123.8m (2019: £121.4m) is held against amounts owed by Group undertakings due in less than one year. The Company has assessed the estimated credit losses representing the probability of default and loss given default for these intercompany loans. As a result of which, there has been a £2.4m cost to the Company income statement in 2020 (2019: £1.5m credit) in respect of the provision.

Stock represents cars held by Moneybarn where customer agreements have been terminated.

Fair value adjustment for portfolio hedged risk relates to the hedge accounting adjustments recognised in relation to the balance guaranteed swap (see note 23).

Amounts owed by Group undertakings are unsecured, repayable on demand or within one year, and generally accrue interest at rates linked to LIBOR.

13 Investments

Group	2020 £m	2019 £m
Visa shares	9.2	16.6
Total investments	9.2	16.6

Visa shares

The Visa Inc. shares represent preferred stock in Visa Inc. held by Vanquis Bank following completion of Visa Inc.'s acquisition of Visa Europe Limited on 21 June 2016. In consideration for Vanquis Bank's interest in Visa Europe Limited, Vanquis Bank received cash consideration of €15.9m (£12.2m) on completion, preferred stock with an approximate value of €10.7m and deferred cash consideration of €1.4m due on the third anniversary of the completion date. The deferred consideration was received in June 2019.

During 2020 there was a partial conversion event and 50% of the preferred stock was converted into class A shares which were then sold in December, as the shares are non-core to the business and it was deemed economically efficient by management to liquidate. On disposal of the shares, the cumulative gain recognised in the fair value reserve was transferred to retained earnings (£7.4m) net of the tax arising on the disposal (£2.0m). The movement in the fair value during the year of the A shares, until they were sold, and the preferred stock, has been recognised in the statement of comprehensive income (£3.8m (2019: £4.5m)).

The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments have been made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other Visa members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion.

14 Property, plant and equipment

Group	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2020	8.6	60.6	69.2
Additions	–	5.9	5.9
Disposals	–	(10.5)	(10.5)
At 31 December 2020	8.6	56.0	64.6
Accumulated depreciation and impairment			
At 1 January 2020	1.9	48.0	49.9
Charged to the income statement	0.9	5.3	6.2
Disposals	–	(7.0)	(7.0)
At 31 December 2020	2.8	46.3	49.1
Net book value at 31 December 2020	5.8	9.7	15.5
Net book value at 1 January 2020	6.7	12.6	19.3

14 Property, plant and equipment continued

The loss on disposal of property, plant and equipment in 2020 amounted to £0.6m (2019: £2.2m) and represented proceeds received of £0.7m (2019: £2.7m) less the net book value of disposals of £1.3m (2019: £4.9m). There has also been a transfer of £2.2m between property, plant and equipment and trade and other receivables in the year.

Additions in 2020 and 2019 principally comprise expenditure in respect of the routine replacement of IT equipment. Disposals in 2019 principally relate to the sale of company vehicles in CCD which are no longer offered to non-essential users.

Group	Freehold land and buildings £m	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost				
At 1 January 2019	3.4	6.5	77.3	87.2
Additions	–	2.1	4.5	6.6
Disposals	(3.4)	–	(21.2)	(24.6)
At 31 December 2019	–	8.6	60.6	69.2
Accumulated depreciation and impairment				
At 1 January 2019	3.3	1.1	58.2	62.6
Charged to the income statement	–	0.8	6.2	7.0
Disposals	(3.3)	–	(16.4)	(19.7)
At 31 December 2019	–	1.9	48.0	49.9
Net book value at 31 December 2019	–	6.7	12.6	19.3
Net book value at 1 January 2019	0.1	5.4	19.1	24.6

Company	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2020	0.2	12.4	12.6
Additions	–	–	–
Disposals	–	(0.1)	(0.1)
At 31 December 2020	0.2	12.3	12.5
Accumulated depreciation			
At 1 January 2020	0.1	9.8	9.9
Charged to the income statement	–	1.1	1.1
Disposals	–	(0.1)	(0.1)
At 31 December 2020	0.1	10.8	10.9
Net book value at 31 December 2020	0.1	1.5	1.6
Net book value at 1 January 2020	0.1	2.6	2.7

The profit on disposal of property, plant and equipment in 2020 amounted to £nil (2019: £0.2m) and represented proceeds received of £nil (2019: £0.7m) less the net book value of disposals of £nil (2019: £0.5m).

14 Property, plant and equipment continued

Company	Freehold land and buildings £m	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost				
At 1 January 2019	3.4	0.2	14.3	17.9
Additions	–	–	0.1	0.1
Disposals	(3.4)	–	(2.0)	(5.4)
At 31 December 2019	–	0.2	12.4	12.6
Accumulated depreciation				
At 1 January 2019	3.3	0.1	10.0	13.4
Charged to the income statement	–	–	1.4	1.4
Disposals	(3.3)	–	(1.6)	(4.9)
At 31 December 2019	–	0.1	9.8	9.9
Net book value at 31 December 2019	–	0.1	2.6	2.7
Net book value at 1 January 2019	0.1	0.1	4.3	4.5

15 Right of use assets

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cost				
At 1 January 2020	84.6	81.9	23.6	23.6
Additions	0.6	3.0	–	–
Disposals	(1.2)	(0.3)	(0.6)	–
At 31 December 2020	84.0	84.6	23.0	23.6
Accumulated depreciation and impairment				
At 1 January 2020	17.5	–	2.8	–
Charged to the income statement	9.5	17.6	2.9	2.8
Disposals	(1.0)	(0.1)	(0.6)	–
At 31 December 2020	26.0	17.5	5.1	2.8
Net book value at 31 December 2020	58.0	67.1	17.9	20.8
Net book value at 1 January 2020	67.1	81.9	20.8	23.6

All right of use assets relate to property leases. There have been no modifications to leases in the year.

Additions in the year relate to the lease of new branch offices by CCD.

16 Goodwill

	Group	
	2020 £m	2019 £m
Cost		
At 1 January and 31 December	73.3	73.3
Accumulated impairment		
At 1 January and 31 December	2.1	2.1
Net book value at 1 January and 31 December	71.2	71.2

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. The net book value of goodwill relates wholly to the acquisition of Moneybarn in 2014. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. Management adopts pre-tax discount rates which reflect the time value of money and the risks specific to the Moneybarn business. The cash flow forecasts are based on the most recent financial budgets approved by the Group Board for the next five years and extrapolate cash flows for the following five years using a terminal growth rate of 2% (2019: 2%). The rate used to discount the forecast cash flows is 10.5% (2019: 11%); this represents the Company's risk-adjusted cost of capital. No reasonably foreseeable reduction in the assumptions would give rise to an impairment and therefore no further sensitivity analysis has been presented.

17 Other intangible assets

	2020			2019		
	Acquisition intangibles £m	Computer software £m	Total £m	Acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January	75.0	65.4	140.4	75.0	76.2	151.2
Additions	—	16.3	16.3	—	7.4	7.4
Disposals	—	(3.8)	(3.8)	—	(18.2)	(18.2)
At 31 December	75.0	77.9	152.9	75.0	65.4	140.4
Accumulated amortisation and impairment						
At 1 January	40.0	56.3	96.3	32.5	63.7	96.2
Charged to the income statement	7.5	7.6	15.1	7.5	8.9	16.4
Exceptional impairment charge (note 1)	—	—	—	—	1.9	1.9
Disposals	—	(3.8)	(3.8)	—	(18.2)	(18.2)
At 31 December	47.5	60.1	107.6	40.0	56.3	96.3
Net book value at 31 December	27.5	17.8	45.3	35.0	9.1	44.1
Net book value at 1 January	35.0	9.1	44.1	42.5	12.5	55.0

Acquisition intangibles represent the fair value of the broker relationships arising on acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with Moneybarn's core broker relationships and is being amortised over an estimated useful life of 10 years.

Additions to computer software in the year of £16.3m (2019: £7.4m) comprise £13.8m (2019: £1.3m) of internally generated assets and £2.5m (2019: £6.1m) of externally purchased software.

The £16.3m (2019: £7.4m) of computer software expenditure predominantly relates to the development of systems in Vanquis Bank.

The disposals in 2019 of £18.2m related to assets in CCD which were no longer being used and had been fully amortised or impaired.

18 Investment in subsidiaries

	Company 2020 £m	Company 2019 £m
Cost		
At 1 January	817.0	816.9
Additions	197.0	0.1
Disposals	(756.3)	–
At 31 December	257.8	817.0
Accumulated impairment losses		
At 1 January	421.8	347.2
Exceptional charge to the income statement	–	74.7
Credit to the income statement	–	(0.1)
Disposal	(394.9)	–
At 31 December	26.9	421.8
Net book value at 31 December	230.9	395.2
Net book value at 1 January	395.2	469.7

The directors consider the value of investments to be supported by their underlying assets and cash flow forecasts.

The £197.0m addition in the year relates to the shares acquired in Provident Financial Holdings No. 2 (£196.8m) and £0.2m (2019: £0.1m) in relation to the IFRIC 11 adjustment relating to share options/awards provided to subsidiary employees. Under IFRIC 11, the fair value of the share options/awards issued is required to be treated as a capital contribution and an investment in the relevant subsidiary, net of any share options/awards that have vested.

In December 2020, a new subsidiary holding company, Provident Financial Holdings No. 2 (PFH2), was incorporated to: (a) simplify inter-relationships between different parts of the Group in order to improve recovery and resolvability; (b) optimise the Group's ability to efficiently protect its capital and distributable reserves to facilitate any future capital requirements; (c) simplify the ownership structure and funding of subsidiaries under the Company; and (d) improve the corporate structure to facilitate bolt-on acquisitions or divestments in an efficient manner.

PFH2, as consideration for the acquisition of the key operating subsidiaries of the Group, issued new ordinary shares, at a premium, to the Company. Vanquis Bank Limited was transferred from the Company to PFH2 in exchange for £50m left outstanding on intercompany account as well as shares in PFH2 issued at a premium. The Moneybarn subgroup, under Duncton Group Limited, was transferred from the Company to PFH2 in exchange for shares in PFH2 issued at a premium. The CCD subgroup was transferred in exchange for an intercompany loan at the investment's carrying value in the Company.

The net book value of disposals in the year of £361.4m relates to the companies noted above which were transferred from the Company to PFH2 at their carrying value on 29 December 2020.

Company	Cost £m	Accumulated impairment losses £m	Carrying value £m
Vanquis Bank Limited	124.2	–	124.2
Moneybarn (through Duncton Group Limited)	120.0	–	120.0
CCD (through Provident Financial Management Services Limited (PFMSL))	509.2	(394.9)	114.3
PPC preference shares	0.3	–	0.3
Cheque Exchange (through N&N Simple Financial Solutions Limited)	2.6	–	2.6
	756.3	(394.9)	361.4

An investment valuation review was performed at the balance sheet date; no impairment has been recognised in 2020. The cost, accumulated impairment losses and carrying value of investment at 31 December is 2020 shown below:

Company	Cost £m	Accumulated impairment losses £m	Carrying value £m
Provident Financial Holdings No. 2	196.8	–	196.8
Erringham Holdings Limited	13.6	(0.1)	13.5
Yes Car Credit (Holdings) Limited	29.9	(22.8)	7.1
Provident Print Limited	5.1	–	5.1
Other	12.4	(4.0)	8.4
Net book value at 31 December	257.8	(26.9)	230.9

18 Investment in subsidiaries continued

In 2019, a review of the investment carrying value in PFMSL and the exposure of intercompany loans was performed using forecast future cash flows of the CCD business. This resulted in an exceptional impairment charge of £74.7m which was recognised in the income statement.

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the Group or are a guaranteeing subsidiary of the Group's syndicated bank facility and certain other borrowings. A full list of subsidiary undertakings will be annexed to the next annual return of the Company to be filed with the Registrar of Companies (see note 34). All subsidiaries are consolidated and held directly by the Company except for those noted below, which are held by wholly owned intermediate companies.

Company		Activity	Country of incorporation	Class of capital	% holding
Vanquis Bank	Vanquis Bank Limited	Financial services	England	Ordinary	100*
Moneybarn	Duncton Group Limited	Financial services	England	Ordinary	100*
	Moneybarn Group Limited	Financial services	England	Ordinary	100*
	Moneybarn No. 1 Limited	Financial services	England	Ordinary	100*
CCD	Provident Financial Management Services Limited	Management services	England	Ordinary	100*
	Provident Personal Credit Limited	Financial services	England	Ordinary	100*
Central	Provident Financial Holdings No. 2	Intermediary holding company	England	Ordinary	100

* Shares held by wholly owned intermediate companies.

The above companies operate principally in their country of incorporation.

19 Retirement benefit asset

(a) Pension schemes – defined benefit

The retirement benefit asset reflects the difference between the present value of the Group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2020, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded.

The Group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type and has been substantially closed to new members since 1 January 2003.

All future benefits in the scheme are now provided on a 'cash balance' basis, with a defined amount being made available at retirement, based on a percentage of salary that is revalued up to retirement with reference to increases in price inflation. This retirement account is then used to purchase an annuity on the open market. The scheme also provides pension benefits which were accrued in the past on a final salary basis, but which are no longer linked to final salary. The scheme also provides death benefits.

The scheme is a UK registered pension scheme under UK legislation. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and the governance of the scheme. The trustees work closely with the Group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2018 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee Benefits' has been based on the results of the 2018 valuation to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet.

The Group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid. As a result, the Group recognises surplus assets under IAS 19.

The Group is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – some of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of a long-term de-risking strategy, the scheme has increased its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

19 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

The net retirement benefit asset recognised in the balance sheet of the Group and the Company is as follows:

	Group and Company			
	2020 £m	2020 %	2019 £m	2019 %
Equities	80.6	9	76.4	9
Corporate bonds	383.0	41	219.3	26
Fixed interest gilts	275.2	29	252.9	30
Index-linked gilts	192.7	21	284.8	34
Cash and money market funds	1.5	–	9.2	1
Total fair value of scheme assets	933.0	100	842.6	100
Present value of funded defined benefit obligation	(853.3)		(764.6)	
Net retirement benefit asset recognised in the balance sheet	79.7		78.0	

As part of a de-risking strategy agreed between the Company and the pension trustees to hedge the inflation and interest rate risks associated with the liabilities of the pension scheme, a substantial amount of more volatile growth funds (equities) were reinvested in liability protection assets (fixed interest and index-linked gilts) in January 2015. During 2020 the allocation of assets in the scheme were more closely aligned to the strategy. This position is reviewed periodically by the trustees who consult the Company as part of this process.

