ELECTRONIC TRANSMISSION DISCLAIMER

IMPORTANT: You must read the following disclaimer before continuing.

The following disclaimer applies to the attached document following this page you are therefore advised to read this carefully before reading, accessing or making any other use of the attached document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Provident Financial plc (the "**Company**"), Barclays Bank PLC ("**Barclays**"), J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) ("**J.P. Morgan**") (each an "**Underwriter**" and together the "**Underwriters**") as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document (electronically or otherwise) to any other person.

The document and the offer when made are only addressed to and directed at persons in member states of the European Economic Area ("**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State of the European Economic Area) and any implementing measure in each relevant Member State of the EEA (the "**Prospectus Directive**") ("**Qualified Investors**"). In addition, in the United Kingdom ("**UK**"), this document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This document must not be acted on or relied on (i) in the UK, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the UK, relevant persons, and (ii) in any member state of the EEA other than the UK, Qualified Investors, and will be engaged in only with such persons.

THE SECURITIES REFERENCED IN THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") AS DEFINED IN AND IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR IN ANY OTHER JURISDICTION OTHER THAN THE UNITED KINGDOM AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your representation: By accepting electronic delivery of this document, you are deemed to have represented to the Company and the Underwriters that (i) you are acting on behalf of, or you are either (a) an institutional investor outside the United States (as defined in Regulation S under the Securities Act), or (b) in the United States and a QIB that is acquiring securities for your own account or for the account of another QIB; (ii) if you are in the UK, you are a relevant person; (iii) if you are in any member state of the EEA other than the UK, you are a Qualified Investor; (iv) the securities acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or

resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive); (v) if you are outside the US, UK and EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Underwriters or any of their respective affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and any hard copy version. By accessing the linked document, you consent to receiving it in electronic form.

A hard copy of the document will be made available to you only upon request.

You are reminded that this document has been made available to you solely on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

None of the Underwriters or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the issuer or the offer. The Underwriters and any of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this document.

The Underwriters are acting exclusively for the Company and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

THIS PROSPECTUS AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the "FSMA") if you are in the UK or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 22 March 2018 (the "**Ex-Rights Date**") please send this Prospectus, together with any Provisional Allotment Letter, duly renounced, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus and in the Provisional Allotment Letter, if and when received.

This Prospectus, which comprises a prospectus relating to the Rights Issue prepared in accordance with the Prospectus Rules made under section 73A of the FSMA, has been approved by the Financial Conduct Authority (the "**FCA**") in accordance with Section 85 of the FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. The Existing Ordinary Shares are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. (London time) on 22 March 2018.

PROVIDENT FINANCIAL PLC

(incorporated and registered in England and Wales with registered number 00668987)

17 for 24 Rights Issue of 104,998,731 New Ordinary Shares
at 315 pence per New Ordinary Share

Barclays
Joint Global Co-ordinator and Joint Bookrunner

J.P. Morgan Cazenove
Sole Sponsor, Joint Global Co-ordinator and Joint Bookrunner

Your attention is drawn to Part I "*Letter from the Chairman of Provident Financial plc*" which is set out on pages 80 to 95 of this Prospectus. You should read the whole of this Prospectus, the Provisional Allotment Letter and the documents (or parts thereof) incorporated herein by reference. Shareholders and any other persons contemplating a purchase of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares should review the risk factors set out on pages 21 to 67 of this Prospectus for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Rights Issue and deciding whether or not to purchase the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 9 April 2018 (in the event of acceptance or instruction by return of a Provisional Allotment Letter) or 11.00 a.m. on 9 April 2018 (in the event of acceptance by settlement of an MTM instruction in CREST). The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus and, for Qualifying non-CREST Shareholders only, also in the Provisional Allotment Letter which is being despatched on 21 March 2018. Qualifying CREST Shareholders should refer to paragraph 2.2 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus. If you have questions on the procedure for application and payment you should contact the Receiving Agent. The Receiving Agent cannot provide advice on the merits of the proposals or give any financial, legal or tax advice. Further information is set out in "*Where to find help*" on page iii.

Qualifying non-CREST Shareholders are being sent a Provisional Allotment Letter on 21 March 2018 and Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on as soon as practicable after 8.00 a.m. on 22 March 2018. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission.

The Underwriters and their respective affiliates may, acting as investors for their own account, in accordance with applicable legal and regulatory provisions, and subject to the provisions of the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this Prospectus to Nil Paid Rights, Fully Paid Rights or New Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors for their own account. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares.

The distribution of this Prospectus and/or any Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares into a jurisdiction other than the United Kingdom may be restricted by law and therefore persons into whose possession this Prospectus and/or any related documents comes should inform themselves about and

observe any such restrictions. In particular, this Prospectus and the Provisional Allotment Letter should not be distributed, forwarded to or transmitted in, into or from any of the Excluded Territories or into any other jurisdiction where the extension or availability of the Rights Issue would breach any applicable law. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Barclays Bank PLC ("**Barclays**") and J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove, ("**J.P. Morgan Cazenove**") which are each authorised by the Prudential Regulation Authority (the "**PRA**") and regulated by the FCA and the PRA in the United Kingdom, (together, the "**Underwriters**"), are acting exclusively for the Company and no one else in connection with the Rights Issue and will not regard any other person as a client in relation to the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in connection with the Rights Issue or any other matter, transaction or arrangement referred to herein.

The Underwriters and certain of their respective affiliates have from time to time engaged in, are currently engaged in, and may in future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. They have received and will receive customary fees and commissions for these transactions and services. In addition, Barclays is one of the RCF Lenders (as defined herein) and each of Barclays and JPMorgan Chase Bank, N.A., London Branch is a Bridge Lender (as defined herein). Each of Barclays and Cazenove may have performed its own credit analysis on the Company. The Company intends to use a portion of the net proceeds from the Rights Issue to repay the Bridge Facility in full and to make repayments under the Revolving Credit Facility (each as defined herein).

Investors should only rely on the information contained in this Prospectus and the documents (or parts thereof) incorporated herein by reference. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company or any of the Underwriters. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and its subsidiaries and subsidiary undertakings from time to time (together, the "**Provident Financial Group**") since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA, neither of the Underwriters accept any responsibility whatsoever for, or make any representation or warranty, express or implied, for or in respect of the contents of this Prospectus, including its accuracy, completeness or verification or regarding the legality of an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares by an offeree or purchaser thereof under the laws applicable to such offeree or purchaser or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, or Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters, New Ordinary Shares or the Rights Issue, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of the Underwriters accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Prospectus or any such statement.

None of the Company or the Underwriters, or any of their respective representatives, is making any representation to any offeree or purchaser of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares regarding the legality of an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares. The investors acknowledge that they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision.

Information to Distributors

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

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

Each distributor is responsible for undertaking its own target market assessment in respect of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares and determining appropriate distribution channels.

Notice to Overseas Shareholders

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the US Securities Act, or under any securities laws of any state or other jurisdiction of the United States, or any relevant laws of any of the Excluded Territories, and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within the United States (except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States), or any of the Excluded Territories (except pursuant to applicable exemptions). There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares in the United States or any of the Excluded Territories.

None of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the New Ordinary Shares, this Prospectus nor any other offering document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE EXCLUDED TERRITORIES. This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares offered by any person in any jurisdiction in which such an offer or solicitation is unlawful. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the relevant laws of any state, province or territory of any of the Excluded Territories and may not be offered, sold, taken up, exercised, renounced, resold, transferred or delivered, directly or indirectly, within any Excluded Territory except pursuant to an applicable exemption.

The Underwriters may arrange for any New Ordinary Shares not taken up in the Rights Issue to be offered and sold only (i) outside the United States in accordance with Regulation S under the US Securities Act or (ii) inside the United States to persons reasonably believed to be "qualified institutional buyers" ("**QIB**") within the meaning of Rule 144A under the US Securities Act in reliance on an exemption from the registration requirements of the US Securities Act. Prospective investors are hereby notified that such sellers of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

In addition, until 40 days after Admission, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act, if such offer, sale or transfer is made otherwise than in accordance with Rule 144A under the US Securities Act.

Subject to certain exceptions, neither this Prospectus nor any accompanying documents nor any Provisional Allotment Letter will be posted to any person with a registered address in the United States or in any of the Excluded Territories. All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this Prospectus or any Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus. Overseas Shareholders should also refer to the "*Important Information*" section of this Prospectus.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act. In order to permit compliance with Rule 144A under the US Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of any holder or beneficial owner of a share, or any prospective purchaser of a share designated by a holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the US Securities Act if at the time of such request it is neither subject to section 13 or section 15(d) of the US Securities Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares are not transferable, except in accordance with, and the distribution of this Prospectus is subject to, the restrictions set out in paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus, each offeree of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares agrees to the foregoing.

General Notice

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

The contents of the websites of the Provident Financial Group do not form part of this Prospectus.

Capitalised terms have the meanings ascribed to them in Part XV "*Definitions*" of this Prospectus.

Dated: 27 February 2018

WHERE TO FIND HELP

If you have any questions relating to the Rights Issue, and the completion and return of the Provisional Allotment Letter, please contact Link Asset Services ("**Link**") on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

In addition, see Part II "*Questions and Answers on the Rights Issue*" of this Prospectus for further information.

CONTENTS

	Page
SUMMARY	1
RISK FACTORS	21
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	68
RIGHTS ISSUE STATISTICS	69
IMPORTANT INFORMATION	70
DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS	79
PART I LETTER FROM THE CHAIRMAN OF PROVIDENT FINANCIAL PLC	80
PART II QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE	96
PART III TERMS AND CONDITIONS OF THE RIGHTS ISSUE	104
PART IV BUSINESS	132
PART V RISK MANAGEMENT	177
PART VI REGULATION	190
PART VII INDUSTRY	200
PART VIII HISTORICAL FINANCIAL INFORMATION	205
PART IX SELECTED FINANCIAL INFORMATION	207
PART X OPERATING AND FINANCIAL REVIEW	210
PART XI CAPITALISATION AND INDEBTEDNESS	252
PART XII UNAUDITED PRO FORMA FINANCIAL INFORMATION	253
PART XIII TAXATION	257
PART XIV ADDITIONAL INFORMATION	265
PART XV DEFINITIONS	312

SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These elements are numbered in Sections A-E (A.1 – E.7).*

The summary contains all the Elements required to be included in a summary for this type of issuer and securities. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of issuer and securities, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings

Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on a consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Any consents to and conditions regarding use of this Prospectus	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to use this Prospectus for subsequent sale or final placement of securities by financial intermediaries.

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal name Commercial name	Provident Financial plc (the "**Company**") Provident
B.2	Domicile and legal form of the issuer	The Company was incorporated in England and Wales on 31 August 1960 under the Companies Act 1948 as a company limited by shares. The Company is registered under company number 00668987. The Company was re-registered as a public limited company on 31 December 1981 and renamed Provident Financial plc on 10 December 1990. The principal laws and legislation under which the Company operates and under which the Existing Ordinary Shares were created are laws of England and Wales including the Companies Act. The Company is domiciled in the UK. The registered office of the Company is at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU (telephone number: +44 1274 351 351).

Element	Disclosure requirement	Disclosure
B.3	Nature of the issuer's current operations and its principal activities	The core business of the Provident Financial Group is to supply credit in a responsible manner to non-standard credit market customers, being those with lower incomes, those with no credit history or a very limited credit history and those who have had problems with credit in the past but are now over those problems. The Provident Financial Group operates through three divisions which focus on different products to service the non-standard lending market: (i) Vanquis Bank, which primarily offers credit cards; (ii) the Consumer Credit Division ("**CCD**"), encompassing Provident, which provides home collected credit products, and Satsuma, which provides on-line unsecured loans; and (iii) Moneybarn, which provides vehicle finance.
B.4a	Significant recent trends	The non-standard finance sector in the UK is subject to extensive legislation and regulation and the FCA has recently announced various changes and launched a number of consultations related to potential rule changes and/or market studies which could impact the non-standard finance market, including: (i) consulting on plans to replace certain retained provisions of the CCA; (ii) consulting on persistent debt and earlier intervention remedies, which may impact Vanquis Bank's future credit card application acceptance rates and its ability to offer credit card credit line increases in a manner above what has been anticipated by Vanquis Bank; (iii) consulting on assessing creditworthiness in consumer credit, in which the FCA has proposed to amend its rules and guidance with regards to creditworthiness; and (iv) further consulting on high-cost short-term credit (as offered by the Provident Financial Group through the Provident Financial Group's Home Credit business). On 16 January 2018, the Provident Financial Group released a trading update which disclosed the expectation of a pre-exceptional pre-tax loss for CCD of approximately £120 million, consistent with the upper end of the guidance previously issued on 22 August 2017. Management believes that the actions taken in implementing the recovery plan have delivered a significant improvement in customer service and operational performance in the Home Credit business since August 2017, but the rate of reconnection with those Home Credit customers whose relationship had been adversely impacted following the poorly executed migration to the new operating model in July 2017 was at the lower end of expectations through the fourth quarter of 2017. As part of an ongoing process of reviewing its cost base, the Home Credit business also announced on 16 January 2018 a proposed rationalisation of its central support functions, in order to align the cost base of the Home Credit business to its newly reduced size. In addition, with respect to its new operational model, the Home Credit business expects to secure improvements in the effectiveness and efficiency of its field organisation as well as its customer service. Settlement has been reached with the FCA in relation to its investigation into Vanquis Bank's ROP, with Vanquis Bank accepting that it had breached Principle 6 (Customers' interests) and Principle 7 (Communications with clients) of the

Element	Disclosure requirement	Disclosure
		FCA's Principles for Businesses between 1 April 2014 and 19 April 2016 in relation to its telephone sales of Vanquis Bank's ROP. Pursuant to the settlement: (i) Vanquis Bank has agreed to pay a financial penalty of £1,976,000, (ii) the FCA has required Vanquis Bank to pay restitution of £11,876,000 on the agreed basis to customers who opted into the ROP after 1 April 2014, and (iii) Vanquis Bank has voluntarily agreed to pay restitution of £156,905,000 on the agreed basis to customers who opted into the ROP from inception of the ROP in 2003 to 31 March 2014, notwithstanding that this is a period before the FCA regulated consumer credit activities. The restitution payments are to refund those customers with the interest element of the ROP from the inception of ROP in 2003 up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. The agreed settlement and basis of restitution is in respect of a failure by Vanquis Bank to disclose during the sales call that the charges for the ROP will be treated as a purchase and therefore bear interest (this meant that the ROP fee attracted interest at the card rate which was compounded unless the account balance was paid in full at the end of each month). In connection with this the Provident Financial Group has taken a provision of £172.1 million in its audited consolidated financial statements for the year ended 31 December 2017. Vanquis Bank will be working with the FCA on a plan to resume sales of a ROP to new customers. In the fourth quarter of 2017 new customer bookings in Vanquis Bank were 93,000, a decrease of 20.0 per cent when compared to the same period in 2016. This reduction reflects tighter underwriting standards during the third quarter of 2017, in response to heightened macroeconomic uncertainty. These higher standards have led to a reduction in booking volumes by approximately 10 per cent. Furthermore, within CCD, administrative and operating costs have reduced from £278.3 million in the year ended 31 December 2015 to £253.4 million in the year ended 31 December 2017, reflecting both the repositioning of the Home Credit business to a smaller business together with cost efficiencies resulting from the deployment of hand held technology. These cost efficiencies have been partly offset by additional investment in IT, risk, legal and compliance functions and the investment in Satsuma.
B.5	Group description	The Company is the ultimate holding company of the Provident Financial Group. The Provident Financial Group is a leading lender in the non-standard credit market providing credit products tailored to the needs of customers who are unable to access credit from mainstream providers due to low or moderate incomes or a poor credit history. The Provident Financial Group operates through three trading divisions: Vanquis Bank, CCD and Moneybarn. The Company's interests in the business of Vanquis Bank are held directly through a 100 per cent. holding in Vanquis Bank Limited. The principal subsidiaries within CCD are Provident Financial Management Services Limited and Provident Personal Credit Limited. The Company's interests in Provident Personal Credit Limited are held indirectly through its 100 per cent. holding in Provident Financial Management Services Limited. Moneybarn comprises Duncton Group Limited, Moneybarn Group Limited, Moneybarn Limited and Moneybarn No.1 Limited. The Company's interests in Moneybarn Group Limited, Moneybarn Limited and Moneybarn No.1 Limited are held indirectly through its 100 per cent. holding in Duncton Group Limited.

<table>
<tr><th>Element</th><th>Disclosure requirement</th><th>Disclosure</th></tr>
<tr><td>B.6</td><td>Major shareholders</td><td>As at 22 February 2018 (being the latest practicable date prior to publication of this Prospectus), the Company had been notified that the following persons hold directly or indirectly 3 per cent. or more of the voting rights of the Company which are notifiable under the Disclosure Guidance and Transparency Rules or will do so immediately following the Rights Issue:</td></tr>
</table>

Name	Number of Ordinary Shares as at 22 February 2018	% of voting rights in respect of Ordinary Shares as at 22 February 2018	Number of Ordinary Shares following the Rights Issue[1]	% of voting rights in respect of Ordinary Shares following the Rights Issue
Invesco Limited	36,946,572	24.9	63,117,060	24.9
Woodford Investment Management Limited	34,149,354	23.0	58,338,479	23.0
Deutsche Bank AG	10,185,352	6.9	17,399,976	6.9
Schroders plc	8,244,338	5.6	14,084,077	5.6
Blackrock, Inc.	7,443,199	5.0	12,715,464	5.0
Marathon Asset Management LLP	6,691,469	4.5	11,431,259	4.5
The WindAcre Partnership LLC	5,820,885	3.9	9,944,011	3.9

(1) Assumes no sale or purchase of any Ordinary Shares held by such Shareholders, that the Shareholders take up all of their rights to New Ordinary Shares pursuant to the Rights Issue and the Shareholders do not participate in any sub-underwriting.

None of the Shareholders referred to above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

The Company is not aware of any person who immediately following Admission directly or indirectly, jointly or severally, will own or could exercise control over the Company.

<table>
<tr><td>B.7</td><td>Key financial information and narrative description of significant changes to financial condition and operating results of the Group during or subsequent to the period covered by the historical financial information</td><td>The selected financial information set out below relating to the Provident Financial Group has been extracted without material adjustment from the Provident Financial Group’s audited consolidated financial statements referred to in Part VIII “Historical Financial Information” of this Prospectus and incorporated by reference in this Prospectus:

In order to present information on a consistent basis with the presentation adopted in the consolidated financial statements of the Provident Financial Group for the year ended 31 December 2017, certain information in the Provident Financial Group’s consolidated income statement for the year ended 31 December 2016 and 31 December 2015 has been reclassified in the tables below. In the periods prior to the year ended 31 December 2017, impairment charges were included in the line item “Operating costs” in the Provident Financial Group’s consolidated income statement. “Impairment charges” is now</td></tr>
</table>

Element	Disclosure requirement	Disclosure
		shown as a separate line item in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017 while other operating costs are now combined with administrative costs in the line item "Administrative and operating costs" in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated income statement for the years ended 31 December 2016 and 2015 in the tables below differs from such comparable line items contained in the respective audited income statement contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "*Historical Financial Information*" of this Prospectus. For more information see "*Key Components of Provident Financial Group's Income Statement*" in Part X, "*Operating and Financial Review*" of this Prospectus.

Consolidated Income Statement

	For the year ended 31 December		
	2017[1]	2016	2015
	(£millions)		
Revenue	1,196.3	1,183.2	1,113.1
Finance costs	(77.0)	(81.7)	(80.0)
Impairment charges	(476.1)	(298.8)	(276.0)
Administrative and operating costs	(766.2)	(458.8)	(483.5)
Total costs	**(1,319.3)**	**(839.3)**	**(839.5)**
Adjusted profit before tax	109.1	334.1	292.9
Amortisation of acquisition intangibles	(7.5)	(7.5)	(7.5)
Exceptional items	(224.6)	17.3	(11.8)
Profit before taxation	**(123.0)**	**343.9**	**273.6**
Tax charge	(11.4)	(81.0)	(55.4)
Profit for the year attributable to equity shareholders	**(134.4)**	**262.9**	**218.2**

(1) In the periods prior to the year ended 31 December 2017, costs have been analysed between operating costs, administrative costs and finance costs on the face of the income statement. Operating costs, comprised impairment charges, agents' commissions and marketing and acquisition costs. Under the new Home Credit operating model agents' commissions have been replaced with salaries which is shown under administrative costs. The residual operating costs comprising marketing and acquisition costs have been incorporated within administrative and operating costs with 2016 and 2015 comparatives reclassified.

Set out below are details of significant changes in the financial condition and operating results of the Provident Financial Group for the years ended 31 December 2017, 31 December 2016 and 31 December 2015.

As an extension of the repositioning of the Home Credit business ongoing since 2013, on 31 January 2017 Provident announced a number of proposed changes to its operating model. The new model involved employing 2,500 full-time employed Customer Experience Managers (CEMs) to serve customers rather than 4,500 self-employed agents so as to take control of all aspects of the customer relationship, streamlining the field management structure by reducing headcount from around 800 to 400 and deploying further technology including

Element	Disclosure requirement	Disclosure
		routing and scheduling software to improve efficiency and effectiveness. However, the Home Credit business experienced higher operational disruption than planned between the announcement of the reorganisation and deployment of the new operating model due to higher than expected agent attrition which impacted collections performance and sales. Following the launch of the new operating model in July 2017, further significant disruption was experienced as the new model proved too prescriptive in the way the workforce was managed, removing the ability of local management to prioritise and allocate resources. In August 2017, CCD leadership began implementation of a recovery plan for the Home Credit business to re-establish relationships with customers, stabilise the operation of the business and improve collections performance. The recovery plan has stabilised the Home Credit business's operations and collections performance has shown continued improvement during the fourth quarter of 2017. However, as a result of the disruption experienced throughout 2017, the business has contracted and customer numbers and receivables ended 2017 at 527,000 and £352.2 million, respectively, down from 782,000 and £560.0 million, respectively at the end of 2016. As a result of provisions made by the Provident Financial Group in connection with the FCA's investigations into Vanquis Bank's ROP and Moneybarn, the Provident Financial Group's headroom has decreased as at 31 December 2017 in respect of certain of its financial covenants under its Revolving Facility Agreement and Term Loan Agreement and its and Vanquis Bank's regulatory capital positions. In the year ended 31 December 2017, revenue increased by 1.1 per cent. to £1,196.3 million (2016: £1,183.2 million). Growth was driven by increased revenue from Vanquis Bank and Moneybarn, largely reflecting increases in customer numbers and amounts receivable from customers. The increased revenue at Vanquis Bank reflects both an 11.3 per cent. increase in customer numbers as well as the effects of the newly launched credit line increase programme, made available to customers with sound payment histories. These developments served to offset both the continued decrease in ROP penetration at Vanquis Bank and the effect of a 33.2 per cent decrease in CCD receivables on Group revenue. Adjusted Profit Before Tax decreased by 67.3 per cent. to £109.1 million (2016: £334.1 million) and Adjusted ROA reduced to 6.9 per cent. (2016: 15.3 per cent.), the decreases in both cases reflecting the significant losses incurred within CCD as a result of the transition to the new operating model in Home Credit. In the year ended 31 December 2016, revenue increased by 6.3 per cent. to £1,183.2 million (2015: £1,113.1 million). Growth was driven by increased revenue from Vanquis Bank and Moneybarn, largely reflecting increases in customer numbers and amounts receivable from customers. Booking volumes at Vanquis Bank increased due to the launch of the Chrome credit card and a number of other actions to increase distribution whilst there was an increase in new business at Moneybarn due to changes to the product proposition, including lending up to a vehicle's retail value and reducing the

Element	Disclosure requirement	Disclosure

minimum loan amount from £5,000 to £4,000. Adjusted Profit Before Tax grew by 14.1 per cent. to £334.1 million (2015: £292.9 million). Adjusted ROA reduced to 15.3 per cent. (2015: 16.1 per cent.) primarily due to the impact of the 8 per cent. bank corporation tax surcharge on Vanquis Bank profits which became effective on 1 January 2016. The decrease in penetration of the ROP feature for Vanquis Bank continued in 2016 and sales were completely suspended in April 2016 due to the FCA investigation into ROP.

Balance Sheet

	As at 31 December		
	2017	**2016**	**2015**
		(£millions)	
ASSETS (current and non-current)[(1)]			
Amounts receivable from customers:			
Vanquis Bank	1,554.7	1,424.7	1,252.0
CCD	390.6	584.8	545.1
Moneybarn	364.1	297.3	219.6
Total amounts receivable from customers	2,309.4	2,306.8	2,016.7
Retirement benefit asset	102.3	72.4	62.3
Liquid asset buffer[(2)]	263.4	168.9	134.2
Other assets[(3)]	290.8	278.5	255.0
Total assets	**2,965.9**	**2,826.6**	**2,468.2**
LIABILITIES (current and non-current) [(1)]			
Bank and other borrowings[(4)]			
Retail deposits	(1,291.8)	(941.2)	(731.0)
Bank and borrowings	(882.3)	(913.9)	(865.2)
Total bank and other borrowings[(5)]	(2,174.1)	(1,855.1)	(1,596.2)
Other liabilities[(6)]	(256.7)	(181.4)	(164.3)
Total liabilities	**(2,430.8)**	**(2036.5)**	**(1,760.5)**
SHAREHOLDERS' EQUITY			
Share capital	30.7	30.6	30.5
Share premium	273.0	272.7	270.7
Other reserves	13.4	24.3	35.6
Retained earnings	218.0	462.5	370.9
Total equity	**535.1**	**790.1**	**707.7**
TOTAL LIABILITIES & EQUITY	**2,965.9**	**2,826.6**	**2,468.2**

(1) For the breakdown of current and non-current balances, see the consolidated financial statements of the Provident Financial Group for the years ended 31 December 2017, 2016 and 2015.

(2) Liquid assets buffer and other liquid resources held in the form of gilts and within the Bank of England reserve account by Vanquis Bank in satisfaction of the PRA's liquidity requirements and liquidity stress tests, specified in the ILAAP of Vanquis Bank. The buffer is not available to finance Provident Financial Group's day-to-day operations. As at 31 December 2017, the liquid assets buffer comprised £227.5 million disclosed within cash and cash equivalents (31 December 2016: £168.9 million, 31 December 2015: £134.2 million) and £35.9 million, representing UK government gilts with a maturity greater than 3 months, disclosed as an available for sale investment (31 December 2016: £nil, 31 December 2015: £nil).

(3) Other assets includes goodwill, other intangible assets, property, plant and equipment, available for sale investment and trade and other receivables.

(4) The consolidated balance sheet as at 31 December 2017 included "retail deposits" on the face of the balance sheet as a separate line item. Previously, all external borrowings held by the group have been shown as "bank and other borrowings" on the face of the balance sheet. Retail

Element	Disclosure requirement	Disclosure
		deposits are now disclosed separately on the face of the balance sheet with 2016 and 2015 comparatives reclassified. (5) Balance includes both current and non-current liabilities. (6) Other liabilities includes provisions, derivative financial instruments, trade and other payables, current tax liabilities, and deferred tax liabilities. The Provident Financial Group's amounts receivable from customers increased to £2,309.4 million as at 31 December 2017, as compared with £2,306.8 million as at 31 December 2016 and £2,016.7 million as at 31 December 2015. In 2017, Vanquis Bank's year-end receivables increased by 9.1 per cent., as a result of an increase in customer numbers of 11.3 per cent. and the effects of the credit line increase programme. CCD receivables were 390.6 million at 31 December 2017 (31 December 2016: £584.8 million). Home Credit receivables showed a decrease of 37.1 per cent. in 2017 due to the disruption arising from the transition to the new operating model. Moneybarn receivables increased by 22.5 per cent. to £364.1 million at 31 December 2017 as compared to £297.3 million at 31 December 2016, due to strong growth in new business volumes. In 2016, Vanquis Bank's year-end receivables grew by 13.8 per cent. as a result of growth in customer numbers of 8.7 per cent. together with the success of the credit line increase programme to good quality existing customers through the 'low and grow' approach to lending. CCD receivables comprised £584.8 million at 31 December 2016 (31 December 2015: £545.1 million). Home Credit receivables showed growth of 7.2 per cent. in 2016 reflecting the combination of robust demand and customer confidence together with the focus on serving good quality existing customers which resulted in a 9 per cent. year-on-year improvement in sales. Moneybarn receivables grew by 35.4 per cent. to £297.3 million at 31 December 2016 as compared to £219.6 million at 31 December 2015, due to strong growth in new business volumes. The Provident Financial Group's total borrowings increased to £2,174.8 million as at 31 December 2017, as compared with £1,855.1 million as at 31 December 2016 and £1,596.2 million as at 31 December 2015. The increase in total borrowings during the periods under review was primarily the result of the increased funding required to fund the growth in receivable from customers. Retail deposits taken by Vanquis Bank have increased to £1,291.8 million as at 31 December 2017, as compared with £941.2 million as at 31 December 2016 and £731.0 million as at 31 December 2015. The proportion of the Provident Financial Group's funding provided by retail deposits has increased from 45.8 per cent. to 59.4 per cent. from 31 December 2015 to 31 December 2017 as Vanquis Bank continues to work towards being fully funded by retail deposits.

Element	Disclosure requirement	Disclosure

Statements of cash flows

	For the year ended 31 December		
	2017	**2016**	**2015**
	(£millions)		
Net cash generated from/(used in) operating activities	(56.7)	11.7	81.5
Net cash generated from/(used in) investing activities	(66.9)	(10.6)	(25.6)
Net cash generated from/(used in) financing activities	184.8	78.2	(57.3)
Net increase/(decrease) in cash, cash equivalents and overdrafts	61.2	79.3	(1.4)
Total cash, cash equivalents and overdrafts[1]	**279.8**	**218.6**	**139.3**

(1) Cash, cash equivalents and overdrafts includes £227.5 million (31 December 2016: £168.9 million, 31 December 2015: £134.2 million) in respect of the liquid asset buffer, held by Vanquis Bank in accordance with the PRA's liquidity regime. In addition, a further £35.9 million of government gilts form part of the liquid assets buffer but are held as an available for sale investment (31 December 2016: £nil, 31 December 2015: £nil). This buffer is not available to finance Provident Financial Group's day-to-day operations.

The Provident Financial Group reached settlement on 27 February 2018 with the FCA in relation to its investigation into ROP within Vanquis Bank and is continuing to cooperate with the FCA with its ongoing investigation into Moneybarn and initial estimates are that the FCA will take up to 24 months to conclude their work. The total cost of redress and fines is estimated to be £172.1 million in respect of the Vanquis Bank investigation and the provision of £172.1 million taken by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 includes (i) the financial penalty to be paid by Vanquis Bank to the FCA (amounting to £1,976,000), (ii) the net amount of the restitution payments which Vanquis Bank has been required by the FCA to pay or which it has voluntarily agreed to pay to affected customers (amounting to £127.1 million), (iii) the operational costs associated with these payments (amounting to £12.3 million), and (iv) a contingency in respect of potential additional liability which may arise related to forward flow of complaints on ROP more generally as described below in connection with the ROP (amounting to £30.7 million). The aggregate payments agreed to be made by Vanquis Bank in respect of the FCA investigations and the estimated cost in respect of Moneybarn has materially adversely impacted both Vanquis Bank's and the Provident Financial Group's regulatory capital. As a result, the Provident Financial Group has concluded that it is necessary to take action to raise additional capital of £300 million by way of rights issue to meet the costs of resolving the investigation by the FCA into Vanquis Bank's ROP, restore the Provident Financial Group's prudent capital position, seek to maintain the Provident Financial Group's investment grade rating and re-establish normal access to funding from the bank and debt capital markets. The Rights Issue is expected to complete in April 2018 and has been fully underwritten on customary market conditions. During February 2018, the Provident Financial

Element	Disclosure requirement	Disclosure
		Group agreed certain amendments of certain covenants with its lenders under each of the Revolving Facility Agreement and the Term Loan Agreement. Subject to the success of the Rights Issue, the net proceeds of £300 million will be received on 10 April 2018 and £85 million of such proceeds will be used to repay a bridge facility provided by the underwriting banks, Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch. The Directors believe that completion of the Rights Issue will allow the group to re-establish normal access to funding from the bank and debt capital markets. Save as disclosed above, since the year ended 31 December 2017, there have been no significant changes to the financial condition and operating results of the Provident Financial Group.
B.8	Key *pro forma* financial information	The unaudited *pro forma* financial information has been prepared to show the effects of the receipt and application of the net proceeds of the Rights Issue on the Provident Financial Group's assets and liabilities and on certain capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis), as if the net proceeds had been received on 31 December 2017. This information, which is produced for illustrative purposes only, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Provident Financial Group's actual financial position or results following the Rights Issue. The unaudited *pro forma* financial information has been presented under the accounting policies of the Company. The unaudited *pro forma* financial information has been prepared on the basis set out in the notes below and in accordance with item 20.2 of Annex I to the Prospectus Directive. No account has been taken of any other results, other trading, or other activity of the Provident Financial Group for the period subsequent to 31 December 2017.

Element	Disclosure requirement	Disclosure

	31 December 2017 (Audited)[1]	Adjustments: Bridge Facility[2]	Adjustments: Rights Issue[3]	Proforma (Unaudited)
		£m		
ASSETS				
Non-current assets	612.0	—	50.0	612.0
Current assets				
Cash and cash equivalents	282,9	85.0	—	417.9
Other assets[5]	2,071.0	—	—	2,071.0
Total assets	**2,965.9**	**85.0**	**50.0**	**3,100.9**
LIABILITIES				
Current liabilities				
Total borrowings	(386.5)	(85.0)	—	(386.5)
Other liabilities[6]	(236.4)	—	—	(236.4)
Non-current liabilities	**(1,087.9)**	**—**	**165.0**	**(1,642.9)**
Total liabilities	**(2,430.8)**	**(85.0)**	**250.0**	**(2,265.8)**
NET ASSETS	**535.1**	**—**	**300.0**	**835.1**
CAPITAL MEASURES – PROVIDENT FINANCIAL GROUP[7]				
Common Equity Tier 1 Capital (Unaudited)	308.1	—	300.0	608.1
CET 1 ratio (Unaudited)[8]	14.5%	—	14.2%	28.7%
CAPITAL MEASURES – VANQUIS BANK[7]				
Common Equity Tier 1 Capital (Unaudited)	285.3	—	50.0	335.3
CET 1 ratio (Unaudited)[9]	21.6%	—	3.8%	25.4%

Notes:

(1) The financial information has been extracted without material adjustment from the Company's audited financial statements for the year ended 31 December 2017 (which are incorporated by reference into this Prospectus pursuant to Part VIII of this Prospectus), with the exception of the capital measures, which are noted as unaudited (Note 3). No account has been taken of the trading activity or other transactions of the Provident Financial Group which have occurred since 31 December 2017.

(2) The Provident Financial Group has entered into the Bridge Facility. The proceeds of £85 million are to be used to increase the liquid resources held by Vanquis Bank. On 26 February 2018, the Company and Vanquis Bank terminated the existing £140 million committed facility provided by the Company to Vanquis Bank and entered into the New Intercompany Facility. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility, with the remaining amount available for drawing in cash and anticipated to be fully drawn prior to the settlement of the Rights Issue and funded by borrowings under the Bridge Facility. The Bridge Facility is intended to be repaid from the proceeds of the Rights Issue as described in Note 3. The pro forma net assets statement does not take into account the fees and interest costs associated with the Bridge Facility.

(3) The net proceeds of the 17 for 24 Rights Issue of 104,998,731 New Ordinary Shares at 315 pence per new ordinary share (£300 million) after taking into account expenses expected to be incurred in connection with the Rights Issue of £31 million (inclusive of VAT). The net proceeds have been included as a reduction in borrowing (including borrowings under the Bridge Facility).

Element	Disclosure requirement	Disclosure
		(4) The Company will inject £50 million of the net proceeds of the Rights Issue into Vanquis Bank by way of a subscription of equity. (5) Other assets comprise financial assets available for sale investment, amounts receivable for customers and trade and other receivables. (6) Other liabilities comprise derivative financial instruments, trade and other payables and current tax liabilities (7) The capital measures include unaudited pro forma regulatory capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) before and immediately after the application of the proceeds of the Rights Issue, as if the Rights Issue had occurred on 31 December 2017. The 31 December 2017 unadjusted amounts and ratios for the Provident Financial Group have been extracted from the Company's financial statements for the year ended 31 December 2017 (which are incorporated by reference into this Prospectus pursuant to Part VIII of this Prospectus). The unadjusted amounts and ratios for Vanquis Bank are extracted from the accounting records of Vanquis Bank. For the purposes of calculating risk weighted assets, the information presented assumes proceeds of the Rights Issue are used to repay borrowings and do not affect risk weighted assets. (8) The CET 1 ratio is calculated as the Provident Financial Group's CET1 Capital divided by risk weighted assets. (9) The CET 1 ratio is calculated as Vanquis Bank's CET1 Capital divided by risk weighted assets.
B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate is made.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications to the audit reports on the historical financial information incorporated by reference into this Prospectus. However, the audit report relating to the Provident Financial Group's financial statements as at and for the year ended 31 December 2017 emphasises that, in light of the Rights Issue having not yet taken place, a material uncertainty exists with respect to Provident Financial Group's and the Company's ability to continue as a going concern.
B.11	Insufficient working capital	Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the Revolving Credit Facility, the Provident Financial Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	Pursuant to the Rights Issue, the Company is proposing to offer 104,998,731 New Ordinary Shares to Qualifying Shareholders at 315 pence per New Ordinary Share. When admitted to trading, the New Ordinary Shares will be registered with ISIN number GB00B1Z4ST84 and SEDOL number B1Z4ST8. The ISIN number for the Nil Paid Rights is GB00BFWVBY68 and the ISIN number for the Fully Paid Rights is GB00BFWVB680.
C.2	Currency	Pounds Sterling.

Element	Disclosure requirement	Disclosure
C.3	Number of shares issued	On 22 February 2018 (being the last practicable date prior to the publication of this Prospectus), the Company had 148,233,503 Existing Ordinary Shares of 20 $^{8}/_{11}$ pence each (fully paid) and the nominal share capital of the Company amounted to £30,724,762.
C.4	Description of the rights attached to the securities	The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares.
C.5	Description of any restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admission	Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities respectively. It is expected that Admission will become effective on 22 March 2018 and that dealings in New Ordinary Shares will commence, nil paid, as soon as practicable after 8.00 a.m. on that date.
C.7	Dividend policy	The Board consider that a target ROA of approximately 10 per cent. is a sustainable level of return for the Provident Financial Group as the Home Credit business moves to profitability in 2019, after taking account of the outcome of the FCA's investigation into the ROP, meeting forthcoming changes in regulation and delivering good customer outcomes. The Directors also believe that there are attractive growth opportunities available to each of the Provident Financial Group's businesses within the non-standard credit market which would allow for receivables growth of between 5 and 10 per cent. per annum, subject to economic conditions and maintaining the Provident Financial Group's minimum returns thresholds. Based on the target level of returns and maintaining an appropriate capital structure, the Provident Financial Group's dividend policy will be to maintain a dividend cover ratio of at least 1.4 times once the Home Credit Recovery Plan has been fully delivered during 2018. The Board remains strongly committed to the payment of future dividends and delivering long-term value to shareholders. The Provident Financial Group will therefore aim to restore dividends with a nominal initial dividend for the financial year ending 31 December 2018 before adopting a progressive dividend, in line with the above policy, from the financial year commencing 1 January 2019.

Section D – Risks		
Element	**Disclosure requirement**	**Disclosure**
D.1	Key information on the risks specific to the issuer	• The Provident Financial Group may be unsuccessful in implementing its Home Credit Recovery Plan based on a revised operating model and restoring customer service and collections performance to acceptable levels. The successful implementation of the Recovery Plan may be impacted by certain internal and external factors. If the Recovery Plan is not successful or if the anticipated future benefits from the revised operating model are not achieved in the timescales anticipated or at all, the Home Credit business could be materially and adversely impacted and further deteriorate, which in turn could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. • The use of employees rather than self-employed agents could put the Provident Financial Group's Home Credit business at a competitive disadvantage in the future. • The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's ROP beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017. In addition, Vanquis Bank's admission of breach of certain of its regulatory duties in connection with the ROP may have an adverse impact on Vanquis Bank's and the Provident Financial Group's reputation. Furthermore, no assurance can be given as to whether or when the ROP will be sold in the future, or that the historic revenues from sales, or the revenue yield, from the ROP will continue at the same level in the future. • If the Rights Issue were not to proceed and the Provident Financial Group were unable to obtain an alternative source of capital, the PRA could exercise any of its wide-ranging powers over the Provident Financial Group and/ or Vanquis Bank and/or there would, absent a waiver from the Provident Financial Group's lenders, be an event of default under the Bridge Facility and the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective, if the Underwriting Agreement ceases to be effective or is terminated in accordance with the terms of the Underwriting Agreement, which could result in Provident Financial Group being required to repay all outstanding amounts under the Bridge Facility, the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds. In such circumstances, any failure by the Provident Financial Group to repay such amounts could result in insolvency proceedings being initiated against the Provident Financial Group. • Provident Personal Credit Limited (the company which operates the Provident Financial Group's CCD business comprising Home Credit and Satsuma) and Provident Financial Management Services Limited (the company which, among other things, employs most of the staff of

Element	Disclosure requirement	Disclosure
		the Home Credit business) are each currently operating under an interim permission granted by the FCA with respect to their regulated consumer activities. Any failure by Provident Personal Credit Limited and/or Provident Financial Management Services Limited to obtain authorisation by the FCA would have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. • As the Provident Financial Group derives substantially all of its revenues from customers based or resident in the United Kingdom or the Republic of Ireland, changes in the political and economic environment in the UK and the Republic of Ireland may negatively impact the Provident Financial Group's performance. • The Provident Financial Group has been cooperating, and is in discussions, with the FCA in relation to its investigation into certain of Moneybarn's systems, controls and practices. • The Provident Financial Group's Home Credit operations in the Republic of Ireland are the subject of a risk mitigation programme agreed with the CBI. Failure to address the CBI's concerns may result in regulatory action including ultimately the revocation of its moneylending licence which could result in the cessation of the Provident Financial Group's Home Credit business in the Republic of Ireland. • The Provident Financial Group is subject to enhanced supervision by the FCA. There is a risk that the FCA may vary or cancel any of the Provident Financial Group's regulatory permissions and/or impose a requirement on any such permissions. Such cancellations, variations or limitations could be onerous and may affect the way in which the Provident Financial Group conducts its business and ultimately could require that the Provident Financial Group ceases to operate one or more of its businesses. • The Provident Financial Group is exposed to the credit risk of its customers. Any failure to accurately assess the credit risk of existing or prospective customers and/or make appropriate impairment provisions for the potential losses, may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. In addition, if the credit quality of the Provident Financial Group's customers deteriorates and/or the Provident Financial Group is unable to effectively control its levels of delinquencies in the future, if its current impairment policy is not effective or if it does not fully provide against future loan losses, its business, financial condition, results of operations, cash flows or prospects may be materially adversely affected. • Historic underinvestment in certain aspects of the telecommunications and IT systems and technology used by the Provident Financial Group's CCD businesses is likely to result in the need to carry out investment and

Element	Disclosure requirement	Disclosure
		upgrade programmes. Such programmes may cost more than expected, take longer than expected, or deliver less benefit than planned. In addition, knowledge of certain systems and platforms by personnel is concentrated and so the loss of any such personnel could lead to disruption to those systems and platforms. Furthermore, the Provident Financial Group's IT cost base is high as a result of its complex IT estate and high IT and technology related headcount and may remain so. • The Provident Financial Group is dependent upon its telecommunications and IT systems. Any disruptions or failures in the Provident Financial Group's telecommunications, technology and/or IT systems could have a material adverse effect on its business. • The Provident Financial Group is subject to material cyber security risks, including from the use of malware and ransomware and distributed denial of service attacks, and potential security breaches and is likely to continue to incur increased costs in an effort to manage those risks and to respond to cyber incidents. Furthermore, the Provident Financial Group, and in particular Satsuma and Vanquis Bank, may be unable to successfully anticipate, manage or adapt to technological advances within the non-standard finance industry, which could result in increased technology costs and loss of competitive advantage.
D.3	Key information on the risks specific to the securities	• The market price for the Ordinary Shares has been, and/or the market price for the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) could be subject to significant fluctuations due to a change in sentiment in the market towards them and/or securities of other companies in the same or similar sectors and may not always reflect the underlying asset value of the Company. • An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop on the London Stock Exchange. • Shareholders who do not, or are not permitted to, take up their full entitlement to New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company. • The Company may not be able to pay dividends in the future. In particular, Vanquis Bank's ability to pay any dividends, and the amount of any such dividends, to the Company at any time is subject to its compliance with applicable regulatory capital requirements (which are subject to change) and currently requires the consent of the PRA. • Shareholders located outside the United Kingdom may not be permitted to take up their entitlements under the Rights Issue.

Section E – Offer		
Element	**Disclosure requirement**	**Disclosure**
E.1	Net proceeds and costs of the issue	The net proceeds of the Rights Issue (assuming take up in full of all New Ordinary Shares) are expected to be approximately £300 million (net of expenses). The total costs, charges and expenses (including fees and commissions) payable by the Company in connection with the Rights Issue are estimated to be approximately £31 million (inclusive of VAT). No expenses will be charged by the Company to the purchasers of the New Ordinary Shares.
E.2a	Reasons for offer and use of proceeds	The Provident Financial Group is taking necessary action to raise additional capital to meet the costs of resolving the investigation by the FCA into Vanquis Bank's ROP, restore the Provident Financial Group's prudent capital position, seek to maintain the Provident Financial Group's investment grade rating and re-establish normal access to funding from the bank and debt capital markets. The Provident Financial Group intends to redirect its strategic focus toward the customer, improve governance and oversight, and work towards delivering consistently strong performance once again. Following a thorough review of the various options available to the Provident Financial Group to improve its capital position vis-a-vis the Provident Financial Group's short- and medium-term priorities, the Board has decided to pursue a fully underwritten Rights Issue. The net proceeds of the Rights Issue will be used to bolster the Provident Financial Group's regulatory capital position to enable it to meet its current and future regulatory capital requirements, as well as strengthen its balance sheet with the appropriate level of buffers in order to enable it to capture underlying organic growth opportunities, seek to maintain the Provident Financial Group's investment grade rating and re-establish normal access to funding from the bank and debt capital markets. The provisions that have been made by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 in connection with (i) resolving the FCA's investigation in relation to Vanquis Bank's ROP and (ii) Moneybarn's estimated liability in connection with the FCA's ongoing investigation into Moneybarn have depleted the Provident Financial Group's regulatory capital, with the CET1 capital ratio of the Provident Financial Group reducing to 4.5 per cent. as at 31 December 2017. The receipt of the £300 million net proceeds of the Rights Issue will result in an accretion of the Provident Financial Group's CET1 capital ratio of 14.2 per cent., to 28.7 per cent. as at 31 December 2017 on a pro forma basis. To ensure that the relevant entities within the Provident Financial Group also have an appropriate level of management buffers and have appropriate levels of regulatory capital to meet their current and future regulatory requirements, the Company will inject approximately £50 million of the net proceeds of the Rights Issue into Vanquis Bank by way of a subscription of equity, resulting in an accretion of Vanquis Bank's CET1 capital ratio of 3.8 per cent., from 21.6 per cent. as at 31 December 2017 to 25.4 per cent. on a pro forma basis for the same period.

Element	Disclosure requirement	Disclosure
		The Company expects to use the net cash proceeds to: (i) inject approximately £50 million into Vanquis Bank by way of a subscription of equity, as an additional management buffer; (ii) repay the £85 million outstanding in full under the Bridge Facility; and (iii) £165 million to create further funding headroom, through either increasing cash held on deposit or repaying borrowings under the Revolving Credit Facility. The proceeds from the Bridge Facility will be used to increase the liquid resources held by Vanquis Bank. To enable Vanquis Bank to reduce reliance on the Company over the medium-term, on 26 February 2018 the Company and Vanquis Bank terminated the Existing Intercompany Facility under the Existing Intercompany Loan Agreement and entered into the New Intercompany Loan Agreement providing for a new £125 million committed facility. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility and the Existing Intercompany Loan Agreement has ceased to have any further force or effect. The remaining available amount under the New Intercompany Facility will be drawn prior to the settlement of the Rights Issue and funded by borrowings by the Company under the Bridge Facility. The New Intercompany Loan Agreement also amends certain commercial terms contained in the Existing Intercompany Loan Agreement, including the maturity date and the interest rate payable thereunder. Vanquis Bank will use the funding provided under the New Intercompany Loan Agreement to increase its liquid resources to compensate for the reduction in the undrawn committed headroom previously available from the Company. The capital injection into Vanquis Bank will result in a buffer above its capital requirements and will be used by Vanquis Bank, together with its cash and funding from retail depositors, to: (i) pay for the costs of resolving the FCA's investigation into Vanquis Bank's ROP which are currently expected to amount to £172.1 million; and (ii) subject to the liquidity profile of Vanquis Bank continuing to be satisfactory and, potentially, regulatory approval, repay the remainder of the New Intercompany Facility, as detailed above, from the Company by 2019, with Vanquis Bank being fully funded through retail deposits thereafter. The Board continues to believe in the strong growth opportunities available to the Provident Financial Group's attractive businesses and aims to leverage the Rights Issue and its revised strategy to build a robust foundation for the long-term strength of the Provident Financial Group. The Board remains confident of the Provident Financial Group's underlying prospects and value, and is committed to restoring sustainable earnings growth and reliable operational performance, together contributing to attractive future shareholder returns.
E.3	Terms and conditions of the offer	The Rights Issue is being made to all Shareholders on the register of members of the Company at the close of business on the Record Date. Pursuant to the Rights Issue, the Company is proposing to offer 104,998,731 New Ordinary Shares by way of rights to Qualifying Shareholders at the Issue Price of 315 pence per New Ordinary Share payable in full on acceptance by

Element	Disclosure requirement	Disclosure
		no later than 11.00 a.m. on 9 April; 2018. The Issue Price represents a discount of approximately: • 46.4 per cent. to the Closing Price of 588 pence on 26 February 2018 (being the last Business Day prior to the publication of this Prospectus); and • 33.7 per cent. to the theoretical ex-rights price of 475 pence, based on the Closing Price on 26 February 2018. The Rights Issue will be made on the basis of 17 New Ordinary Shares for every 24 Existing Ordinary Shares registered in the name of each Qualifying Shareholder at the close of business on the Record Date. Under the Rights Issue, the New Ordinary Shares will be offered by way of Rights to all Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or who are resident or located, in the United States or any of the Excluded Territories). Subject to certain exceptions, Shareholders with a registered address, or who are resident or located, or otherwise believed to be in the United States or any Excluded Territories, will not be entitled to participate in the Rights Issue. Entitlements to New Ordinary Shares will be rounded down to the next lowest whole number (or to zero in the case of Qualifying Shareholders holding fewer than two Existing Ordinary Shares at the close of business on the Record Date) and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, sold as soon as practicable after the commencement of dealings in the New Ordinary Shares, nil paid. The net proceeds of such sales (after deduction of expenses) will be aggregated and be for the account of the Company. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. The Rights Issue has been underwritten by the Underwriters pursuant to the Underwriting Agreement. The Rights Issue is conditional upon (i) the Resolution being passed by Shareholders at the General Meeting; (ii) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and (iii) Admission becoming effective by no later than 8.00 a.m. (London time) on 22 March 2018 (or such later time and/or date, being not later than 16 April 2018, as the Company and the Underwriters may agree). Invesco Limited and certain discretionary managed investment funds (acting through Woodford Investment Management Limited as their agent and discretionary investment manager), who in aggregate hold Ordinary Shares representing approximately 48 per cent. of the Ordinary Shares, are supportive of the Company's plans and the Rights Issue. The offer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in a country other than the United Kingdom may be affected by the laws of the relevant jurisdiction.

Element	Disclosure requirement	Disclosure
E.4	Material interests	Not applicable. There are no interests, known to the Company, material to the issue of the New Ordinary Shares or which are conflicting interests.
E.5	Name of person selling securities	Not applicable. The Rights Issue comprises an offer of New Ordinary Shares to be issued by the Company.
E.6	Dilution resulting from the Rights Issue	Qualifying Shareholders who do not take up their entitlements to New Ordinary Shares will have their proportionate shareholdings in the Company diluted by approximately 41.5. per cent as a consequence of the Rights Issue.
E.7	Estimated expenses charged to the investor by the Company	Not applicable. Qualifying Shareholders will not be charged expenses by the Company in respect of the Rights Issue.

RISK FACTORS

Any investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights is speculative and subject to a number of risks. Shareholders and prospective investors should consider carefully the factors and risks associated with any investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights, the Company's business and the industry in which it operates, together with all other information contained in this Prospectus and all of the information incorporated by reference into this Prospectus, including, in particular, the risk factors described below. Following the occurrence of any of the risks described below, the value of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights could decline and investors could lose all or part of their investment.

Prospective investors should note that the risks relating to the Provident Financial Group, the financial services industry and the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights summarised in the section of this Prospectus headed "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to make an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights. However, as the risks which the Provident Financial Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights and should be used as guidance only. Additional risks relating to the Provident Financial Group that are not currently known to the Provident Financial Group, or that the Provident Financial Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and/or prospects and, if any such risk should occur, the price of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights is suitable for them in the light of all the information in this Prospectus and their personal circumstances.

1. RISKS RELATING TO THE PROVIDENT FINANCIAL GROUP AND ITS INDUSTRY

1.1 *The Provident Financial Group may be unsuccessful in implementing its Home Credit Recovery Plan based on a revised operating model and restoring customer service and collections performance to acceptable levels.*

On 31 January 2017, the Provident Financial Group's Home Credit business announced internally a number of proposed changes to its operating model in the UK, including recruiting 2,500 full-time employed Customer Experience Managers ("**CEMs**") to serve customers rather than the then-existing 4,500 self-employed agents so as to take control of all aspects of the customer relationship, streamlining the field management structure by reducing headcount from around 800 to 400 and deploying further technology. In seeking to implement its new operating model ahead of its deployment on 6 July 2017, the Home Credit business experienced higher operational disruption than had been expected, including higher than anticipated agent attrition and reduced agent effectiveness, resulting in weaker than expected collections performance and adverse sales penetration and customer retention rates, which led to a deterioration in the arrears profile and an increase in impairments of receivables from customers.

As a result, on 20 June 2017, the Provident Financial Group released a trading update announcing that forecast pre-exceptional and pre-tax profits from CCD for the year ending 31 December 2017 would be reduced to around £60 million (down from £115 million for the year ended 31 December 2016) and that credit issued for the five months to May 2017 was £37 million below that issued for the same period in the prior year. In the four week period ended 13 August 2017, collections performance and sales showed substantial underperformance against the comparable period in 2016, with collections performance running at 57 per cent. (compared to 90 per cent. in the comparable period in 2016) and sales at approximately £9 million per week lower than in the comparable period in 2016. In addition, during the transition period, the territory planning, routing and scheduling technology deployed to direct the daily activities of the CEMs presented some problems, primarily relating to the integrity of data and the prescriptive nature of the new operating model, which did not allow local management sufficient autonomy to prioritise and allocate resources and, as a result, adversely impacted customers. This led to a breakdown in the relationship with many customers, and collections from them. As a result of the extent of the

underperformance in collections performance and sales, and the longer than expected period of time required to return the performance of the Home Credit business to acceptable levels, the Provident Financial Group revised the guidance it issued on 20 June 2017, releasing a further trading update on 22 August 2017 which estimated a pre-exceptional and pre-tax loss for CCD of between £80 million and £120 million for the year ending 31 December 2017.

Ahead of the announcement of its final results for the financial year ended 31 December 2017, on 16 January 2018 the Provident Financial Group released a trading update in which it confirmed its expectation to report a pre-exceptional pre-tax loss for CCD of approximately £120 million, consistent with the upper end of the guidance previously issued, reflecting the lower than expected rate of reconnection achieved through the fourth quarter of 2017 with those Home Credit customers whose relationship had been adversely impacted following the poorly executed migration to the new operating model. As a result of the significant disruption to the Home Credit business, for the year ended 31 December 2017, CCD's Adjusted Profit Before Tax was a loss of £118.8 million as compared to Adjusted Profit Before Tax of £115.2 million for the year ended 31 December 2016.

In response to the developing issues in the Home Credit business, in August 2017, the Provident Financial Group recruited Chris Gillespie as Managing Director of the Home Credit business, returning to a role that he had previously held until 2013, to develop and implement a recovery plan for the Home Credit business. The recovery plan consists of six core workstreams: (i) fixing the Home Credit operating model by addressing issues identified with it; (ii) addressing the failure to transition the new operating model, by identifying and resolving any customer detriment and effectively resolving customer complaints; (iii) assessing conduct risks and improving the existing control environment of the Home Credit business; (iv) reviewing the effectiveness of the first and second lines of defence of the Home Credit business' "three lines of defence" to risk management (see paragraph 6.3 of Part V "*Risk Management*" of this Prospectus for further detail); (v) reviewing the Home Credit governance framework and identifying areas where changes to its governance and culture should be made; and (vi) improving communication and engagement with the Home Credit business' key stakeholder group, including customers and the FCA. The recovery plan is centred around a revised version of the new operating model, retaining the employed CEM approach and some of the new technology, but improving the ability of the Home Credit business to connect with customers at the right time and place consistently, stabilising the operation of the Home Credit business and improving collections performance (the "**Recovery Plan**"). In particular, the Recovery Plan also includes actions to reduce costs significantly to reflect the expected smaller scale of the Home Credit business going forward as a result of the reduced size of the receivables book by virtue of the reduced sales penetration and customer retention rates described above. In addition, the Recovery Plan seeks to address certain matters raised by the FCA in September 2017 relating to, among others: (a) inconsistent field practices resulting from the new operating model introduced at the Home Credit business; (b) the inadequacy of first line oversight of field staff and the procedures to monitor them; (c) the ineffectiveness of second line risk and compliance procedures; and (d) certain cultural practices of the Home Credit business, including a lack of pro-active and transparent engagement with the FCA (together, the "**Home Credit Oversight and Governance Related Matters**"), in relation to which the FCA stated it was concerned its requirements were not being met.

No assurance can be given that the Recovery Plan and revised operating model will work as intended or at all. In particular, internal and external factors might impact its successful implementation, including if the Home Credit business fails to change and develop its processes and systems fast enough or at all, or if it fails to regain the trust of, and engagement with, customers so as to improve collections performance in a timely manner and advance new loans to customers. In addition, the Provident Financial Group may not be successful in its intention to reduce costs to reflect the expected smaller scale of the Home Credit business and its receivables book. Further new or unexpected risks may arise during the implementation of the Recovery Plan and revised operating model which could require the Home Credit business to revise or further amend its operating model which could lead to higher than anticipated costs being incurred and not achieving the targeted objectives of the Recovery Plan.

The successful implementation of the Recovery Plan and revised operating model depends upon, among other things, the involvement of Chris Gillespie in its delivery and transition. The loss of Chris Gillespie or other key members of management from the Home Credit business could materially and adversely impact the likelihood of the Home Credit business successfully implementing the Recovery Plan and its revised operating model and achieving the targeted improvements to the Home Credit business.

The success of the Recovery Plan and the effective implementation of the revised operating model will depend, in part, on the Home Credit business's ability to recruit and retain an appropriate number of

suitably experienced CEMs to support such implementation. Following the launch of the new operating model for the Home Credit business on 6 July 2017, certain of the Provident Financial Group's Home Credit competitors, including Non-Standard Finance plc and Morses Club plc, reported that they had recruited large numbers of former self-employed agents of the Home Credit business for their home credit businesses. Any future loss by the Home Credit of CEMs to its competitors or otherwise could materially impact its ability to implement the Recovery Plan and effectively complete the implementation of the revised operating model, including as a result of a failure to re-establish relationships with customers as a consequence of the loss of CEMs, and/or could result in the Provident Financial Group's Home Credit business losing market share, either of which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Furthermore, the success of the Recovery Plan will also depend in part on the performance of the Home Credit business in the Republic of Ireland which continues to operate under a self-employed agent model. Any disruption to the Home Credit business in the Republic of Ireland as a result of uncertainty amongst its self-employed agents over the future direction of that business, in light of the implementation of the Recovery Plan and the revised operating model for the Home Credit business in the UK, could materially and adversely impact the trading performance of the Home Credit business in the Republic of Ireland. Given the contribution of the business in the Republic of Ireland to the overall Home Credit business since the disruption to the Home Credit business in the UK following the implementation of the new operating model, any disruption to the Home Credit business in the Republic of Ireland could have a material adverse effect on the successful implementation of the Recovery Plan as well as a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

If the Recovery Plan is not successful or if the anticipated future benefits from the revised operating model are not achieved in the timescales anticipated or at all, the Home Credit business could be materially and adversely impacted and further deteriorate, which in turn could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. In addition, whether or not the Recovery Plan and the revised operating model are successfully implemented as planned, as the Provident Financial Group continues to "right size" the Home Credit business to reflect its smaller scale going forward, the contribution of the Home Credit business to the Provident Financial Group's results is expected to be materially lower than the contribution it has made in previous financial years. Furthermore, as the Provident Financial Group addresses the Home Credit Oversight and Governance Related Matters identified by the FCA, it may be necessary to refine further the revised Home Credit operating model which may mean that the Provident Financial Group is unable to achieve some or all of the anticipated future financial or operational benefits.

The operational disruption that arose at the Home Credit business following the implementation of the new operating model could give rise to further loss of customers (particularly if the measures in the Recovery Plan and revised operating model to re-establish customer relationships are unsuccessful) or complaints and/or claims being made by customers against the Provident Financial Group. Any further loss of customers from the Home Credit business and/or payments made by the Provident Financial Group in respect of any claims and/or complaints made against the Home Credit business, could be material and could also result in further reputational damage to the Home Credit business, either of which could, in turn, have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Any further material and/or prolonged deterioration in the Home Credit business, whether as a result of the unsuccessful implementation of the Recovery Plan or otherwise, may result in the Provident Financial Group determining that its Home Credit business is no longer viable or otherwise desirable. In such event, the Provident Financial Group may determine to wind-down its Home Credit business, closing it to new customers and potentially preventing the Home Credit business from issuing further credit to existing customers. Alternatively, if there were to be any further material and/or prolonged deterioration in the Home Credit business, and if the Provident Financial Group were unable to demonstrate to the FCA that it had a viable strategy to turn around the performance of the business, the FCA may withdraw the Home Credit business's interim permission and/or determine not to grant the Home Credit business full FCA authorisation and require, or, in circumstances where there is no formal revocation of the Home Credit business's interim permission, request, that the Provident Financial Group implement the orderly wind-down of the Home Credit business, closing the business to new and existing customers. The Directors believe that in circumstances where the Provident Financial Group is required by the FCA to wind-down its Home Credit business as a result of a failure to gain full FCA authorisation or following revocation of its lending license, rather than where the Provident Financial Group itself determines to do so, the adverse impact on its Home Credit business during such wind-down is likely to be more severe. For example, it is

possible that in such circumstances any wind-down could be carried out on a more accelerated basis than if it were being carried out at the Provident Financial Group's discretion, and the Directors believe that there would be a greater probability of higher impairments on its loans as a result of customers determining in the circumstances not to repay amounts advanced to them in light of their relationship with the Home Credit business coming to an end. In addition, the Directors believe that in circumstances where the Home Credit business is wound down but it is not possible to do so on an orderly basis (such a scenario would be expected to occur where the Home Credit business is unable to continue any form of lending, for example as a result of the Home Credit business losing its lending license, either through it being terminated by the FCA or otherwise, or in circumstances where the Provident Financial Group were to breach certain covenants under the Existing Facilities (as defined below) and is unable to obtain a waiver of such breaches from the Lenders (as defined below)), the probability of higher impairments on its loans would be significantly greater. Any wind-down of the Home Credit business, whether on the initiative of the Provident Financial Group or if required by the FCA, would result in loans made by the Home Credit business being impaired which would have a material and adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Furthermore, any wind-down of the Home Credit business, whether on the initiative of the Provident Financial Group or if required by the FCA, could result in a significant change to the nature of the Provident Financial Group. In the event that the Provident Financial Group is unable to meet the costs associated with any wind-down of the Home Credit business, it may need to enter into additional financing arrangements to meet such costs which may not be at a price or on terms which are in the best interests of the Provident Financial Group. Alternatively, it may be required to sell one or more assets to meet the costs of a wind-down of the Home Credit business, and the terms of such sale may not be favourable to the Provident Financial Group. The occurrence of any of these circumstances would have a material and adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.2 ***The use of employees rather than self-employed agents could put the Provident Financial Group's Home Credit business at a competitive disadvantage in the future.***

The use of a CEM employed model by the Provident Financial Group's Home Credit business is still, in relative terms, in its infancy when compared with its long track record in the industry of utilising a self-employed agent model. Consequently, no assurance can be given that adopting a CEM employed model will be sustainable in the future, nor whether its use will put the Home Credit business at a competitive disadvantage.

None of the Home Credit business's key competitors use a model which is centred on the use of employees to maintain the customer relationship and the Directors have no reason to believe that any of these competitors intend to move away from a self-employed agent model, for regulatory reasons or otherwise.

Whilst the Directors believe there are clear benefits to the Home Credit business in deploying the employed CEM model, the use of employed CEMs is likely to result in a higher fixed cost base than using self-employed agents. In addition, there is generally less flexibility around where best to locate CEMs geographically so as to most efficiently service customers compared to a self-employed agent model. If the benefits of the employed CEM model are not fully realised by the Home Credit business, these higher fixed costs and less flexible model may adversely impact the Home Credit business's margins and make the Home Credit business less competitive compared to its key competitors, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operation, cash flows and prospects.

In addition, whereas under the Home Credit business's former self-employed agent model, agents were paid commissions based on the levels of collections made, in contrast, employed CEMs receive a fixed salary irrespective of the level of collections made. As such, there is a risk that the absence of any incentive-based element of remuneration for employed CEMs may result in a CEM being less motivated than a self-employed agent used by one of the competitors of the Home Credit business, which may have an adverse impact on the level of collections and result in a decline in the amount of new loans advanced to customers.

In addition, self-employed agents have greater flexibility in determining the number of hours they work per week, whereas under the employed CEM model there is typically only flexibility to work on a full- or part-time basis. Any of these factors could result in CEMs deciding to leave the Home Credit business and move to one of its competitors who operate on a self-employed agent basis. Any such attrition of CEMs to

competitors or otherwise could lead to a further deterioration in the Home Credit business and/or adversely impact the ability of the Home Credit business to successfully implement the Recovery Plan and revised operating model, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.3 ***The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's Repayment Option Plan beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017.***

The Provident Financial Group has announced today that settlement has been reached with the FCA in relation to its investigation into the sale of Vanquis Bank's ROP, with Vanquis Bank accepting that it had breached Principle 6 (Customers' interests) and Principle 7 (Communications with clients) of the FCA's Principles for Businesses between 1 April 2014 and 19 April 2016 in relation to its telephone sales of Vanquis Bank's ROP. Pursuant to the settlement: (i) Vanquis Bank has agreed to pay a financial penalty of £1,976,000 (the "**ROP Financial Penalty**"), (ii) the FCA has required Vanquis Bank to pay restitution of £11,876,000 on the agreed basis to customers who opted into the ROP after 1 April 2014 and (iii) Vanquis Bank has voluntarily agreed to pay restitution of £156,905,000 on the agreed basis to customers who opted into the ROP from inception of the ROP in 2003 to 31 March 2014, notwithstanding that this is a period before the FCA regulated consumer credit activities, for a total gross amount of restitution to be paid by Vanquis Bank of £168,781,000, including notional interest (the "**Gross Restitution Amount**"). The restitution payments are to refund those customers with the interest element of the ROP from the inception of ROP in 2003 up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. The agreed settlement and basis of restitution is in respect of a failure by Vanquis Bank to disclose during the sales call that the charges for the ROP will be treated as a purchase and therefore bear interest (this meant that the ROP fee attracted interest at the card rate which was compounded unless the account balance was paid in full at the end of each month). In connection with the settlement, the Provident Financial Group has taken a provision of £172.1 million in its audited consolidated financial statements for the year ended 31 December 2017.

The provision of £172.1 million includes (i) the ROP Financial Penalty of £2.0 million, (ii) the Gross Restitution Amount, offset by charged off balances of £26.9 million and less a release of impairment provisions of £14.7 million, resulting in a net restitution payment amount of £127.1 million, (iii) the operational costs associated with these payments (amounting to £12.3 million) and (iv) a contingency in respect of potential additional liability which may arise related to forward flow of complaints in relation to ROP more generally as described below in connection with the ROP (amounting to £30.7 million).

Under the terms of the settlement agreed with the FCA, Vanquis Bank will make refunds to affected customers through a debt reduction of the outstanding balance owed by the relevant customer to Vanquis Bank and by cheque (to the extent an individual's refund exceeds his/her outstanding balance), with the current intention being that payments will be made by the end of February 2019.

The Provident Financial Group's estimate of the internal and external resources and other operational costs associated with offering and making the refund payments reflected in the provision, which includes £12.3 million relating to operational costs, is based on, amongst other things, the assumption that this process will be completed by Vanquis Bank within this timeframe. In the event that the process takes longer than currently anticipated, the amount of resource and the operational costs incurred may be higher than those reflected in the provision and, as a result, further provision may be required which could have a material adverse effect on Vanquis Bank's and, in turn, the Provident Financial Group's financial condition and results of operations.

Affected customers covered by the agreed settlement comprise four categories: (i) customers with open Vanquis Bank accounts, (ii) customers with closed Vanquis Bank accounts (these accounts will either be in good order (i.e. no debt is owed to Vanquis Bank) or be closed and settled between Vanquis Bank and the customer, (iii) third party managed accounts, held within Vanquis Bank (these customers are those that are not maintaining their credit agreements and have entered into some form of debt arrangement with a third party overseeing the arrangement), and (iv) charged off accounts where debt has been sold to a third party. In aggregate, the total number of affected customers are estimated at approximately 1.2 million customers (after taking into account certain exclusions from the four categories of customer populations agreed with the FCA). The time period covered by the terms of the settlement agreed with the FCA is from the inception of the ROP, in 2003, up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP.

Whilst the FCA has required Vanquis Bank to pay restitution and Vanquis Bank has voluntarily agreed to pay restitution to affected customers on the basis agreed with the FCA, there is a risk that Vanquis Bank may incur greater costs than the £127.1 million of net restitution payments which Vanquis Bank has been required by the FCA to pay or which it has voluntarily agreed to pay to affected customers. For example, no assurance can be given that customers that purchased the ROP, acting either directly or indirectly via claims or complaints made through claims management companies or as a result of claims referred to the Financial Ombudsman Service (the "**FOS**") or litigation, will not seek redress on a different basis than that required by the FCA.

There is a risk that as a result of the settlement reached with the FCA and the associated publicity surrounding such settlement, there may be an increase in the number of claims and/or complaints made by customers against Vanquis Bank in respect of the ROP more generally, including claims and/or complaints made through the FOS, than would typically have been the case absent such settlement and publicity. The extent of Vanquis Bank's potential liability and the costs it may incur in connection with any such claims and/or complaints is uncertain and will depend, amongst other things, on whether the bases for any such claims are upheld, the refund amount, claimant rates and claim uphold rates and the associated claim-handling costs. Whilst the £172.1 million provision taken in Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017 reflects a contingency of £30.7 million in respect of the forward flow of complaints which may arise in connection with the ROP more generally, there is a risk that the assumptions made in respect of the extent to which further payments may be required to be made, claimant rates, claim uphold rates and the associated claim-handling costs may be exceeded. As such, there is a risk that Vanquis Bank will incur greater costs than anticipated in connection with the ROP and the existing or any revised provision may not cover all potential liabilities and associated costs, meaning that further provision may be required to be made in the future. The occurrence of any of these could have a material adverse effect on Vanquis Bank's and, in turn, the Provident Financial Group's businesses, financial condition, results of operations, cash flows and prospects.

In addition, the administration of dealing with claims and paying restitution could take a significant amount of management time and resources away from the execution of Vanquis Bank's strategy and the operation of its business which might have an adverse impact on Vanquis Bank's and, in turn, the Provident Financial Group's business, financial condition, results of operation, cash flows and prospects.

1.4 ***Vanquis Bank's admission of breach of certain of its regulatory duties in connection with the ROP may have an adverse impact on Vanquis Bank's and the Provident Financial Group's reputation.***

The financial penalty imposed by the FCA, and the FCA's requirement that Vanquis Bank pay restitution and Vanquis Bank's agreement voluntarily to pay restitution to affected customers, could have an adverse impact on Vanquis Bank's and/or the Provident Financial Group's reputation and the confidence of existing and prospective customers in Vanquis Bank and the Provident Financial Group. For more information on the risks associated with potential damage to the Provident Financial Group's reputation, see the risk factor headed "*Damage to, or any further deterioration in, the Provident Financial Group's reputation, or a decline or further decline in customer confidence in the Provident Financial Group or its products, could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects*".

1.5 ***No assurance can be given as to whether or when the ROP will be sold in the future, or that the historic revenues from sales of, or the revenue yield from, the ROP will continue at the same level in the future.***

The income from the ROP has been a material contributor to the revenues of Vanquis Bank historically. In the year ended 31 December 2017, the ROP contributed £75 million to Vanquis Bank UK's revenues as compared to £84 million in the year ended 31 December 2016 and £80 million in the year ended 31 December 2015. However, in the past three years the revenue from the ROP has not increased in line with the growth in Vanquis Bank UK's Average Receivables of 14.6 per cent. in 2017, 12.9 per cent. in 2016 and 19.6 per cent. in 2015. This reflects principally a reduction in the penetration of the ROP feature within the existing customer base and, more recently, the suspension of all sales of the ROP to new customers following the voluntary requirement agreed with the FCA in April 2016 in connection with the FCA's investigation into the ROP. Whilst Vanquis Bank will be working with the FCA on a plan to resume sales of a ROP to new customers, no assurance can be given that such sales will resume and, if they do when, or whether such sales would be on the same basis as the ROP was sold to customers in the past. Consequently, there is a risk that Vanquis Bank's revenues and revenue yield from ROP will continue to

decline, which could have a material adverse effect on Vanquis Bank's and, in turn, the Provident Financial Group's businesses, financial condition, results of operations, cash flows and prospects.

1.6 ***If the Rights Issue were not to proceed and the Provident Financial Group were unable to obtain an alternative source of capital, the PRA could exercise any of its wide-ranging powers over the Provident Financial Group and/or Vanquis Bank and/or there would, absent a waiver from the Provident Financial Group's lenders, be an event of default under the Bridge Facility and the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective which could result in the Provident Financial Group being required to repay all outstanding amounts under the Bridge Facility, the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds. In such circumstances, any failure by the Provident Financial Group to repay such amounts could result in insolvency proceedings being initiated against the Provident Financial Group.***

The deterioration in trading at the Provident Financial Group's Home Credit business following implementation of its new operating model, and the provisions that have been made by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 in connection with (i) resolving the FCA's investigation in relation to Vanquis Bank's ROP and (ii) Moneybarn's estimated liability in connection with the FCA's ongoing investigation into Moneybarn, have materially eroded the Provident Financial Group's headroom in respect of certain of its financial covenants under its Revolving Facility Agreement and Term Loan Agreement, eroded Vanquis Bank's regulatory capital position and resulted in the Provident Financial Group being non-compliant with its TCR (as defined below), together with the fixed add-on in respect of pension risk (previously ICG (as defined below)), countercyclical buffer, capital conservation buffer and capital planning buffer requirements.

The Provident Financial Group has agreed with its lenders under each of the Revolving Facility Agreement and the Term Loan Agreement, pursuant to the terms of consent request letters and countersigned by the agent under the Revolving Facility Agreement and the agent under the Term Loan Agreement (as applicable) (together, the "**Consent Request Letters**"), that such lenders will, among other things, grant a temporary reduction in: (a) the minimum level of the interest cover covenant for the 12 months ending 31 March 2018 and the 12 months ending 30 June 2018 from a level of 2.0 times to 1.25 times Consolidated EBITA to Consolidated Net Interest Payable (the "**Interest Cover Ratio Covenant**"); (b) the requirement that consolidated net worth of the Provident Financial Group shall not be less than £400 million (the "**Net Worth Covenant**") in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000; and (c) the requirement that consolidated net worth less Vanquis Net Worth shall not be less than £155 million (the "**Net Worth Excluding Vanquis Bank Covenant**") in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth less Vanquis net worth shall not be less than £100,000,000. The lenders also gave certain waivers of defaults or events of default resulting from any matter relating directly to the investigations by the FCA into Vanquis Bank's ROP and certain aspects of Moneybarn's business and/or any agreements reached with the relevant authorities in relation to such investigations.

The amendments granted pursuant to the terms of the Consent Request Letters provide the Provident Financial Group with greater covenant headroom under the terms of the Revolving Credit Facility and the Term Loan Agreement but will cease to have effect, if among other things, the Company has not received the net proceeds from the Rights Issue within three months of the date hereof or the Underwriting Agreement or the Bridge Facility Agreement ceases to be effective or is terminated.

If the Rights Issue were not to proceed, for example, if the Resolution was not passed or any of the other conditions in the Underwriting Agreement (as set out in paragraph 16.1 of Part XIV "*Additional Information*" of this Prospectus) were not satisfied or waived by 16 April 2018 being the long-stop date specified in the Underwriting Agreement, either Underwriter (after prior consultation with the Company to the extent reasonably practicable) would have the right to terminate the Underwriting Agreement in accordance with the terms of the Underwriting Agreement.

Termination of the Underwriting Agreement is an event of default under the Bridge Facility Agreement giving the lenders under such facility the right to accelerate the repayment of all amounts owing thereunder, as well as an event upon which the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective. As such, prior to the occurrence of such an event or circumstance, the Company would urgently seek to enter into discussions with the Underwriters with a view to seeking to resolve the issue. The Provident Financial Group would also seek to enter into discussions with its lenders under the Bridge Facility, the Revolving Credit Facility and the Term Loan

Facility, the Bondholders and the PRA with a view to reaching an agreed solution as quickly as possible. Those discussions might include seeking to obtain alternative committed facilities and/or carry out disposals of assets or businesses and/or the amendment or restructuring of some or all of the Provident Financial Group's indebtedness or a combination of some or all of these measures, and the ability of the Provident Financial Group to achieve all or any of these measures may depend on first obtaining a standstill agreement among the relevant creditors not to demand repayment for a sufficient period of time to allow such measures to be negotiated and implemented.

If either of the Underwriters were not willing to waive its right to terminate the Underwriting Agreement (assuming it would be capable of waiver) and the Provident Financial Group were unable to obtain an alternative source of capital or carry out disposals of assets and business or obtain agreement to a full or partial debt restructuring, the lenders under the Bridge Facility could decide to accelerate repayment of all amounts owing thereunder. This in turn would result in the Provident Financial Group being in default under the Revolving Credit Facility and the Term Loan Agreement giving the lenders under each of those facilities the right to accelerate all amounts owing thereunder and the Bondholders the right to accelerate repayment of all amounts owing under the Outstanding Bonds. The Provident Financial Group (on a consolidated basis) would continue to be in breach of the minimum level of regulatory capital which the PRA expects the Provident Financial Group (on a consolidated basis) to hold (known as the Provident Financial Group's Total Capital Requirement or "**TCR**", together with the fixed add-on in respect of pension risk (previously Individual Capital Guidance or "**ICG**")), as well as its current own internal assessment of its minimum regulatory capital requirements. In such event, the Company would, in all likelihood, intend to follow the steps in its wind-down plan which has been discussed with the FCA in draft form and its recovery and resolution plan, and the PRA would have the ability to exercise any of its wide-ranging powers over the Provident Financial Group which could include varying the Provident Financial Group's permissions, restricting the Provident Financial Group's businesses, or, in conjunction with other regulatory bodies and authorities, imposing a resolution procedure on Vanquis Bank and/or any other member of the Provident Financial Group under the UK Banking Act 2009, as amended (the "**Banking Act**"). Even if the PRA were to exercise forbearance in respect of such breaches of minimum regulatory capital requirements, it could at a later date revisit that decision or the basis upon which any forbearance was granted.

In addition, without the benefit of the net proceeds from the Rights Issue, the Provident Financial Group (on a consolidated basis) would continue to be unable to meet certain regulatory capital requirements. In particular, without the net proceeds from the Rights Issue the Provident Financial Group would continue to be in breach of its TCR, together with the fixed add-on in respect of pension risk, (previously ICG) requirements. In addition, the Provident Financial Group would continue not to have sufficient capital to meet its current own internal assessment of its minimum regulatory capital requirements. For further information regarding the Provident Financial Group's current non-compliance with certain of its regulatory capital requirements, and the risks associated with such non-compliance, see the risk factor titled "*The Provident Financial Group does not meet certain of its regulatory capital requirements and consequently is subject to the risk of the PRA taking enforcement action against it in respect of such non-compliance*".

As such, if the Rights Issue were not to proceed, if the Underwriters were not willing to waive their right to terminate the Underwriting Agreement (assuming any such right is capable of being waived), and a mutually acceptable solution was not found with the Provident Financial Group's lenders under the Bridge Facility, the Revolving Credit Facility and the Term Loan Facility and the Bondholders under the Outstanding Bonds, it might result in insolvency proceedings being initiated against the Provident Financial Group which could result in Shareholders losing all or a substantial amount of the value of their investment in the Company.

1.7 ***The Provident Financial Group does not meet certain of its regulatory capital requirements and consequently is subject to the risk of the PRA taking enforcement action against it in respect of such non-compliance.***

As a result of the Provident Financial Group having taken provisions in its audited consolidated financial statements for the year ended 31 December 2017 in relation to the settlement agreed with the FCA in connection with the FCA's investigation into ROP and in connection with the FCA's ongoing investigation into certain of Moneybarn's systems, controls and practices, the Provident Financial Group is currently non-compliant with certain regulatory capital requirements. These areas of non-compliance comprise:

- the Provident Financial Group's TCR, together with the fixed add-on in respect of pension risk, (previously ICG), being the minimum level of regulatory capital which the PRA expects

the Provident Financial Group (on a consolidated basis) to hold. The Provident Financial Group's TCR, together with the fixed add-on in respect of pension risk, (previously ICG) requirement is the aggregate of its minimum Pillar 1 and Pillar 2a regulatory capital requirements. Furthermore, the Provident Financial Group is non-compliant with its own internal assessment of its TCR, together with the fixed add-on in respect of pension risk, (previously ICG) which is determined by the Provident Financial Group based upon an assessment of the risks facing the Provident Financial Group; and

- the Provident Financial Group's Pillar 2b regulatory capital requirements, including the countercyclical capital buffer and capital conservation buffer requirements, required under CRD IV.

For so long as the Provident Financial Group is non-compliant with such regulatory capital requirements, the Provident Financial Group is subject to the risk of the PRA taking enforcement action against it. Whilst the PRA has not indicated to the Provident Financial Group that it intends to take any action against the Provident Financial Group in relation to such non-compliance at this time, and the PRA is familiar with the details of Provident Financial Group's discussions with the FCA, its current capital position and proposed capital plan, including the Rights Issue, there is a risk that the PRA may exercise its discretion and take enforcement action against the Provident Financial Group at any time.

Upon completion of the Rights Issue, the capital raised will be used to address the areas of regulatory capital non-compliance described above, such that compliance with those requirements will be restored and the Provident Financial Group's regulatory capital position more generally bolstered to enable it to meet its future regulatory capital requirements. However, if the Rights Issue does not proceed or complete, the Provident Financial Group will continue to fail to meet its TCR, together with the fixed add-on in respect of pension risk, (previously ICG), countercyclical buffer, capital conservation buffer and capital planning buffer requirements. In such circumstances it is not possible to predict how the PRA would react. The PRA would have the ability to exercise any of its wide-ranging powers over the Provident Financial Group, which could include varying the Provident Financial Group's permissions, restricting the Provident Financial Group's businesses, or, in conjunction with other regulatory bodies and authorities, imposing a resolution procedure on any member of the Provident Financial Group under the Banking Act. Even if the PRA were to exercise forbearance in respect of such continuing breaches of regulatory capital requirements, it could at a later date revisit that decision or the basis upon which any forbearance was granted. Any such action taken by the PRA or other regulatory bodies, whether under the Banking Act or otherwise, would have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.8 ***Provident Personal Credit Limited ("PPC") and Provident Financial Management Services Limited ("PFMSL") have each not received full FCA authorisation. Any failure by PPC and/or PFMSL to obtain full authorisation by the FCA would have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.***

PPC (the company which operates the Provident Financial Group's CCD business comprising Home Credit and Satsuma) and PFMSL (the company which, among other things, employs most of the staff of the Home Credit and Satsuma businesses) are each currently operating under an interim permission granted by the FCA with respect to their regulated consumer credit activities. The Directors believe that the Provident Financial Group's Home Credit business is the only such home credit business amongst its competitors that is not fully FCA authorised and similarly that no other of its competitors in the "High-Cost Short-Term Credit" ("**HCSTC**") market are operating without full FCA authorisation. Each of PPC and PFMSL submitted their respective applications to the FCA for authorisation in May 2015. In September 2017, the FCA set out in writing to the Provident Financial Group the Home Credit Oversight and Governance Related Matters that it required to be addressed by the Provident Financial Group and stated that it was concerned that its requirements in relation to such matters were not being met. Whilst the Provident Financial Group has sought to address some of these matters already by implementing certain measures in the Recovery Plan, no assurance can be given that such measures will successfully address the FCA's concerns. The implementation of remedial changes to address these matters may take some time, could require the Provident Financial Group to incur costs, could have wide-ranging consequences on the way the Provident Financial Group operates its business and could significantly delay the timing of any decision by the FCA with respect to the authorisation of PPC and/or PFMSL.

Should the FCA have serious concerns as to whether either PPC or PFMSL is suitable to be an authorised firm, the FCA may impose conditions, limitations or requirements on its permissions, compliance with

which may be onerous and may affect the way in which the Provident Financial Group conducts its CCD business. Formal regulatory sanctions can vary significantly, from, for example, a public censure without a fine to the cancellation of an authorised firm's permission or the withdrawal of an approved person's approval, with the imposition of financial penalties typically the most frequently used sanction. In addition, prior to obtaining authorisation, PPC and PFMSL must each satisfy certain FCA threshold conditions, See paragraph 1.1 of Part VI "*Regulation*" of this Prospectus for further details regarding the FCA threshold conditions that must be met by PPC and PFMSL. One such threshold condition which must be satisfied prior to the FCA granting either PPC or PFMSL authorisation is that such entities have, or have access to, adequate resources, including financial resources and no assurance can be given that the FCA will be satisfied that this is the case. Should the FCA determine that PPC and/or PFMSL do not meet the required threshold conditions and/or any other conditions that the FCA imposes on PPC and/or PFMSL (if applicable) and/or have failed to adequately remedy the matters identified by the FCA, the FCA may refuse to grant authorisation, which would result in the Provident Financial Group being unable to carry on PPC's and/or PFMSL's regulated activities, as the case may be, and thus to carry on the Provident Financial Group's Home Credit and Satsuma businesses. Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.9 ***Changes in the political and economic environment in the UK and, to a lesser extent, the Republic of Ireland may negatively impact the Provident Financial Group's performance.***

As the Provident Financial Group derives substantially all of its revenues from customers based or resident in the United Kingdom or the Republic of Ireland, it is directly and indirectly subject to the inherent risks arising from the general economic conditions of the UK and Republic of Ireland economies and other major economies that impact the UK and Republic of Ireland economies. The Provident Financial Group (particularly Vanquis Bank and Satsuma), is exposed to prevailing levels of unemployment (and Moneybarn is exposed to rapid rates of change in unemployment levels), and is also exposed to levels of inflation, fluctuations in consumers' disposable income in the UK and the Republic of Ireland and, to a lesser extent, interest rates and changes in interest rates. Consequently, the Provident Financial Group's performance may be affected by a deterioration of economic conditions in the UK and, to a lesser extent, the Republic of Ireland. While the unemployment rate in the UK has been falling recently, real wage growth has been subdued for an extended period of time following the financial crisis in 2008. In the wake of the recession, the economy is slowly improving, but still remains fragile and it may be adversely affected by any increase or decrease in interest rates. It also remains to be seen what impact the UK's proposed withdrawal from the European Union will have on the UK.

If the economies of the UK or Republic of Ireland or the global economy suffers a downturn that increases the unemployment rate or rates of "under-employment" (in which workers have reduced numbers of working hours), leads to further austerity measures (such as reductions in the UK government's provision of public benefits or public sector employment), reduces consumer confidence or spending, reduces disposable income or impacts interest rates (beyond the recent rise in the UK base rate announced in November 2017) and the availability of credit in the UK and/or the Republic of Ireland, customers may be unable or unwilling to incur new debt or continue repaying existing debt and the Provident Financial Group may not be able to continue to provide its products to customers in the non-standard finance sector in a manner consistent with its past practice. In particular, the products offered by Vanquis Bank and Moneybarn are typically more susceptible to falling customer numbers in periods of economic decline than those offered by CCD. Such events could lead to increasing loan delinquencies, customer bankruptcies, loan impairments, charge-offs and provisions for losses, decreasing loan recoveries and reduced applications from new customers. Higher impairment charges could reduce the Provident Financial Group's profitability, capital and ability to engage in lending activities. If inflation and/or interest rates were to continue to rise in the UK or the Republic of Ireland, the amount of disposable income available for customers to repay their overall borrowing obligations could decrease. Even if the Provident Financial Group is able to develop tailored payment plans for certain of the affected customers in order to try to reduce the number of defaults, such measures may prove unsuccessful, or if the measures are successful in avoiding some defaults, total collections may be reduced or the timing of receipt of payments may be extended as a result of these measures, any of which could materially and adversely affect the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

An improvement in the economic conditions in the UK and/or the Republic of Ireland, as the case may be, could have both positive and negative impacts on the Provident Financial Group's business. Although improved economic conditions may lead to more reliable and consistent payments on loans due to the

improved financial position of customers, the Provident Financial Group may experience reduced demand for its products in the non-standard finance sector as a result, as a consequence of a customer's improved credit score or otherwise, which could lead to more competitive rates offered by the Provident Financial Group's competitors for their products or otherwise result in existing or new customers no longer requiring access to non-standard finance products.

The recent rise in interest rates, and further rises in interest rates, in the UK or the Republic of Ireland, as the case may be, due to a change in the economic environment or other factors beyond the Provident Financial Group's control, may also increase the Provident Financial Group's financing costs, which could materially and adversely affect the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Furthermore, rising interest rates in the UK or the Republic of Ireland, as the case may be, could result in increased levels of consumer saving and higher borrowing costs for consumers, either of which could result in lower demand from customers for the Provident Financial Group's products, which could materially and adversely affect the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Furthermore, the UK's decision to leave the EU following its referendum in June 2016, could give rise to, among other things, a sustained period of economic, fiscal, monetary, social and political uncertainty, adversely affecting the UK, the Republic of Ireland, continental Europe and global economic and market conditions, including levels of investment and lending. The decision could also contribute to instability in global financial and foreign exchange markets, as well as reduced business and consumer confidence in the UK and/or the Republic of Ireland, as the case may be, and uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate, as well as potentially having a negative impact on employment rates in the UK and which could lead to an increase in loan impairments. In addition, any changes in the UK political environment might also increase the risk of changes in economic policy and the Government's approach to the non-standard credit market sector generally. The occurrence of any of these matters could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.10 ***The Provident Financial Group has been cooperating, and is in discussions, with the FCA in relation to its investigation into certain of Moneybarn's systems, controls and practices and the outcome of the investigation remains uncertain.***

In the period prior to and following Moneybarn obtaining full FCA authorisation on 3 June 2016, the Provident Financial Group has been in discussions with the FCA regarding certain of Moneybarn's systems, controls and practices including: (i) affordability assessments; (ii) termination of arrangements with customers; (iii) fees and charges; and (iv) forbearance. In July 2016, the FCA carried out a site visit at Moneybarn's registered office to gather more information in relation to the business following Moneybarn's authorisation and following such visit, in September 2016, the FCA set out in a letter that it had certain concerns relating to, among other things, the items described in (i) to (iv) above. On 4 December 2017, the FCA commenced an investigation into Moneybarn. The FCA investigation relates to the period commencing 1 April 2014 and involves an investigation into whether Moneybarn, including its senior managers, contravened Principle 3 (Management and control), Principle 6 (Customers' interests), and/or Principle 7 (Communications with clients) of the FCA's Principles for Businesses (the "**Principles**") and the Consumer Credit Sourcebook (the "**CONC**") rules, in particular the FCA is investigating: (a) whether Moneybarn's creditworthiness and customer affordability assessments were adequate and compliant with regulatory requirements; (b) whether Moneybarn failed to treat customers in default or in arrears with due forbearance and consideration appropriate to their circumstances; and (c) whether Moneybarn provided information about its termination processes which was clear, fair and not misleading in order to allow customers to make informed decisions about the different options open to them in respect of the termination process and its financial implications.

Moneybarn continues to cooperate with the FCA in its ongoing investigation into affordability, forbearance and termination options. The estimated cost of £20.0 million, representing management's estimate of the expected outcome in respect of the investigation, has been reflected as an exceptional cost in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017. A final resolution to the investigation is likely to take up to 24 months.

Whilst the Provident Financial Group believes it has taken a conservative position in providing for this amount in its audited consolidated financial statements, no assurance can be given that in the event that were the FCA to find that Moneybarn has contravened any of the rules that are the subject of the FCA's

investigation or any other rules, the level of provision that the Provident Financial Group has already taken in its audited consolidated financial statements for the year ended 31 December 2017 will be sufficient to cover any penalty, redress or other liability that Moneybarn may incur. Any requirement to make further provision could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.11 ***The Provident Financial Group's Home Credit operations in the Republic of Ireland are the subject of a risk mitigation programme agreed with the Central Bank of Ireland ("CBI"). Failure to address the CBI's concerns may result in regulatory action including ultimately the revocation of its moneylending licence.***

The Provident Financial Group's Home Credit business in the Republic of Ireland which had period-end average receivables of £46.8 million for the three years ended 31 December 2017, 2016 and 2015 (representing approximately 10.2 per cent. of Home Credit's period-end average receivables over the same period) and served approximately 86,300 customers as at 31 December 2017, is regulated as a financial services provider and is subject to the fitness and probity standards issued by the CBI, including the requirement to apply for a moneylending licence each year.

In April 2016, an independent third party was appointed by the Home Credit business (with the approval of the CBI) to carry out a "skilled persons" review to assess whether the business model operated by the Home Credit business in the Republic of Ireland contributes to or results in non-compliance with legal and regulatory requirements or carries the risk of doing so (an "**SPR**"). The SPR was completed in December 2016, and as a result of the SPR, the Provident Financial Group is currently the subject of a risk mitigation programme ("**RMP**") agreed with the CBI and which began in January 2017, to address a large number of concerns identified by the CBI in relation to the Provident Financial Group's Home Credit operations in the Republic of Ireland including, amongst others, its governance framework and the effectiveness of its policies and procedures (in particular, its credit control policies and its fitness and probity arrangements), its monitoring and control over lending and agent behaviour, its creditworthiness and affordability checks (in particular, the lack of documented income verification for new and existing customers), the provision of appropriate training for its staff and agents, levels of customer indebtedness, the early settlement rebate process and remuneration of its field staff and commission payable to its agents. Implementation of the changes required by the RMP began in January 2017 and is expected to be substantially completed by July 2018 with key completion date milestones expected on 30 March 2018 and 28 June 2018. Actions taken by the Provident Financial Group in response to the RMP are subject to regular reviews by the CBI.

Whilst to date the Provident Financial Group believes that it has met the applicable requirements of the RMP, no assurance can be given that this will continue to be the case or that the CBI will not in the future raise any further matters that require remediation. In particular, the Provident Financial Group had intended to address a number of the items included in the RMP by pursuing similar operational model changes in the Republic of Ireland as were originally planned and implemented in the Provident Financial Group's Home Credit business in the UK. Following the impact of implementing the Home Credit business's new operational model in the UK, and the need to revise the operating model subsequently, there remains uncertainty over the precise nature of the Provident Financial Group's future Home Credit operating model which is appropriate for the Republic of Ireland in light of the items required to be addressed in the RMP; the Provident Financial Group continues to liaise with the CBI in this respect.

Failure by the Provident Financial Group to adequately address those items that are the subject of the RMP could result in regulatory action, including the impositions of fines, additional compliance requirements, including, among others, the CBI requiring a skilled person's report to be commissioned or the Provident Financial Group's auditors carrying out an examination of the matter and providing a report to the CBI, remediation and redress requirements, business restrictions, suspension or revocation of the moneylending licence or the Provident Financial Group being unsuccessful in renewing its annual moneylending licence for the Home Credit business in the Republic of Ireland when so required in July of each year, which could result in the cessation of the Provident Financial Group's Home Credit business in the Republic of Ireland, any of which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.12 ***The Provident Financial Group is subject to enhanced supervision by the FCA.***

As a consequence of, among other things, the disruption to the Provident Financial Group's Home Credit business following the implementation of its new operating model in July 2017 and the subsequent implementation of the Recovery Plan in response to such disruption, and the FCA's investigation into

Vanquis Bank's ROP and into the processes applied by Moneybarn in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties, the Provident Financial Group was notified by the FCA that it is subject to enhanced supervision by the FCA (the "**FCA Watchlist Letter**"). The FCA Watchlist Letter requires that the Provident Financial Group: (i) provide the FCA with an executable wind-down plan for the Provident Financial Group and each of the entities within the Provident Financial Group (and a draft wind-down plan was submitted to the FCA on 31 January 2018 in accordance with this requirement); (ii) successfully executes the Recovery Plan; and (iii) complete a successful turnaround of CCD so that CCD is financially stable and the Provident Financial Group can meet its funding requirements to 2020. Firms placed under enhanced supervision may be required to provide formal commitments, where appropriate, to the FCA to tackle the underlying concerns raised by the FCA and the FCA may also exercise other powers, including imposing requirements under section 55L of the FSMA on the firm being supervised. A firm is only removed from a programme of enhanced supervision by the FCA when it has effectively mitigated the key risks that led the FCA to place it under enhanced supervision. However, no assurance can be given that upon satisfying these matters referred to in the FCA Watchlist Letter that the Provident Financial Group will automatically cease to be under enhanced supervision by the FCA.

The FCA also has general powers, under Section 55L of the FSMA, to impose a requirement on a firm to undertake or cease a particular action where it is desirable to take this action to meet the FCA's operational objectives. The FCA may use this power to take early intervention action or to address ongoing conduct issues that pose a risk to consumers or market integrity. In particular, the FCA has the power to vary or cancel a firm's permission to carry on regulated activities and/or impose a requirement on a firm varying a firm's permission to carry out a regulated activity including a limitation on such permission.

Consequently, there is a risk that the FCA may vary or cancel any of the regulatory permissions held by Vanquis Bank, Moneybarn and CCD (on an interim basis) and/or impose a requirement on any such permissions. Such cancellations, variations or limitations could be onerous and may affect the way in which the Provident Financial Group conducts its business and ultimately could require that the Provident Financial Group ceases to operate one or more of its businesses. Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.13 ***The Provident Financial Group is exposed to the credit risk of its customers. The Provident Financial Group could fail to accurately assess customer credit risk through its underwriting processes.***

Vanquis Bank and CCD (through its Home Credit and Satsuma businesses) make unsecured personal loans and Moneybarn makes loans secured by the underlying vehicle, to a segment of the population that has difficulty obtaining credit from mainstream financial institutions. In doing so, the Provident Financial Group assumes the risk that its customers will be unable or unwilling to pay amounts in full when due. Despite its credit review process, which includes scoring techniques and checks used by the Provident Financial Group to evaluate the creditworthiness of applicants for its credit cards and loan products and the affordability of such products, the Provident Financial Group may have incomplete or inaccurate information and be unable to fully and properly evaluate the financial condition of each prospective customer, his or her creditworthiness, and the affordability of products proposed to be provided to such customers, both at the time of origination of the product and when implementing a credit line increase.

The Provident Financial Group uses internal and external data, internally developed models and other data analytics tools as well as, in the case of (i) its Home Credit business, assessments made by its CEMs in order to analyse creditworthiness and affordability, and assess a customer's financial situation and ability to re-pay a loan, and (ii) Vanquis Bank, assessments at both the time of origination of the credit and at the time of any credit line extension. The Provident Financial Group is, however, likely to have imperfect information about the ability of customers to pay and the timeliness of such payments, all of which factors will affect the Provident Financial Group's decisions regarding loan origination, credit line increases and impairments. Furthermore, the Provident Financial Group has no control over the accuracy of the data it receives from third parties

There can be no guarantee that the Provident Financial Group's risk management policies will ensure that the Provident Financial Group adequately prices the customer credit risk that it takes.

Furthermore, the Provident Financial Group cannot be certain that trends in its historical data will be predictive of future results, and it has a limited amount of historical data for certain of the variables that it uses. For example this limitation may arise where new products have been introduced with significantly different terms or features such as HCSTC products, or where new product sectors in the non-standard credit market have been entered for the first time such as near-prime credit cards.

Any failure to correctly assess the credit risk of existing or prospective customers or when assessing whether credit lines should be increased, and/or make appropriate impairment provisions for the potential losses, may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.14 ***If the credit quality of the Provident Financial Group's customers deteriorates and/or the Provident Financial Group is unable to effectively control its levels of delinquencies in the future, if its current impairment policy is not effective or if it does not fully provide against future loan losses, its business, financial condition, results of operations, cash flows or prospects may be materially adversely affected.***

Despite the Provident Financial Group's underwriting criteria and risk management framework, the credit quality of its prospective and current customers may decrease. An increase in delinquencies could reduce the Provident Financial Group's profitability and cash flows and result in increased write offs of bad debt. For the year ended 31 December 2017, impairments in Vanquis Bank, CCD and Moneybarn were £186.6 million, £293.5 million and £31.1 million, respectively. Impairment in Vanquis Bank was driven by an increase in receivables during the year partly offset by improving delinquency as a result of tighter credit standards and an improving UK employment market. Significant impairment in CCD was driven by disruption relating to the transition to the new Home Credit operating model. Impairment in Moneybarn was driven by an increase in default rates consistent with an increased mix of business being written on lower value vehicles which tend to carry a higher impairment rate.

No assurance can be given that the Provident Financial Group will be able to effectively evaluate the credit quality of its customers, that the credit quality of its customers will be maintained and/or that the level of delinquencies in its total loan assets will not increase. The Provident Financial Group's business is dependent on consistent, high-quality underwriting processes and servicing of loans, in particular as its loans are typically extended to customers who fall outside the lending criteria of high street banks and thus are generally subject to higher delinquency risk. If the quality of its underwriting processes or servicing of these loans were to deteriorate, the amount and rate of delinquencies could increase in the future. The Provident Financial Group's models may also produce incorrect predictions of future events in relation to a customer because data regarding that customer, whether provided by the customer or a third party, is erroneous or misleading. Furthermore, Satsuma's loan portfolio is less seasoned than, for example, the mature Home Credit loan portfolio, and has benefited from higher growth rates. Given this unseasoned characteristic, Satsuma's models may be less effective than those used by the Provident Financial Group's other businesses in predicting customer creditworthiness, levels of delinquencies and levels of loan impairment.

Any, errors or inaccuracies in the Provident Financial Group's underwriting models and scorecards may be material. This could lead to the Provident Financial Group making wrong or sub-optimal decisions when determining whether or not to issue credit to a customer and/or the amount of such credit and the pricing of such credit. Following the decision to issue credit to customers, the Provident Financial Group may not effectively manage the ongoing relationship with its customers and collect on the customers' payment obligations to the Provident Financial Group. The Provident Financial Group's collection operations or collections strategies may not operate effectively to secure the necessary amount or level of cash flow from customers for it to operate effectively and profitably. For example, in connection with the implementation of the Provident Financial Group's Home Credit business's new operating model, the Home Credit business experienced weaker than expected collections performance which materially and adversely impacted the Home Credit business. See the risk factor titled "*The Provident Financial Group may be unsuccessful in implementing its Home Credit Recovery Plan based on a revised operating model and restoring customer service and collections performance to acceptable levels.*" for further information.

Furthermore, no assurance can be given that the Provident Financial Group's monitoring and risk management procedures will effectively predict loan losses due to defaults or that its provisions for impairment will be sufficient to cover future losses. In particular, the ability of customers to repay the Provident Financial Group can be negatively impacted by increases in their other payment obligations.

As required by both UK debt collection regulations and the Provident Financial Group's own corporate policies, the Provident Financial Group proactively works with its customers who experience a reduced ability to pay their debts to try to reach an appropriate payment plan through means such as reduced regular payments. Even if the Provident Financial Group is able to develop and agree payment plans for customers, such measures may prove unsuccessful. A negative change in the financial circumstances of the Provident Financial Group's customers after it has provided them with a loan or credit could lead to reduced collections for the Provident Financial Group's business, which would reduce the Provident Financial Group's cash generation and returns on capital.

If the Provident Financial Group is unable to effectively assess the credit quality of its customers and/or control its level of delinquencies in the future, or if its provisions for impairment are insufficient to cover future loan losses, the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects could be materially adversely affected.

In addition, the Provident Financial Group takes no security for its loans (save in relation to the vehicle finance loans provided by Moneybarn) and its customers generally have limited or no other assets. As a result, in the event of defaults by a significant number of its borrowers, the Provident Financial Group may be unable to recover all or a significant proportion of the balance of such loans, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.15 ***Historic underinvestment in certain aspects of the telecommunications and IT systems and technology used by the Provident Financial Group's CCD businesses is likely to result in the need to carry out investment and upgrade programmes. Such programmes may cost more than expected, take longer than expected, or deliver less benefit than planned. In addition, knowledge of certain systems and platforms by personnel is concentrated and so the loss of any such personnel could lead to disruption to those systems and platforms. Furthermore, the Provident Financial Group's IT cost base is high as a result of its complex IT estate and high IT and technology related headcount and may remain so.***

Historic underinvestment in certain aspects of the CCD business's IT systems and platforms has resulted in certain legacy IT platforms being combined and running on an aging infrastructure. This has resulted in an overly complex IT estate. A significant portion of the telecommunications and IT systems and technology used by the Provident Financial Group's CCD businesses remain on extended support arrangements or are nearing end-of-life (meaning that there is limited or no support provided by the vendor or specialist third-party supplier) and require upgrade. In addition, certain of these systems and technologies are provided by the Home Credit business and used by Satsuma. Given the fully remote online nature of Satsuma's lending business, any disruption to these systems and technologies could have more adverse consequences for the operation of the Satsuma business than for the operation of the Home Credit business. Over the past 18 months, there have been a significant number of incidents relating to CCD's aging and unsupported telecommunications and IT systems and technology, resulting from legacy complex unstable platforms and failures with networks, backups and hardware, which have adversely impacted the front line and core business activities of CCD. While the Provident Financial Group operates with such telecommunications and IT systems and technology, it remains exposed to further service disruptions, security weaknesses and operational inefficiencies. Furthermore, knowledge of certain systems and platforms is concentrated in a limited number of Provident Financial Group employees. Any failure to retain such employees or to recruit and train adequate replacements, as may be needed, in a suitable timeframe or at all, could lead to greater disruption to those systems and platforms and require greater costs to remediate any such disruption, either of which could have a material adverse effect on the CCD's businesses.

Furthermore, the time and resources required to address any such incidents may be greater than the time and resources normally needed, given that mainstream support may no longer be available for certain of the systems and technologies. Those aspects of the telecommunications and IT systems and technology requiring further upgrade and/or remediation include, but are not limited to, the data centre hosted core network switches which support all applications and data traffic within CCD, the file share servers which support the movement of data files with CCD and to/from external parties, the aged operating system, databases and servers used to host the Focus Home Credit Account Management system and the Genesys telephony system. The Provident Financial Group is considering various options to consolidate and simplify its IT estate including by, among other things, outsourcing CCD's IT infrastructure to a third party managed service. The various options being considered are expected to represent a saving over budgeted IT costs for the next five years, along with a significant decrease in risk. The Provident Financial Group estimates that a potential future transition of CCD's infrastructure to a managed service will take between nine and 15 months and that ongoing investment will still be required once the provider arrangement is in full operation to ensure that CCD's technology applications and databases, which will not be migrated to a managed service at the same time as CCD's infrastructure, remain current. Programmes to carry out any necessary upgrades to, investments in, or the migration or outsourcing of any of the CCD business's telecommunications and IT infrastructure, systems and technology are funded from internally generated cash flows and may require significant investment, cost more than expected, take longer than expected, or deliver less benefit than planned. Even after any upgrade or remediation, there remains a risk that the systems and technology may not operate as expected, may not fulfil their intended purposes, or may be damaged or interrupted by disruptive events. The end-of-life position described above may also lead to increased delivery risk in relation to any

planned programme of upgrades, including in relation to the Provident Financial Group's Home Credit business Recovery Plan, investment, migration or outsourcing of infrastructure and/or services because change is inherently more difficult to deliver in such an environment, leading to an increased risk that projected delivery costs are exceeded and that projected delivery timetables are missed.

Any interruption in the ability of the Provident Financial Group's CCD businesses to use the IT, technology and telecommunications systems on which its respective businesses rely, as well as the costs required to implement any necessary upgrade programmes thereon, may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Additionally, whilst there has been historic underinvestment in certain aspects of its telecommunications and IT systems and technology, the Provident Financial Group has identified that its IT cost base is currently high, in part as a result of its complex IT estate and high IT and technology related headcount. Whilst the Provident Financial Group aims to reduce these costs over time either as part of, or alongside, programmes to invest in, upgrade or migrate or outsource, any of the CCD business's telecommunications and IT systems and technology, no assurance can be given that such cost reductions will be achieved.

1.16 ***The Provident Financial Group is dependent upon its telecommunications and IT systems. Any disruptions or failures in the Provident Financial Group's telecommunications, technology and/or IT systems could have a material adverse effect on its business.***

The Provident Financial Group relies on telecommunications and computer equipment, software and other systems to conduct its day-to-day operations, including services provided by various internet service and telecommunications providers. The Provident Financial Group uses these systems to identify and contact large numbers of customers, store personal data of customers, analyse and segment accounts and monitor the results of collection efforts. The Provident Financial Group's capacity to service its customers and, consequently, its success depends, in large part, on its ability to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases it uses for its non-standard financing activities. Interruption or loss of its information processing capabilities, loss of stored data, the failure of computer equipment or software systems, telecommunications failure or other disruption could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Such disruptions could include the breakdown or failure of equipment and software, interruption of power supply or processes, physical damage to IT centres, fire, flood or other natural disasters, acts of sabotage, cyber-attacks or security breaches, vandalism and workplace accidents. No assurance can be given that the disaster recovery and back-up facilities and systems that the Provident Financial Group has in place will operate as planned or provide continued and uninterrupted telecommunications and IT infrastructure when required. Any failure of, or disruption to, such disaster recovery and back-up facilities and systems could have a material adverse effect on the Provident Financial Group's business, results of operations, financial condition, cash flows and prospects. For a description of the Provident Financial Group's IT systems, disaster recovery and back-up facilities and systems, see paragraphs 5.11 (*IT and infrastructure*), 6.2(f) (*IT and infrastructure*), 6.3(f) (*IT and infrastructure*) and 7.10 (*IT and infrastructure*) of Part IV "*Business*" of this Prospectus.

For certain systems, technologies and programmes, the Provident Financial Group relies on specialist providers. To the extent any of the Provident Financial Group's systems, technologies or programmes do not function properly, including, in particular, its mobile application suite, and it cannot find and retain suitable IT and software providers to help remedy the fault, the Provident Financial Group may be required to make substantial additional investments, or it may not be able to remedy such faults at all.

Furthermore, the Provident Financial Group relies on certain of its telecommunication and IT systems for compliance with certain regulatory requirements. Any resulting temporary or permanent loss of the Provident Financial Group's ability to use its computer equipment and software systems or any disruption to or loss of data could disrupt the Provident Financial Group's operations, result in increased capital expenditure and operating costs, result in breaches of regulatory requirements to the extent that such computer equipment and/or software systems are critical to the Provident Financial Group's compliance therewith, cause the Provident Financial Group to suffer a competitive disadvantage and could materially and adversely affect its business, results of operations, financial condition and prospects. In addition, the Provident Financial Group's operations are dependent on the systems of the banking sector as a whole. These and other systems could be interrupted by terrorist acts, natural disasters, power losses, computer viruses, distributed denial-of-service attacks or similar events. Any failure of the Provident Financial Group's systems or the systems of the banking and other sectors that are integral to its business, especially

if such failure also impacts its backup or disaster recovery systems or ability to proceed with collections, would disrupt the Provident Financial Group's operations and could materially and adversely affect its business, financial condition, results of operations, cash flows and prospects.

The Provident Financial Group's business also depends heavily on services provided by various internet service and telecommunications providers. The Provident Financial Group's ability to use telecommunications systems to contact customers is governed by data protection, telecommunications and privacy requirements and regulatory rules and, to a limited extent, by guidance issued by the UK Office of Communications (OFCOM). These may change and may make using, accessing, transferring or storing customer documentation more onerous in the future. If the Provident Financial Group's equipment or systems cease to work or it becomes difficult to continue to use them in the same manner as it does today as a result of any regulatory development, if there is any change in the internet service or telecommunications provider markets that would affect its ability to obtain favourable rates on communication services or if there is any significant interruption in internet or telecommunications services, the Provident Financial Group may be prevented from providing, originating and servicing customer accounts.

Any interruption in the Provident Financial Group's ability to use the technology and telecommunications systems on which its business relies may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.17 ***The Provident Financial Group is subject to material cyber security risks, including from the use of malware and ransomware and distributed denial of service attacks, and potential security breaches and is likely to continue to incur increased costs in an effort to manage those risks and to respond to cyber incidents.***

The Provident Financial Group's databases contain personal data relating to its customers and applicants, such as name and account number, location information relating to the address and telephone numbers for the customer and account specific information such as the date of loan origination and balance. These databases are vulnerable to technology risks from a variety of sources, including telecommunications and network failures, natural disasters and human acts both by individuals external to the Provident Financial Group, as well as the Provident Financial Group's employees, including fraud, identity theft and other misuse of personal data. Furthermore, the Provident Financial Group routinely transmits and receives personal, confidential and proprietary information by email and other electronic means. As such, the Provident Financial Group relies on secure processing, storage and transmission of confidential and other information on its computer systems and networks. Any interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer, counterparty or other third party could result in legal liability (including under data protection laws), customer dissatisfaction, regulatory action and/or reputational harm. The Provident Financial Group is exposed to the risk that data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection regulations. If the Provident Financial Group or any third party service provider on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Provident Financial Group could face liability under data protection laws.

While the Provident Financial Group has suffered no known material cyber-attacks or security breaches to date, a number of other external third-party companies have disclosed material cyber-attacks and security breaches, some of which have involved intentional attacks. Attacks, including those relating to the use of malware and ransomware and distributed denial of service attacks, may be targeted at the Provident Financial Group, its customers, its suppliers or each of the above. The Provident Financial Group is dependent on the secure operation of its systems and websites as well as the operation of the internet generally. Despite the Provident Financial Group's efforts to ensure the integrity of its systems, the Provident Financial Group may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognised until launched, and because cyber-attacks, including those relating to the use of malware and ransomware and distributed denial of service attacks, can originate from a wide variety of sources, including third parties outside the Provident Financial Group, such as persons who are involved with organised crime or associated with external service providers or who may be linked to terrorist organisations or hostile foreign governments. These risks are expected to increase in the future. As the Provident Financial Group continues to increase its mobile and other internet-based product offerings and expand its internal usage of web-based products and applications, the risks to the Provident Financial Group will increase.

If an actual or perceived breach of security occurs, customer, supplier, governmental and regulatory perceptions of the effectiveness of the Provident Financial Group's security measures could be harmed and could result in the loss of customers, suppliers or both, or the loss of confidence of governmental authorities or regulators. Actual or anticipated attacks and risks may cause the Provident Financial Group to incur increased costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants. In addition, many of the third parties who provide products, services or support to the Provident Financial Group could also experience any of the above cyber risks or security breaches, which could impact the Provident Financial Group's customers and business and could result in a loss of customers, suppliers or revenue. Furthermore, any security or privacy breach could expose the Provident Financial Group to other forms of liability, including regulatory fines or penalties, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Any of these events could also result in the loss of the goodwill of the Provident Financial Group's customers and deter new customers, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.18 ***The Provident Financial Group, and in particular Satsuma and Vanquis Bank, may be unable to successfully anticipate, manage or adapt to technological advances within the non-standard finance industry, which could result in increased technology costs and loss of competitive advantage.***

The Provident Financial Group's future growth is expected to require additional investment in its information and technology systems, including to develop and commercialise new products or to enhance existing products, including with respect to mobile apps and other digital offerings, point of sale technologies and credit products. The Provident Financial Group may not assign the appropriate level of resources, priority or expertise to such programmes, and the Provident Financial Group may not be successful in anticipating, managing or adopting technological changes on a timely basis, either of which could disrupt its operations and harm its business and prospects. Furthermore, the cost of improvement and development programmes could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of the business.

The Provident Financial Group depends on having the funding and capital resources necessary to invest in new products, processes and technologies to conduct its non-standard finance business. No assurance can be given that adequate funding or capital resources will be available to the Provident Financial Group when needed to make such investments. Furthermore, if the Provident Financial Group becomes unable to continue to acquire, aggregate or use information and data in the manner or to the extent to which it is currently acquired, aggregated and used, due to lack of resources, regulatory restrictions or any other reason, it may lose significant competitive advantage. Increased technology costs may also have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Any failure to successfully develop and commercialise new or improved products, or enhancements could have a material adverse effect on the Provident Financial Group's business and results of operations. Additionally, if the Provident Financial Group fails to invest sufficiently, fails to invest to the same extent as its competitors or fails to invest in the right technologies, its business, financial condition, results of operations, cash flows and prospects could be materially adversely affected.

1.19 ***The Company is in discussions with the Financial Reporting Council in relation to certain matters***

Since October 2017, the Company has been cooperating with the Financial Reporting Council with its enquiries in relation to, amongst other things, the adequacy of the disclosures in the Company's annual report and the strategic report for the year ended 31 December 2016 regarding the FCA's investigation into, and the suspension of, the sale of the ROP to new customers. The Conduct Committee of the Financial Reporting Council is authorised for the purposes of section 456 of the Companies Act to make an application to the court for a declaration that a company's annual accounts, a strategic report or a directors' report do not comply with the requirements of the Companies Act and for an order requiring the directors of the company to prepare revised accounts or a revised report. However, as set out in paragraph 42 of the Conduct Committee's Operating Procedures, alternative corrective or clarification action proposed by the directors may be accepted instead of an application to the court. If the Company were required to prepare revised accounts or a revised report, this might give rise to civil claims being brought against the Company in connection with any failure to comply with the requirements in the Companies Act. The Financial Reporting Council also has the power under section 14 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 to refer matters to the FCA who could review and investigate the

Company's compliance with its financial reporting obligations, including under the Market Abuse Regulation (2014/596/EU), the Financial Services Act 2012, the Listing Principles and other aspects of the Listing Rules. The sanctions which could be imposed on the Company were the Financial Reporting Council to find that the Company had not complied with its obligations could result in reputational damage to the Provident Financial Group and could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.20 ***The Provident Financial Group derives substantially all of its revenue from the non-standard finance market and is therefore wholly reliant on demand for such financial products.***

The Provident Financial Group generates substantially all of its revenue from, and therefore is wholly reliant on demand for, non-standard finance products. A variety of factors could influence demand for the Provident Financial Group's non-standard finance products, such as regulatory restrictions that inhibit customer access to particular financial products or prohibit certain products, increased availability or attractiveness of competing financial products, changes in consumer sentiment and spending or borrowing patterns, or changes in the financial circumstances of potential customers that might cause them to seek, and obtain, products from other lending institutions or, alternatively, to exit the non-standard finance product market entirely. Should these factors result in reduced demand for non-standard finance products, and should the Provident Financial Group fail to adapt to decreases in customer demand for, or access to, its products, its revenues could decrease significantly and its business operations could be materially and adversely affected. Even if the Provident Financial Group were able to successfully adapt its products to meet changing customer demand (or its perceptions of existing or future customer demand) or to compete effectively with existing or new competitors, customers nonetheless may choose to opt for alternative products or otherwise cease to borrow from the Provident Financial Group. In any event, the effect of any product diversification or change on the results of the Provident Financial Group's business may not be fully ascertainable until the change has been in effect for some time.

To the extent the Provident Financial Group offers new products, it may face difficulty in adequately pricing them and therefore in achieving profitability from offering these new products. In addition, the introduction of additional products could subject the Provident Financial Group to additional regulation or regulatory oversight and consequently to higher internal compliance expenses.

To the extent that any of the foregoing decreases revenues or increases the costs of the Provident Financial Group, or both, it could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.21 ***The Provident Financial Group has been, and may continue to be, subject to claims challenging the historic employment status of the Provident Financial Group's Home Credit agents in the UK and the employment status of its agents in the Republic of Ireland.***

The Provident Financial Group has been, and may continue to be, subject to claims challenging the self-employed status of Home Credit agents in the United Kingdom under its previous operating model and the status of its self-employed Home Credit agents in the Republic of Ireland. Following the workforce consultation and subsequent termination of its self-employed Home Credit agents in the UK following the Provident Financial Group's decision to implement a new operating model in 2017, it is possible that the volume and number of such claims may increase compared to those made historically against the Provident Financial Group and there is a risk that such claims could develop into class actions. To date, the Provident Financial Group has successfully defended all such claims brought against it by former agents. However, no assurance can be given that any future claims and/or class actions will be successfully defended by the Provident Financial Group. There is also a risk that the tax authorities will challenge the self-employed status of agents in the United Kingdom and the Republic of Ireland, particularly given recent employment status cases reported in the press. Whilst the Provident Financial Group has previously agreed the self-employed status of agents with the tax authorities in the United Kingdom and the Republic of Ireland, no assurance can be given that the tax authorities will reach the same conclusion following any subsequent challenge. Were the Provident Financial Group to be unsuccessful in defending any such claims, class actions or tax authority challenge, it may be required to make payments to former agents as well as being liable to pay additional taxes, including PAYE and National Insurance contributions to the relevant authorities, which could, in aggregate, be material. Furthermore, were a class action or tax authority challenge to be made against the Provident Financial Group, whether or not such action is successful, the Provident Financial Group could suffer harm to its reputation by virtue of any press or media attention. Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.22 ***Certain co-managed funds have threatened proceedings in respect of the Company's alleged failure to disclose previously certain matters contained in the Company's public announcement on 22 August 2017 which, if upheld, could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.***

On 26 January 2018, the Company received a letter on behalf of an institutional investor (which has a number of subsidiary investment funds) in connection with certain matters disclosed in its public announcement on 22 August 2017 (the "**22 August Announcement**"). On that date, as part of a trading update, the Company announced, among other things, that Vanquis Bank was co-operating with an investigation by the FCA into the ROP, had agreed with the FCA to enter into a voluntary requirement to suspend all new sales of the ROP in April 2016 and had agreed with the PRA, pending the outcome of the FCA investigation, not to pay dividends to, or enter into certain transactions outside the normal course of business with, the Provident Financial Group without the PRA's consent. The institutional investor asserts that the Company is liable to compensate it and its subsidiary investment funds for losses suffered as a result of the fact that certain matters disclosed in the 22 August Announcement were not publicly announced earlier or disclosed to them by the Company in investor meetings. The institutional investor has not quantified the losses that it alleges have been incurred, although it alleges that it and its subsidiary investment funds held significant positions in the Company's shares at the time. The institutional investor also asserts that the Company's earlier public announcements were false or misleading or, alternatively, the delay in disclosing those matters publicly was dishonest pursuant to Section 90A of the Financial Services and Markets Act 2000, and the Company made actionable misstatements during those investor meetings. Whilst the matters alleged on behalf of the institutional investor are complex and the Company is at an early stage of analysing the claims, the Company currently believes the claims by the institutional investor are unmeritorious and considers the prospects of the claims being upheld to be limited. As such, the Company intends to defend its position vigorously and to the fullest extent possible. In the event these claims, or claims brought by any other investors in connection with these, or other, announcements or investor meetings, were upheld, the compensation which the Company may be required to pay could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. In addition, irrespective of the merits of any claim made by this or any other investor, dealing with any such claims, whether or not formal steps are taken, may take a significant amount of management time and resources away from the execution of the Provident Financial Group's business which may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects

1.23 ***The Provident Financial Group may not be able to refinance its borrowings in the longer term and/or the cost of finance could increase.***

In the longer term, the Provident Financial Group expects to be required to access debt funding to refinance its existing indebtedness, comprising the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds, at or prior to the time when they reach the end of their respective terms. In particular, the Provident Financial Group's £250 million in aggregate principal amount of fixed rate guaranteed bonds are due to mature in October 2019. The Provident Financial Group may not be successful in identifying lenders and/or investors who are willing to lend on similar terms to those which apply to the Provident Financial Group's existing indebtedness, or at all. No assurance can be given that the Provident Financial Group's existing indebtedness will, in the longer term, be able to be refinanced on similar terms, or at all, upon maturity. A reduction in the availability of finance or an increase in the future cost of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets, or reasons specific to the Provident Financial Group) could adversely impact the Provident Financial Group's business. The maturity profile of the Provident Financial Group's indebtedness is described in paragraph 9.1 of Part X "*Operating and Financial Review*" of this Prospectus. If, in the longer term, the Provident Financial Group is not able to refinance borrowings as they mature and/or the terms of such refinancing are less favourable than the existing terms of borrowing, this could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Provident Financial Group.

1.24 ***A downgrade in the credit rating of the Company would have an adverse effect on the Provident Financial Group's business, results of operations, financial condition, cash flows and prospects.***

Credit ratings are an important reference for market participants in evaluating the Provident Financial Group and its securities. Credit rating agencies conduct ongoing review activity which can result in

changes to the credit rating and/or outlook for the Company. Review activity is based on a number of factors including the Provident Financial Group's financial strength and outlook. Credit ratings may also be affected by changes in the rating methodologies used by the credit rating agencies.

Any downgrade in the credit rating and/or outlook of the Company or its securities:

- could adversely affect the Provident Financial Group's liquidity and therefore its ability to lend;
- could undermine confidence in the Provident Financial Group;
- could increase the Provident Financial Group's borrowing costs;
- could limit the Provident Financial Group's access to the capital markets or limit access to funding for the Provident Financial Group and consequently, have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects; and/or
- would, if such downgrade of the Company by Fitch Ratings Limited[1] was to sub-investment grade, result in the Company being required to pay an additional interest amount of 1.25 per cent. per annum on its £250 million in aggregate principal amount of 2019 Bonds (the "**Interest Step-up**").

Following the Provident Financial Group's trading update announcement on 22 August 2017, in which it announced significant disruption to its Home Credit business and revised its earnings guidance for the Home Credit business for the year ending 31 December 2017, Fitch Ratings Limited announced on 24 August 2017 that it had downgraded the Company's Long-Term Issuer Default Rating and senior unsecured debt ratings to "BBB-" (previously "BBB") and had also placed the Company's Long-Term Issuer Default Rating and senior unsecured debt rating on Rating Watch Negative, meaning the Company's rating could be downgraded further in the near future. Any such downgrade would result in a sub-investment grade rating.

Pursuant to the terms of the Provident Financial Group's Revolving Facility Agreement and Term Loan Agreement, the Company is required to comply with an interest cover ratio. Any downgrade in the credit rating of the Company resulting in increased borrowing costs associated with the financing requirements of the Provident Financial Group, including as a result of the Interest Step-up on the 2019 Bonds, may limit the ability of the Provident Financial Group to incur additional debt in the future and impact the Provident Financial Group's ability to implement its strategy as a result of the need to prioritise covenant compliance over such implementation of its strategy, as well as resulting in increased interest costs and a reduction in earnings. As a result, any downgrade of the current rating of the Provident Financial Group could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.25 ***The Provident Financial Group operates in markets that are intensely competitive and may be unable to compete with businesses that offer alternative and potentially more attractive non-standard finance products, and competitors may have or develop competitive strengths that the Provident Financial Group cannot match.***

The Provident Financial Group faces competition from new and existing players in the credit card, home credit, HCSTC, unsecured personal loan and vehicle financing sectors of the UK non-standard finance market and in the home credit sector of the Republic of Ireland non-standard finance market. The Provident Financial Group's current competitors as well as any new competitors may have greater financial, technical, personnel or other resources. Competition may also come from other sources such as other non-standard financing companies and car lenders. In addition, large and established mainstream banks, among others, may at some point choose to enter or re-enter the non-standard finance sector, either directly or through investments in new or existing non-standard finance companies.

The home credit market in the UK is intensely competitive. Home Credit's two largest competitors in the UK are Morses Club plc and Non-Standard Finance plc who each cover multiple regions across the UK. In addition, the UK home credit market also has a large number of smaller localised operators.

If existing competitors of scale, as well as any new market entrants of scale, are successful in reducing the Provident Financial Group's market share in a specific sector of the non-standard finance market or the market as a whole, and/or are otherwise successful in displacing the Provident Financial Group from being the lender to a significant number of existing customers, it could have a material adverse effect on the

[1] Fitch Ratings Limited is registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Disruptions to the effective operation of the Provident Financial Group's business can also give rise to opportunities for competitors to take customers, loan volume and market share from the Provident Financial Group. For example, following the implementation of the Home Credit business's new operating model in 2017, Non-Standard Finance plc reported on 3 August 2017 that it had recruited large numbers of self-employed agents for its home credit business and Morses Club plc reported on 31 August 2017 and 5 October 2017 that it had recruited a number of the Provident Financial Group's former agents and had significantly grown its customer base. If competitors of the Provident Financial Group's Home Credit business, including, Non-Standard Finance and/or Morses Club, continue to grow and/or the Provident Financial Group experiences further agent or CEM attrition to such competitors, it could lead to a further deterioration in the Provident Financial Group's Home Credit business and/or impact the ability of the Provident Financial Group to successfully implement its Home Credit Recovery Plan and revised operating model, either of which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

The consumer credit market in the UK is intensely competitive. Vanquis Bank competes with other credit card and store card issuers, including most notably non-standard finance credit cards issued by NewDay, Capital One and Barclays, and other consumer credit providers on the basis of a number of factors, including pricing, breadth and quality of products and services, brand, network and reputation. This competition affects Vanquis Bank's ability to attract applicants for its products, encourage customers to use its products, maximize the revenue generated by product usage and generate customer loyalty and satisfaction so as to minimise the number of customers switching to other credit card or store card brands or other methods of obtaining credit or making payments. Competition may also reduce the yield on Vanquis Bank's credit products, if new entrants or existing competitors choose to attract new customers by lowering interest rates or providing significant incentives to new customers.

The vehicle finance market in the UK is intensively competitive and is defined by segments of customer credit risk. A range of lenders operate across the risk segments but no one lender operates across all risk segments as customer behaviours and operating models are different. In addition, there is intense competition amongst market participants for access to customers through intermediaries. There are more than ten direct competitors to Moneybarn in the UK vehicle finance market, of which two: (i) Moneyway (a trading name of Secure Trust Bank PLC); and (ii) Advantage Finance Ltd, are of comparable size to Moneybarn in terms of gross advances to customers. Other competitors in the market include First Response, Billing Finance Ltd and The Funding Corporation Ltd. Competition may reduce the yield on Moneybarn's product offering, if new entrants or existing competitors choose to attract new customers by lowering interest rates or providing significant incentives to new customers.

There can be no assurance that the Provident Financial Group will be able to offer competitive terms to customers for its non-standard finance products. If the Provident Financial Group is unable to develop and expand its business or adapt to changing market needs as well as its current or future competitors are able to do, or at all, or if its competitors are able to operate at a lower cost of capital or make advances in their business methods that the Provident Financial Group is not able to make, the Provident Financial Group may be unable to offer products on terms it deems appropriate in order to operate profitably. Furthermore, the Provident Financial Group's operating and technology models and approaches are not protected by registered patents or copyright and there can be no assurance that the Provident Financial Group's approach and methodologies will not be replicated by competitors. Any inability to compete effectively may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.26 ***If the availability of funding for the Provident Financial Group's business becomes limited or funding becomes more expensive, this may have a material adverse effect on its business, cost of funding, financial condition, results of operations, cash flows and prospects.***

The Provident Financial Group's business model relies on borrowing funds from external sources and accepting UK retail deposits. The Provident Financial Group lends to its customers at rates substantially higher than its cost of funds, and relies on this interest rate differential to generate substantially all of its earnings. Historically the Provident Financial Group's primary sources of funding have been, and following the Rights Issue they are expected to continue to be, funds from public and private debt financings, in addition to retail deposit funding at Vanquis Bank. The Provident Financial Group requires funds in order to make credit products available to its customers, meet its day-to-day operating expenses, make payments of principal and interest on its borrowings and make payments on other obligations. If the

Provident Financial Group does not have sufficient funds to be able to make credit products available to existing or prospective customers, particularly during a liquidity stress event or peak credit usage periods such as in the period leading up to the Christmas holidays, it may not be able to grow its business in accordance with its business plan. The Provident Financial Group sources most of its debt funding through the issuance of term debt in the public, private and wholesale capital and credit markets, as well as retail deposits obtained by Vanquis Bank. The extent to which the Provident Financial Group is able to utilise debt financings in the future will depend upon the conditions in the debt markets in general as well as the assessment of the Provident Financial Group by lenders and investors. See the risk factor titled "*A downgrade in the credit rating of the Company would have an adverse effect on the Provident Financial Group's business, results of operations, financial condition, cash flows and prospects.*" for further information relating to the consequences of a rating downgrade. In addition, if access to wholesale funding markets were to be fully or partially closed, the Provident Financial Group's cost of funding could increase and it may prove difficult to obtain funding on commercially attractive terms.

The availability of UK retail deposit funding may be impacted by increased competition from other deposit takers or factors that constrain the volume of liquidity in the market. In addition, Vanquis Bank's ability to gain access to UK retail funding sources on satisfactory terms is subject to a variety of factors, a number of which are outside its control, including, among others, liquidity constraints, general market conditions, increased competition, regulatory requirements and levels of confidence in the UK banking system. Any adverse reputational harm caused by the FCA's investigation into Vanquis Bank's ROP may also have an impact on Vanquis Bank's ability to gain access to UK retail funding sources on satisfactory terms. These factors could have a negative impact on Vanquis Bank's ability to obtain financing to maintain and grow its business, which could have a material adverse impact on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

The availability of future financing, if required, and its cost to the Provident Financial Group will depend on a variety of factors, such as prevailing levels of interest rates, financial market conditions generally, including the availability of credit to the consumer credit sector, the Provident Financial Group's performance, credit rating and creditworthiness. Disruption, uncertainty or volatility in the capital or credit markets may limit the Provident Financial Group's ability to obtain additional financing or refinance maturing liabilities on attractive terms in a timely manner or at all. As a result, the Provident Financial Group may be required to delay obtaining funding or to raise funding on undesirable terms, which could significantly reduce its financial flexibility, increase its funding costs and cause it to contract or not grow its business, any of which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations and prospects.

1.27 ***Damage to, or any further deterioration in, the Provident Financial Group's reputation, or a decline or further decline in customer confidence in the Provident Financial Group or its products, could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.***

The Provident Financial Group's business is dependent, in significant part, upon the strength of its reputation. The Provident Financial Group operates in a consumer-oriented industry where customer trust is important due to the need for public confidence in the quality of the Provident Financial Group's services and the security of its IT and communications systems. The Provident Financial Group could suffer damage or further damage to its reputation as a result of adverse publicity in connection with a variety of matters, including the further implementation of a revised operating model for its Home Credit business, following the operational issues that were encountered with the new operating model, and the transition of the Home Credit business from a self-employed agent model to an employed CEM model, the perception of high charges in personal consumer loan products, poor protection of customer data or as a result of the FCA's findings relating to its investigation into Vanquis Bank's ROP and Moneybarn's processes in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties. Adverse publicity could stem from the actions of legislators, regulators, other governmental entities and pressure groups, as well as social media postings and/or reporting by the media. In addition, any significant problems with collection practices employed by external collection agencies to which the Provident Financial Group outsources collections of its non-performing loans or to which the Provident Financial Group sells such loans could also adversely affect the Provident Financial Group's reputation. Adverse publicity and damage to the Provident Financial Group's reputation could directly affect customer willingness to use the Provident Financial Group's products or deposit funds with Vanquis Bank, and could adversely damage relationships with third party suppliers on which the Provident Financial Group relies, such as Newcastle Strategic Solutions Ltd (part of Newcastle Building Society), First Data and certain introducers and brokers,. Furthermore, a failure to

address, or appearing to fail to address, various issues that could give rise to reputational risk, such as poor customer service or technology failures that impact upon customer services and accounts, or breaching or facing allegations of having breached legal or regulatory requirements, could adversely affect the Provident Financial Group's business.

Consumers and/or print, online and television media may conflate the non-standard finance sector in which the Provident Financial Group operates with other similar finance areas, in particular the "payday loans" sector, the dedicated debt collection sector and the debt management sector. These sectors have suffered from significant and protracted negative attention and media coverage in the UK in recent years. To the extent some consumers still confuse and conflate the different financing products, any negative attention those sectors attract may also have a negative impact on the Provident Financial Group's businesses. Unfavourable publicity could also lead to increased pressure in the UK for further changes to regulation of the non-standard consumer finance sector generally, and the unsecured consumer loans sector in particular.

Furthermore, the Provident Financial Group operates in an industry in which there are many competitors. Although the Provident Financial Group does not operate in conjunction or collaboration with any of its competitors, their actions and operations may nevertheless have an adverse effect on its reputation and business. In particular, should any of the Provident Financial Group's competitors suffer from financial losses, incur regulatory fines or other public censure, be found to be operating in violation of any laws or regulations, or fail as a business, this may cause customers to be wary of engaging with other providers of non-standard finance, such as the Provident Financial Group. Negative publicity resulting from any actions of the Provident Financial Group's competitors could also have a detrimental effect on the Provident Financial Group's reputation or business, through association.

The occurrence of any or a combination of these factors could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.28 ***The seasonality of the Provident Financial Group's business impacts its revenues, working capital levels and cash flows.***

The Provident Financial Group's business depends on consumer demand for access to non-standard financing products. The level of sales and working capital requirements of the Provident Financial Group's business is affected by seasonal factors. Loan volumes for the Provident Financial Group's Home Credit business tend to be higher in the run-up to the Christmas holidays and loan volumes for Moneybarn tend to be higher around April and October of each year, being a month after the release of new vehicle registrations reflecting increased sales initiatives by vehicle dealers.

If seasonal fluctuations are greater than anticipated, or if there is an adverse development or general deterioration in economic conditions during peak periods, then the Provident Financial Group's performance could be adversely affected which could in turn adversely impact the Provident Financial Group's quarterly and/or annual results of operations. In addition, adverse collections could in turn have an adverse impact on the Provident Financial Group's ability to maintain or expand loan volumes and could also impact the level of new loans it can extend. Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.29 ***Risks of personal injury to the Provident Financial Group's Home Credit CEMs (in the UK) and agents (in the Republic of Ireland) could adversely affect the operations of the Provident Financial Group, particularly those of its Home Credit business.***

Possible risks of personal injury to the Provident Financial Group's Home Credit CEMs (in the UK) and agents (in the Republic of Ireland) could adversely affect the ability of the Provident Financial Group to retain and engage CEMs and/or agents to perform its Home Credit service, or the ability or willingness of the Provident Financial Group's Home Credit CEMs and/or agents to visit customers either to make collections or as part of regular ongoing customer contact, could give rise to an increase in personal injury claims against the Provident Financial Group and may damage the reputation and profitability of the Provident Financial Group. The occurrence of any of these could materially and adversely impact the likelihood of the Provident Financial Group successfully implementing its Home Credit Recovery Plan and transitioning to its revised operating model and achieving the targeted improvements to the Home Credit business and therefore could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and/or prospects.

1.30 ***The Provident Financial Group is subject to risks relating to the use of third party corporate partners and service providers.***

The Provident Financial Group's platforms for issuing and managing its products rely, in some cases, on a small number of key relationships with corporate partners and suppliers, including with First Data, which hosts customer credit card accounts to support Vanquis Bank's credit cards business, Newcastle Strategic Solutions Ltd (part of Newcastle Building Society), which provides the deposit-taking platform for Vanquis Bank, and Pancredit, which provides certain IT systems which collate data for all customer accounts for Satsuma. These arrangements expose the Provident Financial Group to the risk of poor performance or non-performance by its corporate partners and suppliers, and to the risk of deterioration of the commercial, financial or operational soundness of those organisations.

In addition, the Provident Financial Group's models are based in part on credit reference agency data provided by Callcredit and Experian Ltd ("**Experian**"). If the Provident Financial Group were to become unable to access data from one or both of these credit reference agencies, or if the data they provide proves to be inaccurate or unreliable, the Provident Financial Group may be unable to properly assess risk in acquiring new customers or re-pricing products held by existing customers, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Should the third party corporate partners and service providers engaged by the Provident Financial Group fail to perform the outsourced services as contractually required on a timely basis or at all, or terminate these arrangements unexpectedly, the Provident Financial Group would need to replace the service providers. This could have adverse cost implications, lead to a disruption in services, processing inefficiencies or security breaches pending replacement, as well as potentially giving rise to breaches by the Provident Financial Group of legal or regulatory requirements, and, depending on the functions involved, have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Furthermore, there is a risk that the Provident Financial Group will be unable to find new outsourcing partners in a timely fashion, on acceptable terms or at all, if any existing partners terminate their relationship with the Provident Financial Group. Any failure to find new outsourcing partners in such circumstances could, depending on the service provided, give rise to the risk of the Provident Financial Group breaching legal or regulatory requirements absent the introduction of alternative arrangements. Similarly, any misconduct of the Provident Financial Group's third party service providers (including any breach by such third party service providers of their legal or regulatory obligations) could have a reputational impact on the Provident Financial Group which could affect customer willingness to do business with the Provident Financial Group and have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.31 ***The Provident Financial Group's risk management policies and procedures may prove inadequate.***

The Provident Financial Group's policies and procedures for managing conduct risk, credit risk, liquidity risk, market risk, operational risk, legal/regulatory risk and other risks may prove ineffective and fail to avoid or mitigate the risks they were designed for.

The Provident Financial Group faces a wide range of risks in its business activities, including but not limited to:

- conduct risk, which is the risk of customer detriment arising from inappropriate culture, products or processes which lead to the risk of poor customer outcomes;
- credit risk associated with the extension of credit to customers, which is the risk that losses arise as a result of its customers failing to meet their obligations to pay amounts when due;
- liquidity risk, which is the risk that the Provident Financial Group will not have sufficient funds to meet its obligations as they fall due and to maintain or grow its business;
- market risk, which is the risk that relates to the economy or financial markets as a whole, such as interest rate risk and foreign exchange rate risk;
- operational risk, which is the risk of loss or negative impact to the Provident Financial Group resulting from inadequate or failed internal processes, people and systems, or from external events, including legal, internal and external fraud. This extends to all those services and processes provided by third parties; and

- legal/regulatory risk, which is the risk of an adverse change in the legal or regulatory requirements applicable to the Provident Financial Group, or a failure to ensure compliance with the applicable rules and legislation.

Some of the Provident Financial Group's methods for managing risk are based upon observations of historical customer or market behaviour and statistical techniques are applied to these observations to arrive at quantifications of its potential risk exposures. However, these methods may not accurately quantify the Provident Financial Group's risk exposures, especially in situations that cannot be identified based on its historical data. In particular, if the Provident Financial Group enters new lines of business, historical data may be incomplete. As additional information becomes available, additional provisions may need to be made. Furthermore, it is possible that incorrect assumptions could be drawn from historical data or other observation based techniques that could impact decisions relating to risk exposures and impairment provisions. For example, the operational disruption experienced in the Provident Financial Group's Home Credit business as a consequence of the implementation of its new operating model led to materially worse levels of collections in 2017 than those experienced in 2016 as a result of customer service problems rather than credit risk problems. If circumstances were to arise in which the Provident Financial Group did not identify, anticipate or correctly evaluate certain risks in developing its models, losses could be greater than the maximum losses envisaged under its risk management system. In addition, certain risks may not be accurately quantified by risk management systems. Material deficiencies in risk management or other internal control policies or procedures (including in respect of information technology systems) may result in significant credit, liquidity, regulatory or operational risk, which may in turn have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Each of CCD, Moneybarn and Vanquis Bank has separate risk management policies and procedures in place which are required to be aligned to the Provident Financial Group's risk management policy. Development and implementation of each risk management policy rests with each individual business with the Provident Financial Group undertaking an oversight role. Each of CCD, Moneybarn and Vanquis Bank has their own specialist credit teams, deploying conventional credit scoring strategies. The Provident Financial Group has historically had no central oversight over the individual credit teams and the Provident Financial Group has recently employed a specialist to improve Provident Financial Group's oversight. Also, historically the Provident Financial Group's oversight role was carried out at a very high level and the alignment of the risk management policies at the business level with the risk management policy of the Provident Financial Group had not been as effective as required. Furthermore, in its letter to the Provident Financial Group in September 2017 the FCA identified the Home Credit Oversight and Governance Related Matters which the FCA required to be addressed by the Provident Financial Group. No assurance can be given that any revised risk management framework and policies will be successfully implemented or will be sufficiently robust to address the FCA's concerns. In addition, in November 2017 the Provident Financial Group appointed an interim chief risk officer to help improve the Provident Financial Group's risk management framework and the way in which risks are assessed and managed across the Provident Financial Group's divisions. Following completion of such review it may be necessary to implement further changes to the Provident Financial Group's risk management framework, policies and procedures which may require changes to business practices within the Provident Financial Group.

If the Provident Financial Group's risk management policies and procedures are wholly or partially ineffective or fail to mitigate the risks they are designed to mitigate, the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected.

1.32 ***The Provident Financial Group could be negatively affected by actual or perceived deterioration in the soundness of other financial institutions and counterparties.***

Given the high level of interdependence between financial institutions, the Provident Financial Group is, and will continue to be, subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. The default of any one institution within the financial services industry could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Provident Financial Group or by other institutions. Any inability of the Provident Financial Group to raise new funding, including wholesale funding or Vanquis Bank raising retail deposits, due to perceived lack of creditworthiness could have a material adverse impact on its business, financial condition, results of operations, cash flows and prospects.

1.33 ***Moneybarn and, to a lesser extent, Vanquis Bank, Home Credit and Satsuma source some of their new customers from third-party brokers and agents, and the Provident Financial Group, particularly Vanquis Bank and Satsuma, utilises third-party introducers to source clients. The loss of one or more major brokers, agents or third-party introducers, including in each case as a result of increased regulation, and/or any adverse changes in relationships with such third parties could materially adversely affect the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.***

The use of third-party brokers by Moneybarn to source new customers is critical to its business. Furthermore, to a more limited extent, Vanquis Bank, Home Credit and Satsuma also use third-party brokers to source new customers. Moneybarn, Vanquis Bank, Home Credit and Satsuma pay commissions to brokers and agents for customers who choose to take a product from Moneybarn, Vanquis Bank, Home Credit or Satsuma, as applicable. Brokers and agents may choose to refer such potential customers to other credit providers who offer lower interest rates, higher commissions and/or have had longer-term relationships with the brokers or agents than the relevant Provident Financial Group business. This may adversely impact the Provident Financial Group's ability to attract and retain brokers and/or agents to attract potential customers to the Provident Financial Group.

Since 1 April 2014 credit brokers, in common with other consumer credit firms, have been subject to regulation by the FCA. In some cases, intermediaries that were not previously required to be licensed under the Consumer Credit Act 1974 are now subject to the FCA authorisation regime in respect of their credit broking activities. To date, the FCA has taken a more rigorous approach to regulation of consumer credit firms, including credit brokers, than was the case under the previous OFT regime. In relation to credit brokers in particular, in December 2014 the FCA published a policy statement explaining that it was exercising specific statutory powers to introduce new rules without prior consultation, on the basis that there was sufficient evidence that certain credit-broking practices were causing substantial harm to consumers. The practices in question included, among other things, lack of informed consent from customers to the taking of fees or the disclosure of their details to third parties, lack of transparency regarding the identity of the broker and the fact that such firm is not the lender, and customers being misled as to the purpose of providing their payment details. The FCA stated that these practices were principally observed in the HCSTC and other sub-prime markets. The rules, which came into force on 2 January 2015, included a ban on credit brokers charging fees, and from requesting payment details from customers for that purpose, unless they have provided the customer with certain prescribed information concerning the identity of the firm and the fees payable. The rules also imposed additional transparency and record-keeping obligations.

It is possible that further rules may be introduced in the future to address other failings observed by the FCA in the credit broking sector. Such rules may have a significant adverse effect on brokers' business models and could, in some cases, result in their exit from the market.

The Provident Financial Group, particularly Vanquis Bank and Satsuma, also utilises third-party introducers to generate customer leads and consequently source customers, and any adverse changes in these relationships could materially adversely affect its business, financial condition, results of operations, cash flows and prospects. Third-party introducers are not contractually obligated to do business with the Provident Financial Group and the Provident Financial Group's competitors also have relationships with such third-party introducers and actively compete with the Provident Financial Group for business provided by such introducers. Accordingly, the Provident Financial Group may not be successful in distributing its products through third-party introduction channels or maintaining its existing relationships with third-party introducers. If the third-party introducers through whom the Provident Financial Group distributes its products choose not to distribute them, the number of customers the Provident Financial Group originates may decline and ultimately the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects could be materially adversely affected. Moreover, the Provident Financial Group does not have control over whether the third-party introducers and other sources through whom it distributes its products comply with the FSMA and regulations of the FCA.

Whilst the Provident Financial Group is required to perform certain checks relating to a broker's practices and such broker's compliance with applicable law and/or regulation, the carrying out of which has led to instances in the past of the Provident Financial Group ceasing to use certain introducing brokers, in the event that an introducing broker or a third-party introducer breaches or has breached applicable law or regulation, the Provident Financial Group could become subject to the imposition of fines and penalties and other censure and/or sanctions from regulators or under applicable law as the Provident Financial Group remains responsible for the actions and conduct of any introducing broker or third-party introducer

that it uses. Furthermore, the Provident Financial Group could also suffer reputational harm as a consequence of the relationship between the Provident Financial Group and the broker or third-party introducer, as applicable. The occurrence of either of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

A reduction in the number of reputable credit brokers and/or third-party introducers in the market or in the Provident Financial Group's ability to attract and retain them, could have a negative impact on the Provident Financial Group's ability to generate new business and, consequently, could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

1.34 ***The Provident Financial Group distributes its products through third-party websites and aggregators that could cease to be effective. If internet search engine providers change their methodologies for organic rankings or paid search results, or the Provident Financial Group's organic rankings or paid search results decline for other reasons, the Provident Financial Group's new customer growth or volume from returning customers could decline.***

The Provident Financial Group's, and in particular Vanquis Bank's and Satsuma's, marketing for new customers and its returning customer relationship management are partly dependent on search engines such as Google, Yahoo! and others to direct traffic to its internet and mobile sites via organic rankings and paid search advertising. The Provident Financial Group's competitors' paid search and search engine optimisation activities may result in their sites receiving higher search results than the Provident Financial Group's and significantly increasing the cost of such advertising for the Provident Financial Group.

The Provident Financial Group's paid search activities and search engine optimisation activities may not produce (and in the past have not always produced) the desired results. Internet search engines often revise their methodologies and search algorithms, which could adversely affect the Provident Financial Group's organic rankings or paid search results, leading to a decline in new customer growth or existing customer retention; difficulty for its customers in using its web and mobile sites; more successful organic rankings, paid search results or tactical execution efforts for the Provident Financial Group's competitors than for the Provident Financial Group; a slowdown in overall growth in the Provident Financial Group's customer base and the loss of existing customers; and higher costs for acquiring returning customers; each of which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Also, the price comparison website market may change, which may result in the Provident Financial Group having to pay fees to price comparison websites to list its products, which would also increase its customer acquisition costs, and which could have a material adverse effect on the Provident Financial Group's business, results of operations, financial condition, cash flows and prospects. In addition, search engines could implement policies that restrict the ability of consumer finance companies, such as the Provident Financial Group, to advertise their services and products. For example, in 2016 Google implemented certain policies in the UK which may have had this effect to some extent on certain payday lenders. Any reduction in the number of consumers directed to the Provident Financial Group's web and mobile sites may have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

1.35 ***The Provident Financial Group faces risks associated with interest rate levels and their volatility.***

Interest rate levels and their volatility affect the Provident Financial Group's results, loan volumes, profitability and returns across its products. Interest rates are driven by factors outside of the Provident Financial Group's control, including the UK Government's fiscal policies and the Bank of England's monetary policy, as well as UK, European and global economic and political conditions.

Interest rates affect the cost and availability of the principal sources of the Provident Financial Group's funding, which is largely provided by UK retail customer deposits and wholesale funding. Any significant increase in interest rates could have a material adverse impact on the availability and interest cost of such funding.

Sustained low interest rates, particularly in a weak growth environment, can reduce incentives for consumers to save and Vanquis Bank may be required to increase the interest rate payable on customer accounts in order to attract additional UK retail deposits.

Credit card interest rates historically have not been driven by changes in market interest rates to the same extent as, for instance, mortgage interest rates because credit card interest rates are typically rates based on

the creditworthiness of the relevant customers. Hence, increasing or volatile market interest rates could lead to higher interest costs for existing customers on their other indebtedness, which may affect their ability to repay their borrowings, including debt owed to the Provident Financial Group, and may lead to an increase in arrears among the Provident Financial Group's customers as well as an increase in the Provident Financial Group's impairment charges and write-offs of loan receivables.

A higher interest rate environment could reduce demand for the Provident Financial Group's products generally, as individuals tend to be less likely or less able to borrow when interest rates are high. Interest rates have been at historic lows over the last few years, notwithstanding the recent interest rate increase announced by the Bank of England in November 2017, which may exacerbate the impact of rising interest rates as consumers have become accustomed to the low interest rate environment. This could reduce the volume of new business for the Provident Financial Group's products and therefore have a material adverse impact on its revenue and profits. In addition, the Provident Financial Group may not be able to raise interest rates on its products in line with any increases in the prevailing interest rates immediately or at all due to competitive or other factors, which could adversely impact the Provident Financial Group's revenue yield and therefore have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

Interest rates also impact impairment levels because they affect customer affordability including the ability of customers to borrow and service loans. An increase in interest rates, without a comparable increase in customer income, could, for example, lead to an increase in default rates among customers who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Provident Financial Group. A high interest rate environment may also reduce demand for loans generally, as customers may be less likely or less able to borrow when interest rates are high. In a low interest rate environment, there is a risk that customers at early levels of financial distress will not be identified in a timely manner, as they may continue to be able to service their loans, which may contribute to higher impairment levels in the future.

Interest rate rises may also lead to an increase in the Provident Financial Group's cost of borrowing. For the year ended 31 December 2017, the Provident Financial Group's interest cost (which comprise the Provident Financial Group's finance costs) represented 5.8 per cent. of the Provident Financial Group's total costs. The Provident Financial Group's exposure to movements in interest rates is monitored by the Provident Financial Group's Treasury Committee and is governed by a Board approved interest rate hedging policy, which forms part of the Provident Financial Group's treasury policies. The Provident Financial Group seeks to limit its net exposure to changes in interest rates through a combination of issuing fixed-rate debt and using derivative financial instruments such as interest rate swaps. In addition, the receivables of the Provident Financial Group can generally be re-priced over a short period of time. Vanquis Bank also has the contractual right to re-price balances, subject to certain notice periods. The receivables within CCD and Moneybarn for the year ended 31 December 2017 had an average period to maturity of 7 months and 40 months respectively. Despite these measures, no assurance can be given that such measures will be effective to limit the Provident Financial Group's exposure to changes in interest rates.

If the Provident Financial Group is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing, monitoring of borrower credit quality or other means, such volatility could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.36 ***The Provident Financial Group is subject to anti-money laundering, anti-bribery and sanctions regulations. Failure to comply with these regulations may result in the Provident Financial Group facing administrative sanctions, criminal penalties and/or reputational damage.***

The Provident Financial Group is subject to laws aimed at preventing money laundering and monitoring compliance with anti-money laundering ("**AML**") rules which impose a significant financial and operational burden and require significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more stringent, resulting in several landmark fines against financial institutions in the UK and Ireland.

The Fourth EU Anti-Money Laundering Directive (Directive (EU) 2015/849) ("**MLD4**"), which was required to be incorporated into national law by Member States by 26 June 2017, emphasises a "risk-based approach" to AML and counter-terrorist financing ("**CTF**") and has, amongst other things, made changes to customer due diligence requirements, imposed obligations to compile information on beneficial

ownership and introduced enhanced measures for local politically exposed persons ("**PEPs**"). In addition to this, the AML/CTF regulatory regime is constantly changing with a series of proposed further amendments to MLD4 arising from recent events such as terrorist attacks in Europe and the release of the Panama papers, as well as a desire to align European AML/CTF laws with recommendations from the Financial Action Task Force. The combined impact of these proposed amendments on the current text of MLD4 is commonly referred to as the "Fifth EU Anti-Money Laundering Directive" ("**MLD5**"). The Provident Financial Group will need to continue to monitor and reflect the changes under MLD4 and any subsequent changes under MLD5 in its own policies, procedures and practices. Moneybarn carries out sanctions checks before entering into a new loan, however, Moneybarn currently takes a risk based approach regarding PEPs checks due to vehicle finance products being deemed by Moneybarn to be low risk for money-laundering. However, following internal audit findings, Moneybarn plans to introduce PEPs checks during the customer acquisition phase prior to entry into a loan. It is expected the enhanced PEPs checks, which are required under MLD4 but are not currently carried out, will be implemented by Moneybarn by the third quarter of 2018. While the Provident Financial Group monitors its regulatory environment, it is not always possible to predict the nature, scope or effect of future regulatory requirements to which it might be subject or the way in which existing laws might be administered, interpreted or enforced.

In 2015, the Provident Financial Group's Home Credit business in the Republic of Ireland was subject to an inspection by the CBI into its AML, CTF and sanctions policies, procedures and practices. Following the conclusion of the inspection in 2016, the CBI identified a number of areas where it required the Provident Financial Group's Home Credit business in the Republic of Ireland to take action to either address non-compliance or otherwise improve its procedures and practices. These areas included Board and senior management oversight and governance, money laundering reporting officer ("**MLRO**") risk assessment and reporting, customer due diligence procedures, and the timing of screening for PEPs and sanctions. In December 2017, the CBI, in its supervisory capacity, raised concerns that the implementation of measures identified and committed to by the Home Credit business in the Republic of Ireland to address certain of the issues raised in the 2015 inspection had not been sufficiently progressed and indicated that it may, subject to the Home Credit business providing timelines for resolution of such outstanding matters, commence a further full inspection. The Home Credit business in the Republic of Ireland has since taken steps to escalate internally the measures that had not been sufficiently progressed and continues to work to address the CBI's concerns by, amongst other things, putting in place procedures by which the MLRO reports into the Board and carrying out a full risk assessment of the Home Credit business's AML processes and procedures (the Home Credit business in the Republic of Ireland has already implemented, in the third and fourth quarters of 2017, the undertaking of checks for PEPs and sanctions prior to approving loans). Notwithstanding these steps, some areas of non-compliance still exist pending the Home Credit business taking further actions which are planned for 2018. Failure by the Home Credit business to address the directions of the CBI adequately could result in the Provident Financial Group being unsuccessful in renewing its annual moneylending licence for the Home Credit business in the Republic of Ireland, either at the time of renewal in July of each year or as a general sanction imposed by the CBI on the Provident Financial Group. This could result in a cessation of the Provident Financial Group's Home Credit business in the Republic of Ireland or otherwise result in the imposition of other sanctions and fines, as well as having reputational consequences. If this were to occur, this could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

A number of the issues and areas of non-compliance identified by the CBI in relation to the Home Credit business in the Republic of Ireland, including MLRO risk assessment and reporting, customer due diligence procedures and the timing of screening for PEPs and sanctions also exist in relation to the Home Credit business's operations in the UK. The Provident Financial Group has informed the FCA of such failings, is undertaking a full risk assessment and has committed to implement measures to resolve certain areas of its non-compliance, for example in relation to the timing of when it carries out its PEPs and sanctions screening procedures, by the end of the first quarter of 2018, and to carry out further improvements to its policies and procedures by the end of 2018. Areas of non-compliance have also been identified by the Provident Financial Group in relation to reporting at Vanquis Bank and, at Provident Financial Group level, data retention beyond the maximum periods, which is being addressed as part of the Provident Financial Group's GDPR compliance project. Whilst the Provident Financial Group has to date received no indication that the FCA intends to carry out any investigation of its AML policies, procedures and practices, or sanction or fine the Provident Financial Group for non-compliance in this area, no assurance can be given that an investigation will not be launched, nor whether the FCA will impose any sanctions or fines on the Provident Financial Group or require it to take any further actions. The imposition by the FCA of any such sanctions, fines or directions on the Provident Financial Group, as well as any

resulting reputational harm, could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

No assurance can be given that, even following implementation of the measures to address the identified areas of non-compliance, the Provident Financial Group's policies and procedures will completely prevent situations of money laundering or bribery, including actions by the Provident Financial Group's employees, agents, customers, third-party suppliers or other related persons for which the Provident Financial Group might be held responsible. Any other breaches of AML, anti-bribery and sanctions regulations may have severe consequences for the Provident Financial Group, including litigation, sanctions, fines and reputational consequences, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.37 ***The Provident Financial Group depends on the accuracy and completeness of information about customers, and any misrepresented, missing or inaccurate information could adversely affect the Provident Financial Group.***

In deciding whether to extend credit to customers, the Provident Financial Group relies on information furnished to it by customers and other third parties, including employment, income and other financial information. The Provident Financial Group also relies on representations of customers as to the accuracy and completeness of and explanations for that information. Whilst the Provident Financial Group independently verifies certain information about customers (such as certain income information) that it uses in making credit decisions and decisions regarding modifications to such arrangements, it is not possible to verify all of the information. If any of the information provided to the Provident Financial Group is intentionally or negligently misrepresented and such misrepresentation is not detected prior to the funding of a loan or granting of credit, the future recoverability of the loan or credit may be adversely impacted, which may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Additionally, financial crime in the financial services sector is a threat for lenders and borrowers that is increasing and becoming increasingly more sophisticated. Further, regulators are increasingly focused on financial crime prevention. Although the Provident Financial Group has controls and processes designed to help it identify misrepresented information in its loan and credit card application processes, its controls aimed at detecting and preventing financial crime (such as the use of the Provident Financial Group's services for money laundering or terrorism-related activities) may not be effective or eliminate all instances where such services could be used for financial crime. Failure of the Provident Financial Group's financial crime prevention controls and processes could result in a breach of applicable regulation and harm the Provident Financial Group's reputation, which in turn could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

1.38 ***The Provident Financial Group is dependent on certain key senior management and personnel, the loss of whom, or the failure to recruit and retain key senior management and personnel, may have an adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.***

The Provident Financial Group's success and delivery of its strategy depends on the continued service and performance of key senior management and personnel and its ability to attract, retain and develop high-calibre talent. The loss of any of the Provident Financial Group's key senior management and employees could disrupt its operations. No assurance can be given that the Provident Financial Group will be able to retain such individuals. Further, certain of the Provident Financial Group's key employees possess important knowledge of the Provident Financial Group's models and other data analytics, technology systems and regulatory compliance requirements.

Certain of the employment agreements between key management and personnel contain non-compete provisions which survive termination of employment. However, these agreements do not and will not ensure the continued services of the Provident Financial Group's key senior management and personnel and the Provident Financial Group cannot ensure that it will be able to enforce such non-compete provisions. Moreover, there can be no assurance that the Provident Financial Group will be able to continue attracting similarly qualified and skilled individuals to join its staff and senior management. The Provident Financial Group competes for talented people with skills that are in relatively short supply in locations where the Provident Financial Group has a number of principal operations. The loss of the services of the Provident Financial Group's key senior management and personnel, particularly were they

to subsequently join a competitor, together with any failure to attract senior management and employees, could materially impair the Provident Financial Group's ability to continue to manage its business, including implementing the Recovery Plan, which could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

1.39 ***The Provident Financial Group is subject to risks of customer, employee and agent fraud.***

The Provident Financial Group's selection and screening processes with respect to customers, employees and agents, as well as its internal relationship management processes, may fail to identify fraud on the part of customers, employees or agents. Examples of customer fraud may include the provision of false or incomplete information, including documentation in respect of personal income, expenses and other liabilities, as part of the loan application process. Examples of employee or agent fraud may include the establishment of fictitious customer loan accounts and the withholding of genuine customer repayments by employees or agents. Failure to prevent or to properly identify customer, employee or agent fraud could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.40 ***Changes to accounting standards or to the Provident Financial Group's accounting policies, in particular the adoption of International Financial Reporting Standard 9 ("IFRS 9"), could materially affect how the Provident Financial Group reports on its financial condition, results of operations and cash flows.***

From time to time, the International Accounting Standards Board (the "**IASB**") and the European Union change the accounting standards that govern the preparation of the Provident Financial Group's financial statements. These changes can be difficult to predict and could materially affect how the Provident Financial Group records and reports its financial condition, results of operations and cash flows. In some cases, the Provident Financial Group could be required to apply a new or revised standard retrospectively, resulting in the restatement of prior period financial statements.

For example, IFRS 9 has replaced IAS 39 (*Financial Instruments: Recognition and Measuremen*t) as the accounting standard governing the classification, measurement, impairment, de-recognition and hedge accounting of financial instruments, including loan assets. IFRS 9 took effect for accounting periods commencing 1 January 2018 and impacts all UK financial service providers, including the Provident Financial Group. Under IFRS 9, the Provident Financial Group is required to make provision for expected credit losses for its accounting periods commencing on or after 1 January 2018. The Provident Financial Group has adopted IFRS 9 with effect from 1 January 2018.

IFRS 9 significantly changes the timing of the recognition of impairment on customer receivables by introducing an expected loss model. Under this approach, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default. This differs from the previous incurred loss model under IAS 39 whereby impairment provisions were only recognised when there was objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in an adjustment to receivables and reserves on adoption in 2018 and will result in later recognition of profits in growing businesses such as Vanquis Bank, Moneybarn and Satsuma. In line with the regulatory transition arrangements, the one-off adjustment on adoption will decrease regulatory capital held by the Provident Financial Group.