The valuation of the pension scheme has increased from £78.0m at 31 December 2019 to £79.7m at 31 December 2020. A high-level reconciliation of the movement is as follows:

Group and Company	2020 £m	2019 £m
Pension asset as at 1 January	78	84
Cash contributions made by the Group	4	3
Return on assets being held to meet pension obligations in excess of discount rate	103	67
Change in mortality assumptions	(2)	20
Decrease in discount rate used to discount future liabilities	(102)	(110)
(Increase)/decrease in inflation rate used to forecast pensions	(4)	13
Actuarial/membership experience	4	–
Other	(1)	1
Pension asset as at 31 December	80	78

The amounts recognised in the income statement were as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Current service cost	(1.7)	(1.7)	(1.7)	(1.7)
Interest on scheme liabilities	(15.1)	(19.5)	(15.1)	(19.5)
Interest on scheme assets	16.7	21.9	16.7	21.9
Contributions from subsidiaries	–	–	3.9	2.4
Net (charge)/credit recognised in the income statement before exceptional past service (cost)/credit	(0.1)	0.7	3.8	3.1
Exceptional past service charge – plan amendment (note 1)	(0.7)	–	(0.7)	–
Exceptional past service credit – curtailment credit (note 1)	–	0.5	–	0.5
Exceptional past service (cost)/credit	(0.7)	0.5	(0.7)	0.5
Net (charge)/credit recognised in the income statement	(0.8)	1.2	3.1	3.6

The exceptional cost for plan amendment in 2020 relates to charges in respect of the estimated liabilities arising due to amending members benefits for historical transfer values in relation to the equalisation of Guaranteed Minimum Pensions, following the High Court judgment in November 2020.

The exceptional curtailment credit of £0.5m in 2019 represented the reduction in headcount following business restructuring within CCD (see note 1).

The net credit/(charge) recognised in the income statement of the Group and the Company has been included within operating costs.

19 Retirement benefit asset continued
(a) Pension schemes – defined benefit continued
Movements in the fair value of scheme assets were as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Fair value of scheme assets at 1 January	842.6	788.3	842.6	788.3
Interest on scheme assets	16.7	21.9	16.7	21.9
Contributions by subsidiaries	–	–	3.9	2.4
Actuarial movement on scheme assets	102.8	67.4	102.8	67.4
Contributions by the Group/Company	4.2	2.6	0.3	0.2
Net benefits paid out	(33.3)	(37.6)	(33.3)	(37.6)
Fair value of scheme assets at 31 December	933.0	842.6	933.0	842.6

The Group contributions to the defined benefit pension scheme in the year ending 31 December 2021 are expected to be approximately £4m.

Movements in the present value of the defined benefit obligation were as follows:

	Group and Company	
	2020 £m	2019 £m
Present value of the defined benefit obligation at 1 January	(764.6)	(704.4)
Current service cost	(1.7)	(1.7)
Interest on scheme liabilities	(15.1)	(19.5)
Exceptional past service charge – plan amendment (note 1)	(0.7)	–
Exceptional past service credit – curtailment credit (note 1)	–	0.5
Actuarial movement – experience	4.3	0.1
Actuarial movement – demographic assumptions	(2.0)	19.9
Actuarial movement – financial assumptions	(106.8)	(97.1)
Net benefits paid out	33.3	37.6
Present value of the defined benefit obligation at 31 December	(853.3)	(764.6)

The liabilities of the scheme are based on the current value of expected benefit payments over the next 80 years. The weighted average duration of the scheme liabilities is approximately 18 years (2019: 18 years).

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group and Company	
	2020 %	2019 %
Price inflation – RPI	2.85	2.95
Price inflation – CPI	2.25	2.05
Rate of increase to pensions in payment	2.70	2.70
Inflationary increases to pensions in deferment	2.20	2.10
Discount rate	1.30	2.00

The pension increase assumption shown above applies to pensions increasing in payment each year in line with RPI up to 5%. Pensions accrued prior to 2000 are substantially subject to fixed 5% increases each year. In deferment increases prior to retirement are linked to CPI.

19 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 2 tables (2019: SAPS series 2 tables), with multipliers of 96% (2019: 96%) and 101% (2019: 101%) respectively for males and females. The 4% downwards (2019: 4% downwards) adjustment to mortality rates for males and a 1% upwards (2019: 1% upwards) adjustment for females reflect higher life expectancies for males and lower life expectancies for females within the scheme compared to average pension schemes, which was concluded following a study of the scheme's membership. Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2019 model with a long-term improvement trend of 1.25% per annum. Under these mortality assumptions, the life expectancies of members are as follows:

	Male		Female	
Group and Company	2020 years	2019 years	2020 years	2019 years
Current pensioner aged 65	21.9	21.8	23.5	23.3
Current member aged 45 from age 65	23.2	23.1	25.0	24.8

The table below shows the sensitivity on the defined benefit obligation (not including any impact on assets) of changes in the key assumptions. Depending on the scenario, there would also be compensating asset movements.

	Group and Company	
	2020 £m	2019 £m
Discount rate decreased by 0.5% (2019: 0.1%)	79	14
Inflation increased by 0.1%	7	6
Life expectancy increased by 1 year	43	38

The actual return on scheme assets compared to the expected return is as follows:

	Group and Company	
	2020 £m	2019 £m
Interest on scheme assets	16.7	21.9
Actuarial movement on scheme assets	102.8	67.4
Actual return on scheme assets	119.5	89.3

Actuarial gains and losses are recognised through other comprehensive income in the period in which they occur.

An analysis of the amounts recognised in the statement of other comprehensive income is as follows:

	Group and Company	
	2020 £m	2019 £m
Actuarial movement on scheme assets	102.8	67.4
Actuarial movement on scheme liabilities	(104.5)	(77.1)
Total movement recognised in other comprehensive income in the year	(1.7)	(9.7)
Cumulative movement recognised in other comprehensive income	(97.6)	(95.9)

The history of the net retirement benefit asset recognised in the balance sheet and experience adjustments for the Group is as follows:

	Group and Company				
	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Fair value of scheme assets	933.0	842.6	788.3	835.5	830.1
Present value of funded defined benefit obligation	(853.3)	(764.6)	(704.4)	(733.2)	(757.7)
Retirement benefit asset recognised in the balance sheet	79.7	78.0	83.9	102.3	72.4
Experience gains/(losses) on scheme assets:					
– amount (£m)	102.8	67.4	(31.3)	18.2	153.7
– percentage of scheme assets (%)	11.0	8.0	(4.0)	2.2	18.5
Experience (losses)/gains on scheme liabilities:					
– amount (£m)	(4.3)	(0.1)	(9.1)	(3.7)	4.5
– percentage of scheme liabilities (%)	(0.1)	–	(1.3)	(0.5)	0.6

19 Retirement benefit asset continued

(b) Pension schemes – defined contribution

The Group operates a Group Personal Pension Plan into which Group companies contribute a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3% and 8%). The assets of the scheme are held separately from those of the Group and Company.

The Group also operates a separate pension scheme for auto-enrolment into which the Company and subsidiaries contribute a proportion of qualifying earnings of the member of 4%. The assets of the scheme are held separately from those of the Group or the Company. The pension charge in the consolidated income statement represents contributions paid by the Group in respect of these plans and amounted to £10.2m for the year ended 31 December 2020 (2019: £10.3m). Contributions made by the Company amounted to £0.7m (2019: £0.5m). £0.6m contributions were payable to the fund at the year end (2019: £nil).

The Group contributed £nil in 2020 into individual personal pension plans in the year (2019: £nil).

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, reductions in corporation tax rates were enacted, reducing the mainstream UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. In addition, the Government introduced a bank corporation tax surcharge enacted in the 2015 Finance (No. 2) Act which imposes, with effect from 1 January 2016, an additional 8% corporation tax on profits of Vanquis Bank over £25m. During 2016, a further change was enacted which further reduced the mainstream UK corporation tax rate from 18% to 17% with effect from 1 April 2020. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate has remained at 19% for 2020.

Deferred tax balances at 31 December 2019 were measured at 17%, and in the case of Vanquis Bank, at the combined mainstream corporation tax and bank corporation tax surcharge rates of 25% on the basis that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2020. The exception to this was the opening balance sheet adjustment to restate the IAS 39 balance sheet to an IFRS 9 basis, where deferred tax was measured at the combined mainstream corporation tax and bank corporation tax surcharge rates at which the amount would be tax deductible over the next 10 years. At 31 December 2020, these deferred tax balances have been remeasured at 19%, and in the case of Vanquis Bank, at the combined mainstream corporation tax and bank corporation tax surcharge rates of 27% (2019: 25%), as have movements in the deferred tax balances during the year. A tax credit of £3.5m (2019: credit of £0.3m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax charge of £1.7m (2019: charge of £0.1m) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

The movement in the deferred tax balance during the year can be analysed as follows:

Asset/(liability)	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
At 1 January	25.0	34.5	(11.6)	(12.7)
Credit/(charge) to the income statement	15.9	(10.3)	(1.5)	(0.6)
Credit on other comprehensive income prior to impact of change in UK tax rate	1.3	0.6	0.3	1.8
Impact of change in UK tax rate:				
– credit to the income statement	3.5	0.3	0.1	0.1
– charge to other comprehensive income	(1.7)	(0.1)	(1.5)	(0.2)
At 31 December	44.0	25.0	(14.2)	(11.6)

An analysis of the deferred tax asset/(liability) for the Group is set out below:

Group – asset/(liability)	2020 Accelerated capital allowances £m	2020 Other temporary differences £m	2020 Retirement benefit obligations £m	2020 Total £m	2019 Accelerated capital allowances £m	2019 Other temporary differences £m	2019 Retirement benefit obligations £m	2019 Total £m
At 1 January	3.0	35.4	(13.4)	25.0	2.6	46.3	(14.4)	34.5
(Charge)/credit to the income statement	(0.2)	16.6	(0.5)	15.9	0.4	(10.0)	(0.7)	(10.3)
Credit/(charge) on other comprehensive income prior to change in UK tax rate	–	1.0	0.3	1.3	–	(1.2)	1.8	0.6
Impact of change in UK tax rate:								
– credit/(charge) to the income statement	0.3	3.2	–	3.5	–	0.2	0.1	0.3
– (charge)/credit to other comprehensive income	–	(0.2)	(1.5)	(1.7)	–	0.1	(0.2)	(0.1)
At 31 December	3.1	56.0	(15.1)	44.0	3.0	35.4	(13.4)	25.0

20 Deferred tax continued

Deferred tax assets have been recognised in respect of all temporary differences because it is probable that these assets will be recovered.

At 31 December 2020, included in other temporary differences are £124.5m of carried forward UK trading losses in the Consumer Credit Division (2019: £nil). A deferred tax asset has been recognised in full on these losses at the mainstream corporation tax rate of 19% on the basis that the Group considers it probable that sufficient future taxable profits will be available across the Group for the losses to be fully utilised against Group profits. This recoverability assessment takes into account the corporate loss restriction rules whereby the use of brought forward losses is restricted to 50% of relevant Group taxable profits above a £5m Group allowance. No deferred tax asset has been recognised in respect of the losses of the home credit business in the Republic of Ireland.

The £1.0m deferred tax credit (2019: £1.2m deferred tax charge) recognised in respect of other temporary differences in other comprehensive income relates to: (i) a £1.0m deferred tax charge (2019: £1.2m) on the movement in the valuation of the preferred stock in Visa Inc. which has been retained, as well as the movement in the valuation of the preferred stock in Visa Inc. up to the point of conversion and sale; and (ii) a deferred tax credit of £2.0m (2019: £nil) recognised as a result of the sale of the preferred stock in Visa Inc. and represents the reversal of the £2.0m deferred tax charge in respect of the valuation of the Company's shareholding in the preferred stock in Visa Inc. which has been recognised in other comprehensive income.

No deferred tax asset has been recognised in respect of the Group's capital losses carried forward of £133.1m (2019: £138.7m) as it is not probable that future capital gains will be realised against which these capital losses can be utilised.

An analysis of the deferred tax liability for the Company is set out below:

	2020				2019			
Company – asset/(liability)	Accelerated capital allowances £m	Other temporary differences £m	Retirement benefit obligations £m	Total £m	Accelerated capital allowances £m	Other temporary differences £m	Retirement benefit obligations £m	Total £m
At 1 January	0.1	1.7	(13.4)	(11.6)	–	1.7	(14.4)	(12.7)
Credit/(charge) to the income statement	0.2	(1.2)	(0.5)	(1.5)	0.1	–	(0.7)	(0.6)
Credit on other comprehensive income prior to impact of change in UK tax rate	–	–	0.3	0.3	–	–	1.8	1.8
Impact of change in UK tax rate:								
– credit to the income statement	–	0.1	–	0.1	–	–	0.1	0.1
– charge to other comprehensive income	–	–	(1.5)	(1.5)	–	–	(0.2)	(0.2)
At 31 December	0.3	0.6	(15.1)	(14.2)	0.1	1.7	(13.4)	(11.6)

21 Borrowings

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Retail deposits	1,683.2	1,345.2	–	–
Bank and other borrowings	520.0	618.3	369.0	616.3
Total	2,203.2	1,963.5	369.0	616.3

21 Borrowings continued

(a) Facilities and borrowings

A breakdown of borrowings is shown below:

	Group	
	2020 £m	2019 £m
Retail deposits:	1,668.8	1,333.8
– accrued interest	14.4	11.4
Total retail deposits (note 21 (b))	1,683.2	1,345.2
Bank and other borrowings:		
– senior bonds (note 2 (e))	175.0	250.0
– Moneybarn securitisation (note 21 (f))	150.0	–
– syndicated bank facility	68.7	165.9
– private placement loan notes (note 21 (g))	–	50.0
– retail bonds (note 21 (h))	125.0	150.2
– bank overdrafts	1.4	2.8
– accrued interest	2.9	4.9
– arrangement fees	(3.0)	(5.5)
Total bank and other borrowings	520.0	618.3
Total borrowings	2,203.2	1,963.5

(b) Retail deposits

Vanquis Bank is a PRA-regulated bank and is now fully funded through retail deposits. As at 31 December 2020, £1,683.2m (2019: £1,345.2m) of fixed-rate, fixed-term retail deposits of one, two, three, four and five years had been taken. The deposits in issue at 31 December 2020 have been issued at rates of between 0.3% and 3.0%.