See "Statement of Accounting Policies" in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017 which are incorporated by reference into this Prospectus pursuant to Part VIII "*Historical Financial Information*" of this Prospectus for an illustration of the impact that IFRS 9 would have had on the Provident Financial Group's consolidated financial statements had the requirements of IFRS come into force in respect of accounting periods commencing on or after 1 January 2017.

Although the profit recognised over the life of a loan is unchanged following the adoption of IFRS 9, this accounting policy change will result in earlier recognition of impairment losses and therefore later recognition of profits earned on the Provident Financial Group's loan book, and a one-off adjustment to receivables and reserves on adoption in 2018, which will have a material adverse effect on the Provident Financial Group's results of operations in 2018.

The IASB may make other changes to financial accounting and reporting standards that govern the preparation of the Provident Financial Group's financial statements, which, if endorsed by the EU, the

Provident Financial Group may be required to adopt, or which the Provident Financial Group may choose to adopt prior to any date on which such changes become mandatory, if determined to be appropriate. Any such change in the Provident Financial Group's accounting policies or accounting standards could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.41 ***Changes in government spending and welfare policy (including in relation to universal credit) could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.***

Since a proportion of the Provident Financial Group's customers are wholly or partially dependent on state benefits (including tax credits and child benefit), the Provident Financial Group's business is exposed to changes in government spending and welfare policy. In the last five years, the UK government has made numerous announcements on welfare spending and enacted the Welfare Reform Act 2012 which commenced the replacement of certain welfare benefits and tax credits with a single "universal credit". In addition, the growth of many of the working age state benefits is now limited to one per cent. year-on-year, which is below current levels of consumer price inflation and therefore may place pressure on the income levels of the Provident Financial Group's customers who receive state benefits. The UK government has also recently reassessed disability and job seeker benefits. The impact of these measures and future welfare policy changes, and the timing of any such impact, on the spending patterns and income levels of the Provident Financial Group's customers who receive state benefits may result in the shrinking of the income levels of such customers. This, in turn, may reduce their levels of demand for the Provident Financial Group's products, which would have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.42 ***The Provident Financial Group may incur losses that are not adequately covered by insurance, which may harm the Provident Financial Group's results of operations.***

Although the Provident Financial Group maintains insurance that the Directors believe is customary taking into account the nature, size and type of its businesses, each of its insurance policies is subject to certain deductibles, exclusions and limitations. Any lack of insurance, or the absence of coverage under existing insurance policies, for certain types or levels of risk could expose the Provident Financial Group to significant losses. Any losses that the Provident Financial Group incurs that are not adequately covered by insurance may decrease the Provident Financial Group's future operating income. In addition, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Provident Financial Group's insurance policies, there can be no guarantee that the Provident Financial Group will be able to obtain the desired levels of insurance coverage on acceptable terms or at all in the future. Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2. RISKS RELATING TO THE LEGAL AND REGULATORY ENVIRONMENT IN WHICH THE PROVIDENT FINANCIAL GROUP OPERATES

2.1 ***Failure to comply with applicable legislation or regulation of the non-standard finance sector and the broader consumer credit industry in the UK or the Republic of Ireland could result in the suspension, termination or impairment of the Provident Financial Group's ability to conduct business, harm the Provident Financial Group's reputation or result in substantial fines and losses.***

The non-standard finance sector and the broader consumer credit industry in the UK is subject to extensive legislation and regulation. The volume of regulation and regulatory scrutiny and the burden of regulatory compliance has increased since the regulation of consumer credit activities was transferred from the OFT to the FCA with effect from 1 April 2014. Consumer credit activities are now regulated in a manner similar to other financial services in the UK, and many of the FCA's high level standards, including its Principles for Businesses, and high level rules relating to organisational requirements, in addition to specific requirements relating to consumer credit, now apply to all regulated consumer credit firms. Firms carrying on consumer credit activities in the UK are required to obtain regulatory authorisation from the FCA to operate their businesses. Prior to granting authorisation for a firm to carry on regulated consumer credit activities, the FCA is required under the FSMA to carry out a thorough assessment of the firm's business model and to determine whether that firm will meet (or continue to meet) the required organisational and suitability standards (referred to as the "threshold conditions"). Failure to meet the threshold conditions

may result in the FCA refusing to grant authorisation and failure to meet such standards in the future may result in the FCA taking disciplinary action, including varying, suspending or withdrawing a firm's authorisation. Moneybarn received its full authorisation from the FCA in 2016. Vanquis Bank is fully authorised and regulated by the PRA, and regulated by the FCA for consumer credit activities having successfully varied its existing permissions in 2016, having previously been regulated by the Financial Services Authority (the "**FSA**") and the OFT. Each of PPC (the company which operates the Provident Financial Group's CCD business, comprising Home Credit and Satsuma) and PFMSL (the company which, among other things, employs most of the staff of the Home Credit and Satsuma businesses) continues to operate under an interim permission awaiting full authorisation. See the risk factor titled "*Provident Personal Credit Limited and Provident Financial Management Services Limited have each not received full FCA authorisation. Any failure by PPC and/or PFMSL to obtain full authorisation by the FCA would have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.*" for further information.

Under the new regime, the FCA has substantially greater supervisory and enforcement powers over consumer credit firms than the OFT had, including the power to bring criminal, civil and disciplinary proceedings, withdraw authorisations and approvals, issue public notices, stop individuals from working in the regulated financial services sector, suspend firms or individuals for a period of time, impose substantial financial penalties and prohibit authorised persons from taking a number of actions, including entering into specified contracts with any person or with specified persons. The FCA also has the power to require firms to reimburse consumers for loss resulting from a firm's actions.

Any variation, suspension or withdrawal of FCA authorisations or permissions would severely constrain the Provident Financial Group's business and could prevent the Provident Financial Group from continuing to operate in the way in which it currently operates. In addition, should any authorised firm within the Provident Financial Group breach the FCA's rules, the FCA may take enforcement action, which might lead, for example, to an imposition of a financial penalty or the issuance of a public statement of censure, which may result in substantial reputational damage. Further, disciplinary action taken against any firm within the Provident Financial Group may require the Provident Financial Group to make potentially significant changes to the Provident Financial Group's business practices or expend considerable sums in fines, redress or remediation.

In the UK, consumer credit firms are also subject to the provisions of the Consumer Credit Act 1974, as amended (the "**CCA**"), which imposes obligations on lenders, and any person who exercises the rights and duties of lenders, to provide pre- and post-contract information such as pre-contract information in a standard form, the Standard European Consumer Credit Information, statements of account, annual statements, notices of sums in arrears and default notices. The FCA is currently consulting on plans to replace certain retained provisions of the CCA with separate rules and guidance and was expected to but has not yet published an update regarding finalisation of the scope of review in the second half of 2017. In addition, the Provident Financial Group is subject to various legislation and regulations concerning consumer protection and data protection. Any failure to comply with such legislation or regulation may have serious consequences on the enforceability of the underlying credit agreement, and there is a risk that the FCA may revoke or suspend a firm's permission or authorisation. The FCA has already taken action against, and has imposed requirements on, a number of financial institutions and debt management companies. The Provident Financial Group is also subject to the enforcement powers of the Competition and Markets Authority in respect of compliance with legislation governing home credit businesses and legislation governing HCSTC, and the UK Information Commissioner's Office ("**ICO**") and the Advertising Standards Authority in respect of consumer data protection and broadcast advertising, respectively.

The Provident Financial Group's CCD business also has a home credit offering in the Republic of Ireland and, as such, is subject to the laws and regulations of the Republic of Ireland, including, among others: (i) the Consumer Credit Act 1995 which regulates how financial institutions deal with consumers; (ii) the Data Protection Acts 1988 and 2003 which regulate data protection; and (iii) the Protected Disclosures Act 2014 which provides protection for individuals who make certain disclosures of information in the public interest. In addition, Provident is required to apply on an annual basis to the Central Bank of Ireland for renewal of its Money Lenders Licence which is required for the purposes of its Republic of Ireland Home Credit business and to comply with the Central Bank of Ireland's Consumer Protection Code for Licensed Moneylenders 2009, which applies to moneylenders licensed under the Consumer Credit Act 1995 and sets out the broad expectations of the Central Bank of Ireland as to how moneylenders should deal with their customers.

In addition, the Provident Financial Group is subject to laws regarding the prevention of money laundering and the financing of terrorism, as well as laws that prohibit the Provident Financial Group and its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK's Proceeds of Crime Act 2002, the UK Bribery Act 2010 (the "**Bribery Act**") and, in the Republic of Ireland, the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 as amended by the Criminal Justice Act 2013, and the Fourth European Union Anti Money Laundering Directive which imposes additional requirements with respect to determining beneficial ownership and identifying politically exposed persons. The Provident Financial Group is also subject to the Criminal Finances Act 2017 ("**Criminal Finances Act**"), which introduces a criminal offence for failing to take adequate steps to prevent employees or other associates from facilitating tax evasion.

In addition to national law, the Provident Financial Group's operations in the UK and the Republic of Ireland are also subject to EU law and regulation. As Member States have discretion as to how they implement certain EU law and regulation, any inconsistencies in the implementation of such laws between the Republic of Ireland and the UK, respectively, can create uncertainty for the Provident Financial Group and may require it to have separate operating models, measures and policies to reflect any differences between the legislative regimes as a result of any such difference in implementation of EU law and regulation.

As a result of the UK's decision to leave the EU on 23 June 2016, it is uncertain how, following the UK's formal exit from the EU, the UK will treat existing and planned EU law, including any EU laws which have been published in the Official Journal of the EU but are not yet due to come into force, such as the EU General Data Protection Regulation ((EU) 2016/679)) (the "**GDPR**"). There is a risk that the UK will implement new legislation to replace current legislation which complies with or is derived from EU law and which may differ in a material way from the current existing law in place, resulting in the Provident Financial Group having to adopt new measures and policies to ensure compliance with that new law, which could give rise to higher costs of compliance as well as potentially impacting the way the Provident Financial Group is able to conduct its business.

Compliance with this extensive regulatory framework is expensive, time-consuming and labour-intensive. Failure to comply with any applicable laws, regulations, rules or contractual compliance obligations could result in investigations, information gathering, appointment of a skilled person, public censures, financial penalties, disciplinary measures, liability and/or enforcement actions being brought against the Provident Financial Group, including licenses or permissions that the Provident Financial Group needs to do business not being granted or being revoked or suspended. Damage to the Provident Financial Group's reputation, whether because of a failure to comply with applicable laws, regulations or rules, revocation of a permission or authorisation, any other regulatory action or the Provident Financial Group's failure to comply with contractual compliance obligations, could deter customers from choosing the Provident Financial Group as their non-standard finance provider. Any of these developments could impair the Provident Financial Group's ability to conduct its business and could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2.2 ***The volume of regulation applicable to, and the regulatory scrutiny of, the UK non-standard consumer finance sector has increased and is expected to continue to increase, giving rise to greater ongoing regulatory compliance costs for the Provident Financial Group and greater risk of regulatory non-compliance.***

The volume of regulation that is applicable to the non-standard consumer finance sector (including the home credit, credit card and personal finance sectors) in the UK, the Republic of Ireland and the EU has increased over the last few years, particularly since the transfer of the regulation of consumer credit from the OFT to the FCA in the UK in April 2014, and this trend is expected to continue. New laws or regulations or changes in existing laws or regulations (or the manner in which they are interpreted or applied) as a result of investigations, consultations or otherwise could subject firms in the non-standard consumer finance sector to additional operating and ongoing regulatory compliance costs or, potentially, expose such firms to additional liability or reduce income from operations, or otherwise adversely impact the manner in which they operate their business.

The consumer finance industry has been the focus of considerable attention from the FCA, and in the past the OFT, which have undertaken a number of investigations into the lending market, particularly that section of the market targeted at customers who have difficulties in accessing traditional sources of funding, which is the market in which the Provident Financial Group operates.

The FCA has stated that it is particularly concerned about consumers taking on unaffordable amounts of debt and some of its key areas of focus since acquiring responsibility for regulating consumer credit in April 2014 have been to address risks in the payday lending sector, address issues with credit cards, improve financial promotions across the consumer credit market, improve the quality of debt management services and enhance standards for logbook loans. In November 2014 the FCA published its policy statement PS14/16 (detailed rules for the price cap on high-cost short-term credit). PS14/16 introduced, amongst other things, a limit on default fees of £15, a limit on re-financing, a daily cost cap on HCSTC lending of 0.80 per cent. of the outstanding principal amount per day on all interest and fee charges during an agreed loan duration and when refinancing and a total cost cap of 100 per cent. of the amount borrowed which applies to all interest, fees and charges. Any decrease in the caps implemented under PS14/16 may have a material adverse effect on Satsuma's business, financial condition, results of operations and prospects. Any widening in the scope of the application of the restrictions or caps to other areas of HCSTC lending, including in relation to the Home Credit business, could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

In its 2015/2016 business plan the FCA stated that it would, among other things, complete its credit card market study which it did in July 2016 (MS14/6) ("**Credit Card Market Study**"). As a result of the Credit Card Market Study the FCA and the UK credit card industry have agreed in principle to three informational remedies which have not had, and the Provident Financial Group does not expect to have in the future, a significant impact on Vanquis Bank. In April 2017 the FCA published a consultation paper entitled Credit card market study: consultation on persistent debt and earlier intervention remedies ("**CP 17/10**"). The overall objective of the package of proposed remedies is to reduce the number of customers in problem credit card debt and put borrowers in greater control of their borrowing. The consultation closed on 3 July 2017 and the FCA published a further consultation paper which contained feedback on CP 17/10 and requested further consultation on 14 December 2017 ("**CP 17/43**"). CP 17/43 set out a revised analysis of the costs to businesses of the proposed remedies set out in CP 17/10 and the consultation closed on 25 January 2018 and the FCA stated that it expects to publish new rules in a policy statement as early as possible in 2018. The Directors anticipate that the results of CP17/10 and CP 17/43 are likely to impact Vanquis Bank's future credit card application acceptance rates and its ability to offer credit card credit line increases, in a manner above what has been anticipated by Vanquis Bank, which is expected to adversely impact the future levels of Vanquis Bank's receivables, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

In its 2015/2016 business plan the FCA also stated that it would, among other things, examine the ways in which consumer credit debts are collected and the extent to which firms involved in the recovery and collection process are following its rules, and review remuneration and incentive structures in consumer credit firms and assess how these firms are managing the risk that these arrangements could encourage potentially undesirable behaviours that might lead to poor outcomes for consumers. The result of any such FCA market study or thematic review could lead to adverse consequences for firms operating in that market if the market is deemed to be uncompetitive or the FCA considers that rule changes or disciplinary action are required to address conduct issues.

The FCA is scrutinising the way in which lenders undertake affordability assessments and has required a number of businesses, including Wonga, Dollar Financial and CashEuroNet UK LLC (trading as Pounds to Pocket and Quick Quid) to make financial redress to consumers who suffered detriment as a result of inadequate affordability assessments. In July 2017 the FCA published a consultation paper (CP17/27) entitled "Assessing creditworthiness in consumer credit" in which the FCA set out the changes that it has proposed to its existing rules and guidance in this area. In CP 17/27 the FCA proposed to amend its rules and guidance with regards to creditworthiness (which the FCA stated comprises both credit risk and affordability) and in particular, the proposed rules introduced a new explicit definition of "affordability risk", in which the FCA sets out the factors to be considered by firms when assessing if credit is likely to be affordable for the borrower. The proposals require a more detailed creditworthiness assessment including affordability at the outset for all new non-prime non-mainstream credit extensions, along with further assessments for significant individual or cumulative credit line increases thereafter. Any changes arising as a result of these proposals could reduce the initial booking rate of the Provident Financial Group's customers as a result of greater numbers of potential customers failing creditworthiness checks, as well as fewer credit extensions being made as a result of greater numbers of customers failing the affordability checks, each of which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. The consultation closed at the end of October 2017 and the FCA stated that it aims to publish a policy statement in the first half of 2018.

If the Provident Financial Group is found by the FCA not to have properly assessed affordability, it is likely to be required to provide financial redress in the same manner as the companies set out above which, depending on the nature and scale of the breach (which may also depend on whether the proposals outlined in CP 17/27 are adopted), could be significant and may have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

The FCA has also indicated that it is concerned about other types of high-cost credit product, such as home credit, pawnbroking, logbook loans, catalogue credit, rent-to-own products and open-ended running account credit, due to the potential over-indebtedness they may cause, and the FCA published the results of its review of high-cost credit in July 2017 (FS17/2). In FS17/2 the FCA indicated that it has some concerns regarding home-collected credit (as offered by the Provident Financial Group through the Provident Financial Group's Home Credit business) and also regarding the wider considerations relating to high-cost credit products (which could relate to other products offered by the Provident Financial Group).

In January 2018, the FCA published an update to FS17/2 entitled "High-cost Credit Review – update" (the "**FS17/2 Update**"). In the FS17/2 Update, the FCA stated that while it noted there is value for consumers in having continuing access to home-collected credit and maintaining additional weekly repayments on separate loans may not be affordable, it has concerns that when consumers take out additional borrowing, where the outstanding amount from the previous loan is incorporated into the new loan, it may result in consumers paying significantly more interest on the amounts originally borrowed than they would have had they maintained separate loans. The FCA also stated that it is examining if repeat borrowing could work better for consumers and has requested data from firms on their lending patterns and nature and extent of refinancing and has commissioned consumer research to explore consumers' experience of home-collected credit and their understanding of the cost implications of refinancing and repeat borrowing. To remedy its concerns the FCA, in FS17/2, has stated it may introduce restrictions on refinancing and rollovers, impose time gaps between borrowing or time limits on the total duration of borrowing. In addition, the FCA stated, in the FS17/2 Update, that it aims to report in May 2018 on its analysis concerning forms of high-cost credit outlined above (and others outlined in FS17/2 and the FS17/2 Update); and if the further research and analysis conducted by and on behalf of the FCA confirms the FCA's concerns regarding high-cost credit products, it expects to consult on proposals to address its concerns at that point. The FCA may introduce further changes to its existing consumer credit rules as a result of such work and promote competition for high-cost credit products. In these circumstances, there is a risk that the FCA may introduce new, stricter, rules designed to address particular concerns in relation to lending practices in this sector as outlined above. If such rules were to be implemented this could have a material adverse effect on the Provident Financial Group's home-collected credit offering and the business, financial condition, results of operations, cash flows and prospects of the Provident Financial Group. It is also possible that, going forward, the FCA may turn its attention to other products offered by the Provident Financial Group which it deems to fall within the definition of high-cost credit, which may also have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

In the FCA's Business Plan for 2017/18 the FCA stated that it is looking at the vehicle finance market to ensure that it works well and to assess whether consumers are at risk of harm, with a particular focus on personal contract purchase agreements. The FCA has indicated that it will publish an update on this work in the first quarter of 2018. Although the Provident Financial Group does not offer personal contract purchase agreements, it does offer vehicle finance through Moneybarn, and the views published by the FCA in its review may be predictive of future reviews that would relate to the non-standard vehicle finance sector, which may adversely impact on the business, financial condition, results of operations, cash flows and prospects of the Provident Financial Group.

The UK Government published an open consultation entitled "Breathing space: call for evidence" on 24 October 2017, in which it highlighted that its 2017 manifesto committed the Government to implementing a breathing space scheme, with the right safeguards to prevent abuse, so that a person in "serious problem debt" may apply for legal protection from further interest, charges and enforcement action for a period of up to six weeks, and where appropriate, such person would be offered a statutory repayment plan to help pay back their debts in a manageable way. If the proposed six-week "breathing space" were to be implemented as described in the consultation paper this could adversely impact the businesses of both Vanquis Bank and Moneybarn. If a statutory repayment plan were implemented this could have a material adverse effect on the Provident Financial Group's business, as repayment dates could be extended further and/or recoveries could be lower, depending on the exact mechanics of the implementation of the statutory repayment plan, and as a result could require changes to be made to the operating practices of the Provident Financial Group, resulting in additional operating costs, and which

could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Any changes to relevant law, regulation, administrative practice or the authorities' interpretation of, and approach to, these, whether as a result of investigations, consultations or otherwise, are likely to require changes to the operating practices of non-standard consumer finance firms, which could result in additional operational costs to the Provident Financial Group and could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

2.3 ***The Provident Financial Group and Vanquis Bank are each subject to prudential regulatory capital and liquidity requirements.***

The Provident Financial Group is subject to prudential regulatory capital and liquidity requirements on a consolidated basis imposed by the PRA as a result of Vanquis Bank being regulated by the PRA and accepting UK retail deposits. Vanquis Bank is also subject to prudential regulatory capital and liquidity requirements imposed by the PRA on a solo entity basis. The prudential regulatory capital and liquidity requirements applicable to banks and regulated firms have increased significantly over the last decade, largely in response to the financial crisis but also as a result of continuing work undertaken by regulatory bodies in the financial sector subject to certain global and national mandates. The prudential requirements are likely to increase further in the short term, not least in connection with ongoing implementation issues as noted further below, and it is possible that further regulatory changes may be implemented in this area in any event.

The prudential regulatory capital and liquidity requirements to which Vanquis Bank is subject are primarily set out in the Capital Requirements Directive IV 2013/36/EU (as implemented in the UK through applicable regulatory rules which, in relation to Vanquis Bank, are set out in the PRA Rulebook and other PRA publications) and the Capital Requirements Regulation ("**CRR**" and together "**CRD IV**"). These regulatory capital and liquidity requirements include: (i) the capital conservation buffer which is currently set at 1.875 per cent. of total risk weighted assets ("**RWAs**") and is set to rise by 0.625 per cent. to 2.5 per cent. of total RWAs in 2019; and (ii) the countercyclical capital buffer which is currently zero per cent. of total RWAs and will rise to 1 per cent. of total RWAs by November 2018 (although the countercyclical capital buffer requirement will be reviewed by the Bank of England's Financial Policy Committee ("**FPC**") during the first half of 2018). In addition Vanquis Bank is subject to additional requirements imposed by the PRA to the extent not inconsistent with CRD IV.

In addition, CRD IV requirements adopted in the United Kingdom or the way those requirements are interpreted or applied may change, including as a result of binding regulatory or implementing technical standards or guidance developed by the European Banking Authority, changes to the way in which the PRA interprets and applies these requirements to UK banks or further changes to CRD IV agreed by EU legislators. Similarly there may be changes to national prudential requirements which apply to banks or financial institutions. These changes, either individually or in aggregate, may lead to further unexpected enhanced prudential requirements in relation to the Provident Financial Group's or Vanquis Bank's capital, leverage, liquidity and funding ratios and requirements, as applicable. There are a number of initiatives underway which, if implemented, could also affect prudential capital and liquidity requirements in the future. For example, the Basel Committee on Banking Supervision (the "**Basel Committee**") has proposed changes to the market risk framework and is also considering revisions to the calculation of credit risk under the standardised approach and the calculation of interest rate risk in the banking book.

The Provident Financial Group and Vanquis Bank conduct an Internal Capital Adequacy Assessment Process ("**ICAAP**") on an annual basis. The key output of the ICAAP is a document which considers the risks faced by the Provident Financial Group and the adequacy of internal controls in place, ascertains the level of regulatory capital that should be held to cover these risks and performs stress testing on both regulatory capital and liquidity under severe downside scenarios. The ICAAP must be approved by the Boards of the Provident Financial Group and Vanquis Bank and is considered by the PRA in setting the Provident Financial Group's and Vanquis Bank's respective TCR (previously ICG) requirement.

The capital adequacy assessment is required to comply with the relevant guidance, including the regulation and associated directive (or, as the reforms which it implements are also known, "**Basel III**") that was adopted by the European Council in June 2013 and is being implemented from January 2014 until fully effective in 2024. In addition, the PRA issues various policy statements and guidance to which the Provident Financial Group and Vanquis Bank must adhere.

There are still some areas of the PRA's intended approach to the implementation of CRD IV that have yet to be finalised and the prudential regulatory requirements continue to evolve, for example, the recent

consultation by the PRA on "Assessing capital adequacy under pillar 2". In addition, accounting changes, such as the implementation of the credit loss provisions of IFRS 9, could impact the level of regulatory capital held by the Provident Financial Group and Vanquis Bank. As such, the Provident Financial Group and Vanquis Bank may be unable to meet their respective applicable regulatory requirements in the future.

The provisions that have been made by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 in connection with (i) resolving the FCA's investigation in relation to Vanquis Bank's ROP and (ii) Moneybarn's estimated liability in connection with the FCA's ongoing investigation into Moneybarn have depleted the Provident Financial Group's regulatory capital, with the CET1 capital ratio of the Provident Financial Group reducing to 14.5 per cent. as at 31 December 2017. However, the receipt of the net proceeds of the Rights Issue will result in an accretion of the Provident Financial Group's CET1 capital ratio of 14.2 per cent., to 28.7 per cent. as at 31 December 2017 on a pro forma basis. The crystallisation of any of the other risks described elsewhere in these "*Risk Factors*" may result in each of the Provident Financial Group and Vanquis Bank experiencing a depletion of their respective capital resources through increased costs or liabilities incurred. If, for example, market expectations as to capital levels increase, driven by, for example, the capital levels or targets among peer banks or regulated firms, or if new regulatory requirements are introduced, the Provident Financial Group and/or Vanquis Bank, as applicable, may experience pressure to increase its capital ratios. An analogous risk applies to each of the Provident Financial Group and Vanquis Bank in relation to liquidity. See the risk factor titled "*The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's Repayment Option Plan beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017*".

As a result of the Provident Financial Group having taken provisions in its audited consolidated financial statements for the year ended 31 December 2017 in relation to the settlement agreed with the FCA in connection with the FCA's investigation into ROP and in connection with the FCA's ongoing investigation into certain of Moneybarn's systems, controls and practices, the Provident Financial Group is currently non-compliant with its TCR, together with the fixed add-on in respect of pension risk (previously ICG), countercyclical buffer, capital conservation buffer and capital planning buffer requirements. Upon completion of the Rights Issue, the capital raised will be used to address the areas of regulatory capital non-compliance described above, such that compliance with those requirements will be restored and the Provident Financial Group's regulatory capital position more generally bolstered to enable it to meet its future regulatory capital requirements. However, if the Rights Issue does not proceed or complete, the Provident Financial Group will continue to fail to meet its TCR, together with the fixed add-on in respect of pension risk (previously ICG), countercyclical buffer, capital conservation buffer and capital planning buffer requirements.

The ability of the Provident Financial Group and Vanquis Bank to do business will be constrained to the extent that they do not maintain sufficient levels of capital. Also, if the Provident Financial Group were to maintain excess liquidity, or if the levels of liquidity it is required to maintain were to increase significantly because of regulatory changes, this could reduce its overall profitability. Further, if the Provident Financial Group continues not to meet its minimum regulatory capital or liquidity requirement, or if Vanquis Bank were to fail to meet its minimum regulatory capital or liquidity requirements, this may result in administrative actions or sanctions. In addition, a shortage of capital or liquidity could affect the Provident Financial Group's and Vanquis Bank's ability to pay their respective liabilities as they fall due, pay future dividends and distributions, and could affect the implementation of their respective business strategies, impacting future growth potential.

Any inability of the Provident Financial Group or Vanquis Bank to meet their respective regulatory capital or liquidity requirements or any legislative changes that limit their respective abilities to manage their balance sheets and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses or write-downs, increases in risk-weighted assets or the inability to raise finance through wholesale markets) could have a material adverse impact on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. For further information in relation to the Provident Financial Group's non-compliance with certain of its regulatory capital requirements, as well as the risks associated with such non-compliance, see the risk factor headed "*The Provident Financial Group does not meet certain of its regulatory capital requirements and consequently is subject to the risk of the PRA taking enforcement action against it in respect of such non-compliance.*".

2.4 ***The Provident Financial Group is subject to regulatory compliance risk.***

Any future regulatory changes within the personal finance, credit card, home credit and/or vehicle finance sectors, or the financial services sector more generally in the UK or the Republic of Ireland, may potentially restrict the operations of the Provident Financial Group, impose increased compliance and regulatory capital costs, restrict leverage/borrowing and dividend payments, reduce investment returns or increase associated fees, restrict the ability to hedge or off-set investment exposure, increase corporate governance/supervision costs, reduce the competitiveness of the Provident Financial Group, reduce the ability of the Provident Financial Group to hire and retain key personnel or impose restrictions on whether individuals may be appointed or retained as Directors and impose other restrictions and obligations, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

In addition, it remains uncertain to what extent the existing more rigorous regulatory climate will affect non-standard consumer finance businesses. Areas where changes could have an impact, include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- changes in government or regulatory policies that may significantly influence customer decisions in the personal finance, credit card, home credit and/or vehicle finance markets;
- changes in regulatory requirements, for example, rules designed to promote responsible lending and affordability;
- changes in competition and pricing environments;
- developments in the financial reporting environment;
- new financial transaction-related or other taxes;
- restrictions on shadow banking and on core banking activities;
- financial stability measures, fiscal budget controls, exchange controls and controls on the international movement of capital; and
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

Regulations to which the Provident Financial Group may be subject may also be interpreted or applied differently from the past, which could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Failure to comply with the regulatory rules that apply to the Provident Financial Group could have a number of adverse consequences for the Provident Financial Group, including the risk of:

- substantial monetary damages, fines or other penalties, the amounts of which are difficult to predict and may exceed the amount of any provisions set aside to cover such risks, in addition to potential injunctive relief;
- regulatory investigations, reviews, proceedings and enforcement actions;
- being required to amend sales processes, product and service terms and disclosures, withdraw products or provide redress or compensation to affected customers;
- the Provident Financial Group either not being able to enforce contractual terms as intended or only being able to enforce them by way of court order;
- litigation (brought by individuals or groups of individuals/claimants);
- criminal enforcement proceedings; and
- regulatory restrictions on the Provident Financial Group's ability to carry out certain types of business,

any or all of which (i) could result in the Provident Financial Group incurring significant costs; (ii) may require provisions to be recorded in the Provident Financial Group's financial statements; (iii) could negatively impact future revenues from affected products and services; and (iv) could have a negative impact on the Provident Financial Group's reputation and the confidence of customers in the Provident Financial Group, as well as taking a significant amount of the Directors' and management's time and resources away from the implementation of the Provident Financial Group's strategy. Any of these risks, should they materialise, could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2.5 ***The Banking Act confers substantial powers on a number of UK authorities designed to enable them to take a range of actions in relation to UK deposit taking institutions which are considered to be at risk of failing. In certain circumstances, such actions may also be taken against a UK banking group company.***

Under the Banking Act, substantial powers are granted to HM Treasury, the Bank of England, the Financial Conduct Authority and the PRA (together, the "**Authorities**") as part of a special resolution regime (the "**SRR**"). These powers can be exercised, as applicable, by the Authorities in respect of a UK bank (such as Vanquis Bank), building society, UK investment firm or UK recognised counterparty (each a "**relevant entity**") in circumstances in which the Authorities consider its failure has become likely and if certain other conditions are satisfied (depending on the relevant power), for example, to protect and enhance the stability of the financial system of the UK. Certain of these powers may also be used in respect of a UK incorporated company which meets certain conditions and is in the same group as the relevant entity (a "**UK banking group company**").

The SRR consists of five stabilisation options and two special insolvency procedures (bank administration and bank insolvency) which may be commenced by HM Treasury, the Bank of England, the PRA or the Secretary of State, as the case may be. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" wholly owned by the Bank of England; (iii) transfer of all or part of the business of the relevant entity to an asset management vehicle owned and controlled by the Bank of England; (iv) temporary public ownership (nationalisation) of all or part of the relevant entity or its UK holding company; and (v) a bail-in tool which permits the Bank of England to cancel, modify or convert the form of a liability owed by a relevant entity or UK banking group company or make a contract have effect as if a specified right had been exercised under it (for example, requiring protected liabilities under a set-off or netting arrangement to be converted into a net debt). Bail-in may also involve the transfer of securities of the failing bank to a resolution administrator or another person (for example, transfers of securities to affected creditors in the form of shares in the resolved entity or banking group company as compensation for the cancellation of their liabilities). In each case, the Authorities have wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the stabilisation powers under the Banking Act to be used effectively.

The following paragraphs set out some of the possible consequences of the exercise of the powers under the SRR.

The SRR may be triggered prior to insolvency of Vanquis Bank

The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the relevant stabilisation options may only be exercised if (a) the relevant Authority is satisfied that a relevant entity (such as Vanquis Bank) is failing, or is likely to fail, (b) following consultation with the other Authorities, the relevant Authority determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will result in the condition referred to in (a) ceasing to be met and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated. In relation to a UK banking group company (such as the Company), the stabilisation options may be exercised against such UK banking group company if the stabilisation conditions referred to in (a) and (b) above are satisfied in relation to a relevant entity within the same group and the condition referred to in (c) is satisfied in relation to the UK banking group company.

A partial transfer of Vanquis Bank's business may result in a deterioration of its creditworthiness

If Vanquis Bank were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Provident Financial Group may result in a deterioration in the creditworthiness of the Provident Financial Group and, as a result, increase the risk that the Company may eventually become subject to administration or insolvency proceedings pursuant to the Banking Act.

As at the date of this Prospectus, the relevant Authorities have not made an instrument or order under the Banking Act in respect of Vanquis Bank or any other member of the Provident Financial Group and there

has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects will not be materially adversely affected by any such order or instrument if made.

2.6 ***Failure by the Provident Financial Group to comply with privacy and data protection laws and regulations may lead to action being taken against the Provident Financial Group and could affect its operations and financial performance.***

The Provident Financial Group is subject to certain legislation and regulation on data protection, and information, collection and storage, some of which is yet to be implemented, including Payment Card Industry Data Security Standards and the GDPR which is due to come into effect from May 2018. Data protection legislation and regulation in the UK may change in the future and impose new burdensome requirements, compliance with which may increase the Provident Financial Group's costs or require it to change the way it conducts business. Moreover, due to recent account data compromise events at large companies, there has been heightened legislative and regulatory scrutiny around the world that could lead to further regulations and requirements. For example, the GDPR may impact the Provident Financial Group's ability to use customer data that is of fundamental importance to the operation of the Provident Financial Group's business. Effective from May 2018, the GDPR will bring about material changes to the way data processes are regulated and will affect marketing processes, particularly with respect to requirements relating to consent to the use of personal data. GDPR will also expand the territorial reach of the data protection processes. GDPR will also bring about more onerous breach reporting obligations and tougher penalties for compliance failures. For example, the Provident Financial Group received two fines from the ICO in 2017, one of £80,000 in July 2017 and one of £75,000 in October 2017, in relation to failures to effectively conduct effective diligence in relation to procedures implemented by third parties. See paragraph 2.6 of Part VI "*Regulation*" of this Prospectus for further information. Furthermore, GDPR represents a significant increase in compliance requirements and scope and as a result it is not certain that the whole of the Provident Financial Group will be fully compliant with all of the requirements by May 2018. This and related developments could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2.7 ***Unless prescriptive rules as to the content and execution of regulated consumer agreements are followed, those agreements may be unenforceable.***

Certain consumer credit and consumer hire agreements are regulated under the FSMA, such that entering into such agreements is a regulated activity, to conduct which a person must be authorised by the FCA (or have an interim permission). The content, execution and ongoing notice requirements for such regulated agreements are set out in the CCA, the Consumer Rights Act 2015, (the "**Consumer Rights Act**") the FSMA and related legislation, rules and regulations. If an agreement which is regulated has not been drafted or executed in accordance with the provisions of the relevant rules, the laws and regulations provide that such an agreement may, in certain cases, not be enforceable or otherwise will only be enforceable once a court order has been obtained. For example, if a notice sent to a customer under a regulated consumer agreement is not drafted in compliance with the relevant form and content requirements, the agreement itself is likely to be unenforceable until a compliant notice is sent to the customer, and interest and charges otherwise due before a compliant notice is sent out may be refundable to the customer since the customer may be absolved of liability to pay interest and charges during a "period of non-compliance". In addition, non-standard consumer finance firms are subject to various other requirements under other consumer protection legislation, for example, the general duty to act honestly and fairly towards customers under the Consumer Protection from Unfair Trading Regulations 2008.

Consumer credit legislation can be difficult to interpret and implement with absolute certainty, which means that inadvertent non-compliance with statutory provisions can occur. If a non-standard consumer finance firm's regulated agreements or notices do not comply with the CCA and related rules and regulations, even inadvertently, this could result in: (a) debt being irrecoverable; (b) a consumer having no liability to pay interest and other fees and charges; (c) the firm being required to refund interest and other fees and charges that have already been collected (for the period affected); and/or (d) the agreement being otherwise unenforceable (without a court order). If the regulated agreements or post-contractual notices of the Provident Financial Group were found to be defective, this could reduce the Provident Financial Group's income from operations and have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

Furthermore, courts have wide-ranging powers which allow them to modify (including by reducing the amounts due) or even repudiate agreements between consumers and credit providers if the courts determine that there is an unfair relationship between the credit provider and the customer, including as a result of activities of the credit provider's partners, for example, a third-party introducer.

In addition to restrictions on the ability to collect from the borrower pursuant to the agreement, failure to comply with applicable laws, regulations, rules and guidance could result in investigations or regulatory enforcement action by a firm's regulators, which could lead to fines or the variation, suspension or withdrawal of authorisation for the regulated firms within the Provident Financial Group.

In addition, any failure to comply with regulatory requirements, any variation, suspension or withdrawal of authorisation, or any other actions taken by a regulated firm within the Provident Financial Group that may damage the reputation or increase the compliance risk of any of its business partners, could potentially (depending on the contractual relationship between the firm and such business partner) entitle that business partner to stop doing business with the firm and seek available remedies.

Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2.8 ***If an approved person of an authorised non-standard consumer finance firm does not comply with his or her obligations, the firm could be subject to an enforcement action.***

Under the FCA's approved persons regime, a person performing a "controlled function" at an FCA-authorised non-standard consumer finance firm must be approved by the FCA before performing that function. Such a person will only be approved if he or she is fit and proper to perform the relevant function and such person must comply with the FCA's Statements of Principle and Code of Practice for Approved Persons. If the FCA finds that an approved person is no longer fit and proper to perform his or her responsibilities, it may withdraw that person's approved status. Similarly, if the FCA finds that an approved person fails to comply with the FCA's Statements of Principle and Code of Practice for Approved Persons, it may issue a variety of sanctions, including removing or imposing limitations on that approved person's approved status or issuing a public statement concerning the misconduct in question.

The FCA's Senior Managers and Certification Regime (respectively the ("**SMR**" and the "**Certification Regime**") came into force on 7 March 2016, and apply to senior individuals of banks, such as Vanquis Bank. The SMR and Certification Regime replace the existing approved person's regime in respect of banks. The SMR requires individuals who hold key roles and responsibilities within firms ("**Senior Managers**") to be pre-approved by regulators (with certain exceptions), and firms are required to maintain procedures for the assessment of the fitness and propriety of Senior Managers before applying for approval and at least annually thereafter. The Certification Regime applies to staff, other than Senior Managers, whose decisions could cause significant harm to the firm or its customers. The FCA and the PRA have a range of powers to take action against Senior Managers who fail to satisfy the expected standards of conduct or who cease to be fit and proper. These powers include withdrawing or varying a person's approved status, or disciplining, fining or banning that person from performing controlled functions.

From 2018, instead of the approved persons regime for persons performing senior roles in the Provident Financial Group outside of Vanquis Bank, the whole of the regulated parts of the Provident Financial Group, being Home Credit, Satsuma and Moneybarn, in addition to Vanquis Bank, will become subject to the SMR and the Certification Regime. Further implementation of the SMR and the Certification Regime may require significant attention and incur additional costs as a result of reviewing and incorporating changes to the Provident Financial Group's management. See Part VI "*Regulation*" of this Prospectus for further information.

If an approved Senior Manager or an approved person ceases to be approved to perform one or more functions, it would require significant changes to the firm's management by necessitating the appointment of additional persons eligible to become Senior Managers or approved persons, as the case may be, and the removal of the person who is no longer approved to perform that function. Moreover, the FCA could issue a public statement concerning the misconduct of a senior member of a non-standard consumer finance firm's staff.

Should any of the foregoing occur at any regulated firm within the Provident Financial Group it could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2.9 ***Litigation and other adversarial actions could materially adversely affect the Provident Financial Group's business.***

The Provident Financial Group is subject to claims and complaints, including lawsuits, by customers, employees, suppliers and others in the ordinary course of business (see Part IV "*Business*"). Regulators and governmental authorities may also bring administrative or other enforcement actions against the Provident Financial Group. In addition, certain former senior managers of the Home Credit business have brought employment tribunal claims for unfair dismissal in connection with the termination of their employment. Significant claims or a substantial number of small claims may be expensive to defend and may divert time and money away from the Provident Financial Group's operations. In addition, adverse publicity or a substantial judgment against the Provident Financial Group could negatively impact its reputation. Any of the foregoing could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

2.10 ***The revised Payment Services Directive may have an adverse effect on the Vanquis Bank's business.***

The Payment Services Directive 2007/64/EC (the "**PSD**") is part of the EU's development of the Single European Payments Area which is intended to harmonise and remove legal barriers for payments throughout the EU. The UK government implemented the PSD on 1 November 2009 through the Payment Services Regulations 2009 (SI 2009/09) (the "**PSR**"). Vanquis Bank Limited is an "Authorised Payment Institution" subject to the PSR. See paragraph 2.5 of Part VI "*Regulation*" of this Prospectus for further information.

In July 2013, the European Commission issued a proposal to amend and restate the existing PSD with a second PSD ("**PSD2**"). PSD2 aims to update the current framework on payment services, extending its scope to payment service providers that were previously unregulated, and to improve the transparency and security of payment services. PSD2 came into force on 12 January 2016 and was implemented in the UK through the Payment Services Regulation 2017 (SI 2017/752) ("**PSR2**").

The changes introduced by PSD2 may require Vanquis Bank to change its business practices or to incur costs to ensure compliance with the new regime and, as a result, may have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. Furthermore, the changes introduced by PSD2 require firms to make customer data available to third parties, providing an opportunity for competitors to better compete for a firm's customers. Any loss of customers as a result of such greater competition could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects. For further information, see paragraph 2.5 of Part VI "*Regulation"* of this Prospectus.

3. RISKS RELATING TO THE RIGHTS ISSUE AND THE NEW ORDINARY SHARES

3.1 ***The market price for the Ordinary Shares has been and may continue to be highly volatile.***

The market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights), the Ordinary Shares and/or securities of other companies in the financial sector and may not always reflect the underlying asset value of the Company. The market price of the Ordinary Shares has been subject to significant volatility since the Company's announcement on 22 August 2017 relating to the high operational disruption at its Home Credit business and may continue to be volatile. The market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares may decrease in response to further announcements by the Company and market appraisal of the Provident Financial Group.

Fluctuations in the market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares could result from, among other things, national and global economic and financial conditions, the market's response to the Rights Issue, market perceptions of the Provident Financial Group and various other factors and events, including the Provident Financial Group's ability to manage its existing debt facilities and raise new capital, regulatory changes and adverse legal or regulatory rulings affecting the Provident Financial Group's operations, variations in the Provident Financial Group's operating results and/or profit estimates, changes in recommendations, views or price targets of securities analysts, operating and share performance of other companies in the industry in which the Provident Financial Group operates, changes to the Provident Financial Group's credit ratings by rating

agencies and business developments of the Provident Financial Group and/or its competitors. Stock markets experience, from time to time, significant price and volume fluctuations that have affected the market prices for the Ordinary Shares. The market price of the Ordinary Shares may be adversely affected by any of the preceding or other factors regardless of the Provident Financial Group's actual results of operations and financial condition. Furthermore, the operating results and prospects of the Provident Financial Group may, from time to time, be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights) and/or the Ordinary Shares

3.2 ***An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop.***

An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights and the Fully Paid Rights depends on the trading price of the Ordinary Shares, the prices of the Nil Paid Rights and the Fully Paid Rights may be volatile and subject to the same risks as noted in the risk factor directly above and elsewhere herein. The existing volatility of the Ordinary Shares may also magnify the volatility of the Nil Paid Rights and the Fully Paid Rights.

3.3 ***Shareholders who do not (or are not permitted to) acquire their full entitlement to New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company.***

If any Shareholder does not take up the offer of New Ordinary Shares under the Rights Issue, either because the Shareholder is in the United States or another jurisdiction where their participation is restricted for legal, regulatory or other reasons or because the Shareholder does not respond by 11.00 a.m. on 9 April 2018, the expected latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of the New Ordinary Shares, and that Shareholder's Nil Paid Rights to subscribe for the New Ordinary Shares lapse, the Shareholders' proportionate ownership and voting interests in the Company will be reduced and the percentage that their Shares will represent of the total share capital of the Company will be reduced accordingly. In addition, if Shareholders do not (or are not permitted under the terms of the Rights Issue to) apply for a material amount of their rights, the share price of the Company might be negatively affected. Even if a Shareholder elects to sell his unexercised Nil Paid Rights, or such Nil Paid Rights are sold on his or her behalf, the consideration he or she receives may not be sufficient to compensate him or her fully for the dilution of his or her percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

3.4 ***If there is a substantial decline in the price of the Ordinary Shares, the Nil Paid Rights may become worthless.***

The public trading market price of the Ordinary Shares may decline below the Issue Price for the New Ordinary Shares. Should that occur after investors exercise their rights in the Rights Issue, investors will suffer an immediate unrealised loss as a result. Following the exercise of rights, such investors may be unable to sell New Ordinary Shares at a price equal to or greater than the Issue Price for these shares.

Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer their Nil Paid Rights. If the public trading market price of the Ordinary Shares declines below the Issue Price for the New Ordinary Shares, investors who have acquired any such Nil Paid Rights in the secondary market will suffer a loss as a result.

3.5 ***There is a significant risk that the Company may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. Holders of our Shares.***

There is a significant risk that the Company may be classified as a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for the most recent taxable year, the current taxable year and in the foreseeable future. If the Company is classed a PFIC for any taxable year during which a U.S. Holder (as defined in paragraph 2 of Part XIII "*Taxation*" of this Prospectus) holds its Shares, certain materially adverse U.S. federal income tax consequences could apply to such U.S. Holder. For further information see paragraph 2 of Part XIII "*Taxation*" of this Prospectus.

3.6 ***Any future issues of Ordinary Shares and/or sales of Ordinary Shares by major Shareholders may further dilute the holdings of current Shareholders and could adversely affect the market price of the Ordinary Shares.***

Other than the proposed issue of shares under the Rights Issue, the Company has no current plans for an offering of Ordinary Shares. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future either to raise capital or for other purposes. If Shareholders do not take up such offer of shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of the Company would be reduced accordingly. Furthermore, if the Company's major Shareholders sell substantial amounts of the Shares in the public market, the market price of the Ordinary Shares could fall. The perception among investors that these sales could or will occur could also produce this effect. An additional offering, or significant sales of Ordinary Shares by major Shareholders, could have a material adverse effect on the market price of the Ordinary Shares.

3.7 ***The Company may not be able to pay dividends in the future.***

As a matter of English law, a company can only pay dividends to the extent that it has distributable reserves and sufficient cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive funds for such purposes, directly or indirectly, from its operating subsidiaries in a manner which creates distributable reserves for the Company. The Company's ability to pay dividends to Shareholders is therefore a function of its existing distributable reserves, future Provident Financial Group profitability and the ability to distribute or dividend profits from its operating subsidiaries up from the Provident Financial Group structure to the Company.

In particular, Vanquis Bank's ability to pay any dividends, and the amount of any such dividends, to the Company at any time is subject to its compliance with applicable regulatory capital requirements. Such regulatory capital requirements are subject to change. Furthermore, Vanquis Bank has agreed with the PRA pursuant to a voluntary requirement, that it will not, among other things, pay dividends to the Provident Financial Group without the PRA's consent.

Further, the Company's ability to pay dividends may be adversely affected by the performance of the Provident Financial Group's business in general, factors affecting its financial position, the economic environment in which the Provident Financial Group operates and other factors outside of the Company's control.

As a consequence of the operational disruption, and deterioration in trading, at the Provident Financial Group's Home Credit business following implementation of its new operating model, and the then ongoing investigation into Vanquis Bank's ROP, the Company withdrew its interim 2017 dividend and determined that no final dividend for the year ending 31 December 2017 would be declared or paid. Based on the target level of returns and maintaining an appropriate capital structure, the Provident Financial Group's dividend policy will be to maintain a dividend cover ratio of at least 1.4 times once the Home Credit Recovery Plan has been fully delivered during 2018. The Provident Financial Group will aim to restore dividends with a nominal initial dividend for the financial year ending 31 December 2018 before adopting a progressive dividend, in line with its dividend policy, from the financial year commencing 1 January 2019. No assurance can be given, however, that the Company will be successful in restoring the payment of its dividend either in accordance with its new stated dividend policy or at all, or the timeframe within which any such dividends may be paid, if at all.

3.8 ***Shareholders located outside the United Kingdom may not be permitted to take up their entitlements under the Rights Issue.***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders resident in such jurisdictions in the Rights Issue. In particular, the Rights Issue will not be registered under the US Securities Act and therefore Shareholders located in the United States may not be permitted to take up their entitlements under the Rights Issue unless an exemption from the registration requirements of the US Securities Act is available. Qualifying Shareholders with a registered address in, or who are a resident in or are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or the New Ordinary Shares. If a Shareholder is not able to take up Rights granted in respect of Existing Ordinary

Shares under the Rights Issue, then it will suffer dilution, as described above, and it may not receive the economic benefit of such Rights because there is no assurance that the procedure in respect of Rights not taken up, described in Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus, will be successful either in selling the Nil Paid Rights or in respect of the prices obtained.

3.9 ***A Shareholder or an investor whose principal currency is not pounds sterling is exposed to foreign currency risk.***

The New Ordinary Shares are, and any future dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in New Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency risk. Any depreciation of pounds sterling in relation to such foreign currency would reduce the value of the investment in the New Ordinary Shares or any dividends in foreign currency terms, and any appreciation of pounds sterling against such other currency would increase the value in foreign currency terms.

3.10 ***The ability of non-UK Shareholders to bring actions or enforce judgments against the Company or the Directors may be limited.***

The ability of a non-UK Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of Shareholders are governed by English law and by the articles of association of the Company ("**Articles of Association**"). These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company can be the proper claimant for purposes of bringing proceedings in respect of wrongful acts committed against it. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US corporation. A non-UK Shareholder may not be able to enforce a judgment against some or all of the Directors. All of the Directors are residents of the UK. Consequently, it may not be possible for a non-UK Shareholder to effect service of process upon the Directors within the non-UK Shareholder's country of residence or to enforce against the Directors judgments of courts of the non-UK Shareholder's country of residence based on civil liabilities under that country's securities laws. A non-UK Shareholder may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates (other than the Record Date) in the table below is indicative only and may be subject to change.

Event	Time and date
Prospectus published, Circular and forms of proxy despatched	27 February 2018
Latest time and date for receipt of forms of proxy for the General Meeting	11.00 a.m. on 19 March 2018
Record Date for entitlement under the Rights Issue for Qualifying Shareholders	Close of business on 19 March 2018
General Meeting	11.00 a.m. on 21 March 2018
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only)	21 March 2018
Publication of notice in London Gazette	21 March 2018
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	**8.00 a.m. on 22 March 2018**
Existing Ordinary Shares marked "Ex-Rights" by the London Stock Exchange	8.00 a.m. on 22 March 2018
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 a.m. on 22 March 2018
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 22 March 2018
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 3 April 2018
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 4 April 2018
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 5 April 2018
Latest time and date for acceptance and payment by settlement of an MTM instruction in CREST	11.00 a.m. on 9 April 2018
Latest time and date for receipt of an acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 9 April 2018
Results of Rights Issue to be announced through a Regulatory Information Service	by 8.00 a.m. on 10 April 2018
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**8.00 a.m. on 10 April 2018**
New Ordinary Shares credited to CREST stock accounts	As soon as practicable after 8.00 a.m. on 10 April 2018
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	by 17 April 2018

(1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Shareholders with registered addresses or located or resident in jurisdictions outside the UK, details of which are set out in Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

(2) The times and dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus are indicative only and may be adjusted by the Company (with the agreement of, in certain circumstances, the Joint Global Co-ordinators), in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.

(3) Different deadlines and procedures for applications may apply in certain cases. For example, if you hold your Existing Ordinary Shares through a CREST member or other nominee, that person may set an earlier date for application and payment than the dates noted above.

(4) References to times in this Prospectus are to London times unless otherwise stated.

RIGHTS ISSUE STATISTICS

Issue Price per New Ordinary Share	315 pence
Basis of Rights Issue	17 New Ordinary Shares for every 24 Existing Shares
Number of Existing Ordinary Shares in issue at the date of this Prospectus	148,233,503
Number of New Ordinary Shares to be issued by the Company pursuant to the Rights Issue[(1)]	104,998,731
Number of Ordinary Shares in issue immediately following completion of the Rights Issue[(1)]	253,232,234
New Ordinary Shares as a percentage of the enlarged issued share capital of the Company immediately following completion of the Rights Issue[(1)]	41.5 per cent.
Estimated net proceeds receivable by the Company	£300 million
Estimated expenses of the Rights Issue	£31 million

(1) On the assumption that no further Ordinary Shares are issued between the date of this Prospectus and closing of the Rights Issue (other than pursuant to the Rights Issue).

IMPORTANT INFORMATION

Presentation of Financial Information

Historical financial information

The audited Provident Financial Group consolidated financial statements as of and for the three years ended 31 December 2017, 31 December 2016 and 31 December 2015 referred to in Part VIII "*Historical Financial Information*" and which are incorporated by reference into this Prospectus as set out therein, has been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted in the EU.

In order to present information on a consistent basis with the presentation adopted in the consolidated financial statements of the Provident Financial Group as at and for the year ended 31 December 2017, certain information in the Provident Financial Group's consolidated balance sheet and income statement for the year ended 31 December 2016 and 31 December 2015 has been reclassified for the purposes of the data presented in Part IX "*Selected Financial Information*" and Part X "*Operating and Financial Review*" (the "**Financial Sections**").

Prior to 31 December 2017, impairment charges were included in the line item "Operating costs" in the Provident Financial Group's consolidated income statement. "Impairment charges" is now shown as a separate line item in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017 while other operating costs are now combined with administrative costs in the line item "Administrative and operating costs" in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated income statement for the years ended 31 December 2016 and 2015 in the Financial Sections differs from such comparable line items contained in the respective audited income statement contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "*Historical Financial Information*" of this Prospectus. For more information see "*Key Components of Provident Financial Group's Income Statement*" in Part X, "*Operating and Financial Review*" of this Prospectus.

Prior to 31 December 2017, all external borrowings (including retail deposits) were included in the line item "bank and other borrowings" in the Provident Financial Group's consolidated balance sheet. "Retail deposits" is now shown as a separate line item in the Provident Financial Group's consolidated balance sheet as at 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated balance sheet as at 31 December 2016 and 2015 in the Financial Sections differs from such comparable line items contained in the respective audited balance sheet contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "*Historical Financial Information*" of this Prospectus.

The audit report relating to the Provident Financial Group's financial statements as at and for the year ended 31 December 2017 emphasises that in light of the Rights Issue having not yet taken place, a material uncertainty exists with respect to Provident Financial Group's and the Company's ability to continue as a going concern. The audit opinion for the year ended 31 December 2017 from the Company's auditors was not qualified.

Unaudited pro forma financial information

The unaudited Provident Financial Group pro forma financial information has been prepared on the basis set out in the notes in Part XII "*Unaudited Pro Forma Financial Information*" and in accordance with Annex II of the PD Regulation. The Prospectus Rules regarding the preparation and presentation of the unaudited pro forma financial information vary in certain respects from Article 11 of Regulation S-X promulgated under the US Securities Act and, accordingly, the unaudited pro forma financial information included herein should not be relied upon as if it had been prepared in accordance with such requirements.

Certain non-IFRS measures

Certain non-IFRS measures, including Adjusted Profit Before Tax, Adjusted Return on Assets, Adjusted ROE, Average Receivables, Gearing, Funding Capacity and certain other measures derived therefrom, including Revenue Yield, and Risk-adjusted Margin and Adjusted Basic Earnings per Share, are presented in this Prospectus because the Provident Financial Group's management believes that these measures may be helpful to investors, securities analysts and other interested parties as supplemental measures of the Provident Financial Group's operating performance. These measures are "alternative performance measures" under the European Union regulations.

The financial measures referenced above and described in further detail below are not measures of financial performance under IFRS or other generally accepted accounting principles and have not been audited or reviewed. Even though the non-IFRS measures are used by the Provident Financial Group's management to assess ongoing operating performance and these types of measures are commonly used by investors, they have important limitations as analytical tools. Such measures should not be considered in isolation or as a substitute or

alternative to the Provident Financial Group income statement or other primary financial information referred to in Part VIII "*Historical Financial Information*" and incorporated by reference into this Prospectus. Because these measures are not determined in accordance with generally accepted accounting principles and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies.

Adjusted Profit Before Tax

Adjusted Profit Before Tax is calculated as profit before tax, amortisation of acquisition intangibles and exceptional items. Exceptional items are those which are considered to be unusual because of their size, nature or incidence and therefore should be disclosed separately in order to aid investor's understanding of the underlying performance of the business. For additional information, see "*Key Factors Affecting Results of Operations – Exceptional Items*" in Part X, "*Operating and Financial Review*" of this Prospectus. The Provident Financial Group presents Adjusted Profit Before Tax because the Provident Financial Group believes this measure assists investors and analysts in comparing the performance across reporting periods on a consistent basis by excluding items that the Provident Financial Group does not believe are indicative of its core operating performance. In addition, Provident Financial Group uses Adjusted Profit Before Tax to evaluate the effectiveness of its business strategies.

Adjusted Return on Assets ("ROA")

Adjusted ROA is calculated for the Provident Financial Group and each of its segments as Adjusted Profit Before Tax after adding back finance costs and deducting a tax charge at the Provident Financial Group's effective rate for the applicable period as a percentage of Average Receivables. See below for further details on the calculation of Average Receivables. This measure is used to assess the underlying returns being generated by each of the Provident Financial Group's businesses. It is calculated prior to finance costs in order to remove the impact of the difference in the capital structures of each of the Provident Financial Group's businesses and aid comparability.

Adjusted Return on Equity ("ROE")

Adjusted ROE is calculated as Adjusted Profit Before Tax after deducting a tax charge at the Provident Financial Group's effective rate for the applicable period as a percentage of average adjusted equity. Adjusted equity is shareholders' equity after deducting the Provident Financial Group's pension asset, net of deferred tax and fair value of derivative financial instruments, and the proposed final dividend (if any). Average adjusted equity is calculated as the average of the opening and closing balances of adjusted equity for a given period. Adjusted ROE is used to assess the underlying returns being generated by the Provident Financial Group on shareholder's capital.

Average Receivables

Average Receivables for Provident Financial Group and its segments is calculated on a monthly basis as the average of month-end balances of amounts receivable from customers for the last twelve months. This measure is used within the calculation of Adjusted ROA, Revenue Yield and Risk-adjusted Margin in order to assess the relative size and growth within each of the Provident Financial Group's businesses.

Revenue Yield

Revenue Yield is calculated for each of the Provident Financial Group's segments as revenue for the last twelve months as a percentage of Average Receivables. This measure is used to assess the income being generated from the receivables of each of the Provident Financial Group's business divisions.

Risk-adjusted Margin

Risk-adjusted Margin is calculated for each of the Provident Financial Group's segments as revenue less impairment charge on amounts receivable from customers for the last twelve months as a percentage of Average Receivables. This measure is used to assess the net margin being generated from the receivables of each of the Provident Financial Group's businesses.

Gearing

Gearing is calculated as total bank and other borrowings (excluding unamortised arrangement fees) less the liquid assets buffer and other liquid resources held in satisfaction of the PRA liquidity requirements, divided by adjusted equity for gearing purposes. Adjusted equity for gearing purposes is shareholders' equity after deducting the Provident Financial Group's pension asset, net of deferred tax and the fair value of derivative financial instruments. This calculation is consistent with the Provident Financial Group's covenants under its Revolving Credit Facility. For more information see "*Material Contracts*" in Part XIV "*Additional Information*" of this Prospectus.

Funding Capacity

Funding Capacity is calculated at any date as the cash held on deposit, excluding the liquid asset buffer and other liquid resources held by Vanquis Bank in satisfaction of the PRA liquidity requirements, plus the total amount of the committed debt facilities, plus the assumed additional capacity for Vanquis Bank to take retail deposits up to the amount of its intercompany loan from the Provident Financial Group, less the Provident Financial Group's actual borrowings at that date. This measure is used to assess the headroom on the Provident Financial Group's borrowing facilities to fund forecast growth in receivables and contractual maturities on borrowing facilities in the future.

Adjusted Basic Earnings per Share

Adjusted Basic Earnings per Share is calculated as profit after tax less the amortisation of acquisition intangibles net of tax charges and exceptional items divided by the weighted average number of Shares in issue, excluding own shares held by Provident Financial Group. This measure is used to assess the underlying earnings being generated for shareholders.

For more information on the non-IFRS measures above and the calculation thereof, see "*Key Performance Indicators*" in Part X, "*Operating and Financial Review*" of this Prospectus.

Forward-looking statements

This Prospectus may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Provident Financial Group.

The Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "may", "will", "seek", "continue", "aim", "anticipate", "target", "expect", "estimate", "projected", "intend", "plan", "goal", "believe", "achieve" or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Provident Financial Group's future financial position, income growth, assets, impairments, charges, business strategy, capital and leverage ratios, payment of dividends (including dividend pay-out ratios), projected costs, estimates of capital expenditures, and plans and objectives for future operations and other statements that are not historical fact.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and circumstances that may or may not occur in the future, forward-looking statements are not guarantees of future performance. The Provident Financial Group's actual performance, financial condition, results of operations, cash flows and prospects may differ materially from the forward-looking statements contained in this Prospectus and any documents incorporated herein by reference. In addition, even if the Provident Financial Group's actual performance, financial condition, results of operations, cash flows and prospects are consistent with the forward-looking statements contained in this Prospectus and any documents incorporated herein by reference, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include but are not limited to, UK domestic, US, the Republic of Ireland, Eurozone and global macroeconomic and business conditions, the effects of continued volatility in credit markets, the effects of the UK's decision to exit the European Union, market related risks such as changes in interest rates and foreign exchange rates, effects of changes in valuation of credit market exposures, volatility in capital markets, particularly as it may affect the timing and cost of planned capital raisings, including the Rights Issue, the failure of the Provident Financial Group to implement its Home Credit Recovery Plan, the policies and

actions of governmental and regulatory authorities including (i) the CBI and FCA in relation to the Home Credit business's AML, CTF and sanctions policies, procedures and practices, and (ii) the FCA in relation to its investigations relating to Moneybarn and to Vanquis Bank's ROP and its enhanced supervision of the Provident Financial Group, the risk of non-compliance with the RMP by the Home Credit business in the Republic of Ireland, changes in legislation, demand for non-standard credit products, changes in distribution channels or relationships, the effectiveness of the Provident Financial Group's marketing and advertising programs, the failure of CCD to receive a full interim permission from the FCA, challenges to the employment status of the Provident Financial Group's Home Credit agents in the UK and the employment status of its agents in the Republic of Ireland, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS and prudential capital and leverage rules, the outcome of current and future legal or regulatory proceedings, the amounts that the Provident Financial Group will be required to pay in connection with claims relating to Vanquis Bank's ROP, the performance of the Home Credit business, future levels of conduct provisions, the success of future acquisitions and other strategic transactions and the impact of competition, negative attention and news regarding the non-standard credit market or any harm to the Provident Financial Group's brand, a number of which factors are beyond the Provident Financial Group's control. As a result of these uncertain events and circumstances, the Provident Financial Group's actual future results, dividend payments and capital and leverage ratios may differ materially from the plans, goals and expectations set forth in such forward-looking statements. The list above is not exhaustive and there are other factors that may cause the Company's actual results to differ materially from the forward-looking statements contained in this Prospectus. You are also advised to read carefully the risk factors set out on pages 21 to 67 of this Prospectus for a discussion of certain factors that should be considered when deciding what action to take in relation to the Rights Issue.

Forward-looking statements speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information or future events. Except as required by the FCA, the London Stock Exchange, the Prospectus Directive, the Listing Rules, the Disclosure Guidance and Transparency Rules, or applicable law, the Company, the Underwriters and their respective affiliates expressly disclaim any obligation or undertaking to update, review or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or otherwise.

Nothing in this Prospectus is intended, or is to be construed, as a profit forecast or estimate or to be interpreted to mean that earnings per Provident share or overall earnings for the current or future financial years will necessarily match or exceed the historical published earnings per Provident share or overall earnings.

Notice to all overseas investors

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this Prospectus or any Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

Member States of the European Economic Area (other than the United Kingdom)

In relation to each member state of the European Economic Area ("**European Economic Area**") which has implemented the Prospectus Directive (except the UK) (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, none of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this Prospectus in relation to the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another in the Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (as defined below), other than the offers contemplated in this Prospectus in a Relevant Member State after the date of such publication or notification, and except that an offer of such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be made to the public in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any New Ordinary Shares, the Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Rights Issue will be deemed to have represented, acknowledged, and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this selling restriction, the expression an "offer of New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights to the public" in relation to any New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an Investor to decide to acquire the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights, as the same may be varied in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended including by Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

In the case of the New Ordinary Shares, the Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Ordinary Shares, the Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

United States

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the US Securities Act, or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within the United States (except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States), or any of the Excluded Territories (except pursuant to applicable exemptions). There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares in the United States.

None of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the New Ordinary Shares, this Prospectus or any other offering document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Except as otherwise provided for herein, this Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to any Shareholder with a registered address in, or who is resident in, the United States or any of the Excluded Territories. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy New Ordinary Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such offer or solicitation is unlawful.

The Underwriters may arrange for any New Ordinary Shares not taken up in the Rights Issue to be offered and sold only (i) outside the United States in accordance with Regulation S under the US Securities Act or (ii) inside the United States to persons reasonably believed to be QIBs within the meaning of Rule 144A under the US Securities Act in reliance on Rule 144A or another exemption from the registration requirements of the US Securities Act. Prospective investors are hereby notified that such sellers of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

In addition, until 40 days after Admission, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or

not participating in the Rights Issue) may violate the registration requirements of the US Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act. In order to permit compliance with Rule 144A under the US Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of any holder or beneficial owner of a share, or any prospective purchaser of a share designated by a holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the US Securities Act if at the time of such request it is not subject to section 13 or section 15(d) of the US Securities Exchange Act and it is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

Any Provisional Allotment Letter postmarked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate forms. Any Provisional Allotment Letter in which the exercising holder requests New Ordinary Shares to be issued in registered form and which gives an address in the United States will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not a QIB will not be able to purchase, or subscribe for, Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares and should disregard this document.

The financial information included in this Prospectus has been prepared in accordance with accounting standards applicable in the UK and Ireland and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.

All Qualifying Shareholders with a registered address in the United States or any of the Excluded Territories and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this Prospectus or any Provisional Allotment Letter to any jurisdiction outside the United Kingdom should read paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

Australia

This Prospectus does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act 2001 (Cth)** "). Accordingly, this Prospectus does not necessarily contain all of the information a prospective investor would expect to be contained in an offering document or which he/she may require to make an investment decision. The offer to which this Prospectus relates is being made in Australia in reliance on ASIC Corporation (Foreign Rights Issues) Instrument 2015/356 issued by the Australian Securities and Investments Commission. This Prospectus only constitutes an offer in Australia for sale of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to persons who are recorded as members of the Company on the register at the close of business on the Record Date.

As any offer for the issue of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares under this Prospectus will be made without disclosure in Australia under Part 6D.2, the offer of those Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares for resale in Australia within 12 months of their sale may, under section 707(3) of the Corporations Act 2001 (Cth), require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act 2001 (Cth) apply to that resale.

This Prospectus is intended to provide general information only and has been prepared by the Company without taking into account any particular person's objectives, financial situation or needs. Recipients should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Recipients should review and consider the contents of this Prospectus and obtain financial advice (or other appropriate professional advice) specific to their situation before making any decision to accept the offer of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares. This Prospectus was prepared under the law and operating rules of a foreign market. The Company is not subject to the continuous disclosure requirements of the Corporations Act 2001 (Cth).

Canada

None of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares upon the exercise of Nil Paid Rights or Fully Paid Rights may be offered, sold, taken up, exercised, renounced, resold, transferred or delivered to residents of Canada.

Notwithstanding the foregoing, New Ordinary Shares not taken up in the Rights Issue may be sold only to purchasers in the provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of New Ordinary Shares by the Underwriters.

Hong Kong

This Prospectus has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed or authorised by any regulatory authority in Hong Kong. Accordingly: (i) the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be offered or sold in Hong Kong by means of any document other than to persons that are considered "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder or in other circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and as permitted under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); and (ii) no person may issue, or have in its possession for the purpose of issue, any invitation, advertisement or other document relating to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

The content of this Prospectus has not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Rights Issue. If you are in any doubt about any content of this Prospectus, you should obtain independent professional advice.

Singapore

This Prospectus may not be used for the purpose of, and does not constitute, an offer, invitation or solicitation in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such offer, invitation or solicitation. This Prospectus may not be distributed to or given to any person other than a Qualifying Shareholder and should be returned if such person decides not to participate in the Rights Issue. This Prospectus should not be reproduced, in whole or in part. This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be circulated or distributed, nor may the Nil Paid Rights, the Fully Paid Rights and the New

Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), other than an exemption in Section 272B and Section 280 of the SFA or (ii) pursuant to, and in accordance with, the conditions of an exemption in Section 272B of the SFA where the Rights Issue is not made with a view to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares being subsequently the subject of an offer, sale or invitation to another person under Section 272B or Section 280 of the SFA.

Switzerland

Neither the New Ordinary Shares nor the entitlement to subscribe for New Ordinary Shares or the Nil Paid Rights and Fully Paid Rights may be offered or sold directly or indirectly in or into Switzerland, except in circumstances which will not result in the offer of the New Ordinary Shares and/or the Nil Paid Rights and Fully Paid Rights being a public offering in or into Switzerland within the meaning of art. 652a of the Swiss Code of Obligations ("**CO"**). This document is personal to each recipient thereof and does not constitute an offer to any other person. This document may only be used by the persons to whom it has been handed out in connection with the Rights Issue and may not be distributed (directly or indirectly) or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied, distributed and/or otherwise made available to other persons in Switzerland.

Neither the New Shares nor the Nil Paid Rights nor the Fully Paid Rights will be listed on the SIX Swiss Exchange ("**SIX**") or on any other trading venue in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares, the Nil Paid Rights or the Fully Paid Rights or the Rights Issue have been prepared with regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 CO or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or similar rules of any other trading venue in Switzerland, and therefore do not constitute a prospectus within the meaning of the CO, the SIX Listing Rules or similar rules of any other trading venue in Switzerland.

Persons to whom this document is delivered are required to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the New Shares and/or the Rights or have in their possession or distribute this document, in all cases at their own expense.

Currency Presentation

Unless otherwise indicated, all references in this Prospectus to "**sterling**", "**pounds sterling**", "**GBP**", "**£**", or "**pence**" are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling. All references to the "**euro**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "**U.S. dollars**" or "**US$**" are to the lawful currency of the United States.

Rounding

Certain data in this Prospectus, including financial, statistical, and operating information have been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Market, Economic and Industry Data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute Management's estimates, using underlying data from, among others, independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications.

The Company confirms that all such third party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of such information has been identified.

Service of process and enforcement of civil liabilities

The Company has been incorporated under English law. Service of process upon the Directors and officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since all of the directly owned assets of the Company are outside the United States, any judgment obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability of certain civil liabilities under the U.S. federal securities laws in original actions in English courts, and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgment of a U.S. court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

Definitions

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part XV "*Definitions*".

Information not contained in this Prospectus

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this Prospectus nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Provident Financial Group since the date of this Prospectus or that the information contained in this Prospectus is correct as at any time subsequent to its date.

No incorporation of website information

The contents of the Provident Financial Group's website do not form part of this Prospectus.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Stuart Sinclair	Interim Chairman
Malcolm Le May	Group Chief Executive Officer
Andrew Fisher	Finance Director
Andrea Blance	Senior Independent Non-executive Director
Rob Anderson	Independent non-executive Director
John Straw	Independent non-executive Director

The business address of each of the Directors is the Company's registered address at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU, United Kingdom.

Company Secretary	Ken Mullen
Registered office	No.1 Godwin Street Bradford West Yorkshire BD1 2SU United Kingdom
Sponsor, Joint Global Co-ordinator and Joint Bookrunner	J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) 25 Bank Street Canary Wharf London E14 5JP United Kingdom
Joint Global Co-ordinator and Joint Bookrunner	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom
Auditors and Reporting Accountants	Deloitte LLP 4 Brindleyplace Birmingham B1 2HZ United Kingdom
Legal Adviser to the Company as to English and United States law	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Legal Adviser to the Sponsor, the Joint Global Co-ordinators and Joint Bookrunners as to English and United States law	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS United Kingdom
Registrar	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

PART I
LETTER FROM THE CHAIRMAN OF PROVIDENT FINANCIAL PLC

PROVIDENT FINANCIAL PLC

(incorporated and registered in England and Wales with registered number 00668987)

27 February 2018

Dear Shareholder

17 for 24 Rights Issue at 315 pence per New Ordinary Share

1. INTRODUCTION

On 27 February 2018, the Provident Financial Group announced a fully-underwritten Rights Issue to raise approximately £300 million (net of expenses). The purpose of this letter is to provide details regarding the Rights Issue and explain why the Board believes it is in the best interests of the Provident Financial Group and Shareholders.

The Provident Financial Group prides itself on its 140 year history of providing valued customers with access to credit where others will not. However, recent events have demonstrated a need to refresh our direction, focus and culture. The Board is determined to achieve these objectives. The Board firmly believes that the Provident Financial Group continues to have an important role to play in serving customers responsibly in the non-standard credit market, and can do so whilst providing an attractive return to shareholders. But first we need to restore the Provident Financial Group's capital base. I am writing to you as Interim Chairman to set out details of our future direction and to ask for your support for the Rights Issue and more generally in setting the Provident Financial Group on the right path going forward.

The Rights Issue is being made on the basis of 17 New Ordinary Shares for every 24 Existing Ordinary Shares held by Shareholders at close of business on the Record Date. The Rights Issue is fully underwritten by the Underwriters on the terms and subject to the conditions of the Underwriting Agreement, which requires, amongst other things, the Underwriters to subscribe for any New Ordinary Shares not taken up under the Rights Issue at the Issue Price.

The Rights Issue is conditional on, *inter alia*, the passing by Shareholders of the Resolution at a General Meeting of the Company being convened at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ at 11.00 a.m. on 21 March 2018. In order to take up their entitlement to New Ordinary Shares, Qualifying Shareholders need to accept and make payment in full by no later than 11.00 a.m. on 9 April 2018 (or such later date as may be notified by the Company).

Invesco Limited and certain discretionary managed investment funds (acting through Woodford Investment Management Limited as their agent and discretionary investment manager), who in aggregate hold Ordinary Shares representing approximately 48 per cent. of the Ordinary Shares, are supportive of the Company's plans and the Rights Issue.

Section 12 of this letter and paragraph 2 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus set out the actions to be taken by Qualifying Shareholders who wish to take up their entitlements under the Rights Issue.

Further information on the Rights Issue (including the full terms and conditions of the Rights Issue) is set out in the remainder of this Prospectus. You should read the whole of this Prospectus, any Provisional Allotment Letter you receive and the documents (or parts thereof) incorporated herein by reference before taking any decision in connection with the Rights Issue.

A list of defined and technical terms used in this letter is included in Part XV "*Definitions*" of this Prospectus.

2. BACKGROUND TO AND REASONS FOR THE RIGHTS ISSUE

2.1 Developments over the past 12 months

On 28 February 2017, the Provident Financial Group announced developments to the Home Credit business's operating model that focused on changing from a self-employed agency model to an employed workforce, aimed at delivering a more efficient and effective business. The proposals were intended to enhance the Home Credit operating model by: (i) serving customers through full-time employed Customer Experience Managers rather than self-employed agents to take direct control of all aspects of the relationship with the customer; (ii) changing the field management structure in the UK, with newly defined roles and ways of working; and (iii) developing further technology to improve efficiency and effectiveness. The migration to the new Home Credit operating model, with more centralised control over a distributed workforce and greater evidencing of customer interactions through voice recording technology (currently unique to the Provident Financial Group in the home credit sector), was also intended to enhance regulatory standards. It sought to achieve this by improving first line oversight of field staff through more consistent and accurate evidencing of interactions with customers than might be the case in circumstances where dual visits (when CEMs are accompanied by field management to monitor the interaction between the CEM and the customer) and apps are utilised to perform the same function.

On 20 June 2017, the Provident Financial Group provided an update on the transition to the new Home Credit operating model indicating that operational disruption associated with the transition was higher than anticipated, with agent attrition rates and vacancy levels adversely impacting collections, sales penetration, customer retention and profits. At that time, it was expected that collections would normalise after the transitional period but the disruption relating to the transition to the new operating model would result in 2017 full year pre-exceptional pre-tax profits for CCD reducing to around £60 million (2016: £115 million).

On 22 August 2017, the Provident Financial Group released a further trading update on the Home Credit and Vanquis Bank businesses. The disruption in the Home Credit business was more severe than originally anticipated, and the full year profit guidance for CCD was significantly reduced to a pre-exceptional pre-tax loss of between £80 million and £120 million for 2017. The Provident Financial Group announced that the FCA was conducting an investigation into Vanquis Bank's ROP and that in April 2016 it had agreed to enter into a voluntary requirement with the FCA to suspend all new sales of ROP and to conduct a customer contact exercise, which was completed in late 2016. Vanquis Bank also agreed to enter into a voluntary requirement with the PRA pursuant to which it agreed not to: (i) pay dividends to or make any distribution of capital to the Provident Financial Group; (ii) provide loans or facilities to the Provident Financial Group; (iii) conduct non "business as usual" liquidity transactions or transactions which have or may have the effect of transferring any cash or assets in favour of any member of, the Provident Financial Group; or (iv) provide any security for the obligations of any member of the Provident Financial Group, outside the normal course of business without the PRA's consent. As a result of the impact of the disruption and the investigation, the interim dividend for the 2017 financial year was withdrawn and the Board indicated that a full year 2017 dividend was unlikely, to retain liquidity and balance sheet stability. Under the circumstances, Peter Crook stepped down as Chief Executive Officer and Manjit Wolstenholme assumed the role of Executive Chairman.

During this time the Provident Financial Group continued to assess and discuss with the FCA processes applied by Moneybarn in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties; this included Moneybarn entering into a voluntary requirement with the FCA pursuant to which it agreed to amend its processes for dealing with loan terminations to ensure that customers receive information which enables them to make an informed decision as to which termination option to adopt. On 5 December 2017, however, the Provident Financial Group was informed that the FCA had commenced an investigation into Moneybarn covering the adequacy of creditworthiness assessments as well as the treatment of customers in default or arrears with forbearance and due consideration, and the provision of information about termination processes.

As the issues above emerged during the summer of 2017, we moved swiftly to put in place a near-term action plan focused on ensuring stability and addressing the immediate challenges. The most pressing issues were stabilising and turning around the performance of the Home Credit business, reaching a resolution with the FCA in relation to Vanquis Bank's ROP and continuing to cooperate with the FCA with its ongoing investigation into Moneybarn, and ensuring that the Provident Financial Group's capital base and liquidity were appropriate to rebuild the business.

Over the last six months, we have taken action to:

- conduct a search to identify suitably qualified candidates for the role of Chief Executive Officer. On 2 February 2018, the Company announced the appointment of Malcolm Le May as Group Chief Executive Officer. In making this decision the Board has consulted with, and received support from, certain of the Company's leading shareholders, as well as discussing his appointment with the FCA. The Board firmly believes that under Malcolm's leadership the Provident Financial Group can once again return to delivering attractive returns for shareholders whilst establishing strong relationships with all our stakeholders including our customers and regulators;
- strengthen leadership of the Home Credit business through the re-appointment of Chris Gillespie as Managing Director of the Home Credit business at the end of August 2017 with a mandate to improve the operating model in order to re-establish relationships with customers and restore collections and stability in the business. Chris Gillespie previously acted as Managing Director of the CCD from 2007 to 2013;
- clearly understand the root causes of the issues in deploying the new operating model in the Home Credit business which included insufficient recognition of the importance of the collector/customer relationship to the performance of the business. In addition, an inflexible approach was adopted in implementing the new operating model which lacked customer focus. These were clearly largely managerial failings in implementation, rather than fundamental flaws in the main concepts behind the new approach;
- swiftly design and implement the Recovery Plan for the Home Credit business based on a revised and more flexible operating model alongside a right-sizing of the cost base, with a focus on re-establishing customer service levels and relationships as outlined in more detail in paragraph 3 of Part IV "*Business*" of this Prospectus. The Recovery Plan is expected to be substantially implemented by the end of the first half of 2018;
- assess conduct risks and improve internal controls, including commissioning an external review of the effectiveness of CCD's first and second lines of defence in the risk management process, as well as its governance and culture in general;
- work closely with the FCA to resolve the Provident Financial Group's immediate challenges, including implementing the Home Credit Recovery Plan, improving risk management controls and oversight in CCD as discussed above, and to fully resolve the FCA's investigation into Vanquis Bank's ROP and to continue to cooperate with the FCA with its ongoing investigation into certain issues in Moneybarn;
- address governance and culture issues more widely across the Provident Financial Group, refocusing on the customer first, as outlined in paragraph 2.3 below. The Board has placed positive customer outcomes and enhanced regulatory engagement firmly at the centre of the Provident Financial Group's strategy;
- closely monitor the capital and liquidity position of the Provident Financial Group on a consolidated basis and of Vanquis Bank on a solo basis, whilst maintaining regular and frequent dialogue with the Provident Financial Group's bank lending group, M&G Investments Limited, the Provident Financial Group's rating agency, the PRA (primarily through Vanquis Bank) and the FCA;
- develop a new capital plan based on revised forecasts for the Provident Financial Group's three businesses to establish the appropriate scale and nature of resources required to execute the Provident Financial Group's strategy and generate capital with a view to restoring the shareholder dividend as soon as possible as set out in section 2.4 below; and
- assess the various options available to the Provident Financial Group to meet the potential costs of redress and to ensure the Provident Financial Group has appropriate levels of regulatory capital, as outlined in paragraphs 2.4 and 3 below.

During this time, while working to push forward these actions Manjit Wolstenholme tragically died suddenly on 23 November 2017, with Malcolm Le May assuming the role of Interim Executive Chairman until his appointment, as mentioned above, as Group Chief Executive Officer and my simultaneous appointment as Interim Chairman pending the completion of the Provident Financial Group's search for a new external Chairman.

On 16 January 2018, the Provident Financial Group released a trading update which disclosed the expectation of a pre-exceptional pre-tax loss for CCD of approximately £120 million, consistent with the

upper end of the guidance previously issued on 22 August 2017. Although the actions taken by management had delivered a significant improvement in customer service and operational performance in the Home Credit business since August 2017, the rate of reconnection with those Home Credit customers whose relationship had been adversely impacted following the poorly executed migration to the new operating model in July 2017 was at the lower end of expectations through the fourth quarter of 2017.

As part of an ongoing process of reviewing its cost base, the Home Credit business also announced at this time a proposed rationalisation of its central support functions, subject to workforce consultation. This is a necessary step to align the cost base of the Home Credit business to the reduced size of its business. In addition, the Home Credit business said that it expected to secure improvements in the effectiveness and efficiency of its field organisation as the new operating model continues to be embedded. However, the Home Credit business also made clear that customer facing resources were being managed very carefully in order to ensure that further improvements in customer service are delivered.

2.2 The Provident Financial Group's current position

Regulatory Update

The Provident Financial Group has announced today that settlement has been reached with the FCA in relation to its investigation into the sale of Vanquis Bank's ROP, with Vanquis Bank accepting that it had breached Principle 6 (Customers' interests) and Principle 7 (Communications with clients) of the FCA's Principles for Businesses between 1 April 2014 and 19 April 2016 in relation to its telephone sales of Vanquis Bank's ROP. Pursuant to the settlement: (i) Vanquis Bank has agreed to pay the ROP Financial Penalty of £1,976,000, (ii) the FCA has required Vanquis Bank to pay restitution of £11,876,000 on the agreed basis to customers who opted into the ROP after 1 April 2014; and (iii) Vanquis Bank has voluntarily agreed to pay restitution of £156,905,000 on the agreed basis to customers who opted into the ROP from inception of the ROP in 2003 to 31 March 2014, notwithstanding that this is a period before the FCA regulated consumer credit activities, leading to the Gross Restitution Amount of £168,781,000. The restitution payments are to refund those customers with the interest element of the ROP from the inception of the ROP, in 2003, up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. In connection with the settlement, the Provident Financial Group has taken a provision of £172.1 million in its audited consolidated financial statements for the year ended 31 December 2017 which includes (i) the ROP Financial Penalty of £2.0 million, (ii) the Gross Restitution Amount, offset by charged off balances of £26.9 million and less a release of impairment provisions of £14.7 million, resulting in a net restitution payment amount of £127.1 million, (iii) the operational costs associated with these payments (amounting to £12.3 million) and (iv) a contingency in respect of potential additional liability which may arise related to forward flow of complaints in relation to ROP more generally as described below in connection with the ROP (amounting to £30.7 million).

The agreed settlement with the FCA relates to breaches of Principle 6 (Customers' Interests) and Principle 7 (Communications to Customers) of the FCA's Principles for Businesses. In particular, as a result of the failure to disclose during the sales call that ROP was treated as a purchase transaction and that interest would accordingly be charged and accrue on the ROP fee, there was a serious risk that customers agreed to purchase the ROP without understanding the full cost of the ROP and that customers were unaware that interest could be charged on the ROP.

Having agreed this settlement with the FCA, Vanquis Bank will be working with the FCA on a plan to resume sales of a ROP to new customers.

Whilst Moneybarn is continuing to cooperate with the FCA with its ongoing investigation into affordability, forbearance and termination options, and hence the outcome of such investigation remains uncertain, the estimated cost of £20 million, representing management's best estimate of the expected outcome in respect of the investigation, has been reflected as an exceptional cost in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017.

The FCA has conducted a preliminary review regarding certain aspects of the Company's public announcement on 20 June 2017 and the 22 August Announcement and has confirmed that it does not intend to take any further action in relation to the two announcements at the present time. The Company has, however, received a letter on behalf of an institutional investor (which has a number of subsidiary investment funds) asserting, amongst other things, that certain of the Company's earlier announcements were false or misleading and the Company acted dishonestly in delaying the public announcement of

information. Whilst the matters alleged on behalf of the institutional investor are complex and the Company is at an early stage of analysing the claims, the Company currently believes the claims by the institutional investor are unmeritorious and considers the prospects of the claims being upheld to be limited. As such, the Company intends to defend its position vigorously and to the fullest extent possible. For more information, see paragraph 15.4 in Part XIV "*Additional Information*" of this Prospectus.

The Provident Financial Group is, and has been, subject to various regulatory reviews, requests for information and investigations across the Provident Financial Group. As a consequence of these, the disruption to the Provident Financial Group's Home Credit business following the implementation of its new operating model in July 2017 and the subsequent implementation of the Recovery Plan in response to such disruption, and the FCA's investigation into Vanquis Bank's ROP and the FCA's ongoing investigation into Moneybarn, the Provident Financial Group is subject to enhanced supervision by the FCA as notified to the Provident Financial Group by the FCA Watchlist Letter. The FCA Watchlist Letter requires that the Provident Financial Group: (i) provide the FCA with a draft of an executable wind-down plan for the Provident Financial Group and each of the entities within the Provident Financial Group (and a draft wind-down plan was submitted to the FCA on 31 January 2018 in accordance with this requirement); (ii) successfully executes the Recovery Plan; and (iii) complete a successful turnaround of CCD so that CCD is financially stable and the Provident Financial Group can meet its funding requirements to 2020. Firms placed under enhanced supervision may be required to provide formal commitments, where appropriate, to the FCA to tackle the underlying concerns raised by the FCA and the FCA may also exercise other wide-ranging powers.

Financing Update

The Provident Financial Group has agreed with each of its lenders under the Revolving Credit Facility and the Term Loan Facility that they will amend certain covenants contained in the Revolving Facility Agreement and the Term Loan Agreement to provide the Provident Financial Group with greater covenant headroom to address the impact arising from the disruption at the Home Credit business in 2017 and the impact of the provisions taken by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 relating to the settlement of ROP and the ongoing discussions with the FCA in relation to its investigation of issues at Moneybarn. These amendments would cease to have effect if, among other things, the Rights Issue were not to proceed and complete. See paragraph 13 of this letter for a description of the consequences for the Provident Financial Group were the Rights Issue not to proceed and complete.

The Provident Financial Group also announced today that it has entered into a £85 million bridge loan facility with Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch (the "**Bridge Facility**"). The Bridge Facility will provide the Provident Financial Group with sufficient funds to allow Vanquis Bank to draw down in full the New Intercompany Loan Agreement between the Provident Financial Group and Vanquis Bank, providing Vanquis Bank with an additional £85 million of funding which Vanquis Bank intends to hold as additional liquid resources. The Provident Financial Group plans to repay the Bridge Facility in full using approximately £85 million of the net proceeds of the Rights Issue.

Capital Plan

In finalising its new capital plan reflecting its current and expected capital requirements, the Provident Financial Group has taken into account, amongst other things, (i) the receipt of £300 million net proceeds from the Rights Issue, (ii) the Provident Financial Group's revised dividend policy described below and estimated future levels of dividends to be paid by the Company and Vanquis Bank, (iii) the estimated payments to be made in connection with Vanquis Bank's settlement with the FCA in connection with ROP, (iv) the estimated outcome of the Moneybarn investigation which has been reflected as an exceptional cost of £20.0 million in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017 in connection with the FCA's ongoing investigation into Moneybarn, (v) the amendment of certain covenants under the Revolving Credit Facility and the Term Loan Facility and (vi) management actions planned and proposed to be taken. Provident Financial Group has discussed the capital plan with the PRA. The PRA is familiar with the details of the Provident Financial Group's discussions with the FCA, its current capital position and proposed capital plan, including the Rights Issue.

2017 Financial Results

Today, the Provident Financial Group announced its final results for the year ended 31 December 2017. The Provident Financial Group's Adjusted Profit Before Tax in 2017 reduced by 67.3 per cent. to

£109.1 million (2016: £334.1 million) and Adjusted Basic Earnings per Share fell by 64.8 per cent. to 62.5 pence per share (2016: 177.5 pence per share). Profit before tax reduced by 135.8 per cent. to a loss of £123.0 million (2016: profit £343.9 million) and basic earnings per share reduced to a loss of 90.7 pence per share (2016: earnings 181.8 pence per share).

Vanquis Bank delivered an Adjusted Profit Before Tax of £206.6 million, 1 per cent. higher than 2016 (2016: £204.5 million). This reflects the impact of a more stable delinquency performance compared with the improving profile in the first nine months of 2016, the reduction in ROP income following the voluntary suspension of sales in April 2016 and an additional year-on-year investment of approximately £12 million to augment the medium-term growth potential of the business. New credit card customer bookings of 437,000 were up 7.6 per cent. on last year, benefiting from the actions put in place during the second half of 2016 to develop the credit card proposition and enhance distribution, including the launch of the Chrome near-prime credit card. Year-on-year customer growth of 11.3 per cent. and average receivables growth of 14.6 per cent. were delivered against credit standards that were tightened in the third quarter of 2017, recognising the uncertainties faced by the UK economy. In line with previous guidance, the annualised risk-adjusted margin moderated from 32.2 per cent. for the year ended 31 December 2016 to 30.2 per cent. for the year ended 31 December 2017, reflecting a reduction in revenue yield due to a further decline in the penetration of ROP within the customer base and some moderation in interest yield from the changing mix of business towards near-prime.

CCD’s Adjusted Profit Before Tax in 2017 was a loss of £118.8 million (2016: Adjusted Profit Before Tax of £115.2 million), reflecting significant impairment arising as a result of the operational disruption in Home Credit following the poorly executed migration to the new operating model in July 2017. This resulted in a significant increase in arrears and impairment and led to the Home Credit business reporting an Adjusted Loss Before Tax of approximately £114 million in the year compared with an Adjusted Profit Before Tax of approximately £121 million in 2016.

Good progress has been made in implementing the Recovery Plan since September with the actions taken by management delivering a significant improvement in customer service and operational performance. On 16 January 2018, the business also announced the rationalisation of the Home Credit central support function in order to align the cost base to the reduced size of the business. The Home Credit business ended the year with approximately 527,000 (2016: 782,000) active customers and a receivables book of £352.2 million (2016: £560.0 million) and is on-track and well-placed to continue with the execution of the Recovery Plan.

The Directors expect the improvements in the effectiveness of the field force from the ongoing implementation of the Recovery Plan should lead to an improvement in margins through 2018 which, together with cost efficiency, is expected to have a significant impact on the Home Credit business by the end of the second quarter and result in the Home Credit business becoming profitable on an annualised run rate basis during the second half of 2018.

Satsuma has continued to make further progress in developing its product distribution, digital platform and further lending capability during 2017. The business is generating a strong flow of new business and further lending following the improvements made to the customer journey and product proposition in the second half of 2016, including the introduction of a monthly product. In addition, the business has continued to successfully develop its multi-channel distribution capability including the recent roll-out of the new mobile app. As a result, new business and further lending volumes on a combined basis increased by 30 per cent. on 2016 and customer numbers increased from 55,000 as at 31 December 2016 to 79,000 as at 31 December 2017 and receivables increased from £18.2 million to £35.8 million over the same period. The business reported a loss before tax of approximately £5 million in 2017, lower than around £6 million reported in 2016, which was adverse to internal plans. The loss reflects the strong growth in receivables of the monthly product during 2017, the underwriting of which was tightened during the latter part of 2017 in response to higher than planned impairment.

Moneybarn has delivered a 9.6 per cent. increase in Adjusted Profit Before Tax to £34.1 million in 2017 (2016: £31.1 million). Extension of both the product offering and distribution channels and further service enhancements to intermediaries has generated new business volumes approximately 17 per cent. higher than those achieved in 2016. As a result, customer numbers were 50,000 at the end of 2017, showing year-on-year growth of 22.0 per cent., and receivables were £364.1 million, showing year-on-year growth of 22.5 per cent. The annualised risk-adjusted margin has moderated from 24.1 per cent. to 31 December 2016 to 21.8 per cent. to 31 December 2017 reflecting additional impairment associated with the step-up in new business volumes and the flow through of impairment from higher risk categories of business prior to the tightening of underwriting in the second quarter of 2017.

Going concern

Whilst the audit opinion relating to the Provident Financial Group's financial statements as at and for the year ended 31 December 2017 was not qualified, it emphasises that, in light of the Rights Issue having not yet taken place, a material uncertainty exists with respect to Provident Financial Group's and the Company's ability to continue as a going concern. The successful completion of the Rights Issue will remove that uncertainty.

2.3 Culture and governance

The need for change

The Provident Financial Group was founded 140 years ago on a strong social purpose of providing much valued access to credit for customers in the non-standard credit market who often find themselves ignored or under-served by mainstream lenders. Our customers, who come from many different walks of life, have always valued highly the way we provide access to credit closely tailored to their needs and the realities of their lives, often involving smaller sums, shorter terms and more flexible repayment options. Customers on modest and less predictable incomes want, and deserve, access to credit to help them cope with everyday challenges, and to allow them to participate fully in the traditional and online economies.

Recent events have demonstrated that although our intentions were good in what we were seeking to do for customers, our delivery methods and our culture and governance around them have not always been at the high standards we would have wished. As a result of these shortcomings, it is clear to the Board that we need to address our culture and governance, refocusing on the customer first, thereby improving our regulatory compliance and as a result begin to rebuild and enhance our reputation with regulators. Malcolm Le May has a clear agenda of engagement to address these issues that the Board fully supports.

Actions taken and planned

We have now completed an initial review of our governance arrangements. We have identified where enhancement and change are needed to ensure greater Board effectiveness, clarity of Group purpose and divisional roles and responsibilities, and significantly improve Group risk and conduct management.

Following completion of the review, the Provident Financial Group has:

(a) brought together all of its senior Executive and Non-Executive management from the whole of the Provident Financial Group to discuss where we have fallen short and why, what our aspirations are going forward and what needs to change within the Provident Financial Group as a result;

(b) appointed a new Group Chief Executive Officer and initiated the recruitment of a new external Chairman;

(c) reaffirmed a clear purpose, vision, mission and set of values which are centred firmly on the customer, and helping customers to help themselves to build brighter financial futures;

(d) re-initiated a clear and consistent 'tone from the top' from the Board in line with these customer-centric values that also emphasises the need to collaborate more effectively and work together across the Provident Financial Group;

(e) provided greater clarity over the roles and responsibilities of each of the divisions as well as those that exist at the broader Provident Financial Group level, and in doing so begun to disseminate the more consistent and clear vision, mission and values more widely;

(f) initiated the recruitment of two additional new Non-Executive Directors with directly relevant experience (and in line with a Board skills needs assessment), to work alongside the new CEO to deliver on the Board's vision;

(g) established a Group Chief Risk Officer (the "**Group CRO**") role for the first time who will, once appointed, work closely with the Board and the CEO to provide Group-wide oversight of governance, risk and conduct and ensure that these all remain a key focus of the Provident Financial Group and appointed an interim Group Chief Risk Officer ("**Interim Group CRO**");

(h) re-constituted a wider Executive Committee which will play a far greater part in delivering on the Provident Financial Group's vision and in enhancing the information flows and control between the Provident Financial Group and its divisions;

(i) begun the recruitment of a number of Executives to create key Provident Financial Group functions. An interim IT Strategy & Procurement Executive has been appointed and the Provident Financial

Group also intends to appoint a Group HR Executive. These appointments are intended to improve coordination, cooperation and efficiency across the Provident Financial Group in pursuit of our aims and in support of the Executive Committee; and

(j) begun the process of establishing a new Board committee, to be chaired by one of the new Non-Executive Directors noted above, focusing on the customer, culture and ethics to help drive changes in behaviours and attitudes across the Provident Financial Group.

The changes listed above have already been implemented or initiated. Additional changes are planned in the longer-term through to 2020 in order to continue to refocus the culture on the customer first thereby improving our regulatory compliance, and we will reassess the structure of the Provident Financial Group to ensure the changes we have made endure.

We plan to realign our culture more closely around the developing needs of the customer, and to better coordinate and cooperate internally across our businesses to deliver better customer outcomes more efficiently as a result. More specifically, we plan to focus on helping customers on their creditworthiness journey where possible, helping them to help themselves build brighter financial futures, using all our resources and offers, going beyond granting the much valued financial inclusion to as many people as is responsible within each area of the Provident Financial Group.

Remuneration has an important part to play in realigning our culture. The Provident Financial Group plans to continue to operate within the constraints of the remuneration policy approved by Shareholders at the 2017 AGM. However, in light of recent events and the latest Shareholder feedback, in the short-term we have reduced Director remuneration so as to operate well within the parameters of the current policy. In addition to reducing the level of pension and benefits for new Executive Director appointments, we plan to make no further grants of matching shares under the performance share plan ("**PSP**"), although part of the annual bonus will continue to be deferred for three years. For awards under our Long Term Incentive Scheme ("**LTIS**") we plan to change the performance condition from absolute Total Shareholder Return ("**TSR**") to a more common relative TSR metric, in relation to a suitable comparator group for all new grants. LTIS awards and the annual bonus for senior management will also be subject to a more rounded set of metrics designed to improve performance and culture. Furthermore, we plan to introduce a post-vesting sale restriction period of two years to all new LTIS grants, and have enhanced the withholding (malus) and recovery (clawback) provisions currently in place. In the longer-term, we will work with external advisors to develop a more comprehensive balanced scorecard approach to performance management with an appropriate balance of financial, customer, risk and strategic metrics which is reflected in a revised executive remuneration policy to support the Provident Financial Group's desired culture and approach to greater coordination of Provident Financial Group resources for the benefit of customers. In due course any proposed new remuneration policy will be discussed fully with Shareholders and submitted for their approval thereafter at a subsequent AGM.

Given the position of the Provident Financial Group in the non-standard credit sector, there is an opportunity and an expectation that we will lead by example, becoming a true champion for less creditworthy customers and taking positive steps to help them. We plan to leverage the newly established role of Group CRO (once appointed) to champion the interests of the customer internally and thereby begin to transform the nature of our interactions with regulators and provide greater consistency and coordination across our regulated businesses. We have begun to build and staff a Group Risk and Compliance function for the first time under the leadership of the Interim Group CRO. This new function will be responsible for leading the design and implementation of the governance and risk management changes required, with a view to improving Provident Financial Group oversight of divisional risk and compliance functions. The Interim Group CRO is, and once appointed, the permanent Group CRO will be, responsible for maintaining involvement in all regulatory interactions across the Provident Financial Group so as to ensure consistency with the culture, direction and risk appetite set by the Board, reflecting the greater importance we are placing on our key regulatory relationships.

Having taken action to strengthen governance in the short-term, we believe that we are well placed to address the longer-term matter of implementing an appropriate corporate structure, including the nature and interaction of the regulated entities within the Provident Financial Group. The Provident Financial Group, under the direction of our new CEO, will consider all opportunities to improve coordination and organisation of resources to deliver better customer outcomes and regulatory interactions in a more effective and efficient manner. In evaluating these opportunities we aim to carefully balance the benefits and advantages of any changes with the costs and risks involved, in light of the need to continue to grow our businesses and adapt to the changing external environment.

2.4 The Provident Financial Group's Strategy

Future prospects

The Directors believe that the Provident Financial Group plays an important social purpose in providing access to credit to the approximately 10 to 12 million people (equivalent to approximately 25 per cent. of the UK adult population as at 31 December 2017) in the UK non-standard market which remains in demand and highly valued. The Directors believe that the need and demand for responsibly provided affordable credit, delivered in a way that is tailored to the needs of non-standard customers, remains strong across the product sectors in which the Provident Financial Group operates. Therefore, the Directors believe that there remains an attractive opportunity for specialised non-standard lenders such as the Provident Financial Group in the UK.

The Directors believe that the Provident Financial Group's businesses have strong positions in their respective markets, and that the future prospects of the Provident Financial Group's businesses will be strengthened by the governance and cultural changes already made and planned as noted above. The Directors believe that a target ROA of approximately 10 per cent. per annum alongside receivables growth of between 5 and 10 per cent. per annum is both achievable and sustainable for the Provident Financial Group as the Home Credit business moves to profitability in 2019, subject to economic conditions.

The actions required to refocus on the customer first, as outlined above, together with any further actions that may be required, will result in a moderation of returns, however, the Directors believe that the Provident Financial Group's businesses have strong customer focused growth strategies going forward which position them well to deliver attractive returns for shareholders:

- Vanquis Bank aims to maintain its leading position in non-standard credit cards, continue to expand into the nearer prime sector and develop an instalment loans business.
- CCD aims to rebuild its market leading position in home credit based on a differentiated approach to customer service and compliance in the sector.
- Satsuma aims to move into profitability and develop the business beyond HCSTC into longer term loans at lower APRs and revolving credit offers.
- Moneybarn aims to maintain its leadership position in non-standard car finance through widening its channel presence and product range including building a larger direct business.

Underpinning the plans of each of the businesses is the effective use of proven new technologies to deliver better customer experiences and deliver them more efficiently. The Directors believe that the Provident Financial Group has successfully evolved its product offering and operations over time through the deployment of new technologies and sophisticated techniques that better meet customer needs, help demonstrate compliance with regulatory requirements and increase efficiency. For example, in Vanquis Bank non-voice promises to pay from customers have surpassed call centre interactions as customers increasingly want to use online, automated, app-based and mobile account management options introduced by the business. Across the Provident Financial Group, apps have been successfully deployed and developed to replace paper and manual processes, as well as to interact more effectively with customers in the way they prefer. The Provident Financial Group plans to continue to evolve and seek to use new proven technologies to meet the needs and preferences of its customers better, and improve the efficiency of resources deployed in serving them. For example, the Provident Financial Group is developing innovative ways to help customers understand and monitor their financial health more clearly and simply, along with the options open to them that could help improve their standing or reduce the overall costs of borrowing. This use of technology also makes it easier for customers to take action based on an up to date and comprehensive view of their situation.

The Provident Financial Group's businesses have worked together very effectively in certain areas to share resources and expertise, such as Vanquis Bank's collections capabilities which support Satsuma. There are also some areas where supplier relationships have been successfully shared and leveraged, and where shared customer relationships have been piloted. However, the Provident Financial Group's businesses have largely been developed and operated separately which provides an opportunity to serve customers better and improve efficiency over time by implementing greater coordination and cooperation going forward. The Provident Financial Group will increasingly seek to drive the building and organising of its resources and skills by what serves the customer needs the best, in the most efficient way, rather than necessarily being based on individual businesses operating in isolation. The Provident Financial Group's revised approach will also help implement the cultural shift that the Provident Financial Group is seeking to achieve resulting in a more seamless Provident Financial Group product offering and customer progression.

Capital, balance sheet and financial model

The Provident Financial Group is taking necessary action to raise additional capital to meet the costs of resolving the investigation by the FCA into Vanquis Bank's ROP, restore the Provident Financial Group's prudent capital position, seek to maintain the Provident Financial Group's investment grade rating and re-establish normal access to funding from the bank and debt capital markets. The Provident Financial Group intends to redirect its strategic focus toward the customer, improve governance and oversight, and work towards delivering consistently strong performance once again.

Following a thorough review of the various options available to the Provident Financial Group to improve its capital position vis-a-vis the Provident Financial Group's short- and medium-term priorities, the Board has decided to pursue a fully underwritten Rights Issue. Taking into account the receipt by the Company of the net proceeds of the Rights Issue and the intended use of proceeds, on a pro forma basis the CET1 capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) would have been 28.7 per cent. and 25.4 per cent., respectively, as at 31 December 2017, representing an accretion of 14.2 per cent. and 3.8 per cent., respectively, from the CET1 ratios of the Provident Financial Group and Vanquis Bank as at 31 December 2017. The Board believes that this level of capital is aligned with leverage expectations for investment grade credit status, and as such, the Provident Financial Group expects to re-establish normal access to funding from the bank and debt capital markets which have been negatively impacted by the uncertainty relating to the outcome of the FCA's investigation into Vanquis Bank's ROP as access to funding was restricted and/or available only at a price and on terms which the Company did not consider to be in the best interests of the Provident Financial Group.

To support the delivery of the Provident Financial Group's strategy, the Provident Financial Group will seek to continue to operate a financial model that is founded on investing in capital generative businesses offering a good return, and which aligns the dividend policy with a strong capital base and future growth plans.

Having taken steps focused on ensuring that the customer comes first, the Board accepts that returns will moderate as a result, although the Directors believe that they will continue to remain attractive. The Board considers that a target ROA of approximately 10 per cent. is a sustainable level of return for the Provident Financial Group as the Home Credit business moves to profitability in 2019, after taking account of the outcome of the FCA's investigation into Vanquis Bank's ROP, meeting forthcoming changes in regulation which include anticipated changes arising out of the FCA's Credit Card Market Study and CP17/27 ("Assessing creditworthiness in consumer credit") and delivering good customer outcomes. The Directors also believe that there are attractive growth opportunities available to each of the Provident Financial Group's businesses within the non-standard credit market which would allow for receivables growth of between 5 and 10 per cent. per annum, subject to economic conditions and maintaining the Provident Financial Group's minimum returns thresholds.

The minimum capital requirement of the Provident Financial Group is 25.5 per cent. CET1 capital ratio (which includes an additional capital requirement of £96 million in respect of conduct and operational risk compared with the previous TCR set by the PRA). The Board expects to maintain a suitable level of headroom against such regulatory capital requirements and an efficient capital structure to support ongoing access to funding from the bank and debt capital markets.

Based on the target level of returns and maintaining an appropriate capital structure, the Provident Financial Group's dividend policy is to maintain a dividend cover ratio of at least 1.4 times once the Home Credit Recovery Plan has been fully delivered during 2018.

The Board remains strongly committed to the payment of future dividends and delivering long-term value to shareholders. The Provident Financial Group will therefore aim to restore dividends with a nominal initial dividend for the financial year ending 31 December 2018 before adopting a progressive dividend, in line with the above dividend policy, from the financial year commencing 1 January 2019.

The Directors believe that with the proceeds of a successful Rights Issue deployed, the business model is attractive and sustainable within a robust governance and oversight framework, and the future prospects of the Provident Financial Group are strong. The Directors also believe that the Provident Financial Group offers an attractive proposition for shareholders based firmly on good outcomes for customers and a sound financial model.

3. USE OF PROCEEDS

The Provident Financial Group is seeking to raise additional capital of approximately £300 million (£331 million gross proceeds before deduction of expenses of approximately £31 million) through the Rights Issue.

The net proceeds of the Rights Issue will be used to bolster the Provident Financial Group's regulatory capital position to enable it to meet its current and future regulatory capital requirements, as well as strengthen its balance sheet with the appropriate level of buffers in order to enable it to capture underlying organic growth opportunities, seek to maintain the Provident Financial Group's investment grade rating and re-establish normal access to funding from the bank and debt capital markets.

The provisions that have been made by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 in connection with (i) resolving the FCA's investigation in relation to Vanquis Bank's ROP and (ii) Moneybarn's estimated liability in connection with the FCA's ongoing investigation into Moneybarn have depleted the Provident Financial Group's regulatory capital, with the CET1 capital ratio of the Provident Financial Group reducing to 14.5 per cent. as at 31 December 2017. The receipt of the £300 million net proceeds of the Rights Issue will result in an accretion of the Provident Financial Group's CET1 capital ratio of 14.2 per cent., to 28.7 per cent. as at 31 December 2017 on a pro forma basis which the Directors believe will provide the Provident Financial Group with an appropriate level of regulatory capital to meet its current and future requirements. Additionally, the Company will inject approximately £50 million of the net proceeds of the Rights Issue into Vanquis Bank by way of a subscription of equity, as an additional management buffer, resulting in an accretion of Vanquis Bank's CET1 capital ratio of 3.8 per cent., from 21.6 per cent. as at 31 December 2017 to 25.4 per cent. on a pro forma basis.

The Company expects to use the net cash proceeds to: (i) inject approximately £50 million into Vanquis Bank by way of a subscription of equity, as an additional management buffer; (ii) repay the £85 million outstanding in full under the Bridge Facility; and (iii) £165 million to create further funding headroom, through either increasing cash held on deposit or repaying borrowings, under the Revolving Credit Facility.

The proceeds from the Bridge Facility will be used to increase the liquid resources held by Vanquis Bank. To enable Vanquis Bank to reduce reliance on the Company over the medium-term, on 26 February 2018 the Company and Vanquis Bank terminated the existing £140 million committed facility provided by the Company to Vanquis Bank (the "**Existing Intercompany Facility**") under the existing intercompany loan agreement entered into by the Company and Vanquis Bank (the "**Existing Intercompany Loan Agreement**") and entered into a new intercompany loan agreement (the "**New Intercompany Loan Agreement**") providing for a new £125 million committed facility until a repayment date of 30 June 2020 (with the Company having the ability to extend the repayment date for a further period of 30 months or any such shorter period as the Company and Vanquis Bank may agree) (the "**New Intercompany Facility**"). Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility and the Existing Intercompany Loan Agreement has ceased to have any further force or effect. The remaining available amount under the New Intercompany Facility will be drawn prior to the settlement of the Rights Issue and funded by borrowings by the Company under the Bridge Facility. The New Intercompany Loan Agreement also amends certain commercial terms as compared to those contained in the Existing Intercompany Loan Agreement, including the maturity date and the interest rate payable thereunder. Vanquis Bank will use the funding provided under the New Intercompany Loan Agreement to increase its liquid resources to compensate for the reduction in the undrawn committed headroom previously available from the Company. The capital injection into Vanquis Bank will result in a buffer above its capital requirements and will be used by Vanquis Bank, together with its cash and funding from retail depositors, to: (i) pay for the costs of resolving the FCA's investigation into Vanquis Bank's ROP which are currently expected to amount to approximately £172.1 million; and (ii) subject to the liquidity profile of Vanquis Bank continuing to be satisfactory and, potentially, regulatory approval, repay the remainder of the New Intercompany Facility, as detailed above, from the Company by 2019, with Vanquis Bank being fully funded through retail deposits thereafter.

The Board continues to believe in the strong growth opportunities available to the Provident Financial Group's attractive businesses and aims to leverage the Rights Issue and its revised strategy to build a robust foundation for the long-term strength of the Provident Financial Group. The Board remains confident of the Provident Financial Group's underlying prospects and value, and is committed to restoring sustainable earnings growth and reliable operational performance, together contributing to attractive future shareholder returns.

4. PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Company is offering 104,998,731 New Ordinary Shares by way of the Rights Issue at 315 pence per New Ordinary Share. The New Ordinary Shares are being offered to Qualifying Shareholders. The Rights Issue is expected to raise approximately £300 million (net of expenses).

The Issue Price represents a discount of approximately:

- 46.4 per cent. to the Closing Price of 588 pence on 26 February 2018 (being the last Business Day prior to the date of this letter); and
- 33.7 per cent. to the theoretical ex-rights price of 475 pence, based on the Closing Price on 26 February 2018.

The Rights Issue will be made on the basis of:

17 New Ordinary Shares for every 24 Existing Ordinary Shares

held by Shareholders at close of business on the Record Date (being 19 March 2018).

Entitlements to New Ordinary Shares will be rounded down to the next lowest whole number (or to zero in the case of Qualifying Shareholders holding fewer than two Existing Ordinary Shares). Fractions of New Ordinary Shares will not be allotted but will be aggregated and, if possible, sold, nil paid. The net proceeds of such sales (after deduction of expenses) will be aggregated and will be for the account of the Company.

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement, the principal terms and conditions of which are summarised in paragraph 16.1 of Part XIV "*Additional Information*" of this Prospectus, together with the details of the Underwriters and sub-underwriters of the Rights Issue.

The Rights Issue will result in 104,998,731 New Ordinary Shares being issued (representing approximately 70.8 per cent. of the existing issued share capital and 41.5 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

Invesco Limited and certain discretionary managed investment funds (acting through Woodford Investment Management Limited as their agent and discretionary investment manager), who in aggregate hold Ordinary Shares representing approximately 48 per cent. of the Ordinary Shares, are supportive of the Company's plans and the Rights Issue.

The Rights Issue is conditional, amongst other things, upon Admission becoming effective by no later than 8.00 a.m. (London time) on 22 March 2018 (or such later time and/or date, being not later than 16 April 2018, as the Company and the Underwriters may agree).

Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 22 March 2018.

The New Ordinary Shares will rank equally with other Ordinary Shares in all respects, including the right to receive other dividends and distributions (if any) made, paid or declared after the date of issue.

Some frequently asked questions and answers concerning the Rights Issue are set out in Part II "*Questions and Answers on the Rights Issue*" of this Prospectus.

Further details of the terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus and, where relevant, are also set out in the relevant Form.

Shareholders resident in any jurisdiction other than the United Kingdom should refer to paragraph 7 of this Part I "*Letter from the Chairman of Provident Financial plc*", question 4.7 of Part II "*Questions and Answers on the Rights Issue*" and paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

5. STRUCTURE OF THE RIGHTS ISSUE

Under the Companies Act, where shares are issued at a premium (as is the case in a rights issue), an amount equal to that premium must be paid into a share premium account. The share premium account is

generally treated as capital and so there are restrictions on its use. By using the structure set out below, certain relief is available to the Company which relieves it of this obligation and should have the effect of providing the Company with the ability to realise distributable reserves approximately equal to the net proceeds of the Rights Issue less the nominal value of the New Ordinary Shares issued by the Company, thereby helping to facilitate the payment of dividends to shareholders in the future in accordance with the dividend policy set out above.

The Company and J.P. Morgan Cazenove have agreed to subscribe for 89 and 11 ordinary shares, respectively in PF JerseyCo Limited, a newly incorporated Jersey company ("**Newco**"). Monies received from Qualifying Shareholders or renouncees taking up New Ordinary Shares under the Rights Issue and from persons procured by the Underwriters, as agents for the Company, to acquire New Ordinary Shares not taken up, or, if applicable, the Underwriters, will be paid to an account with the Receiving Agent. J.P. Morgan Cazenove, acting as principal, will apply the monies in such account (less any premium above the Issue Price) to subscribe for 100 redeemable "A" preference shares and 100 redeemable "B" preference shares in Newco.

The Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration for J.P. Morgan Cazenove transferring its holdings of 11 ordinary shares and 100 redeemable "A" preference shares and 100 redeemable "B" preference shares in Newco to the Company. Accordingly, instead of receiving cash consideration for the issue of the New Ordinary Shares, the Company will (following completion of the Rights Issue) own the entire issued share capital of Newco, whose only asset will be the cash reserves representing an amount equal to the net proceeds of the Rights Issue. The Company should be able to access those funds by redeeming the redeemable preference shares it holds in Newco or, alternatively, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company. The ability to realise distributable reserves in the Company will facilitate any potential distribution to Shareholders made by the Company in the future.

Accordingly, by taking up New Ordinary Shares under the Rights Issue and submitting a valid payment in respect thereof, a Qualifying Shareholder, renouncee or other person instructs the Receiving Agent to hold such payment on behalf of J.P. Morgan Cazenove and: (i) to the extent of a successful application under the Rights Issue (which has not been subsequently validly withdrawn), to apply such payment (after deduction of certain agreed fees, costs and expenses) on behalf of J.P. Morgan Cazenove solely for J.P. Morgan Cazenove to subscribe (as principal) for redeemable preference shares in Newco; and (ii) to the extent of an unsuccessful or validly withdrawn application under the Rights Issue, to return the relevant payment without interest to the applicant.

The Company may elect to implement the Rights Issue without using the structure described above if it deems it to be in the Company's interest to do so.

Further details of the documents relating to this structure are set out in paragraph 16.1 of Part XIV "*Additional Information*" of this Prospectus.

6. PROVIDENT FINANCIAL GROUP EMPLOYEE SHARE PLANS

The options and awards granted under the Provident Financial Group Employee Share Plans may be adjusted in such a way as the Remuneration Committee considers appropriate to compensate option and award holders for any effect the Rights Issue will have on those options and awards (as permitted by the rules of the relevant Provident Financial Group Employee Share Plans). Participants in the Provident Financial Group Employee Share Plans will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

7. OVERSEAS SHAREHOLDERS

The attention of Overseas Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK, is drawn to the information in paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

8. TAXATION

Information about certain taxation in the UK and the United States in relation to the Rights Issue is set out in Part XIII "*Taxation*" of this Prospectus. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than those noted above, you should consult your own independent tax adviser without delay.

9. **FURTHER INFORMATION**

Your attention is also drawn in connection with the Rights Issue to the further information contained in Part II "*Questions and Answers on the Rights Issue*". Your attention is also drawn to the further information set out in Part III "*Terms and Conditions of the Rights Issue*". This letter is not, and does not purport to be, a summary of this Prospectus and therefore should not be regarded as a substitute for reading this Prospectus. You should read the whole of this Prospectus, the documents incorporated herein by reference and the Provisional Allotment Letter (if applicable) and not rely solely on the information set out in this Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service. It is expected that this will be on 21 March 2018.

10. **RISK FACTORS**

This Prospectus contains a detailed discussion of risks associated with an investment in the Provident Financial Group and the Rights Issue. You should consider fully and carefully these risk factors, as set out in the section headed "*Risk Factors*" on pages 21 to 67 of this Prospectus.

11. **SHAREHOLDER AUTHORISATION AND GENERAL MEETING**

A notice convening a General Meeting to be held at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ at 11.00 a.m. on 21 March 2018 at which the Resolution will be proposed is set out in the Circular. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolution as summarised below and set out in full in the Notice of General Meeting contained in the Circular.

Because of the size of the Rights Issue, the Shareholder authorities granted under the resolution passed at the AGM held on 12 May 2017 are not sufficient for the Rights Issue, and accordingly further Shareholder authority for the allotment and issue of the New Ordinary Shares is required.

The Resolution is an ordinary resolution to provide the Directors with the necessary power and authority to allot sufficient Ordinary Shares to undertake the Rights Issue, which will expire at close of business on 31 December 2018. This resolution will pass if more than 50 per cent. of the votes cast (either in person or by proxy) are in favour.

For further information in relation to the Resolution to be proposed at the General Meeting, Shareholders should review the Notice of General Meeting contained in the Circular.

12. **ACTION TO BE TAKEN**

The latest time for acceptance by Shareholders under the Rights Issue is 11.00 a.m. on 9 April 2018. The procedure for acceptance and payment is set out in paragraph 2 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus. Further details also appear in the Provisional Allotment Letter which will be sent to all Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those Qualifying Non-CREST Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories).

For Qualifying non-CREST Shareholders who validly take up their rights, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be sent to the registered address of the person(s) entitled to them by no later than 17 April 2018 (or such later date as may be notified by the Company through an announcement or publication of a supplementary prospectus).

For Qualifying CREST Shareholders who validly take up their rights, the Receiving Agent will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place as soon as practicable after 8.00 a.m. on 10 April 2018 (or such later date as may be notified by the Company through an announcement or publication of a supplementary prospectus).

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this Prospectus and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the UK, by another appropriately authorised independent financial adviser.

13. IMPORTANCE OF VOTE

The deterioration in trading at the Provident Financial Group's Home Credit business following implementation of its new operating model, and the provisions that have been made by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 in connection with (i) resolving the FCA's investigation in relation to Vanquis Bank's ROP and (ii) Moneybarn's estimated liability in connection with the FCA's ongoing investigation into Moneybarn, the Provident Financial Group's headroom in respect of certain of its financial covenants under its Revolving Facility Agreement and Term Loan Agreement, eroded Vanquis Bank's regulatory capital position and resulted in the Provident Financial Group being non-compliant with its TCR, together with the fixed add-on in respect of pension risk, (previously ICG), countercyclical buffer, capital conservation buffer and capital planning buffer requirements.

The Provident Financial Group has agreed with its lenders under each of the Revolving Facility Agreement and the Term Loan Agreement, pursuant to the terms of the Consent Request Letters, that such lenders will, among other things grant a temporary reduction in (a) the minimum level of the Interest Cover Ratio Covenant for the 12 months ending 31 March 2018 and the 12 months ending 30 June 2018 from a level of 2.0 times to 1.25 times; (b) the requirement that the Net Worth Covenant in respect of the year-end date falling on 31 December 2017 and the quarter -end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000; and (c) the requirement that the Net Worth Excluding Vanquis Bank Covenant in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018; such that consolidated net worth less Vanquis Bank net worth shall not be less than £100,000,000. The lenders also gave certain waivers of defaults or events of default resulting from any matter relating directly to the investigations by the FCA into Vanquis Bank's ROP and certain aspects of Moneybarn's business and/or any agreements reached with the relevant authorities in relation to such investigations.

The amendments granted pursuant to the terms of the Consent Request Letters provide the Provident Financial Group with greater covenant headroom under the terms of the Revolving Facility Agreement and the Term Loan Agreement but will cease to have effect if, among other things, the Company has not received the net proceeds from the Rights Issue within three months of the date hereof or the Underwriting Agreement or the Bridge Facility Agreement ceases to be effective or is terminated.

If the Rights Issue were not to proceed, for example, if the Resolution was not passed or any of the other conditions in the Underwriting Agreement (as set out in paragraph 16.1 of Part XIV "*Additional Information*" of this Prospectus) were not satisfied or waived by 16 April 2018 being the long-stop date specified in the Underwriting Agreement, either Underwriter (after prior consultation with the Company to the extent reasonably practicable) would have the right to terminate the Underwriting Agreement in accordance with the terms of the Underwriting Agreement.

Termination of the Underwriting Agreement is an event of default under the Bridge Facility Agreement giving the lenders under such facility the right to accelerate the repayment of all amounts owing thereunder, as well as an event upon which the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective. As such, prior to the occurrence of such event or circumstance, the Company would urgently seek to enter into discussions with the Underwriters with a view to seeking to resolve the issue. The Provident Financial Group would also seek to enter into discussions with its lenders under the Bridge Facility, the Revolving Credit Facility and the Term Loan Facility, the Bondholders and the PRA with a view to reaching an agreed solution as quickly as possible. Those discussions might include seeking to obtain alternative committed facilities and/or carry out disposals of assets or businesses and/or the amendment or restructuring of some or all of the Provident Financial Group's indebtedness or a combination of some or all of these measures, and the ability of the Provident Financial Group to achieve all or any of these measures may depend on first obtaining a standstill agreement among the relevant creditors not to demand repayment for a sufficient period of time to allow such measures to be negotiated and implemented.

If either of the Underwriters were not willing to waive its right to terminate the Underwriting Agreement (assuming it would be capable of waiver) and the Provident Financial Group were unable to obtain an alternative source of capital or carry out disposals of assets and business or obtain agreement to a full or partial debt restructuring, the lenders under the Bridge Facility could decide to accelerate repayment of all amounts owing thereunder. This in turn would result in the Provident Financial Group being in default under the Revolving Credit Facility and the Term Loan Agreement giving the lenders under each of those facilities the right to accelerate all amounts owing thereunder and the Bondholders the right to accelerate repayment of all amounts owing under the Outstanding Bonds. The Provident Financial Group (on a consolidated basis)

would continue to be in breach of its TCR, together with the fixed add-on in respect of pension risk, (previously ICG) requirements, as well as its current own internal assessment of its minimum regulatory capital requirements. In such event, the Company would, in all likelihood, intend to follow the steps in its wind-down plan which has been discussed with the FCA in draft form and its recovery and resolution plan, and the PRA would have the ability to exercise any of its wide-ranging powers over the Provident Financial Group which could include varying the Provident Financial Group's permissions, restricting the Provident Financial Group's businesses, or, in conjunction with other regulatory bodies and authorities, imposing a resolution procedure on Vanquis Bank and/or any other member of the Provident Financial Group under the Banking Act. Even if the PRA were to exercise forbearance in respect of such breaches of minimum regulatory capital requirements, it could at a later date revisit that decision or the basis upon which any forbearance was granted.

In addition, without the benefit of the net proceeds from the Rights Issue, the Provident Financial Group (on a consolidated basis) would continue to be unable to meet certain regulatory capital requirements. In particular, without the net proceeds from the Rights Issue the Provident Financial Group would continue not to have the minimum level of regulatory capital which the PRA expects the Provident Financial Group (on a consolidated basis) to hold (known as the Provident Financial Group's Total Capital Requirement or "TCR", together with the fixed add-on in respect of pension risk, previously Individual Capital Guidance or "ICG"). In addition, the Provident Financial Group would continue not to have sufficient capital to meet its current own internal assessment of its minimum regulatory capital requirements.

As such, if the Rights Issue were not to proceed, if the Underwriters were not willing to waive their right to terminate the Underwriting Agreement (assuming any such right is capable of being waived), and a mutually acceptable solution was not found with the Provident Financial Group's lenders under the Bridge Facility, the Revolving Credit Facility and the Term Loan Facility and the Bondholders under the Outstanding Bonds, it might result in insolvency proceedings being initiated against the Provident Financial Group which could result in Shareholders losing all or a substantial amount of the value of their investment in the Company.

As such, Shareholders are asked to vote in favour of the Rights Issue so that, assuming that the other conditions are satisfied, it can proceed.

14. DIRECTORS' INTENTIONS REGARDING THE RIGHTS

The Directors are fully supportive of the Rights Issue and intend to vote in favour of the resolution to approve the Rights Issue and to either take up in full their beneficial rights or sell sufficient of their rights in order to acquire the balance of their rights to an aggregate of 216,798 New Ordinary Shares under the Rights Issue.

Yours sincerely

Stuart Sinclair
Chairman

PART II
QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

The questions and answers set out in this Part II "*Questions and Answers on the Rights Issue*" are intended to be generic guidance only and, as such, you should also read Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus for full details of what action you should take. If you are in any doubt about the action to be taken, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly authorised under FSMA if you are in the United Kingdom, or if you are not, from another appropriately authorised financial adviser. If you are an Overseas Shareholder, you should read question 4.7 of this Part II "*Questions and Answers on the Rights Issue*" and you should take professional advice as to whether you are eligible and/or need to observe any formalities to enable you to take up your Rights.

Ordinary Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST). Accordingly, these questions and answers are split into four sections:

- Section 1 (*General*);
- Section 2 (*Ordinary Shares in certificated form*) answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form;
- Section 3 (*Ordinary Shares in CREST*) answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Existing Ordinary Shares in CREST; and
- Section 4 (*Further procedures for Ordinary Shares whether in certificated form or in CREST*) answers some detailed questions about your rights and the actions you may need to take and is applicable to Ordinary Shares whether held in certificated form or in CREST.

If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

1. GENERAL

1.1 What is a rights issue?

A rights issue is one way for companies to raise money. Companies do this by issuing shares for cash and giving their existing shareholders a right to buy these shares in proportion to their existing shareholdings.

For example, a 1 for 4 rights issue generally means that a shareholder is entitled to buy one new ordinary share for every four currently held. This Rights Issue is a 17 for 24 rights issue; that is, an offer of 17 New Ordinary Shares for every 24 Existing Ordinary Shares held by Qualifying Shareholders at the close of business on 19 March 2018 (the "**Record Date**").

New ordinary shares are typically offered in a rights issue at a discount to the current share price. In this Rights Issue, the Issue Price of 315 pence per New Ordinary Share represents a 46.4 per cent. discount to the Closing Price of 588 pence per Existing Ordinary Share on 26 February 2018 (being the last Business Day prior to the publication of this Prospectus) and a 33.7 per cent. discount to the theoretical ex-rights price of 475 pence per Ordinary Share calculated by reference to the Closing Price on 26 February 2018.

If you do not want to buy the New Ordinary Shares to which you are entitled (if any), you can instead sell your rights to those shares and receive the net proceeds in cash. This is referred to as dealing "nil paid".

1.2 What happens next?

The Company has called a General Meeting to be held at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ at 11.00 a.m. on 21 March 2018. Notice of General Meeting and instructions on voting are set out in the Circular. The Directors are seeking Shareholders' approval of the Resolution.

The Resolution is an ordinary resolution to provide the Directors with the necessary power and authority to allot sufficient Ordinary Shares to undertake the Rights Issue, which will expire at close of business on 31 December 2018. This resolution will pass if more than 50 per cent. of the votes cast (either in person or by proxy) are in favour.

If the Resolution is passed at the General Meeting, the Rights Issue will proceed. The Provisional Allotment Letters are due to be despatched on 21 March 2018 to Qualifying non-CREST Shareholders and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders as soon as practicable after 8.00 a.m. on 22 March 2018.

If the Resolution is not passed at the General Meeting, the Rights Issue will not proceed and no Provisional Allotment Letters will be despatched and no CREST stock accounts will be credited.

2. ORDINARY SHARES IN CERTIFICATED FORM

2.1 How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 22 March 2018 (the time when the Existing Ordinary Shares are expected to be marked "ex-rights" by the London Stock Exchange), in which case you will need to follow the instructions on the front page of this Prospectus).

However, if you receive a Provisional Allotment Letter and you have a registered address in, or are a resident, citizen or national of, a country other than the United Kingdom you must satisfy yourself as to the full observance of the applicable laws of such territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Receipt of this Prospectus or a Provisional Allotment Letter does not constitute an offer in those jurisdictions in which it would be illegal to make an offer. Overseas Shareholders should refer to paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus for further details.

If you do not receive a Provisional Allotment Letter, and you do not hold your shares in CREST, this probably means you are not eligible to subscribe for any New Ordinary Shares. However, see question 2.4 below.

2.2 What are my options and what should I do with the Provisional Allotment Letter?

If you hold your Existing Ordinary Shares in certificated form and do not have a registered address, nor are you resident or located, in the United States or any of the Excluded Territories, you will be sent a Provisional Allotment Letter. The Provisional Allotment Letter will show:

(a) ***In Box 1***: how many Ordinary Shares you held at the close of business on the Record Date;

(b) ***In Box 2***: how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and

(c) ***In Box 3***: how much you need to pay if you want to take up your rights in full.

(i) *If you want to take up your rights in full*

If you want to take up in full your rights to subscribe for the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount shown in Box 3, payable to "Link Market Services Ltd re: Provident Financial 2018 Rights Issue A/C" and crossed "A/C payee only", by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive before 11.00 a.m. on 9 April 2018. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter for use within the United Kingdom. Please allow sufficient time for delivery. The paragraph titled "*Procedure for acceptance, instruction and payment*" of paragraph 2.1 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus sets out full instructions on how to accept and pay for your New Ordinary Shares. These instructions are also set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will be sent to you for the New Ordinary Shares you subscribe for and it is expected that such certificate(s) will be despatched to you by 17 April 2018.

Your Provisional Allotment Letter will not be returned to you unless you specifically request so by completing Box 4 on the Provisional Allotment Letter. You will only need your

Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights.

(ii) *If you do not want to take up your rights at all*

If you do not want to take up or sell any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter together with payment for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 9 April 2018, the Company has made arrangements under which the Underwriters will try to find investors to take up your rights by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find investors and are able to achieve a premium over the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), you will be sent a cheque for the amount of that aggregate premium above the Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. Cheques are expected to be despatched by 17 April 2018 and will be sent to your address as it appears on the Company's register of members (or to the first named holder if you hold Existing Ordinary Shares jointly).

Alternatively, if you want to sell or transfer all of your Nil Paid Rights, see paragraph 2.2(c)(iv) below; or if you want to sell or transfer part of your Nil Paid Rights, see paragraph 2.2(c)(iii) below.

(iii) *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should split Provisional Allotment Letters by completing Form X on page 4 of the Provisional Allotment Letter and then return it by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 3.00 p.m. on 5 April 2018, the last time and date for splitting Provisional Allotment Letters, together with your cheque or banker's draft for the amount relating to the Nil Paid Rights you wish to take up, payable to "Link Market Services Ltd re. Provident Financial 2018 Rights Issue A/C" and crossed "A/C payee only", a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights to be comprised in each split Provisional Allotment Letter. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter for use within the United Kingdom. Please allow sufficient time for delivery.

Alternatively, if you want only to take up some of your rights (and do not wish to sell some or all of those you do not want to take up), you should complete Form X on page 4 of the Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, together with a covering letter confirming the number of New Ordinary Shares you wish to take up and a cheque or banker's draft for the appropriate amount. In this case the Provisional Allotment Letter and cheque must be received by Link by 3.00 p.m. on 5 April 2018, being the last time and date for the splitting of Provisional Allotment Letters. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter for use within the United Kingdom. Please allow sufficient time for delivery. Further details relating to payment and acceptance are set out in the paragraph titled "*Procedure for acceptance, instruction and payment*" of paragraph 2.1 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

(iv) *If you want to sell all of your rights*

If you want to sell all of your rights you should complete and sign Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "**Original Duly Renounced**") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they do not have a registered address, nor are they resident or located, in the United States or any of the Excluded Territories).

Please note that your ability to sell your rights is dependent on the demand for such rights and that the price for the Nil Paid Rights may fluctuate.

The latest time and date for selling all of your rights is 11.00 a.m. on 9 April 2018. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 April 2018.

2.3 How do I transfer my rights into the CREST system?

If you are a Qualifying non-CREST Shareholder, but are also a CREST member ("**CREST member**") and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter), and ensure they are delivered to the CREST courier and sorting service to be received by 3.00 p.m. on 4 April 2018 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into CREST, you should refer to the paragraph titled "*Procedure for acceptance and payment*" of paragraph 2.2 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus for details on how to pay for the New Ordinary Shares.

2.4 What if I do not receive a Provisional Allotment Letter?

If you do not receive a Provisional Allotment Letter and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

(a) Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 19 March 2018 and who have converted them to certificated form;

(b) Qualifying non-CREST Shareholders who bought Ordinary Shares before 8.00 a.m. on 22 March 2018 but were not registered as the holders of those Ordinary Shares at the close of business on 19 March 2018 (please see question 2.5 below); and

(c) certain Overseas Shareholders who can demonstrate to the satisfaction of the Company that the offer under the Rights Issue can lawfully be made to them without contravention of any relevant legal or regulatory requirements (please see question 4.8 below).

If you do not receive a Provisional Allotment Letter on or about 21 March 2018 but think you should have received one, please contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.5 If I buy Ordinary Shares before 8.00 a.m. on 22 March 2018 (the date the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?

If you buy Ordinary Shares before 8.00 a.m. on 22 March 2018 (the date the Ordinary Shares start trading ex-rights (that is, without the right to participate in the Rights Issue, referred to as the Ex-Rights Date)) but are not registered as the holder of those Ordinary Shares on the Record Date you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to Nil Paid Rights in respect of any Ordinary Shares acquired on or after the Ex-Rights Date.

2.6 What should I do if I sell or have sold or transferred all or some of the Ordinary Shares shown in Box 1 of the Provisional Allotment Letter before the Ex-Rights Date?

If you sell or have sold or transferred all of your Ordinary Shares before the Ex-Rights Date but were registered as the holder of those Ordinary Shares on the Record Date, you should complete Form X on page 4 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter together with

this Prospectus to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer (provided they do not have a registered address, nor are they resident or located, in the United States or any of the Excluded Territories).

If you sell or have sold or transferred only some of your holding of Ordinary Shares before the Ex-Rights Date, you will need to complete Form X on page 4 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer before taking any action with regard to the balance of rights due to you.

2.7 **How many New Ordinary Shares will I be entitled to subscribe for?**

You will be entitled to 17 New Ordinary Shares for every 24 Existing Ordinary Shares held on the Record Date (rounding down to the nearest whole number). Box 2 on page 1 of the Provisional Allotment Letter will show the number of New Ordinary Shares you will be entitled to subscribe for. All Qualifying non-CREST Shareholders (other than certain Overseas Shareholders) will be sent a Provisional Allotment Letter after the General Meeting has approved the Resolution.

2.8 **What should I do if I think my holding of Ordinary Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?**

If you are concerned about the figure in Box 1, please contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.9 **If I take up my rights, when will I receive my New Ordinary Share certificate?**

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by 17 April 2018.

3. ORDINARY SHARES IN CREST

3.1 **How do I know if I am eligible to participate in the Rights Issue?**

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights on 22 March 2018. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights are expected to be enabled as soon as practicable after 8.00 a.m. on 22 March 2018. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with a registered address in the United States or any of the Excluded Territories will not be credited with Nil Paid Rights. Overseas Shareholders should refer to paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

3.2 **How do I take up my rights using CREST?**

If you are a Qualifying CREST Shareholder, you should refer to paragraph 2.2 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a Many-to-Many ("**MTM**") instruction has been input and has settled by 11.00 a.m. on 9 April 2018 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member you should speak directly to the agent who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 0845 964 5648 (+44 845 964 5648 if you are calling from outside the United Kingdom).

3.3 **If I buy or have bought Ordinary Shares before 8.00 a.m. on 22 March 2018 (the date that the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?**

If you buy Ordinary Shares before 8.00 a.m. on 22 March 2018, but are not registered as the holder of those Ordinary Shares on the Record Date, you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any further Ordinary Shares acquired on or after the Ex-Rights Date.

3.4 **What should I do if I sell or transfer all or some of my Ordinary Shares before 8.00 a.m. on 22 March 2018 (the Ex-Rights Date)?**

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before the Ex-Rights Date, to send this Prospectus to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer (provided they do not have a registered address, nor are they resident or located, in the United States or any of the Excluded Territories). A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 **How many New Ordinary Shares am I entitled to subscribe for?**

If you are a Qualifying CREST Shareholder, your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to subscribe for. You will be entitled to subscribe for 17 New Ordinary Shares for every 24 Existing Ordinary Shares you hold at the close of business on 19 March 2018, the Record Date (rounding down to the nearest whole number). You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a CREST sponsored member, you should consult your CREST sponsor.

3.6 **What should I do if I think my holding of Ordinary Shares is incorrect?**

If you buy or sell Ordinary Shares between the date of this Prospectus and 19 March 2018, your transaction may not be entered on the register of members before the Record Date and you should consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale, purchase or transfer before taking any other action. If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

3.7 **If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?**

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights on 10 April 2018.

4. FURTHER PROCEDURES FOR ORDINARY SHARES WHETHER IN CERTIFICATED FORM OR IN CREST

4.1 **Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?**

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you fully take up your right to receive New Ordinary Shares, although the Rights Issue may affect the amount of UK tax you may pay when you sell your Ordinary Shares. However, you may be subject to tax on chargeable gains on any proceeds you receive from the sale of your rights.

Further information for certain Qualifying Shareholders is contained in Part XIII "*Taxation*" of this Prospectus. **Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their professional advisers as soon as possible. Please note that Link are unable to advise on any taxation issues.**

4.2 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue and you are a Qualifying Shareholder, you can (provided that, subject to certain exceptions, you do not have a registered address, nor are you resident or located, in the United States or any of the Excluded Territories) instead sell or transfer your Nil Paid Rights and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". During the nil paid trading period (between 8.00 a.m. on 22 March 2018 and 11.00 a.m. on 9 April 2018), subject to demand and market conditions, persons can buy and sell the Nil Paid Rights. Please note that your ability to sell your rights is dependent on demand for such rights and that the price of the Nil Paid Rights may fluctuate.

If you wish to sell or transfer all or some of your Nil Paid Rights and you hold your Ordinary Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 4 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 9 April 2018, in accordance with the instructions in the Provisional Allotment Letter.

If you are a CREST member or CREST sponsored member and have received a Provisional Allotment Letter and you wish to hold your Nil Paid Rights in uncertificated form in CREST, then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST courier and sorting service or (in the case of a CREST sponsored member) to your CREST sponsor by 3.00 p.m. on 4 April 2018 at the latest.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying non-CREST Shareholders who are CREST members or CREST sponsored members can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.3 What if I want to sell the New Ordinary Shares for which I have paid?

If you are a Qualifying non-CREST Shareholder, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on page 4 of the receipted Provisional Allotment Letter in accordance with the instructions set out on pages 2 and 3 of the Provisional Allotment Letter until 11.00 a.m. on 9 April 2018.

After that time, you will be able to sell your New Ordinary Shares in the normal way. However, the share certificate relating to your New Ordinary Shares is expected to be despatched to you only by 17 April 2018. Pending despatch of such share certificate, valid instruments of transfer will be certified by Link against the register.

If you hold your New Ordinary Shares and/or rights in CREST, you may transfer them in the same manner as any other security that is admitted to CREST. Please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.4 What if I do nothing?

If you do not want to take up any of your rights, you do not need to do anything. If you do not take up your rights, the number of Ordinary Shares you hold in the Company will stay the same, but the proportion of the total number of Ordinary Shares that you will hold will be lower than that held currently. If you are a Qualifying Non-CREST Shareholder and do not return your Provisional Allotment Letter and payment for the New Ordinary Shares to which you are entitled, by 11.00 a.m. on 9 April 2018, the Company has made arrangements, pursuant to the terms of the Underwriting Agreement, under which the Underwriters will try to find investors to take up your rights by 4.30 p.m. on the second dealing day after the last date for

acceptance of the Rights Issue. If the Underwriters find investors and are able to achieve a premium over the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), you will be sent a cheque for the amount of that aggregate premium above the Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. Consequently, if the Underwriters are unable to find investors to take up your rights at premium above the Issue Price by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue you will not receive any proceeds from the sale of your rights. Cheques are expected to be despatched by 17 April 2018 and will be sent to your address as it appears on the Company's register of members (or to the first named holder if you hold Existing Ordinary Shares jointly).

4.5 **Do I need to comply with the Money Laundering Regulations (as set out in the paragraphs titled "*Money Laundering Regulations*" in paragraphs 2.1 and 2.2 respectively of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus)?**

If you are a Qualifying non-CREST Shareholder, you do not need to follow these procedures if the value of the New Ordinary Shares you are subscribing for is less than €15,000 (approximately £13,000) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or UK regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) ("**Money Laundering Regulations**") unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or UK regulated financial institution.

Qualifying non-CREST Shareholders and Qualifying CREST Shareholders should refer to the paragraphs titled "*Money Laundering Regulations*" in paragraphs 2.1 and 2.2 respectively of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus for a fuller description of the requirements of the Money Laundering Regulations.

4.6 **What if I hold options and awards under the Provident Financial Group Employee Share Schemes?**

The options and awards granted under the Provident Financial Group Employee Share Plans may be adjusted in such a way as the remuneration committee established by the Board ("**Remuneration Committee**") considers appropriate to compensate option and award holders for any effect the Rights Issue will have on those options and awards (as permitted by the rules of the relevant Provident Financial Group Employee Share Plans). Participants in the Provident Financial Group Employee Share Plans will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

4.7 **What should I do if I live outside the United Kingdom?**

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the United Kingdom, particularly those resident in the United States, Japan, the People's Republic of China, the Republic of South Africa and the Russian Federation should refer to paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus.

4.8 **What do I do if I have any further queries about the Rights Issue or the action I should take?**

If you have any other questions, please contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

Your attention is drawn to the terms and conditions of the Rights Issue in Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus and (in the case of Qualifying non-CREST Shareholders) in the Provisional Allotment Letter.

PART III
TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. INTRODUCTION

Subject to the fulfilment of the terms and conditions referred to below, the Company is proposing to raise proceeds of approximately £300 million (net of estimated expenses) by way of a rights issue of 104,998,731 New Ordinary Shares. The New Ordinary Shares will be offered to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories) by way of rights at 315 pence per New Ordinary Share, payable in full on acceptance by Qualifying Shareholders, on the basis of:

17 New Ordinary Shares for every 24 Existing Ordinary Shares

held on the Record Date (and so in proportion to any other number of Existing Ordinary Shares then held) subject to the terms and conditions as set out in this Prospectus and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter.

The Issue Price of 315 pence per New Ordinary Share represents a discount of approximately:

- 46.4 per cent. to the Closing Price of 588 pence on 26 February 2018 (being the last Business Day prior to the publication of this Prospectus); and
- 33.7 per cent. to the theoretical ex-rights price of 475 pence based on the Closing Price on 26 February 2018.

The Company expects to use the net cash proceeds to: (i) inject approximately £50 million into Vanquis Bank by way of a subscription of equity, as an additional management buffer; (ii) repay the £85 million outstanding in full under the Bridge Facility; and (iii) £165 million to create further funding headroom, through either increasing cash held on deposit or repaying borrowings under the Revolving Credit Facility. The proceeds from the Bridge Facility will be used to increase the liquid resources held by Vanquis Bank. To enable Vanquis Bank to reduce reliance on the Company over the medium-term, on 26 February 2018 the Company and Vanquis Bank terminated the Existing Intercompany Facility under the Existing Intercompany Loan Agreement and entered into the New Intercompany Loan Agreement providing for the New Intercompany Facility. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility and the Existing Intercompany Loan Agreement has ceased to have any further force or effect. The remaining available amount under the New Intercompany Facility will be drawn prior to the settlement of the Rights Issue and funded by borrowings by the Company under the Bridge Facility. The New Intercompany Loan Agreement also amends certain commercial terms as compared to those contained in the Existing Intercompany Loan Agreement, including the maturity date and the interest rate payable thereunder. Vanquis Bank will use the funding provided under the New Intercompany Loan Agreement to increase its liquid resources to compensate for the reduction in the undrawn committed headroom previously available from the Company. The capital injection into Vanquis Bank will result in a buffer above its capital requirements and will be used by Vanquis Bank, together with its cash and funding from retail depositors, to: (i) pay for the costs of resolving the FCA's investigation into Vanquis Bank's ROP which are currently expected to amount to approximately £172.1 million; and (ii) subject to the liquidity profile of Vanquis Bank continuing to be satisfactory and, potentially, regulatory approval, repay the remainder of the New Intercompany Facility, as detailed above, from the Company by 2019, with Vanquis Bank being fully funded through retail deposits thereafter.

Times and dates referred to in this Part III "*Terms and Conditions of the Rights Issue*" have been included on the basis of the expected timetable for the Rights Issue set out on page 68 of this Prospectus.

Qualifying Shareholders who do not take up any rights to New Ordinary Shares will, subject to fractions, have their proportionate shareholdings in the Company diluted by 41.5 per cent. Those Qualifying Shareholders who take up their rights in full will have the same proportionate voting and distribution rights as held by them at the close of business on the Record Date.

The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to subscribe for the New Ordinary Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Ordinary Shares, for which a subscription and payment has already been made.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Ordinary

Shares will be rounded down to the next lowest whole number (or to zero in the case of Qualifying Shareholders holding fewer than two Existing Ordinary Shares at the close of business on the Record Date) and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, sold as soon as practicable after the commencement of dealings in the New Ordinary Shares, nil paid. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company.

Applications will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective on 22 March 2018 and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on that date. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated form or uncertificated form via CREST.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) are satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission.

The ISIN for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB00B1Z4ST84. The ISIN code for the Nil Paid Rights is GB00BFWVBY68 and for the Fully Paid Rights is GB00BFWVB680.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters and is conditional upon, amongst other things:

(a) the Resolution being passed at the General Meeting;

(b) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and

(c) Admission becoming effective by not later than 8.00 a.m. (London time) on 22 March 2018 (or such later time and/or date, being not later than 16 April 2018, as the Company and the Underwriters may agree).

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to Admission and may be terminated by the Underwriters prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriters may arrange sub-underwriting for some, or none, of the New Ordinary Shares. The Underwriting Agreement is not capable of termination following Admission (including in respect of any statutory withdrawal rights). A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 16.1 of Part XIV "*Additional Information*".

The Underwriters and their respective affiliates may, in accordance with applicable legal and regulatory provisions and subject to the provisions of the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this Prospectus to Nil Paid Rights, Fully Paid Rights or New Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company will not proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the New Ordinary Shares (nil paid).

Subject, *inter alia*, to the conditions referred to in paragraphs (a) to (c) above being satisfied and save as provided in paragraph 2.6 of this Part III "*Terms and Conditions of the Rights Issue*" below, it is expected that:

(i) Provisional Allotment Letters will be despatched to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or who are resident or located, in the United States or any of the Excluded Territories or who are otherwise located in the United States, or any agent or intermediary of those Qualifying Shareholders) on 21 March 2018;

(ii) Admission of the New Ordinary Shares, nil paid, will become effective at 8.00 a.m. on 22 March 2018;

(iii) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address, or who are resident or located, in the United States or any of the Excluded Territories, or any agent or intermediary of those Qualifying Shareholders) with such Shareholders' entitlements to Nil Paid Rights with effect as soon as practicable after 8.00 a.m. on 22 March 2018;

(iv) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear as soon as practicable after 8.00 a.m. on 22 March 2018;

(v) New Ordinary Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders (or their renouncees) who validly take up their rights as soon as practicable after 8.00 a.m. on 10 April 2018; and

(vi) share certificates for the New Ordinary Shares will be despatched to Qualifying non-CREST Shareholders (or their renouncees) who validly take up their rights by no later than 17 April 2018.

The attention of Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus or any Provisional Allotment Letter (duly renounced), if and when received, or other document into a jurisdiction other than the UK is drawn to paragraph 2.6 below.

Subject to certain exceptions, the offer of New Ordinary Shares will not be made into the United States or any of the Excluded Territories. Subject to the provisions of paragraph 2.6 below, Shareholders with a registered address, or who are resident or located, in the United States or any Excluded Territory are not being sent the Provisional Allotment Letter and will not have their CREST accounts credited with Nil Paid Rights.

This Prospectus constitutes the offer of New Ordinary Shares to all Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories). This offer is being made to such Qualifying Shareholders on the terms and conditions set out in this Prospectus (and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter) at the time when, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letters are despatched as described in paragraph (i) above, and in the case of Qualifying-CREST Shareholders, the Nil Paid Rights are enabled for settlement as described in paragraph (iv) above (such Shareholders' stock accounts having been credited as described in paragraph (iii) above).

The offer of New Ordinary Shares and the Rights Issue are not being made by means of this Prospectus into the United States or any of the Excluded Territories.

Pursuant to the Companies Act, the offer of New Ordinary Shares to Qualifying Shareholders who have no registered address in an EEA State and who have not given to the Company an address in an EEA State for the serving of notices will also be made to such Qualifying Shareholders through a notice in the London Gazette, details of which are provided in paragraph 2.6 below under the heading "*Notice in the London Gazette*" of this Part III "*Terms and Conditions of the Rights Issue*". Qualifying Shareholders taking up their Rights by completing a Provisional Allotment Letter or by sending a MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in the paragraph 2.6 below under the heading titled "*Representations and warranties relating to Overseas Shareholders*" of this Part III "*Terms and Conditions of the Rights Issue*", unless such requirement is waived by the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made

or paid by reference to a record date after the date of their issue. There will be no restrictions on the free transferability of the New Ordinary Shares save as provided in the Articles of Association. The rights attaching to the New Ordinary Shares are governed by the Articles of Association, a summary of which is set out in paragraph 4 of Part XIV "*Additional Information*" of this Prospectus.

All documents, including the Provisional Allotment Letters and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

2. ACTION TO BE TAKEN

The action to be taken depends on whether you are:

(a) a Qualifying non-CREST Shareholder; or

(b) a Qualifying CREST Shareholder.

If you are a Qualifying non-CREST Shareholder and do not have a registered address, nor are you resident or located, in the United States or any of the Excluded Territories (subject to certain limited exceptions), please refer to paragraph 2.1 and paragraphs 2.3 to 2.10 below.

If you are a Qualifying CREST Shareholder and do not have a registered address, nor are you resident or located, in the United States or any of the Excluded Territories (subject to certain limited exceptions), please refer to paragraphs 2.2 to 2.10 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying Shareholder and have a registered address, or are resident or located, in the United States or any of the Excluded Territories, please refer to paragraph 2.6 below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

If you have any questions relating to the Rights Issue, and the completion and return of the Provisional Allotment Letter, please contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.1 Action to be taken by Qualifying non-CREST Shareholders

General

Provisional Allotment Letters are expected to be despatched to Qualifying non-CREST Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories) on 21 March 2018. Each Provisional Allotment Letter will set out:

(a) in Box 1, the holding at the close of business on the Record Date of Existing Ordinary Shares on which a Qualifying non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

(b) in Box 2, the aggregate number of New Ordinary Shares which have been provisionally allotted to that Qualifying non-CREST Shareholder;

(c) in Box 3, the amount payable by a Qualifying non-CREST Shareholder at the Issue Price to take up his entitlement in full;

(d) the procedures to be followed if a Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement or a Qualifying non-CREST Shareholder wishes to convert all or part of his entitlement into uncertificated form; and

(e) any instructions regarding acceptance, instruction and payment, consolidation, splitting and registration of renunciation (where applicable).

Assuming that dealings in Nil Paid Rights commence on 22 March 2018, the latest time and date for:

(a) **acceptance, instruction and payment by completion and return of a Provisional Allotment Letter will be 11.00 a.m. on 9 April 2018; and**

(b) **acceptance and payment by settlement of an MTM instruction in CREST will be 11.00 a.m. on 9 April 2018.**

If the Provisional Allotment Letters are not despatched on 21 March 2018 or if the timetable for the Rights Issue is otherwise amended, the expected timetable set out on page 68 of this Prospectus will be adjusted accordingly and the revised dates will be announced through a Regulatory Information Service. All references to times and/or dates in this Part III "*Terms and Conditions of the Rights Issue*" should be read as being adjusted accordingly.

Procedure for acceptance, instruction and payment

(a) *Qualifying non-CREST Shareholders who wish to take up their entitlement in full*

Qualifying non-CREST Shareholders who wish to take up all of their entitlement must complete (as appropriate) and return the Provisional Allotment Letter, together with a cheque or banker's draft in pound sterling, made payable to "Link Market Services Ltd re: Provident Financial 2018 Rights Issue A/C " and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 9 April 2018. A reply-paid envelope (for use in the UK) will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the UK by first-class post, it is recommended that you allow at least four days for delivery. Payments via CHAPS, BACS or electronic transfer will not be accepted.

(b) *Qualifying non-CREST Shareholders who wish to take up some (but not all) of their entitlement*

Qualifying non-CREST Shareholders who wish to take up some (but not all) of their entitlement, with or without selling or transferring the remainder, should return by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and in any event so as to be received by not later than 3.00 p.m. on 5 April 2018 (the last date and time for splitting the Provisional Allotment Letters), the following:

(i) the Provisional Allotment Letter duly completed, including by signing and dating Form X, in accordance with the instructions printed thereon;

(ii) a cheque or banker's draft in pound sterling, made payable to " Link Market Services Ltd re: Provident Financial 2018 Rights Issue A/C" and crossed "A/C payee only", for the amount payable for the number of Nil Paid Rights such Qualifying non-CREST Shareholder wishes to take up; and

(iii) a covering letter, signed by the Qualifying non-CREST Shareholder(s), stating the number of New Ordinary Shares to be taken up (and, if such Shareholder wishes to sell or transfer the remaining, the number of split Provisional Allotment Letters required for the Nil Paid Rights not being taken up and the number of Nil Paid Rights to be comprised in each such split Provisional Allotment Letter).

In this case, the split Provisional Allotment Letters (representing the Nil Paid Rights the Qualifying non-CREST Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

(c) *Company's discretion as to validity of acceptances and instructions*

If payment is not received in full by 11.00 a.m. on 9 April 2018, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance or instruction as set out below) be deemed to have been declined and will lapse. The Company (in its absolute discretion) may elect, but shall not be obliged, to treat as valid any Provisional Allotment Letter and accompanying remittance for the full amount due which is not received prior to 11.00 a.m. on 9 April 2018.

The Company (in its absolute discretion) may elect, but shall not be obliged to treat as a valid acceptance or instruction, the receipt of appropriate remittance by 11.00 a.m. on 9 April 2018, from an authorised person (as defined in FSMA) specifying the number of New Ordinary Shares to be subscribed for and containing an undertaking by that person to lodge the Provisional Allotment Letter, duly completed, in due course.

The Company may (in its absolute discretion) also treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat a Provisional Allotment Letter as invalid if the Company determines (in its sole discretion) that the Provisional Allotment Letter: (i) is illegible, incomplete, or unexecuted; (ii) has not been completed in accordance with the relevant instructions; or (iii) is not accompanied by a valid power of attorney where required. The Company's decision shall be final and binding in all respects.

The Company reserves the right to treat as invalid any acceptance or instruction or purported acceptance or instruction in relation to the New Ordinary Shares that appears to the Company to have been executed in, despatched from, or that provided an address in, the United States or any Excluded Territory.

The provisions of this paragraph (c) and any other terms of the Rights Issue relating to Qualifying non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying non-CREST Shareholder(s) or on a general basis by the Company.

A Qualifying non-CREST Shareholder who makes a valid acceptance or instruction (as applicable) and payment in accordance with this paragraph 2.1 is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them (if they are a Qualifying non-CREST Shareholder) on the terms and conditions set out in this Prospectus and subject to the Articles of Association.

(d) *Payments*

All payments must be in pound sterling and made by cheque or banker's draft made payable to "Link Market Services Ltd re: Provident Financial 2018 Rights Issue A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands or Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques must be drawn on the personal account to which the Qualifying non-CREST Shareholder (or his nominee) has sole or joint title to the funds. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and the building society cheque or banker's draft has been stamped with the building society or bank branch stamp. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow value to be obtained for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. Return of a completed Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

If the New Ordinary Shares have already been allotted to a Qualifying non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptance or instruction (as applicable) being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of such Qualifying non-CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable

estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by such Qualifying non-CREST Shareholder pursuant to the terms of the Rights Issue in respect of the subscription of such New Ordinary Shares) on behalf of such Qualifying non-CREST Shareholder. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying non-CREST Shareholder as a result.

Money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) who, by lodging a Provisional Allotment Letter with payment and in accordance with the other terms as described above (the "**acceptor**"), accept(s) directly or indirectly, such number of New Ordinary Shares as referred therein (for the purposes of this paragraph "*Money Laundering Regulations*" the "**relevant shares**") (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements and agree for the Receiving Agent to make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of the search will be retained.

If the Receiving Agent determines that the verification of identity requirements applies to an acceptor, and acceptance or an instruction and the verification of identity requirements have not been satisfied (which the Receiving Agent shall in its absolute discretion determine) by 11.00 a.m. on 9 April 2018, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance or instruction as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or may confirm the allotment of the relevant shares but (notwithstanding any other term of the Rights Issue) such shares will not be issued to the relevant acceptor or registered in his name until the verification of identity requirements have been satisfied (which the Receiving Agent shall in its absolute discretion determine). If the acceptance or instruction is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares. Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Receiving Agent is entitled in its absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. None of the Company, the Underwriters or the Receiving Agent will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements applies, failure to provide the necessary evidence of identity may result in your acceptance or instruction (as applicable) being treated as invalid or in delays in the despatch of share certificates and other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply:

(a) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or

(b) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or

(c) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or

(d) if the aggregate subscription price is less than €15,000 (approximately £13,000).

Where the verification of identity requirements applies, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

(a) if payment is made by cheque or banker's draft in pound sterling drawn on a branch in the UK of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques should be made payable to "Link Market Services Ltd re: Provident Financial 2018 Rights Issue A/C" and crossed "A/C payee only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and the building society cheque or banker's draft has been stamped with the building society or bank branch stamp. The account name should be the same as that shown on the application;

(b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to AML regulation in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Receiving Agent or the relevant authority; or

(c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in (iii) above or any other case, the acceptor should contact Link on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m. to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

Dealings in Nil Paid Rights

Dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 22 March 2018.

A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed thereon and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 9 April 2018.

Dealings in Fully Paid Rights

After acceptance and payment in full in accordance with the provisions set out in this Prospectus and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 9 April 2018. To do this, Qualifying non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Receiving Agent. Fully paid Provisional Allotment Letters will only be returned to Shareholders if their return is requested by ticking Box 4 on the Provisional Allotment Letter. From 10 April 2018, the New

Ordinary Shares will be in registered form and transferable in the usual way (see the paragraph below titled "*Issue of New Ordinary Shares in definitive form*" of this Part III "*Terms and Conditions of the Rights Issue*" below).

Renunciation and splitting of Provisional Allotment Letters

Qualifying non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee.

The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 9 April 2018.

If a holder of a Provisional Allotment Letter wishes to take up some (but not all) of his entitlement and wishes to sell or transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he must have the Provisional Allotment Letter split. To split a Provisional Allotment Letter, it must be delivered by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 3.00 p.m. on 5 April 2018, with Form X on page 4 of the Provisional Allotment Letter duly completed and signed and (if applicable) a cheque for the entitlements he wishes to take up.

The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Ordinary Shares set out in Box 2 of the original Provisional Allotment Letter (less the number of New Ordinary Shares representing rights that the holder wishes to take up if taking up his entitlement in part). The original Provisional Allotment Letter would then be spilt and cancelled for split Provisional Allotment Letters. The split Provisional Allotment Letter(s) (representing the New Ordinary Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should refer to sub-paragraph (b) of the paragraph titled "*Procedure for acceptance, instruction and payment*" of this Part III "*Terms and Conditions of the Rights Issue*".

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the UK.

Registration in names of Qualifying non-CREST Shareholders

A Qualifying non-CREST Shareholder who wishes to have all the New Ordinary Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this Prospectus and the Provisional Allotment Letter but need take no further action. A share certificate in respect of the New Ordinary Shares subscribed for is expected to be sent to such Qualifying non-CREST Shareholder by no later than 17 April 2018.

Registration in names of persons other than Qualifying non-CREST Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying non-CREST Shareholder(s) originally entitled, the renouncee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renouncee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see the paragraph below titled "*Deposit of Nil Paid Rights or Fully Paid Rights into CREST*" of

this Part III "*Terms and Conditions of the Rights Issue*" below)) and deliver the Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than the latest time for registration of renunciations, which is 11.00 a.m. on 9 April 2018. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

The New Ordinary Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "**Principal Letter**") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter), the number of New Ordinary Shares represented by each Provisional Allotment Letter, the allotment number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated should be listed in a covering letter accompanying the Provisional Allotment Letter and the allotment number of the Principal Letter should be entered in the space provided on each of the other Provisional Allotment Letters.

Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear(s) on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST courier and sorting service ("**CCSS**"). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must apply for split Provisional Allotment Letters by following the instructions in the paragraph above titled "*Renunciation and splitting of Provisional Allotment Letters*" of this Part III "*Terms and Conditions of the Rights Issue*". If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 April 2018. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS in order to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 April 2018 is 3.00 p.m. on 4 April 2018.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery, and for the avoidance of doubt any entries in Form Y will not subsequently be recognised or acted upon by the Receiving Agent. All renunciations or

transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

Issue of New Ordinary Shares in definitive form

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 17 April 2018 at the risk of the persons entitled thereto to Qualifying non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless valid address details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

2.2 **Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST**

General

It is expected that each Qualifying CREST Shareholder (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories) will receive a credit to his stock account in CREST of his entitlement to Nil Paid Rights on 22 March 2018. It is expected that such rights will be enabled as soon as practicable after 8.00 a.m. on 22 March 2018. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 22 March 2018, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this Prospectus will be adjusted as appropriate. **References to dates and times in this Prospectus should be read as subject to any such adjustment.** The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

Procedure for acceptance and payment

(a) *MTM instructions*

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pound sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 2.2(a)(i) above; and

(iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph 2.2(a)(i) above.

(b) *Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Nil Paid Rights to which the acceptance relates;

(ii) the participant ID of the accepting CREST member;

(iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

(iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 9RA01;

(v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29557PRO;

(vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;

(vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph 2.2(b)(i) above;

(viii) the intended settlement date, which must be on or before 11.00 a.m. on 9 April 2018;

(ix) the Nil Paid Rights ISIN number which is GB00BFWVBY68;

(x) the Fully Paid Rights ISIN number which is GB00BFWVB680;

(xi) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;

(xii) contact name and telephone number in the shared note field; and

(xiii) a priority of at least 80.

(c) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2(b) above will constitute a valid acceptance where either:

(i) the MTM instruction settles by not later than 11.00 a.m. on 9 April 2018; or

(ii) at the discretion of the Company:

(A) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 9 April 2018;

(B) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 9 April 2018; and

(C) the relevant MTM instruction settles by 11.00 a.m. on 9 April 2018 (or such later time and/or date as the Company may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

The provisions of this paragraph 2.2(c) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

(d) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2 of this Part III "*Terms and Conditions of the Rights Issue*" represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement by 11.00 a.m. on 9 April 2018 and remains capable of settlement at all times until 11.00 a.m. on 9 April 2018 (or such later time and/or date as the Company may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 9 April 2018 and at all times thereafter until 11.00 a.m. on 9 April 2018 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. In addition, such CREST sponsored member taking up entitlements makes the representations and gives the warranties set out in the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2 of this Part III "*Terms and Conditions of the Rights Issue*".