A reconciliation of the movement in retail deposits is set out below:

Group	2020 £m	2019 £m
At 1 January	1,345.2	1,431.7
New funds received	680.9	125.1
Maturities	(434.3)	(327.2)
Retentions	95.9	119.9
Cancellations	(22.9)	(15.2)
Interest	18.4	10.9
At 31 December	1,683.2	1,345.2

(c) Maturity profile borrowings

The maturity of borrowings, together with the maturity of facilities, is as follows:

	2020		2019	
Group	Borrowing facilities available £m	Borrowings £m	Borrowing facilities available £m	Borrowings £m
Repayable:				
On demand (uncommitted)	5.5	1.4	5.2	2.8
In less than one year	965.7	965.7	457.2	457.2
Between one and two years	466.0	386.7	459.1	459.1
Between two and five years	835.1	835.1	1,102.7	1,033.6
Accrued interest	–	17.3	–	16.3
Arrangement fees	–	(3.0)	–	(5.5)
Total Group	2,272.3	2,203.2	2,024.2	1,963.5

Borrowings are stated after deducting £3.1m of unamortised arrangement fees (2019: £5.5m) and the addition of accrued interest of £17.3m (2019: £16.3m).

21 Borrowings continued
(c) Maturity profile borrowings continued

Company	2020 Borrowing facilities available £m	2020 Borrowings £m	2019 Borrowing facilities available £m	2019 Borrowings £m
Repayable:				
On demand (uncommitted)	5.5	–	5.2	0.8
In less than one year	65.0	65.0	50.2	50.2
Between one and two years	148.1	68.7	90.0	90.0
Between two and five years	235.0	235.0	545.0	475.9
Accrued interest	–	2.9	–	4.9
Arrangement fees	–	(2.6)	–	(5.5)
Total Company	453.6	369.0	690.4	616.3

As at 31 December 2020, the weighted average period to maturity of the Group's committed facilities, including retail deposits, was 1.5 years (2019: 2.2 years) and for the Company's committed facilities was 1.9 years (2019: 2.7 years). Excluding retail deposits, the weighted average period to maturity of the Group's committed facilities was 2.5 years (2019: 2.7 years).

(d) Interest rate and currency profile of borrowings
The interest rate and foreign exchange rate exposure on borrowings is as follows:

Group	2020 Fixed £m	2020 Floating £m	2020 Total £m	2019 Fixed £m	2019 Floating £m	2019 Total £m
Sterling	1,983.6	200.9	2,184.5	1,743.6	185.2	1,928.8
Euro	–	18.7	18.7	–	34.7	34.7
Total Group	1,983.6	219.6	2,203.2	1,743.6	219.9	1,963.5

Company	2020 Fixed £m	2020 Floating £m	2020 Total £m	2019 Fixed £m	2019 Floating £m	2019 Total £m
Sterling	300.4	49.9	350.3	398.4	183.2	581.6
Euro	–	18.7	18.7	–	34.7	34.7
Total Company	300.4	68.6	369.0	398.4	217.9	616.3

(e) Senior public bonds
On 4 June 2018, the Group issued £250m of five-year fixed-rate bonds carrying a semi-annual coupon of 7%. In August 2020 £75m of the bonds which were due to be repaid in 2023 were tendered early and redeemed at less than par value resulting in an exceptional credit of £1.9m. At the same time an intercompany loan of £70m was agreed with Vanquis Bank to provide funding to the non-bank group (see note 30).

(f) Moneybarn securitisation
The Group successfully signed a bilateral securitisation facility with NatWest Markets to fund Moneybarn business flows on 14 January 2020. At 31 December £150m had been drawn. The rates paid on the borrowings are linked to LIBOR and the facility has a maturity date of January 2025.

(g) Private placement loan notes
On 13 January 2011, the Company entered into a committed £100.0m facility agreement with the Prudential/M&G Investments UK Companies Financing Fund to provide a 10-year term loan which amortises between years five and ten. The first two repayments of £10.0m were repaid in 2016 and 2017 and the third instalment of £15.0m was paid in 2018. A fourth instalment of £15.0m was paid on 31 January 2019 and the fifth instalment of £25.0m was paid in line with its contractual maturity on 31 January 2020. The remaining instalment of £25.0m was repaid early on 14 February 2020.

21 Borrowings continued

(h) Retail bonds

The Company has three outstanding retail bonds issued on the Order Book for Retail Bonds (ORB) platform established by the London Stock Exchange as follows:

Issue date	Amount £m	Rate %	Maturity date
14 April 2010	25.2	7.5%*	14 April 2020
27 March 2013	65.0	6.0%	27 September 2021
9 April 2015	60.0	5.125%	9 October 2023
Total Group and Company	150.2		

* Represents an all-in cost of 7.5%, comprising a 7.0% interest rate payable to the bond holder and 0.5% payable to the distributor.

The £25.2m retail bond was repaid in line with its contractual maturity date on 14 April 2020.

(i) Undrawn committed borrowing facilities

The Group's current funding strategy is to maintain diversified committed facilities to meet contractual maturities and fund growth and maintain access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) market funding, including retail bonds, institutional bonds and private placements; (iii) securitisation; and (iv) retail deposits.

The undrawn committed borrowing facilities at 31 December were as follows:

	Group and Company	
	2020 £m	2019 £m
Expiring within one year	–	–
Expiring within one to two years	79.3	–
Expiring in more than two years	–	69.1
Total undrawn committed borrowing facilities	79.3	69.1

Undrawn committed facilities of £79.3m excludes cash held on deposit of £64.4m. The Group has committed borrowing facilities of £2,266.8m (2019: £2,019.0m) at the end of 2020.

Headroom on the Group's committed debt facilities was £143.7m at 31 December 2020 together with ongoing access to the retail deposits programme in Vanquis Bank. There are no further contractual maturities of the Group's facilities until a scheduled maturity of a £65m bond in September 2021.

In order to reconcile the borrowings and the headroom on committed facilities shown, the facilities and borrowings in respect of amounts repayable on demand and interest accrued and cash held on deposit should be deducted and unamortised arrangement fees should be added back to borrowings as follows:

	2020		2019	
Group	Facilities £m	Borrowings £m	Facilities £m	Borrowings £m
Total facilities and borrowings	2,272.3	2,203.2	2,024.2	1,963.5
Repayable on demand	(5.5)	(1.4)	(5.2)	(2.8)
Unamortised arrangement fees	–	3.0	–	5.5
Accrued interest	–	(17.3)	–	(16.3)
Cash held on deposit	–	(64.4)	–	–
Total committed facilities and borrowings	2,266.8	2,123.1	2,019.0	1,949.9
Headroom on committed facilities		143.7		69.1

21 Borrowings continued

(j) Weighted average interest rates and periods to maturity

The weighted average interest rate and the weighted average period to maturity of the Group and Company's fixed-rate borrowings is as follows:

Group	2020 Weighted average interest rate %	2020 Weighted average period to maturity years	2019 Weighted average interest rate %	2019 Weighted average period to maturity years
Sterling	2.93	1.3	3.29	2.2

Company	2020 Weighted average interest rate %	2020 Weighted average period to maturity years	2019 Weighted average interest rate %	2019 Weighted average period to maturity years
Sterling	6.41	2.1	6.56	3.0

(k) Fair values

The fair values of the Group and Company's borrowings are compared to their book values as follows:

Group	2020 Book value £m	2020 Fair value £m	2019 Book value £m	2019 Fair value £m
Retail deposits	1,668.8	1,689.2	1,333.8	1,351.6
Bank loans and overdrafts	70.1	70.1	168.7	168.7
Senior public bonds	175.0	176.1	250.0	261.2
Sterling private placement loan notes	–	–	50.0	51.9
Retail bonds	125.0	126.1	150.2	150.2
Securitisation	150.0	163.2	–	–
Total Group	2,188.9	2,224.7	1,952.7	1,983.6

Company	2020 Book value £m	2020 Fair value £m	2019 Book value £m	2019 Fair value £m
Bank loans and overdrafts	68.7	68.7	166.7	166.7
Senior public bonds	175.0	176.1	250.0	261.2
Sterling private placement loan notes	–	–	50.0	51.9
Retail bonds	125.0	126.1	150.2	150.2
Total Company	368.7	370.9	616.9	630.0

22 Trade and other payables

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Trade payables	7.7	3.5	–	–
Amounts owed to Group undertakings	–	–	255.4	94.6
Other payables including taxation and social security	11.5	8.3	1.0	1.7
Accruals	45.7	77.5	8.4	4.1
Total trade and other payables	64.9	89.3	264.8	100.4

The amounts owed to Group undertakings are unsecured and accrue interest at rates linked to LIBOR. Included with the £255.4m is £70.0m upstream funding provided by Vanquis Bank to the Company, following the redemption of £75m of the senior bonds in August 2020 and £144.6m funding provided from the Moneybarn securitisation.

23 Derivative financial instruments

	Group	
	2020 £m	2019 £m
Balance guaranteed swap	1.3	–

The balance guaranteed swap was entered into as part of the Moneybarn securitisation in January 2020 in order to manage the market risk associated with movements in interest rates. The derivative is a bespoke over-the-counter interest rate swap. The securitised notes are linked to LIBOR, whilst the Moneybarn receivables against which the notes are secured have fixed interest rates, creating interest rate risk exposure. Only the interest rate risk on the portfolio is hedged; other risks such as credit risk are managed but not hedged.

The Group has elected to apply fair value hedge accounting in the consolidated accounts, using the portfolio hedging rules under IAS 39.

The effectiveness of the hedge is assessed prospectively using matched terms as the swap has been specifically designed to perfectly match the underlying assets. Retrospectively, the swap only experiences ineffectiveness from changes in notional value as a result of prepayment or additions.

Had hedge accounting not been applied, the Group would have recognised an additional £0.6m cost relating to derivative instruments. The swap is expected to mature in January 2025 in line with the securitisation.

	Group
	2020 £m
Notional value	262.4
Fair value adjustments for portfolio hedged risk	0.6
Hedge ineffectiveness	0.7
Fair value of balance guaranteed swap	(1.3)

The fair value adjustments for portfolio hedged risk of £0.6m (2019: £nil) are included within trade and other receivables (see note 12). The ineffectiveness is recognised within operating costs in the income statement.

24 Lease liabilities

A maturity analysis of the lease liabilities is shown below:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Due within one year	10.9	10.3	3.4	3.2
Due between one and five years	43.3	43.5	14.4	14.8
Due in more than five years	22.7	34.7	7.4	11.0
Total	76.9	88.5	25.2	29.0
Unearned finance cost	(7.5)	(10.2)	(3.3)	(4.1)
Total lease liabilities	69.4	78.3	21.9	24.9

The total cash outflow for leases in the year amounted to £11.8m (2019: £16.7m) for the Group, including short-term lease cash outflows of £0.6m (2019: £0.9m). At 31 December 2020, the Group is also committed to £0.2m (2019: £0.3m) for short-term leases. Total cash outflows for the Company amounted to £3.5m (2019: £3.0m).

25 Provisions

	Group	
Provisions	2020 £m	2019 £m
At 1 January	14.5	53.2
Created in the year	45.5	–
Created in the year (Scheme)	65.0	–
Reclassified in the year	17.6	–
Utilised in the year	(43.3)	(21.9)
Released in the year	(8.3)	(16.8)
At 31 December	91.0	14.5

25 Provisions continued

Complaints of irresponsible lending in CCD and the Scheme of Arrangement (Scheme)

Provident Personal Credit Limited, which forms part of CCD, has received significantly higher claims volumes in 2020 in respect of irresponsible lending of home credit loans. Some claims have been received directly from customers, although the majority have been received from claims management companies (CMCs).

Claims are deemed to be irresponsible based on what has become the claims methodology under the Scheme. The methodology takes account of indicators of unaffordable lending such as the number and frequency of loans and other creditworthiness factors. The Scheme covers lending from 6 April 2007 to 17 December 2020.

£23.4m has been provided at 31 December 2020 for claims received for irresponsible lending. This reflects recent uphold rates and settlement values. The provision also assumes a settlement rate of customer claims to the Practice Statement Letter (PSL) being issued as part of the Scheme.

The Group has decided to pursue the Scheme, under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from complaints based on historical home credit lending prior to 17 December 2020 (relevant claims) and has worked collaboratively with the FCA to get to this point.

When approved, the Scheme will remediate all outstanding relevant claims, as well as new relevant claims received before the proposed Scheme is sanctioned. The successful implementation of the Scheme is deemed to be probable, but is subject to the approval of the requisite majority of customers with redress claims and the sanction of the Court. The objective of the Scheme is to ensure:

- all of our customers with redress claims are treated fairly and equally; and
- outstanding claims are treated consistently with all customers who submit a claim under the Scheme.

The Group will fund legitimate Scheme claims with £50m and will cover further Scheme-related costs estimated at approximately £15m.

The uncertainty in respect of customer complaints for irresponsible lending, which was previously disclosed as a contingent liability, has been removed through the proposal of the Scheme. There is only a remote chance of the proposed Scheme not being approved. If this were to happen, it is likely that CCD will be placed into administration or liquidation, CCD customers would then not be expected to receive any redress payment.

Vanquis Bank

As previously reported, Vanquis Bank agreed a settlement with the FCA into its investigation into ROP. The ROP refund programme was completed in 2019. As a result, the provisions reduced to £11.7m at 31 December 2019. A further review has been performed in 2020 to determine the level of provision required. This assessment has concluded that a £2.6m provision continues to be required; as a result, £8.3m was released as an exceptional gain in 2020.

The remaining ROP provision principally reflects the estimated cost of the forward flow of ROP complaints more generally in respect of which compensation may need to be paid. The provision is calculated using a number of key assumptions:

- customer complaints volumes – an estimate of future claims which may be initiated by customers where the volume is anticipated to cease after 31 December 2021;
- average claim redress – the expected average payment to customers for upheld claims; and
- customer and FOS complaints upheld rates – the number of claims redressed as a percentage of total claims received.

Moneybarn

As previously reported, a provision of £20.0m was reflected in respect of the FCA's investigation into affordability, forbearance and termination options at Moneybarn. The provision comprised a £12.1m balance adjustment to receivables with the remaining £7.9m reflected as a provision in respect of potential cash restitution, administration costs and an FCA fine.

At 31 December 2019, a provision of £2.8m remained, reflecting the estimated fine payable on completion of the investigation. The amount was paid to the FCA on 18 February 2020.