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company and the Underwriters may (in their absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's and/or Underwriters' reasonable estimate of any loss that has been suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the subscription of such New Ordinary Shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Underwriters, or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(e) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 9 April 2018. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(f) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in the paragraph titled "*Procedure for acceptance and payment*" of this

paragraph 2.2 undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pound sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the CREST RTGS payment mechanism (as defined in the CREST Manual), the creation of an RTGS payment obligation in pound sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this Prospectus and subject to the Articles of Association.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that has been suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the subscription of such New Ordinary Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. None of the Company or the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(g) *Company's discretion as to rejection and validity of acceptances*

The Company may agree in its absolute sole discretion to:

(i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2. Where an acceptance is made as described in the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 9 April 2018 (or by such later time and date as the Company has determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;

(ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in the paragraph titled "*Procedure for acceptance and payment*" of this paragraph 2.2;

(iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;

(iv) treat a properly authenticated dematerialised instruction (in this paragraph 2.2(g)(iv), the "**first instruction**") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations ("**CREST Regulations**") in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(v) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Registrar in connection with CREST.

Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of an MTM instruction is agreement for the Receiving Agent to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or FSMA. Pending the provision of such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Underwriters to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide such information and other evidence.

Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence as soon as practicable after 8.00 a.m. on 22 March 2018. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 9 April 2018.

Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 9 April 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 9 April 2018. From 10 April 2018, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way.

Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 3 April 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid

Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 April 2018. You are recommended to refer to the CREST Manual for details of such procedures.

Issue of New Ordinary Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 9 April 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than close of business, the Business Day after the date on which the Fully Paid Rights are disabled. The Registrar will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares to take effect as soon as practicable after 8.00 a.m. on 10 April 2018.

Right to allot/issue in certificated form

Despite any other provision of this Prospectus, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

2.3 **Procedure in respect of rights not taken up and withdrawal**

Procedure in respect of rights not taken up

If rights to New Ordinary Shares are not validly taken up, in accordance with the procedure laid down in this Prospectus for acceptance, instruction and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Underwriters will use reasonable endeavours to procure, by not later than 4.30 p.m. on 12 April 2018, subscribers for all (or as many as possible) of those New Ordinary Shares not taken up at a price per New Ordinary Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If and to the extent that subscribers for New Ordinary Shares cannot be procured on the basis outlined above, the Underwriters will subscribe for the relevant New Ordinary Shares as principals under the terms of the Underwriting Agreement or by sub-underwriters procured by the Underwriters, in each case at the Issue Price.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax) shall be paid (subject as provided in the paragraph titled "*Procedure in respect of rights not taken up*" in this paragraph 2.3):

(a) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter;

(b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and

(c) to the extent not provided for above, where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder with an address in the United States or any Excluded Territory, to that Overseas Shareholder.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to in paragraphs (a) to (c) above) *pro rata* to the relevant lapsed provisional allotments, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and will ultimately

accrue for the benefit of the Company. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for these purposes. Cheques for the amounts due (if any) will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to the paragraph titled "*Procedure in respect of rights not taken up*" in this paragraph 2.3 or paragraph 2.6. below shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments or other entitlements and none of the Company or the Underwriters or any other person procuring subscribers shall be responsible, or have any liability whatsoever for any loss or damage (whether actual or alleged) arising from the terms or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described.

The Underwriters will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Ordinary Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Ordinary Shares offered for subscription under the Rights Issue are taken up.

Withdrawal rights

Persons who have the right to withdraw their acceptances under section 87Q(4) of FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with the Receiving Agent at withdraw@linkgroup.com so as to be received no later than two Business Days after the date on which the supplementary prospectus was published, withdrawal being effective upon receipt of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after the expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the New Ordinary Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of the paragraph titled "*Procedure in respect of rights not taken up*" above in this paragraph 2.3 as if the entitlement had not been validly taken up.

2.4 **Provident Financial Group Employee Share Plans**

The options and awards granted under the Provident Financial Group Employee Share Plans may be adjusted in such a way as the Remuneration Committee considers appropriate to compensate option and award holders for any effect the Rights Issue will have on those options and awards (as permitted by the rules of the relevant Provident Financial Group Employee Share Plans). Participants in the Provident Financial Group Employee Share Plans will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

2.5 **Taxation**

Information on taxation in the United Kingdom and the United States with regard to the Rights Issue is set out in Part XIII "*Taxation*" of this Prospectus. The information contained in Part XIII "*Taxation*" is intended only as a general guide to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

2.6 Overseas Shareholders

Provisional Allotment Letters will be posted to Qualifying non-CREST Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in any country other than the United States or an Excluded Territory. No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this Prospectus or the Provisional Allotment Letters into the United States or any of the Excluded Territories. Qualifying Shareholders in jurisdictions other than the United States or the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this Prospectus and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letters.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

General

The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons who have registered addresses in, or who are resident in, or citizens of, countries other than the UK may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlement.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to take up rights to New Ordinary Shares or otherwise participate in the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.6 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of persons with registered addresses, or who are resident or located, in the United States and the Excluded Territories to take up rights to New Ordinary Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this Prospectus and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this Prospectus and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Ordinary Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the close of business on the Record Date. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories or their agents or intermediaries, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Prospectus and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Provisional Allotment Letter could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this Prospectus and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Accordingly, persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Prospectus and/or a Provisional Allotment Letter or whose CREST stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this Prospectus or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company and the Underwriters determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Prospectus or a Provisional Allotment Letter, or transfer, Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.6.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Ordinary Shares in respect of any acceptance or instruction or purported acceptance or instruction which:

(i) appears to the Company or its agents to have been executed, effected or despatched from the United States or an Excluded Territory;

(ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in the United States or an Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or

(iii) in the case of a credit in CREST, to a CREST member or CREST sponsored member whose registered address is in the United States or an Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to make such a credit or if the Company or its agents believe that making such credit may violate applicable legal or regulatory requirements.

Save as provided in this paragraph 2.6, rights to New Ordinary Shares to which Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories would otherwise be entitled will be aggregated with entitlements to Nil Paid Rights which have not been taken up by other Shareholders and, if possible, sold as described in paragraph 2.3 above. The net premium realised from such sales (after deduction of the Issue Price and expenses) will be paid to the relevant Shareholders pro-rated to their holdings of Existing Ordinary Shares at the close of business on the Record Date as soon as practicable after receipt, except that individual amounts of less than £5.00 per holding will not be distributed but will ultimately accrue for the benefit of the Company. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for these purposes. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss, damage, liability or cost (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Despite any other provision of this Prospectus or a Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to participate in the Rights Issue on the terms and conditions set out in this Prospectus as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Overseas Shareholder to be sent a Provisional Allotment Letter if it is a Qualifying non-CREST Shareholder or, if it is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

These Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1 (in the case of Qualifying non-CREST Shareholders) and 2.2 (in the case of Qualifying CREST Shareholders) above.

The attention of Overseas Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories is also drawn to the paragraphs titled "*Offering restrictions relating to the United States*" to "*Excluded Territories*" below of this paragraph 2.6.

Overseas Shareholders (other than Qualifying CREST Shareholders) should note that all subscription monies must be paid in pound sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to "Link Market Services Ltd re: Provident Financial 2018 Rights Issue A/C" and crossed "A/C payee only".

Offering restrictions relating to the United States

Subject to certain exceptions, this Prospectus and the Provisional Allotment Letters are intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and are not to be sent or given to any person with a registered address, or who is resident or located, in the United States.

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S.

The offer by way of Rights will be made to Qualifying Shareholders by means of the notice in the London Gazette, details of which are provided in the below paragraph titled "*Notice in the London Gazette*" in this paragraph 2.6 of this Part III "*Terms and Conditions of the Rights Issue*". The notice in the London Gazette will state where a Provisional Allotment Letter may be inspected or obtained. Any person with a registered address, or who is resident or located, in the United States who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

Subject to certain exceptions, the offer of New Ordinary Shares is not being made in the United States and neither this Prospectus nor the Provisional Allotment Letters constitutes or will constitute an offer, or an invitation to apply for, or an offer or an invitation to subscribe for or acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in the United States. Subject to certain limited exceptions, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in or that is known to be resident or located in the United States.

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Subject to certain limited exceptions, envelopes containing Provisional Allotment Letters should not be postmarked in the United States or otherwise despatched from the United States, and all persons subscribing for or acquiring New Ordinary Shares and wishing to hold such shares in certificated form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain limited exceptions, any person who subscribes for or acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accessing this Prospectus or accepting delivery of the Provisional Allotment Letter and delivery of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, that it is not, and that at the time of subscribing for or acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights it will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company and the Underwriters reserve the right to treat as invalid any Provisional Allotment Letter: (i) that appears to the Company, the Underwriters or their respective agents to have been executed in or despatched from the United States, (ii) that does not include the relevant warranty set out in the Provisional Allotment Letter headed "*Overseas Shareholders*" to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not resident or located in the United States and is not subscribing for or acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States, or (iii) where the Company and the Underwriters believe acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements, and the Company and the Underwriters shall not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction in respect of Nil Paid Rights sent by or on behalf of any CREST member with a registered address in or resident or located in the United States.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights and Provisional Allotment Letters to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be QIBs, in offerings exempt from the registration requirements of the US Securities Act.

A QIB will be permitted to take up its entitlements to New Ordinary Shares under the Rights Issue only if the QIB executes a representation letter (a "**QIB Representation Letter**") in the form provided by the Company and delivers it to the Company, with a copy to the Underwriters. The QIB Representation Letter will require each such QIB to represent and agree that, amongst other things, (i) it is a QIB, and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with applicable securities laws. The QIB Representation Letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares. Any such QIBs who hold Ordinary Shares through a bank, a broker or other financial intermediary should procure that the relevant bank, broker or financial intermediary submits a QIB Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed QIB Representation Letter or any other required additional documentation.

Any person with a registered address, or who is resident or located, in the United States who obtains a copy of this Prospectus and/or a Provisional Allotment Letter and who is not a QIB is required to disregard them.

In addition, until 40 days after Admission, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

No representation has been, or will be, made by the Company or any of the Underwriters as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the reoffer, resale, pledge or transfer of the New Ordinary Shares.

US transfer restrictions in respect of shares not taken up in the Rights Issue

Any person with a registered address, or who is resident or located, in the United States that subscribes for any New Ordinary Shares that were not taken up in the Rights Issue must meet certain requirements and will be deemed to have represented, acknowledged and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and to have further represented, acknowledged and agreed as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

(a) It is a QIB and, if it is subscribing for or acquiring the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB.

(b) It is aware, and each beneficial owner of the New Ordinary Shares has been advised, that the New Ordinary Shares have not been, and will not be, registered under the US Securities Act, and that the offer and sale to it (or such beneficial owner) is being made in a transaction not involving a public offering that is exempt from registration under the US Securities Act.

(c) It is acquiring the New Ordinary Shares for its own account or for the account of a QIB as to which it has full investment discretion (and it has full power and authority to make, and does make, the acknowledgments, representations and agreements herein on behalf of each owner of such account), in each case for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof.

(d) It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its investment in the New Ordinary Shares. It will base its investment decision solely on this Prospectus, including the information incorporated by reference herein. It acknowledges that none of the Company, any of its affiliates or any other person (including any of the Underwriters or any of their respective affiliates) has made any representations, express or implied, to it with respect to the Company, the Rights Issue, the New Ordinary Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Rights Issue or the New Ordinary Shares, other than (in the case of the Company and its affiliates only) the information

contained or incorporated by reference in this Prospectus. It acknowledges and agrees that it will not hold the Underwriters or any of their affiliates or any person acting on their behalf responsible or liable for any misstatements in or omissions from any publicly available information relating to the Company. It acknowledges that it has not relied on any investigation that the Underwriters or any person acting on their behalf may or may not have conducted, nor any information contained in any research reports prepared by the Underwriters or any of their respective affiliates, and it has relied solely on its own judgment, examination and due diligence of the Company, and the terms of the transaction, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Underwriters or any of their affiliates. It acknowledges that it has read and agreed to the matters set forth under this paragraph 2.6 of this Part III "*Terms and Conditions of the Rights Issue*".

(e) It is aware that the New Ordinary Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act.

(f) It is aware that the New Ordinary Shares may not be deposited, and it agrees that it shall not deposit any New Ordinary Shares, into any unrestricted depositary facility and that the New Ordinary Shares may not settle or trade, and it agrees that it shall not settle or trade such New Ordinary Shares, through the facilities of The Depository Trust Company or any other U.S. exchange or clearing system, unless at the time of deposit, settlement or trading such New Ordinary Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act.

(g) It will not reoffer, resell, pledge or otherwise transfer the New Ordinary Shares except (i) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S; or (ii) to another QIB in compliance with Rule 144A; or (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 or any other exemption from the registration requirements of the US Securities Act, subject to its delivery to the Company of an opinion of counsel (and of such other evidence that the Company may reasonably require) that such transfer or sale is in compliance with the US Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It understands that no representation has been made as to the availability of Rule 144 of the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the offer, resale, pledge or transfer of the securities. It will notify any person to whom it subsequently reoffers, resells, pledges or otherwise transfers the New Ordinary Shares of the foregoing restrictions on transfer.

(h) It understands, and each beneficial owner understands, that the Company does not intend to file a registration statement in respect of the New Ordinary Shares.

(i) It is an institution, and it, and each other QIB, if any, for whose account it is acquiring the New Ordinary Shares, in the normal course of business invests in or purchases securities similar to the New Ordinary Shares, (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the New Ordinary Shares, and (ii) has the financial stability to bear the economic risk of such investment in the New Ordinary Shares and adequate means for providing for current needs and possible contingencies. It agrees that it will not look to any of the Underwriters or any of their affiliates for all or part of any loss it may suffer.

(j) It is not acquiring the New Ordinary Shares as a result of any general solicitation or general advertising (within the meaning of Regulation D under the US Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television or any seminar or meeting whose attendees have been invited by general solicitation or general advertising or directed selling efforts (as that term is defined in Regulation S).

(k) It acknowledges that, to the extent any New Ordinary Shares are delivered in certificated form, the certificate delivered in respect of such New Ordinary Shares will bear a legend substantially to the following effect for so long as the securities are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN

OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (B) TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN AND IN COMPLIANCE WITH RULE 144A; OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT TO DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL (AND OF SUCH OTHER EVIDENCE THAT THE COMPANY MAY REASONABLY REQUIRE) THAT SUCH TRANSFER OR SALE IS IN COMPLIANCE WITH THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

(l) It acknowledges and agrees that the Company shall not have any obligation to recognise any offer, resale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described in this section and that the Company may make notations on its records or give instructions to any transfer agent of the New Ordinary Shares in order to implement such restrictions.

(m) It acknowledges and agrees that the Company, its affiliates, the Underwriters, their respective affiliates, the Registrar and others will rely upon the truth and accuracy of the foregoing warranties, acknowledgements, representations and agreements. It agrees that if any of the representations, warranties, agreements and acknowledgements deemed to be made cease to be accurate, it shall promptly notify the Company and the Underwriters.

Prospective purchasers are hereby notified that sellers of the New Ordinary Shares may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

Excluded Territories

Due to restrictions under the securities laws of the Excluded Territories, and subject to certain exceptions, no Provisional Allotment Letters will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, persons with registered addresses, or who are resident or located, in the Excluded Territories and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of paragraph 2.3 above. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be transferred or sold to, or renounced or delivered in, the Excluded Territories. No offer of New Ordinary Shares is being made by virtue of this Prospectus or the Provisional Allotment Letters into the Excluded Territories. The offer by way of Rights will be made to such Shareholders by means of the notice in the London Gazette, details of which are provided in the below paragraph titled "*Notice in the London Gazette*" in this paragraph 2.6 of this Part III "*Terms and Conditions of the Rights Issue*".

The notice in the London Gazette will state where a Provisional Allotment Letter may be inspected or obtained. Any person with a registered address, or who is resident or located, in any of the Excluded Territories who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

Overseas territories other than the United States and the Excluded Territories

Other than, subject to certain exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories, Provisional Allotment Letters will be posted to Qualifying non-CREST Shareholders and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders. Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, participate in the Rights Issue in accordance with the instructions set out in this Prospectus and, if relevant, the applicable Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.3 above.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlement.

(a) *Australia*

This Prospectus does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 (Cth). Accordingly, this Prospectus does not necessarily contain all of the information a prospective investor would expect to be contained in an offering document or which he/she may require to make an investment decision. The offer to which this Prospectus relates is being made in Australia in reliance on ASIC Corporation (Foreign Rights Issues) Instrument 2015/356 issued by the Australian Securities and Investments Commission. This Prospectus only constitutes an offer in Australia for sale of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to persons who are Qualifying Shareholders.

As any offer for the issue of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares under this Prospectus will be made without disclosure in Australia under Part 6D.2, the offer of those Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares for resale in Australia within 12 months of their sale may, under section 707(3) of the Corporations Act 2001 (Cth), require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 of the Corporations Act 2001 (Cth) apply to that resale.

This Prospectus is intended to provide general information only and has been prepared by the Company without taking into account any particular person's objectives, financial situation or needs.

Recipients should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Recipients should review and consider the contents of this Prospectus and obtain financial advice (or other appropriate professional advice) specific to their situation before making any decision to accept the offer of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares. This Prospectus was prepared under the law and operating rules of a foreign market. The Company is not subject to the continuous disclosure requirements of the Corporations Act 2001 (Cth).

(b) *Canada*

None of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares upon the exercise of Nil Paid Rights or Fully Paid Rights may be offered, sold, taken up, exercised, renounced, resold, transferred or delivered to residents of Canada.

Notwithstanding the foregoing, New Ordinary Shares not taken up in the Rights Issue may be sold only to purchasers in the provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of New Ordinary Shares by the Underwriters.

(c) *Hong Kong*

This Prospectus has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed or authorised by any regulatory authority in Hong

Kong. Accordingly: (i) the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be offered or sold in Hong Kong by means of any document other than to persons that are considered "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder or in other circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and as permitted under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); and (ii) no person may issue, or have in its possession for the purpose of issue, any invitation, advertisement or other document relating to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

The content of this Prospectus has not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Rights Issue. If you are in any doubt about any content of this Prospectus, you should obtain independent professional advice.

(d) *Singapore*

This Prospectus may not be used for the purpose of, and does not constitute, an offer, invitation or solicitation in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such offer, invitation or solicitation. This Prospectus may not be distributed to or given to any person other than a Qualifying Shareholder and should be returned if such person decides not to participate in the Rights Issue. This Prospectus should not be reproduced, in whole or in part. This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be circulated or distributed, nor may the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), other than an exemption in Section 272B and Section 280 of the SFA or (ii) pursuant to, and in accordance with, the conditions of an exemption in Section 272B of the SFA where the Rights Issue is not made with a view to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares being subsequently the subject of an offer, sale or invitation to another person under Section 272B or Section 280 of the SFA.

(e) *Switzerland*

Neither the New Ordinary Shares nor the entitlement to subscribe for New Ordinary Shares or the Nil Paid Rights and Fully Paid Rights may be offered or sold directly or indirectly in or into Switzerland, except in circumstances which will not result in the offer of the New Ordinary Shares and/or the Nil Paid Rights and Fully Paid Rights being a public offering in or into Switzerland within the meaning of art. 652a of the CO. This document is personal to each recipient thereof and does not constitute an offer to any other person. This document may only be used by the persons to whom it has been handed out in connection with the Rights Issue and may not be distributed (directly or indirectly) or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied, distributed and/or otherwise made available to other persons in Switzerland.

Neither the New Shares nor the Nil Paid Rights nor the Fully Paid Rights will be listed on the SIX or on any other trading venue in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares, the Nil Paid Rights or the Fully Paid Rights or the Rights Issue have been prepared with regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 CO or the disclosure standards for listing prospectuses under art. 27 ff.

of the SIX Listing Rules or similar rules of any other trading venue in Switzerland, and therefore do not constitute a prospectus within the meaning of the CO, the SIX Listing Rules or similar rules of any other trading venue in Switzerland.

Persons to whom this document is delivered are required to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the New Shares and/or the Rights or have in their possession or distribute this document, in all cases at their own expense.

Notice in the London Gazette

In accordance with section 562(3) of the Companies Act, the offer by way of Rights to Qualifying Shareholders who have no registered address in an EEA State and who have not given to the Company an address in an EEA State for the serving of notices, will (subject to the other conditions of the Rights Issue) be made by the Company causing a notice to be published in the London Gazette on 21 March 2018 stating where copies of this document and the Provisional Allotment Letters may be obtained or inspected on personal application by or on behalf of such Qualifying Shareholders. Any person with a registered address, or who is resident or located, in the United States or any of the Excluded Territories who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

However, in order to facilitate acceptance of the offer made to such Qualifying Shareholders by virtue of such publication, Provisional Allotment Letters will also be posted to Qualifying Shareholders who are Overseas Shareholders (other than, subject to certain exceptions, to those with registered addresses in, or who are resident in, the United States or any of the Excluded Territories). Such Shareholders, if it is lawful to do so, may accept the offer by way of Rights either by returning the Provisional Allotment Letter posted to them in accordance with the instructions set out therein or, subject to surrendering the original Provisional Allotment Letter posted to them, by obtaining a copy thereof from the place stated in the notice and returning it in accordance with the instructions set out therein. Similarly, Nil Paid Rights are expected to be credited to stock accounts in CREST of Qualifying CREST Shareholders who are Overseas Shareholders (other than, subject to certain exceptions, those with registered addresses, or who are resident in, the United States or any of the Excluded Territories).

Representations and warranties relating to Overseas Shareholders

(a) *Qualifying non-CREST Shareholders*

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and each of the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter or the effecting of the instruction will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction, (i) such person is not accepting and/or renouncing the Provisional Allotment Letter, requesting registration of the relevant New Ordinary Shares or giving such instruction, from within the United States or any of the Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it or to give such instructions; (iii) such person is not acting on a non-discretionary basis for, or on behalf of, or for the account or benefit of, a person resident or located within the United States or any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept, renounce or deal was given; and (iv) such person is not acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into the United States or any Excluded Territory or any territory referred to in (ii) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (x) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (y) provides an address in the United States or any Excluded Territory (or any jurisdiction outside the UK in which it would be unlawful to deliver share certificates or sales advice); or (z) purports to exclude the warranty required by this

sub-paragraph (a) of the paragraph titled "*Representations and warranties relating to Overseas Shareholders*" of this paragraph 2.6.

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III "*Terms and Conditions of the Rights Issue*" represents and warrants to the Company and each of the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (i) he is not within the United States or any of the Excluded Territories; (ii) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares; (iii) he is not accepting on a non-discretionary basis for, or on behalf of, or for the account or benefit of, a person resident or located within the United States or any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into the United States or any Excluded Territory.

The provisions of this paragraph – "*Representations and warranties relating to Overseas Shareholders*" – of this paragraph 2.6 and any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders(s) or on a general basis by the Company and the Underwriters in their absolute discretion. Subject to this, the provisions of this paragraph – "*Representations and warranties relating to Overseas Shareholders*" – of this paragraph 2.6 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph – "*Representations and warranties relating to Overseas Shareholders*" – of this paragraph 2.6 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph – "*Representations and warranties relating to Overseas Shareholders*" – of this paragraph 2.6 shall apply to them jointly and to each of them.

2.7 **Structure of the Rights Issue**

Under the Companies Act, where shares are issued at a premium (as is the case in a rights issue), an amount equal to that premium must be paid into a share premium account. The share premium account is generally treated as capital and so there are restrictions on its use. By using the structure set out below, certain relief is available to the Company which relieves it of this obligation and should have the effect of providing the Company with the ability to realise distributable reserves approximately equal to the net proceeds of the Rights Issue less the nominal value of the New Ordinary Shares issue by the Company.

The Company and J.P. Morgan Cazenove have agreed to subscribe for 89 and 11 ordinary shares, respectively in Newco. Monies received from Qualifying Shareholders or renouncees taking up New Ordinary Shares under the Rights Issue and from persons procured by the Underwriters, as agents for the Company, to acquire New Ordinary Shares not taken up, or, if applicable, the Underwriters, will be paid to an account with the Receiving Agent. J.P. Morgan Cazenove, acting as principal, will apply the monies in such account (less any premium above the Issue Price) to subscribe for 100 redeemable "A" preference shares and 100 redeemable "B" preference shares in Newco.

The Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration for J.P. Morgan Cazenove transferring its holdings of 11 ordinary shares and 100 redeemable "A" preference shares and 100 redeemable "B" preference shares in Newco to the Company. Accordingly, instead of receiving cash consideration for the issue of the New Ordinary Shares, the Company will (following completion of the Rights Issue) own the entire issued share capital of Newco, whose only asset will be the cash reserves representing an amount equal to the net proceeds of the Rights Issue. The Company should be able to access those funds by redeeming the redeemable preference shares it holds in Newco or, alternatively, during any interim period prior to redemption, by procuring that Newco lends the amount to the Company. The ability to realise distributable reserves in the Company will facilitate any potential distribution to Shareholders made by the Company in the future.

Accordingly, by taking up New Ordinary Shares under the Rights Issue and submitting a valid payment in respect thereof, a Qualifying Shareholder, renouncee or other person instructs the Receiving Agent to hold such payment on behalf of J.P. Morgan Cazenove and: (i) to the extent of a successful application under

the Rights Issue (which has not been subsequently validly withdrawn), to apply such payment (after deduction of certain agreed fees, costs and expenses) on behalf of J.P. Morgan Cazenove solely for J.P. Morgan Cazenove to subscribe (as principal) for redeemable preference shares in Newco; and (ii) to the extent of an unsuccessful or validly withdrawn application under the Rights Issue, to return the relevant payment without interest to the applicant.

The Company may elect to implement the Rights Issue without using the structure described above if it deems it to be in the Company's interest to do so.

2.8 **Times and dates**

The Company shall (in its absolute discretion) be entitled to amend the dates that the Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest date for acceptance or instruction under the Rights Issue and all related dates set out in this Prospectus and in such circumstances shall notify the UKLA, and make an announcement on a Regulatory Information Service approved by the UKLA. **In the event that such an announcement is made, Qualifying Shareholders may not receive any further written communication in respect of such amendment or extension of the dates included in this Prospectus.**

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this Prospectus (or such later date as may be agreed between the Company and the Underwriters), the latest date for acceptance or instruction under the Rights Issue shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

2.9 **Governing law**

The terms and conditions of the Rights Issue as set out in this Prospectus and the Provisional Allotment Letters and any non-contractual obligations arising out of or in relation to the Rights Issue shall be governed by, and construed in accordance with, English law.

2.10 **Jurisdiction**

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this Prospectus or the Provisional Allotment Letters (including any dispute relating to any non-contractual obligations arising out of or in connection with them). By accepting rights under the Rights Issue in accordance with the instructions set out in this Prospectus and (in the case of Qualifying non-CREST Shareholders only) the Provisional Allotment Letter, Shareholders and any other person who participates in the Rights Issue irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV
BUSINESS

The following information should be read in conjunction with the more detailed information appearing elsewhere in this document, including Part X "Operating and Financial Review" and Part VIII "Historical Financial Information". The financial information included in this Part IV "Business" has been extracted without material adjustment from Part VIII "Historical Financial Information", or has been extracted without material adjustment from the Provident Financial Group's accounting records, which formed the underlying basis of the financial information in Part VIII: "Historical Financial Information". It should be noted that any financial information that has not been extracted without material adjustment from the Historical Financial Information has not been audited.

1. INTRODUCTION

Established in 1880, Provident Financial plc and its subsidiaries is one of the leading providers of personal credit products to the non-standard credit market in the UK and Republic of Ireland and served approximately 2.6 million customers as at 31 December 2017. The Provident Financial Group operates in the non-standard credit market, which the Directors estimate consisted of approximately 10 to 12 million customers in the UK, equivalent to approximately 25 per cent. of the UK adult population as at 31 December 2017.

The Provident Financial Group provides credit products tailored to the needs of customers on low or moderate incomes, typically with a poor or limited credit history and who are often unable to access credit from mainstream providers. The Provident Financial Group operates through three business divisions, which focus on different products to service the non-standard credit market: (i) Vanquis Bank, which offers credit cards and unsecured loans (on a pilot basis); (ii) CCD, comprising Provident, which is the trading name for CCD's home credit business, which provides short-term unsecured home credit loans, and Satsuma, which provides online short-term loans; and (iii) Moneybarn, which offers vehicle financing. Each business division has been developed to provide specialised products that meet the needs of customers across attractive segments of the non-standard credit market. For example, the Provident Financial Group launched the Satsuma online weekly and monthly instalment loans business in 2013 in order to service customers who are served by neither Vanquis Bank's credit cards or the home collected loans of the Home Credit business, and acquired the Moneybarn business in 2014 to address the UK non-standard vehicle finance market. The Provident Financial Group remains focused on the non-standard credit market and enhancing its digital capabilities to enable its businesses to work more effectively together and better serve and retain its customers in the future.

The following table sets out summary information relating to the Provident Financial Group for the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	**2016**	**2015**
	(£ million except customer numbers and percentages)		
Number of customers ('000)[1]	2,550	2,448	2,400
Period end amounts receivable from customers	2,309.4	2,306.8	2,016.7
Average receivables (unaudited)	2,286.2	2,082.3	1,851.2
Adjusted ROA	6.9%	15.3%	16.1%
Adjusted ROE	18%	45%	46%

(1) Excludes online depositors. Vanquis Bank had approximately 34,700 depositors as at 31 December 2017.

The Provident Financial Group is headquartered in Bradford and, as at 31 December 2017, had approximately 3,700 employees.

2. HISTORY

The origins of the Provident Financial Group date back to 1880 when the business was founded in Bradford, West Yorkshire, by Joshua Kelley Waddilove. Joshua worked as an insurance agent and in the course of his work saw first-hand how some working class families struggled to pay for essential items such as furniture, clothes and shoes. Joshua devised a system to help families provide for themselves through the use of vouchers which could be exchanged in local shops for clothing, food and coal. The

families then repaid the vouchers in small affordable weekly instalments. Demand for the vouchers grew and Joshua opened an office and recruited agents to help collect the repayments, creating the foundations on which, over 135 years later, the Provident Financial Group still operates.

In 1962, Provident Financial plc was admitted to trading on the London Stock Exchange. The flotation was followed by a period of growth as product ranges were expanded to reflect changing customer needs. In 2003, the Provident Financial Group founded Vanquis Bank and in 2013, CCD expanded its home credit offering and launched its on-line lending product through Satsuma. In 2014, the Provident Financial Group further broadened its offering to the non-standard credit market through the acquisition of the Moneybarn vehicle financing business. From the demerger of its international home credit business in 2007 to 2016, the Provident Financial Group consistently delivered strong returns whilst growing profits and dividends despite difficult macro-economic conditions in the UK and the Republic of Ireland.

In line with its origins in the 19th century, the Company's social purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

3. RECENT DEVELOPMENTS

Home Credit

Prior to 2017, the Home Credit business's operating model utilised a network of approximately 4,500 self-employed agents across the UK and the Republic of Ireland, supported by a field management structure and central credit decisioning systems. Although the self-employed model for agents had been an effective operating model for the Home Credit business for a number of years, increasing customer service expectations together with the development of hand-held technology and enhanced data analytics led to the belief that revising the Home Credit business's operating model would deliver enhanced customer service alongside a more efficient and effective business. Following ongoing consideration and assessment of the Home Credit business's operating model, on 31 January 2017, the Home Credit business announced internally that it would be migrating to a new operating model in the UK pursuant to which: (i) customers would be served by 2,500 CEMs employed on a full-time basis rather than self-employed agents; (ii) the field management structure would be streamlined from 800 to 400 employees; and (iii) a new territory planning, routing and scheduling technology system would be implemented. The move from self-employed agents to full-time employed CEMs was intended to enable the Home Credit business to take direct, centralised control of all aspects of the relationship with the customer, which was expected to improve the effectiveness of the field organisation and enhance the customer experience. In addition, the deployment of new technology systems as part of the new operating model was introduced with the aim of improving efficiency and providing customers with more choice and flexibility. Changes to the field management structure, which involved changes to management roles and removing development manager roles and replacing them with new field roles with different responsibilities which included separating the collections and arrears elements of the business, were intended to increase efficiency in the business.

Between the announcement of the new operating model and its deployment on 6 July 2017, Provident experienced higher operational disruption than anticipated, including higher than expected agent attrition and reduced agent effectiveness, resulting in an adverse collections performance and adverse sales penetration and customer retention rates. During the transition period, Provident experienced an increased number of vacant agencies due to attrition with vacancy levels of 12 per cent., more than double the rate anticipated. This resulted in weaker than expected collections performance, which led to a deterioration in Provident's arrears profile and an increase in impairments. In addition, reduced agent effectiveness and attrition also resulted in a progressive deterioration in sales penetration into the existing customer base and adversely impacted customer retention. As a result, credit issued for the five months to May 2017 was £37 million below the prior year. On 20 June 2017, the Provident Financial Group released a trading update announcing that forecast pre-exceptional and pre-tax profits from CCD for the year ending 31 December 2017 would be reduced to around £60 million (down from £115 million for the year ended 31 December 2016).

In the four week period ended 13 August 2017, collections performance and sales showed substantial underperformance against the comparable period in 2016, with collections performance running at 57 per cent. (compared to 90 per cent. in the comparable period in 2016) and sales at approximately £9 million per week lower than in the comparable period in 2016. In addition, in the period since implementation, the territory planning, routing and scheduling software deployed to direct the daily activities of the CEMs presented some problems, primarily relating to the integrity of data and the prescriptive nature of the new operating model, which had not allowed local management sufficient autonomy to prioritise and allocate

resources. This has adversely impacted customers. Furthermore, the re-design of the territories and CEM rounds resulted in both discontinuity and disruption to customer relationships. As a result of the extent of the underperformance in collections performance and sales, and the longer than expected period of time required to return the performance of the Home Credit business to acceptable levels, the Provident Financial Group revised the guidance it issued on 20 June 2017, releasing a further trading update on 22 August 2017 which estimated a pre-exceptional and pre-tax loss for CCD of between £80 million and £120 million for the year ending 31 December 2017. Ahead of the announcement of its final results for the financial year ended 31 December 2017, on 16 January 2018 the Provident Financial Group released a trading update in which it confirmed its expectation to report a pre-exceptional pre-tax loss for CCD of approximately £120 million, consistent with the upper end of the guidance previously issued, reflecting the lower than expected rate of reconnection through the fourth quarter of 2017 with those Home Credit customers whose relationship had been adversely impacted following the poorly executed migration to the new operating model in July 2017.

In response to the adverse performance by the Home Credit business, a number of members of senior management left the Home Credit business and the Provident Financial Group appointed Chris Gillespie as Managing Director of CCD, a position that he had previously held until 2013, with a mandate to re-establish relationships with customers, bring collections back to a normal level and stabilise the operation of the business. The Provident Financial Group, with Chris Gillespie's assistance, began to develop and implement the Recovery Plan for the Home Credit business centred around a revised version of the new operating model, retaining the employed CEM approach and some of the new technology, but improving the ability of the Home Credit business to connect with customers at the right time and place consistently, stabilising the operation of the Home Credit business and improving collections performance. The Recovery Plan also includes actions to reduce costs significantly to reflect the expected smaller scale of the business going forward as a result of the reduced size of the receivables book by virtue of the reduced sales penetration and customer retention rates described above. The Recovery Plan was discussed in detail with, and reviewed by, the FCA as part of its ongoing assessment of the Home Credit business in connection with its pending application for FCA authorisation (although the FCA does not formally approve plans, such as the Recovery Plan).

In accordance with the Recovery Plan, the Home Credit business is putting in place a number of actions to support these objectives, including moving away from the overly prescriptive routing and scheduling of customer interactions which were embedded in the new technology and restoring the ability of local management to prioritise and allocate resources to meet customer needs. To achieve this, the Home Credit business expects to, by the end of the first half of 2018:

(a) increase its field management resource by moving from two to four UK divisions through the recruitment of two additional general managers and increasing the number of regional managers from 12 to 20;

(b) appoint assistant area managers to support compliance, administration and arrears in order to free up 159 area managers to focus on local resource allocation and management of individual CEM activity in the field;

(c) recruit approximately 300 part-time employed CEMs, primarily from the previously self-employed agent workforce, to accelerate the reconnection with customers;

(d) provide additional training for new and underperforming CEMs, including extending the shadowing period and reintroducing a "buddy" system;

(e) increase contact centre resource to handle significantly higher call volumes, undertaken a customer contact programme using Vanquis Bank direct contact capabilities and assisted customers making their regular payments; and

(f) support management of the field organisation through the use of analytics, including tools that allow field management and CEMs to view and manage activity on a real-time basis via handheld technology.

The changes implemented by the Recovery Plan are expected to help improve performance and restore customer service levels. Collections performance increased from 65 per cent. in September 2017 to 78 per cent. in December 2017 and the number of active customers increased from approximately 500,000 to 527,000 in the same period. Home Credit receivables increased from £316 million as at September 2017 to £352.2 million in December 2017.

For more information on the changes to the Home Credit business's operating model and its impact on the Provident Financial Group, see Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus.

The FCA has conducted a preliminary review regarding certain aspects of the Company's public announcement on 20 June 2017 and the 22 August Announcement and has confirmed that it does not intend to take any further action in relation to the two announcements at the present time. The Company has, however, received a letter on behalf of an institutional investor (which has a number of subsidiary investment funds) asserting, amongst other things, that certain of the Company's earlier announcements were false or misleading and the Company acted dishonestly in delaying the public announcement of information. For more information, see paragraph 15.4 in Part XIV "*Additional Information*" of this Prospectus.

Vanquis Bank

On 24 February 2017, the FCA commenced an investigation into the sale of Vanquis Bank's ROP. The ROP is made up of the following features:

- "Account Freeze", which permits customers to freeze their accounts and not pay interest for up to 24 months if they experience certain defined circumstances;
- "Lifeline", which is activated automatically once a year if customers choose not to make their minimum monthly payment for any reason such that the customer's Vanquis Bank account will not show as being in arrears on external credit reports;
- "Payment Holiday", which can be activated once a year, at the request of a customer, such that the customer is able to miss a minimum monthly payment without showing as being in arrears on external credit reports;
- "Overlimit", SMS alerts are sent if customers are close to, or over, their credit limit; and
- payment reminders, these are sent by SMS five days before a customer's payment due date.

Customers are offered either a "Full Plan" which is for people who are in full, part-time or temporary employment or self-employment, or a "Standard Plan" which is for people who are homemakers, students, retired or not in employment. The Plans cost £1.29 per £100 of monthly outstanding balance and £1.19 per £100 of monthly outstanding balance, respectively.

The FCA investigation related to the period from 1 April 2014 to 19 April 2016 and involved an investigation into whether Vanquis Bank contravened Principle 3 (Management and control),[2] Principle 6 (Customers' interests)[3], Principle 7 (Communications with clients)[4] of the Principles and/or the CONC rules. In particular the FCA proposed to investigate:

- whether Vanquis Bank's risk management systems and controls were sufficient in that they appeared to have failed to identify and mitigate unfair customer outcomes for those who opted to purchase the ROP;
- whether in marketing and selling the ROP, Vanquis Bank provided accurate, complete, balanced and comprehensible information to customers so that they could fairly assess whether it was in their interests to purchase it and whether customers were misled into purchasing the ROP; and
- whether high arrears rates for the ROP customers indicates that Vanquis Bank's creditworthiness assessments were deficient.

In April 2016, Vanquis Bank agreed with the FCA to enter into a voluntary requirement to suspend all new sales of the ROP and to conduct a customer contact exercise, which has since been completed. Following the commencement of the FCA's investigation into the ROP, Vanquis Bank also agreed to enter into a voluntary requirement with the PRA pursuant to which it agreed not to: (i) pay dividends to or make any distribution of capital to the Provident Financial Group; (ii) provide loans or facilities to the Provident Financial Group; (iii) conduct non "business as usual" liquidity transactions or transactions which have or may have the effect of transferring any cash or assets in favour of any member of, the Provident Financial Group; or (iv) provide any security for the obligations of any member of the Provident Financial Group, outside the normal course of business without the PRA's consent. This requirement was imposed to provide the PRA with increased visibility to be able to assess the impact of transactions undertaken with the Provident Financial Group on Vanquis Bank and its retail depositors.

---

[2] "A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

[3] "A firm must pay due regard to the interests of its customers and treat them fairly."

[4] "A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading."

The Provident Financial Group has announced today that settlement has been reached with the FCA in relation to its investigation into the sale of Vanquis Bank's ROP, with Vanquis Bank accepting that it had breached Principle 6 (Customers' interests) and Principle 7 (Communications with clients) of the FCA's Principles for Businesses between 1 April 2014 and 19 April 2016 in relation to its telephone sales of Vanquis Bank's ROP. Pursuant to the settlement: (i) Vanquis Bank has agreed to pay the ROP Financial Penalty of £1,976,000, (ii) the FCA has required Vanquis Bank to pay restitution of £11,876,000 on the agreed basis to customers who opted into the ROP after 1 April 2014 and (iii) Vanquis Bank has voluntarily agreed to pay restitution of £156,905,000 on the agreed basis to customers who opted into the ROP from inception of the ROP in 2003 to 31 March 2014 notwithstanding that this is a period before the FCA regulated consumer credit activities, leading to the Gross Restitution Amount of £168,781,000. In connection with the settlement, the Provident Financial Group has taken a provision of £172.1 million in its audited consolidated financial statements for the year ended 31 December 2017 which includes (i) the ROP Financial Penalty of £2.0 million, (ii) the Gross Restitution Amount, offset by charged off balances of £26.9 million and less a release of impairment provisions, resulting in a net restitution payment amount of £127.1 million, (iii) the operational costs associated of £14.7 million with these payments (amounting to £12.3 million) and (iv) a contingency in respect of potential additional liability which may arise related to forward flow of complaints in relation to ROP more generally as described below in connection with the ROP (amounting to £30.7 million). The restitution payments are to refund those customers with the interest element of the ROP from the inception of ROP in 2003 up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. The agreed settlement with the FCA relates to breaches of Principle 6 (Customers' Interests) and Principle 7 (Communications to Customers) of the FCA's Principles for Businesses. In particular, as a result of the failure to disclose during the sales call that ROP was treated as a purchase transaction and that interest would accordingly be charged and accrue on the ROP fee, there was a serious risk that customers agreed to purchase the ROP without understanding the full cost of the ROP and that customers were unaware that interest could be charged on the ROP. The FCA made no findings in respect to any of the other areas to investigate.

Having agreed this settlement with the FCA, Vanquis Bank will be working with the FCA on a plan to resume sales of a ROP to new customers.

For more information see the risk factor titled "*The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's Repayment Option Plan beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017*" and paragraph 15.2 of Part 14 "*Additional Information*" of this Prospectus.

Upon the expiry of the partnership agreement between Vanquis Bank and Argos in January 2018, Vanquis Bank ceased offering new co-branded Argos credit cards.

Moneybarn

In the period prior to and following Moneybarn obtaining full FCA authorisation on 3 June 2016, the Provident Financial Group has been in discussions with the FCA regarding certain of Moneybarn's systems, controls and practices relating to: (i) affordability assessments; (ii) termination of arrangements with customers; (iii) fees and charges; and (iv) forbearance. In connection with these discussions and as a result of the FCA's concerns that the issues identified in relation to termination arrangements had not been sufficiently progressed, in June 2017 the Provident Financial Group entered into a voluntary requirement with the FCA pursuant to which it agreed to amend its processes for dealing with loan terminations to ensure that customers receive information which is clear, fair and not misleading, presented in a balanced manner, and which provides full details with respect to the right to terminate the contract early under the CCA. The Provident Financial Group also agreed that if it could not provide sufficient information to customers to enable them to make an informed decision as to which termination option to adopt, then it would agree an alternative process with the FCA. As part of the voluntary requirement, Moneybarn has worked with the FCA to create a set of letters which are now being sent to customers approaching a termination event. Whilst Moneybarn believes that the actions required to satisfy the conditions of the voluntary requirement have been met, the voluntary requirement will only be lifted once the FCA are satisfied with the output from the changes in processes that have been implemented.

In July 2016, the FCA carried out a site visit at Moneybarn's registered office to gather more information in relation to the business following Moneybarn's authorisation and following such visit, in September 2016, the FCA set out in a letter that it had certain concerns relating to, among other things, the items described in (i) to (iv) above. On 4 December 2017, the FCA commenced an investigation into Moneybarn. The FCA investigation relates to the period commencing 1 April 2014 and involves an investigation into

whether Moneybarn, including its senior managers, contravened Principle 3 (Management and control), Principle 6 (Customers' interests), and/or Principle 7 (Communications with clients) of the Principles and/or the CONC rules, in particular the FCA is investigating:

- whether Moneybarn's creditworthiness and customer affordability assessments were adequate and compliant with regulatory requirements;
- whether Moneybarn failed to treat customers in default or in arrears with due forbearance and consideration appropriate to their circumstances; and
- whether Moneybarn provided information about its termination processes which was clear, fair and not misleading in order to allow customers to make informed decisions about the different options open to them in respect of the termination process and its financial implications.

Moneybarn continues to cooperate with the FCA in its ongoing investigation into affordability, forbearance and termination options. The estimated cost of £20.0 million, representing management's estimate of the expected outcome in respect of the investigation, has been reflected as an exceptional cost in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017. A final resolution to the investigation is likely to take up to 24 months.

FCA enhanced supervision

As a consequence of, among other things, the disruption to the Provident Financial Group's Home Credit business following the implementation of its new operating model in July 2017 and the subsequent implementation of the Recovery Plan in response to such disruption, and the FCA's investigation into Vanquis Bank's ROP and the FCA's ongoing investigation into Moneybarn, the Provident Financial Group is subject to enhanced supervision by the FCA as notified to the Provident Financial Group by the FCA Watchlist Letter. The FCA Watchlist Letter requires that the Provident Financial Group: (i) provides the FCA with a draft of an executable wind-down plan for the Provident Financial Group and each of the entities within the Provident Financial Group (and a draft wind-down plan was submitted to the FCA on 31 January 2018 in accordance with this requirement); (ii) successfully executes the Recovery Plan; and (iii) complete a successful turnaround of CCD so that CCD is financially stable and the Provident Financial Group can meet its funding requirements to 2020. Firms placed under enhanced supervision may be required to provide formal commitments, where appropriate, to the FCA to tackle the underlying concerns raised by the FCA and the FCA may also exercise other wide-ranging powers.

Capital Plan

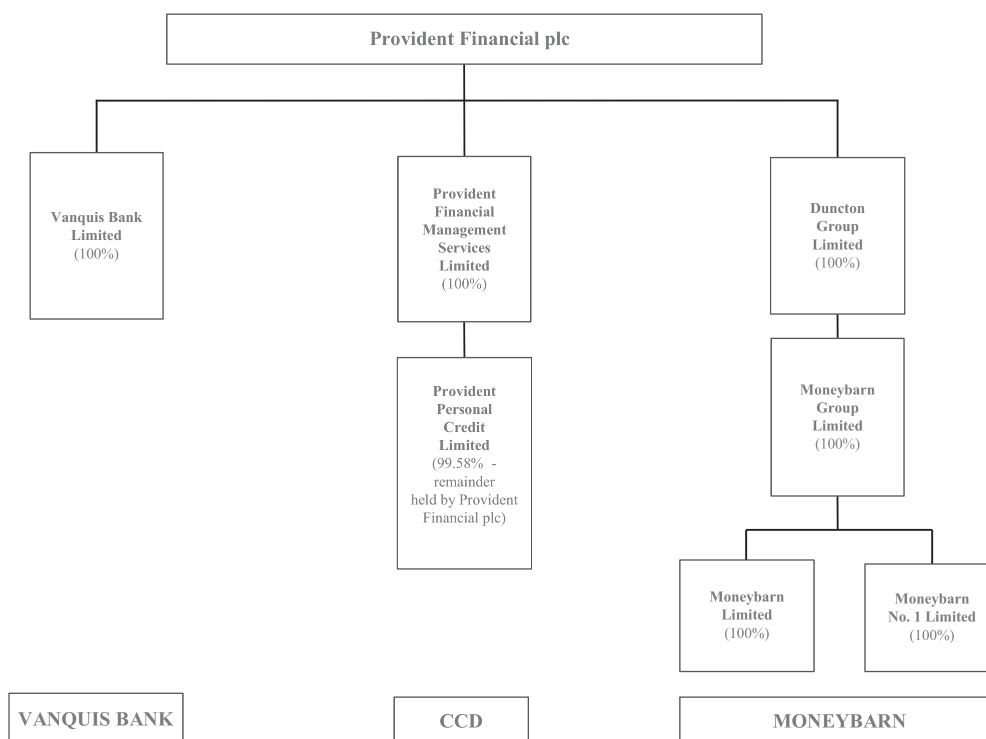
In finalising its new capital plan reflecting its current and expected capital requirements, the Provident Financial Group has taken into account, amongst other things, (i) the receipt of £172.1 million net proceeds from the Rights Issue, (ii) the Provident Financial Group's revised dividend policy described below and estimated future levels of dividends to be paid by the Company and Vanquis Bank, (iii) the estimated payments to be made in connection with Vanquis Bank's settlement with the FCA in connection with ROP, (iv) the estimated outcome of the Moneybarn investigation which has been reflected in the 2017 results as an exceptional cost of £20.0 million. In the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017 in connection with the FCA's ongoing investigation into Moneybarn, (v) the amendment of certain covenants under the Revolving Credit Facility and the Term Loan Facility and (vi) management actions planned and proposed to be taken. The Provident Financial Group has discussed the capital plan with the PRA. The PRA is familiar with the details of the Provident Financial Group's discussions with the FCA, its current capital position and proposed capital plan, including the Rights Issue.

4. BUSINESS OVERVIEW

4.1 Provident Financial Group structure

The Provident Financial Group operates through three divisions which focus on different products to service the non-standard credit market: (i) Vanquis Bank; (ii) CCD (comprising Provident and Satsuma); and (iii) Moneybarn.

A summary of the Provident Financial Group's structure is set out below:



5. VANQUIS BANK

5.1 Overview

Vanquis Bank is a leading issuer of credit cards in the non-standard credit market in the UK, promoting financial inclusion by bringing credit cards to people who may typically declined by mainstream credit card providers. In doing so, the business helps people to establish or rebuild a credit history and enables those in the non-standard credit market to share in the consumer purchase protections and modern buying methods, such as online shopping, that can only really be achieved with card-based products.

Established as a pilot credit card operation in 2003, prior to its full roll-out in 2004, Vanquis Bank offers credit cards designed to meet the needs of customers in the non-standard credit market offering relatively small credit limits to customers with average to below-average incomes, who often have thin or impaired credit histories. Vanquis Bank started to offer, on a pilot basis, unsecured loans to existing credit card customers.

The following table sets out summary information relating to the Vanquis Bank credit card business for the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	2016	2015
	(£ million except customer numbers and percentages)		
Number of customers ('000)	1,720	1,545	1,421
Period end amounts receivable from customers	1,554.7	1,424.7	1,252.0
Average receivables	1,497.3	1,307.0	1,157.1
Adjusted ROA	11.9	13.8%	15.8%

(1) Excludes online depositors. Vanquis Bank had approximately 34,700 depositors as at 31 December 2017.

5.2 Products

Credit cards

Vanquis Bank offers a range of own-brand credit cards, each of which is designed to appeal to the different profiles and credit needs of Vanquis Bank's customers. Vanquis Bank also offers cards to customers introduced by third-parties such as Totally Money Limited ("**Totally Money**") and Credit Benefit Services LLC ("**CBS**"). An overview of Vanquis Bank's credit card offering as at 31 December 2017 is set out below:

Credit card	Credit limit (£)	Representative APR (%)
Vanquis Card		
Vanquis Classic Card	150 – 4,000	39.9 – 69.9
Vanquis Gold Card	150 – 4,000	39.9 – 69.9
Chrome Card	250 – 4,000	29.5 – 59.5
Progress Card	250 – 4,000	19.5 – 34.5
Aquis Card	250 – 4,000	29.8 – 39.9
Granite Card	150 – 4,000	34.9 – 59.9
Black Diamond Card	150 – 4,000	39.9 – 69.9

Vanquis Classic Card

The Vanquis Classic Card, which was Vanquis Bank's original credit card and was launched in 2003, is Vanquis Bank's core product. The Vanquis Classic Card is primarily designed for customers who are new to credit, with a credit record of less than 12 months and need to understand how credit works in order to build a good credit rating and/or who need help and support following a previous credit default or other adverse credit event (i.e. bankruptcy, County Court judgments, or three or more missed payments).

As at 31 December 2017, the Vanquis Classic Card had a representative annual percentage rate ("**APR**") of 39.9 per cent., with a range of APRs offered to customers applying from 39.9 per cent. up to 69.9 per cent. (variable) at account opening, depending on the applicant's circumstances and credit limit. Initial credit limits offered range from £150 to £1,000, although the typical initial credit limit is between £250 and £500. Following receipt of their fifth credit card statement, customers may receive a credit limit increase, with further increases every five months up to a maximum credit limit of £4,000. Customers have access to a UK customer service call centre, online and telephone account management and SMS alerts.

Vanquis Gold Card

Customers with a Vanquis Classic Card automatically qualify for a Vanquis Gold Card when they reach a credit limit of £1,500 or more. Vanquis Gold Card holders enjoy certain key additional benefits such as a dedicated Gold Customer Service Team, a 0800 customer service number, eVanquis and paper statements for a small cost and exclusive Gold Card benefits, such as travel discounts. The 0800 Gold Customer Service Team number is in addition to the customer service call centre available to all Vanquis Classic Card holders.

Chrome Card

The Chrome Card, which began trials in June 2016 and was subsequently launched in November 2016, was a first step in broadening Vanquis Bank's credit card offering. The Chrome Card brand is aimed at "near-prime" customers who need to rebuild their credit history after having had one or more accounts with minor historic delinquency (i.e. one or two missed payments) and offers one of the lowest APRs for "near-prime" customers in the market, with a Representative APR as at 31 December 2017 ranging from 29.5 per cent. to 59.9 per cent. (variable). Initial credit limits offered range from £250 to £1,000 and over time customers can build their credit limit up to £4,000. Chrome Card customers have access to a mobile application, online and SMS account management and email alerts to manage their accounts.

Progress Card

The Progress Card, which has been trialled since April 2017, is intended to provide a path from "sub-prime" to "near-prime". One of the card's key features is that as the customer manages his or her

account well, the interest rate reduces and credit limit increases. Customers start with an initial APR of 34.5 per cent., which can reduce by one per cent. every three months down to an APR of 19.5 per cent. on purchases over time, if the customer demonstrates good account management. Initial credit limits offered by the Progress Card range from £250 to £1,000 and customers have access to online and SMS account management.

Aquis Card

The Aquis Card, which launched in 2013, is aimed at "near prime" customers with either no credit history or a few blemishes on their credit history who are looking to improve their credit rating. As at 31 December 2017, the Aquis Card had a representative APR of 29.8 per cent. (variable), with a range of APRs offered to customers applying from 29.8 per cent. up to 59.9 per cent. Initial credit limits offered range from £250 to £1,000. Following receipt of their fifth credit card statement, customers may receive a credit limit increase, with further increases every five months up to a maximum credit limit of £4,000. Customers have access to a UK customer service call centre and online and SMS account management.

Granite Card

The Granite Card, which launched in 2012, is aimed at customers with poor credit who need to build their credit rating. Granite Cards are issued by Vanquis Bank and the card is promoted and customers are introduced to Vanquis Bank by Totally Money, an introducer partner and part of the Media Ingenuity Group, including through the Granite Card website which is owned by Totally Money. As at 31 December 2017, the Granite Card had a representative APR of 34.9 per cent. (variable), with a range of APRs offered to customers applying from 34.9 per cent. up to 69.9 per cent. Initial credit limits offered by the Granite Card range from £150 to £1,000. Following receipt of their fifth credit card statement, customers may receive a credit limit increase, with further increases every five months up to a maximum credit limit of £4,000. Customers have access to a UK customer service call centre and online and telephone account management.

Black Diamond Card

The Black Diamond Card was launched in 2012 and is targeted at customers who have had credit problems in the past. Black Diamond branded credit cards are issued by Vanquis Bank and the card is promoted and customers are introduced to Vanquis Bank by CBS, an introducer, including through the Black Diamond Visa website which is owned by CBS.

Black Diamond Card customers have a slightly higher risk profile than Granite Card customers which is reflected in its representative APR of 59.9 per cent. (variable), with a range of APRs offered to customers applying from 59.9 per cent. up to 79.9 per cent. as at 31 December 2017. Customers are offered an initial credit limit of £150 to £1,000 but can receive credit limit increases following receipt of their fifth credit card statement, with further increases every five months up to a maximum credit limit of £4,000. Customers have access to a UK customer service call centre and online and telephone account management.

Unsecured loans

In 2016, Vanquis Bank undertook a customer research exercise, the results of which showed that 65 per cent. of its customers would be interested in a Vanquis Bank personal loan. In response to this, Vanquis Bank developed a loans platform and launched a pilot loans proposition, initially focused on providing unsecured personal loans to existing Vanquis Bank customers. Initially, the pilot loan programme used a telephony delivery model, however an online platform has since been developed which is intended to be the primary distribution channel going forward.

The loans currently offered are between £1,000 and £3,000 with a term of one to three years with a representative APR of 29.9 per cent. to 39.9 per cent. as at 31 December 2017. As the loans are not secured by the personal assets of the customer, such as a car or home, this makes the loans an attractive product for customers who do not have valuable property or assets that can be used as security. The unsecured nature of the loan also allows for quick access to funds for the users of this product, while providing the certainty connected with a fixed repayment schedule. Vanquis Bank has taken a measured approach to developing the loans proposition, observing the results from the loans provided to existing Vanquis Bank credit card customers and then refining its underwriting and the loans proposition.

Following the determination by the board of Vanquis Bank in January 2018 that the commercialisation of the pilot is viable, Vanquis Bank will extend the unsecured loan product to non-customers during 2018. At 31 December 2017 Vanquis Bank had total unsecured loans of £15.8 million.

Fixed term retail bond deposit products

Vanquis Bank offers fixed rate bond deposit products to UK depositors with fixed terms of one to five years with internet only applications. The product is not targeted at the non-standard finance market and is used primarily to fund the issue of Vanquis Bank's credit cards. The deposit taking platform and operation is outsourced to Newcastle Building Society, which has established a reputation in the outsourced savings market and provides outsourcing to a number of other PRA regulated banks and building societies.

The minimum opening deposit for a bond is £1,000 and the maximum is £250,000. Once the account is opened, no further amounts can be added and no withdrawals can be made during the term of the bond, except in the event of hardship or other mandated legal reason. Eligible deposits in the fixed rate bond product are protected by the Financial Services Compensation Scheme ("**FSCS**") up to a total of £85,000.

As at 31 December 2017, Vanquis Bank had 34,700 depositors and total deposits of £1,291.8 million, which represented 79 per cent. of Vanquis Bank's receivables at that date. For the year ended 31 December 2017, the average rate paid to customers was 2.3 per cent.

5.3 **Low and grow credit limit approach**

The central feature of Vanquis Bank's credit and business model is its "low and grow" approach pursuant to which new customers are offered a lower initial credit limit than those generally offered by mainstream credit card companies until that customer demonstrates that he or she can actively manage and afford further credit in a responsible and sustainable manner. Vanquis Bank re-scores every customer every month through its behavioural scorecards using information from their Vanquis Bank card and credit reference agency data. The initial low limit acts as a "credit test" for customers and is intended to minimise losses. This strategy allows Vanquis Bank to be more welcoming of non-standard customers whose risk profiles may make it difficult for them to access credit from high street banks and traditional lenders. Credit lines are increased only when customers have established a sound payment history.

Accounts with recent missed payments are not eligible for an increase in credit limit and additional credit limits are only offered to customers in segments deemed to be lower risk. Particular attention is paid to marginal utilisation as granting an increased limit that is unlikely to be used is non-value adding and increases Vanquis Bank's contingent exposure. With approximately two thirds of credit issued taking the form of increases in credit limits, Vanquis Bank seeks to increase credit limits for suitable customers from £1,000 to £4,000 over a 24 to 36 month period. Returns from the "low and grow" approach to extending credit have performed consistently well over the three year period ended 31 December 2017 and are underpinned by average credit line utilisation of around 65 per cent. for the year ended 31 December 2017 and high levels of customer satisfaction approaching 90 per cent. according to a survey of 25,000 customers conducted via SurveyMonkey in August 2017.

5.4 **Distribution channels**

Customer recruitment is primarily carried out through a combination of marketing by internet advertising (including using social media platforms), direct mail and introducer partners. The majority of all credit card acquisitions stems from lower cost digital channels

Internet and social media platforms

Vanquis Bank has developed strong relationships with consumer finance comparison websites and marketing affiliates in the non-standard credit sector, such as moneysupermarket.com and uSwitch. These websites enable customers to compare Vanquis Bank credit cards by interest rate, fees, credit limit and benefits.

In addition, Vanquis Bank attracts customers to its website by using search engines and online banners to promote its own-branded credit cards. For example, Vanquis Bank bids to appear on all key search engine sponsored results (e.g. Google, Bing and Yahoo!) and uses target banner advertising aimed at individuals who have expressed a recent interest in applying, or who fall into the target demographic for a credit card.

Direct mail

Vanquis Bank sources potential customers from various credit reference agencies (e.g. Equifax and Experian) using only the names of people who have given the agencies consent to receiving marketing information. From this list, the Vanquis Bank marketing team applies bespoke targeting characteristics, criteria, policies and profiles to identify suitable potential customers and applies appropriate preference service data. Mail is then sent out to these potential customers inviting them to apply for a credit card, either online or by mailing a paper application form. Some of these names are sourced on a cost per mailed basis and some on a monthly licence basis.

Introducer partners

Introducer partners are third parties who are engaged to promote Vanquis Bank credit cards and identify and introduce potential customers suitable for a Vanquis Bank credit card to Vanquis Bank. Introducer partners typically advertise on the internet, including in the form of banners or approach potential customers via email. Vanquis Bank has relationships with two introducer partners, CBS and Totally Money, and the introducer OMG Services Limited ("**OMG**"), who support the promotion of the Vanquis Bank credit cards. OMG, CBS and Totally Money in turn engage and manage "sub"-partners to conduct specific promotional and introducer activity. Vanquis Bank generally pays its introducer partners on a per accepted credit card application basis, and sometimes on a per completed application basis.

Introducer partners develop or acquire potential customer lists for carrying out email campaigns. Each partner must maintain a dated and precise version of consent for each individual that is sent any email on Vanquis Bank's behalf. Vanquis Bank reviews and maintains all consents on a case by case basis. Vanquis Bank holds a central record of all consent wording versions used. A consent must be specific to financial services, have a valid opt-in, have been granted within six months and not be hidden in a dense privacy policy. If any partner is not able to adhere to Vanquis Bank's consent requirements they are not permitted to carry out any introducer campaign on behalf of Vanquis Bank. Vanquis Bank monitors complaints about introducer partner email activity and remedial action is taken when Vanquis Bank deems appropriate.

CBS and Totally Money and their sub-partners who are engaged in email introducer activity also undertake customer profiling with a view to ensuring that promotions for Vanquis Bank products are offered to the right profile of consumer.

Vanquis Bank's marketing team monitor the content and creative material used by its introducer partners and their sub-partners to promote the Vanquis Bank credit card products through online marketing channels including price comparison and aggregator websites and email marketing. The Vanquis Bank marketing team works closely with the compliance team, as well as the third party introducer partner suppliers, to seek to ensure that all content used to promote the Vanquis Bank credit cards is up to date, compliant and in line with current regulations.

Vanquis Bank's marketing team also works closely with the internal Vanquis Bank legal and compliance teams and its third party introducer partners to ensure that all content used to promote its credit cards are up-to-date, compliant and in-line with applicable regulations. All promotion by introducer partners is pre-approved by Vanquis Bank.

Television advertising

Vanquis Bank premiered its first television advertisement in February 2016. This was followed by further television advertising campaigns in late 2016 and 2017. Vanquis Bank has applied an analytical approach to seek to optimise its television advertising spend by using its pool of existing customer data to focus its advertising by television station, time, region and frequency. Vanquis Bank has observed an improvement in sales performance and brand awareness following the launch of its television advertising campaigns.

5.5 Customer profile

Vanquis Bank's credit card customers shop at many of the major merchants served by prime credit card providers. However, the Vanquis Bank target card customer base has a very different profile to prime credit card users. Whilst they are typically in full- or part-time employment, most have a limited credit profile which means they have limited access to and use of, other forms of borrowing compared with prime customers. They are also much less likely to be home owners, with approximately 70 per cent. living in rented accommodation (as at November 2017).

The Directors believe that card customers value having a Vanquis Bank credit card since it often provides them with access to credit that they would have been unable to access through high street banks. As at 30 September 2017, approximately 56 per cent. of Vanquis Bank's card customers had no other cards at acquisition and for approximately 43 per cent. of card customers it was their first credit card. Additionally, the Directors believe that card customers appreciate the highly personalised model, the inherent utility of a credit card, particularly accessing discounts and lower prices on the internet, and the rebuilding of their credit history if they have experienced problems in the past. Generally, non-standard card customers often have a lack of trust in high street banking, having been declined or experienced financial difficulty in the past with high street banks.

A summary of the typical Vanquis Bank credit card customer profile compared with a typical prime credit card customer is set out below:

Usage	**Typical Vanquis Bank credit card customer**	**Typical prime credit card customer**[(1)]
Credit line	£1,300	£5,000
Line utilisation	70%	25%
Typical APR	39.9%	15.20%
Primary purpose of card	Revolver	Transaction/revolver
Employment status	Employed	Employed
Annual income	£15k - £30k p.a.	£25k + p.a.
Residential status	Tenant (75%)	Owner/mortgaged

(1) Management estimates based on third party industry information.

As at 31 December 2017, Vanquis Bank had 1.71 million credit card customers with an average credit line of £1,694, average utilisation of 64.4 per cent. and an average balance of £1,091.

5.6 Customer service

Vanquis Bank provides its customers with service through the centres at Bradford (new accounts and customer services), Chatham (customer services, complaints, collections and fraud management) and through outsourcing arrangements with third parties.

Customers who may be suffering financial difficulties are provided with a specific national rate telephone number to contact Vanquis Bank.

Customers can also use Vanquis Bank's eVanquis website and App for managing their account, reviewing their monthly statements, checking their current balance and making repayments to Vanquis Bank.

As a standard practice, Vanquis Bank conducts customer satisfaction surveys via SurveyMonkey on a bi-annual basis to monitor whether its card customers' needs are being met and whether card customers are satisfied with the service they are receiving. Additionally, Vanquis Bank commissions independent survey companies such as OneMS and Atticus Research to conduct customer focus groups on a quarterly basis, with a focus on targeted areas to help determine how Vanquis Bank can better meet its customers' needs. As of August 2017, Vanquis Bank's, customer satisfaction score was 87 per cent., based on 25,000 responders.

5.7 Credit underwriting process

Application process

Whilst applications from new card customers are primarily sourced from three main channels (the internet, direct mail and introducer partners), information with which to assess each application is gathered through three main steps: (1) the application form; (2) checks with credit reference agencies; and (3) a "Welcome Call" during which applicants are provided the opportunity to ask questions.

The decision to offer credit to a particular applicant is made by reference to an applicant-specific assessment of risk, affordability and sustainability that is formulated using a combination of internal and external data. These data sources are used by Vanquis Bank for the purposes of:

- ensuring that Vanquis Bank's policy rules that exclude certain applicants from obtaining or receiving an extended line of credit from Vanquis Bank (for example, where a prospective customer's application is declined because their credit reference agency record illustrates that they have received a County Court Judgment in the past six months) are complied with; and

- building scorecards that combine the most predictive characteristics to deliver a data-driven, customer level assessment of risk.

For the initial lending decision these policy rules and scorecards are derived from a combination of applicant declared information as well as data sourced from credit reference agencies.

Vanquis Bank uses external data to provide a critical insight into how an individual is managing their existing financial arrangements with other financial institutions (including utility and telecommunication companies). This data is used in both underwriting at account opening, and in existing customer management (e.g. credit line management and re-pricing). External data is provided via credit reference agencies and includes:

- summarised data covering the applicant's credit commitments across a broad range of products, including credit cards, loans, mortgages and hire purchase, to include a complex evaluation (current and historical trends) of measures such as:
  - the number of credit products held;
  - total balances across all credit facilities;
  - total available credit limits on credit and store cards;
  - payment record and values, including any arrears / defaults / arrangements;
  - public information, such as County Court Judgments and bankruptcies; and
  - use of short term lending facilities (i.e. payday loans);
- risk scores and indebtedness/affordability indices.

Vanquis Bank captures declared household income as part of the application process, with the expectation that this is the most appropriate indicator for households with joint income and expenditure commitments. A "Welcome Call" is also used to ascertain whether the applicant has access to this household income or their own personal income with which to service their account. Further, confirmation is sought regarding whether the customer is aware of circumstances which would impact their income in the future.

Vanquis Bank continually seeks new data sources to reinforce the robustness of its credit decisions and to help become better informed around customer affordability.

Affordability assessment

The affordability and credit assessment for each individual applicant uses the above data sources and can be set out in three main stages.

(a) *Stage 1: Policy rules*

Vanquis Bank applies a set of policy rules at the point of the customer assessment which include the applicant having a minimum income, not having outstanding balances on the credit reference agency credit account information sharing file greater than a specified amount and an applicant's consumer indebtedness indicator being below set thresholds (distinction for sub-populations based on historical analysis with overall risk rising as the score increases).

The above criteria are applied as binary policy rules and an application will be declined in the event that any of the above is triggered.

(b) *Stage 2: Risk scoring*

Having successfully passed the rules as set out in Stage 1 above, and passing additional policy rules such as those concerning recent defaults recorded on an applicant's credit reference agency record, applicants are then assigned a risk score that is a function of application data provided by the applicant, information relating to the applicant's financial relationships and credit products with other providers (sourced from credit rating agencies).

This risk score enables Vanquis Bank to make a provisional accept/decline decision, and assign an initial credit limit and price for the product.

(c) *Stage 3: Welcome Call*

In more than 95 per cent. of cases, a final decision to lend is not made until Vanquis Bank has spoken with the applicant through a completed Welcome Call. This is an essential part of Vanquis Bank's underwriting process that requires attempts to be made to contact the applicant prior to issuing them with a credit card. The Welcome Call gives Vanquis Bank the opportunity to supplement the prospective customer's application and credit rating agency information with further tailored questions to enhance Vanquis Bank's assessment of whether the product and credit line is appropriate and sustainable for the applicant.

Based on answers obtained in the Welcome Call, applications may be declined, the credit limit offered to the applicant may be reduced or the interest rate offered to the applicant may be increased. Irregular answers from applicants can be referred to a reconsiderations team.

The Welcome Call can also be used to introduce additional questions including gathering incremental information regarding an applicant's access to household and personal income, as well as the sustainability of this.

Those applicants who are not contactable over a prolonged period of time are classed as "**Failed to Contact**". Current credit policy dictates that such applicants scored as higher risk are declined.

Changes to credit limit and pricing for existing customers

Customer credit lines and pricing are adjusted throughout the account's lifecycle according to risk, although this does not include increasing a customer's interest rate. As for initial lending decisions, the assessment of risk is based on both internal and external data; however, in the case of existing customer management, the Directors believe that the most powerful source of predictive information relates to the customer's use of their credit card or loan account.

This behavioural information includes:

- how the customer has managed their credit card account;
- how long the account has been running;
- previous credit limit history;
- evidence over time that the customer is able to manage revolving debt;
- measures around affordability and balance/limit utilisation;
- payment record, such as any missed payments, repayment arrangements and trends in payment values; and
- information which may be provided by the customer.

This information, in conjunction with monthly updates of the customer's other financial commitments and performance (sourced via credit rating agencies) allow the development of behavioural scores and policy rules with which to assess customer risk and support line management and pricing strategies.

Credit limit increases

Vanquis Bank's credit limit increase ("**CLI**") policy allows customers to obtain higher credit limits by managing their account well and demonstrating affordability over a reasonable period of time (initial credit limits offered to new customers are comparatively low when compared against the broader credit card industry). Higher credit lines are granted to existing customers on a gradual basis through the CLI programme.

Customer limits are assessed every month based on customer-level behavioural scoring and the customer's current usage patterns on their account. The behavioural score is derived through a combination of internal and external data, delivering a customer-specific assessment of that individual's future risk based on their payment and spending patterns on their card, and management of their ongoing financial relationships with other financial institutions.

In line with Vanquis Bank's CLI policy, customers must demonstrate affordability of their current credit line. By using the card regularly and making repayments, the customer can demonstrate the ability to make regular contractual payments. Similarly, keeping products with other lenders in good order (as reported on

the external credit reference agency files) confirms that the customer is not struggling to keep up with repayments outside of Vanquis Bank's control. Vanquis Bank applies further indebtedness rules, intended to ensure the customer has not received additional borrowing facilities from a third party that would make a further extension of their Vanquis Bank credit line unsustainable.

Customer assessments for line increases are policy and strategy based; as such individual customer requests outside this proactive process are not fulfilled.

Credit limit increase allocation

New credit limits are allocated as per the CLI strategy with constraints on the amount of the increase in credit and the maximum credit limit (which vary depending on the APR rate, with lower maximum credit limits applying where interest rates are higher).

Credit limit increases are not offered to customers where they are, or are at risk of being, in financial difficulty, including if: (1) their balance exceeds their credit limit; (2) they are in arrears; (3) a collections arrangement is or has recently been in place; (4) a customer has advised that they are in financial difficulty but they are not on an arrangement; or (5) Vanquis Bank is aware a customer has registered contact with a debt advice agency or is following an assisted self-help process.

Customers that contact Vanquis Bank requesting to be excluded from future unsolicited CLI's are flagged on the account management system. This flag is then used to exclude customers from the monthly CLI programme.

At any point the customer is free to contact Vanquis Bank and request that this flag is removed, though this will not guarantee that the customer qualifies for an increase, only that they will be assessed as part of the proactive monthly process in line with credit policy.

If a customer requests to be excluded from the unsolicited CLI strategy this does not impact Vanquis Bank's risk assessment of the customer.

On being selected for a CLI, a letter is posted to the customer advising them that their new credit limit will be effective in 30 days. The letter also informs the customer of their right to reject the increase. In the event that a customer notifies Vanquis Bank that they do not wish to receive the CLI for which they have been selected, the account will be flagged on the account management system.

5.8 Managing arrears and default

Pre-delinquency process

Vanquis Bank aims to support its customers where possible to prevent them from falling into arrears or remaining excessively over their credit limit, which would escalate through to the collections recovery process.

Vanquis Bank operates a pre-delinquency process involving monitoring the account of the customer throughout the course of their agreement and offering proactive assistance to any customers who appear to be experiencing difficulty in making payments. A contact strategy is in place for customers at risk of falling into arrears, which directs them to a specialist team within Vanquis Bank's collections team. The specialist team works with those customers who are at risk to agree a plan appropriate to their circumstances.

Risks to customers are mitigated where possible, for example, by making customers aware of the consequences of non-payment/late payment/paying only the minimum amount due. Vanquis Bank sends letters notifying customers if they have only been making the minimum payment due for six months and encourages them to make payments that are higher than the minimum payment due.

An essential part of Vanquis Bank's strategy is to encourage open dialogue with the customer at the earliest opportunity, maintaining a high level of customer contact to assist them to maintain/repair their credit.

Where appropriate, Vanquis Bank considers affordability and the circumstances of the customer when offering options to assist in managing their account.

Customers at risk of falling into arrears and/or who are in financial difficulties are identified (including by the following) and contacted by Vanquis Bank:

- excessive spending beyond the available credit limit;

- a missed payment or insufficient payment at the payment due date;
- cancellation of a Direct Debit, or an adjustment which reduces the amount to be collected; and
- customers who make only the minimum payment each month for 6 consecutive months.

Credit limit increases are not offered to customers where they are, or are at risk of being, in financial difficulty, as described above.

Arrears or default

Vanquis Bank's objective is to ensure, wherever possible, good outcomes for its customers, and so it seeks to provide customers with the right information (that is clear, fair and not misleading) to make informed choices, to treat customers fairly (including those in financial difficulty) and to offer them a range of forbearance options, and to take the time to engage with customers and place a focus on affordability and sustainability.

Vanquis Bank recruits and retains specialist staff who are trained to deal with customers who may be experiencing financial difficulties. These specialised employees pay particular attention to those customers who pre-delinquency, look like they might head into arrears, or who are already in arrears, by contacting customers to discuss their individual circumstances and discuss a toolkit of options which can be deployed to suit the customer's needs. Certain less complex collections work, which does not require the same level of specialist staff, is outsourced to Sanclare (UK) Limited (Sanclare) whose collections team is based in South Africa, who work alongside Vanquis Bank's collections team in Chatham to carry out collections on accounts that are not in late stage collections. The Sanclare collections team follow the same policies and procedures as the Vanquis Bank team in Chatham. The more complex collections work is carried out by Vanquis Bank's specialist staff in the UK.

Forbearance and due consideration

If a customer is in arrears or default, Vanquis Bank seeks to treat the customer with forbearance and due consideration by offering customers a range of payment arrangements and options appropriate to the relevant customer's needs. It is not always in the best interests of customers to go on to such an arrangement as this will impact their credit ratings and access to future credit. Customers are presented with relevant information to make them aware of the implications of being on a particular plan and help to ensure that any plan selected is appropriate for their needs.

Payment arrangement and options

A range of options and/or payment arrangements are available depending on the circumstances of the relevant customer in arrears or default. These include:

- payment arrangements – these can be offered whether the customer is up to date or is being handled by the collections team, and customers (in conjunction with Vanquis Bank) can agree on affordable monthly payments. Provided that the customer continues to find the solution affordable, and subject to time limits, contact from Vanquis Bank is limited to statements;
- suspending the active pursuit of recovery of the debt from a customer for a reasonable period where the customer informs Vanquis Bank that a debt counsellor or another person acting on their behalf or the customer is developing a repayment plan;
- interest may be substantially reduced or frozen;
- part settlement – Vanquis Bank may accept part settlement of the debt as full and final settlement of the debt; and
- accepting token payments for a reasonable period of time so that customers may recover from an unexpected income shock if the customer demonstrates that meeting the existing debts would mean not being able to meet the customer's priority debts or other essential living expenses (e.g. mortgage, rent, council tax, food and utility bills).

Customer account agents provide information on the above options and work with the customer to agree a plan appropriate to their circumstances. In accordance with the FCA's Consumer Credit Sourcebook's requirements for debt collecting, where appropriate, Vanquis Bank directs customers to sources of free and independent debt advice such as StepChange.

Vanquis Bank regularly undertakes sales of its non-performing loan portfolios and late stage debt to debt collections agencies. Vanquis Bank sells a mixture of paying debt (where a payment has been received within the last three-month period) and non-paying debt (where a payment has not been received within the last three-month period) to certain debt collection agencies, depending on market conditions and demand. The sale of non-paying debt generally achieves a price above general market prices for non-paying debt, primarily due to the data that Vanquis Bank collates over the life of the loan. The sale of paying debt also generally achieves a price which is above general market prices for the same reason. Vanquis Bank sold approximately £198.1 million of non-paying debt during the year ended 31 December 2017 and approximately £15.5 million of paying debt.

Vanquis Bank also operates an internal debt purchase operation, FreshStart. FreshStart purchases debt internally from the Provident Financial Group's CCD business on arms' length terms and externally from third-party debt purchasing businesses and acts as collector, whilst also packaging and selling delinquent debt to third parties. Utilising FreshStart across the whole of the Provident Financial Group avoids duplication of expertise across each of the Provident Financial Group's divisions. FreshStart is an internal and external brand which is used by Vanquis Bank in marketing materials, but conducts it activities under Vanquis Bank and within the management and governance of Vanquis Bank's operations collections team. FreshStart does have its own distinct identity and sub-management structure, which enables it to focus on the particular debt that falls within its remit and utilise its depth of experience.

5.9 Funding

Funding for the credit card business and unsecured loans is derived primarily from Vanquis Bank's fixed term retail deposits; funding raised by Vanquis Bank through retail deposits is only used to fund Vanquis Bank's activities and cannot be used to lend to other Provident Financial Group businesses. Vanquis Bank's other funding requirements are met by inter-company funding provided by Provident Financial plc which has a minimum maturity term of two years. The Bridge Facility will provide the Provident Financial Group with sufficient funds to allow Vanquis Bank to draw down an additional £85 million of funding which Vanquis Bank intends to hold as additional liquid resources. For more information on Vanquis Bank's and the Provident Financial Group's funding arrangements, see "*Liquidity and Capital Resources*" in Part X "*Operating and Financial Review*" of this Prospectus.

5.10 Capital requirements

As a result of holding a banking licence, Vanquis Bank is regulated by the PRA which sets requirements for Vanquis Bank as a solo entity relating to capital adequacy, liquidity and large exposures. Vanquis Bank is also regulated by the FCA for conduct purposes. In addition, the Provident Financial Group, incorporating Vanquis Bank, CCD and Moneybarn, is the subject of consolidated supervision by the PRA by virtue of Provident being the parent company of Vanquis Bank. The PRA sets requirements for the consolidated group in respect of capital adequacy, large exposures and, with effect from October 2015, liquidity.

As at 31 December 2017, Vanquis Bank had a common equity tier 1 ("**CET1**") ratio of 21.6 per cent. On a pro forma basis, after giving effect to the Rights Issue and taking into account the intended use of proceeds, at 31 December 2017, Vanquis Bank's CET1 capital ratio would have been 25.4 per cent. The amount of regulatory capital held by Vanquis Bank represents a buffer over and above the higher of its TCR (previously ICG) requirement set by the PRA and Vanquis Bank's own internal assessment of capital requirements as a result of its internal ICAAP process and ongoing monitoring.

5.11 IT and infrastructure

Vanquis Bank aims to provide an enhanced and optimised digital customer experience and, as a part of this aim, the Vanquis Bank website was re-designed in May 2017. The website re-design included the development of a bespoke eligibility service which provides customers with a risk-free eligibility enquiry (as Vanquis Bank has found that twice the number of credit card applications start with a quotation enquiry as opposed to a full credit search).

The foundation of Vanquis Bank's operating model is maintaining accurate data. In-house trace tools utilise Provident Financial Group-wide operational data store to ensure all internal and external credit reference agency data supports data accuracy. Analytical tools are in place to capture, promote and arrange numbers within an account to seek to use the most relevant data for customer contact attempts. In addition,

analytical targeting models are now supported with speech analysis to facilitate reaching appropriate customer outcomes, especially for the most vulnerable customers, and all calls are "mined" and monitored to help identify vulnerable customers. Vanquis Bank currently outsources third party credit card transaction processing and merchant services for its UK portfolio to First Data Group.

Many customers in arrears proactively seek to engage with Vanquis Bank through digital channels such as through web chat, SMS or email, as opposed to traditional voice channels. In response to this change in customer engagement, Vanquis Bank has developed a mobile App which has undergone a phased migration of approximately 400,000 existing mobile users. The Vanquis Bank mobile application further supports customer interaction through digital channels and allows customers to use the application in accordance with their time preferences. Since the introduction of the new Vanquis Bank mobile application in June 2017 for android users and in July 2017 for iOS users, approximately 530,000 mobile users now use it and current customer feedback on both the Apple and Google app stores shows strong customer satisfaction with the current app.

A new web app (replacing the current eVanquis site) is in development and will allow customers further access to their accounts through a modern digital channel.

Significant developments are also ongoing to improve the customer experience, including through the delivery of a new and more responsive website (www.vanquis.co.uk) which has seen improved customer engagement.

An improvement in the application process as part of the decision platform is currently in development which is aimed at improving the acquisition process, including through providing decisions on customer applications in real time. The platform represents a significant change for Vanquis Bank and will in-source the development of changes to the decision platform.

There are multiple small modelling and data analysis teams across Vanquis Bank and other businesses within the Provident Financial Group. During the second half of 2017 a strategic capability, the Vanquis Customer Analytics Platform ("**VCAP**"), was introduced to grow and enhance Vanquis Bank's data analytics and value management capabilities. VCAP provides analytical capabilities which measure and report profitability metrics to an account-level of granularity. The benefits of this new capability include increasing new account volumes by increasing the pool of marketable names, improving targeting precision for Vanquis Bank's core product, supporting the launch of new card products in near-prime and new-to-credit markets by identifying and targeting prospect names and augmenting existing value management strategies which focus on customer retention and long-term profit optimisation.

In addition to investment in the digital and data capabilities that support Vanquis Bank and its customer's needs, Vanquis Bank also continues to investment in information security, in line with industry standards.

5.12 Regulation

Vanquis Bank is authorised and regulated by the PRA and regulated by the FCA. The PRA is responsible for the prudential supervision of banks, building societies, credit unions, insurers and investment firms and the FCA which regulates the conduct of such firms and market integrity for the segments in which they operate. The board of directors of Vanquis Bank ("**Vanquis Bank Board**") includes non-executive directors who are independent of the Provident Financial Group to ensure compliance with applicable PRA rules, and the Vanquis Bank Board primarily leads on PRA interaction.

6. CCD

6.1 Overview

CCD specialises in providing small sum, short-term unsecured loans in the non-standard credit market. CCD comprises two divisions: (i) Home Credit, the home-collected credit business, whose origins date back to the Provident Financial Group's foundation in 1880, which satisfies the demand of customers requiring a face-to-face service; and (ii) Satsuma, the online weekly and monthly instalment loans business, which commenced lending in 2013 and brings the benefit of serving customers remotely.

The following table sets out summary information relating to CCD for the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	2016	2015
	(£ million except customer number and percentages)		
Number of customers ('000)	780	862	948
Period end amounts receivable from customers	390.6	584.8	545.1
Average receivables	443.8	508.7	499.5
Adjusted ROA	(17.4%)	22.3%	21.2%

6.2 Home Credit

Provident is the trading name for CCD's Home Credit business and is one of the leading providers of home credit in the UK and the Republic of Ireland by number of customers, serving approximately 527,000 active customers in the UK as at 31 December 2017, equating to a market share of approximately 33 per cent. (based on an estimated audience of approximately 1.6 million householders in the UK according to the FCA's 2017 High-cost Credit Review (Feedback Statement 17/2) published in July 2017), and approximately 86,300 customers in the Republic of Ireland. The Home Credit business in the Republic of Ireland had period-end average receivables of £46.8 million for the three years ended 31 December 2017, 2016 and 2015, representing approximately 10.2 per cent. of Home Credit's period-end average receivables over the same period.

(a) *Products*

Cash loans are the core focus of the Home Credit business's product range. The Home Credit business offers a range of weekly instalment loans to meet its customers' needs. Key features of the Home Credit business's loans include:

- weekly repayments (although some customers agree fortnightly, four-weekly or monthly repayments);
- fixed repayment amounts: the total amount repayable by the customer, which consists of the amount borrowed plus a service charge, is fixed at the outset, meaning that there are no other charges, even for missed or late payments, and interest does not compound irrespective of how long the customer takes to repay the loan;
- repayment collections by CEMs (although alternative payment mechanisms do exist should a customer's circumstances change); and
- the total cost of credit is the same for both new and existing customers (although access to longer loan terms and larger loan amounts at lower APRs is restricted to existing customers).

In the UK, customers have a choice of five different loan terms, ranging from 13 to 104 weeks, and can borrow between £50 and £2,500 (in increments of £10), depending on their requirements, repayment history and affordability assessment. Loan terms are set in order to provide customers with short-term (13 weeks), medium-term (26 weeks), annual (52 weeks) and long term (78 weeks, and 104 weeks) lending options that enable customers to borrow what they require over terms that make payments affordable and sustainable. Customers can accelerate payments should this suit them. Loan amounts in excess of £1,000 and loan terms of 78 weeks and 104 weeks are only available to existing customers.

The Home Credit business also offers cash loans in the Republic of Ireland which work in the same way as those offered in the UK, although the total cost of credit varies and the loan terms offered are for 26 weeks and 52 weeks only.

The table below sets out summary information on the Home Credit business's cash loan product based on an illustrative £100 loan as at 31 December 2017.

	13 week term	26 week term	52 week term	78 week term	104 week term
UK					
Credit charge	£ 43.00	£ 56.00	£ 87.20	£110.60	£139.20
Total cost of credit	£143.00	£156.00	£187.20	£210.60	£239.20
Weekly payment	£ 11.00	£ 6.00	£ 3.60	£ 2.70	£ 2.30
Republic of Ireland					
Credit charge	—	€ 30.00	€ 56.00	—	—
Total cost of credit	—	€130.00	€156.00	—	—
Weekly payment	—	€ 5.00	€ 3.00	—	—

For the year ended 31 December 2017, the average loan size at origination per Home Credit business customer in the UK was £637 and in the Republic of Ireland was £539 and for the year ended 31 December 2017, the average balance per Home Credit business customer in the UK was £1,539 and in the Republic of Ireland was £665.

(b) ***Distribution channels***

The Home Credit business recruits customers and generates sales primarily through the CEMs, existing and recent customers and direct marketing. The majority of new sales generation stems from existing and recent customers via the field force, and centralised direct marketing in approximately equal parts. The volume of new loans generated from all sources declined in 2017, as a result of the disruption related to the implementation of the new Home Credit operating model. The proportion of new loans generated by direct marketing increased in 2017 to become the largest source by a small margin, as a result of both the design of the new operating model which emphasised centralised direct marketing, but also as a result of the disruption in the implementation which reduced the proportion of new loans being generated from new and existing customers via CEMs in the field.

CEMs

CEMs find new customers in their area, through a range of activities, including the use of marketing materials and via referrals from existing customers. CEMs use marketing materials to promote the Home Credit business and the products and services it offers to target households. All of the materials used are subject to CCD's financial promotions approval process which is designed to ensure compliance with the relevant regulatory requirements.

Existing and recent customers

The Home Credit business communicates with existing and recently paid up customers to enable good relationships to be maintained throughout the term of the loan and thereafter. Communications include welcoming new customers, thanking paid up customers for taking a loan from the Home Credit business and for repaying their loan and informing eligible customers of when further borrowing opportunities could be available to them. The Home Credit business's lending communications inform customers of potential borrowing opportunities, giving them the chance to consider whether a new loan is right for them and offering them the option of contacting the Home Credit business (either via their CEM or directly) about such borrowing opportunities.

The Home Credit business aims to treat its customers fairly by only sending lending communications to customers who are likely to be accepted for a loan, based on, among other things, their repayment quality and risk modelling as well as taking into consideration any outstanding balance on their account.

To reduce the risk of eligible customers being over-contacted, rules are placed within the data to suppress contact to customers who have received consecutive communications, giving them breathing space from further lending communications.

The Home Credit business also uses a "Recommend a Friend" scheme, whereby customers are rewarded with a payment for referring someone to the Home Credit business who subsequently takes out a loan. Such referrals are generally made directly to the CEM.

Direct marketing

The Home Credit business contacts specific individuals using direct mail and text messages. The individuals contacted are carefully selected from third party data and may be selected because they are similar to people the Home Credit business has helped in the past, or because they are known to be considering a loan, for example, people who have been declined by other lenders. All data is checked against the Provident Financial Group's mailing preference service and an internal "Do Not Contact" list. In accordance with CCD's internal policies, individuals who request not to receive marketing communications are placed on the "Do Not Contact" list.

Advertising

CCD uses online advertising (including appearing in search engine results for people searching for relevant terms) as well as direct marketing to raise awareness of its brands and products, and aims to present them as different from other loan providers and products in the non-standard finance market. The Home Credit business's advertising aims to show that it is friendly, understanding, straightforward and dependable.

CCD works with specialist agencies to target online advertising to appropriate audiences. For any brand specific searches within Google or Bing, (e.g. "Provident" or "Satsuma"), CCD seeks to ensure that the brand is visible for users so that they can find out more about a loan and make an enquiry. CCD brands also appear when people search for other relevant terms (e.g. £300 loan, cash loan or online loan) so that people who are looking for this type of loan are able to consider the benefits of a Provident or Satsuma loan product as appropriate. Once a user clicks on a search result, they will be directed to the relevant website to find out more and make an enquiry. CCD also uses other online media such as display banners, Facebook advertising and social media to make people aware of its brands, products and services and to encourage people who are interested to find out more. CCD uses social media to increase awareness amongst target audiences and provide customers with an alternative means of communicating with the businesses. Prospective customers are not able to apply for or be granted loans via social media.

Introducers

Due to the on-going restrictive lending criteria of mainstream lenders, a proportion of applicants have difficulty accessing mainstream credit and as a result come into contact with introducers, who can help them find a more suitable lending product. Introducers operate a direct to market model (both online and offline) and attempt to match customers to appropriate credit providers, or find another intermediary who can. These loan-finding services are valuable to customers, as the intermediary is able to capture a single application and compare it against a range of lenders to provide the customer with one or a number of suitable lending offers. The Home Credit business uses introducers to supplement customers approaching the business directly. Applications received via introducers are received online and via telephone transfer. All applications are passed through a scorecard prior to them either being referred to a CEM for a home visit and further income and expenditure checks or being declined.

Steps are taken to seek to ensure that any third party who handles customers or customer information on behalf of CCD meets regulatory requirements. Prior to accepting applications from a new introducer, CCD:

(i) undertakes due diligence on the prospective introducer with respect to whether customers are treated fairly, including through intermediaries being clear and transparent about their processes and communications with customers;

(ii) puts in place a formal contract, pursuant to which the introducer is contractually bound to ensure that:

- he/she meets his obligations and "Treating Customers Fairly" principles;
- the information he/she communicates to customers about CCD's products is accurate; and
- its referrals meet specific criteria (e.g. age, employment status, valid bank account, etc.), meaning that the customer is potentially eligible for a loan.

CCD does not accept any applications from prospective customers who have been charged a fee. Confirming that customers referred to CCD are not charged fees forms part of the up-front and

on-going due diligence CCD carries out on its introducers. CCD reviews its lead generators on an on-going basis. This includes quarterly reviews by a manager from the CCD commercial team to monitor compliance with on-going obligations.

Introducers are paid a commission for each funded account with the Home Credit business. The commission structures agreed with introducers are designed to ensure that only those customers for whom a loan may be suitable are referred to CCD. This helps ensure that both the introducer and CCD are treating their customers fairly and that CCD is only paying for appropriate leads.

CCD's introducers are required to make it clear to customers that they are paid a commission for making referrals to CCD. The commercial team checks that information on commissions is clearly displayed on the introducer's website as part of their due diligence before a new introducer is added to the panel.

(c) ***Customer profile***

Home Credit business customers tend to have low incomes with a significant proportion relying on government benefits. They tend to be older and are less likely to be working full time than the typical Satsuma customer. Home Credit business customers typically have little leeway in their household budget with non-linear planned and unplanned outgoings and income. They are typically heavy users of other forms of credit including store cards and catalogues, have little or no savings and little in the way of support network to borrow from.

The Directors believe that customers of the Home Credit business are attracted to home-collected credit loans due to a number of factors, including:

- looking for the structure and discipline provided by a weekly visit from a CEM as a means of helping them make regular repayments;
- looking for reassurance that the lender they choose will support them if they experience financial difficulties. As the Home Credit business's loans do not incur late payment fees or accrue any penalty interest or additional charges, they are an attractive option for people who have previously experienced repayment difficulties and incurred penalties;
- home-collected credit loans may be the best option available, due to such customer having poor or thin credit files, which along with their employment status, can limit access to mainstream and remote credit; and
- they may appreciate the structured, instalment nature of repayments with manageable weekly amounts. CEMs employ a number of procedures designed to prevent applicants from borrowing more than they can sustainably afford to repay including by checking affordability for each loan application.

(d) ***Credit underwriting process***

Application process

Potential customers wishing to apply for a loan from the Home Credit business are able to do so via a number of methods:

- by making an enquiry direct to a CEM in response to an advertisement, recommendation or marketing activity;
- by contacting a local office in response to an advertisement, recommendation or marketing activity;
- by making a direct application through the Home Credit business's website;
- by making an application via an introducer; or
- by using a freephone telephone number to apply via the Home Credit business's customer contact centre.

The application process depends on whether the potential customer is seeking to make an application online, in person to a CEM or by phone to the Home Credit business's customer contact centre. However, in all cases the loan application is assessed for affordability and verified by two methods: (i) by applying the "Single View of Customer" automated affordability tests, operated by the Home Credit business's credit and analytics team; and (ii) by a CEM in the customer's home.

These two processes are intended to determine the most suitable product based on affordability and, subject to this being positively determined, will also define the length of repayment.

Lending decision

The Home Credit business aims to ensure responsible lending by evaluating customer creditworthiness using credit risk and affordability assessments as well as ensuring repayments are sustainable over the term of the credit agreement and that products are suitable for customer circumstances.

In order to arrive at a decision concerning whether or not to approve a loan application, the Home Credit business assesses a customer's eligibility and offers are based on the Home Credit business's risk acquisition and behavioural statistical models and policies which are designed to minimise the likelihood of predictable financial distress for the customer and protect the Home Credit business from taking uncontrolled credit risk. During the creditworthiness assessment, information is considered from a wide range of sources, including bureau and internal Home Credit business data. Applications are processed through the Home Credit business's in-house decision engine, and the final assessment is completed by the CEM while visiting customers at their home.

The Home Credit business carries out customer affordability assessments for each loan issued, regardless of whether the customer is a new or existing customer. Only a customer's fully validated individual income is used within the affordability assessment.

The Home Credit business does not "pre-approve" loans. This ensures that the Home Credit business is assessing the customer's circumstances at the point of application, including the affordability of the loan being applied for, and not relying on out-dated information. The impact of repayments for the loan being applied for is included in the affordability assessment (see below).

Assessing creditworthiness – Credit risk

The creditworthiness assessment is carried out using proprietary acquisition and behavioural scoring models utilising application information, current and/or past customer performances (when available), and information from credit reference agencies such as Experian and CallCredit to evaluate the customer's likelihood of default and therefore the risk they pose should the Home Credit business lend to them. In assessing creditworthiness the Home Credit business enhances its decision by:

- being able to use: (i) over 500 data items from the credit reference agencies (each a "**CRA**" and together "**CRAs**"); (ii) over 20 data items from the customer's application; and, (iii) where relevant, over 100 variables from the customer's previous CCD loans, to assess customer credit risk and likely intent to repay their loan;
- checking the application against internal previous customer databases to avoid lending to customers with previously low propensity to repay (including potential fraud – for example no actual payments made against a previous loan); and
- using application data, internal and external data to check customer applications against the Home Credit business's policies (for example, age limits, lending policies and CEM coverage areas).

Seven different acquisition scorecards using application information, customer past performance (when available), and information from CRAs are currently used. These are segmented by acquisition channels and the customer's previous relationship with the Home Credit business (for example, whether the customer is a previous or new customer). Once customer affordability is assessed, risk based offers are derived.

Three different behavioural scorecards, segmented by customer time on book, are used to evaluate further lending customer eligibility. Behavioural scorecards use customer current performance, application information, and information from CRAs. Once customer quality is assessed, risk based offers are derived in terms of a CEM customer lending mandate.

Assessing creditworthiness – Affordability

Affordability assessments and credit underwriting models remain separate within the Home Credit business's lending process. The Home Credit business uses a wide range of data sources to ensure

that it is using the most accurate and up to date information about the customer's existing credit commitments, living expenses and income to inform its lending decision. This includes verification of all sources of the customer's income, detailed assessment of outgoings, loan suitability and additional checks to ensure the customer's ability to afford repayments in a sustainable manner throughout the whole term of their loan, such as:

- ensuring that applications are complete through the use of a web based application form and the Lending App. It is not possible for customers or CEMs to submit incomplete applications and the whole application process (including affordability) is captured electronically;
- using data from CRAs to independently capture the customer's existing credit commitments; and
- capturing and validating customers' living expenses using internally developed models, based on the Office of National Statistics living expenses framework, to ensure that the information provided fits within the 'norms' expected for people in similar circumstances. These models are based on CCD customer applications and further lending data and are regularly reviewed to seek to ensure that the models are as accurate as possible and reflect the circumstances of its target customers.

CEMs also undertake full verification of the Home Credit business's customers' income as part of the further due diligence carried out at a face to face meeting (see "*Evaluation by CEMs*" below). CEMs are required to fully validate customer income and must see documentary evidence of such income. Any source of declared income that cannot be validated by the CEM cannot be used within the customer affordability assessment. Only personal income sources of a customer are eligible to be considered within the affordability assessment, for example "other family member" income cannot be used within the customer affordability assessment.

Data from CRAs is used to verify a customer's existing credit commitments, including any mortgage and other unsecured commitments. This provides the Home Credit business with actual up-to-date credit commitments for each customer, against which stated applications details are checked. For existing customers, their current commitments with the Home Credit business are also taken into account within the affordability assessment.

The Home Credit business collects details of a customer's existing credit commitments and living expenses as part of the application process. This includes the following information:

- mortgage or rent payments;
- other credit commitments including repayments for other existing loans; and
- other expenditures on, among other things, housing, fuel and power, transport, household goods and services and education.

Within the affordability calculation, when evaluating a customer's capacity for a loan, a conservative estimate of all the outgoings is used (i.e. the higher of the customer's declared outgoings and the output of an internal outgoings model). In this way, the Home Credit business seeks to ensure that the customer's outgoings are not understated.

Assessing creditworthiness – Sustainability

Within the affordability calculation, when evaluating a customer's capacity for a loan, a weekly conservative buffer is used to account for any change in customer circumstances. In circumstances where the CEM believes that the customer's income may not be sustainable over the full term of the loan, for example, a customer may have variable income, the CEM will take extra steps to ensure the repayments are sustainable. This may involve gathering additional data (additional proof of income in the form of additional wage slips) and/or additional questioning of a customer's circumstance.

Only when the CEM is fully satisfied that the loan repayments are sustainable should the CEM approve the application for credit. Should concerns arise about any of the information provided by a customer then the application may be declined.

Assessing creditworthiness – Responsible lending

Through meeting the customer face to face the CEM is able to assess whether there are factors that the CRAs cannot report on or which they cannot yet see, as to why a loan may not be affordable, for

example where a customer has children, but they have stated that their living expenses are minimal. A CEM will question whether or not the customer has thought of every item of expenditure, and seek further detail until they are satisfied that they have a realistic estimate of the customer's outgoings and a reliable measure of their affordability and sustainability.

The CEM is responsible for:

- assessing the personal circumstances of each customer applying for credit. This includes the CEMs seeing documentary evidence and fully verifying customer income and recording that they have done so via the Lending App;
- ensuring that customers do not financially commit themselves to more than they can afford. CEMs do this by completing the affordability assessment on the Lending App, and by talking to customers to assess whether foreseen changes to their personal circumstances could impact their future ability to repay their loan; and
- making customers fully aware of the terms under which they are borrowing and of their right to withdraw.

For all loans issued, the CEM must be satisfied that the customer is creditworthy and the loan is affordable, sustainable, and suitable and that the customer represents an acceptable lending risk. The Home Credit business mandates the issue amount based on the CEM's experience and the customer borrowing requirement, product suitability, credit risk, the ability of the customer to afford the weekly repayment and assessment of repayment sustainability.

In the year ended 31 December 2017, the Home Credit business initially approved approximately 61 per cent. of applications and after the screening completed by both the credit and analytics team and the CEM, the Home Credit business approved approximately 57 per cent. of its applications.

Loan disbursement

Loans are disbursed by the CEM in cash from either their own float or recycled collections from other customers. To seek to ensure that monies are distributed in a proper and timely manner, the Home Credit business uses a float cheque summary control process to reconcile monies given to the CEM against loan agreements. These are reviewed and balanced on a weekly basis.

Repayments

Repayment options are discussed and agreed by the CEM and customer before the loan is issued. This includes agreeing a specific date and time to collect loan repayments. Customers can make repayments directly to the CEM in cash, by cheque and by way of postal order. The Home Credit business also offers customers a number of alternative payment methods, including debit payment cards and Allpay.

If, from time to time, a customer is going to miss their CEM's visit and cannot arrange an alternative visit or make a payment to their CEM in advance, they can call the Home Credit business's Customer Contact Centre or visit the online payment portal on the Home Credit website to make a repayment and avoid falling into arrears.

For customers in situations where the weekly visit by the CEM might not be taking place, the customer may make payments via the Allpay system, which incorporates the 14,000 branch Post Office network and over 20,000 PayPoint facilities located at retail premises across the UK. This method of payment is provided by giving customers a swipe card or printed barcode on a letter. These can then be taken to participating outlets, where customers hand them over with a payment, and this is credited on to their account(s).

Where a customer's account has been passed to the Home Credit business's specialist collections team based in Bradford, the customer has the option of making repayments via continuous payment authority ("**CPA**"). In cases where a CPA payment is declined, the CPA schedule is cancelled and the Home Credit business's specialist collections team contacts the customer with a view to discussing affordability and agreeing a different repayment method where appropriate. The Home Credit business's specialist collections team does not re-present any declined CPA payments and only collects CPA payments on the date agreed with the customer for the amounts agreed. The collections team does not impose any fees on customers for using CPA.

(e) ***Managing arrears and default***

The Home Credit business recognises that customers' circumstances can quickly change. This is one of the reasons why the cost of loans from the Home Credit business is fixed up-front, meaning that the customer knows what they are required to repay and has the security of knowing that this amount will never increase, regardless of their repayment performance. Where customers experience difficulty in maintaining their repayments the Home Credit business offers support in a number of ways:

- CEMs are on hand and appropriately trained to understand customers' individual circumstances. Customers are encouraged to inform their CEM as soon as they experience difficulty making their repayment;
- should customers not wish to discuss their circumstances with their CEM they can contact the Home Credit business via the customer contact centre. The contact centre will take all relevant information from customers regarding their current circumstances and forward the information to a local field manager for them to assess and agree a suitable repayment plan. The contact centre do not agree repayment plans centrally if the customer is still allocated to, and being served by, a CEM; and
- throughout the arrears management process, the Home Credit business makes customers aware of independent organisations (such as StepChange, National Debt Line and the Money Advice Service) that can provide them with information on how to manage their finances. Details of such organisations are provided to customers via the Home Credit business's website and other customer facing materials.

The Home Credit business's arrears strategy consists of three components: (i) field arrears – a standardised escalation process focused on Early Care, Consecutive Miss and Change in Circumstance; (ii) transfer to the Home Credit business's specialist collections team (Provident Central Collections ("**PCC**")) – a standardised transfer process for all debt types from the field to the collections team; and (iii) PCC Operations – which has a standardised processes for all debt types.

Arrears strategy

The field arrears process is undertaken by the CEM and the Area Manager, and is focused on three types of customers:

- *Early Care*: Early Care is designed for those customers for whom lending has recently taken place. Where such customers don't make repayments they receive contact from their CEM, and the Area Manager over an eight-week period. Failure to commence repayments results in the customer being referred to the customer contact team, who handle the case up until the point at which no repayments have been received for 12 consecutive weeks.
- *Consecutive Miss*: Consecutive Miss is designed for those customers who have previously made repayments, but have not made a repayment for between five and 12 weeks. Such customers receive contact from the CEM and the Area Manager, before being referred to the customer contact team when they have missed eight consecutive repayments. The customer contact team handle the case up until the point at which no repayments have been received for 12 consecutive weeks.
- *Change in Circumstance*: Change in Circumstance is designed for those customers whose ability to make repayments is impacted by a change in their circumstances. In such cases, CEMs are able to agree a waiver with the customer that in effect reduces the weekly repayment in order to make it affordable for the customer.

The PCC team is based in Bradford and manages the Home Credit business's late arrears (greater than 12 weeks) and more complex arrears cases. The rationale for a specialist collections team is to organise and coordinate collections activity, delivering fair outcomes for customers alongside commercial results for the business.

Responsibility is transferred to the collections team in three circumstances:

- where customers have missed payments for 12 consecutive weeks;
- where the CEM and/or the Area Manager has been notified of, or has identified, a change in customer status that means it is no longer appropriate to continue with weekly collections by the CEM; and

- where the collections team has been notified of, or has identified, a change in customer status that means it is no longer appropriate to continue with weekly collections by the CEM.

PCC is focused on three areas of responsibility:

- *Recoveries:* the PCC team takes responsibility for the customer journey of all accounts that are transferred to the PCC team, including those accounts which are in financial difficulty or where an individual is vulnerable, as well as accounts which are outsourced to external organisations for further recovery activity such as debt recovery or litigation;
- *Improvement*: the PCC team takes responsibility as the key contact team to deliver continuous improvement to systems, processes and people which involves managing internal PCC improvements as well as supporting the delivery of strategic improvements at the CCD level; and
- *Administration*: the PCC team takes responsibility for the transfer of customer accounts from the field team, processing payments received and reconciling accounts.

Forbearance

The Home Credit business aims to help customers through financial difficulties by exercising forbearance. The business takes steps to understand a customer's circumstances prior to agreeing with them an appropriate forbearance strategy, such as agreeing reduced payment arrangements on a temporary or permanent basis; placing the account on hold for 30 days; or recommending that the customer seek free independent advice where the customer is in financial hardship.

Once a customer has been referred to the collections team, if a customer is behind on their payment arrangement by two or more payments, the collections team will attempt to contact them to determine why the arrangement has been broken to establish if there is a long-term change in their circumstances that has led to the customer being in financial difficulties, or if perhaps the situation is short-term and forbearance can be applied.

The Home Credit business is aware that all kinds of changes in the customer's life can lead to short- or long-term difficulties, and by completing an income and expenditure form, the Home Credit business can help the customer to decide what is affordable.

Arrears rate

The proportion of value of gross receivables in the Home Credit business in the various stages of arrears (from fully up to date through to 9 or more weeks in arrears) had been relatively stable in recent years. However, the disruption relating to the implementation of the new operating model in the UK had a material effect on the arrears rate in the run up to, during and for a sustained period after the transition as CEMs were unable to connect with customers through their weekly visits to collect payments due. The proportion of the gross receivables at year end fully up to date had typically been just over 50 per cent. prior to the transition. This fell in the UK to around half this level following the transition, but has since recovered as the business has implemented the Recovery Plan and re-established regular contact with customers. The proportion of the UK gross receivables fully up to date was at 33 per cent. as at 31 December 2017. A similar impact has been seen in the proportion of gross receivables that are more than nine weeks in arrears. Typically around 20 per cent. of the UK gross receivables at year end would be nine or more weeks in arrears, however following the transition to the new operating model, the proportion more than doubled, but has since improved to around 40 per cent. as at 31 December 2017.

Impact of arrears on a customer's credit file

The Home Credit business shares details of those customers who miss repayments with its Credit Reference Agencies (Experian and Callcredit), via an interface known as Credit Account Information Sharing ("**CAIS**"). A default is registered at the point an account is passed to a debt collection agency. The date of default is set to the most recent occurrence of the customer having missed a repayment.

Recoveries

Only in a limited number of cases, does the Home Credit business use third party debt collection agencies to help collect money owed from customers who fail to make contact or to make payments

as agreed, with the majority of cases instead being dealt with by the Home Credit business's own collections teams. This includes customers who cannot be located as well as those who have failed to respond to the Home Credit business's attempts to establish contact. Customers who have "gone away" are referred to the debt collection agency immediately. Other customers are referred to the debt collection agency after failing to respond to numerous contact attempts by the Home Credit business, using different methods of contact, over a five-week period.

Where it becomes evident that the customer is using third party support to help them with their finances, such as free money advice (e.g. StepChange or Christian's Against Poverty, fee chargers, or self-help tools), the case is withdrawn from the debt collection agency and is managed by the complaints team.

All the debt collection agencies retained by the Home Credit business are regulated by the FCA, members of the Credit Services Association and are subject to an annual audit by the Home Credit business. The Home Credit business deals with debt collection agencies through FreshStart. See paragraph 5.8 for further details on FreshStart.

(f) ***IT and infrastructure***

One of the Provident Financial Group's strategies is to drive efficiencies within the Home Credit business through technology, for example through its analytics centre which is responsible for providing credit risk and performance management tools for use by the Home Credit business. Since 2014, the Home Credit business has developed several mobile and other applications (or "**apps**") for use in its business. These apps include: Lending App (which allows customers and potential customers to apply for a loan), Collections (CLIP) App (which allows CEMs to take cash collections when servicing customers), Prospects App (which manages potential new business), Balancing App (which reconciles payment with due customer balances), Customer Manager App (which shows customer information), Map App (shows the location of customers on the Collections (CLIP) App), and Complaints App (allows customers to record a complaint). The Home Credit business has also further developed its data and analytics capability which has resulted in: (i) more centralised control; (ii) nine new business scorecards; (iii) three new behavioural scorecards for further lending; and (iv) centralised marketing through multiple channels.

As part of the Home Credit business's migration to the new operating model the following digital innovations have been implemented in 2017:

- integrated sales and collections applications have been delivered through mobile device management solutions. Tablets and smartphones are used by CEMs in the customer's home and give real time support to CEMs and provide geo-location and navigation functionality for CEMs to work across a territory or area;
- mapping applications: territory and route planning managed by the CEM and area manager to improve efficiency and provide the customer with an accurately timed appointment. The CEM has the ability to re-order, re-schedule and share work across areas resulting in increased efficiencies across the Home Credit business;
- territory planning: field management now has a view of their customer network and a real time view of field activity and performance, allowing them to effectively allocate employee resources to service customer needs;
- voice recording: voice recording is used in the customer's home and enables the Home Credit business to: (i) measure and monitor service quality; (ii) provide proof of good customer outcomes; and (iii) to demonstrate regulatory compliance; and
- online payments: facility for certain customers, being those customers over whom the Home Credit business is exercising forbearance, to make payments online introduced through a payment portal on the Home Credit website.

The digital innovations introduced by the Home Credit business are intended to achieve greater control over CEMs through efficient scheduling and time management, and the introduction of digital based tools also allows for greater efficiencies across the Home Credit business. The Home Credit business also utilises several additional tools, including: (i) Focus, the Home Credit business's account management system and main repository of the Home Credit business's customer data; (ii) Powercurve, a credit decisioning tool which uses scorecards to approve or decline new customers; (iii) Respond, a complaint management tool; (iv) Data Warehouse, which manages

regulatory mailings and regulatory letter production; (v) Tallyman, which is a collections system for accounts which have become delinquent; (vi) Pivotal, a customer relationship management system; (vii) the Home Credit Application Systems, which manages the on-boarding of new customers across all channels into Focus; and (viii) SVC, a legacy decisioning system which provides decision data that is fed into Powercurve.

6.3 Satsuma

Satsuma was launched in 2013 to broaden market reach by entering the online small sum instalment loan market. Satsuma's strategy is to become the first choice online financial services provider for underserved customers in the UK. As at 31 December 2016, based on the published annual accounts of Satsuma and other operators in the high-cost short-term credit market, Satsuma had the estimated fourth largest loan book in the UK high-cost short-term credit market. The dislocation of the payday loan market, and the introduction of stricter regulation around payday lending, has presented a shift in demand from payday loans to online instalment loans. Satsuma is able to meet this customer demand by offering straightforward products with no additional fees. Satsuma's success in establishing sound credit underwriting systems, effective and economic acquisition channels and improving the customer's experience has supported increased customer engagement and new business with customer numbers increasing from 55,000 as at 31 December 2016 to 79,000 as at 31 December 2017 and growth in receivables, increasing from £18.2 million to £35.8 million over the same period.

(a) *Products*

Satsuma provides online short-term unsecured instalment loans to meet the needs of customers in the non-standard lending market. Loans are offered with either monthly or weekly repayment terms to align to customers' income patterns (e.g. weekly paid customers tend to pay weekly ("**weekly payers**") whereas monthly paid customers tend to pay monthly ("**monthly payers**")).

Loan amounts range from £100 to £1,000 (in £10 increments) for new customers, whereas existing customers are able to borrow up to £2,000, subject to affordability. Customers have the option of borrowing over 3 to 12 months with the weekly term options being equivalent to the corresponding number of months. The objective is to enable customers to select the payment frequency and term of the loan to meet their individual requirements and circumstances.

Charges are aligned between new and existing customers and also between equivalent weekly and monthly products. The table below sets out summary information on Satsuma's instalment loan products based on an illustrative £100 loan as at 31 December 2017:

Term	Interest	Total amount payable	Monthly /weekly repayment
3 months	£47.60	£147.60	£49.20
6 months	£89.60	£189.60	£31.60
9 months	£99.80	£199.80	£22.20
12 months	£99.20	£199.20	£16.60
13 weeks	£43.13	£143.13	£11.01
26 weeks	£91.62	£191.62	£ 7.37
39 weeks	£98.90	£198.90	£ 5.10
52 weeks	£99.16	£199.16	£ 3.83

Satsuma's interest rates comply with all elements of the "price-cap" rules for high-cost short-term credit set out in the FCA's policy statement 14/16 (*Detailed rules for the price cap on high-cost short-term credit*). Satsuma's daily interest rates are below the initial cost cap of 0.80 per cent., it does not charge "default" fees or additional interest and it does not charge more than 100 per cent. of the amount borrowed.

For the year ended 31 December 2017, the average loan size at origination per Satsuma loan was £462 and for the year ended 31 December 2017, the average balance (defined as total amount payable less collections) per active Satsuma customer was £880.

(b) *Distribution channels*

Satsuma generates potential customers through a range of sources and techniques including natural search engine optimisation, paid search activity on Google, introducers, direct mail (via email), social media and programmatic display advertising.

Applications from existing customers follow the same application journey, involving the same credit decisioning and affordability assessments, as for new customers. Customers taking out a further loan with Satsuma do so via a log-in facility, via the mobile app and via other channels. Existing customers receive information via the log-in facility and the mobile app regarding their eligibility for further lending and can make applications via the log-in facility and mobile app, which streamlines the application process by pre-populating data entry with data already acquired and which customers validate. Following the launch of the mobile app in March 2017, the numbers of customers using the mobile app to apply for further lending has steadily increased, with approximately 15 per cent. of further lending originating via the mobile app during January 2018.

Existing and recent customers

Satsuma maintains engagement with existing and recently paid up customers to build customer relationships and to provide information, including to make them aware of future lending opportunities, primarily via the log-in facility and through its mobile App. Satsuma also uses targeted direct mail SMS, e-mail communication and push notifications to customers who are eligible to apply for a loan, based on, among other things, their repayment quality and risk modelling.

Advertising

Satsuma's customer recruitment is digitally led, and focused on: (i) search engine optimisation; (ii) utilisation of brokers; and (iii) utilisation of affiliates.

Introducers and brokers – web broker application journey

Satsuma only works with introducers and brokers who support customer led online applications (that is, it is the customer who inputs the information and the broker / introducer has no involvement). For brokers who send customer information through to Satsuma, a "soft search" is completed so as not to leave a hard footprint at the bureau and ensure that adequate data is collected in order to make a credit decision. Customers who are accepted in principle will be presented with an offer page, and if they click to accept, they will then go through Satsuma's standard decisioning process (which includes carrying out a "hard search", ID and verification (ID&V) and affordability assessment) where the data will be validated and the loan decision finalised.

(c) ***Customer profile***

Satsuma provides short-term unsecured instalment loans to meet the needs of customers in the non-standard lending market. The borrowing needs of Satsuma's typical target customers are borne out of everyday scenarios (for example, a broken washing machine, an unexpected bill). Satsuma is therefore positioned as an alternative borrowing mechanism with the resulting product design driven by the needs of the customer profile. Most customers are in full-time employment but with average or below average incomes and with little financial flexibility to cope with unexpected increases in outgoings or reductions in income.

Satsuma's customers typically have a lower credit score than would generally be accepted by a mainstream provider of unsecured credit and typically fall in the C1, C2 & D social grades (being those persons who are: (i) supervisory or clerical and junior managerial, administration or professional workers; (ii) skilled manual workers; and (iii) semi-skilled and unskilled manual workers, as based on the social grade classifications developed by the National Readership Survey), and within one of three "segments": (i) traditional non-standard (that is, the market of low-income borrowers); (ii) new-to-credit (i.e. customers with an immature credit file); or (iii) newly non-standard (that is, customers that have experienced a change in circumstances recently). Satsuma's customers are generally comfortable transacting online (often preferring the anonymity and convenience of this channel).

The Satsuma customer profile bridges the gap between the Home Credit business and Vanquis Bank, with some overlap with both businesses. The Directors believe that Satsuma customers are attracted to online loans and Satsuma in particular, due to a number of factors, for example:

- the online channel is a quick and convenient means of applying for credit and making repayments;

- they are increasingly cautious or wary of payday lenders or may have been declined by them in the past or, alternatively, they may have previously struggled with the one-off repayment model offered by payday lenders but are able to afford the regular repayments of an instalment loan;
- some are looking for a lender who will support them if they experience financial difficulties and realise that payday lenders and others in the short-term online loans market are unlikely to be as flexible as Satsuma; and
- they appreciate the structured, instalment nature of Satsuma loans that allows them to select the size of loan they need and structure their repayments over a suitable time period, ensuring that repayments are affordable.

The ratio of the number of loans to existing customers compared with loans to new customers has increased from 0.9 in the year ended 31 December 2016 to 1.0 in the year ended 31 December 2017.

(d) ***Credit underwriting process***

Lending approach

Customers apply for Satsuma loans, either direct via the Satsuma website or via an introducer. Customers requiring support can telephone the Satsuma contact centre for guidance and may also submit telephone applications in this way.

Satsuma's lending policy is designed to ensure the credit applied for is both suitable and affordable for the customer. Satsuma has an overarching aim that customers must not be allowed to financially commit themselves to more than they can afford and in achieving this aim, ensuring that the personal circumstances of each credit candidate must be carefully considered.

The lending decisions undertaken by Satsuma centre around the following criteria:

- assessing the creditworthiness – being the "willingness of the customer to repay" credit, before an agreement is made; and
- assessing the customer's "ability to repay" the credit and the sustainability of the credit agreement to be entered into.

Creditworthiness checks

Every Satsuma loan application is assessed and a final decision made by the Satsuma system based on Satsuma's policy rules and scoring process. The full cycle of customer risk assessment includes:

- application of pre-bureau policy rules (only customers who pass this stage may be assessed further);
- application of post-bureau policy rules and scoring (only customers who pass both policy rules and scorecard cut off may be assessed further); and
- application of Identity and Bank checks policy rules as required by the Satsuma Anti-Money Laundering Policy.

Satsuma adopts a data-based approach to the credit-worthiness decisionings, whereby the Satsuma decisioning engine combines applicant-sourced data (for example, demographic, employment type, residential status and loan purpose) and credit bureau data to determine a customer-specific risk score, predicting the likelihood that the customer will repay their loan. The score, combined with additional credit and regulatory based policy rules, operate as the primary creditworthiness decisioning criteria.

Satsuma undertakes a full credit search on all new applications. Certain credit information is obtained which is used in credit risk profiling and to identify customers showing signs of financial stress.

Before any loan is approved, all customers passing the creditworthiness criteria are also assessed for their ability to repay the credit and the sustainability of the agreement.

Affordability and sustainability

Satsuma ensures that it completes affordability checks by operating in compliance with applicable FCA guidance. Consequently, Satsuma:

- uses a wide range of data sources to ensure it is using the most accurate and up to date information about the customer's existing credit commitments, living expenses and income to inform the next stage of the lending decision: affordability and sustainability. This includes assessments of the customer's income, outgoings, character and the customer's ability to afford repayments throughout the term of their loan in a sustainable manner; and
- collects details of customer's existing credit commitments and living expenses as part of the application process and includes the following information:
  - mortgage/rent payments;
  - other credit commitments, including repayments for existing loans and credit cards; and
  - other expenditure (including on, among other things, utilities, transport, household goods, food and drink, clothing and education).

Satsuma's applications are completed through the use of a web based application form. It is not possible for customers to submit incomplete applications. Data from CRAs is used to verify the customer's existing credit commitments, including, for example, mortgage/rent, by providing Satsuma with actual credit commitments for each customer, against which the stated application details are checked. Satsuma validates customers' living expenses using internally developed expenditure based models to ensure the information provided fits within the 'norms' expected for people in similar circumstances. Where these searches reflect a higher expenditure than the customer has stated in the application, the application figures are increased to reflect the bureau/internal expenditure data figure.

Satsuma uses a customer's verified outgoings, along with the proposed new loan repayment amount and an additional monthly expenditure "buffer", to determine the minimum amount of income a customer requires to afford the new loan. This value is then sent to the CRA Callcredit for verification and only those customers whose income can be verified as being above this minimum income required by the bureau are automatically accepted. Where income cannot be verified, the customer is referred to the Satsuma Contact Centre for manual requests for proof of income.

This automated income assessment is performed using an industry-standard Callcredit product (TAC: The Affordability Calculator). When calculating the minimum amount of income the customer requires, the most conservative estimate of all the outgoings (i.e. the higher of the customer's stated and the verified amount) are used to ensure the customer's outgoings are not understated.

Where income can't be verified by TAC, the customer is informed, via the website, that proof of income/payslip verification is required to progress the application. Satsuma's customer services team will review all proof of income submitted by a customer against an allowable set of documents and criteria. Should the evidence substantiate that the customer's income is above the minimum income required to afford the loan, only then will the loan be approved.

During the application process, a customer is re-played a summary of the monthly income and expenditure they have entered, alongside their monthly repayment amount requested and asked to verify if it is an accurate reflection of their incomings and outgoings. They are then asked to re-confirm the accuracy of the information they have provided.

There are a number of system restrictions in place that prevent an application from proceeding if a customer enters information outside of Satsuma's lending criteria. For expenditure, these include, but are not limited to; rent / mortgage payments of a minimum, and over a maximum, amount, monthly loan / credit card outgoings of over a maximum amount, or total outgoings of a minimum, and over a maximum, amount. If a customer enters a monthly income amount of, or below, a certain threshold, then the customer will be asked to revalidate their entry. If reconfirmed, the application is not progressed and the customer is informed that they are unlikely to be approved for a loan and a full credit bureau search is not undertaken.

Once the customer's income and expenditure has been validated, Satsuma calculates the minimum income the applicant will need to be able to not only afford, but also sustain, the repayments

required. Satsuma then applies its additional monthly expenditure “buffer” to each application, which varies depending on the loan term. The customer is then asked to confirm that they can afford the repayments before proceeding with the loan.

Further lending (additional checks)

Existing and returning customers are assessed using the same full affordability assessment that is applied to new customers. In addition, before granting a new loan, Satsuma checks the customer at the credit reference bureau to determine whether there is any critical adverse information that has been reported against the customer (for example, bankruptcy notice or debt management plan). The credit worthiness of a new customer to Satsuma (and Home Credit) is assessed using a single new business acquisition scorecard, this scorecard utilises application information and information from CRAs. Over and above the scorecard, specific rules are in place to prevent out of policy and/or out of appetite lending; these rules utilise data from CRAs, history with Satsuma and history with Home Credit. The credit worthiness of a new customer to Satsuma, but who is known to Home Credit is assessed using the relevant Home Credit scorecards; these scorecards utilise information from CRAs and the customer’s past performance with Home Credit. In addition to the scorecard, specific rules are in place to prevent out of policy and/or out of appetite lending, these rules utilise data from CRAs, history with Satsuma, and history with Home Credit. The credit worthiness of an existing/returning customer is assessed using an Existing Customer acquisition scorecard; this scorecard utilises information from CRAs and the customer’s past performance with Satsuma. In addition to the scorecard, specific rules are in place to prevent out of policy and/or out of appetite lending, these rules utilise data from CRAs, history with Satsuma, and history with Home Credit.

In the year ended 31 December 2017, Satsuma approved approximately 20 per cent. of its applications and 60 per cent. of its applications from existing customers.

(e) ***Managing arrears and default***

Satsuma’s arrears strategy is to manage customers who are in arrears in a fair and transparent manner. Satsuma has outsourced the execution of its initial arrears handling to Vanquis Bank pursuant to a formal outsourcing agreement. Accounts in arrears for the equivalent of more than 13 weeks for the weekly product and four months for the monthly product and declared to be in default are transferred from Vanquis Bank to debt collection agency Moorcroft Debt Recovery (“**Moorcroft**”) and then subsequently to Zinc Group Limited (“**Zinc**”); both Moorcroft and Zinc operate under the oversight of Vanquis Bank.

When a customer misses a repayment, Satsuma will attempt to contact them by SMS, email, letter and telephone to request payment. If repayment of arrears is not possible, Satsuma will attempt to work with the customer to understand their circumstances and agree an affordable and sustainable repayment plan.

After the account has reached the equivalent of thirteen payments in arrears for weekly payers and four payments in arrears for monthly payers, customers will receive a default notice that gives them 17 days (which is inclusive of three days for postage) to rectify the arrears on the account. Should the arrears not be cleared within 28 days from the default notice, then Satsuma will decide whether to place the account in default. This decision is based on the customer’s individual circumstances and the level of cooperation with Satsuma. Once the account is placed in default, it is transferred to Moorcroft who commence debt collection proceedings. Moorcroft is authorised by the FCA, is a member of the Credit Services Association and is audited annually by Vanquis Bank, on behalf of Satsuma. The second placement debt collection agency, Zinc, is authorised by the FCA and is a member of the Credit Services Association.

Forbearance

Satsuma aims to help customers through financial difficulties by exercising forbearance. Following an assessment of the customer’s circumstances, Satsuma will agree with the customer an appropriate forbearance strategy:

(i) *Promise to pay*: a promise to pay is an agreement made with the customer for the customer to pay an agreed amount at an agreed time. A promise being applied will suspend arrears contact activity (excluding regulatory letters) until the promise date has expired.

(ii) *Income and expenditure assessment*: income and expenditure assessments are used to ensure any temporary or permanent arrangements are affordable for the customer.

(iii) *Temporary arrangements to clear arrears*: a temporary arrangement can be agreed to increase the repayments for a limited time period to ensure that the loan is paid off within the original term.

(iv) *Permanent arrangement to clear the arrears*: a permanent arrangement can be agreed to increase the repayments until the end of the loan term to ensure that the loan is paid off on time.

(v) *Repayment period extension*: a repayment period extension is used in order to allow repayments to remain the same.

(vi) *Reduced repayment arrangement (permanent/temporary)*: reduced repayment arrangements can be negotiated if the customer's circumstances have changed and they are no longer able to pay the agreed repayment amount.

(vii) *Final settlements*: once all other forbearance approaches have been exhausted a full and final settlement can be negotiated. Prior to notice of default being issued the minimum final settlement is 75 per cent. of the outstanding balance and post default notice being served the minimum settlement figure is 50 per cent. There is the potential for different final settlements to be agreed with customers identified as being vulnerable.

Arrears rate

Satsuma has both weekly and monthly repayment products, and therefore arrears stages are analysed in terms of the number of equivalent weekly and monthly payment cycles in arrears respectively. For both products, as at the end of December 2017, approximately just below 70 per cent. of total gross receivables were fully up to date with no arrears (excluding accounts which had been in arrears for more than 14 weeks). The weekly and monthly product arrears follow a consistent pattern with roughly each set of four weekly arrears levels combining to equate to each monthly level of arrears, with around 85 per cent. of total gross receivables either fully up to date or one month (or up to four weeks) in arrears (excluding accounts which had been in arrears for more than 14 weeks for weekly products and four months for monthly products).

Impact of arrears on a customer's credit file

Satsuma shares details of those customers who miss repayments with its Credit Reference Agencies (Experian and Callcredit), via the CAIS interface file. A default is registered on the customer account when the account is flagged as such by Vanquis Bank, as described above. The date of default is set to the most recent occurrence of the customer being reported to CAIS as having missed repayments.

Collections and recoveries

Satsuma and Vanquis Bank have an agreement in which the services to be provided by Vanquis Bank to Satsuma with regards to collections and recoveries and the service standards to which Vanquis Bank must operate are set out. The Satsuma Management Committee meeting, chaired by the Satsuma Director of Online & Analytics, monitors the performance of the debt collection services provided by Vanquis Bank, through Moorcroft, to Satsuma. Vanquis Bank's performance is overseen through a series of daily monitoring, regular site visits and monthly performance review meetings. The arrangement with Vanquis Bank allows for the use of third-party debt-collection agencies by Vanquis Bank and Satsuma does not contract directly with Moorcroft or Zinc, and their services are managed on a day-to-day basis by Vanquis Bank.

(f) ***IT and infrastructure***

The Satsuma customer login provides a range of functions driven by customer feedback and developments aligned to Satsuma's strategy. The customer login area provides: (i) account access 24 hours a day, 365 days a year; (ii) direct access for customers to apply for further credit; (iii) an easier and quicker application process (approximately 30 per cent. quicker for a customer than using Satsuma's website); (iv) up to date visual representation of a customer's loan status; and (v) the ability for customers to make repayments quickly using its interface.

Data and analytics development is a key component of Satsuma's growth strategy and Satsuma currently utilises cloud based and other solutions. In particular, Satsuma utilises the following tools: (i) Anaplan, a cloud-based planning platform that automates and restructures manual, spreadsheet processes allowing early warning of performance gaps, analysis of causes of performance variation and alternative solutions, thereby assisting Satsuma with making effective and timely decision-making; (ii) Pancredit, an end-to-end loans servicing platform that supports a range of lending products, including secured, unsecured and asset based products; and (iii) PowerCurve, a credit decisioning platform hosted by Experian and used for the underwriting of new applications.

In addition, Satsuma offers the Satsuma App for use by its customers, which, among other features, allows customers to see how they are performing with Satsuma through the Satsuma Smart Score feature, and Satsuma also offers the Satsuma Smart Check which allows new applications to see if they are eligible for a loan by completing a short application without leaving a footprint on their credit file.

6.4 **Funding**

CCD relies entirely on the Provident Financial Group for its funding. CCD is funded by intercompany loans from the Provident Financial Group. The Provident Financial Group's funding is from three core sources: (i) bank facilities; (ii) market funding including retail bonds, private placements and institutional bonds; and (iii) retail deposits through Vanquis Bank (which can only be used to fund Vanquis Bank). Certain corporate entities that comprise CCD, being PPC and PFMSL each provide guarantees in support of the Provident Financial Group's external funding; for both bank facilities and market funding. For more information on the Provident Financial Group's funding arrangements, see "*Liquidity and Capital* Resources" in Part X "*Operating and Financial Review*" of this Prospectus.

6.5 **Regulation**

CCD is the umbrella organisation that combines PPC with its parent company, PFMSL. Within CCD, both PPC and PFSML conduct regulated activity and are currently operating under interim permissions, awaiting full authorisation from the FCA.

Complaints

6.6 An external review of the handling of a sample of complaints received from CCD customers in July to September of 2017 concluded that CCD's complaint handling strategy could be improved to enhance the customer complaint experience, the efficiency of customer complaint handling and the most effective usage of CCD's operating model in complaints handling. The review also determined that in some cases CCD had failed to identify, and therefore respond to, all aspects of complaints raised by customers, and in some cases that where aspects of complaints had been correctly identified the complaints were not always fully investigated. CCD is preparing an action plan to address these matters and this will be submitted to the FCA in March. The actions will be implemented by 30 June 2018 and a second line assurance review will be undertaken in September 2018 to ensure the changes have been embedded.

7. **MONEYBARN**

7.1 **Overview**

Moneybarn was acquired by the Provident Financial Group on 20 August 2014 and is the leading provider of non-standard vehicle finance in the UK; with over 50,000 customers and a loan book of £364.1 million as at 31 December 2017.

The Moneybarn business was established in 1992, originally lending in the non-standard market on higher value cars using a contract hire model. Between 2000 and 2010 the business gradually changed its business model from providing contract hire lending to hire purchase loans (in the form of conditional sale contracts). Moneybarn changed its business model to service customers buying a car for everyday necessity (for example, the daily commute or taking children to school), focusing on lower-value, more mainstream, vehicle purchases, and ceased providing large loans on high value cars. Also, during this period the non-standard vehicle finance market shrank considerably as mainstream and specialist participants reduced their lending, collapsed or exited the market. From 2010, Moneybarn provided loans through an automated system, allowing a growth in scale, and materially increased its funding capacity in

late 2010. As a result, Moneybarn enjoyed strong growth until early 2014 when its origination of new loans was increasingly restricted by the funding constraints resulting from its ownership structure and the credit squeeze in the wider market. The Provident Financial Group acquired the business in August 2014 for £120 million and since acquisition has sought to grow the business.

The following table sets out summary information relating to the Moneybarn business for the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	2016	2015
	(£ million except customer numbers and percentages)		
Number of customers ('000)	50	40	31
Period end amounts receivable from customers	364.1	297.3	219.6
Average receivables	345.1	266.6	190.8
Adjusted ROA	11.6%	13.1%	12.9%

7.2 **Products**

Moneybarn offers customers a conditional sale motor finance product in the non-prime vehicle market, including cars, light commercial vehicles and motorbikes. Moneybarn classifies its customers broadly into one of three "Tiers" based on the customer's credit profile (see paragraph 7.5 below for more information about the Tier classification) and each loan is tailored to match the customer's credit profile and individual requirements.

The loan period and the cost to the customer (excluding charges arising from breaches of the loan agreement but including APR which is set according to the perceived credit risk presented by the customer) are fixed at the time the loan agreement is entered into. Repayments are made monthly and cover the principal capital and interest – there is an optional initial deposit but no end of agreement "**balloon**" payment. There are no compulsory additional fees, such as document fees, administration fees or end of contract fees, attached to the product.

The loan is secured against the vehicle and Moneybarn retains ownership of the vehicle until the final payment instalment has been made at which point ownership is transferred to the customer (this does not affect the customers' rights and protections afforded by the Consumer Credit Act). The customer is the registered keeper of the vehicle for the term of the loan and is responsible for insuring and maintaining it.

Moneybarn provides fixed term loans and does not make changes to a live agreement in terms of amount of credit, term or interest rate. Where it is identified that a customer is experiencing financial difficulties that are impacting their ability to afford repayments, forbearance options may be considered in terms of reduced repayments, depending on the circumstances.

The table below provides an overview of the core vehicle finance products offered by Moneybarn as at 31 December 2017:

Average loan amount	£8,200
Representative APR	37%
Average term	56 months
Age of vehicle[1]	No more than 12 years old at the end of the contract

[1] Cars under four months old must be purchased via a franchised or approved car dealer.

The average loan to value and deposit amount will vary depending on the product type and other factors relating to individual customers.

Customers must be no more than 65 years old at the start of the contract and must have been in their current employment for a minimum of two months. Applicants for motorbike loans must be at least 25 years old. Joint applications are accepted but the volume of these is relatively low (approximately 7 per cent. in 2017).

7.3 **Distribution channels**

Moneybarn operates a multi-channel acquisition model which consists of four routes to market: dealers, dealer brokers, internet brokers and direct. For the year ended 31 December 2017, 95.89 per cent. of

Moneybarn's sales by loan volume were intermediated, with 4.2 per cent. being made direct with Moneybarn.

Moneybarn currently has 53 broker and 32 dealer relationships. These are, in the main, long-standing relationships that have existed for many years and involve high levels of support and engagement. Moneybarn does not currently use aggregator websites as a route to market. Initial trials with aggregators have proved unsuccessful and, like many of its competitors, Moneybarn has not yet found a commercially viable model for using aggregator websites as a direct sales channel.

The acquisition channels that contribute to loan originations are: (i) dealers; (ii) dealer brokers; (iii) internet brokers; and (iv) Direct. For the year ended 31 December 2017 Moneybarn had approximately 85 relationships across dealers, dealer brokers and internet brokers, with internet brokers representing the largest distribution channel in terms of loan originations by volume.

Moneybarn continues to develop its acquisition channel strategy, and is developing relationships with lead generators, comparison websites and taking declined applications from prime lenders.

Dealers

Dealers used by Moneybarn include large vehicle supermarkets, with large sales volumes and in-house finance teams.

Dealer brokers

The traditional channel of sourcing customers in the motor finance sector is through dealer brokers. Many automotive and motorbike dealers do not have the skill or resources to manage customer finance applications in-house so they have relationships with brokers ("**dealer brokers**") who manage the customer finance application on their behalf. This is particularly true for non-standard customer applications that often require more management than prime applications.

Internet brokers

Internet brokers acquire customers solely through the internet, using pay per click and search engine optimisation to drive traffic to their websites. Internet brokers generally operate large teams of staff who manage the application process over the telephone, liaising with the lender and the dealer. Internet brokers typically maintain a large panel of lenders so they can secure funding for customers, regardless of the circumstances.

This channel has evolved rapidly over the past five years as customers have increasingly sought finance independent of the vehicle purchase.

Direct

While the Moneybarn website can be used by customers to obtain quotes and start the application process, a credit check is not undertaken through the site. Once a customer has received an online quote, Moneybarn makes contact to discuss the customer's specific situation and provide the customer with more detail to allow them to assess if the product is right for them.

In addition, at the end of the agreement term, existing customers, including those introduced through intermediaries and by other acquisition channels, may apply directly for another conditional sale agreement.

Commissions

The levels at which Moneybarn pay commission to its brokers are based on factors including the length and value of the professional relationship with the broker, customer feedback/outcome and expected volume, with resultant levels of commission varying from broker to broker.

At the start of each month, an expected volume of deals is communicated to brokers by a broker management team within Moneybarn, and for certain brokers, if they exceed the expected volumes, a pro-rated bonus is paid per deal, up to a maximum agreed level. This approach is set so that there is no "one deal" that drives a larger commission pay-out for the month; to ensure remuneration is not the driver for brokers and therefore that all customers are treated in the same way and get the most appropriate product for their needs.

There is no reduction in the level of commission per deal if the broker does not achieve their expected volume of deals in any one month. Commissions are paid monthly to brokers, with a three-month claw-back period on deals which are subsequently un-wound.

7.4 Customer profile

The profile of Moneybarn's customers is of a similar profile to Vanquis Bank's customers. They typically have a thin or impaired credit history and find it difficult to access credit from prime lenders. Moneybarn customers have an average age of approximately 38, are employed full-time (80 per cent.) or self-employed (20 per cent.) and have an average income level around the national average. Moneybarn customers are more likely to be male than female.

7.5 Credit underwriting process

Application process

Moneybarn has a comprehensive lending decision-making policy that has been developed over a number of years following an analysis of the credit and repayment behaviours of Moneybarn's customer base.

The policy rules have been incorporated into a bespoke system that provides a rapid assessment of the applicant's creditworthiness, under Moneybarn's lending policy. In assessing an applicant's creditworthiness the system considers, various factors, including: (i) types of accounts shown as held on CAIS; (ii) the current and historic status of accounts shown as held on CAIS; and (iii) the number of recent credit searches made.

Moneybarn's sales process is designed to provide a comprehensive assessment of the applicant's circumstances and to minimise the risk to the applicant and Moneybarn of an unsustainable lending agreement. Applications are subject to a five step process:

(1) *Initial application*: the applicant submits an initial application online or through a broker to test whether approval is likely. Moneybarn or the broker representative calls the applicant and guides them through the formal application.

(2) *Formal application*: the applicant completes a formal application providing details of the vehicle selected and his or her personal and financial background. The customer is guided by a representative from Moneybarn or the broker.

(3) *Decision in principle*: if an application is approved in principle, the Moneybarn decision engine provides a quote and terms specific to the applicant.

(4) *Customer review and document preparation*: the applicant refines his or her requirements in light of the initial offer and prepares the necessary documents for verification (with guidance from a representative from Moneybarn or the broker). The applicant typically goes home to locate the necessary documentation.

(5) *Assessment and payout*: Where an application is approved-in-principle, it is followed by stages of verification prior to committing Moneybarn or the customer to an agreement. Moneybarn conducts identification, vehicle and affordability checks and either confirms the loan or asks for more documentation. Once the final approval decision is made, the payout decision is sent to the customer and the funds are transferred to the dealer the following day.

The approval decision is made using a combination of the Experian derived scorecard and Moneybarn's own policy rules, both of which are proprietary. Decision making follows a four-stage process:

(a) *Stage 1: Data inputs*

The applicant's data is entered into Moneybarn's underwriting software which checks that the applicant and the car meet certain minimum requirements. The automated software connects to Experian to perform an initial credit check on the applicant and also to HPI Ltd and Glasses Guide to perform valuation checks on the vehicle.

(b) *Stage 2: Initial disqualification*

Certain applications are rejected following the first stage on the basis that one or more initial gross disqualifiers, being specific characteristics that Moneybarn has identified as indicating poor creditworthiness, apply to the applicant.

(c) *Stage 3: Decision*

Once the applicant and the car have passed the initial screening, the applicant's credit history and other aspects of his or her profile are checked. The risk of default is assessed by way of a bespoke scorecard, developed in partnership with Experian, as well as an internally developed Moneybarn scorecard. Applicants are evaluated based on their credit history and status as derived from Experian and on Moneybarn's policy rules which are based on its own data on arrears, repayment profiles and common traits that its customers share.

The scorecard calculates a credit score for the applicant who is then categorised broadly into one of three "Tiers" depending on the score, with Tier 1 representing the lowest risk of default and Tier 3 representing the highest. The loan amount and APR are determined based on, among other things, the applicant's Tier categorisation (see paragraph 7.6 below for more information). In 2017, approximately 9.5 per cent. of applications were returned as "Tier 4". Applications for Tier 4 include those that have raised an alert relating to potential fraud or where the applicant has put a "notice of correction" on their credit file. As a result, these accounts need to be manually reviewed before proceeding with the Tier placement.

(d) *Stage 4: Document check*

Once a customer is accepted as a Tier 1, 2 or 3 customer, they are required, via the introducer or directly themselves, to sign a finance agreement and return it along with a set of supporting documentation (including proof of affordability, identity and vehicle documentation) to Moneybarn. The documentation is reviewed by Moneybarn's new business operations team before the loan is disbursed. If during this review, it emerges that the information originally entered into the underwriting system was not accurate, Moneybarn can decline the application. As Tier 3 customers represent an increased credit risk, their situations are often more complex than Tier 1 and 2 customers.

7.6 **Pricing**

Lending to customers with a higher risk of default is at a higher APR than lending to those who represent a lower risk of default for an equivalent loan size and term. The risk of default is assessed by way of Moneybarn's bespoke scorecard, developed in partnership with Experian, as well as Moneybarn's internally developed scorecard.

APR is calculated for applicants in each Tier, and is higher for Tier 3 applicants, reflecting in part the higher cost of application assessment for these customers. For the year ended 31 December 2017, the APR on Moneybarn's loans ranged from 19.9 per cent. to 65 per cent. with an average APR of 38.3 per cent. The maximum amount that can be lent to each Tier of applicant is as follows: (i) Tier 1: £25,000; (ii) Tier 2: £25,000; and (iii) Tier 3: £15,000.

With the exception of loans to a small group of higher quality customers, amounting to 5.3 per cent. of accounts written in 2017, the current underwriting model loan values do not exceed the Glasses Guide Retail Value of the relevant car.

Pricing analysis is conducted by Moneybarn's finance team, working with the product manager and the new business team. The results of the analysis are brought to Moneybarn's Credit Committee which has responsibility for and oversight of all changes in pricing. Moneybarn's pricing strategy is regularly reviewed.

7.7 **Affordability assessment**

Moneybarn assesses creditworthiness and affordability via two separate processes.

The affordability assessment consists of two elements:

(a) verifying customers' stated level of income, including detailed analysis of income on bank statements and/or pay slips; and

(b) calculating the affordability of the monthly repayment as a proportion of monthly income.

Notwithstanding the small number of instances in which loans were made to self-employed persons where affordability assessments conducted by Moneybarn did not take into account tax and National Insurance contributions payable by them, which is part of the focus of the FCA's investigation and in respect of

which Moneybarn has taken action, Moneybarn does not lend to a customer where the monthly repayment amount is more than a certain proportion of their verified net monthly income or where monthly net income is less than a minimum threshold. Using a minimum net income threshold is designed to ensure that customer defaults are generally as a result of a change in circumstances, income shock or the customer never intending to repay the finance, rather than an inability to meet repayments at the outset. For joint agreements, multiple vehicles within a single household or where a customer applies for finance on additional vehicles, the affordability assessment is adjusted to take these factors into consideration.

7.8 **Managing arrears and default**

Moneybarn defines being in arrears as a circumstance in which the customer is behind on payments but the agreement has not been terminated and the customer continues to have use of the vehicle. Moneybarn has several processes in place designed to minimise the risk of customers defaulting on their repayment. This includes seeking to ensure that agreements are affordable at the outset, sending reminder messages leading up to the repayment date and attempting to contact the customer soon after the date of repayment if the direct debit payment is not received.

Although Moneybarn's responsible lending practices are designed to minimise the number of arrears accounts, given the credit profile of Moneybarn's non-standard customer base, as well as the potential for unanticipated changes in personal circumstances, having a certain proportion of accounts in arrears is expected. Where this is the case, the objective is to correct the arrears position at the earliest opportunity rather than terminating the agreement, giving careful consideration to the customer's circumstances.

Forbearance

It is Moneybarn's policy to seek to ensure that an arrears position is corrected affordably, sustainably and promptly and the fair treatment of customers is considered at each step of the arrears management process. Moneybarn recognises the importance of an appropriate approach to each customer, as a lack of, or too much, forbearance can deteriorate the customer's financial position. It is important that decisions are made in a fair and timely manner and this message is embedded into the training provided to Moneybarn's employees.

Once a customer misses a repayment Moneybarn aims to make contact at the earliest opportunity to identify the reason for non-payment and assess the customer's circumstances, including an affordability assessment taking into account income and expenditure. This "fact-find" allows for an appropriate action plan to be put in place following an assessment of:

- the underlying reason for arrears;
- the wider financial impact stemming from the issue;
- whether the financial impact is likely to be short or long term;
- steps taken to resolve the issue (e.g. seeking new employment);
- income and expenditure details and a re-assessment of affordability;
- employment status and long term employment prospects;
- alternative income streams in place (i.e. redundancy payment, insurance policies or any insurance claims pending);
- benefit entitlement/benefit claims pending;
- historic payment pattern and communication content; and
- number and extent of solution options previously attempted (i.e. sustainability of previous payment arrangements).

Customers are proactively encouraged to seek independent holistic debt advice at the earliest opportunity and a list of independent free debt advice organisations is provided to customers as soon as the account enters arrears.

Following the assessment of the customer's circumstances, four solution options are available:

(a) *Payment*: the customer is willing and able to rectify the arrears position in full in the short term. An affordability assessment is also carried out to confirm the sustainability of repayment.

(b) *Forbearance*: the customer is unable to rectify the arrears position in the short term but a pending change in the circumstances means the repayments are sustainable.

(c) *Agreed exit strategy*: if it is evident that repayments are no longer sustainably affordable, the agreement will be terminated to minimise customer detriment. This includes voluntary surrender, voluntary termination, sale of the vehicle to a dealer or full account settlement. Moneybarn has adopted policies and procedures designed to comply with all requirements under the Consumer Credit Act relating to agreement termination including the "half-rule" (giving the customer the right to terminate the credit agreement at any time if he or she has paid, or will pay, half of the contract amount) and "third-rule" (restricting the lender's ability to take possession of the vehicle if the borrower has paid one-third or more of the contract amount without first obtaining an order of the Court).

(d) *Repossession*: as a last resort, if an appropriate exit strategy cannot be agreed, a repossession of the vehicle will be sought.

The forbearance option gives Moneybarn and the customer the ability to vary the repayment plan in a number of ways to resolve the arrears situation. As described above, a "fact-find" and assessment of the customer's circumstances helps Moneybarn determine the reason for the arrears position, and enable a decision to be made as to whether forbearance is the right option and if so, which type of forbearance is appropriate for the customer. The forbearance options are:

(a) *Payment plan*: a temporary increase in monthly repayments (within clearly defined affordability criteria) to rectify the arrears position over a number of months.

(b) *Reduced payments*: where non-payment is due to a short-term change in circumstances, Moneybarn may reduce payments (down to and including zero) for a short period. Long-term sustainability must be evidenced (e.g. customer has a job confirmation).

(c) *Instalment only*: where the customer is able to meet the normal monthly repayment amount but not rectify the arrears position, repayments will continue at their usual level and Moneybarn works with the customer regularly to discuss how to rectify the arrears position. No continuing charges are applied so the arrears position does not deteriorate.

All forbearance plans are agreed with the customer and confirmed in writing. Customer accounts on a forbearance plan are subject to monthly review to monitor whether the arrangement remains suitable.

Once one of the above payment plans has been agreed, should the customer fail to meet the new terms of the plan, a further account review takes place. Depending on the reason for non-payment an amended payment plan may be agreed if Moneybarn deems it appropriate to do so. Moneybarn does not continue to agree new payment plans when the previous plan has not been met without an evidenced change in circumstances, as this would lead to a poor outcome for the customer.

If it is evident from discussions with the customer that the agreement is no longer sustainably affordable, an exit strategy is discussed to minimise customer loss and resolve the matter in a fair and reasonable manner. If a customer is still unable to demonstrate that their contract is sustainably affordable, Moneybarn will assist the customer to understand their options to exit the agreement prior to the issue of a default notice. The three most common methods to exit an agreement are: (i) to fully settle the agreement; (ii) conduct a customer-initiated voluntary termination of the contract under s.99 of the Consumer Credit Act (a "**Voluntary Termination**"); or (iii) to allow Moneybarn to issue a termination notice (a "**Default Termination**"). Following Voluntary Termination, the vehicle is sold and the customer debt is reduced in the manner set out in the Consumer Credit Act, and following set-off the customer debt becomes fixed at that point. Following a Default Termination, the best customer outcome is usually achieved by recovering the vehicle and selling it as soon as possible to avoid continuing depreciation. The proceeds of the sale are then set-off against the customer's debt; unlike with Voluntary Termination, the customer debt does not become fixed at that point.

In certain circumstances following termination, including where a customer has refused contact until that point, the customer may then make contact and be able to evidence affordability. Moneybarn will then use a court-approved process to help the customer stay in their vehicle, under a consent order. Moneybarn is careful only to use consent orders where a customer can demonstrate the sustainability of the payment proposed following a full income and expenditure assessment. It is a process that has been developed to enable the customer to keep their vehicle, even at this late stage in the process. In all instances Moneybarn endeavours to get the best re-sale price for the vehicle and the best outcome for the customer (see "*Collections and recoveries*" below for further information).

If the customer continually refuses to correspond or co-operate with Moneybarn, legal action may be pursued. This is the least favourable option and Moneybarn will attempt to establish contact with the customer throughout proceedings to arrange a sustainable arrangement. The first step in this legal process is to issue a Default Notice to the customer, in line with the Consumer Credit Act. The FCA information sheet regarding default notices will be sent with the default notice.

Arrears rate

Moneybarn does not profit from customers being in arrears. Arrears fees are calculated and charged to cover the incremental administration costs of managing arrears accounts only. Moneybarn does not use, and has never used, a premium rate telephone number. Where a customer is on a payment plan no charge will be made.

Arrears levels vary over the course of each month, and also show seasonal characteristics in August and December when customers prioritise spending on holidays and Christmas. A large proportion (approximately 38 per cent. for the year ended 31 December 2017) of customers choose to have their Direct Debit payments fall in the final week of each month. As a result arrears rates are highest at the end of the month and start of the next month and lowest at mid-month. Average arrears of greater than one month for the year ended 31 December 2017 were approximately 22.1 per cent. of the non-terminated receivables book.

Moneybarn has evolved its arrears management and forbearance processes over recent years. This has meant that an increased number of customers are maintained in their contracts, and retain possession of the vehicle. As a result, and as a result of Moneybarn's increased risk appetite, the proportion of non-terminated customers that are in arrears has increased over the last three years. The proportion of non-terminated customers in arrears by at least one month's instalment as at 31 December 2015, 2016 and 2017 was 12 per cent., 18 per cent. and 22 per cent. respectively.

In some cases resolution is not possible and a default termination is the most appropriate course of action. In the year ended 31 December 2017, approximately 5.8 per cent. of Moneybarn's customer contracts were terminated having proven to be unsustainable. The primary reason is due to a change in the customer's circumstances or income shock but occasionally termination occurs where the customer never intended to repay the finance from the outset.

Impact of arrears on a customer's credit file

Moneybarn reports customers' payment performance to three UK credit reference agencies, Experian, Equifax Limited and Callcredit Information Group Limited. The report is sent once per month to Experian's CAIS database and follows the Information Commissioner's Office guidelines on filing defaults with credit reference agencies. The reported status depends on the amount of arrears relative to the customer's monthly repayment.

Collections and recoveries

As Moneybarn's loan is secured against the vehicle, the customer's liability generally is significantly reduced once the vehicle is returned and sold. The actual reduction in debt depends on the mileage and condition of the vehicle when recovered. Following termination of the agreement, Moneybarn arranges for the vehicle to be returned or recovered and re-sold at auction to reduce the customer's debt. This can be an uncertain time for the customer and therefore Moneybarn adopts a policy of keeping them up-to-date throughout the process. The customer is liable for various aspects of the vehicle's condition as follows:

(a) both the condition of the vehicle and availability (or otherwise) of associated documentation has a significant impact on the vehicle re-sale price and as such, every attempt is made to ensure that the V5 vehicle registration document, service book with service record and dealer stamps; and spare vehicle keys are recovered;

(b) should the vehicle have any damage (beyond normal wear-and-tear) it may need to be repaired prior to being placed into auction. Moneybarn only authorises repairs to be carried out prior to sale if Moneybarn believes it would increase the sale proceeds by at least the cost of the repairs; and

(c) all other fees incurred by Moneybarn (such as auction fees and agent recovery fees) are also the responsibility of the customer under the terms of the agreement. The customer is reminded of these when discussing the termination options.

Once the re-sale process has concluded, a communication is sent to the customer informing them of any contractual balance owed and the amount that would satisfy the debt in full with immediate payment (usually lower due to the future interest rebate calculated in accordance with the Consumer Credit Act). Where the account has a shortfall balance, contact is made with the customer to discuss a payment plan.

Moneybarn works with a panel of asset recovery agents. Prior to appointment each agent is fully assessed to determine whether they have the required permissions for the activity they are asked to undertake and whether they operate in line with Moneybarn's instructions.

7.9 Funding

Since its acquisition in August 2014, Moneybarn has been wholly funded by the Provident Financial Group. The Provident Financial Group's funding is from three core sources: (i) bank facilities; (ii) market funding including retail bonds, private placements and institutional bonds; and (iii) retail deposits through Vanquis Bank (which can only be used to fund Vanquis Bank). Certain of the corporate entities that comprise Moneybarn, being Duncton Group Limited, Moneybarn Group Limited and Moneybarn No. 1 Limited, each provide guarantees in support of the Provident Financial Group's external funding; for both bank facilities and market funding. For more information on the Provident Financial Group's funding arrangements, see "*Liquidity and Capital Resources*" in Part X "*Operating and Financial Review*" of this Prospectus.

A significant proportion of new business is funded from customer repayments on the existing customer book. Currently, Moneybarn provides only one product type, and therefore has only one source of income – motor finance on conditional sale agreements. In practice, this separates into two related income streams:

Source of income	Description	% of total income (approx.) for the year ended 31 December 2017
Contract	Income as a result of lending per the credit agreement and gains associated with vehicle sales permitted thereunder	98.8
Ancillary[1]	Charges associated with breaches of the customer agreement	1.2

(1) These fees are not a generator of profit and are calculated solely to recover the additional cost of intervention and administration incurred in resolving breaches. The levels of all fees are regularly reviewed.

7.10 IT and infrastructure

Moneybarn has highly tailored operational IT systems that have been developed primarily in-house, to support both direct and indirect sales (through a number of dealers and brokers). These systems have evolved over the last five years reflecting the introduction of digital technologies to reduce and replace the manual underwriting of credit and loan decisions.

This technology strategy has allowed Moneybarn to develop its underwriting and processing systems to meet both intermediary and customer needs, and Moneybarn continues to develop its digital capability to, among other things, improve its integration with internet brokers and dealers while developing its own direct sales capability via new marketing opportunities.

7.11 Regulation

Moneybarn Limited, Moneybarn No. 1 Limited and Moneybarn No. 1 Limited are authorised and regulated by the FCA. The non-standard finance sector has recently been subject to increasing regulatory focus and scrutiny. For additional information, see "*The volume of regulation applicable to, and the regulatory scrutiny of, the UK non-standard consumer finance sector has increased and is expected to continue to increase, giving rise to greater ongoing regulatory compliance costs for the Provident Financial Group and greater risk of regulatory non-compliance*" in "*Risk Factors*".

8. INTELLECTUAL PROPERTY

The Provident Financial Group protects its intellectual property through a combination of trademarks, copyright and contractual provisions. As at 31 December 2017, the Provident Financial Group held a portfolio of 140 trademarks in the UK and Poland.

9. PROPERTY

As at 31 December 2017, the Provident Financial Group occupied 201 properties in the UK and the Republic of Ireland. Of these, 42 were held as freeholds, 6 as long-term leaseholds, 132 as short-term leaseholds and 36 were held under licences or service agreements. In addition, there are 18 properties which are either sub-let or vacant. The Provident Financial Group's head office is situated at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU, United Kingdom. The head office is also the headquarters for CCD and houses the Home Credit business and certain Vanquis Bank call centres. Other material properties owned, leased or held by the Provident Financial Group are as follows:

Location	Description and Tenure	Use	Building/site use area (square metres)
20 Fenchurch Street London EC3M 3BY, United Kingdom	Leasehold	Vanquis Bank headquarters	2,465
The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ, United Kingdom	Leasehold	Moneybarn head office	2,461
50 Permbroke Court Chatham Maritime, Kent ME4 4EL, United Kingdom	Service Agreement	Vanquis Bank Contact Centre	3,121
Compass South, Chatham Maritime, Kent ME4 4YG, United Kingdom	Service Agreement	Vanquis Bank Contact Centre	3,145
First Floor Aldermanbury House, 4 Godwin Street, Bradford, West Yorkshire BD1 2SA, United Kingdom	Leaseholder	CCD Contact Centre	1,277
5 Godwin Street, Bradford, West Yorkshire BD1 2AH, United Kingdom	Leasehold	—	3,691

The Provident Financial Group also has a non-client facing branch network of 156 branches as at 31 December 2017, which is used to allow management and CEMs to interact and conduct meetings. The Provident Financial Group aims to ensure that it has the right number of branches to support the revised operating model.

10. EMPLOYEES

The average numbers of persons employed on a full- and part-time basis by the Provident Financial Group for the years ended 31 December 2015, 2016 and 2017 (permanent and fixed contract staff worldwide, not including agency staff) is set out below:

	For the year ended 31 December		
	2017	2016	2015
Vanquis Bank	1,469	1,370	1,303
CCD	3,118	1,943	2,179
Moneybarn	211	174	127
Central	66	63	58
	4,864	**3,550**	**3,667**

The introduction in 2017 of a new operating model for the Home Credit business which involved 2,500 CEMs being employed on a full-time basis rather than self-employed agents, and the subsequent recruitment of approximately 300 part-time employed CEMs as part of the Recovery Plan, has impacted the number of total employees for CCD and the Provident Financial Group as a whole for the year ended 31 December 2017. Employees comprise all head office and branch employees within the CCD, head office and contact centre employees within Vanquis Bank and Moneybarn and corporate office employees and directors.

There is no recognised union in place, however employees have the right to be represented by a trade union representative in the UK and the Republic of Ireland at any disciplinary or grievance hearing. The Provident Financial Group's policies on redundancy also give employees the right to be represented by a trade union representative in any consultations.

As at 22 February 2018 (being the latest practicable date prior to the publication of this Prospectus), the Company employed approximately 5,947 persons (excluding Directors) all of whom are based in the UK and the Republic of Ireland.

11. **HEALTH AND SAFETY**

Each business division is responsible for the day-to-day management of health and safety issues, which are overseen by division-specific steering groups. Each divisional board regularly considers health and safety topics and produces an annual report on compliance with the Provident Financial Group-wide health and safety policy.

The personal safety of the CEMs, agents and employees of the Home Credit business is a particular priority of the Provident Financial Group, and to that end, the Provident Financial Group has implemented formal health and safety policies and procedures for the Home Credit business that are managed by designated safety managers and overseen by a competent person at the Provident Financial Group's head office.

12. **INSURANCE**

The Provident Financial Group maintains a range of insurance policies that the Directors believe are customary to its type of business. These policies include, among others, polices for (i) property damage; (ii) employers liability; (iii) public liability; (iv) business interruption; (v) terrorism; (vi) motor fleet (covering both the UK and Ireland) and a separate policy in relation to Moneybarn); (vii) cyber security; (viii) comprehensive crime; (ix) directors and officers liability insurance; (x) travel; and (xi) certain pension related liability. The Provident Financial Group regularly reviews the insurance cover it holds to ensure that the Provident Financial Group is comprehensively insured at all times and to ensure the premiums it pays are in line with prevailing market conditions.

13. **CORPORATE SOCIAL RESPONSIBILITY**

The Provident Financial Group's social purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

Central to this social purpose is the Provident Financial Group's corporate responsibility strategy that commits the Provident Financial Group to:

- operate the core business of lending to customers in a responsible and sustainable manner, putting their needs at the heart of everything the Provident Financial Group does; and
- act responsibly and sustainably in all the Provident Financial Group's other stakeholder relationships in order to: create a working environment that is safe, inclusive and meritocratic; treat the Provident Financial Group's suppliers fairly; support the communities in which the Provident Financial Group operates; proactively engage with the investment community on sustainability matters; and minimise the environmental impacts of the Provident Financial Group's business.

For the Provident Financial Group, responsible and sustainable lending is about developing and delivering products that meet the needs of the Provident Financial Group's customers. The Vanquis Bank credit cards, Home Credit loans, Satsuma loans and Moneybarn car finance loans are designed to share the same responsible lending characteristics: simple and transparent financial products delivered through a friendly and personal service, demonstrating high levels of understanding of customers who experience difficulties.

Monitoring customers' satisfaction is critical to determine whether the Provident Financial Group is effectively delivering its lending responsibly and sustainably. It is also a good indicator that the Provident Financial Group is developing products that meet the needs of customers in a responsible manner. Customer satisfaction is monitored across the Provident Financial Group by a range of feedback sources, including conducting various customer surveys, and the high level of customer contact has helped the Provident Financial Group to maintain some of the highest levels of customer satisfaction in the industry with approximately nine out of ten customers saying they would recommend Vanquis Bank and a consistently high customer satisfaction score for Home Credit based on internal data, of above 90 per cent. over a number of years until the disruption caused by the implementation of the Home Credit business's new operating model in July 2017 led to a decline in satisfaction scores during 2017.

PART V
RISK MANAGEMENT

1. HISTORIC OVERVIEW

The governance of the Provident Financial Group is, and has always, been organised so that each of Vanquis Bank, CCD and Moneybarn (each a "**Division**" and together the "**Divisions**") independently maintain and manage their respective policies, including their risk management policies. The Divisions each have in place risk management frameworks (the "**Divisional Frameworks**"), which are developed and operated by each Division. The Provident Financial Group provided broad direction to ensure a degree of consistency in, and oversaw the implementation of, the Divisional Frameworks.