26 Financial instruments

(a) Classification and measurement

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

	2020				
Group	Investment held at fair value through OCI £m	Derivative held at fair value through P&L £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets					
Cash and cash equivalents	–	–	919.7	–	919.7
Amounts receivable from customers	–	–	1,799.8	–	1,799.8
Trade and other receivables	–	–	18.7	17.0	35.7
Investments held at fair value through other comprehensive income	9.2	–	–	–	9.2
Property, plant and equipment	–	–	–	15.5	15.5
Right of use assets	–	–	–	58.0	58.0
Goodwill	–	–	–	71.2	71.2
Other intangible assets	–	–	–	45.3	45.3
Retirement benefit asset	–	–	–	79.7	79.7
Deferred tax assets	–	–	–	44.0	44.0
Total assets	9.2	–	2,738.2	330.7	3,078.1
Liabilities					
Retail deposits	–	–	(1,683.2)	–	(1,683.2)
Bank and other borrowings	–	–	(520.0)	–	(520.0)
Trade and other payables	–	–	(64.9)	–	(64.9)
Derivative financial instruments	–	(1.3)	–	–	(1.3)
Lease liabilities	–	–	(69.4)	–	(69.4)
Current tax liabilities	–	–	–	(0.6)	(0.6)
Provisions	–	–	–	(91.0)	(91.0)
Total liabilities	–	(1.3)	(2,337.5)	(91.6)	(2,430.4)

26 Financial instruments continued

(a) Classification and measurement continued

The carrying value for all financial assets represents the maximum exposure to credit risk.

Group	2019 (restated[1]) Investment held at fair value through OCI £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	353.6	–	353.6
Amounts receivable from customers	–	2,199.6	–	2,199.6
Trade and other receivables	–	6.6	26.7	33.3
Investments held at fair value through other comprehensive income	16.6	–	–	16.6
Property, plant and equipment	–	–	19.3	19.3
Right of use assets	–	–	67.1	67.1
Goodwill	–	–	71.2	71.2
Other intangible assets	–	–	44.1	44.1
Retirement benefit asset	–	–	78.0	78.0
Deferred tax asset	–	–	25.0	25.0
Total assets	16.6	2,559.8	331.4	2,907.8
Liabilities				
Retail deposits	–	(1,345.2)	–	(1,345.2)
Bank and other borrowings	–	(618.3)	–	(618.3)
Trade and other payables	–	(89.3)	–	(89.3)
Current tax liabilities	–	–	(32.9)	(32.9)
Lease liabilities	–	(78.3)	–	(78.3)
Provisions	–	–	(14.5)	(14.5)
Total liabilities	–	(2,131.1)	(47.4)	(2,178.5)

1 Refer to accounting policies for detail of restatement.

Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

Company	2020 Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	59.1	–	59.1
Trade and other receivables	1,047.5	3.1	1,050.6
Property, plant and equipment	–	1.6	1.6
Right of use assets	–	17.9	17.9
Investment in subsidiaries	–	230.9	230.9
Retirement benefit asset	–	79.7	79.7
Total assets	1,106.6	333.2	1,439.8
Liabilities			
Bank and other borrowings	(369.0)	–	(369.0)
Trade and other payables	(264.8)	–	(264.8)
Lease liabilities	(21.9)	–	(21.9)
Current tax liabilities	–	(1.1)	(1.1)
Deferred tax liabilities	–	(14.2)	(14.2)
Total liabilities	(655.7)	(15.3)	(671.0)

26 Financial instruments continued
(a) Classification and measurement continued

Company	2019 Amortised cost £m	2019 Non-financial assets/ liabilities £m	2019 Total £m
Assets			
Cash and cash equivalents	17.4	–	17.4
Trade and other receivables	890.8	1.8	892.6
Property, plant and equipment	–	2.7	2.7
Right of use assets	–	20.8	20.8
Investment in subsidiaries	–	395.2	395.2
Retirement benefit asset	–	78.0	78.0
Total assets	908.2	498.5	1,406.7
Liabilities			
Bank and other borrowings	(616.3)	–	(616.3)
Trade and other payables	(100.4)	–	(100.4)
Lease liabilities	(24.9)	–	(24.9)
Current tax liabilities	–	(0.1)	(0.1)
Deferred tax liabilities	–	(11.6)	(11.6)
Total liabilities	(741.6)	(11.7)	(753.3)

(b) Fair values of financial assets and liabilities held at fair value

The Group holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy on the degree to which the fair value is observable.

The following financial assets and liabilities are held at fair value:

Group	2020 Level 1 £m	2020 Level 2 £m	2020 Level 3 £m	2019 Level 1 £m	2019 Level 2 £m	2019 Level 3 £m
Investments held at fair value through other comprehensive income:						
– Visa Inc. shares	–	–	9.2	–	–	16.6
Derivative held at fair value through P&L:						
– balance guaranteed swap	–	–	(1.3)	–	–	–
Total	–	–	7.9	–	–	16.6

Level 1 fair value measurements are those derived from quoted market prices in active markets for identical assets and liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group holds Visa shares and the balance guaranteed swap in Level 3.

Transfers between the different levels of the fair value hierarchy would be made when the inputs used to measure the fair value no longer satisfy the conditions required to be classified in a certain level within the hierarchy. There have been no transfers between levels in the current or prior year.

26 Financial instruments continued

(b) Fair values of financial assets and liabilities held at fair value continued

Visa Inc. shares

The valuation has been determined using a combination of observable and non-observable inputs. As the common stock share price of Visa Inc. is readily available, this input is deemed to be observable. However, certain assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of future litigation costs. These inputs are therefore deemed to be a significant unobservable input.

The following table sets out their movement during the year:

	Group	
	2020 £m	2019 £m
At 1 January	16.6	12.1
Gains or losses recognised in other comprehensive income	3.8	4.5
Disposal of investment	(11.2)	–
At 31 December	9.2	16.6

The illiquidity adjustment for the shares still held has been estimated at around 6% and the expected future litigation costs have been estimated around 15% of the Visa Inc. share price. These assumptions are consistent with 2019.

The higher the illiquidity and future litigation costs the lower the fair value. The sensitivity to the unobservable inputs, in isolation, is set out in the table below:

	Group	
	2020 £m	2019 £m
Illiquidity +/-1%	0.1	0.2
Future litigation costs +/-1%	0.1	0.2

Balance guaranteed swap

The Group entered in a balance guaranteed swap to manage the interest rate risk on Moneybarn securitisation. The following table sets out the movement during the year:

	Group
	2020 £m
At 1 January	–
Fair value loss recognised in income statement	(1.3)
At 31 December	(1.3)

The fair value loss recognised in the income statement of £1.3m is before hedge accounting is applied. The effect of applying hedge accounting reduced the loss to £0.7m.

Whilst the swap is linked to LIBOR, it has a non-standard repayment curve as it is tailored to match the expected repayment profile of the Moneybarn receivables. This is a combination of the remaining contractual term and an assumption about prepayment rates. Both of these are deemed to be unobservable inputs with the prepayment rate being the significant input. A 5% movement on the prepayment rate would not have a material impact on the Group's profit before tax.

26 Financial instruments continued

(c) Fair values of financial assets and liabilities not held at fair value

The table below shows the fair value of financial assets and liabilities not presented at fair value in the balance sheet:

Group	2020 Fair value £m	2020 Book value £m	2019 (restated[1]) Fair value £m	2019 (restated[1]) Book value £m
Assets				
Cash and cash equivalents	919.7	919.7	353.6	353.6
Amounts receivable from customers	2,246.5	1,799.8	3,008.3	2,199.6
Trade and other receivables	35.7	35.7	33.3	33.3
Total assets	3,201.9	2,755.2	3,395.2	2,586.5
Liabilities				
Retail deposits	(1,689.2)	(1,683.2)	(1,351.6)	(1,345.2)
Bank and other borrowings	(535.5)	(520.0)	(632.0)	(618.3)
Trade and other payables	(64.9)	(64.9)	(89.3)	(89.3)
Lease liabilities	(69.4)	(69.4)	(78.3)	(78.3)
Total liabilities	(2,359.0)	(2,337.5)	(2,151.2)	(2,131.1)

1 Refer to accounting policies for detail of restatement.

Company	2020 Fair value £m	2020 Book value £m	2019 Fair value £m	2019 Book value £m
Assets				
Cash and cash equivalents	59.1	59.1	17.4	17.4
Trade and other receivables	1,050.6	1,050.6	892.6	892.6
Total assets	1,109.7	1,109.7	910.0	910.0
Liabilities				
Bank and other borrowings	(370.9)	(369.0)	(630.0)	(616.3)
Trade and other payables	(264.8)	(264.8)	(100.4)	(100.4)
Lease liabilities	(21.9)	(21.9)	(24.9)	(24.9)
Total liabilities	(657.6)	(655.7)	(755.3)	(741.6)

Key considerations in the calculation of fair values of those financial assets and liabilities not presented at fair value in the balance sheet are set out below. Where there is no significant difference between carrying value and fair value no additional information has been presented.

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at the credit risk-adjusted discount rate at the balance sheet date. They are categorised within Level 3 as the expected future cash flows and discount rate are deemed to be significant unobservable inputs.

The fair value of retail deposits has been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date and they are categorised within Level 3 of the fair value hierarchy as the expected future cash flows are deemed to be significant unobservable inputs.

Within bank and other borrowings, the senior public bonds and retail bonds are classed as Level 1 as they are valued within quoted market prices. The private placement loan notes are classed as Level 2 as their fair value has been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date.

27 Share capital

Group and Company		2020 Issued and fully paid	2019 Issued and fully paid
Ordinary shares of 20 8/11p each	– £m	52.6	52.5
	– number (m)	253.6	253.4

The movement in the number of shares in issue during the year was as follows:

Group and Company	2020 m	2019 m
At 1 January	253.4	253.3
Shares issued pursuant to the exercise/vesting of options and awards	0.2	0.1
At 31 December	253.6	253.4

The shares issued pursuant to the exercise/vesting of options and awards comprised 237,193 ordinary shares (2019: 94,296) with a nominal value of £49,164 (2019: £19,545) and an aggregate consideration of £0.1m (2019: £0.1m).

Provident Financial plc sponsors the Provident Financial plc 2007 Employee Benefit Trust (EBT) which is a discretionary trust established for the benefit of the employees of the Group. The Company has appointed SG Kleinwort Hambros Trust Company (CI) Limited to act as trustee of the EBT. The trustee has waived the right to receive dividends on the shares it holds. As at 31 December 2020, the EBT held 2,857,442 (2019: 2,853,722) shares in the Company with a cost of £0.6m (2019: £0.6m) and a market value of £8.8m (2019: £13.0m). The shares have been acquired by the EBT to meet obligations under the Provident Financial Long Term Incentive Scheme 2006 and the 2013 Performance Share Plan.

28 Share-based payments

The Group issues share options and awards to employees as part of its employee remuneration packages. The Group operates five equity-settled share schemes: the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP), the Company Share Option Plan (CSOP), employees' savings-related share option schemes typically referred to as Save As You Earn schemes (SAYE), and the Deferred Bonus Plan (DBP) (previously the Performance Share Plan (PSP)).

The RSP was granted in November 2020 in conjunction with the CSOP. Any gains made by employees under the CSOP offset against the number of shares that can be exercised under the RSP. Certain employees who were granted shares under the 2020 LTIS had the option to forfeit those shares in November 2020 and replace them with an award under the RSP and CSOP. This has been treated as a modification under IFRS 2 and an incremental charge recognised for the new awards.

When an equity-settled share option or award is granted, a fair value is calculated based on the share price at grant date, the probability of the option/award vesting, the Group's recent share price volatility, and the risk associated with the option/award. A fair value is calculated based on the value of awards granted and adjusted at each balance sheet date for the probability of vesting against performance conditions.

The fair value of all options/awards are charged to the income statement on a straight-line basis over the vesting period of the underlying option/award.

During 2020, awards/options have been granted under the LTIS, DBP, RSP/CSOP and SAYE (UK) schemes (2019: awards/options have been granted under the LTIS, DBP and SAYE (UK and ROI)).

(a) Equity-settled schemes

The charge to the income statement in 2020 for equity-settled schemes was £2.3m for the Group (2019: £1.9m) and £0.7m for the Company (2019: £1.3m).

The fair value per award/option granted and the assumptions used in the calculation of the equity-settled share-based payment charges for the Group and the Company are as follows:

	2020				2019		
Group	RSP/CSOP	DBP	LTIS	SAYE	DBP	LTIS	SAYE
Grant date	9 Nov 2020	30 Mar 2020	30 Mar 2020	7 Oct 2020	1 Apr 2019	1 Apr 2019	8 Oct 2019
Share price at grant date (£)	2.73	2.02	2.02	2.19	5.17	5.17	3.87
Exercise price (£)	–	–	–	1.82	–	–	3.23
Shares awarded/under option (number)	2,157,605	237,193	3,767,551	3,495,925	85,798	1,693,073	1,883,398
Vesting period (years)	3	3	3	3 and 5	3	3	3 and 5
Expected volatility	68.2%	85.0%	85.0%	68.5%–76.0%	–	74.1%	68.0%–84.9%
Award/option life (years)	3	3	3	Up to 5	3	3	Up to 5
Expected life (years)	3	3	3	Up to 5	3	3	Up to 5
Risk-free rate	–	–	0.13%	(0.01%)–(0.06%)	–	0.66%	0.23%–0.27%
Expected dividends expressed as a dividend yield	n/a	n/a	n/a	6.8%	n/a	n/a	3.0%
Fair value per award/option (£)	2.41	2.20	1.42	0.71–0.80	5.12	4.53	0.38–0.76

28 Share-based payments continued
(a) Equity-settled schemes continued

	2020				2019		
Company	RSP/CSOP	DBP	LTIS	SAYE	DBP	LTIS	SAYE
Grant date	9 Nov 2020	30 Mar 2020	30 Mar 2020	7 Oct 2020	1 Apr 2019	1 Apr 2019	8 Oct 2019
Share price at grant date (£)	2.73	2.02	2.02	2.19	5.17	5.17	3.87
Exercise price (£)	–	–	–	1.82	–	–	3.23
Shares awarded/under option (number)	934,625	172,863	1,788,694	304,577	69,307	752,522	146,987
Vesting period (years)	3	3	3	3 and 5	3	3	3 and 5
Expected volatility	68.2%	85.0%	85.0%	68.5%–76.0%	–	74.1%	68.0%–84.9%
Award/option life (years)	3	3	3	Up to 5	3	3	Up to 5
Expected life (years)	3	3	3	Up to 5	3	3	Up to 5
Risk-free rate	–	–	0.13%	(0.01%)–(0.06%)	–	0.66%	0.23%–0.27%
Expected dividends expressed as a dividend yield	n/a	n/a	n/a	6.80%	n/a	n/a	3.0%
Fair value per award/option (£)	2.41	2.20	1.38	0.71–0.80	5.12	4.33	0.38–0.76

The expected volatility is based on historical volatility over the last three or five years depending on the length of the option/award. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK Government bonds of a similar duration to the life of the share option.