As part of the Provident Financial Group's risk management framework (the "**Framework**") the Provident Financial Group's intention has been to seek to ensure that the customer is at the heart of what the Provident Financial Group does and that the Provident Financial Group is focused on delivering good customer outcomes. However, recent events, as described in Part 1 "*Letter from the Chairman of Provident Financial plc*" of this Prospectus, have demonstrated that the Provident Financial Group's delivery methods, culture and governance, and in particular, the Provident Financial Group's risk management around these areas, has not been as effective as intended.

For more information on the Provident Financial Group's risk management, including certain risks relating to the Framework, including risk management not always having been consistently aligned through the Provident Financial Group and certain historical failings in the way the oversight role was implemented by the Provident Financial Group and the Divisions, see the Risk Factor titled "*The Provident Financial Group's risk management policies and procedures may prove inadequate*".

2. RECENT DEVELOPMENTS

As described in more detail in Part 1 "*Letter from the Chairman of Provident Financial plc"* of this Prospectus, the Provident Financial Group has established its first Group Chief Risk Officer role who will, once appointed, work closely with the Board and the Chairman (or Chief Executive Officer) as appropriate to provide a group wide oversight of risk (as well as governance and culture) and will seek to ensure that effective management of risk is a key focus of the Provident Financial Group, and appointed an Interim Group CRO.

The Provident Financial Group is committed to operating an effective risk and governance framework that aims to be consistent and commensurate with the nature, complexity and risk profile of its businesses and is responsive to both internal and external events. To address, among other things, issues identified by the FCA with the Provident Financial Group's risk management policies and to seek to ensure that the Provident Financial Group operates in a more efficient and effective manner, since mid 2017 the Provident Financial Group has:

a) completed an initial review of: (i) its governance arrangements, including the Framework; (ii) the terms of reference of each of the Board committees; and (iii) processes undertaken at meetings, and has identified where enhancements and changes are required. Following this review, the Provident Financial Group intends to create a governance and risk development plan which will include defined deliverables aimed at continuing to improve the overall governance arrangements and risk management frameworks across the Provident Financial Group;

b) reconstituted the Provident Financial Group Executive Committee ("**Executive Committee**") to provide a more integrated approach to managing the Provident Financial Group and to enhance the information flows and controls between the Provident Financial Group and the Divisions;

c) began the process of establishing a new Board committee, to be chaired by one of the newly appointed Non-Executive Directors, which will focus on the customer, the culture of the Provident Financial Group and the ethics to which the Provident Financial Group adheres to and will help drive changes in behaviours and attitudes across the Provident Financial Group;

d) reaffirmed a clear purpose, vision, mission and set of values which are centred firmly on the customer;

e) established a Group CRO role for the first time who will, once appointed, work closely with the Board and the Chairman (or Chief Executive Officer) as appropriate (to provide Group-wide oversight of governance, risk and conduct and ensure that these all remain a key focus of the Provident Financial Group, and appointed an Interim Group CRO; and

f) created a central view of all regulatory interaction which the Board will monitor closely going forward to ensure consistency with the culture, direction and risk appetite set by the Board, reflecting the greater importance being placed on key regulatory relationships by the Provident Financial Group; and

g) reviewed the effectiveness of the Provident Financial Group's Risk Committee (formerly the Risk Advisory Committee) ("**Group Risk Committee**") and made a number of changes to improve its function.

3. **FURTHER EXPECTED DEVELOPMENTS**

As described in paragraph 2 above certain changes relating to the Provident Financial Group's risk and governance have been implemented and the Interim Group CRO is leading a dedicated programme which will seek to continue to improve a number of aspects of governance and risk frameworks (the "**Governance and Risk Programme**") over the next three to six months. This work will also be supported by work undertaken by an independent third-party. Further expected developments include:

- to develop a revised Provident Financial Group risk appetite which will be simpler, clearer and broader in its coverage, underpinned by a significantly enhanced metric on a balanced scorecard reporting basis;
- to revise the Framework to expand its coverage and provide a better basis for integrating the Provident Financial Group's approach to risk, whilst simplifying the messages relating to the Framework across the Provident Financial Group and its Divisions to improve embedding of the amended Framework within the Provident Financial Group's operations;
- to review and revise the Provident Financial Group policy framework to ensure that the most important policy requirements are set out more clearly by the Board in a clear to understand and user-friendly manner, and to reinforce controls around risk appetite metrics;
- to enhance the Provident Financial Group's approach to risk and ensure that Provident Financial Group and Divisional risk appetites, policies and frameworks are more aligned, whilst still locally applicable, without compromising regulatory requirements or duplicating work for Divisional risk functions; and
- to provide the Board with enhanced, more focused risk reporting, which covers all key risk areas on both a current and forward-looking basis.

During the continuing development of the Governance and Risk Programme, the Interim Group CRO will also work with the Board and others to define the optimum structure, resourcing requirements and operating model for a future permanent centralised risk function, and seek to implement this centralised risk function during the second half of 2018.

4. **RISK GOVERNANCE**

Risk management is the process of identifying, quantifying and managing the principal risks that the Provident Financial Group faces, including those arising from market disruption and evolving regulatory requirements. Under the UK regulatory regime, both CCD and Moneybarn are regulated by the FCA. Moneybarn is fully authorised and CCD currently operates under an interim permission and is awaiting full FCA authorisation. Vanquis Bank is authorised by the PRA and regulated by both the FCA and the PRA. Both CCD and Moneybarn have Approved Persons for controlled functions in compliance with the FCA's approved person's regime and Vanquis Bank has Senior Managers for Senior Manager Functions in compliance with the SMR. As the Company is a holding company, there are no Approved Persons or Senior Managers at Board level, and as such, certain Non-Executive Directors sit on the boards of each of the Divisions (the "**Divisional Boards**") in order to provide non-executive oversight and to seek to improve the connection between the Divisions and the Board. As part of the 2018 Board governance review, the Interim Chairman is considering the composition of the Divisional Boards, including the continued appointment of Provident Financial Group Executive Directors and Non-Executive Directors to the Divisional Boards, so as to ensure appropriate skills allocation and develop further more informed challenge to the Provident Financial Group's risk management function. This process will continue as and when further Non-Executive Directors are recruited.

As a result of the group structure, primary responsibility for conduct risk management in particular, and risk management in general, with respect to the FCA and the PRA lies at Divisional level. This has meant that the Divisions have had high levels of autonomy over their operations and risk management, and has meant that the Divisional approach to achieving the Provident Financial Group's overall goals has not always been aligned.

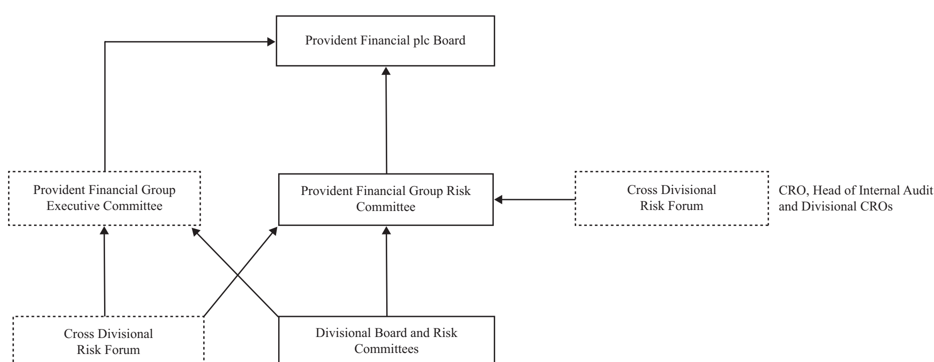
Under the UK Corporate Governance Code published by the Financial Reporting Council in April 2016 (as amended from time to time) ("**UK Corporate Governance Code**"), the Board also has a responsibility to maintain sound risk management and internal control systems across the Provident Financial Group. To manage risk and ensure compliance with regulatory obligations the Board sets the overall risk appetites of the Provident Financial Group and seeks to ensure that the Divisions (and corporate centre) have designed, implemented and maintained effective and appropriate risk appetites and risk management frameworks and processes of their own, consistent with those set by the Provident Financial Group. The Divisions (and corporate centre where appropriate) have day to day responsibility for risk management. The Provident Financial Group's oversight and Divisional implementation of risk management described above have proven less effective than intended, resulting in the changes made to date and expected to be made in the future, as described above, reflecting a more active role at the Provident Financial Group level.

As part of the Framework, the Provident Financial Group operates a "three lines of defence" model of risk management. The first line of defence consists of operational identification, assessment and management of risk. The directors of the corporate office and of each of the Divisions "own" the risks and it is the risk owners who are accountable within the Provident Financial Group for the ongoing assessment and management of these risks in the first line.

The second line of defence consists of independent review and challenge of first line actions against established risk appetites. In each Division, risk and compliance functions constitute the second line of defence and are responsible for adherence to risk appetites and providing independent review and challenge to the first line.

The third line of defence consists of independent assurance. At the Provident Financial Group and Divisional level, the Provident Financial Group Internal Audit team ("**Internal Audit**") constitutes the third line of defence and is responsible for providing independent assurance in connection with the identification, assessment and management of risk and maintenance of appropriate controls. The work of the Internal Audit team is subject to review by the audit committee established by the Board ("**Audit Committee**").

The risk governance structure of the Provident Financial Group was revised in January 2018 and is summarised in the diagram below:



The new risk governance structure reflects certain simplifications and is designed to help create focus at the Provident Financial Group level on the key strategic risks facing the Provident Financial Group. Through this approach:

- The Divisional risk committees manage the risks in their respective Divisions and ensure appropriate coverage. Provident Financial Group Executive and Non-Executive Directors are represented on each Divisional Board to ensure effective oversight by the Provident Financial Group;
- A new risk co-ordination forum was created in January 2018, where the Interim Group CRO (and once appointed the Group CRO) and the Divisional CRO's, working alongside the Head of Internal Audit, meet ahead of each Group Risk Committee meeting to share views on, and compile a list, of the key Provident Financial Group level risks requiring focus by the Group Risk Committee. This is intended to act as a forum for the Divisions and Provident Financial Group to generate a list of key risks and issues at a group wide level and is known as the Cross Divisional Risk Forum (the "**Cross Divisional Risk Forum**"). The key risks and issues that are identified at the Cross Divisional Risk Forum are discussed with the Chairman of the Group Risk Committee and shared with the Executive Committee ahead of each meeting of the Group Risk Committee;

- The Group Risk Committee reporting and agenda focuses on the Provident Financial Group level appetites and frameworks, ensuring material risks to the Provident Financial Group are being appropriately managed.

In assisting the Provident Financial Group and each Divisional Board in seeking to ensure the adequacy and effectiveness of risk management activities, the Provident Financial Group's second line and compliance risk functions and third line Internal Audit functions aim to:

- ensure that risk appetite is articulated, understood and applied across the Provident Financial Group's businesses;
- implement a risk framework to assist first line management in identifying and assessing material risk across all areas of the business and taking appropriate action where risk is outside established risk appetite;
- ensure that an effective and documented risk and governance framework is in place, with appropriately skilled and organised second line risk and compliance functions to enable holistic and consistent risk reporting;
- ensure that an effective system of internal control is designed and implemented to assist first line management in identifying, managing, monitoring and reporting risk;
- ensure that there is full and appropriate representation of risk matters at Board level; and
- ensure that risk management is fully integrated with all other business functions.

The changes made and envisaged above seek to ensure the effective operation of the "three lines of defence" model in the future.

5. RISK MANAGEMENT FRAMEWORK

5.1 Notwithstanding the historic failings with the Framework, the Board believes that there are now plans in place to address these historic failings and that the resulting changes to the Provident Financial Group's governance and culture will help the Provident Financial Group achieve the following aims of the Provident Financial Group's Framework:

- to ensure that the customer is at the heart of what the Provident Financial Group does and that the Provident Financial Group is focused on delivering better customer outcomes;
- to ensure that the Provident Financial Group is able to identify, manage and report all material risks in a manner that is aligned with its conduct and commercial objectives and strategy;
- to be flexible, pragmatic, understandable and able to be easily integrated into the day-to-day operation of the Provident Financial Group's businesses, utilising existing management information wherever possible; and
- to enable management focus and attention on the risks that are most material to the objectives of the Provident Financial Group and provide early warning of events that put these objectives at risk.

The Framework (along with the Provident Financial Group's risk appetite) underpins the Provident Financial Group's ICAAP and is aligned to the Provident Financial Group's corporate policies. The Provident Financial Group's corporate policies and risk appetites are reviewed annually by the Board and the Group Risk Committee. However, in 2017, given the disruption to the Home Credit operating model and the FCA investigation into Vanquis Bank's ROP (as described in more detail in paragraph 2.1 of Part 1 "*Letter from the Chairman of Provident Financial plc*" of this Prospectus), the focus of both the Board and the Group Risk Committee was to efficiently identify the most immediate issues and uncertainties facing the Provident Financial Group and put in place appropriate plans to address them. Therefore, the corporate policies were not reviewed in 2017, as it was the view of the Board that it would be more beneficial to review the Provident Financial Group's corporate policies and risk appetites following the development and implementation of a new group governance framework implemented by the Interim Group CRO and further senior management and board appointments. As such, the Provident Financial Group's corporate policies and risk appetites are expected to be reviewed during 2018.

The Framework is communicated to appropriate staff across the Provident Financial Group via the divisional risk committees and functions, is supported by management and aims to embed the consideration of risk in business decision-making processes. The Provident Financial Group have identified that the culture of the Provident Financial Group needs to be reinforced and properly aligned

across the Divisions to promote a culture of risk identification, communication and escalation to improve awareness and understanding of risk, and to enable a robust and transparent decision-making process, with appropriate responses to risks and risk events and this will be a focus of the Board, with support from the Interim Group CRO, and once appointed, the Group CRO, going forward.

The Framework is designed to assist the Provident Financial Group in the identification, evaluation and management of the principal risks to the Provident Financial Group and to manage the risk of failure to achieve business objectives. The Framework is the tool by which group-wide compliance with laws and regulations, the reliability of the financial reporting process (including in relation to the preparation of consolidated financial statements) and the effectiveness and efficiency of operations are reviewed and the tool by which the focus on delivering good customer outcomes is kept at the heart of what the Provident Financial Group does. The Board is ultimately responsible for the Framework and the Board has delegated its authority in relation to ensuring an appropriate Framework is in place to the Group Risk Committee. See the paragraph titled "*Group Risk Committee*" below for further information on the Group Risk Committee. The Board also provides oversight to seek to ensure that the Provident Financial Group and the Divisions maintain appropriate internal control and risk management systems. Through the Group Risk Committee, the Board reviews the assessment of risks and risk management frameworks. Further, the Audit Committee seeks to actively monitor the Provident Financial Group's risk management and internal control systems, including financial, operational and compliance controls on an ongoing basis, thereby assisting the Board with its risk management role. The oversight provided by both the Group Risk Committee and Audit Committee on behalf of the Board has not proven to be fully effective. The changes already implemented and planned as outlined above are designed to ensure that Board oversight is fully effective in future.

The Group Risk Committee is responsible for monitoring the key actions and metrics identified by each Division and the Provident Financial Group in the management of all risks, including in particular conduct risk, and seeking to ensure that customer outcomes remain central to the Provident Financial Group's risk management programme. The Provident Financial Group's Director of Corporate Strategy (the "**Director of Corporate Strategy**") was responsible for maintaining the overall group Framework and providing support to the Divisions in their implementation of the Framework, as well as reporting on a regular ongoing basis to the Group Risk Committee. This role will now be performed by the Group CRO (once appointed) and is currently performed by the Interim Group CRO.

The Divisional Boards are responsible for considering risks at Divisional level and each of the Divisions have chief risk officers (or equivalents) and risk committees that consider the risks facing the Division and which may also impact the broader Provident Financial Group.

The Board reviews the Framework annually to determine whether it remains fit for purpose and complies with relevant requirements. Any amendments to the Framework are reviewed by the Group Risk Committee and require approval by the Board. In light of recent events, the Board has committed to completely review its governance and risk frameworks and approve a governance and risk development plan with defined deliverables with the aim of improving the effectiveness and controls around governance and risk.

5.2 Group Risk Committee

The Group Risk Committee is chaired by Stuart Sinclair, the Interim Chairman of the Company, and the current members are Andrea Blance and John Straw along with Ken Mullen (as secretary). The attendance of the Provident Financial Group Finance Director and the Group CRO (once appointed, and until such time the Interim Group CRO) is required at all meetings. Other individuals, including the Chairman of the Board, the CEO (once appointed), other directors and other representatives of the risk function, compliance and internal and external audit may be invited to attend all or part of the meetings as and when deemed appropriate and necessary by the board or the Group Risk Committee. Following the appointment of the Interim Group CRO, and as part of the annual effectiveness review for the Provident Financial Group performed by Lintstock ltd, the Interim Group CRO and the Chairman of the Group Risk Committee undertook a review of the effectiveness of the Group Risk Committee, and are in the process of implementing the changes set out below in order to improve the function of the Group Risk Committee:

- removal of the risk advisory group, following a review of the governance of the risk advisory group and its reporting lines, due to duplication with certain activities and responsibilities of the Group Risk Committee;

- a more focused standing agenda is being developed which will provide greater focus on key risk themes across the Provident Financial Group, along with a forward looking risk profile and the opportunity to review in detail the material issues affecting the Provident Financial Group's businesses;
- an additional meeting between the Chairman of the Group Risk Committee, the Group CRO (once appointed, and until such time the Interim Group CRO) and the Divisional Chief Risk Officers has been introduced, to independently identify and assess the key areas of focus for the Group Risk Committee. The additional meeting allows for a clearer path for escalation from the Divisions to the Provident Financial Group and ensures the Group Risk Committee has a broader exposure to risk coverage across the Provident Financial Group; and
- a new, clearer, key risks pack has been developed for the Group Risk Committee, and will be further developed to aid the successful profiling and enhance the understanding of each of the key risk types faced by the Provident Financial Group.

The Group Risk Committee is a "second line" committee responsible for oversight and challenge to the business on risk management matters and is responsible on behalf of the Board for ensuring that there is an appropriate risk management framework embedded across the Provident Financial Group. The primary role of the Group Risk Committee is to ensure the Divisions understand and manage their risks in a manner consistent with what the Board accepts in the context of the overall corporate strategy of the Provident Financial Group. Certain key executives of the Divisions, including their respective Chief Risk Officers, attend meetings of the Group Risk Committee and/or meetings of the Executive Committee as necessary. Further, the Group Risk Committee's principal areas of responsibility are as follows and these are now supported by the new Interim Group CRO and once appointed, will be supported by the Group CRO, and the Provident Financial Group risk function to ensure better compliance and effectiveness:

- advise the Board on the Provident Financial Group's overall risk appetite, tolerance and strategy;
- carrying out an assessment of the principal risks facing the Provident Financial Group, including those that threaten its business model, future performance, solvency or liquidity in conjunction with the Audit Committee;
- reviewing the Provident Financial Group's capability to identify and manage new risk types, and keeping under review the effectiveness of the Provident Financial Group's internal control and risk management systems in conjunction with the Audit Committee;
- oversee and advice the Board on current risk exposures and future risk strategy;
- notifying the Board of any changes in the status and control of risks; and
- reviewing and approving the: (i) ICAAP, including the stress testing and capital allocation approach; (ii) Internal Liquidity Adequacy Assessment Process ("**ILAAP**"); and (iii) recovery and resolution plan ("**RRP**") adopted by Vanquis Bank on an individual and consolidated basis for submission to the Board for final approval.

With the removal of the former Risk Advisory Group, the newly established Cross Divisional Risk Forum is in place for Divisional and Provident Financial Group executives to discuss and share views and concerns on key risks facing the Provident Financial Group. The Executive Committee will review both the key risk themes emerging from the Cross Divisional Risk Forum to ensure the Divisional Managing Directors and Executives are aware of and acting upon key risks highlighted. As and when appropriate, the Executive Committee will also review papers for Group Risk Committee, and agree these with the Group CRO ahead of submission to the Group Risk Committee.

6. DIVISIONAL RISK MANAGEMENT

6.1 Across all Divisions, conduct risk, credit risk, operational risk and prudential risk remain central to the Framework and are managed closely on a day-to-day basis throughout the Provident Financial Group. As part of the new Group Executive Committee role, it is intended that any new risks or key developments in risk profile will be escalated either via the new Cross Divisional Risk Forum or directly by the Divisional managing directors. Divisional conduct risk is addressed at Divisional level through their respective risk management frameworks. The Group Risk Committee is also developing a more consolidated view of the Provident Financial Group's risks.

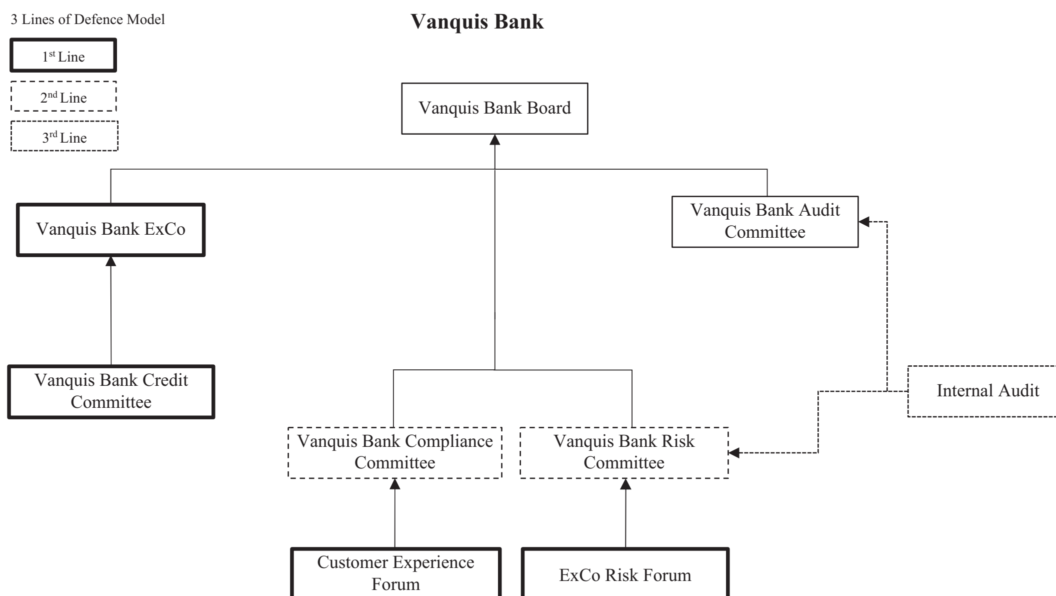
At the Divisional level, each Division also employs a "three lines of defence model" which supports the overarching risk management model of the Provident Financial Group. Each Division implements the Framework as well as their own charters and processes relevant to their business, to promote a consistent application of the Framework and facilitate effective escalation to the Group Risk Committee.

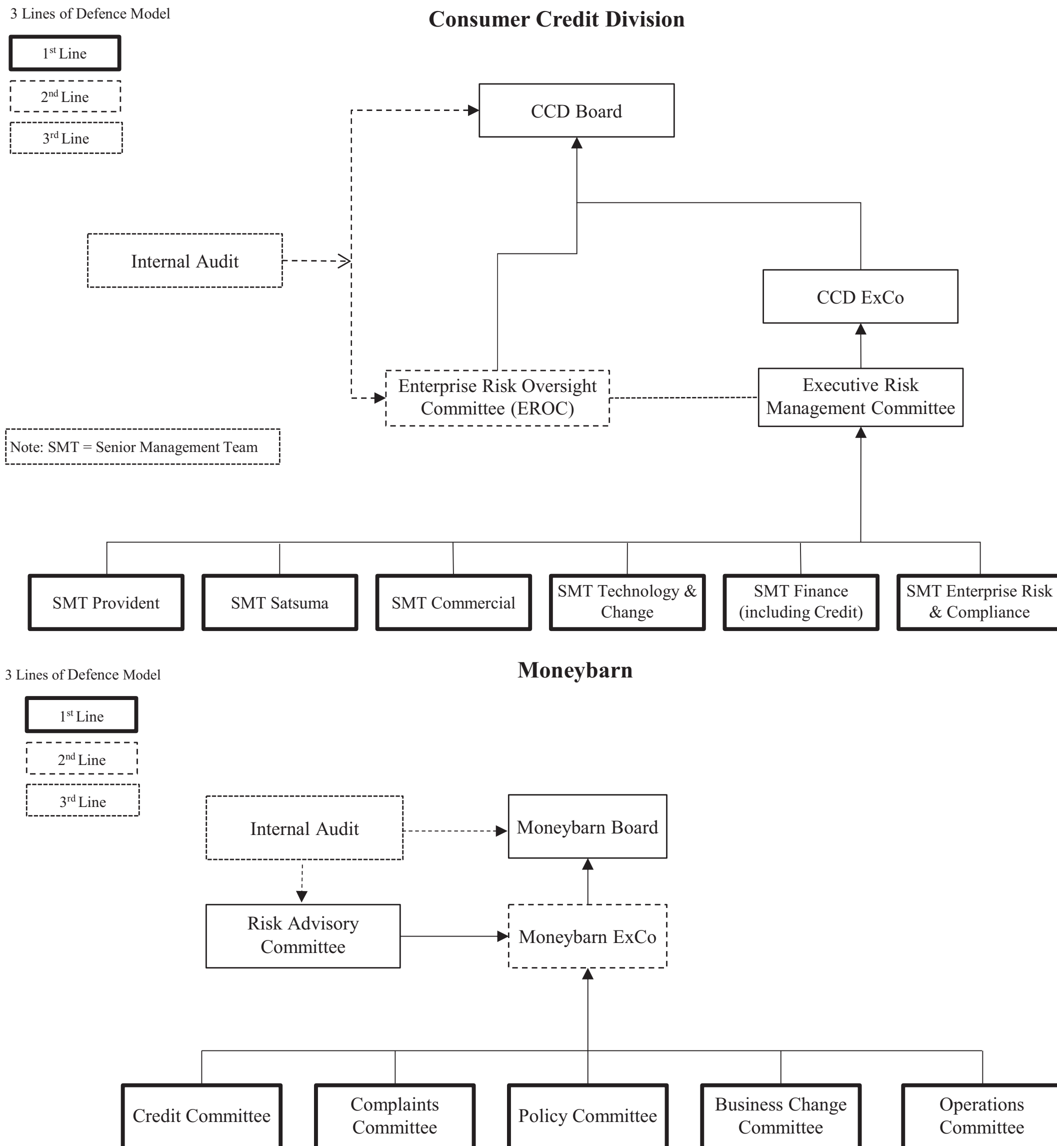
Further, to comply with Chapter 12 of the FCA Handbook (Group risk systems and controls requirements) ("**SYSC 12**") each Division must also:

- have adequate, sound and appropriate risk management processes and internal control mechanisms for the purpose of assessing and managing its own exposure to group risk, including sound administrative and accounting procedures; and
- ensure that the Division has adequate, sound and appropriate risk management processes and internal control mechanisms at the Divisional level, including sound administrative and accounting procedures.

The requirements of SYSC 12 are met through representation of the Divisions, and involvement in, both the Executive Committee and the Group Risk Committee, in conjunction with the working of divisional risk management charters and processes, and other specific group wide committees.

The risk governance structure in place for each of the Divisions is summarised in the diagrams below:





6.2 Vanquis Bank

The Vanquis Bank Board is ultimately responsible for ensuring that risks to Vanquis Bank are identified, assessed, managed, monitored and reported. The Vanquis Bank Board is also responsible for balancing the commercial/growth requirements of Vanquis Bank against risk considerations by setting an appropriate risk appetite framework. The Vanquis Bank Risk Management Framework (the "**Vanquis Bank Framework**") is designed to: (i) define and align Vanquis Bank's risk appetite with its business strategy; (ii) identify and manage risk exposures beyond the Vanquis Bank Board's set risk appetite; (iii) comply with relevant regulatory obligations in relation to risk management including those set by the PRA and the FCA; (iv) seek to ensure that sufficient levels of capital and appropriate liquidity and funding are in place in line with the risk profile of Vanquis Bank, which are primarily determined through the ICAAP and ILAAP processes; (v) evaluate the enterprise-level risk profile via a top-down assessment of the emerging risks against Vanquis Bank's stated risk appetite.

Vanquis Bank operates a "three lines of defence" approach to risk management, whereby the first line of defence are the respective risk owners, the second line of defence is the risk and compliance functions within Vanquis Bank and the third line of defence is Internal Audit.

Vanquis Bank enterprise risk methodology is supplemented by a "bottom-up" risk identification process through risk identification and control self-assessment ("**RICSA**") processes, carried out by the first line of defence and which seeks to identify business area level risk and includes a self-evaluation of the control framework that specific business areas have in place to manage these risks. Each business area of Vanquis Bank, as the first line of defence, is responsible for:

- operating key controls and following Vanquis Bank Board approved policies in relation to the management of risks;

- identifying, assessing and managing risks in respect of that part of the business to which it relates, with assistance from the Vanquis Bank risk function ("**Vanquis Bank Risk**");
- updating on a quarterly basis the risks relevant to that particular part of Vanquis Bank's business through the RICSA process;
- identifying actions to manage and reduce risk, including introducing new or improving existing controls, with assistance from Vanquis Bank Risk;
- working with other areas of the business within Vanquis Bank to identify risks with broader application and to identify Vanquis Bank business-wide risk management solutions; and
- implementing those risk management solutions.

The head of each business area has ultimate responsibility for ensuring that the items referred to above are dealt with by the relevant business area as the first line of defence.

Vanquis Bank Risk acts as the second line of defence for risk management purposes and supports the business areas in identifying, assessing and managing risks. Vanquis Bank Risk monitors work in respect of risk matters and provides reports to the Vanquis Bank Executive Committee ("**Vanquis Bank ExCo**"), Vanquis Bank Risk Committee ("**Vanquis Bank Risk Committee**"), the Vanquis Bank Board and to the Provident Financial Group regarding risk matters. In particular, Vanquis Bank Risk works with the following business teams:

- ***Finance***: Vanquis Bank Risk has high-level oversight responsibility for financial risks, which are primarily the responsibility of the finance function to identify, assess and manage. Vanquis Bank Risk works with the finance function in relation to:
  - monitoring prudential risks (other than credit risks), capital risks and liquidity risks;
  - monitoring non-financial risks which overlap with prudential risks;
  - determining how non-financial risks are to be addressed in the ICAAP. Furthermore, Vanquis Bank Risk assists the finance function in obtaining any required information from the Vanquis Bank risk register and respective risk owners; and
  - reviewing stress-test scenarios, aggregated stress-tests and reverse stress-test scenarios to ensure that they are appropriately aligned with Vanquis Bank's risk profile.
- ***Credit***: Vanquis Bank Risk has high-level oversight responsibility for credit risks which are primarily the responsibility of the credit team to identify, assess and manage. Vanquis Bank Risk works with the credit team in relation to:
  - monitoring of credit risks; and
  - monitoring non-financial risks which overlap with credit risks.

The second line of defence also includes:

- The Vanquis Bank Risk Committee, which monitors risks to customers, staff and business performance. In the context of the Vanquis Bank Risk Framework the Vanquis Bank Risk Committee:
  - is responsible for ensuring that a risk framework is in place for Vanquis Bank;
  - reviews arrangements for the identification, assessment, management, monitoring and reporting of risks at Vanquis Bank and seeks to ensure that the arrangements put in place are appropriate in the context of Vanquis Bank's business and activities;
  - reviews risks presented to it in the risk register profile and settles the Vanquis Bank risk register profile for approval by the Vanquis Bank Board;
  - seeks to ensure that risks are managed and controlled appropriately within Vanquis Bank's risk appetite;
  - reviews the scope and effectiveness of Vanquis Bank Risk;
  - reviews and challenges stress-testing scenarios, aggregated stress-tests and reverse stress-test scenarios proposed and carried out by Vanquis Bank; and
  - reviews and recommends changes to the ICAAP, RRP and ILAAP before they are submitted to the Vanquis Bank Board for approval;

- the Vanquis Bank ExCo risk forum ("**Vanquis Bank ExCo Risk Forum**"), which is a sub-committee of the Vanquis Bank Risk Committee. The Vanquis Bank ExCo Risk Forum monitors risks to customers, staff and business performance in order to provide assurance to the Vanquis Bank Risk Committee that risks are managed adequately. Furthermore, Vanquis Bank ExCo Risk Forum provides an opportunity for Vanquis Bank ExCo to escalate to the Vanquis Bank Risk Committee any: (i) risks that fall outside of the agreed risk appetite; (ii) volatile risks; and (iii) related action plans;
- the Vanquis Bank credit committee ("**Vanquis Bank Credit Committee**"), which:
  - is responsible for ensuring that a credit risk framework is in place for Vanquis Bank;
  - reviews credit risks and compliance against the credit risk appetite mandated by the Vanquis Bank Board and related key risk indicators for Vanquis Bank; and
  - aims to ensure credit risks are managed and controlled appropriately within the risk appetite;
- the Vanquis Bank treasury committee ("**Vanquis Bank Treasury Committee**"), which is a sub-committee of the Vanquis Bank Board and which meets monthly and reports to the Vanquis Bank Board. The Vanquis Bank Board has delegated authority to the Vanquis Bank Treasury Committee for the day-to-day monitoring, control and oversight of Vanquis Bank's treasury activities. In the context of the Vanquis Bank Framework, the Vanquis Bank Treasury Committee:
  - is responsible for ensuring that treasury policies are in place for Vanquis Bank;
  - monitors interest rate risks;
  - is responsible for monitoring and ensuring compliance with PRA requirements in respect of liquidity, capital adequacy and large exposures for Vanquis Bank, including the stress testing of Vanquis Bank's capital and liquidity positions and requirements;
  - reviews and challenges the ILAAP process and approves the ILAAP document before it is submitted to the Vanquis Bank Risk Committee for review and the Vanquis Bank Board for approval; and
  - provides a forum to discuss other treasury and prudential related risk matters.

In addition to its bottom-up identification process, members of Vanquis Bank ExCo and members of Vanquis Bank Risk may also identify "top down" risk drivers or risks to be added to the Vanquis Bank risk register where they require monitoring.

The third line of defence comprises Internal Audit. Internal Audit carries out quarterly sample testing of the RICSA controls and regularly reviews the Vanquis Bank risk profile. Internal Audit also performs specific audit reviews and reports directly to the Chairman of Vanquis Bank Audit Committee in relation to determining areas for review.

6.3 CCD

The board of directors of CCD (the "**CCD Board**") is responsible for maintaining adequate procedures and controls to seek to ensure compliance with the Provident Financial Group's corporate policies, including the Framework. The CCD Board is required to provide assurance to the Risk Committee, with respect to effective risk management within CCD and specifically with respect to customer and conduct risk at the CCD level. CCD's Enterprise Risk Management Framework (the "**CCD Framework**") is made up of risk frameworks at level 1, policies at level 2 and processes and procedures at level 3. The CCD Framework specifies the processes, governance, culture and capability required to embed effective risk management and to put in place a joined-up strategic approach across CCD.

The CCD Framework sets out the responsibilities for the three lines of defence. The first line of defence is responsible for originating and managing risk which involves: (i) identifying, managing and reporting on risks and incidents (including risk registers); and (ii) monitoring risks, policy compliance and execution of controls (including dashboards). Oversight of the first line of defence is provided by functional teams across CCD, comprising the CCD Senior Management Team and the CCD Executive Committee ("**CCD ExCo**"). Each of these committees own the risks within the level 1 risk framework aligned to them in the CCD Framework, make risk decisions and perform a risk monitoring function. CCD ExCo is responsible for ensuring the management and control of material risks which are escalated from each first line committee.

The second line of defence is responsible for guiding, supporting, overseeing and challenging the first line of defence. This involves: (i) seeking to ensure risk frameworks at the first line level, including risk appetite, measures and thresholds, are developed and in line with industry "good practice", as well as providing support and guidance to the first line of defence where required; (ii) reviewing and challenging the identification and management of risks, issues and events, in line with approved appetites, frameworks and policies; (iii) undertaking second line monitoring of risk exposures, controls and policy compliance; (iv) challenging first line of defence risk reporting, including in relation to systems, controls and data quality; and (v) reporting to the CCD Board and the Audit and Risk Committee (the "**ARC**"). The ARC is chaired by Stuart Sinclair, the Interim Chairman, and is attended by representatives of the Provident Financial Group's risk management structure and members of CCD's second line oversight team. The primary purpose of the ARC is to assist the CCD Chief Risk Officer in seeking to achieve effective oversight of risks to both customers and business objectives.

Oversight of the second line of defence is provided by Enterprise Risk & Compliance (the "**ERC**"). The ERC has three main responsibilities:

- providing the CCD Framework, including any related processes and tools, evaluating the effectiveness of the CCD Framework and updating the CCD Framework, including in response to any changes to the business environment of CCD;
- providing a risk oversight function covering all risk categories and which aims to ensure that risks are adequately identified, mitigated, monitored, documented and reported to CCD management and CCD Board committees; and
- providing a compliance function to lead regulatory compliance.

The third line of defence is responsible for providing independent assurance over the first two lines of defence and this function is provided by Internal Audit.

6.4 Moneybarn

The board of directors of Moneybarn (the "**Moneybarn Board**") provides oversight on risk appetite and risk management, including customer and conduct risk and regulatory compliance. The Moneybarn Risk Advisory Committee (the "**Moneybarn RAC**") reviews the adequacy and effectiveness of Moneybarn's internal risk management framework (the "**Moneybarn Framework**") and is responsible for ensuring that Moneybarn's risk appetite is appropriate for its needs and that key risks are sufficiently identified and managed. To assist the Moneybarn Board and the Moneybarn RAC, Moneybarn has committees in place which review risks for which they have ownership. Moneybarn's credit committee (the "**Moneybarn Credit Committee**") reviews the performance of Moneybarn's existing product range and specifically, among other things, the impact of credit risk on Moneybarn. The Moneybarn Credit Committee considers any risks associated with the operation of Moneybarn's credit arrangements and appropriate measures for their mitigation. Moneybarn's risk committee ("**Moneybarn Risk Committee**") reviews internal control systems with the aim of ensuring that key risks are identified and managed.

Along with the Moneybarn Framework, Moneybarn also operates a "three lines of defence" model to manage risk. The first line of defence seeks to provide assurance to the appropriate risk owner that risk is being adequately managed, end-to-end, throughout the customer journey. This consists of: (i) oversight of, and adherence to, business processes; (ii) oversight of customer outcomes; (iii) assessment of the effectiveness and suitability of controls via first line management information, review and analysis; and (iv) resolution of any issues. In order to carry out this function the first line of defence comprises three main activities:

- role specific training and competence: all staff are given training to carry out their role on an ongoing basis;
- adherence to policy and procedures: a business policy, translating relevant regulations and laws, exists for all business processes. Each policy has an applicable set of business processes and controls, and management information is collected to show business adherence to policy requirements through reviews of processes and controls. Any risks of non-compliance are discussed and actions are taken to bridge any identified gaps or strengthen controls; and
- outcome focused monitoring: interactions with customers at all stages of the customer journey are checked for confirmation that correct processes and customers receive a good and fair outcome.

Information identified at the first line of defence level is reported up through reporting lines to Moneybarn's managing director (the "**Moneybarn MD**"), the Moneybarn executive committee ("**Moneybarn ExCo**") and the Moneybarn Board.

The second line of defence consists of the Moneybarn Risk and Compliance Team ("**Moneybarn Risk Team**") which is responsible for providing independent assurance to the Moneybarn Board that the relevant legal and regulatory obligations applicable to Moneybarn are being monitored and adhered to. In particular, the second line of defence seeks to identify areas that present a risk to regulatory compliance or fair customer outcomes and to monitor and assess the adequacy and effectiveness of all measures and procedures in place. The responsibilities of the Moneybarn Risk Team are to:

- ensure Moneybarn's view of risk is current and in-line with stated appetites. In connection with this, the Moneybarn Risk Team:
  - proposes and regularly reviews Moneybarn's risk appetite;
  - highlights to Moneybarn senior management areas that are outside of Moneybarn's risk appetite, and helps guide business areas in their work to remediate them; and
  - escalates matters which continue to be outside of Moneybarn's risk appetites;
- provide targeted performance and oversight management information and analysis. In doing so, the Moneybarn Risk team:
  - takes ownership of, and develops and maintains, monitoring plans; and
  - seeks to ensure that information is accurate, relevant, timely and escalated as appropriate;
- promote a risk-aware culture, with appropriate governance and challenge. In doing so, the Moneybarn Risk team:
  - seeks to increase the transparency of risks, the drivers behind such risks and control effectiveness across the business; and
  - seeks to encourage a "no-blame" culture in relation to discussion around regulatory risk issues and incidents, including any such matters that requires escalation (i.e. informing regulators).

The second line of defence is independent of the first line of defence and provides direction to the Moneybarn RAC and the Moneybarn Board (via the Moneybarn ExCo) through recommendations and carries out remedial actions that are deemed necessary. To seek to achieve adequate and effective assurance, the second line of defence comprises five main activities undertaken by the Moneybarn Risk Team:

- policy and procedures: the second line of defence provides regulatory and conduct related advice and support to the business, and maintains an inventory of regulation that may impact Moneybarn. In addition, the second line also maintains the Moneybarn policy library on how to adhere to applicable regulatory requirements, and creates and maintains policies assisting assurance activity, which provide the basis for testing and defining whether both a process has been adhered to and the correct outcome has been achieved. As a minimum, policies are reviewed on an annual basis;
- regulatory change: the second line of defence maintains interaction with the FCA, the Finance and Leasing Association and other relevant bodies to stay aware of relevant regulatory developments. It also identifies any areas impacted by any regulatory changes, and assesses, manages and monitors changes that should be made to seek to ensure continued compliance by Moneybarn with applicable regulation;
- regulatory reporting: the second line of defence manages the timelines for any regulatory submissions, and has oversight of any required data production. It also manages, reviews and signs-off on any processes ahead of submission;
- assurance: the second line of defence is responsible for providing the Moneybarn Board with assurance and evidence that the business is meeting its regulatory obligations and providing fair outcomes for customers, and provides an opinion on the adequacy and effectiveness of controls proportionate to the size, scale and complexity of the relevant risk. The second line is responsible for escalating any identified issues to the Moneybarn RAC as appropriate; and
- monitoring: the second line of defence regularly reviews management information in relation to specific business areas, and seeks to identify key themes and potential areas of concern to inform risk-based review activity. An annual risk-based compliance monitoring plan is agreed with the Moneybarn Board, and such plan is subject to biannual review and is informed by management information, risk assessments and any regulatory developments. The second line of defence also conducts risk reviews in line with the appropriate review methodology and produces a risk report following each review, which rates the relevant business area in terms of the risks posed (if any) and recommends actions to seek to remedy any potential or crystallised risks.

Information identified at the second line of defence level is reported up through reporting lines to the Moneybarn MD, the Moneybarn RAC, the Moneybarn ExCo and the Moneybarn Board.

The third line of defence consists of Internal Audit. Internal Audit's specific role as the third line of defence is to help the Moneybarn Board and the Moneybarn ExCo to protect the assets, reputation and sustainability of Moneybarn. To achieve this Internal Audit: (i) assesses whether all significant risks are identified and appropriately reported by management and the respective risk teams to the Moneybarn Board and the Moneybarn ExCo; (ii) assesses whether risks are adequately controlled; and (iii) challenges the Moneybarn ExCo to improve the effectiveness of governance, risk management and internal controls. To achieve its goals with respect to Moneybarn, Internal Audit focuses on four main activities:

- annual internal audit plan: the annual Moneybarn internal audit plan is presented to the Moneybarn RAC by the head of Internal Audit, and it is the responsibility of the Moneybarn RAC to discuss and agree the plan. The responsibility to ratify the plan lies with the Moneybarn Board, who ratify the plan following recommendation from the Moneybarn RAC;
- reporting and monitoring: the head of Internal Audit presents an Internal Audit activity report which sets out the summary of audit findings raised and their ratings, the detail on any finding raised rated significant or above, the status of audit actions (specifically any overdue actions) and the status of the overall audit plan, at each quarterly Moneybarn RAC meeting. The Chairman of the Moneybarn RAC is responsible for communicating any significant findings to the Moneybarn Board;
- periodic assessment; the report described in the paragraph above also contains details on any changes having taken place to the timing or nature of planned audits. The Chairman of the Moneybarn RAC is responsible for recommending the changes to the Moneybarn Board, who in turns are responsible for ratifying the revised plan; and
- external review: Internal Audit commissions an external, independent review on a three year cycle to assess its performance.

PART VI
REGULATION

The Provident Financial Group's operations are subject to various forms of regulation originating from the UK, the EU and the Republic of Ireland. The paragraphs set out below briefly summarise the principal areas of regulation specific to the Provident Financial Group's operations (unless expressly stated otherwise, such regulation applies to all Provident Financial Group companies):

1. UK REGULATION

1.1 Financial Services and Markets Act 2000 and the regulatory regime

The most important piece of financial services legislation in the UK is FSMA. FSMA prohibits any person from carrying on a "regulated activity" by way of business in the UK unless that person is authorised or exempt under FSMA. Regulated activities include deposit-taking, effecting and carrying out contracts of insurance as well as insurance mediation, consumer credit activities and investment activities. FSMA also prohibits financial promotions in the UK unless the financial promotion is issued or approved by an authorised firm or is exempt from such requirements.

The two key UK financial services regulatory bodies are the PRA and the FCA.

Regulatory framework

Responsibility for consumer credit regulation transferred from the OFT to the FCA on 1 April 2014. The framework for consumer credit regulation consists of the FSMA and secondary legislation, the CCA, together with the FCA Handbook (see below). Firms with a CCA licence from the OFT were required to register with the FCA for interim permission to be able to continue carrying on regulated consumer credit activities after 1 April 2014. Firms with interim permission are subject to FCA regulation but are exempt from some parts of the new regime until they become fully authorised. Vanquis Bank and Moneybarn were both fully authorised under the new regime during 2016. PPC and PFMSL continue to operate under an interim permission awaiting full authorisation in the context of the migration of the Home Credit business to a new operating model.

The Prudential Regulation Authority

The PRA has responsibility for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, including banks, insurers and some large investment firms (which include Vanquis Bank and the Provident Financial Group on a consolidated basis).

The PRA is responsible for the prudential regulation and supervision of approximately 1,700 banks, building societies, credit unions, insurers and major investment firms. The PRA has three statutory objectives:

1. a general objective to promote the safety and soundness of the firms it regulates;
2. an objective specific to insurance firms, to contribute to the securing of an appropriate degree of protection for those who are or may become insurance policyholders; and
3. a secondary objective to facilitate effective competition.

In discharging its functions, the PRA's general objective is promoting the safety and soundness of PRA-authorised firms. The PRA is required to advance this objective primarily by seeking to: (i) ensure that the business of PRA-authorised firms is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and (ii) minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system. Additionally, the Banking Reform Act 2013 introduces, from 1 January 2019, additional requirements on how the PRA is to advance its general objective in relation to certain matters related to ring-fenced bodies.

The Financial Conduct Authority

The FCA has responsibility for conduct of business and market regulation in relation to all authorised firms and the prudential regulation of firms not regulated by the PRA (including Moneybarn, PPC and PFMSL

on an individual entity basis). The FCA's supervisory approach is outcomes-based and pre-emptive, and focused on delivering its statutory objectives:

- securing an appropriate degree of protection for consumers (the consumer protection objective)
- protecting and enhancing the integrity of the UK financial system (the integrity objective); and
- promoting effective competition in the interests of consumers in financial markets (the competition objective).

So far as is compatible with its consumer protection and integrity objectives, the FCA must discharge its general functions in a way which promotes effective competition in the interests of consumers.

The FCA's approach to regulation and the standards it requires firms to maintain are set out in the FCA Handbook. The FCA's standards apply to all firms which conduct regulated consumer credit activities in the UK.

The FCA regards lending and collections of loans as a "high risk" activity and therefore dedicates special resources to intensive monitoring of businesses operating in this market.

FCA/PRA Handbooks and other guidance

The detailed rules and prudential standards set by the relevant regulators are contained in the FCA and PRA's rule making instruments, which are set out in accessible form online in various parts of their respective handbooks (the "**FCA Handbook**" and the "**PRA Rulebook**" and together the "**Financial Services Handbooks**").

Firms are obliged to comply with the FCA's Principles for Businesses and, if a dual-regulated firm, the PRA's Fundamental Rules, which include requirements to (i) conduct their business with due skill, care and diligence; (ii) treat customers fairly; and (iii) communicate with customers in a manner that is clear, fair and not misleading. The FCA's 11 Principles for Businesses and the PRA's eight Fundamental Rules are set out in the FCA Handbook and PRA Rulebook respectively.

The FCA rules and guidance for firms providing consumer credit are contained in the specialist sector-specific sourcebook in the FCA Handbook which is known as the CONC. Serious or system failure to adhere to the standards in the CONC would be likely to result in enforcement action being taken by the FCA.

The following sections set out some of the more important key elements of FSMA for a UK-authorised financial services entity.

Threshold conditions

Authorised firms must at all times meet certain "threshold conditions" specified by FSMA. Dual-regulated firms, such as the Provident Financial Group, must meet both the PRA and FCA threshold conditions. The FCA threshold conditions are, in summary, that:

(i) the firm is capable of being effectively supervised by the FCA;

(ii) the firm maintains appropriate non-financial and financial resources;

(iii) the firm itself is a fit and proper person, having regard to the FCA's objectives; and

(iv) the firm's strategy for doing business is suitable for a person carrying on regulated activities that it carries on or seeks to carry on, having regard to the FCA's operational objectives.

The PRA threshold conditions require that:

(i) a firm is either a body corporate or partnership;

(ii) if the firm is incorporated in the UK, its head office is in the UK and if it has a registered office, that office is in the UK;

(iii) the business of the firm must be conducted in a prudent manner and to satisfy this it must have appropriate financial and non-financial resources;

(iv) the firm itself is a fit and proper person, having regard to the PRA's objectives; and

(v) the firm is capable of being effectively supervised by the PRA.

Change of control

Under FSMA, if a person intends to acquire or increase its "control" of a UK authorised person, it must first notify the appropriate regulator (in the case of Vanquis Bank, this is the PRA; in the case of Moneybarn, PPC and PFMSL, this is the FCA).

The PRA or FCA must then (in the case of the PRA, after consulting with the FCA) decide whether to approve the acquisition or increase of control within 60 working days after acknowledging receipt of this notice (assuming it has been provided with a complete application). The PRA or FCA (as the case may be) will not approve any new controller or any increase of control without being satisfied that the controller is financially sound and suitable to be a controller of, or acquire increased control of, the UK authorised person. Acquiring control for the purposes of FSMA includes where a person first holds 10 per cent. or more of the shares or voting power in an authorised person or its parent undertaking. A person will be treated as increasing his or her control over a UK authorised person, and therefore require further approval from the PRA, if the level of his or her shareholding or entitlement to voting power increases from a holding below certain thresholds to a holding above them. The thresholds are 10 per cent., 20 per cent., 30 per cent. or 50 per cent. of shares or voting power.

When determining a person's level of control, that person's holding of shares or entitlement to voting power will be aggregated with the holdings or entitlements of any person with whom he or she is "acting in concert".

Acquisition or increase of control without PRA approval is a criminal offence.

Supervision

Each of the FCA and the PRA has wide powers, where relevant, to supervise and intervene in the affairs of an authorised firm.

The nature and extent of the PRA or FCA's supervisory relationship with a firm depends on how much of a risk the relevant regulator consider that firm could pose to its statutory objectives. The PRA's supervisory interventions will focus on reducing the likelihood of a PRA-authorised firm failing and on ensuring that, if it does fail, it does so in an orderly manner. The PRA has introduced the "Proactive Intervention Framework" to support early identification of risks to a firm's viability and to enable appropriate supervisory actions to be taken to respond to such risks.

When taking actions the relevant regulator can, for instance, require firms to provide particular information to it, require the production of a report by a "skilled person" appointed by either the authorised person or the relevant regulator, or formally investigate a firm. Where it will advance its objectives, the PRA has a broad power of direction over qualifying unregulated parent undertakings.

Enforcement

The FCA and the PRA have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within them. The sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an individual's approval to perform particular roles within a firm. They can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or that fails to meet the threshold conditions.

On 1 February 2017, the FCA and the PRA jointly published final changes in a policy statement aimed at strengthening the transparency and effectiveness of their enforcement decision-making processes. The FCA is also introducing a process for partly contested cases. addition, the FCA is providing a mechanism for those under investigation to proceed more directly and quickly to the Upper Tribunal, providing external adjudication that is wholly independent of the FCA. The PRA is implementing follow-up work on the 2016 consultation on an Enforcement Decision-Making Committee; production of a short guide to PRA enforcement procedures, including referral criteria; and a review of the PRA's approach to settlement.

Challenging the PRA and FCA

If a financial services firm wanted to challenge the decisions of the PRA or FCA then, in many cases, it could make formal representations and also bring a case to tribunal.

1.2 Other

PSR

Under the PSR, the FCA is responsible for regulating payment services in the UK. The PSR establish an authorisation regime, requiring payment service providers to either be authorised or registered with the FCA. The PSR also contain certain rules about providing payment services that payment service providers must comply with, including in relation to consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users and liability of payment services providers if things go wrong. PSR2 was implemented in the UK in January 2018, to reflect required changes to the PSR to comply with PSD2. See paragraph 2.5 below for further information about the PSR and the impact of PSD2. PSR2 applies to Vanquis Bank.

Money Laundering Regulations, Terrorist Financing and Transfer of Funds (Information on the Payer) 2017

The Money Laundering Regulations place a requirement on the Provident Financial Group to verify the identity and address of customers opening accounts with it, and to keep records to help prevent money laundering and fraud. Guidance in respect of firms' anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group.

Data Protection Act 1998

The Data Protection Act 1998 ("**DPA**") regulates the processing of data relating to individuals(including customers and employees), including the retention and use of such data. Those responsible for using data must follow data protection principles, which ensure data is accurate, used fairly, lawfully and for limited purposes, and securely kept, for no longer than is necessary. The Office of the Information Commissioner is responsible for overseeing the data protection regime in the UK. The DPA is due to be replaced, with effect from 25 May 2018, by the GDPR. The GDPR is likely to increase the regulatory burden on the Provident Financial Group in processing personal customer, employee and other data in the conduct of its business and will also increase the potential sanctions for breach.

The GDPR will take effect before the UK leaves the European Union in March 2019, then, but will cease to apply in the UK after the exit date, The UK will replace or make changes to the DPA so as to implement a similar data protection regime in the UK and a draft DPA has recently been issued for consideration.

Consumer Rights Act 2015

The Consumer Rights Act came into force on 1 October 2015. It gives effect in the UK to the Unfair Contract Terms Directive and revokes the Unfair Terms in Consumer Contracts Regulations 1999. It deals with unfair contract terms and consumer notices. The main effect of this legislation in to consolidate the rules dealing with the fairness of contractual terms when dealing with a consumer as well as clarifying the remedies that consumers have.

UK Bribery Act 2010

The Bribery Act came into force on 1 July 2011. It contains offences relating to bribing another person, being bribed and bribing foreign officials and also an offence for commercial organisations of failing to prevent bribery. The Ministry of Justice has published guidance about procedures which commercial organisations can put into place to help prevent persons associated with them from engaging in such activity.

Criminal Finances Act 2017

With effect from 30 September 2017, the Criminal Finances Act introduced a new criminal offence for businesses that fail to take adequate steps to prevent their associates (employees, agents or other persons who perform services for or on behalf of the business concerned) from facilitating tax evasion. Only where the business has put in place reasonable prevention procedures to prevent facilitation of tax evasion by their associates will it have a defence. HMRC has published guidance on the types of processes and procedures that can be put in place, as well as on the risk assessment and implementation plan that should be in place prior to 30 September 2017.

Financial Services (Distance Marketing) Regulations ("FSDMR") 2004

The FSDMR give effect to the Consumer Credit Directive (see paragraph 2.2 below) and govern the conditions on the sale of retail financial services products, such as credit cards, where the products are sold over the internet, by telephone or by SMS within the United Kingdom or the rest of the EEA. The FSDMR restrict the use of "cold calling" and unsolicited commercial e-mails for the promotion of financial services, impose an obligation to provide certain information before concluding a contract, and require a "cooling off" period of 14 calendar days in which consumers may withdraw from the contract without incurring penalties and without giving reason. There are also additional pre-contract information requirements under the FSDMR.

Financial Services Compensation Scheme

FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Broadly speaking, the aims of compensation payments are to provide redress for customers who are least able to sustain financial loss and therefore to assist in promoting consumer confidence in the financial system.

The levels of compensation below are, for example, for claims against firms declared in default on or after 30 January 2017:

- for deposits, 100 per cent. of the first £85,000;
- for investments, 100 per cent. of the first £50,000;
- for mortgage advice and arranging, 100 per cent. of the first £50,000; and
- for insurance, 90 per cent. of the claim with no upper limit (except compulsory insurance, professional insurance and certain claims for injury, sickness or infirmity, which are protected in full).

The FSCS only pays compensation for financial loss. Compensation limits are per person, per firm and per type of claim. The DGSD (see paragraph 2.4 below) requires Member States to set the minimum level of compensation for deposits, for firms declared in default on or after 1 January 2011, at EUR 100,000.

Financial Ombudsman Service

FSMA established the FOS, which provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The maximum monetary award by the FOS is £150,000 for complaints received by the FOS on or after 1 January 2012 (£100,000 for earlier complaints) plus interest and costs. The FOS may also make directions awards, which direct the business to take such steps as the FOS considers just and appropriate.

Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

SMR, Certification Regime and conduct rules

The SMR and Certification Regime, which came into force on 7 March 2016, applies to senior individuals of banks, such as Vanquis Bank, and will be extended to all FCA-regulated firms, such as Moneybarn, PPC and PFMSL. It is expected that this extension will come into force during 2018, and the FCA is aiming to publish a policy statement sometime in summer 2018. The regime has three elements, as set out below. The new framework encourages individuals to take greater responsibilities for their actions, which in turn should make it easier for both firms, and regulators, to hold individuals to account.

The SMR focuses on the most senior individuals in firms who hold key roles or have overall responsibility for business areas of relevant firms. Firms must:

- ensure that each senior manager has a statement of responsibilities setting out the areas for which they are personally accountable;
- produce a firm "Responsibilities Map" that knits these together; and
- ensure that all senior managers are pre-approved by the regulators before carrying out their roles.

The Certification Regime applies to employees of relevant firms who could pose a risk of significant harm to the firm or its customers. Such individuals must be certified by their firm to be fit and proper for their roles both at the outset and on a continuing basis.

Conduct rules

The FCA conduct rules applied to all employees of relevant firms within the scope of the SMR and the Certification Regime from March 2016, and applied to everyone else from March 2017. These conduct rules apply to most employees of firms based in the UK or who deal with customers in the UK. The PRA Conduct Rules apply to, in summary, persons approved under section 59 of FSMA to perform a senior management function, persons performing certification functions (as defined in the Certification Part of the PRA Rulebook) and Conduct Rules non-executive directors (as defined in the Conduct Rules Part of the PRA Rulebook).

International Accounting Standards ("IAS")

The IAS Regulation is Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards. It is one of the steps taken by the EU to assist the overall convergence of accounting standards on an international scale.

The main aim of the IAS Regulation is to ensure that publicly traded companies in the EU apply a single set of high quality international accounting standards for the preparation of their consolidated financial statements (known as group accounts under the Companies Act). Under the Companies Act, "international accounting standards" is used to refer to the international accounting standards within the meaning of the IAS Regulation.

International Financial Reporting Standard 9

The new accounting standard governing the impairment of financial assets is effective for annual reporting periods beginning on or after 1 January 2018. The standard fundamentally changes the calculation and recognition of credit losses by introducing the requirement to base impairment provisions on expected credit losses over the life of the financial asset. It also requires credit losses to be recognised for all loans, in contrast with the current standard (IAS 39) which requires recognition of losses only when there is evidence of impairment. The models used to calculate expected credit losses need to include forward looking factors including macro-economic variables.

FCA consultation papers, reviews and other related publications

- FCA credit card market study (MS 14/6) – in July 2016 the FCA published its final findings of MS 14/6. As a result of MS 14/6 the FCA and the UK credit card industry have agreed in principle to three informational remedies being: (i) timely prompts before promotional periods end; (ii) timely information to prompt consumers to take into account how much they are borrowing and avoid over limit charges; and (iii) giving consumers the ability to choose the payment due date.
- FCA consultation paper (CP 17/10: consultation on persistent debt and earlier intervention remedies) – in April 2017, the FCA published a consultation paper which set out additional interventions and further clarifications forming part of the overall package of remedies announced in July 2016 in its Credit Card Market Study final findings report (described above). Amongst other things, it specified that the three informational remedies stated above will be fully implemented by April 2018 (in respect of remedies (ii) and (iii)) and July 2018 (in respect of remedy (i)).
- FCA consultation paper (CP 17/43: Credit card market study: Persistent debt and earlier intervention remedies – feedback on CP17/10 and further consultation) – in December 2017, the FCA published a consultation paper which followed CP 17/10 and included a revised analysis of the costs to businesses of the proposed remedies proposed in CP 17/10. CP 17/43 also set out amendments to certain aspects of the proposals set out in CP 17/10, including extending the implementation period by up to three months to a total of nine months to give firms the opportunity to phase implementation. No changes were made to the dates for implementation in respect of remedies (i)-(iii) under MS 14/6 discussed above.
- Strategic review of retail banking – in May 2017, the FCA announced a strategic review of retail banking business models to increase its understanding of the state of competition and conduct in the

retail banking markets at a time of significant economic, technological and regulatory change plus and the impact of such changes on retail banking business models and the implications for the FCA's objectives to protect consumers and promote effective competition. The scope of the review will cover all retail banking products including current accounts, savings and consumer lending. The review will take place in two phases with the first phase focused on the FCA enhancing its understanding of existing retail banking business models. A key area of this first phase is an investigation of how free-if-in-credit banking is paid for, in particular whether it leads to any cross-subsidies between different consumer groups. The second phase will include an evaluation that will look at how the impacts of changes in economic, technological, social and regulatory factors could impact on retail banking business models. The FCA has stated that it will engage with firms in advance of issuing an information request to firms, with a view to publishing preliminary analysis and conclusions from the first phase of its review, expected to be in Q2 2018.

- FCA consultation paper assessing creditworthiness in consumer credit (CP 17/27) – in July 2017, the FCA published CP 17/27 in which the FCA sets out the changes that it has proposed to the existing rules and guidance in relation to assessing creditworthiness in consumer credit. Whilst the FCA does not think any fundamental changes are needed to its basic approach to creditworthiness it does feel the following items need clarification in its rules: (i) the distinction between affordability and credit risk; (ii) the appropriateness and proportionality of the factors that should be used when designing affordability checks in relation to individual lending decisions; (iii) the appropriate role of income and expenditure information in lending decisions; and (iv) the FCA's expectations around firms' policies and procedures. The FCA has also proposed to introduce an explicit definition of "affordability risk" which sets out the factors firms should consider when assessing whether credit is likely to be affordable for the borrower. The consultation period has now closed and FCA has indicted that it is aiming to publish a policy statement during the first half of 2018.
- FCA review of high-cost credit (FS17/2) – in July 2017, the FCA published FS17/2 in which it indicated, amongst other things, that it has concerns regarding a range of products designated as 'high cost' including home-collected credit. The FCA is considering a range of policy actions to address its concerns including possible restrictions on refinancing, impose time gaps between borrowing or time limits on the total duration of borrowing. The FCA stated that it will investigate the issues outlined in FS17/2 further; and where intervention is needed and justified, it aims to consult on proposals for further policy action in Spring 2018. The FCA issued an update to FS17/2 in January 2018, where it outlined further concerns regarding 'high cost' customers. The FCA has commissioned consumer research to explore consumers' experience of home-collected credit and their understanding of the cost implications of refinancing and repeat borrowing. The FCA has stated that it aims to report on the further analysis it is conducting by May 2018, and if needed, consult on proposals to address its concerns at that point.
- The FCA identified the motor finance industry as one of its retail lending sector priorities in its Business Plan 2017-18, emphasising the importance of helping consumers understand the risks and particular features of motor finance products. The Business Plan summarised its concerns about the industry highlighting lack of transparency and potential conflicts of interest and specified particular areas of assessment, such as creditworthiness and affordability checks and certain sales processes, as part of the ongoing FCA review of the relevant market practices, which is expected to be completed by 2018/19. However, the FCA's key focus of cover with the motor finance industry is personal contract purchase finance. The Provident Financial Group does not provide such finance product and so much of the FCA's key focus of concern is not relevant to the Provident Financial Group.
- In July 2017, the PRA published a statement on consumer credit based on its review of consumer credit lending, which examined PRA-regulated firms' asset quality and underwriting practices for credit cards, unsecured personal loans and motor finance. The PRA Review found that the resilience of consumer credit portfolios was reducing due to the combination of continued growth, lower pricing, falling average risk-weights and increased lending into higher-risk segments. The statement made a specific reference to the motor finance market which has seen the fastest expansion among consumer credit products in recent years and commented that the lenders were exposed to particularly high risks. In light of these findings, the PRA is requesting evidence from all regulated firms with material exposures to consumer credit (such as Vanquis Bank) of the measures being taken to minimise credit risk.

1.3 The Government published an open consultation entitled "Breathing space: call for evidence" on 24 October 2017, in which the Government highlighted that its 2017 manifesto committed the Government to implementing a breathing space scheme, with the right safeguards to prevent abuse, so that a person in

"serious problem debt" may apply for legal protection from further interest, charges and enforcement action for a period of up to six weeks, and where appropriate, such person would be offered a statutory repayment plan to help pay back their debts in a manageable way. The call for evidence is the first step in implementing the Government's commitment and seeks to gather information from the debt advice sector and creditors about the scale of the issue, and about how best to design, implement, administer and monitor a six-week breathing space scheme and statutory debt repayment plan. The Government has requested responses to the call for evidence by 16 January 2018.

2. EUROPEAN UNION LEGISLATION

The regulatory framework for banking and financial services within the UK is currently shaped to a large degree by legislation emanating from the EU. Regulations of the EU apply directly in Member States while directives have to be implemented into national law by Member States.

The following principal items of current and proposed EU legislation have particular relevance for the Provident Financial Group.

2.1 Capital Requirement Regulation and Directive

The Basel III reforms were agreed in December 2010 and introduced a series of reforms to the international prudential framework for capital requirements. In Basel III, the Basel Committee approved significant changes to the Basel II ("**Basel II**") framework (as agreed by the Basel Committee between 2011 and 2013) (such changes being commonly referred to as Basel III), including new capital and liquidity requirements intended to reinforce capital standards with heightened requirements for global, systemically important banks and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**", respectively).

It is intended that Member States will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provisions for phased implementation, meaning that the measures will not apply in full until January 2019), and the Net Stable Funding Ratio from January 2018.

In 2012, the Basel Committee initiated a comprehensive review of the framework aimed at finalising the Basel III reform package and ensuring its consistent implementation. Since then, the Basel Committee has proposed among other things (i) new standards for capital requirements for market risk and interest rate risk; (ii) the use of the standardised approach for credit risk; and (iii) withdrawing use of internal modelling when calculating operational risks. In March 2016, the Basel Committee published a consultative document to constrain banks' flexibility in calculating risk weighted assets ("**RWAs**") through internal models in order to reduce the high RWA-variation across banks. A synthesis of these proposals (coined by some as "Basel IV" because of their anticipated magnitude) had originally been expected for end of 2016. In view of the ongoing and comprehensive review of the Basel III framework initiated by the Basel Committee in 2012, on 23 November 2016 the European Parliament adopted a resolution on the finalisation of Basel III. The European Parliament stressed that the revisions should respect the principle of not significantly increasing overall capital requirements and underlined the need to consider carefully the impact of the proposed reforms. On 3 January 2017, the Basel Committee issued a press release stating that a meeting by the Group of Central Banks and Heads of Supervision on finalising Basel III reforms had been postponed in order to finalise proposals on the reforms.

The Basel III reforms have been implemented in the EU by the Capital Requirements Regulation (Regulation (EU) 575/2013) (the "**Capital Requirements Regulation**") and the associated Capital Requirements Directive (Directive 2013/36/EU) (the "**CRD IV Directive**"), which were adopted by the European Parliament and European Council on 26 June 2013. CRD IV substantially reflects the Basel III capital and liquidity standards. CRD IV introduced new capital limits and buffers for banks, and includes a requirement to hold CET1 capital to account for capital conservation, countercyclical and systemic risk buffers. CRD IV also established rules on the remuneration of bank staff. Certain further details remain to be clarified in binding technical standards, reports and guidelines to be issued by the European Banking Authority (some of which are not expected before 31 December 2017). CRD IV entered into force on 1 January 2014 although many provisions will be phased in over time, with full implementation of CRD IV required by January 2024. However individual Member States may implement the stricter requirements of

contributing instruments and/or implement increases to the required levels of capital more quickly than envisaged. As a regulation, the Capital Requirements Regulation is directly effective in all Member States. CRD IV applies to Vanquis Bank and the Provident Financial Group (on a consolidated basis).

2.2 **Consumer Credit Directive**

Directive 2008/48/EC on consumer credit (the "**Consumer Credit Directive**") regulates the provision of credit at EU level. The Consumer Credit Directive was implemented in the UK through a series of implementing regulations.

In essence, the Consumer Credit Directive requires Member States to ensure that suppliers of consumer credit provide a comprehensive set of information to consumers in good time before a consumer credit agreement is entered into, the aim being to permit consumers to more easily compare consumer credit agreements and to better understand the features and obligations of such agreements. The pre-contractual information required to be provided by creditors must follow the Standard European Consumer Credit Information standardised form. In addition, consumers enjoy the right to withdraw from the credit agreement without giving any reason within a period of 14 days after the conclusion of the contract and the right to repay their credit early at any time.

2.3 **Bank Recovery and Resolution Directive (2014/59/EU) ("BRRD")**

The BRRD was published in the Official Journal of the EU on 12 June 2014 and Member States were required to have put in place national legislation implementing the provisions of the BRRD by 1 January 2015. The provisions of the BRRD (including those relating to bail-in) have been implemented in the UK by means of a mixture of legislative provisions, new rules in the FCA Handbook, the PRA Rulebook and amendments to HM Treasury's SRR Code of Practice. The BRRD applies to Vanquis Bank.

2.4 **Deposit Guarantee Schemes Directive**

The existing Deposit Guarantee Schemes Directive required each Member State to introduce at least one deposit guarantee scheme, with implementation by 1 July 1995. The Deposit Guarantee Schemes Directive (Directive 2009/14/EC) has been reviewed and a new directive to recast and replace the existing rules was adopted by the European Parliament and European Council on 16 April 2014 and published in the Official Journal on 12 June 2014 (the "**DGSD**"), and the deadline of implementation of the DGSD was 3 July 2015. The UK deposit guarantee scheme is the FSCS, which was established by FSMA. The main changes under the DGSD include a tighter definition of deposits, mandatory part pre-funding of deposit guarantee schemes, a requirement that deposit guarantee schemes repay customers within a week and that banks must be able to provide information at any time. The DGSD applies to Vanquis Bank.

2.5 **Payment Services**

On 1 November 2009, the PSR came into force. The PSR (and related amending legislation) implement the PSD, which harmonised the regulation of payment services in the EU, in the UK. The PSR created a separate authorisation and registration regime which differs from the authorisation requirements under FSMA, for businesses which provide payment services (including credit card services) in the UK. Credit institutions are only subject to the conduct of business requirements in the regulations to the extent that they provide payment services. The Second Payment Services Directive was published in the Official Journal of the EU on 23 December 2015 and came into force on 12 January 2016. Member States were required to have transpose PSD2 into national law by 13 January 2018 and the UK implemented PSR2 to transpose PSD2 into national law, and PSR2 took full effect on 13 January 2018. PSD2 broadens the geographical scope of PSD1; extends provisions on transparency and information requirements to all currencies not just EU currencies; broadens definition of payment services to include payment initiation services and account information services; and amends exemptions and conduct of business rules.

On 19 May 2015, the Regulation on Interchange Fees for Card-based Payment Transactions ((EU) 2015/751) (the "**IFR**") was published in the Official Journal of the EU. The IFR came into force on 8 June 2015, with the exception of rules relating to the capping of interchange fees for consumer debit and credit card transactions, which came into force on 9 December 2015. The combined effect of PSD2 and the IFR is to introduce maximum levels of interchange fees for transactions based on consumer debit and credit cards and ban surcharges on these types of cards. PSD2 and the IFR apply to Vanquis Bank.

2.6 **General Data Protection Regulation**

The General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") will come into force on 25 May 2018. The GDPR will bring about material changes to the way data processors are regulated and will affect marketing processes, particularly with respect to requirements relating to consent to the use of personal data. The GDPR will also expand the territorial reach of data protection legislation beyond the borders of the European Union and will require data controllers to map their data processes, ensuring demonstrable compliance with the provisions of the regulation. The GDPR will also bring about more onerous breach reporting obligations and tougher penalties for compliance failures, with the maximum fine for compliance failures increasing to €20 million or of up to four per cent. of the annual worldwide turnover of company groups.

2.7 **Fourth EU Anti Money Laundering Directive**

The Fourth EU Anti Money Laundering Directive (Directive 2015/849) ("**MLD4**") amends Regulation No 648/2012 and repeals Directive 2005/60/EC. Member states were required to have incorporated MLD4 into national law by 26 June 2017. Financial institutions, accountants, tax advisers, lawyers, trust providers and estate and letting agents with whom trustees form a business relationship must now comply with MLD4. MLD4 has made changes to customer due diligence and the central register of beneficial ownership, introduced enhanced measures for local politically-exposed persons, removed the automatic exemption from enhanced customer due diligence and expanded the scope of the Directive to companies with majority-owned subsidiaries located in countries outside of the EU, while emphasising a risk-based approach.

2.8 **Regulatory and other changes resulting from the UK exit from the European Union**

As a significant proportion of the current and anticipated regulatory regime applicable to the Provident Financial Group in the UK is derived from EU directives and regulations, the UK exiting the EU could materially change the legal and regulatory framework applicable to the Provident Financial Group's operations, including in relation to its regulatory capital requirements.

2.9 **Other**

In addition to those laws and regulations described above, the Provident Financial Group is also subject to, and complies with, a number of legal and regulatory requirements that relate to, amongst others, employment, health and safety and data protection laws and regulations.

3. **REPUBLIC OF IRELAND: CONSUMER CREDIT ACT 1995 AND CONSUMER PROTECTION CODE FOR MONEYLENDERS**

The Provident Financial Group's operations in the Republic of Ireland are subject to the licensing regime controlled by the Central Bank of Ireland and credit provision is governed by the Consumer Credit Act 1995. Home credit providers must also comply with the Consumer Protection Code for Licensed Moneylenders (the "**Code**"). The Code includes provisions on knowing your customer, suitability, complaint handling and consumer records. In October 2010 the Central Bank Reform Act 2010 became law and introduced for the first time in Irish law a harmonised statutory system for the regulation of financial institutions by the Central Bank of Ireland. The Provident Financial Group's Home Credit business in Ireland is regulated as a financial services provider and as such is subject to the fitness and probity standards issued by the Central Bank of Ireland and the enforcement provisions contained in the Central Bank Reform Act 2010 and the Central Bank (Supervisions and Enforcement) Act 2013.

PART VII
INDUSTRY

1. THE NON-STANDARD CREDIT MARKET

All figures and statements set out in this Part VII represent management estimates and / or beliefs, unless otherwise stated or independently sourced.

The UK non-standard credit market includes the provision of secured and unsecured credit to non-standard customers (see definition below) by specialist lenders other than the UK's mainstream financial institutions. The size of the UK non-standard credit market is approximately £72 billion and is growing at an average rate of 5 per cent. per annum. 75 per cent. of lending is through specialist non-standard products (see list of products below) provided by specialist lenders.

Non-standard credit customers typically have a poor credit history or no credit history at all, or may have had past problems with credit, often due to periods of unemployment, family break-up, ill-health or the use of inappropriate mainstream credit offers. Customers are typically defined as near-prime, non-prime or sub-prime depending on their creditworthiness.

In the UK there are currently approximately 10 to 12 million people who do not meet the credit criteria of mainstream financial institutions. Approximately 20 per cent. of these non-standard customers in the UK (approximately 2 million people) move annually between standard and non-standard markets through improving or declining credit scores as situations continually change due to unexpected life events. The number of non-standard customers is growing on average by approximately 1 – 2 per cent. per annum. In addition, approximately 5 million people in the UK have a few minor historic issues with their credit payment histories, and as a result they fall into a somewhat separate category between standard or prime and non-standard, referred to as "near-prime". These customers may struggle, or believe that they may struggle, to meet the credit criteria of mainstream financial institutions and are often included in the definition of non-standard, particularly in the credit card sector. In practice, there is no clear and universally accepted dividing line between near-prime and sub-prime or non-standard, as this will depend on the credit criteria of individual providers which will change from time to time. All of these customers can be considered non-prime or non-standard to some degree.

Growth in the non-standard UK credit market has predominantly been driven by greater levels of immigration and a large number of people who have experienced negative credit events in the past, resulting in an increasing percentage of people with no or adverse credit history. Increasing regulatory action to protect customers in the high-cost short-term credit market with a particular focus on curtailing payday lending has also reduced the growth in this market.

The U.K non-standard credit market is more diverse in the types of credit offered than the prime market, reflecting the wider variety of customer needs and situations, as well as business models aimed at responsibly serving the higher credit risk customer. The UK non-standard credit market includes, but is not limited to, the following products[5]:

- **Non-standard credit cards (near-prime and sub-prime)** – the provision of credit cards to lower income salaried groups or those who are credit impaired. Credit limits typically start low and grow as customers demonstrate their ability to manage their account well.
- **Non-standard mortgages** – the provision of first charge mortgages to those who do not meet the increasingly stringent criteria of mainstream providers, where loan to value ratios are generally between 60 per cent. and 75 per cent.
- **Home collected credit** – the provision of loans typically for £100 to £1,000, and sometimes higher, which are repaid to collectors who call on customers in person on a weekly basis.
- **Payday loans** – short-terms loans typically for £100 to £2,000 made for periods of less than 30 days to salaried employees with bank accounts and debit cards to be repaid in lump sum out of their next salary.
- **Short-term unsecured instalment loans** – unsecured personal loans usually for £250 – £1,000 lent over a period of 3 – 12 months.
- **Medium-term unsecured instalment loans** – unsecured personal loans usually for £1,000 – £5,000 lent over a period of 1 – 5 years.

[5] *Source*: High-cost credit review technical annex 1: Credit reference agency (CRA) data analysis of UK personal debt, July 2017. Financial Conduct Authority.

- **Second charge mortgages / secured loans** – loans of up to £50,000 secured by means of a second charge mortgage which are generally used for home improvement and repayable over five years.
- **Arranged overdrafts** – unsecured overdrafts of up to £500 are arranged with customers with banks accounts to be repaid on a one month rolling basis.
- **Unarranged overdrafts –** unsecured overdrafts, with no pre-arranged limit of up to a few hundred pounds which are available to customers with bank accounts, but are not pre-arranged with the customers, to be repaid on a one month rolling basis.
- **Guarantor loans** – loans of £2,000 to £7,500 are provided to an individual with the loan guaranteed by a family member or friend who is generally also a home owner.
- **Rent to own** – a facility allowing those who are credit impaired and/or on lower incomes to buy household electronics or durables from specialist shops offering weekly payment terms.
- **Retail credit** – the provision of credit at the point of sale in store, via catalogues and increasingly online for the purchase of clothes and smaller household goods, repayable within a year or as part of a revolving credit line.
- **Car loans** – the provision of hire purchase or other loan products to individuals for purchasing cars.
- **Pawnbroking** – loans averaging under £100, although sometimes larger, are secured against pawned goods, most often jewellery.

The Provident Financial Group operates in the non-standard credit card, home collected credit, short-term unsecured instalment loan and car loan markets.

Companies that currently operate in the non-standard credit market are predominantly non-bank finance companies, and the large majority of these are involved in the provision of only one or two types of financial products. Post 2007 and the global financial crisis, mainstream lenders in the UK began to curtail secured and unsecured lending (i.e. personal loans, credit cards and overdrafts) due to large losses and capital shortfalls. A large number of specialist lenders in the UK were established in order to meet customers' demands for unsecured credit.

Firms wanting to sustainably service this market in the UK require a tailored approach to credit, usually focusing on lower amounts of credit for shorter terms initially, higher levels of customer contact, and the use of a security or asset in some form linked to the provision of credit. Firms also need to be more flexible in dealing with non-standard customers who are more likely to run into repayment issues and require forbearance.

As a result, in the UK, business models in this sector usually incur higher costs than more standardised and less flexible prime credit offers, resulting in the need to charge higher prices in order to generate acceptable returns for the risk that lenders take.

APRs for loans in the UK non-standard credit market tend to be higher than in traditional bank lending, given the typically increased risk profile compared to prime lending. Within the UK non-standard credit market, APRs tend to be lowest in second charge mortgages and non-standard mortgages, higher in guarantor loans, rent to own and non-standard credit cards, higher again in unsecured loans, pawnbroking and home collected credit, and highest in payday loans. [6]

2. OVERVIEW OF THE PROVIDENT FINANCIAL GROUP'S MARKETS AND PRODUCTS

2.1 Non-standard credit cards (Vanquis Bank)

The non-standard credit card market in the UK is served by four major card issuers; Vanquis Bank (Provident Financial Group plc), Barclaycard, NewDay and Capital One. The target near-prime and sub-prime credit card markets are estimated at between 10.2 and 13.6 million customers. APRs for non-standard credit cards are approximately 29.9% per cent. to 39.9% per cent. [7]

2.2 Home collected credit (Provident)

The UK home collected credit market is served by Provident, the UK's only national lender, and a large number of regional lenders including Morses Club and Loans at Home.

[6] *Source*: High-cost credit – Including review of the high-cost short-term credit price cap – Feedback Statement FS17/2, July 2017. Financial Conduct Authority.

[7] *Source*: Sizing the UK near prime credit card market, January 2016. PricewaterhouseCoopers LLP.

Approximately 700,000 customers took out a home collected credit product in 2016. 1.7 million new loans were issued with a total value of £1.3 billion. The average loan value was £770. Approximately £1.1 billion of loans were outstanding at the end of 2016[8].

2.3 **Short-term unsecured instalment loans (Satsuma)**

The UK short-term unsecured instalment loan market was significantly impacted by implementation of the new FCA regulatory regime in 2014. Following its subsequent review of the high-cost short-term credit market, the FCA implemented new rules and guidance which, amongst other things, increased the level of protection available to customers via the introduction of price caps and effectively curtailed payday lending. Some lenders adapted their business models away from payday lending towards short-term unsecured instalment loans, while others withdrew from the market. In 2015, the Consumer Finance Association ("**CFA**") estimated that six out of ten high street lenders had exited the market since 2014[9]. The market continues to be served by a number of active competitors, including Satsuma, Sunny, Quickquid and Wonga.

Having grown from approximately £0.3 billion of outstanding loans in 2006 to approximately £2.5 billion in 2013 the market for short-term unsecured credit contracted to £1.1 billion by the end of 2016. Approximately 800,000 customers took out a short-term unsecured instalment loan in 2016. 3.6 million new loans were issued with a total value of £1.1 billion. The average loan value was £290[10].