A reconciliation of award/share option movements during the year is shown below:

	RSP/CSOP		DBP/PSP		LTIS		SAYE	
Group	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2020	–	–	196,492	–	3,121,418	–	2,674,402	3.87
Awarded/granted	2,157,605	–	237,193	–	3,767,551	–	3,495,925	1.82
Cancelled	–	–	–	–	(3,144,898)	–	–	–
Lapsed	–	–	(62,171)	–	(1,354,624)	–	(1,745,460)	3.68
Exercised	–	–	(48,523)	–	–	–	(547)	17.07
Outstanding at 31 December 2020	2,157,605	–	322,991	–	2,389,447	–	4,424,320	2.32
Exercisable at 31 December 2020	–	–	–	–	–	–	–	–

	PSP/DBP		LTIS		SAYE	
Group	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2019	207,155	–	1,767,331	–	2,744,321	5.31
Awarded/granted	85,798	–	1,693,073	–	1,883,398	3.23
Lapsed	(51,231)	–	(338,986)	–	(1,944,819)	5.28
Exercised	(45,230)	–	–	–	(8,498)	5.09
Outstanding at 31 December 2019	196,492	–	3,121,418	–	2,674,402	3.87
Exercisable at 31 December 2019	–	–	–	–	5,958	16.05

The amounts included in the RSP/CSOP table reflect the total amount of shares awarded under both schemes.

28 Share-based payments continued

(a) Equity-settled schemes continued

Share awards outstanding under the LTIS scheme at 31 December 2020 had an exercise price of £nil (2019: £nil) and a weighted average remaining contractual life of 0.9 years (2019: 1.7 years). Share options outstanding under the SAYE schemes at 31 December 2020 had exercise prices ranging from 182p to 1,707p (2019: 323p to 1,760p) and a weighted average remaining contractual life of 2.9 years (2019: 2.8 years). Share awards outstanding under the PSP schemes at 31 December 2020 had an exercise price of £nil (2019: £nil) and a weighted average remaining contractual life of 2.0 years (2019: 1.1 years). Share awards outstanding under the RSP at 31 December 2020 have an exercise price of £nil and a weighted average remaining contractual life of 2.9 years. Shares outstanding under the CSOP at 31 December 2020 have an exercise price of £2.41 and a weighted average remaining contractual life of 2.9 years.

	RSP/CSOP		DBP/PSP		LTIS		SAYE	
Company	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2020	–	–	146,776	–	1,259,432	–	162,617	3.45
Awarded/granted	934,625	–	172,863	–	1,788,694	–	304,577	1.82
Cancelled	–	–	–	–	(1,615,578)	–	–	–
Lapsed	–	–	(40,055)	–	(153,181)	–	(126,358)	3.33
Exercised	–	–	(37,414)	–	–	–	–	–
Outstanding at 31 December 2020	934,625	–	242,170	–	1,279,367	–	340,836	2.03
Exercisable at 31 December 2020	–	–	–	–	–	–	–	–

	DBP/PSP		LTIS		SAYE	
Company	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2019	143,142	–	613,630	–	123,998	5.34
Awarded/granted	69,307	–	752,522	–	146,987	3.23
Lapsed	(33,939)	–	(106,720)	–	(108,368)	5.29
Exercised	(31,734)	–	–	–	–	–
Outstanding at 31 December 2019	146,776	–	1,259,432	–	162,617	3.45
Exercisable at 31 December 2019	–	–	–	–	774	17.60

Share awards outstanding under the LTIS scheme at 31 December 2020 had an exercise price of £nil (2019: £nil) and a weighted average remaining contractual life of 1.0 year (2019: 1.8 years). Share options outstanding under the SAYE schemes at 31 December 2020 had exercise prices ranging from 182p to 333p (2019: 323p to 1,760p) and a weighted average remaining contractual life of 3.1 years (2019: 3.0 years). Share awards outstanding under the PSP schemes at 31 December 2020 had an exercise price of £nil (2019: £nil) and a weighted average remaining contractual life of 2.0 years (2019: 1.2 years). Share awards outstanding under the RSP/CSOP schemes at 31 December 2020 had an exercise price of £nil and a weighted average remaining contractual life of 2.9 years.

Share awards granted under the LTIS scheme on 30 March 2020 were cancelled and replaced by the RSP/CSOP schemes on 9 November 2020.

(b) Cash-settled schemes

Cash awards were granted under the PFEP to eligible employees that require the Group and Company to pay amounts linked to a combination of salary, financial performance and share price performance of Provident Financial plc. No awards have been granted since 2018. The credit to the income statement in 2020 was £0.6m for the Group (2019: £0.6m) and £nil for the Company (2019: £nil). The Group has a liability of £0.5m as at 31 December 2020 (2019: £1.1m) and £nil for the Company (2019: £nil).

29 Other reserves

Group	Profit retained by subsidiary £m	Capital redemption reserve £m	Share-based payment reserve £m	Fair value reserve £m	Total other reserves £m
At 1 January 2019	0.8	3.6	6.3	3.2	13.9
Other comprehensive income/(expense):					
– fair value movements in investments (note 18)	–	–	–	4.5	4.5
– tax on items taken directly to other comprehensive income (note 5)	–	–	–	(1.2)	(1.2)
– impact of change in UK tax rate	–	–	–	0.1	0.1
Other comprehensive income for the year	–	–	–	3.4	3.4
Share-based payment charge (note 28)	–	–	1.9	–	1.9
Transfer of share-based payment reserve on vesting of share awards	–	–	(1.5)	–	(1.5)
At 31 December 2019	0.8	3.6	6.7	6.6	17.7
At 1 January 2020	0.8	3.6	6.7	6.6	17.7
Other comprehensive income/(expense):					
– fair value movements in investments (note 18)	–	–	–	3.8	3.8
– tax on items taken directly to other comprehensive income (note 5)	–	–	–	(1.0)	(1.0)
– impact of change in UK tax rate	–	–	–	(0.2)	(0.2)
– deferred tax release on disposal of investment	–	–	–	(2.0)	(2.0)
– current tax recognised on disposal of investment	–	–	–	2.0	2.0
Other comprehensive income for the year	–	–	–	2.6	2.6
Transfer of cumulative gain on disposal of investment	–	–	–	(7.4)	(7.4)
Transfer of tax on disposal of investment	–	–	–	2.0	2.0
Share-based payment charge (note 28)	–	–	2.3	–	2.3
Transfer of share-based payment reserve on vesting of share awards	–	–	(2.6)	–	(2.6)
At 31 December 2020	0.8	3.6	6.4	3.8	14.6

The capital redemption reserve represents profits on the redemption of preference shares arising in prior years, together with the capitalisation of the nominal value of shares purchased and cancelled, net of the utilisation of this reserve to capitalise the nominal value of shares issued to satisfy scrip dividend elections.

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

The fair value reserve reflects the fair value movements in the investments held at fair value through other comprehensive income, net of deferred tax (see note 13).

29 Other reserves continued

Company	Capital redemption reserve £m	Share-based payment reserve £m	Total other reserves £m
At 1 January 2019	3.6	6.3	9.9
Share-based payment charge (note 28)	–	1.3	1.3
Transfer of share-based payment reserve on vesting of share awards	–	(1.0)	(1.0)
Share-based payment movement in investment in subsidiaries	–	0.1	0.1
At 31 December 2019	3.6	6.7	10.3
At 1 January 2020	3.6	6.7	10.3
Share-based payment charge (note 28)	–	0.7	0.7
Transfer of share-based payment reserve on vesting of share awards	–	(1.2)	(1.2)
Share-based payment movement in investment in subsidiaries	–	0.2	0.2
At 31 December 2020	3.6	6.4	10.0

Company distributable reserves include: (i) retained earnings, adjusted to reflect the unrealised gain on the retirement benefit asset; (ii) share-based payment reserve, net of deferred tax and the IFRIC 11 adjustment; and (iii) merger reserve. The distributable reserves do not include distributable reserves currently held within subsidiary companies.

30 Related party transactions

The Company recharges the pension scheme referred to in note 19 with a proportion of the costs of administration and professional fees incurred by the Company. The total amount recharged during the year was £0.7m (2019: £0.5m) and the Company amount payable to the pension scheme at 31 December 2020 was £0.1m (2019: £nil).

Details of the transactions between the Company and its subsidiary undertakings, which comprise management recharges and interest charges on intra-group balances, along with any balances outstanding at 31 December, are set out below:

	2020			2019		
Company	Management recharge £m	Interest credit £m	Outstanding balance £m	Management recharge £m	Interest credit £m	Outstanding balance £m
Vanquis Bank	5.2	1.7	(58.6)	5.2	–	8.3
Moneybarn	2.0	(24.5)	–	2.4	(28.3)	488.0
CCD	6.9	(9.9)	(15.5)	8.8	(9.2)	324.1
Provident Financial Holdings No. 2	–	–	890.5	–	–	–
Other central companies	–	–	99.6	–	–	97.4
Total related party transactions	14.1	(32.7)	916.0	16.4	(37.5)	917.8

In August 2020 Vanquis Bank provided the Company with a £70m intercompany loan facility to allow upstream funding. The loan has a two-year term and an interest rate of 6.25%. The loan has been fully utilised since it was provided, the balance outstanding at 31 December 2020 was £70m. The difference of £11.4m to the outstanding balance reflects year end management recharges and Group relief on trading losses which were settled in January 2021 by the Company.

In December 2020, a new subsidiary holding company, Provident Financial Holdings No. 2 Limited (PFH2), was incorporated which simplified the intercompany relationships across the Group. This involved the entry into intra-group share purchase agreements between the Company and its subsidiaries to transfer its ownership in Vanquis Bank, Moneybarn and CCD to PFH2. As part of that process certain intercompany loans with Moneybarn and CCD were transferred from the Company to PFH2 and equivalent loans were entered into between the Company and PFH2.

As a result of this, a revolving loan facility of £307m has been provided to Provident Personal Credit Limited from PFH2 which will be reviewed every three months. A £684m facility has been provided to Moneybarn No. 1 Limited which will be reviewed every 12 months and an upwards funding facility of £396m provided from Moneybarn No. 1 Limited to PFH2. The intercompany loans accrue interest at the Company's monthly weighted average cost of funds plus a margin.

The outstanding balance represents the gross intercompany balance receivable by the Company, against which a provision of £123.8m (2019: £121.4m) is held. There has been a £2.4m cost to the Company income statement in 2020 (2019: £1.5m credit) in respect of the provision.

Vanquis Bank approved and paid dividends totalling £110.0m in 2020 (2019: £139.8m). A 2021 interim dividend of £40.0m was paid by Vanquis Bank on 31 March 2021.

There are no transactions with directors other than those disclosed in the Directors' Remuneration Report.

31 Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty exists regarding the outcome of future events and the obligation cannot be measured with sufficient reliability.

(a) Challenge to self-employed status of UK home credit agents

It is understood from discussions with HMRC that they have commenced an industry-wide review of the self-employed status of agents.

In July 2017, the Group changed its home credit operating model in the UK from a self-employed agent model to an employed workforce to take control of all aspects of the customer relationship.

The Group's discussions with HMRC, which are focusing on the period from when the FCA took over responsibility for the regulation of consumer credit in April 2014 to the change of operating model in July 2017, remain in the initial fact-finding stages. The Group is working positively and collaboratively with HMRC and it is expected that the review could continue for at least another year.

Were the Group to be unsuccessful in defending the historic self-employed position of agents, it may be required to pay additional taxes, in particular National Insurance contributions, on the approximate £80m per annum commission it paid to agents in the UK for the years concerned. As discussions with HMRC remain in the preliminary stages and the Group does not know the amounts of tax and National Insurance contributions paid by agents through self-assessment which are available for offset, it is difficult to calculate an accurate liability should the Group be unsuccessful in defending the position. HMRC has raised protective assessments which have all been appealed but these are purely a procedural matter to ensure that, in the event the review concludes that taxes are payable, HMRC can recover such amounts in respect of the oldest year that would otherwise drop out due to the lapse of statutory time limits.

The Group has worked with HMRC over many years to manage employment status risk and it remains confident based on the advice received that agents were self-employed as a matter of law throughout their engagement by the home credit business.

(b) FCA investigation into home credit lending between February 2020 and February 2021

Provident Personal Credit, which forms part of CCD, was recently informed that the FCA has opened an enforcement investigation focusing on the consideration of affordability and sustainability of lending to customers, as well as the application of a FOS decision into the complaint handling process, in the period between February 2020 and February 2021.

The start of the investigation period relates to the FOS decision which was taken in February of last year. The appointment of investigators does not mean that the FCA has determined that rule breaches or any other contraventions have occurred. The FCA also continues to assess whether CCD is complying, and is likely to comply, with the standards it is expected to meet and the Group's proposed approach to future lending as and when further details of such proposal are made available. CCD intends to work closely with the FCA in the coming months, including in relation to the investigation, which is unlikely to conclude until the end of 2022 at the earliest.

(c) Other legal actions and regulatory matters

In addition, during the ordinary course of business the Group is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, agents, customers, investors or third parties. This extends to legal and regulatory reviews, challenges, investigations and enforcement actions combined with tax authorities taking a view that is different to the view the Group has taken on the tax treatment in its tax returns, both in the UK and overseas. All such material matters are periodically assessed, with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date. In some cases it may not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

32 Reconciliation of (loss)/profit after taxation to cash generated from/(used in) operations

	Note	Group 2020 £m	Group 2019 (restated[1]) £m	Company 2020 £m	Company 2019 £m
(Loss)/profit after taxation		(83.4)	76.4	117.6	47.1
Adjusted for:					
– tax (credit)/charge	5	(30.1)	42.6	(2.0)	0.6
– finance costs	3	71.5	72.0	38.6	40.9
– exceptional gain on redemption of bonds	3	(1.9)	–	–	–
– finance income		–	–	(58.0)	(51.7)
– dividends received	30	–	–	(110.0)	(139.8)
– share-based payment charge	28	2.3	1.9	0.7	1.3
– retirement benefit charge/(credit) prior to exceptional pension charge/(credit)	19	0.1	(0.7)	(3.8)	(3.1)
– exceptional pension charge/(credit)	19	0.7	(0.5)	0.7	(0.5)
– amortisation of intangible assets	17	15.1	16.4	–	–
– exceptional impairment of intangible assets	1	–	1.9	–	–
– exceptional complaints provision in CCD	25	65.0	–	–	–
– provisions created in the year	25	45.5	–	–	–
– depreciation of property, plant and equipment and right of use assets	14	15.7	24.6	4.0	4.1
– loss/(profit) on disposal of property, plant and equipment	14	0.6	2.2	–	(0.2)
– exceptional release of provisions	25	(8.3)	(16.8)	–	–
– increase of impairment provision against investment in subsidiaries	18	–	–	–	74.6
– hedge ineffectiveness	23	0.7	–	–	–
Changes in operating assets and liabilities:					
– amounts receivable from customers		399.8	1.2	–	–
– trade and other receivables		11.6	(3.5)	(153.6)	(67.1)
– disposal of investments through intercompany		–	–	164.5	–
– trade and other payables		(6.8)	(2.5)	(50.2)	13.8
– provisions	25	(43.3)	(21.9)	–	–
– contributions into the retirement benefit scheme	19	(4.2)	(2.6)	(0.3)	(0.2)
Cash generated from/(used in) operations		450.6	190.7	(51.8)	(80.2)

1 Refer to accounting policies for detail of restatement.

The movement in amounts receivable from customers of £400.0m (2019: £3.1m) includes the non-cash movement in the impairment provision of £83.6m (2019: £179.5m).

Group	2020 £m	2019 (restated[1]) £m
Cash movement in amounts receivable from customers	324.6	182.6
Non-cash provision movement – allowance account	75.2	(181.4)
Net movement in amounts receivable from customers	399.8	1.2

1 Refer to accounting policies for detail of restatement.

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	2020							
		Cash changes		Non-cash changes				
Group	1 January 2020 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	Lease additions and disposals £m	31 December 2020 £m
Total borrowings (note 21)	(1,963.5)	(236.5)	–	(1.7)	(2.9)	1.4	–	(2,203.2)
Lease liabilities (note 24)	(78.3)	–	11.2	–	(1.9)	–	(0.4)	(69.4)
Total	(2,041.8)	(236.5)	11.2	(1.7)	(4.8)	1.4	(0.4)	(2,272.6)

32 Reconciliation of (loss)/profit after taxation to cash generated from/(used in) operations continued

Group	2019							
		Cash changes		Non-cash changes				
	1 January 2019 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	Lease additions and disposals £m	31 December 2019 £m
Total borrowings (note 21)	(2,055.5)	91.4	–	(2.1)	(1.5)	4.2	–	(1,963.5)
Lease liabilities (note 24)	(89.0)	–	15.8	–	(2.3)	–	(2.8)	(78.3)
Total	(2,144.5)	91.4	15.8	(2.1)	(3.8)	4.2	(2.8)	(2,041.8)

Company	2020						
		Cash changes		Non-cash changes			
	1 January 2020 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	31 December 2020 £m
Total borrowings (note 21)	(616.3)	247.4	–	(2.9)	2.0	0.8	(369.0)
Lease liabilities (note 24)	(24.9)	–	3.4	–	(0.4)	–	(21.9)
Total	(641.2)	247.4	3.4	(2.9)	1.6	0.8	(390.9)

Company	2019						
		Cash changes		Non-cash changes			
	1 January 2019 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	31 December 2019 £m
Total borrowings (note 21)	(621.1)	3.5	–	(2.9)	0.8	3.4	(616.3)
Lease liabilities (note 24)	(27.1)	–	2.7	–	(0.5)	–	(24.9)
Total	(648.2)	3.5	2.7	(2.9)	0.3	3.4	(641.2)

33 Post balance sheet events

(a) CCD Scheme of Arrangement

Provisions were recognised in CCD as at 31 December 2020, for a proposed Scheme of Arrangement, which will provide remediation of £50m, plus estimated costs of delivering the settlement (£15m). The Group has decided to pursue the Scheme, under Part 26 of the Companies Act 2006, in relation to potential redress claims arising from complaints based on historic home credit lending prior to 17 December 2020 (relevant claims) and has worked collaboratively with the FCA to get to this point.

When approved, the Scheme will remediate all outstanding relevant claims, as well as new relevant claims received before the proposed Scheme is sanctioned. The Group will fund legitimate Scheme claims with £50m and will cover further Scheme-related costs estimated at approximately £15m. See note 25 for further detail.

(b) Vanquis Bank access to Sterling Monetary Framework

On 28 January 2021, Vanquis Bank issued secured notes collateralised against a portion of the credit card receivables book. This is a fully retained transaction; therefore, Vanquis Bank will keep all of the notes issued and the notes will not be sold publicly. It is intended that the notes will be placed with the Bank of England later in the year to support borrowings against the Sterling Monetary Framework (SMF) facilities. The transaction issued two classes of notes with an aggregate principal amount of £453m. The programme enhances the Group's ability to diversify its sources of funding.

(c) Taxation

In the March 2021 Budget, the Government announced that the mainstream corporation tax rate would increase to 25% from 1 April 2023. Revaluing the deferred tax balances at 31 December 2020 at 25%, to the extent they relate to temporary differences which are expected to reverse after 1 April 2023, gives rise to a tax credit of £8.3m.

(d) Operational review

Following the CCD operational review, and in response to evolving market and customer dynamics, the Group has regrettably decided to withdraw from the home credit market entirely. The Group intends to either place the business into a managed run-off or consider a disposal. It is anticipated that the cost to the Group of placing it into managed run-off or disposing of CCD will be up to c.£100m. CCD begins a collective consultation process for c.2,100 colleagues on 10 May 2021.

34 Details of subsidiary undertakings

The subsidiary undertakings of the Group at 31 December 2020 are shown below. The Company is the parent or ultimate parent of all subsidiaries and they are all 100% owned by the Group. All companies are incorporated within the UK with the exception of Erringham Holdings Limited, which is incorporated in Jersey.

Company name	Company number
Registered at 1 Godwin Street, Bradford BD1 2SU:	
Provident Financial Holdings No. 2[1]	13061852
Provident SPV Limited[2]	12988335
Vanquis Bank Limited[2]	2558509
Provident Financial Management Services Limited[2]	328933
Provident Personal Credit Limited[2]	146091
Greenwood Personal Credit Limited[2]	125150
N&N Simple Financial Solution Limited[2]	3803565
Cheque Exchange Limited[2]	2927947
Provident Investments Limited	4541509
Direct Auto Finance Insurance Services Limited	3834656
Direct Auto Finance Limited	3412137
Direct Auto Financial Services Limited	3444409
Provfin Limited[2]	1879771
Provident Limited	575965
Provident Print Limited	2211204
Provident Yes Car Credit Limited	4253314
Yes Car Credit (Holdings) Limited	194214
Yes Car Credit Limited	3459042
Aquis Cards Limited	7036307
Ellaf Limited	1858423
Envoyhead Limited	1910002
HT Greenwood Limited[2]	954387
Peoples Motor Finance Limited	1078365
Policyline Limited	1294141
Provfin Investments Limited	953919
Provident Family Finance Limited	912244
Provident Financial Group Limited	642504
Provident Financial Trustees (Performance Share Plan) Limited	4625062
Provident Home Shopping Limited	543498
The Provident Clothing and Supply Company Limited	509371

Company name	Company number
Registered at Athena House, Bedford Road, Petersfield, Hampshire GU32 3LJ:	
Moneybarn No. 1 Limited[2]	4496573
Duncton Group Limited[2]	6308608
Moneybarn Group Limited[2]	4525773
Moneybarn Limited[2]	2766324
Moneybarn No. 4 Limited[2]	8582214
Registered at 13 Castle Street, St. Helier, Jersey, Channel Islands JE4 5UT:	
Erringham Holdings Limited	39894

Company name	Company number
Registered at Suite2/04 King James VI Business Centre, Friarton Road, Perth, Scotland PH2 8DY:	
First Tower LP (1) Limited	SC122077
First Tower LP (2) Limited	SC125164
First Tower LP (3) Limited	SC129388
First Tower LP (4) Limited	SC118423
First Tower LP (5) Limited	SC127062
First Tower LP (6) Limited	SC127489
First Tower LP (7) Limited	SC127807
First Tower LP (8) Limited	SC118257
First Tower LP (9) Limited	SC118428
First Tower LP (10) Limited	SC118426
First Tower LP (11) Limited	SC122181
First Tower LP (12) Limited	SC129378
Lawson Fisher Limited	SC004758

Moneybarn Financing Limited (company number: 12323134) acts as a vehicle to allow the securitisation of the Moneybarn customer receivables. Its registered address is Fifth Floor, 100 Wood Street, London EC2V 7EX. The company is not owned by Provident Financial plc but forms part of the consolidated Group due to meeting the requirements of IFRS 10 'Consolidated Financial Statements'.

The following subsidiaries are taking an audit exemption and are therefore exempt from the requirement to the audit of accounts under section 479A of the Companies Act 2006.

Company name	Company number
Provident Investments Limited	4541509
Greenwood Personal Credit Limited	125150
N&N Simple Financial Solution Limited	3803565
Cheque Exchange Limited	2927947
Provfin Limited	1879771
Provident Limited	575965
Provident Print Limited	2211204
Provident Yes Car Credit Limited	4253314
Yes Car Credit (Holdings) Limited	194214
Yes Car Credit Limited	3459042
Duncton Group Limited	6308608
Moneybarn Group Limited	4525773
First Tower LP (1) Limited	SC122077
First Tower LP (2) Limited	SC125164
First Tower LP (3) Limited	SC129388
First Tower LP (4) Limited	SC118423
First Tower LP (5) Limited	SC127062
First Tower LP (6) Limited	SC127489
First Tower LP (7) Limited	SC127807
First Tower LP (8) Limited	SC118257
First Tower LP (9) Limited	SC118428
First Tower LP (10) Limited	SC118426
First Tower LP (11) Limited	SC122181
First Tower LP (12) Limited	SC129378

1 On 3 February 2021, Provident Financial Holdings No. 2 was renamed to Provident Financial Holdings Limited.
2 Companies whose immediate parent is not Provident Financial plc.

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Provident Financial plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006, and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – the estimation of expected credit losses in Vanquis Bank ('VB'), Moneybarn ('MB') and the Home Credit Division ('HCD') of the Consumer Credit Division ('CCD'); – the provision for liabilities under the Scheme of Arrangement in CCD; – revenue recognition in VB; and – the valuation of the pension obligation. Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk → Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group and the parent company financial statements was £6.5m (2019: £8.1m) and £6.1m (2019: £6.5m) respectively which was determined on the basis of 1% of net assets.
Scoping	As in the prior year, our Group audit scope focused on all of the principal trading subsidiaries, within the Group's three reportable segments which, together with the parent company, account for 100% of the Group's net assets.
Significant changes in our approach	We have introduced a new key audit matter this year in relation to the provision for liabilities under the Scheme of Arrangement within CCD due to the level of judgement required in order to determine the expected cash outflows in respect of customer redress claims and the associated costs and therefore the appropriate level of provision to be recognised. We no longer identify the valuation of the Repayment Option Plan ('ROP') forward flow provision as a key audit matter. This is on the basis of the reduced level of the provision (£2.6m at 31 December 2020 compared to £11.7m at 31 December 2019) and the fact that complaints levels in relation to the ROP have tracked significantly below previous estimates.

3. Summary of our audit approach continued

Significant changes in our approach continued	In the prior year we identified revenue recognition in HCD as a key audit matter. We have revised our assessment as revenue within HCD has reduced significantly to £156.0m (2019: £210.2m) compared to Group revenue of £807.8m (2019: £996.1m). We identified the carrying value of the parent company's investment in the CCD sub-group through Provident Financial Management Services Limited as a key audit matter, for the prior year audit of the parent company's financial statements. This is no longer a key audit matter in the current year as the investment was transferred to an intermediate holding company as part of the Group restructuring as outlined in note 18. As a result of the transfer, a reduction in the carrying value of the investment would no longer result in an impairment within the parent company financial statements. Additionally, we have changed our materiality benchmark for the 2020 audit for the Group and the parent company. In the prior year we adopted 5% of profit before tax and exceptional items as the basis for determining materiality; however, we have transitioned to using 1% of net assets. We have revised our benchmark upon which materiality is determined in the current year due to the volatility of the Group's and the parent company's results during the Covid-19 pandemic. We considered that net assets represents a more stable and relevant measure used by investors, regulators and other stakeholders when assessing the performance and longer-term prospects of the Group and parent company as well as the importance of equity to the Group's regulatory capital position.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's going concern assessment, which included specific consideration of the impacts of the Covid-19 pandemic and the Group's operational resilience, in order to understand, challenge and assess the key judgements made by management;
- challenging the appropriateness of the estimated financial impacts of the wind down of the CCD business which have been incorporated into management's going concern and viability assessment of the Group, and assessing management's judgement that VB and MB's operations will be sufficiently profitable over the going concern assessment period to enable the Group to continue as a going concern for a period of at least twelve months from the date the financial statements are authorised for issue;
- obtaining an understanding of relevant controls around management's going concern assessment including Board approval;
- supported by our prudential regulation specialists:
  - reading the most recent Internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment, assessing management's capital and liquidity projections, assessing the results of management's capital and liquidity stress testing and evaluating key assumptions and methods used in the capital and liquidity stress testing models; and
  - testing the mechanical accuracy of the forecasts, including reconciling opening capital and liquidity ratios to the year-end Common Reporting Framework regulatory submissions and assessing whether the year-end balance sheet within the model was consistent with the audited position;
- inspecting correspondence with regulators to understand the capital and liquidity requirements imposed on the Group by the Prudential Regulation Authority ('PRA'), and evaluating any changes to those requirements;
- meeting with the Group's primary regulators, the PRA and Financial Conduct Authority ('FCA'), discussing their views on existing and emerging risks to the Group and considering whether these were reflected appropriately in management's forecasts, stress tests and principal risk disclosures; and
- assessing the appropriateness of the disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. Key audit matters continued

5.1. Estimation of expected credit losses in Vanquis Bank, Moneybarn and Home Credit Division	
Key audit matter description	The Group holds portfolios of receivables from credit card, home credit and vehicle financing arrangements, totalling £1,799.8m (restated 2019: £2,199.6m), net of provisions. Amounts receivable from customers are grouped by segment for Vanquis Bank, Moneybarn and Home Credit Division. The IFRS 9 expected credit losses on amounts receivable from customers are calculated by modelling expected credit performance of the receivables portfolios within the Group. The significant changes in the economic environment including lockdown restrictions and government support schemes have continued to impact customer spending and behaviour patterns. The underlying modelling techniques are complex and require management to make significant judgements regarding the quantum and timing of expected future cash flows to calculate expected credit losses. Provisions for expected credit losses are an area of management judgement where there is a risk of fraud due to the ability of management to introduce inappropriate bias to judgements made in the estimation process. IFRS 9 requires that an impairment assessment should be the best estimate of expected credit losses and that reasonable forward-looking information should be incorporated into the calculation. Due to the unprecedented uncertainty arising from the Covid-19 pandemic and Brexit there exists a wider range of scenarios with potential for significantly different loss outcomes. The key economic variable relevant for the Group's portfolios was determined to be unemployment. There is significant judgement in determining the probability weighting of each scenario and the assumptions and characteristics of each scenario applied. The Group's provision for impairment against loans and receivables is £957.2m (restated 2019: £882.0m). Further detail in respect of these is set out in the accounting policies on pages 183 to 185 and in note 11 of the financial statements and also within the strategic report section and the Audit Committee report on pages 136 and 137. Within Vanquis Bank modelling techniques are applied by management to estimate the provision for expected credit losses on credit card receivables. Provisions for expected credit losses as at 31 December 2020 amounted to £474.2m (2019: £441.6m). The expected credit loss provision estimate is driven by account-specific estimation of probability of default ("PD") and loss given default ("LGD") which represent the key areas of judgement. We focused our work on the following areas: The Covid-19 in-model adjustment of £59.6m (2019: £nil) which is designed to correct PDs for two main factors. First, the fact that the actual default experience in 2020 did not increase as anticipated despite the worsening of unemployment figures due to government support schemes including payment holidays temporarily masking credit issues; and second, the fact that observed decreased utilisation of credit cards during the year, would typically point to lower levels of credit risk, but in the current environment the relationship is deemed to have been distorted as changes in card utilisation were driven by the limited ability to spend in lockdown as opposed to improvements in credit quality. The persistent debt Post Model Adjustment ("PMA") of £9.1m (2019: £3.7m) for accounts in persistent debt (accounts which paid more in interest, fees and charges over an 18 month period than they have of the underlying debt) for a period over 36 months. Due to the lack of historical data on how these accounts will perform, the adjustment required a high level of management judgement. Within Moneybarn provisions for expected credit losses at 31 December 2020 were £167.8m (restated 2019: £95.5m). A significant number of payment holidays were granted in line with the FCA's Covid-19 response. Whilst the number of payment holidays had reduced at the year-end to c.1,600 customers consideration needed to be given as to whether there was increased credit risk associated with customers that have taken a payment holiday that is not captured by management's model. We therefore identified a significant risk in relation to the completeness and valuation of PMAs recognised to capture the additional credit risk associated with payment holiday customers. During 2020 management implemented a new IFRS 9 expected credit losses model and we identified a significant risk in relation to the implementation of the new model. Following the review of the new IFRS 9 model a change was identified in the definition of default. Loans in IFRS 9 stage 2 were identified to have been greater than 90 days past due, despite it being inappropriate to rebut the 90 day backstop presumption included within IFRS 9. This was corrected to reflect management's consideration of a more appropriate definition of default. As a result, prior period results have been retrospectively restated. The restatement has resulted in a reduction in receivables of £13.0m and £3.2m at 31 December 2019 and 1 January 2019 respectively, as detailed in the accounting policy on page 178. Within the Home Credit Division provisions for expected credit losses at 31 December 2020 were £129.8m (2019: £158.8m). Receivables are valued using collections curves to estimate the expected future losses on cohorts of loans exhibiting similar risk characteristics including the customer's internal credit score, the number of missed payments in the previous 12 weeks, and whether the borrower is a new or existing customer. Collections performance deteriorated during the initial weeks of the first lockdown before recovering to pre-pandemic levels by mid 2020 following the transfer to remote payment methods. With approximately 90% of customers making repayments via remote payment mechanisms through to the end of December 2020, collections performance remained in line with pre-Covid levels throughout the second lockdown. Management continued to use the existing cash collection curves to value the 2020 provision for expected credit losses, however the current economic environment results in uncertainty around future collection levels and therefore the future predictability of the historic cash collection curves. We therefore identified a significant risk in relation to the appropriateness of management's collection curves.

5. Key audit matters continued

5.1. Estimation of expected credit losses in Vanquis Bank, Moneybarn and Home Credit Division continued

How the scope of our audit responded to the key audit matter

Controls procedures

Within Vanquis Bank we obtained an understanding of relevant controls relating to calibration of the expected credit loss models and the identification, valuation and recording of expected credit losses.

Within Moneybarn we obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses.

Within Home Credit Division we obtained an understanding and tested the relevant controls relating to the calibration of the expected credit loss models and the identification, valuation and recording of expected credit losses. This included working with our IT specialists to test the data flow of loans made and collections received from source systems to the automated IFRS 9 model scripts to test their completeness and accuracy.

Substantive procedures

Across each of the three segments we obtained an understanding of the IFRS 9 methodology and models. We engaged our credit risk modelling specialists to assist in our assessment and challenge of management's methodology and evaluated whether the methodology is compliant with the requirements of IFRS 9. This included considerations related to the appropriateness of portfolio segmentation into homogeneous cohorts. In performing these procedures we further considered whether there were any indications of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows. We also challenged whether the potential impact of economic uncertainty had been appropriately incorporated into expected credit loss calculations.

In respect of the macroeconomic scenarios applied we engaged with an internal macroeconomic specialist to review the appropriateness of the shape of unemployment curves and the respective weightings attached to the curves. We benchmarked the unemployment economic variable against various external sources including Her Majesty's Treasury forecasts, Office for Budget Responsibility forecasts and other available data.

Within Vanquis Bank supported by our credit modelling specialists, we tested the valuation of both the Covid-19 in-model adjustment and the persistent debt PMA by evaluating the appropriateness of the methodology applied and the programming code used to calculate the adjustments. We also tested the input data used in the calculations by tracing it to source systems. We challenged the key assumptions made in the estimation of the adjustments, which are expressed as PD/LGD/ECL rate adjustments for a subset of receivables, by evaluating the appropriateness of the customer segments to which rate adjustments are applied and testing the calculations used to arrive at the rate adjustment values. We assessed whether the treatment of receivables where respective customers took payment holidays in 2020 complies with IFRS 9.

We assessed the appropriateness of the methodologies used to determine and quantify the adjustments required and the reasonableness of the key assumptions, with the support of our credit modelling specialists.

Within Moneybarn, in order to challenge the new model, we engaged our credit risk modelling specialists to perform a detailed review of the model methodology, compliance with IFRS 9 and the scripts used within the model.

We reviewed and challenged the judgements made around the determination of 'significant increase in credit risk' ('SICR') and 'default' definitions for those accounts which have been subject to a Covid-19-related payment holiday and challenged the completeness of PMAs in relation to payment holiday customers.

We engaged our credit risk modelling specialists to challenge the completeness of PMAs identified to address further risks not captured in the core provision for expected credit losses. We tested the mechanical accuracy of PMA calculations and tested the underlying data used in the calculations back to supporting documentation.

We assessed whether the prior period restatement met the criteria for a prior period error under IAS 8. We challenged the appropriateness of the definition of default with reference to historic customer cure data. We tested the accuracy and completeness of the restatement calculations and tested the underlying data back to customer correspondence.

Within the Home Credit Division we utilised our data analytics specialists to independently recalculate the year-end expected credit losses using management's cash collection curves.

We challenged the appropriateness of using the historic cash collection curves to forecast future performance, with input from our credit risk modelling specialists. We identified that the Home Credit Division customers that were most likely to exhibit additional credit risk as a result of the current economic environment are those currently in employment, who may be at risk of being made redundant; and those who own their own home and may be exposed to interest rate changes. We challenged management to consider collections performance on these specific cohorts, and we assessed whether there was indication of any credit risks not already captured in the core model.

We also challenged the completeness of the macroeconomic factors identified and incorporated into the model and challenged management's assessment that macroeconomic scenarios are not relevant for HCD as outlined in the accounting policies on page 184.

5. Key audit matters continued

5.1. Estimation of expected credit losses in Vanquis Bank, Moneybarn and Home Credit Division continued

Key observations	Based on our substantive testing we found that the provision for expected credit losses is appropriate. We considered the macroeconomic assumptions and weightings used by management to be appropriate and the data used in the models to be accurate.

5.2. Provision for liabilities under the Scheme of Arrangement in the Consumer Credit Division

Key audit matter description	As a result of the increased volume of complaints received within CCD during 2020, the Group has decided to pursue a Scheme of Arrangement in relation to redress claims arising from customer credit-worthiness complaints based on historic lending by CCD. At 31 December 2020 management has recognised a provision of £65.0m (2019: £nil) to reflect the total value of the £50.0m of funds committed under the Scheme of Arrangement, and £15.0m of costs associated with the Scheme. There is judgement as to whether a provision should be recorded for the amounts committed under the Scheme as it was not announced until after the reporting date. Management have recognised a provision on the basis that the obligating event was the misselling of the product (which occurred prior to the reporting date), there is a probable outflow and the amount can be reliably estimated. Management was required to make further judgements, as set out in the accounting policies on page 185, in order to determine the expected cash outflows in respect of customer redress claims and the associated costs and therefore the appropriate level of provision to be recognised. Further detail is set out in note 25 and within the Audit Committee report on page 137.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls surrounding the determination of the provision. We engaged our specialists to assist with our challenge of management's assessment of the likelihood that the Scheme will be approved by the creditors, and to review documentation and correspondence related to the Scheme. We held bilateral meetings with the FCA to enhance our understanding of its position on the Scheme. We have challenged management's recorded provision against the requirements of IAS 37, including: whether the announcement of the Scheme subsequent to the balance sheet date indicates that the funds committed under the Scheme should be recorded as a provision at the balance sheet date; and whether the costs associated with the Scheme are directly attributable to the settlement of complaints and should be recorded as a provision at the balance sheet date. We also evaluated whether the provision disclosures contained within note 25 were appropriate and in accordance with the requirements of IAS 37.
Key observations	We concur with management's assessment that the amount of funds committed under the Scheme reflects management's best estimate for those complaints not yet received at the balance sheet date and the costs associated with the Scheme are directly attributable to the settlement of complaints. The valuation of the provision was found to be reasonable and the disclosures are in line with the requirements of IAS 37.

5. Key audit matters continued

5.3. Revenue recognition in Vanquis Bank

Key audit matter description	VB's primary source of revenue is interest accrued on credit card receivables. VB pays directly attributable acquisition costs ('DAC') to affiliates for new customer bookings originated through them. Following the change in the accounting policy in the prior year, DAC are capitalised and amortised over the average behavioural life of a credit card account. The amortised portion of DAC is recognised as a reduction in revenue and amounted to £10.8m (2019: £7.8m). Having performed our risk assessment, we identified a key audit matter relating to the appropriateness of the behavioural life assumption used to amortise DAC. Management has assumed a behavioural life of five years (2019: five years). Covid-19 introduced an additional uncertainty to the estimation of behavioural life due to the significant impact the pandemic has had on the UK economy and customer spending patterns, as well as due to the measures taken by the UK government to stimulate the economy in response to Covid-19. Further detail is set out in the accounting policies on page 179 and notes 1 and 2 of the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the management review control over the appropriateness of the behavioural life assumptions. We have obtained and inspected management's behavioural life judgement paper and evaluated the appropriateness of the approach used. We also evaluated whether the impact of future expected increases in charge-offs as a result of the Covid-19 pandemic had been appropriately considered. With the support of our credit risk modelling specialists, we tested data extracts used by management to perform the behavioural life analysis by reviewing the report code and parameters. We have reconciled input data used in management's analysis to source data extracts for a sample of items.
Key observations	Based on the procedures performed above, we concluded that the behavioural life assumptions used were appropriate.

5.4. Valuation of the pension obligation

Key audit matter description	Under IAS 19, the value of the Group's defined benefit pension scheme is recognised on the Group's balance sheet, reflecting the fair value of the assets and an actuarial valuation of the liabilities of the scheme at the balance sheet date. We identified the significant risk of material misstatement as the valuation of the pension obligation of £853.3m (2019: £764.6m). This valuation involves judgements in relation to inflation, discount and mortality rates. The most critical element identified was the discount rate assumption as set out in the sensitivity analysis in note 19. Further detail in respect of these assumptions is set out in the accounting policies on page 185 and note 19 of the financial statements and within the Audit Committee report on page 137.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls surrounding the determination of the discount rate and other inputs used in the pension valuation. We used internal actuarial specialists to assist us in evaluating the appropriateness of the principal actuarial assumptions used in the calculation of the pension obligation being the discount rate, mortality rates and inflation rates. This involved benchmarking management's assumptions against those used by a range of organisations as at 31 December 2020 and considering the consistency of those judgements compared to the prior year.
Key observations	All assumptions, including the discount rate adopted by management, are within what we considered to be an acceptable range.

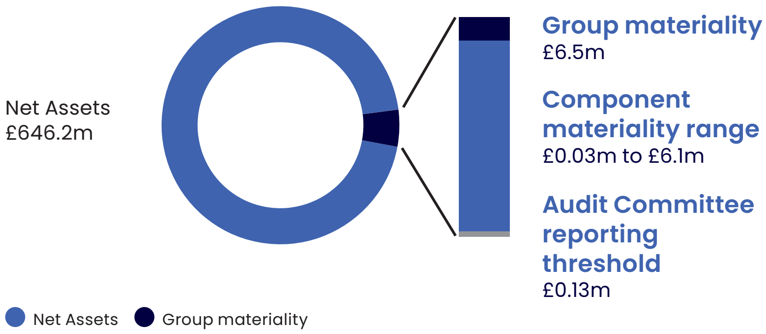
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6.5m (2019: £8.1m)	£6.1m (2019: £6.5m)
Basis for determining materiality	1% of net assets (2019: 5% of profit before tax and exceptional items).	
Rationale for the benchmark applied	We have revised our benchmark upon which materiality is determined in the current year due to the volatility of the Group's and parent company's results during the Covid-19 pandemic. We considered that net assets represents a more stable and relevant measure used by investors, regulators and other stakeholders when assessing the performance and longer term prospects of the Group and parent company as well as the importance of net assets to the Group's regulatory capital position.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2019: 70%) of Group materiality.	70% (2019: 70%) of parent company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered a number of factors, including: our understanding of the control environment and controls reliance obtained; our understanding of the business; and the number of uncorrected misstatements identified in the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.13m (2019: £0.20m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, and as in the prior year, our Group audit scope focused on all of the principal trading subsidiaries within the Group's three reportable segments which, together with the parent company, account for 100% of the Group's net assets. Moneybarn and the Consumer Credit Division are audited by separate engagement teams led by the Group audit partner; Vanquis Bank is audited by a separate component team, under the supervision of the Group team, which has maintained regular communication throughout the audit.

7.2. Working with other auditors

At the parent company level we tested the consolidation process. The Group audit team continued to monitor and liaise closely with all significant component audit teams. We included the component audit partner and team in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work. In addition, we held virtual meetings with component teams and with members of component management, and we reviewed component team working papers remotely.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Audit Committee on 20 February 2020;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including pensions, tax, valuations, share based payments, data analytics, information technology, prudential regulatory, fraud, macroeconomic specialists and credit risk modelling specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: estimation of expected credit losses, revenue recognition in VB, valuation of the pension obligation and the provision for customer redress in CCD. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, listing rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and by the Prudential Regulation Authority relating to regulatory capital and liquidity requirements, which are fundamental to the Group's ability to continue as a going concern.

11.2. Audit response to risks identified

As a result of performing the above, we identified estimation of expected credit losses, revenue recognition in VB, valuation of the pension obligation and the provision for customer redress in CCD as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Prudential Regulation Authority, the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern and longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 63;
- the directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 63;
- the directors' statement on fair, balanced and understandable set out on page 147;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 112;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 135; and
- the section describing the work of the Audit Committee set out on pages 133 to 137.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Directors on 29 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement of the firm is nine years, covering the years ending 31 December 2012 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Perkins (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
10 May 2021

In addition to statutory results and key performance indicators (KPIs) reported under International Financial Reporting Standards (IFRS), the Group provides certain alternative performance measures (APMs). These APMs are used internally by management and are also deemed helpful in understanding the Group's underlying performance. These non-statutory measures should not be considered as replacements for IFRS measures. The definition of these non-statutory measures may not be comparable to similarly titled measures reported by other companies.

APM	Method of calculation	Relevance
Adjusted profit before tax	A reconciliation of adjusted profit before tax to statutory profit before tax is shown below:	Adjusted profit before tax excludes the impact of amortisation of acquisition intangibles and exceptional items and is used to provide further clarity on the ongoing, underlying financial performance of the divisions and Group.

Year ended 31 December

	2020				2019 (restated[1])			
	Adjusted £m	Exceptionals £m	Amortisation £m	Statutory £m	Adjusted £m	Exceptionals £m	Amortisation £m	Statutory £m
Revenue	807.8	–	–	807.8	996.1	–	–	996.1
Finance costs	(71.5)	1.9	–	(69.6)	(72.0)	–	–	(72.0)
Net interest margin	736.3	1.9	–	738.2	924.1	–	–	924.1
Impairment	(360.1)	–	–	(360.1)	(344.5)	–	–	(344.5)
Risk-adjusted net interest margin	376.2	1.9	–	378.1	579.6	–	–	579.6
Operating costs	(423.3)	(60.8)	(7.5)	(491.6)	(426.8)	(26.3)	(7.5)	(460.6)
(Loss)/profit before tax	(47.1)	(58.9)	(7.5)	(113.5)	152.8	(26.3)	(7.5)	119.0
– Vanquis Bank	38.0				173.5			
– Moneybarn	10.9				21.1			
– CCD	(74.9)				(20.8)			
– Central costs	(21.1)				(21.0)			
Adjusted profit before tax	(47.1)				152.8			

Adjusted profit before tax is stated before £7.5m (2019: £7.5m) of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 and exceptional items.

Exceptional items in 2020 represent net exceptional charges of £58.9m (2019: £26.3m) and comprise:

	2020 £m	2019 £m
Release of provisions in respect of ROP refund programme (note 25)	8.3	14.2
Gain in respect of the redemption of bonds (note 21)	1.9	–
Proposed Scheme of Arrangement costs in CCD	(65.0)	–
Restructuring costs, primarily in respect of the ongoing turnaround of CCD	(2.0)	(19.3)
Costs in respect of the new holding company and change in control of certain subsidiaries (see note 18)	(1.4)	–
Pension charges in respect of GMP equalisation (note 19)	(0.7)	–
Bid defence costs associated with NSF's unsolicited offer for the Group	–	(23.8)
Release of provisions in respect of Moneybarn FCA investigation (note 25)	–	2.6
Total exceptional items	(58.9)	(26.3)

1 2019 comparatives have been restated for the change in definition of the point of default by Moneybarn. Following the scheduled review of the Moneybarn IFRS 9 model in late 2020, it was determined that the previous definition of default of 'termination of the vehicle' did not meet the requirements of IFRS 9. The change in the point of default from termination to three missed payments has resulted in higher impairment charges being recognised in current and prior periods. As revenue is calculated based on the net receivable in IFRS 9 stage 3, the change in the point of default has resulted in lower revenue as more accounts are considered defaulted. This does not impact profit before tax.

APM	Method of calculation	Relevance
Net interest margin (NIM)	Revenue less funding costs, excluding exceptional items, divided by the average receivables.	This measure shows the returns generated from customers to allow comparison to other banks and banking groups.
Risk-adjusted net interest margin	Net interest margin less impairment, excluding exceptional items, divided by average receivables.	This measure shows the returns from customers after impairment charges.
Adjusted basic earnings per share (EPS)	Profit after tax, excluding the amortisation of acquisition intangibles and exceptional items, divided by the weighted average number of shares in issue.	This is used to assess the Group's operational performance from continuing operations per ordinary share. It removes the effect of amortisation of acquisition intangibles and exceptional items.
Average receivables	Average of month-end receivables for the 12 months ended 31 December.	This is used to smooth the seasonality of receivables across the divisions in calculating performance KPIs.
Dividend cover	Adjusted basic earnings per share divided by dividend per share.	This shows the rate that the Company is paying its dividends out of earnings. The dividend policy will reflect the Board's risk appetite of maintaining a regulatory capital headroom in excess of £100m and the remaining transitional impact of IFRS 9.
Cost income ratio	Operating costs as a percentage of revenue for the 12 months ended 31 December.	This ratio is a measure of the efficiency of the Group's cost base.
Adjusted return on assets (ROA)	Adjusted profit before interest after tax as a percentage of average receivables.	This measures the return a company generates from its assets prior to the impact of funding strategy for each division.
Adjusted return on equity (ROE)	Adjusted profit after tax as a percentage of average equity. Equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments.	ROE shows the return being generated from the shareholders' equity retained in the business.
Adjusted return on required equity (RORE)	Adjusted profit/(loss) after tax divided by the Group's monthly average PRA regulatory capital requirement including PRA buffers for the period.	This demonstrates how well the Group's returns are reinvested and is an indicator of its growth potential.
Adjusted return on tangible equity (ROTE)	Adjusted profit/(loss) after tax, divided by average tangible equity. Average tangible equity reflects average equity over the period less intangible assets and goodwill.	This demonstrates how well the Group's returns are generated from its tangible equity, removing the impact of whether development has occurred through organic or inorganic growth.
Customer satisfaction	The percentage of customers surveyed who are satisfied (or more than satisfied) with the service they have been provided.	
Common equity tier 1 (CET1) ratio	The ratio of the Group's regulatory capital to the Group's risk-weighted assets measured in accordance with CRD IV.	
Funding headroom	Committed bank and debt facilities less borrowings on those facilities.	This represents the difference between the total amount of committed contractual debt facilities provided by banks, bond holders and other lenders and the amount of funds drawn on those facilities plus cash held on deposit.

Glossary

3LOD	Three Lines of Defence
ABS	Asset-Backed Security
AGM	Annual General Meeting
APR	Annual Percentage Rate
BOE	Bank of England
CBI	Central Bank of Ireland
CCD	Consumer Credit Division
CCE	Customer, Culture and Ethics Committee
CCE	Cultural, Care and Ethics
CEM	Customer Experience Managers
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Finance Officer
CJRS	Coronavirus Job Retention Scheme
CLI	Credit Line Increase
CMC	Claim Management Company
CPA	Continuous Payment Authority
CPC	Corporate Planning Conference
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSOP	Company Share Option Plan
CSR	Corporate Social Responsibility
DAM	Delegated Authorities Manual
DBP	Deferred Bonus Plan
DJSI World	Dow Jones Sustainability World Indices
DPO	Data Protection Officer
DRP	Directors' Remuneration Policy
DRR	Directors' Remuneration Report
DT	Default Termination
DTR	Disclosure Guidance and Transparency Rules
DWF	Discount Window Facility
EAD	Exposure at Default
EAP	Employee Assistance Programme
EBT	Employee Benefit Trust
ECL	Expected Credit Losses
EIR	Effective Interest Rate
EMS	Environmental Management Systems
EPS	Earnings Per Share
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Corporate Governance
EWI	Early Warning Indicators
FCA	Financial Conduct Authority
FLCR	First Line Control Review
FOS	Financial Ombudsman Service
FY	Financial Year
GERC	Group Executive Risk Committee
GM	General Meeting
GRC	Group Risk Committee
HMRC	Her Majesty's Revenue and Customs
HQLA	High Quality Liquid Assets
HR	Human Resources
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
KPI	Key Performance Indicators
LBT	Loss Before Tax
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Inter-bank Offered Rate
LSO	Liquidity Support Operations
LTIS	Long Term Incentive Scheme
MB	Moneybarn
MP	Member of Parliament
NEET	Not in Education, Employment or Training
NHS	National Health Service
NIM	Net Interest Margin
OCI	Other Comprehensive Income
ORB	Order Book for Retail Bonds
PBT	Profit Before Tax
PD	Probability Default
PFEP	Provident Financial Equity Plan
PFG	Provident Financial Group plc
PFH2	Provident Financial Holdings No. 2
PFMSL	Provident Financial Management Services Limited
PRA	Prudential Regulation Authority
PSD2	Payment Services Directive
PSP	Performance Share Plan
RAF	Risk Appetite Framework
RAM	Risk-Adjusted Margin
RBA	Role-Based Allowance
RCF	Revolving Credit Facility
RemCo	Remuneration Committee
RMF	Risk Management Framework
ROE	Return on Equity
ROP	Release of Provisions
RORE	Return on Required Equity
ROTE	Return on Tangible Equity
RSP	Restricted Share Plan
RTW	Return to Work
SAYE	Save As You Earn
SDG	Sustainable Development Goals
SICR	Significant Increase in Credit Risk
SID	Senior Independent Director
SIP	Social Impact Programme
SIP	Share Incentive Plan
SMCR	Senior Managers and Certification Regime
SMF	Sterling Monetary Framework
SONIA	Sterling Overnight Index Average
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Term Funding for Small and Medium Enterprises
TSR	Total Shareholder Return
UN	United Nations
UURBS	Unfunded Unapproved Retirement Benefits Scheme
VBC	Vanquis Bank Cards
VLOG	Video Log
VREQ	Voluntary Requirements Notice
VT	Voluntary Termination

Share price

The Company's shares are listed on the London Stock Exchange under share code 'PFG.L'. The share price is quoted daily in a number of national newspapers and is available on the Group's website at www.providentfinancial.com.

Tax on dividends

The following information is intended to provide general guidance to individuals who are tax resident in the UK. It does not constitute professional advice. Shareholders who are in any doubt as to their personal tax position should seek their own professional advice, as should shareholders who are not resident in the UK.

For UK resident individuals, the tax treatment of dividends depends on whether the dividends are received before or after 5 April 2016.

Dividends received on or before 5 April 2016

A UK tax resident individual shareholder who receives a dividend prior to 5 April 2016 will be subject to tax on the dividend as follows:

- The cash dividend you receive (the amount paid into your bank account) is grossed up for a notional 10% tax credit so that you are taxed on a gross dividend of 10/9ths of the cash dividend you receive.
- The gross dividend is then taxed as follows:
  - 10% for basic rate taxpayers;
  - 32.5% for higher-rate taxpayers; and
  - 37.5% for additional rate taxpayers.
- You can then deduct the notional 10% tax credit.
- The overall result, after deducting the notional tax credit, is that you will have suffered an effective rate of tax on the cash dividend you receive of:
  - 0% for basic rate taxpayers;
  - 25% for higher-rate taxpayers; and
  - 30.56% for additional rate taxpayers.

Dividends received on or after 6 April 2016

For dividends received after 6 April 2016 the notional tax credit is abolished.

Instead, a UK tax resident individual shareholder will be taxed on the total cash dividends you receive (the amount paid into your bank account) above the new £5,000 annual tax-free dividend allowance at the following rates:

- 7.5% for basic rate taxpayers;
- 32.5% for higher-rate taxpayers; and
- 38.1% for additional rate taxpayers.

The dividend allowance means that you can receive certain amounts of dividends tax free no matter what other non-dividend income you have in the tax year. The dividend allowance for the tax years from 2015/16 to 2016/17 was £5,000. This allowance has reduced to £2,000 in the 2018/19 tax year.

Registrar

The Company's registrar is:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Shareholder helpline

For information relating to your shares call:
+44 (0)371 664 0300

Website helpline

For information on using this website call:
+44 (0)371 664 0391

Calls to 0371 are charged at the standard geographic rate and will vary by provider.

Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Link Signal Hub

Link Asset Services offers a share portal service which enables registered shareholders to manage their Provident Financial plc shareholdings quickly and easily online. Once registered for this service, you will have access to your personal shareholding and a range of services including: setting up or amending dividend bank mandates, proxy voting and amending personal details. For further information visit www.linksignalhub.com.

Link Dividend Reinvestment Plan

Link Asset Services offers a Dividend Reinvestment Plan whereby shareholders can acquire further shares in the Company by using their cash dividends to buy additional shares. For further information contact Link Asset Services:

Telephone: 0371 664 0381 (from within the UK)

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Telephone: +371 664 0381 (from outside the UK)

Special requirements

A PDF version of the full Annual Report and Financial Statements is available on our website.

Advisors

Independent auditor

Deloitte LLP
4 Brindley Place
Birmingham
B1 2HZ

Company advisors and stockbrokers

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Barclays
1 Churchill Place
Canary Wharf
London
E14 5HP

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London
EC2A 2EG

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

TLT LLP
1 Redcliff Street
Bristol
BS1 6TP

Company details

Registered office
and contact details:

Provident Financial plc
No. 1 Godwin Street
Bradford
West Yorkshire
England
BD1 2SU

Telephone:
+44 (0)1274 351 351

Fax:
+44 (0)1274 730 606

Website:
www.providentfinancial.com

Company number

668987

MIX
Paper from responsible sources
FSC® C016486
FSC www.fsc.org

WORLD LAND TRUST™
CARBON BALANCED PAPER
www.carbonbalancedpaper.com
CBP006927

Provident Financial Group plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Matt Plus, an FSC® certified material. This document was printed by CPI Group using its environmental print technology, which minimises the impact of printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.

Produced by
designportfolio

Provident Financial Group

Provident Financial plc
No. 1 Godwin Street
Bradford
BD1 2SU
United Kingdom

+44 (0)1274 351 351

www.providentfinancial.com

Company number 668987

View and download
the online version here:
www.providentfinancial.com/
shareholder-hub/annual-
report-2020