2.4 **Car loans (Moneybarn)**

The non-standard car loan market is competitive with a range of lenders operating across risk segments (i.e. near-prime, non-prime, sub-prime). The main lenders operating in the non-standard car loan market are Moneybarn, Advantage Finance Ltd, First Response, Billing Finance Ltd, Moneyway (a trading name of Secure Trust Bank PLC) and The Funding Corporation Ltd.

Approximately 800,000 cars were purchased by non-standard customers in the UK in 2016, of which about 120,000 were funded through non-standard car loans worth approximately £730 million. The average loan value was approximately £6,600[11].

Loans are typically provided via hire purchase contracts at APRs of approximately 30 per cent.

3. **RECENT DEVELOPMENTS**

In the UK, the financial crisis brought recession, unemployment and underemployment, an increase in the cost of living, austerity, wage stagnation and reduced mainstream lender appetite. As the UK economy recovered, headline unemployment fell to some of the lowest levels seen since the 1970s, inflation also fell away creating real wage growth, customer sentiment and confidence improved and credit supply increased rapidly. However, not everyone benefited equally. Underemployment and uncertain employment have persisted in certain demographics, wage growth has been lacklustre and patchy, and austerity remains in government plans. As a result, despite general improvements in all credit bureau scores, the non-standard credit market has continued to grow. At its meeting on 1 November 2017, the Bank of England's Monetary Policy Committee ("**MPC**") determined to increase its bank rate by 0.25 percentage points to 0.5 per cent.; the first such rate increase since July 2007. The increase in the bank rate was in response to a rise in consumer price index inflation to 3 per cent. in September 2017 driven by the depreciation of sterling and recent increases in energy prices. In its Inflation Report for February 2018, the MPC stated that inflation fell from 3.1 per cent. in November 2017 to 3.0 per cent. in December 2017 and that it expected inflation to remain around 3 per cent. in the short term.[12] Brexit has contributed to economic uncertainty and expectations of an economic slowdown[13], albeit its ultimate form and the extent of any impact on the economy and non-standard credit market remains unclear.

Customers continue to move online / go digital and prefer mobile devices. They expect lenders to do the same. Digital interaction is increasingly important for effective lead generation, new customer acquisition

---

[8] *Source*: High-cost credit review technical annex 1: Credit reference agency (CRA) data analysis of UK personal debt, July 2017. Financial Conduct Authority.

[9] *Source*: A modern credit revolution: An Analysis of the short-term credit market, July 2015. Consumer Finance Association.

[10] *Source*: High-cost credit review technical annex 1: Credit reference agency (CRA) data analysis of UK personal debt, July 2017. Financial Conduct Authority.

[11] Based on non-standard car loans of approximately £730 million divided by approximately 110,000 non-standard car loans.

[12] *Source*: Bank of England, Inflation Report, February 2018.

[13] *Source*: Bank of England, Inflation Report, August 2017.

and ongoing customer relationship management. For example, previously 'big book' paper and phone-based lenders have gone completely online and mostly mobile / tablet-based in the last five years, e.g. Shop Direct Group.

Management believes that in the short-term, improving customer circumstances are expected to continue to drive credit demand and affordability despite looming future economic uncertainty. In the medium-term, a slowdown may undermine individual customer circumstances, but grow the non-standard market as more customers move into the market as they run into financial difficulties.

4. CHANGE IN REGULATOR

Regulation of consumer credit transferred from the OFT to the FCA on 1 April 2014, as the regulatory regime under the OFT was considered to be relatively light touch with the OFT having little power to set rules or enforce them.

50,000 firms transferred with interim permission from the OFT to the FCA on 1 April 2014. As of 31 March 2016, approximately 31,000 firms had been authorised (including firms new to the market) and approximately 24,000 interim permissions had lapsed or been cancelled. As of 31 March 2016, over 1,700 firms in total have either been refused authorisation or decided to withdraw their applications because they did not meet the standards required by the FCA.[14]

Transition to FCA regulation has been difficult for certain product sectors, holding back overall average loan growth. Key areas of change driven by the FCA have been upfront affordability assessments, limits on refinancing during an existing loan, and forbearance. Single product firms have been particularly susceptible to new requirements in their area of focus. For example, the payday lending business model has been transformed with the implementation of a rate cap, resulting in a material drop in lending. Of the approximately 330 high-cost short-term credit providers that initially applied for authorisation from the FCA, 144 had the relevant permissions but only around 30 remained actively lending as of December 2016. Rules and guidance from the FCA continue to evolve and remain under review.

Vanquis Bank is authorised by the PRA and regulated by the PRA and FCA. Moneybarn is fully authorised by the FCA. CCD, which includes Provident and Satsuma, operates under an interim permission from the FCA. See the risk factor titled "*Provident Personal Credit Limited and Provident Financial Management Services Limited have each not received full FCA authorisation. Any failure by PPC and/or PFMSL to obtain full authorisation by the FCA would have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.*" for further information.

Recent reviews into the UK consumer credit market by the PRA and Bank of England have identified that lenders' resilience to consumer credit portfolios is reducing due to a combination of continued growth, lower pricing and some increased lending into higher-risk segments.

In particular, the reviews by the PRA and the Bank of England have highlighted the risk associated with 0 per cent. promotional offers on credits cards, falling interest rates on unsecured personal loans and the growing popularity of Personal Contract Purchase plans in motor finance.

5. REGULATORY CHANGE

There have been several recent changes to PRA regulation, including, but not limited to:

- Changes to the countercyclical capital buffer. In its November 2017 Financial Stability Report, the FPC announced that it was raising the rate of the UK countercyclical capital buffer from 0.5 per cent. to 1.0 per cent., with binding effect from 28 November 2018. The FPC initially planned to increase the countercyclical capital buffer from 0 per cent. to 0.5 per cent. (to take effect from 28 November 2018) in its June 2017 Financial Stability Report. The purpose of the countercyclical capital buffer is for it to be drawn on as necessary to allow banks to support the real economy in a downturn. The increase of the countercyclical capital buffer to 1.0 per cent. is aimed at establishing a system-wide UK countercyclical capital buffer of £11.4 billion. The FPC will reconsider the adequacy of the current 1 per cent. countercyclical capital buffer during the first half of 2018, in light of the evolution of the overall risk environment in the real economy.[15]
- Changes to the capital conservation buffer. The capital conservation buffer was introduced by the FPC in December 2015, and sets a basic level of capacity across the financial system to absorb

[14] *Source*: Financial Conduct Authority Data Bulletin, Issue 6, June 2016

[15] *Source*: Bank of England, Financial Stability Report, Executive Summary, November 2017

losses. The capital conservation buffer is being phased in 0.625 per cent. increments per year over four years, starting in 2016 and ending in 2019, at which point it will amount to 2.5 per cent. The capital conservation buffer will be offset by reductions in the PRA buffer which is set for banks on an individual basis.[16]

- The introduction of IFRS 9. In November 2017, the Council for the European Union announced the final regulatory capital transition schedule in relation to IFRS 9. The regulatory capital impact of IFRS 9 will be phased in on a cumulative basis over six years through to 2023 starting with 5 per cent. in 2019, 15 per cent. in 2019, 30 per cent. in 2020, 50 per cent. in 2021, 75 per cent. in 2022 and 100 per cent. in 2023. The regulations came into force on 1 January 2018. Institutions will be required to disclose own funds, capital ratios and leverage ratios, both with and without the application of IFRS 9 transitional arrangements unless the institution decides not to apply such transitional arrangements.

[16] *Source*: Bank of England, Financial Stability Report, Issue No. 38, December 2015

PART VIII
HISTORICAL FINANCIAL INFORMATION

Historical financial information

The following documents, which have been filed with the FCA and are available for inspection in accordance with paragraph 21 of Part XIV "*Additional Information*" of this Prospectus, contain historical financial information which is required to be included in this Prospectus pursuant to the Prospectus Rules:

- the Company's Annual Report and Financial Statements for the year ended 31 December 2015 (the "**2015 Annual Report**");
- the Company's Annual Report and Financial Statements for the year ended 31 December 2016 (the "**2016 Annual Report**"); and
- the Company's Annual Report and Financial Statements for the year ended 31 December 2017 (the "**2017 Annual Report**").

Information incorporated by reference

The tables below sets out the various sections of the documents referred to above which are incorporated by reference into this Prospectus so as to provide certain historical financial information required pursuant to the Prospectus Rules. Only the parts of the documents identified in the tables below and elsewhere are incorporated into, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus.

For the year ended 31 December 2017

Information incorporated by reference into this Prospectus	Reference document	Page number in reference document
Consolidated income statement	2017 Annual Report	128
Consolidated statement of comprehensive income	2017 Annual Report	128
Earnings per share	2017 Annual Report	128
Dividends per share	2017 Annual Report	128
Balance sheets	2017 Annual Report	129
Statements of changes in shareholders' equity	2017 Annual Report	130
Statements of cash flows	2017 Annual Report	132
Statement of accounting policies	2017 Annual Report	133 - 139
Financial and capital risk management	2017 Annual Report	140 - 145
Notes to the financial statements	2017 Annual Report	146 - 186
Independent auditor's report to the members of Provident Financial plc	2017 Annual Report	187 - 194

For the year ended 31 December 2016

Information incorporated by reference into this Prospectus	Reference document	Page number in reference document
Consolidated income statement	2016 Annual Report	120
Consolidated statement of comprehensive income	2016 Annual Report	120
Earnings per share	2016 Annual Report	120
Dividends per share	2016 Annual Report	120
Balance sheets	2016 Annual Report	121
Statements of changes in shareholders' equity	2016 Annual Report	122 - 123
Statements of cash flows	2016 Annual Report	124
Statement of accounting policies	2016 Annual Report	125 - 130
Financial and capital risk management	2016 Annual Report	131 - 135
Notes to the financial statements	2016 Annual Report	136 - 171
Independent auditor's report to the members of Provident Financial plc	2016 Annual Report	172 - 177

For the year ended 31 December 2015

Information incorporated by reference into this Prospectus	Reference document	Page number in reference document
Consolidated income statement	2015 Annual Report	134
Consolidated statement of comprehensive income	2015 Annual Report	134
Earnings per share	2015 Annual Report	134
Dividends per share	2015 Annual Report	134
Balance sheets	2015 Annual Report	135
Statements of changes in shareholders' equity	2015 Annual Report	136 - 137
Statements of cash flows	2015 Annual Report	138
Statement of accounting policies	2015 Annual Report	139 - 144
Financial and capital risk management	2015 Annual Report	145 - 149
Notes to the financial statements	2015 Annual Report	150 - 187
Independent auditor's report	2015 Annual Report	188 - 193

PART IX
SELECTED FINANCIAL INFORMATION

The following tables set forth the Provident Financial Group's audited consolidated financial statements for the periods and dates indicated.

In order to present information on a consistent basis with the presentation adopted in the consolidated financial statements of the Provident Financial Group as at and for the year ended 31 December 2017, certain information in the Provident Financial Group's consolidated balance sheet and income statement for the year ended 31 December 2016 and 31 December 2015 has been reclassified for the purposes of the data presented in the tables below.

Prior to 31 December 2017, impairment charges were included in the line item "Operating costs" in the Provident Financial Group's consolidated income statement. "Impairment charges" is now shown as a separate line item in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017 while other operating costs are now combined with administrative costs in the line item "Administrative and operating costs" in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated income statement for the years ended 31 December 2016 and 2015 in the tables below differs from such comparable line items contained in the respective audited income statement contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "*Historical Financial Information*" of this Prospectus. For more information see "*Key Components of Provident Financial Group's Income Statement*" in Part X, "*Operating and Financial Review*" of this Prospectus.

Prior to 31 December 2017, all external borrowings (including retail deposits) were included in the line item "Bank and other borrowings" in the Provident Financial Group's consolidated balance sheet. "Retail deposits" is now shown as a separate line item in the Provident Financial Group's consolidated balance sheet as at 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated balance sheet as at 31 December 2016 and 2015 in the tables below differs from such comparable line items contained in the respective audited balance sheet contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "*Historical Financial Information*" of this Prospectus.

This information is only a summary and should be read in conjunction with the financial statements of the Provident Financial Group as well as "*Risk Factors*," Part VIII "*Historical Financial Information*", and Part X "*Operating and Financial Review*" appearing elsewhere in this Prospectus.

Consolidated Income Statement

	For the year ended 31 December		
	2017[1]	**2016**	**2015**
		(£ millions)	
Revenue	1,196.3	1,183.2	1,113.1
Finance costs	(77.0)	(81.7)	(80.0)
Impairment charges	(476.1)	(298.8)	(276.0)
Administrative and operating costs	(766.2)	(458.8)	(483.5)
Total costs	**(1,319.3)**	**(839.3)**	**(839.5)**
Adjusted profit before tax	109.1	334.1	292.9
Amortisation of acquisition intangibles	(7.5)	(7.5)	(7.5)
Exceptional items	(224.6)	17.3	(11.8)
Profit before taxation	**(123.0)**	**343.9**	**273.6**
Tax charge	(11.4)	(81.0)	(55.4)
Profit for the year attributable to equity shareholders	**(134.4)**	**262.9**	**218.2**

(1) In the periods prior to the year ended 31 December 2017, costs have been analysed between operating costs, administrative costs and finance costs on the face of the income statement. Operating costs, comprised impairment charges, agents' commissions and marketing and acquisition costs. Under the new Home Credit operating model in the UK agents' commissions have been replaced with salaries which is shown under administrative costs. The residual operating costs comprising marketing and acquisition costs have been incorporated within administrative and operating costs with 2016 and 2015 comparatives reclassified.

Balance Sheet

	As at 31 December		
	2017	2016	2015
		(£ millions)	
ASSETS (current and non-current)[1]			
Amounts receivable from customers			
Vanquis Bank	1,554.7	1,424.7	1,252.0
CCD	390.6	584.8	545.1
Moneybarn	364.1	297.3	219.6
Total amounts receivable from customers	**2,309.4**	**2,306.8**	**2,016.7**
Retirement benefit asset	102.3	72.4	62.3
Liquid assets buffer[2]	263.4	168.9	134.2
Other assets[3]	290.8	278.5	255.0
Total assets	**2,965.9**	**2,826.6**	**2,468.2**
LIABILITIES (current and non-current)[1]			
Bank and other borrowings:			
Retail deposits[4]	(1,291.8)	(941.2)	(731.0)
Bank and borrowings	(882.3)	(913.9)	(865.2)
Total bank and other borrowings[5]	(2,174.1)	(1,855.1)	(1,596.2)
Other liabilities[6]	(256.7)	(181.4)	(164.3)
Total liabilities	**(2,430.8)**	**(2,036.5)**	**(1,760.5)**
SHAREHOLDERS' EQUITY			
Share capital	30.7	30.6	30.5
Share premium	273.0	272.7	270.7
Other reserves	13.4	24.3	35.6
Retained earnings	218.0	462.5	370.9
Total equity	**535.1**	**790.1**	**707.7**
TOTAL LIABILITIES & EQUITY	**2,965.9**	**2,826.6**	**2,468.2**

(1) For the breakdown of current and non-current balances, see the consolidated financial statements of the Provident Financial Group for the years ended 31 December 2017, 2016 and 2015.

(2) Liquid assets buffer, including liquid resources, represents gilts and amounts held within the Bank of England reserve account by Vanquis Bank in accordance with the PRA's liquidity regime and liquidity stress tests, specified in the ILAAP of Vanquis Bank. The buffer is not available to finance the Provident Financial Group's day-to-day operations. As at 31 December 2017, the liquid assets buffer comprised £227.5 million disclosed within cash and cash equivalents (31 December 2016: £168.9 million, 31 December 2015: £134.2 million) and £35.9 million, representing UK government gilts with a maturity greater than 3 months, disclosed as an available for sale investment (31 December 2016: £nil, 31 December 2015: £nil).

(3) Other assets includes goodwill, other intangible assets, property, plant and equipment, available for sale investment and trade and other receivables and cash held on deposits.

(4) The consolidated balance sheet as at 31 December 2017 included "Retail deposits" on the face of the balance sheet as a separate line item. Previously, all external borrowings held by the group have been shown as "Bank and other borrowings" on the face of the balance sheet and split between current (where settlement is within the subsequent 12 months) and non-current (where settlement can be deferred beyond 12 months). Retail deposits are now disclosed separately on the face of the balance sheet with 2016 and 2015 comparatives reclassified.

(5) Balance includes both current and non-current borrowings.

(6) Other liabilities includes provisions, derivative financial instruments, trade and other payables, current tax liabilities, and deferred tax liabilities.

Statements of cash flows

	For the year ended 31 December		
	2017	2016	2015
		(£millions)	
Net cash (used in)/generated from operating activities	(56.7)	11.7	81.5
Net cash used in investing activities	(66.9)	(10.6)	(25.6)
Net cash generated from/(used in) financing activities	184.8	78.2	(57.3)
Net increase/(decrease) in cash, cash equivalents and overdrafts	61.2	79.3	(1.4)
Total cash, cash equivalents and overdrafts[1]	**279.8**	**218.6**	**139.3**

[1] Cash, cash equivalents and overdrafts includes £227.5 million (31 December 2016: £168.9 million, 31 December 2015: £134.2 million) in respect of the liquid asset buffer, held by Vanquis Bank in accordance with the PRA's liquidity regime and liquidity stress tests, specified in the ILAAP of Vanquis Bank. In addition, a further £35.9 million of government gilts form part of the liquid assets buffer but are held as an available for sale investment (31 December 2016: £nil, 31 December 2015: £nil). This buffer is not available to finance Provident Financial Group's day-to-day operations.

PART X
OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the financial information on the Provident Financial Group set forth in "Important Information – Presentation of financial information," Part IX "Selected Financial Information" and the financial information in Part VIII "Historical Financial Information" of this Prospectus which has been incorporated by reference into this Prospectus. The financial information included in this Part X "Operating and Financial Review" has been extracted without material adjustment from the financial information referred to in Part VIII "Historical Financial Information" of this Prospectus (which has been incorporated by reference into this Prospectus) or has been extracted without material adjustment from the Provident Financial Group's accounting records which formed the underlying basis of the financial information referred to in Part VIII "Historical Financial Information" (which has been incorporated by reference into this Prospectus).

In order to present information on a consistent basis with the presentation adopted in the consolidated financial statements of the Provident Financial Group as at and for the year ended 31 December 2017, certain information in the Provident Financial Group's consolidated balance sheet and income statement for the year ended 31 December 2016 and 31 December 2015 has been reclassified for the purposes of the data presented in the tables and discussions below.

Prior to 31 December 2017, impairment charges were included in the line item "Operating costs" in the Provident Financial Group's consolidated income statement. "Impairment charges" is now shown as a separate line item in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017 while other operating costs are now combined with administrative costs in the line item "Administrative and operating costs" in the Provident Financial Group's consolidated income statement for the year ended 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated income statement for the years ended 31 December 2016 and 2015 in the tables and discussion below differs from such comparable line items contained in the respective audited income statement contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "Historical Financial Information" of this Prospectus. For more information see "Key Components of Provident Financial Group's Income Statement" below.

Prior to 31 December 2017, all external borrowings (including retail deposits) were included in the line item "Bank and other borrowings" in the Provident Financial Group's consolidated balance sheet. "Retail deposits" is now shown as a separate line item in the Provident Financial Group's consolidated balance sheet as at 31 December 2017. Therefore, in respect of these line items, data relating to the Provident Financial Group's consolidated balance sheet as at 31 December 2016 and 2015 in the tables and discussion below differs from such comparable line items contained in the respective audited balance sheet contained in the 2016 Annual Report and the 2015 Annual Report referred to in Part VIII "Historical Financial Information" of this Prospectus.

Some of the information contained in this Part X "Operating and Financial Review" contains certain forward looking statements that reflect the Provident Financial Group's plans, estimates and belief and that may involve risks and uncertainties. The Provident Financial Group's actual results may also differ materially from those discussed in these forward looking statements. Factors that could cause or contribute to such risks, uncertainties and/or differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, including under "Risk factors" and "Important Information—Forward-looking statements". All statements other than statements of historical fact, such as statements regarding the Provident Financial Group's future financial position, risks and uncertainties related to the Provident Financial Group's business, plans and objectives for future operations, are forward-looking statements.

1. OVERVIEW

Established in 1880, the Company and its subsidiaries is one of the leading providers of personal credit products to the non-standard credit market in the UK and Republic of Ireland and served approximately 2.6 million customers as at 31 December 2017. The Provident Financial Group operates in the non-standard credit market, which the Directors estimate consisted of approximately 10 to 12 million customers in the UK, equivalent to approximately 25 per cent. of the UK adult population as at 31 December 2017.

The Provident Financial Group provides credit products tailored to the needs of customers on low or moderate incomes, typically with a poor or limited credit history and who are often unable to access credit

from mainstream providers. The Provident Financial Group operates through three business divisions, which focus on different products to service the non-standard credit market: (i) Vanquis Bank, which offers credit cards and unsecured loans (on a pilot basis); (ii) CCD, comprising Provident, which is the trading name for CCD's home credit business, which provides short-term unsecured home credit loans, and Satsuma, which provides online short-term loans; and (iii) Moneybarn, which offers vehicle financing. Each business division has been developed to provide specialised products that meet the needs of customers across attractive segments of the non-standard credit market. For example, the Provident Financial Group launched the Satsuma online weekly and monthly instalment loans business in 2013 in order to service customers who are served by neither Vanquis Bank's credit cards or the home collected loans of the Home Credit business, and acquired the Moneybarn business in 2014 to address the UK non-standard vehicle finance market. The Provident Financial Group remains focused on the non-standard credit market and enhancing its digital capabilities to enable its businesses to work more effectively together and better serve and retain its customers in the future.

The Provident Financial Group is headquartered in Bradford and operates through 181 premises in the UK and Ireland. As at 31 December 2017, the Provident Financial Group had approximately 3,700 employees.

2. CURRENT TRADING

Vanquis Bank and Moneybarn both traded satisfactorily through the final quarter of 2017, with Vanquis Bank increasing new customer bookings by 93,000 while Moneybarn generated new business volumes approximately 30% higher than those generated in the fourth quarter of 2016.

CCD reported a pre-exceptional loss of approximately £120 million which is at the upper end of the guidance provided in August 2017. This reflects a lower than expected rate of reconnection through the fourth quarter with those home credit customers whose relationship had been adversely impacted following the poorly executed migration to the new operating model in July 2017. Home credit management has delivered substantial improvements in customer service and operational performance since August and the business enters 2018 with some 527,000 active customers, up from approximately 500,000 at September 2017.

3. KEY FACTORS AFFECTING RESULTS OF OPERATIONS

The Directors believe that the following factors have had, and may continue to have, a material effect on the Provident Financial Group's results of operations.

3.1 Impact of changes to the Home Credit operating model

The recent deterioration in the performance of the Home Credit business within the CCD has had a significant impact on the Provident Financial Group's recent results of operations.

In 2013, the Provident Financial Group announced the repositioning of its Home Credit business to become a leaner, better quality, more cost-effective business focused on returns. The repositioning was delivered primarily through two strategic measures. Firstly, the implementation of tighter credit standards and the standardisation of arrears and collection processes. This resulted in a progressive reduction in customer numbers and receivables through the end of 2015 while also leading to an improvement in margins. The second element of Home Credit's repositioning was a cost reduction programme featuring the roll-out of mobile and tablet technology and improved processes and controls. These measures resulted in increased profitability from 2014 to 2016 and a sharp improvement in the ROA delivered by the Home Credit business.

Following ongoing consideration and assessment of the Home Credit business's operating model, on 31 January 2017, the Home Credit business announced internally that it would be migrating to a new operating model in the UK pursuant to which: (i) customers would be served by 2,500 CEMs employed on a full-time basis rather than self-employed agents; (ii) the field management structure would be streamlined from 800 to 400 employees; and (iii) a new territory planning, routing and scheduling technology system would be implemented. The Home Credit business anticipated a modest reduction in full-year profits, primarily from the weaker collections performance during the period of transition.

On 20 June 2017, the Provident Financial Group announced that the Home Credit business had experienced higher operational disruption than planned between the announcement of the reorganisation

and deployment of the new operating model. During the transitional period, higher agent attrition resulted in agent vacancies running at approximately 12.0 per cent., more than double the rate anticipated. This led to adverse collections performance, adverse sales volumes and customer retention which resulted in higher impairments and lower receivables. Furthermore, an exceptional charge of £21.6 million in respect of redundancy, retention and training costs was also reflected in the Provident Financial Group's interim results for the period ended 30 June 2017.

The new operating model was launched on 6 July 2017. However, as reported on 22 August 2017, the implementation of the new operating model resulted in a significant amount of unforeseen disruption as the new model proved too prescriptive in the way the workforce was managed, removing the ability of local management to prioritise and allocate resources. In addition, the re-design of territories and CEM rounds resulted in both discontinuity and disruption to customer relationships. There were also problems with the operation and flexibility of the routing and scheduling software due to data integrity issues which adversely impacted customer relationships. The combination of these factors resulted in significant decreases in receivables and increases in arrears and impairment.

In late August, a new leadership team was put in place at CCD and this team developed a recovery plan for the Home Credit business to re-establish relationships with customers, stabilise the operation of the business, right-size the cost base and improve collections performance. The Recovery Plan entails increasing field management resources in order to restore appropriate spans of control and recruiting at least 300 part-time employed CEMs, primarily from the previously self-employed agent workforce, to accelerate the reconnection with customers. Management believes that the actions taken in implementing the recovery plan since August have delivered significant improvement in customer service and operational performance. However, the business has contracted as a result of the disruption experienced throughout 2017, and active customer numbers and receivables ended 2017 at 527,000 and £352.2 million, respectively, down from 782,000 and £560.0 million, respectively at the end of 2016. For more information, see "*Recent Developments*" in Part IV "*Business*" of this Prospectus. The Provident Financial Group's success in delivering the turnaround plan and the extent and rate of improvement of sales and collections performance in 2018 is a key factor which will impact the future performance of the Provident Financial Group.

3.2 Impact of the FCA's ROP Investigation

The ROP was a feature sold by Vanquis Bank to its credit card customers, allowing them to freeze their Vanquis Bank credit card accounts for up to two years in certain defined circumstances. Other features of the ROP include a payment holiday and a lifeline feature.

On 22 August 2017, the Provident Financial Group announced that the FCA was conducting an investigation of Vanquis Bank in connection with the sale of the ROP. In accordance with a voluntary agreement with the FCA, Vanquis Bank has not sold the ROP to new customers since April 2016. Vanquis Bank also agreed to enter into a voluntary requirement with the PRA pursuant to which it agreed not to pay dividends to the Provident Financial Group without the PRA's consent. As a result of the disruption in the Home Credit business following the implementation of its new operating model and the ROP investigation, the Provident Financial Group's interim dividend was withdrawn and the full year dividend suspended to retain liquidity and balance sheet stability. Under the circumstances, Peter Crook stepped down as Chief Executive Officer and Manjit Wolstenholme assumed the role of Executive Chairman. For more information, see the risk factor titled "*The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's Repayment Option Plan beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017*."

The Provident Financial Group has announced today that settlement has been reached with the FCA in relation to its investigation into the sale of Vanquis Bank's ROP, with Vanquis Bank accepting that it had breached Principle 6 (Customers' interests) and Principle 7 (Communications with clients) of the FCA's Principles for Businesses between 1 April 2014 and 19 April 2016 in relation to its telephone sales of Vanquis Bank's ROP. Pursuant to the settlement: (i) Vanquis Bank has agreed to pay the ROP Financial Penalty of £2.0 million, (ii) the FCA has required Vanquis Bank to pay restitution of £11,876,000 on the agreed basis to customers who opted into the ROP after 1 April 2014 and (iii) Vanquis Bank has voluntarily agreed to pay restitution of £156,905,000 on the agreed basis to customers who opted into the ROP from inception of the ROP in 2003 to 31 March 2014 notwithstanding that this is a period before the FCA regulated consumer credit activities, leading to the Gross Restitution Amount of £168,781,000. The restitution payments are to refund those customers with the interest element of the ROP from the inception of the ROP in 2003 up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. In connection with the settlement, the Provident

Financial Group has taken a provision of £172.1 million in its audited consolidated financial statements for the year ended 31 December 2017 which includes (i) the ROP Financial Penalty of £2.0 million, (ii) the Gross Restitution Amount, offset by charged off balances of £26.9 million and less a release of impairment provisions of £14.7 million, resulting in a net restitution payment amount of £127.1 million, (iii) the operational costs associated with these payments (amounting to £12.3 million) and (iv) a contingency in respect of potential additional liability which may arise related to forward flow of complaints in relation to ROP more generally as described below in connection with the ROP (amounting to £30.7 million). Vanquis Bank currently intends to make restitution payments to all affected customers by the end of February 2019. The agreed settlement with the FCA relates to breaches of Principle 6 (Customers' Interests) and Principle 7 (Communications to Customers) of the FCA's Principles for Businesses. In particular, as a result of the failure to disclose during the sales call that ROP was treated as a purchase transaction and that interest would accordingly be charged and accrue on the ROP fee, there was a serious risk that customers agreed to purchase the ROP without understanding the full cost of the ROP and that customers were unaware that interest could be charged on the ROP.

Having agreed this settlement with the FCA, Vanquis Bank will be working with the FCA on a plan to resume sales of a ROP to new customers. For further information in relation to the terms of the settlement agreed with the FCA in relation to its investigation into Vanquis Bank's ROP see paragraph 15.2 of Part XIV "*Additional Information*" of this Prospectus.

The income from the ROP has been a material contributor to the revenues of Vanquis Bank historically. In the year ended 31 December 2017, the ROP contributed £75 million to Vanquis Bank UK's revenues as compared to £84 million in the year ended 31 December 2016 and £80 million in the year ended 31 December 2015. However, the revenue from the ROP has not increased in line with the growth in Vanquis Bank UK's Average Receivables of 14.6 per cent. in 2017, 12.9 per cent. in 2016 and 19.6 per cent. in 2015. This reflects principally a reduction in the penetration of the ROP feature within the existing customer base and, more recently, the suspension of sales following the voluntary requirement agreed with the FCA in April 2016. This has been a driver behind the progressive reduction in Vanquis Bank UK's Risk-adjusted Margin from 32.8 per cent. in the year ended 31 December 2015 to 32.2 per cent. in the year ended 31 December 2016 and to 30.2 per cent. in the year ended 31 December 2017.

3.3 Growth in receivables at Vanquis Bank, Moneybarn and Satsuma

The Provident Financial Group's main source of revenue is the interest income generated by receivables from its customers in all three of its divisions, Vanquis Bank, CCD (which includes Home Credit and Satsuma) and Moneybarn. During the periods under review, Vanquis Bank, Moneybarn and Satsuma increased receivables by growing and expanding their customer base in addition to benefitting from a benign economic environment and a robust UK employment market. The growth in receivables has more than offset the decrease in receivables in Home Credit discussed above. Continued strong growth in receivables at each of these businesses will be an important factor driving the Provident Financial Group's future performance.

Vanquis Bank

Through 2015, Vanquis Bank experienced strong growth in new account bookings volumes. However, due to Vanquis Bank's narrow focus on sub-prime credit cards and increased competition, there was limited scope to deliver further growth through the existing distribution channels. The senior management team was changed at the start of 2016 with a view to expanding distribution and the credit card proposition. The launch of a nearer prime credit card, Chrome, and a number of other actions to increase distribution led to an increase in booking volumes in the second half of 2016 which was maintained through the first nine months of 2017 with full-year new account bookings increasing to 437,000 in 2017. In the fourth quarter of 2017, new customer bookings were 93,000, a decrease of 20.0 per cent when compared to the same period in 2016. This reduction reflects tighter underwriting standards during the third quarter of 2017, in response to heightened macroeconomic uncertainty, that led to a reduction in booking volumes by approximately 10 per cent. In addition, volumes delivered by the Group's Argos partnership were 1,000 in the fourth quarter of 2017 as compared to 15,000 in the fourth quarter of 2016. The growth in new account bookings, together with the credit line increase programme to existing customers, has resulted in continued strong growth in UK average receivables of 19.6 per cent. in 2015, 13.0 per cent. in 2016 and 14.6 per cent. in 2017.

Moneybarn

Since its acquisition by the Provident Financial Group in August 2014, Moneybarn has recorded strong growth in customer numbers and volumes. This primarily reflects access to the Provident Financial

Group's funding lines which has allowed the expansion of Moneybarn's product proposition, including lending up to a vehicle's retail value, as opposed to the trade value, and reducing the minimum loan amount from £5,000 to £4,000. Both of these factors have reinforced primacy with its broker network. In addition, Moneybarn has continued to develop its IT platform and customer journey in addition to launching a light commercial vehicles proposition. The resultant growth in new customer volumes has resulted in strong growth in average receivables of 41.2 per cent. in 2015, 39.7 per cent. in 2016 and 29.4 per cent. in 2017.

Satsuma

CCD introduced Satsuma, its on-line instalment loan business, in 2013, in order to broaden its customer and product proposition as part of the repositioning of its business. Initial progress was slow, in part due to the changing regulatory landscape and lower than expected market consolidation following more stringent regulation on payday lending. In addition, there were initial problems with the IT platform and underwriting standards that required further development. As a result, start-up losses associated with the business were higher than expected. Satsuma's senior management team changed in the third quarter of 2015, and subsequently improvements were made to underwriting and analytics, the product proposition was expanded through the launch of a monthly product, and the digital customer journey was enhanced via the launch of a mobile app, among other initiatives. This has enabled the business to increase new customer acquisition and lending from the second half of 2016 onwards. By the end of 2017, customer numbers were at 79,000, up from 55,000 at the end of 2016 and 49,000 at the end of 2015. Amounts receivables from customers at the end of 2017 were £35.8 million, up from £18.2 million at the end of 2016 and £12.1 million at the end 2015.

3.4 **Impairment charges**

The impairment charges arising on the receivables from customers in all three of its divisions, Vanquis Bank, CCD and Moneybarn, is an important factor in the Provident Financial Group's results of operations. The rate of impairment on receivables is influenced by the macroeconomic environment, particularly the level of unemployment, underwriting standards, operational factors including collections processes and the rate of growth in receivables.

Vanquis Bank

Vanquis Bank has experienced a progressive reduction in delinquency over recent years reflecting an improving UK employment market and the consistently tight credit standards which have been in place at Vanquis Bank since the credit crisis. Accordingly, in the years ended 31 December 2016 and 31 December 2015, Vanquis Bank UK's impairment charge increased by 2.2 per cent. and 9.7 per cent., respectively, as compared with growth rates in Vanquis Bank UK's Average Receivables of 13.0 per cent. and 19.6 per cent. in the years ended 31 December 2016 and 31 December 2015 respectively. In the year ended 31 December 2017, Vanquis Bank UK's impairment charge increased by 14.9 per cent., compared to the growth in Average Receivables of 14.6 per cent. This principally reflects the impact of a stable delinquency profile, rather than the improving delinquency profile experienced in previous years. In response, underwriting standards were tightened in the third quarter of 2017, recognising the uncertainties faced by the UK economy.

Moneybarn

Moneybarn typically experiences a peak in impairments between nine and twelve months after loan inception. In comparison, revenues are earned over the average life of a contract of approximately four years. As a result, the strong growth in new business volumes generated by Moneybarn since acquisition in 2014 has resulted in impairment growing at a faster rate than Average Receivables during the periods under review. Moneybarn's impairment charge has increased by 89.4 per cent., 84.3 per cent. and 89.6 per cent. in the years ending 31 December 2015, 2016 and 2017, respectively. This compares with the growth in Average Receivables over the same periods of 41.2 per cent., 39.7 per cent. and 29.4 per cent., respectively. The increase in the impairment charge in the year ended 31 December 2017 also reflects additional impairment from the flow through of defaults on higher risk categories of business. Underwriting for this category of business was tightened in the second quarter of 2017 with the aim of stabilising the rate of impairment. Management actions to improve collections and recoveries procedures were also undertaken in 2017. Moneybarn's higher level of impairments resulted in a progressive reduction

in the Risk-adjusted Margin from 24.3 per cent. in the year ended 31 December 2015, to 24.1 per cent. in the year ended 31 December 2016 and to 21.8 per cent. in the year ended 31 December 2017.

CCD

As a result of the disruption experienced during the change in the operating model of the Home Credit business discussed above, CCD's impairment charge increased by 144.6 per cent. in the year ended 31 December 2017, compared to an increase of 12.6 per cent. and a decrease of 39.9 per cent. in the years ended 31 December 2016 and 2015, respectively. Impairments in Satsuma are not currently material to the financial results of Provident Financial Group.

3.5 **Changes in administrative and operating costs**

Vanquis Bank has been the Provident Financial Group's most significant contributor of profitability and growth in customers and receivables during the periods under review. During the periods under review, administrative and operating costs in Vanquis Bank's UK operations increased by 16.2 per cent. in the year ended 31 December 2015, 15.4 per cent. in the year ended 31 December 2016 and 19.9 per cent. in the year ended 31 December 2017. The increase in administrative and operating costs has supported the growth in operations, including headcount, and the investment in initiatives to support the medium-term growth potential of the business, including development of the unsecured loans proposition, the mobile app and the group-wide customer database. In particular, Vanquis Bank incurred additional expenditure of approximately £6 million in the second half of 2016 and a further £12 million during 2017 on initiatives to augment medium-term growth. Expenditure on such initiatives is expected to be at similar levels in future years.

Within CCD, the administrative and operating costs have reduced from £278.3 million in the year ended 31 December 2015 to £253.4 million in the year ended 31 December 2017. This reflects both the repositioning of the Home Credit business to a smaller business together with cost efficiencies resulting from the deployment of hand held technology. These cost efficiencies have been partly offset by additional investment in IT, risk, legal and compliance functions and the investment in Satsuma. As part of an ongoing process of reviewing its cost base, the Home Credit business announced a proposed rationalisation of its central support functions on 16 January 2018. The proposed rationalisation is subject to workforce consultation and is expected to result in approximately 90 redundancies. Management believes that, together with the ongoing cost-monitoring, this is a necessary step to align the cost base to the reduced size of the business.

3.6 **Exceptional items**

The Provident Financial Group defines exceptional items as those which the Board considers to be unusual because of their size, nature or incidence and which the Board considers should be disclosed separately in order to aid investor's understanding of the underlying performance of the business. Examples of such items may include significant restructuring programmes, profits or losses on termination of operations, litigation costs and settlements, significant impairments of assets, transaction and integration costs related to acquisition activity and transaction costs related to disposal activity. The Provident Financial Group's management team assesses each particular item and whether classification as an exceptional item in a particular instance is consistent with the Provident Financial Group's accounting policies and practice. Such items are included within the income statement caption to which they relate.

In each of the periods under review, the Provident Financial Group recorded exceptional items under administrative and operating costs and, within 2017 only, impairment. In 2017, exceptional costs of £224.6 million comprising £172.1 million in respect of the estimated cost of refunds, fines and other costs following resolution on 27 February 2018 of the FCA investigation into ROP in Vanquis Bank, £20.0 million in respect of the estimated cost arising in respect of the ongoing FCA investigation into affordability, forbearance and termination options at Moneybarn that is expected to continue for up to 24 months and £32.5 million in respect of redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration. In 2016, a net exceptional gain of £17.3 million was recognised, comprising a gain of £20.2 million in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016 partly offset by an impairment charge of £2.9 million in respect of the IT platform developed to support "glo," a guarantor loan product within CCD, following the decision to wind down the glo business. In 2015, exceptional costs of £11.8 million were incurred related to the redundancy costs of approximately 500 field managers and field administration employees as a result of the ongoing deployment of technology within the Home Credit business.

3.7 **Seasonality**

The level of sales and working capital requirements of the Provident Financial Group's business is affected by seasonal factors, particularly as loan volumes for the Provident Financial Group's Home Credit business tend to be higher in the run-up to the Christmas holidays. Loan volumes for Moneybarn tend to be higher around March and September each year following the release of new vehicle registrations at such times. Collections performance is also affected by seasonality.

In addition, customers may be placed under greater financial strain around Christmas and New Year resulting in seasonal trends in increased arrears levels and therefore increased impairment provisions. In Moneybarn, impairments have historically tended to peak between nine and twelve months after the inception of the loan.

3.8 **Changes in the Provident Financial Group's funding base and finance costs**

The Provident Financial Group has steadily lowered its funding rate over the period under review and finance costs, principally as a result of growing its volume of retail deposits at Vanquis Bank which bear interest at substantially lower rates than its other borrowings. As a percentage of total bank and other borrowings, retail deposits have increased from 46.0 per cent. in 2015 to 51.0 per cent. in 2016 and 59.0 per cent. in 2017. As a result, while Provident Financial Group borrowings increased from £1.6 billion at the end of 2015 to £2.2 billion at the end of 2017, the lower cost of retail deposits, the average balances of which have increased from 2015 to 2017, led to a decrease in the Provident Financial Group's blended funding rate during the periods under review from 5.9 per cent. in the year ended 31 December 2015 to 5.5 per cent. in the year ended 31 December 2016 to 4.5 per cent. in the year ended 31 December 2017. Thus, although the Provident Financial Group's total bank and other borrowings increased over the periods under review, its finance costs increased at a slower rate reflecting the lower blended funding rate.

The Provident Financial Group's results of operations are affected by its credit ratings. On 24 August 2017, Fitch Ratings Limited announced that it had downgraded the Provident Financial Group's Long-Term Issuer Default Rating and senior unsecured debt ratings from BBB to BBB- in response to the Provident Financial Group's trading update, which included revised earnings guidance for the Home Credit Business announced on 22 August 2017. Accordingly, interest rates of the Provident Financial Group's future borrowings may increase from current levels. In addition, any further decline in the Provident Financial Group's rating by Fitch Ratings Limited will result in an Interest Step Up on the 2019 Bonds. For additional information, see the risk factor titled "*A downgrade in the credit rating of the Company would have an adverse effect on the Provident Financial Group's business, results of operations, financial condition, cash flows and prospects*."

3.9 **Impact of regulatory developments**

The Provident Financial Group's results of operations are affected by a number of laws and regulations. The regulatory environment for consumer lending in the UK requires considerable investment in processes, know-how and management. The non-standard finance sector has recently been subject to increasing regulatory focus and scrutiny, and certain of the Provident Financial Group's business operations are regulated by the FCA. For additional information, see the risk factor titled "*The volume of regulation applicable to, and the regulatory scrutiny of, the UK non-standard consumer finance sector has increased and is expected to continue to increase, giving rise to greater ongoing regulatory compliance costs for the Provident Financial Group and greater risk of regulatory non-compliance.*" The Provident Financial Group has invested, and continues to invest, in quality assurance and compliance and its risk management framework. For additional information, see Part V, "*Risk Management*" of this Prospectus. There is a risk however that regulatory changes could increase the Provident Financial Group's costs and thus affect revenue, growth, customer growth and impairments. For additional information, see the risk factor titled "*Risks relating to the legal and regulatory environment in which the Provident Financial Group operates.*"

3.10 **Macroeconomic environment in the United Kingdom**

The Provident Financial Group operates solely in the United Kingdom. The UK economy continues to recover from its low point in 2009 following the global financial crisis.

GDP growth tends to increase consumer confidence and consumer spending while also decreasing individuals' propensity to reduce indebtedness. To the extent these effects impact Provident Financial Group's customers, the Provident Financial Group expects GDP growth to generally lead to increased

demand for and use of the Provident Financial Group's credit products along with decreased repayment of outstanding credit card balances. A fall in GDP would tend to have the opposite effect.

In addition, historically, unemployment rates in the UK have had an impact on default levels (which drives impairments) experienced by consumer lenders, including the Provident Financial Group. There would be a time lag with respect to any such impact, but changes in unemployment rates would ultimately affect the Provident Financial Group's results of operations.

Furthermore, price inflation such as experienced from 2011 to 2013 could also affect affordability of loans, thereby impacting receivables growth, customer growth and margins. Home Credit customers tend to earn hourly wages and engage in more casual, temporary and part-time employment. Household disposable incomes can be affected by rises in day-to-day living costs, particularly food, fuel and utility charges. Price inflation in these areas accompanied by minimal wage inflation will place the disposable income of Home Credit customers under pressure, thus weakening demand and increasing impairment and arrears payments.

3.11 Impact of the Rights Issue

Taking into account the receipt by the Company of the net proceeds of the Rights Issue and the intended use of proceeds, on a pro forma basis the CET1 capital ratios of the Provident Financial Group and Vanquis Bank would have been 28.7 per cent. and 25.4 per cent., respectively, as at 31 December 2017, representing an accretion of 14.2 per cent. and 3.8 per cent., respectively, from the CET1 ratios of the Provident Financial Group and Vanquis Bank as at 31 December 2017. The Board believes that this level of capital is aligned with leverage expectations for investment grade credit status, and as such, the Provident Financial Group expects to re-establish normal access to funding from the bank and debt capital markets which have been negatively impacted by the uncertainty relating to the outcome of the FCA's investigation into Vanquis Bank's ROP.

The capital injection into Vanquis Bank will be used by Vanquis Bank, together with its cash and funding from retail deposits, to pay for the costs of resolving the FCA's investigation into Vanquis Bank's ROP which are currently expected to amount to approximately £172.1 million, and subject to the liquidity profile of Vanquis Bank continuing to be satisfactory, and potentially subject to regulatory approval, to repay the remainder of the New Intercompany Facility from the Company by 2019. The Bridge Facility will provide the Provident Financial Group with sufficient funds to allow Vanquis Bank to draw down an additional £85 million of funding which Vanquis Bank intends to hold as additional liquid resources. The Provident Financial Group plans to repay the Bridge Facility in full using approximately £85 million of the net proceeds of the Rights Issue. Vanquis Bank will be fully funded through retail deposits thereafter.

4. FUTURE ACCOUNTING POLICIES

4.1 IFRS 9

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. IFRS 9 significantly changes the recognition of impairment on customer receivables by introducing an expected loss model. Under this approach, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default. This differs from the current incurred loss model under IAS 39 whereby impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in an adjustment to receivables and reserves on adoption and results in the later recognition of profits.

The Provident Financial Group has made good progress with its IFRS 9 implementation project and has finalised the methodology and accounting policies to be used. Accordingly, to illustrate the impact of IFRS 9, the Provident Financial Group's receivables at the end of 2017 would have been £223.4 million (9.7 per cent.) lower under IFRS 9 than as reported and Provident Financial Group's net assets at the same date, after taking account of the impact of the deferred tax impact of the receivables adjustment, would be £172.5 million lower than as reported. The Provident Financial Group's Adjusted Profit Before Tax would have been £7.8 million (7.1 per cent.) lower in 2017 on an IFRS 9 basis than as reported.

Despite the adjustments required to receivables and net assets, IFRS 9 only changes the timing of profits made on a loan only. The Provident Financial Group will not change its underwriting and scorecards in response to the change in accounting, the ultimate profitability of a loan is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation from a loan remain unchanged. The

Provident Financial Group's bank covenants are unaffected by IFRS 9, as they are calculated based on accounting standards in place prior to the introduction of IFRS 9. The regulatory capital impact of IFRS 9 is being phased in on a transitional basis over five years. For purposes of calculating regulatory capital, the relevant regulatory authorities have allowed the Provident Financial Group and Vanquis Bank to take on 5 per cent. of the impact in year one (2018), 15 per cent. in year two (2019), 30 per cent. in year three (2020), 50 per cent. in year four (2021), 75 per cent. in year five (2022). The full impact is to be taken thereafter.

4.2 IFRS 16

IFRS 16, 'Leases', replaces IAS 17 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors. The standard distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires the recognition of a lease liability being the value of the lease payments, and the right-to-use the asset, which will initially be recognised at the same values of the lease liability. The Provident Financial Group is in the process of assessing the impact of the standard and intends to adopt the standard by the effective date of 1 January 2019, subject to endorsement by the EU.

5. KEY COMPONENTS OF PROVIDENT FINANCIAL GROUP'S INCOME STATEMENT

The key components of certain line items of the Provident Financial Group's consolidated income statement are described below.

5.1 Revenue

Revenue comprises interest and fee income earned by Vanquis Bank and interest income earned by the CCD and Moneybarn. Revenue excludes value added tax and intra-group transactions. Interest income relates to the interest charges on Vanquis Bank credit cards and Moneybarn conditional sale agreements together with the service charge on Home Credit and Satsuma loans. Fee income relates to Vanquis Bank and predominantly 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.

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 CCD and Moneybarn, the EIR takes account of early repayment by customers as described further below.

Interest from Vanquis Bank activities is calculated on credit card advances to customers using the EIR on the daily balance outstanding. Annual fees charged to customers' credit card accounts are recognised as part of the effective interest rate. Penalty charges and other fees are recognised at the time the charges are made to customers on the basis that performance is complete.

Revenue on customer receivables in CCD's and Moneybarn's businesses is recognised using an EIR. The EIR is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not paying at all. Directly attributable incremental issue costs are also taken into account in calculating the EIR. Interest income continues to be accrued on impaired receivables using the original EIR applied to the loan's carrying value.

5.2 Finance costs

Finance costs comprise the interest on total bank and other borrowings (including retail deposits) and are recognised on an EIR basis. Finance costs also include the fair value movement on those derivative financial instruments held for hedging purposes which do not qualify for hedge accounting under IAS 39.

5.3 Impairment charges

Impairment charges comprise impairment charge on amounts receivable from customers. In the periods prior to the year ended 31 December 2017, impairment charges were included in an operating costs line

item in the Provident Financial Group's consolidated income statement. Following the change in operating model in Home Credit, impairment is now shown as a separate line item in the consolidated income statement and in the Provident Financial Group's audited financial statements for the year ended 31 December 2017.

5.4 **Administrative and operating costs**

Administrative and operating costs comprise salaries of employees (including CEMs employed since July 2017), head office expenses, IT, compliance, risk and legal fees, consultancy, depreciation and amortisation, commission paid to self-employed agents and marketing and customer acquisition costs. In the periods prior to the year ended 31 December 2017, commission paid to self-employed agents and marketing and customer acquisition costs were classed as part of operating costs and administrative costs were reported as a separate line item in the Provident Financial Group's consolidated income statement. Following the launch of the new Home Credit operating model in July 2017, commissions were no longer paid to self-employed agents and instead salary costs associated with the new full-time employees are included in a single line item "administrative and operating costs" in the consolidated income statement in the Provident Financial Group's audited financial statements for the year ended 31 December 2017.

5.5 **Tax charge**

Tax charge represents the sum of current and deferred 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in Provident Financial Group's 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.

6. **KEY PERFORMANCE INDICATORS**

Management uses the following metrics, including certain non-IFRS financial measures, which it believes provide an understanding of the Provident Financial Group's underlying performance drivers. These metrics are referred to as key performance indicators ("**KPIs**"). The KPIs described below are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as an alternative to the results of the Provident Financial Group reported under IFRS. For more information on certain of these KPIs which are non-IFRS measures, see "*Important Information – Certain non-IFRS measures*" of this Prospectus for more information.

6.1 **Adjusted Profit Before Tax**

The following table sets out the Adjusted Profit Before Tax for the Provident Financial Group and each of its segments for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	**2016**	**2015**
		(*£ millions*)	
(Loss)/profit before taxation	**(123.0)**	**343.9**	**273.6**
Amortisation of acquisition intangibles[(1)]	7.5	7.5	7.5
Exceptional items[(2)]	224.6	(17.3)	11.8
Adjusted Profit Before Tax	**109.1**	**334.1**	**292.9**
Adjusted Profit Before Tax by segment:			
Vanquis Bank	206.6	204.5	183.7
CCD	(118.8)	115.2	105.4
Moneybarn	34.1	31.1	21.3
Central costs	(12.8)	(16.7)	(17.5)
Total Adjusted Profit Before Tax	**109.1**	**334.1**	**292.9**

(1) Represents £7.5 million of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014.

(2) Exceptional items in 2017 comprised costs of £224.6 million comprising £172.1 million in respect of the estimated cost of refund, fines and other costs following resolution on 27 February 2018 of the FCA investigation into ROP in Vanquis Bank, £20.0 million in respect of the estimated cost arising in respect of the ongoing FCA investigation into affordability, forbearance and termination options at Moneybarn and £32.5 million in respect of redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration.

Exceptional items in 2016 comprised an exceptional gain of £20.2 million in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016 and an exceptional impairment charge of £2.9 million to support "glo," a guarantor loan product within CCD, following the decision to wind down the glo business.

Exceptional items in 2015 comprised an exceptional cost of £11.8 million in respect of a business restructuring in CCD.

Adjusted Profit Before Tax for the Provident Financial Group decreased by £225.0 million, or 67.3 per cent., to £109.1 million in the year ended 31 December 2017, as compared to £334.1 million in 2016. This decrease reflects the significant loss arising within CCD as a result of the disruption caused in the transition to the new operating model within Home Credit.

Profit before taxation decreased by £466.9 million or 135.8 per cent., to a loss of £123.0 million in the year ended 31 December 2017, as compared to £343.9 million in the year ended 31 December 2016.

Adjusted Profit Before Tax for the Provident Financial Group increased by £41.2 million, or 14.1 per cent., to £334.1 million in 2016 from £292.9 million in 2015. This reflected growth in profits at Vanquis Bank and Moneybarn and an improved profit performance in CCD following the repositioning of the Home Credit business through 2014 and 2015.

Profit before taxation increased by £70.3 million or 25.7 per cent. to £343.9 million in the year ended 31 December 2016, as compared to £273.6 million in the year ended 31 December 2015.

6.2 **Adjusted ROA**

The following table sets out the Provident Financial Group's Adjusted ROA for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	**2016**	**2015**
	(*£ millions, except %*)		
Adjusted Profit Before Tax	109.1	334.1	292.9
Finance costs	77.0	81.7	80.0
Adjusted profit before interest and tax ("Adjusted PBIT")	**186.1**	**415.8**	**372.9**
Adjusted tax charge[1]	(28.1)	(96.5)	(75.5)
Adjusted profit before interest after tax ("Adjusted PBIAT")	**158.0**	**319.3**	**297.4**
Average amounts receivable from customers	2,286.2	2,082.3	1,851.2
Adjusted ROA	**6.9%**	**15.3%**	**16.1%**
(Loss)/profit before taxation	(123.0)	343.9	273.6
Tax charge	(11.4)	(81.0)	(55.4)
(Loss)/profit after tax	**(134.4)**	**262.9**	**218.2**
Average total assets[2]	2,883.0	2,618.9	2,319.8
ROA (without adjustments)[3]	**(4.7)%**	**10.0%**	**9.4%**

(1) Represents the tax charge resulting from the Provident Financial Group's effective corporation tax rate on Adjusted Profit Before Tax as applied to Adjusted PBIT (2017: 15.1 per cent., 2016: 23.20 per cent., 2015: 20.25 per cent.).

(2) Average total assets is calculated as the average of opening, closing and mid-year (30 June) balances of total assets.

(3) Calculated as profit after tax divided by average total assets.

The Provident Financial Group's Adjusted ROA decreased from 15.3 per cent. for the year ended 31 December 2016 to 6.9 per cent. for the year ended 31 December 2017, primarily reflecting the significant decrease in profitability in CCD as a result of disruption in returns within CCD resulting from the transition to the new operating model within Home Credit. Without adjustments, ROA decreased from 10.0 per cent. for the year ended 31 December 2016 to a negative return of 4.7 per cent. for the year ended 31 December 2017.

The Provident Financial Group's Adjusted ROA reduced from 16.1 per cent. for the year ended 31 December 2015 to 15.3 per cent. for the year ended 31 December 2016, which primarily reflected the impact of the 8 per cent. bank corporation tax surcharge effective from 1 January 2016 on Vanquis Bank profits above £25 million. Without adjustments, ROA increased from 9.4 per cent. for the year ended 31 December 2015 to 10.0 per cent. for the year ended 31 December 2016.

ROA by segment

Vanquis Bank

The following table sets out the Adjusted ROA for Vanquis Bank's UK business for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	**2016**	**2015**
	(*£ millions, except %*)		
Adjusted Profit Before Tax[1]	206.6	204.5	185.5
Finance costs	36.5	42.4	43.1
Adjusted PBIT	**243.1**	**246.9**	**228.6**
Adjusted tax charge[2]	(64.8)	(66.7)	(46.3)
Adjusted PBIAT	**178.3**	**180.2**	**182.3**
Average amounts receivable from customers	1,497.3	1,307.0	1,157.1
Adjusted ROA	**11.9%**	**13.8%**	**15.8%**

(1) Adjusted Profit Before Tax for Vanquis Bank in 2015 excludes the losses associated with the Polish branch of Vanquis Bank. During the first half of 2012, Vanquis Bank established a branch in Poland as part of a pilot operation. In early 2015, Vanquis Bank decided to withdraw from the pilot operation and the receivables book was sold to a third party with the economic interest transferring from 1 April 2015. The losses in respect of the branch in 2015 up until the point at which the economic interest was transferred amounted to £1.8 million.

[(2)] Represents the tax charge resulting from the Provident Financial Group's effective corporation tax rate on Adjusted profit before tax as applied to Adjusted PBIT attributable to Vanquis Bank (2017: 26.3 per cent., 2016: 27.00 per cent., 2015: 20.25 per cent.).

Vanquis Bank's Adjusted ROA decreased from 13.8 per cent. for the year ended 31 December 2016 to 11.9 per cent. for the year ended 31 December 2017 primarily due to a decrease in the Risk-adjusted Margin due to a more stable delinquency profile compared to the improving profile in the first nine months of 2016 as well as the reduction in ROP income following the cessation of sales to new customers in April 2016. In addition, the Group made an additional investment of £12 million in the initiatives to augment medium-term growth, including development of the unsecured loans proposition, the mobile app and the group-wide customer database.

Vanquis Bank's Adjusted ROA reduced from 15.8 per cent. for the year ended 31 December 2015 to 13.8 per cent. for the year ended 31 December 2016, primarily due to the impact of the 8 per cent. bank corporation tax surcharge which became effective from 1 January 2016 as well as a slight decrease in Risk-adjusted Margin, primarily due to the reduction in the Revenue Yield from a further reduction in the penetration of the ROP.

CCD

The following table sets out the Adjusted ROA for CCD for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	**2016**	**2015**
	(£ millions, except %)		
Adjusted Profit Before Tax	(118.8)	115.2	105.4
Finance costs	23.1	26.6	27.1
Adjusted PBIT	**(95.7)**	**141.8**	**132.5**
Adjusted tax charge[(1)]	18.4	(28.4)	(26.8)
Adjusted PBIAT	**(77.3)**	**113.4**	**105.7**
Average amounts receivable from customers	443.8	508.7	499.5
Adjusted ROA	**(17.4%)**	**22.3%**	**21.2%**

[(1)] Represents the tax charge resulting from the Provident Financial Group's effective corporation tax rate on Adjusted Profit Before Tax as applied to Adjusted PBIT attributable to CCD (2017: 19.25 per cent., 2016: 20.00 per cent., 2015: 20.25 per cent.).

CCD's Adjusted ROA decreased from 22.3 per cent. for the year ended 31 December 2016 to negative 17.4 per cent. for the year ended 31 December 2017 due to the significant increase in impairments arising during the transition to the new operating model in Home Credit.

CCD's Adjusted ROA increased from 21.2 per cent. for the year ended 31 December 2015 to 22.3 per cent. for the year ended 31 December 2016 reflecting a reduction in start-up losses at Satsuma and an increase in Average Receivables despite a reduction in costs.

Moneybarn

The following table sets out the Adjusted ROA for Moneybarn for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	**2016**	**2015**
	(£ millions, except %)		
Adjusted Profit Before Tax	34.1	31.1	21.3
Finance costs	15.6	12.7	9.5
Adjusted PBIT	**49.7**	**43.8**	**30.8**
Adjusted tax charge[(1)]	(9.6)	(8.8)	(6.2)
Adjusted PBIAT	**40.1**	**35.0**	**24.6**
Average amounts receivable from customers	345.1	266.6	190.8
Adjusted ROA	**11.6%**	**13.1%**	**12.9%**

[(1)] Represents the tax charge resulting from the Provident Financial Group's effective corporation tax rate on Adjusted Profit Before Tax as applied to Adjusted PBIT attributable to Moneybarn (2017:19.25 per cent., 2016: 20.00 per cent., 2015: 20.25 per cent.).

Moneybarn's Adjusted ROA decreased from 13.1 per cent. for the year ended 31 December 2016 to 11.6 per cent. for the year ended 31 December 2017 primarily due to a reduction in the Risk-adjusted Margin following an increase in impairments in respect of the strong growth in new business volumes and increased defaults by higher risk customers prior to the tightening of underwriting standards in the second quarter of 2017.

Moneybarn's Adjusted ROA increased from 12.9 per cent. for the year ended 31 December 2015 to 13.1 per cent. for the year ended 31 December 2016 as the growth in revenue less impairment exceeded costs growth.

6.3 Adjusted ROE

The following table sets out the Provident Financial Group's Adjusted ROE for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	2016	2015
	(£ millions, except %)		
Adjusted Profit Before Tax	109.1	334.1	292.9
Adjusted tax charge[1]	(16.5)	(77.4)	(59.3)
Adjusted profit after tax	**92.6**	**256.7**	**233.6**
Shareholders' equity	535.1	790.1	707.7
Pension asset	(102.3)	(72.4)	62.3
Deferred tax on pension asset	17.4	12.3	11.2
Hedging reserve	—	0.2	0.5
Proposed final dividend	—	(132.9)	(117.0)
Adjusted equity	**450.2**	**597.3**	**540.1**
Average adjusted equity[2]	**523.8**	**568.7**	**510.0**
Adjusted ROE	**17.7%**	**45.1%**	**45.8%**

(1) Represents the tax charge resulting from the Provident Financial Group's effective corporation tax rate as applied to Adjusted Profit Before Tax (2017: 15.1 per cent., 2016: 23.20 per cent., 2015: 20.25 per cent.).

(2) Average adjusted equity is calculated as the average of the opening and closing balances of adjusted equity for a given period.

The following table sets out the Provident Financial Group's ROE without adjustments for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	2016	2015
	(£ millions)		
(Loss)/profit before taxation	(123.0)	343.9	273.6
Tax charge	(11.4)	(81.0)	(55.4)
Profit after tax	**(134.4)**	**262.9**	**218.2**
Average equity (without adjustments)[1]	662.6	748.9	660.4
ROE (without adjustments)[2]	**(20.3%)**	**35.1%**	**33.0%**

(1) Average equity is calculated as the average of the opening and closing balances of equity for a given period.

(2) Calculated as profit after tax divided by average equity.

The Provident Financial Group's Adjusted ROE decreased from 45.1 per cent. for the year ended 31 December 2016 to 17.7 per cent. for the year ended 31 December 2017, primarily due to the significant trading disruption arising from the transition to the new operating model within the Home Credit business of CCD. Without adjustments, the Provident Financial Group's ROE decreased from 35.1 per cent. for the year ended 31 December 2016 to negative 20.3 per cent. for the year ending 31 December 2017.

The Provident Financial Group's Adjusted ROE decreased to 45.1 per cent. for the year ended 31 December 2016 from 45.8 per cent. for the year ended 31 December 2015 reflecting the impact of the 8 per cent. bank corporation tax surcharge on Vanquis Bank profits over £25 million. This was partly offset by improved performance in CCD following the reduction in start-up losses in Satsuma together with operational leverage at Moneybarn. Without adjustments, the Provident Financial Group's ROE increased from 33.0 per cent. for the year ended 31 December 2015 to 35.1 per cent. for the year ending 31 December 2016.

6.4 **Revenue Yield and Risk-adjusted Margin**

The following table sets out Revenue Yield and Risk-adjusted Margin for each of the Provident Financial Group's segments for the years ended 31 December 2017, 2016 and 2015.

Vanquis Bank – UK

	For the year ended 31 December		
	2017	**2016**	**2015[(1)]**
	(£ millions, except %)		
Average Receivables	1,497.3	1,307.0	1,157.1
Revenue	638.8	583.7	538.6
Impairment	(186.6)	(162.4)	(158.9)
Revenue less impairment	452.2	421.3	379.7
Revenue Yield	**42.7%**	**44.7%**	**46.5%**
Risk-adjusted Margin	**30.2%**	**32.2%**	**32.8%**

(1) Vanquis Bank UK's revenue and impairment for the year ended 31 December 2015 exclude £1.8 million associated with the Polish branch of Vanquis Bank. During the first half of 2012, Vanquis Bank established a branch in Poland as part of a pilot operation. In early 2015, Vanquis Bank decided to withdraw from the pilot operation and the receivables book was sold to a third party with the economic interest transferring from 1 April 2015.

The Revenue Yield at Vanquis Bank decreased from 44.7 per cent. for the year ended 31 December 2016 to 42.7 per cent. for the year ended 31 December 2017. This reflects a further decrease in the penetration of the ROP within the customer base following the temporary suspension of sales in April 2016 as well as some moderation in the interest yield from the expansion of the product offering into the nearer prime segment of the market. Risk-adjusted Margin at Vanquis Bank decreased from 32.2 per cent. in the year ended 31 December 2016, to 30.2 per cent. in the year ended 31 December 2017 due to the aforementioned reduction in Revenue Yield and a slight increase in the rate of impairment due to a stable rate of delinquency during 2017 compared with the improving delinquency profile during 2016.

The Revenue Yield at Vanquis Bank decreased from 46.5 per cent. for the year ended 31 December 2015 to 44.7 per cent. for the year ended 31 December 2016 due to the further reduction in penetration of the ROP feature within the customer base as well as the fall in interchange income. Interchange income decreased following the effectiveness of the IFR cap on interchange fees for consumer debit and credit card transactions on 9 December 2015. For more information on the IFR, see "*European Union Legislation – Payment Services*," in Part VI "*Regulation*" of this Prospectus. The Risk-adjusted Margin decreased from 32.8 per cent. in 2015 to 32.2 per cent. in 2016 primarily due to the aforementioned reduction in Revenue Yield, which was partly offset by the benefit of improving delinquency due to the application of continued tight credit standards and the benefit of an improving UK employment market.

CCD

	For the year ended 31 December		
	2017	**2016**	**2015**
	(£ millions, except %)		
Average Receivables	443.8	508.7	499.5
Revenue	451.2	518.8	517.4
Impairment	(293.5)	(120.0)	(106.6)
Revenue less impairment	157.7	398.8	410.8
Revenue Yield	**101.7**	**102.0%**	**103.6%**
Risk-adjusted Margin	**35.5%**	**78.4%**	**82.2%**

The Revenue Yield in CCD decreased from 102.0 per cent. for the year ended 31 December 2016 to 101.7 per cent. for the year ended 31 December 2017 due to an increase in the mix of lending to existing customers in the home credit business, who tend to be served with lower yielding, longer duration products, substantially offset by the increase in Satsuma volumes which tend to be higher yielding, shorter duration products. The Risk-adjusted Margin decreased from 78.4 per cent. in 2016 to 35.5 per cent. in 2017 due to the significant increase in impairment as a result of the disruption arising from the transition to the new operating model within the Home Credit business of CCD.

The Revenue Yield in CCD decreased from 103.6 per cent. for the year ended 31 December 2015 to 102.0 per cent. for the year ended 31 December 2016 reflecting the continued focus on serving good quality customers who tend to be served with longer term, lower yielding products. The Risk-adjusted Margin decreased from 82.2 per cent. in 2015 to 78.4 per cent. in 2016 due to the aforementioned reduction in Revenue Yield and a modest increase in the rate of impairment which reflected a stable collections performance and arrears profile for the year ended 31 December 2016 compared with strong improvements in both metrics for the year ended 31 December 2015.

Moneybarn

	For the year ended 31 December		
	2017	**2016**	**2015**
		(£ millions, except %)	
Average Receivables	345.1	266.6	190.8
Revenue	106.3	80.7	55.3
Impairment	(31.1)	(16.4)	(8.9)
Revenue less impairment	75.2	64.3	46.4
Revenue Yield	**30.8%**	**30.3%**	**29.0%**
Risk-adjusted Margin	**21.8%**	**24.1%**	**24.3%**

The Revenue Yield at Moneybarn increased to 30.8 per cent. for the year ended 31 December 2017, from 30.3 per cent. for the year ended 31 December 2016, reflecting primarily the continued shift in mix to marginally lower value vehicles which carry a higher yield. The Risk-adjusted Margin decreased from 24.1 per cent. in 2016 to 21.8 per cent. for the year ended 31 December 2017 reflecting an increase in impairment associated with the increase in new business volume and the flow through of defaults from higher risk business written prior to the tightening of underwriting in the second quarter of 2017.

The Revenue Yield at Moneybarn increased to 30.3 per cent. for the year ended 31 December 2016, from 29.0 per cent. for the year ended 31 December 2015, primarily reflecting a shift in mix to marginally lower value vehicles which carry a higher yield. The Risk-adjusted Margin decreased from 24.3 per cent. for the year ended 31 December 2015 to 24.1 per cent. for the year ended 31 December 2016 reflecting an increased rate of impairment associated with the strong growth in new business volumes.

6.5 **Adjusted Basic Earnings per Share**

The following table sets out the Provident Financial Group's Adjusted Basic Earnings per Share for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	**2016**	**2015**
		(£ millions)	
(Loss)/profit after tax	(134.4)	262.9	218.2
Amortisation of acquisition intangibles, net of tax	6.2	6.0	6.0
Exceptional items, net of tax	220.8	(12.2)	9.4
Adjusted profit after tax	**92.6**	**256.7**	**233.6**
Weighted Average Number of Shares (excluding treasury shares, in millions)	148.1	144.6	143.7
Basic (loss)/earnings per share	(90.7)	181.8	151.8
Adjusted earnings per share	**62.5**	**177.5**	**162.6**

Adjusted Basic Earnings per Share decreased by 64.8 per cent. to 62.5p for the year ended 31 December 2017 from 177.5p for the year ended 31 December 2016. This primarily reflects the significant loss arising within CCD as a result of the disruption caused in the transition to the new operating model within Home Credit. Basic (loss)/earnings per share decreased by 149.9 per cent. to a loss of 90.7p for the year ended 31 December 2017 from 181.8p for the year ended 31 December 2016.

Adjusted Basic Earnings per Share increased by 9.2 per cent. to 177.5p for the year ended 31 December 2016 from 162.6p for the year ended 31 December 2015. This was a lower rate than the 14.1 per cent. increase in adjusted profit before tax due to the impact of the 8 per cent. bank corporation tax surcharge on Vanquis Bank's profits in excess of £25 million which was effective from 1 January 2016. Basic (loss)/

earnings per share increased by 19.8 per cent. to 181.8p for the year ended 31 December 2016 from 151.8p for the year ended 31 December 2015.

6.6 Gearing

The following table sets out a reconciliation of the Provident Financial Group's gearing ratio to the Provident Financial Group's consolidated balance sheet as at 31 December 2017, 2016 and 2015.

	2017	2016	2015
	(£ millions, except ratios)		
Bank and other borrowings:			
Retail deposits	(1,291.8)	(941.2)	(731.0)
Bank and borrowings	(882.3)	(913.9)	(865.2)
Total bank and other borrowings	(2,174.1)	1,855.1	1,596.2
Plus arrangement fees	4.8	2.2	6.7
Less liquid assets buffer, including liquid resources[1]	(263.4)	(168.9)	(134.2)
Bank and other borrowings for gearing purposes[2]	**1,915.5**	**1,688.4**	**1,468.7**
Shareholders' equity	535.1	790.1	707.7
Pension asset	(102.3)	(72.4)	(62.3)
Deferred tax on pension asset	17.4	12.3	11.2
Hedging reserve	—	0.2	0.5
Adjusted equity for gearing purposes	**450.2**	**730.2**	**657.1**
Gearing (times)	**4.3**	**2.3**	**2.2**

(1) Liquid assets buffer, including liquid resources, represents gilts and amounts held within the Bank of England reserve account by Vanquis Bank in accordance with the PRA's liquidity regime and liquidity stress tests, specified in the ILAAP of Vanquis Bank. The buffer is not available to finance the Provident Financial Group's day-to-day operations.

(2) Balance includes both current and non-current liabilities.

The Provident Financial Group's minimum regulatory CET1 ratio is 25.5 per cent. and the Directors expect to maintain a suitable level of headroom against increasing regulatory capital requirements and an efficient capital structure to support ongoing access to funding from the bank and debt capital markets. This broadly equates to funding new receivables at a target gearing ratio of 3.5 times compared with a bank covenant of 5 times and is equivalent to maintaining a minimum borrowings to net tangible assets ratio of 2.8 times.

Gearing increased from 2.3 times as at 31 December 2016 to 4.3 times as at 31 December 2017 due to the provisions made by the Company in relation to the settlement agreed with the FCA in connection with the FCA's investigation into Vanquis Bank's ROP and in connection with the FCA's ongoing investigation into certain of Moneybarn's systems, controls and practices and the significant losses incurred by CCD following the trading disruption associated with the change in operating model in the Home Credit business of CCD. The modest increase in gearing from 2.2 times as at 31 December 2015 to 2.3 times as at 31 December 2016 reflected additional borrowings to support the funding of receivables growth of nearly £300 million in 2016. During the periods under review, the Provident Financial Group's gearing ratio was lower than the maximum target of 3.5 times primarily due to: (i) strong capital generation between 2013 and 2015, particularly as a result of the capital released from the reduction in the receivables book of the Provident Financial Group's Home Credit business following the repositioning of the business as a smaller, better quality business; and (ii) the equity raised to fund the acquisition of Moneybarn in August 2014 in order to preserve regulatory capital.

6.7 Funding Capacity

The Provident Financial Group calculates Funding Capacity at any date as the cash held on deposit, excluding the liquid asset buffer and other liquid resources held by Vanquis Bank in satisfaction of the PRA liquidity requirements, plus the total amount of the committed debt facilities, plus the assumed additional capacity for Vanquis Bank to take retail deposits up to the amount of its intercompany loan from Provident Financial plc, less the Provident Financial Group's actual borrowings at that date.

At 31 December 2017, the Provident Financial Group had cash resources of £34 million, excluding the liquid asset buffer and other liquid resources held by Vanquis Bank in satisfaction of the PRA liquidity requirements, and headroom on the Provident Financial Group's committed debt facilities amounted to £66 million. The additional capacity for Vanquis Bank to take retail deposits up to repayment of its

intercompany loan from Provident Financial plc amounted to £76.9 million at the end of 2017. Total Funding Capacity therefore amounted to £177 million. Maturities in 2018 comprise the third instalment of the M&G term loan of £15 million, which was repaid in line with its contractual maturity on 31 January 2018, and £20 million of private placement loan notes due in March 2018. For more information about the funding structure of the Provident Financial Group's committed facilities and its other indebtedness, see "*Liquidity and Capital Resources*" below.

7. RESULTS OF OPERATIONS

The following table sets out the Provident Financial Group's certain income statement items for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017[(1)]	2016	2015
		(£ millions)	
Revenue	1,196.3	1,183.2	1,113.1
Finance costs	(77.0)	(81.7)	(80.0)
Impairment charges	(476.1)	(298.8)	(276.0)
Administrative and operating costs	(766.2)	(458.8)	(483.5)
Total costs	**(1,319.3)**	**(839.3)**	**(839.5)**
Profit before taxation	**(123.0)**	**343.9**	**273.6**
Tax charge	(11.4)	(81.0)	(55.4)
Profit for the year attributable to equity shareholders	**(134.4)**	**262.9**	**218.2**

(1) In the periods prior to the year ended 31 December 2017, costs have been analysed between operating costs, administrative costs and finance costs on the face of the income statement. Operating costs, comprised impairment charges, agents' commissions and marketing and acquisition costs. Under the new Home Credit operating model agents' commissions have been replaced with salaries which is shown under administrative costs. The residual operating costs comprising marketing and acquisition costs have been incorporated within administrative and operating costs with 2016 and 2015 comparatives reclassified.

7.1 Results of operations for the years ended 31 December 2017 and 2016

The Provident Financial Group's revenue for the year ended 31 December 2017 was 1,196.3 million, an increase of £13.1 million, or 1.1 per cent., compared to £1,183.2 million for the year ended 31 December 2016. This increase was primarily the result of the increase in receivables at Vanquis Bank, Moneybarn and Satsuma partly offset by the decrease in receivables in the Home Credit business.

Revenue by business segment

	For the year ended 31 December	
	2017	2016
	(£ millions)	
Vanquis Bank	638.8	583.7
CCD	451.2	518.8
Moneybarn	106.3	80.7
Total revenue	**1,196.3**	**1,183.2**

Vanquis Bank

Revenue from the Vanquis Bank segment was £638.8 million for the year ended 31 December 2017, an increase of £55.1 million, or 9.4 per cent., as compared to £583.7 million for the year ended 31 December 2016. This increase was primarily the result of a 14.6 per cent. increase in Average Receivables during this period due to an 11.3 per cent. growth in customer numbers, as well as the effects of the credit line increase programme to existing customers who have established a sound payment history. This was partly offset by a reduction in Revenue Yield from 44.7 per cent. to 42.7 per cent. due to a further decline in the penetration of ROP within the customer base following the temporary suspension of sales in April 2016 and some moderation in the interest yield from the expansion of the product offering into the nearer prime segment of the market.

CCD

Revenue from the CCD segment was £451.2 million for the year ended 31 December 2017, a decrease of £67.6 million, or 13.0 per cent., as compared to £518.8 million for the year ended 31 December 2016. This decrease was primarily the result of a 12.8 per cent. decrease in Average Receivables during this period.

Moneybarn

Revenue from the Moneybarn segment was £106.3 million for the year ended 31 December 2017, an increase of £25.6 million, or 31.7 per cent., as compared to £80.7 million for the year ended 31 December 2016. This increase was primarily the result of the increase in Average Receivables to 29.4 per cent. together with an increase in Revenue Yield from 30.3 per cent. to 30.8 per cent., primarily reflecting the continued shift in mix to marginally lower value vehicles which carry a higher yield.

Finance costs

The following table sets out the components of the Provident Financial Group's finance costs for the years ended 31 December 2017 and 2016.

	For the year ended 31 December	
	2017	2016
	(£ millions)	
Bank borrowings	10.7	13.1
Senior public and retail bonds	36.0	41.3
Private placement loan notes	5.0	5.7
Retail deposits	25.3	21.6
Total finance costs	**77.0**	**81.7**

The Provident Financial Group recorded £77.0 million in finance costs for the year ended 31 December 2017, a £4.7 million, or 5.8 per cent. decrease, as compared to £81.7 million for the year ended 31 December 2016. This was despite a 17.5 per cent. increase in total bank and other borrowings, including retail deposits, from £1,852.2 million at 31 December 2016 to £2,175.8 million at 31 December 2017. The decrease in finance costs in 2017 was primarily a result of receivables across the Provident Financial Group being funded at a lower blended funding rate, which decreased from 5.5 per cent. in 2016 to 4.5 per cent. in 2017. This principally reflects the increased level of lower cost retail deposits, which comprised 59 per cent. of total bank and other borrowings in 2017 as compared with 51 per cent. in 2016. The all-in average blended cost of taking retail deposits, after the cost of holding a liquid assets buffer and other liquid resources held in satisfaction of the PRA's liquidity requirements, decreased to 2.5 per cent. in 2017, from 3.0 per cent. in 2016. In addition, there was an increase in short-term funding through the Revolving Credit Facility at a marginally lower average funding rate of 2.7 per cent. in 2017 compared to 3.1 per cent. in 2016.

Impairment charges

The Provident Financial Group recorded £476.1 million in impairment charges for the year ended 31 December 2017, an increase of £177.3 million, or 59.3 per cent., as compared to £298.8 million for the year ended 31 December 2016.

Impairment charges by business segment

The following table sets out the Provident Financial Group's impairment charges in each of its business segments.

	For the year ended 31 December	
	2017	2016
	(£ millions)	
Impairment charges:		
Vanquis Bank	186.6	162.4
CCD	293.5	120.0
Moneybarn	31.1	16.4
Total impairment	**511.2**	**298.8**
Exceptional impairment credit[(1)]	(35.1)	—
Total impairment	**476.1**	**298.8**

(1) The release of impairment provisions of £35.1 million comprises (i) £14.7 million in Vanquis Bank relating to the settlement of the FCA investigation into Vanquis Bank's ROP and (ii) £20.4 million relating to the estimated liability of Moneybarn in respect of the ongoing FCA investigation into Moneybarn.

Impairment charges in Vanquis Bank were £186.6 million for the year ended 31 December 2017, an increase of £24.2 million, or 14.9 per cent., as compared to £162.4 million for the year ended 31 December 2016. This increase was primarily the result of the impact of a 14.6 per cent. increase in Average Receivables during the year together with a slight increase in the rate of impairment due to a stable rate of delinquency during 2017 compared with the improving delinquency profile during 2016.

Impairment charges in CCD were £293.5 million for the year ended 31 December 2017, an increase of £173.5 million, or 144.6 per cent., as compared to £120.0 million for the year ended 31 December 2016. Despite a 12.8 per cent. decrease in Average Receivables, the increase in impairment charges was the result of the significant disruption experienced on migration to the new operating model and the rate of reconnection with those customers whose relationship had been adversely impacted being at the lower end of expectations.

Impairment charges in Moneybarn were £31.1 million for the year ended 31 December 2017, an increase of £14.7 million, or 89.6 per cent., as compared to £16.4 million for the year ended 31 December 2016. This increase was primarily the result of the impact of the increase in new business volumes and the subsequent rise in impairment from higher risk categories of business prior to the tightening of underwriting in the second quarter of 2017. Moneybarn's peak in defaults is approximately 9 to 12 months following inception of a loan with risk-based revenue being recognised over the duration of the average contract life of between four and five years.

Administrative and operating costs

The Provident Financial Group recorded £766.2 million in administrative and operating costs for the year ended 31 December 2017, an increase of £307.4 million, or 67.0 per cent., as compared to £458.8 million for the year ended 31 December 2016.

The following table sets out the Provident Financial Group's administrative and operating costs in each of its business segments.

	For the year ended 31 December	
	2017	**2016**
	(*£ millions*)	
Administrative and operating costs:		
Vanquis Bank	209.1	174.4
CCD	253.4	257.0
Moneybarn	25.5	20.5
Central	11.0	16.7
Administrative and operating costs before amortisation of acquisition intangibles and exceptional items	**499.0**	**468.6**
Amortisation of acquisition intangibles[(1)]	7.5	7.5
Exceptional items[(2)]	259.7	(17.3)
Total administrative and operating costs	**766.2**	**458.8**

(1) Represents £7.5 million of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014.

(2) Exceptional items in 2017 comprised an exceptional cost of (i) £172.1 million in estimated costs of restitution, other costs and provisions and a fine following resolution on 27 February 2018 of the FCA investigation into ROP at Vanquis Bank; (ii) £20.0 million in estimated costs arising from the FCA investigation into affordability, forbearance and termination options at Moneybarn; and (iii) £32.5 millions in respect of redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration.
Exceptional items in 2016 included an exceptional gain of £20.2 million in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016 and an exceptional impairment charge of £2.9 million to support "glo," a guarantor loan product within CCD, following the decision to wind down the glo business.

Administration and operating costs in Vanquis Bank were £209.1 million for the year ended 31 December 2017, an increase of £34.7 million, or 19.9 per cent., as compared to £174.4 million for the year ended 31 December 2016. This increase was primarily the result of the growth in business operations, including headcount, together with additional expenditure of approximately £12 million during the year to support the programme of initiatives established to augment the medium-term growth of the business. In addition, the business experienced an increase in marketing and acquisition costs due to the increase in new credit customer bookings from 406,000 in 2016 to 437,000 in 2017.

Administration and operating costs in CCD were £253.4 million for the year ended 31 December 2017, a decrease of £3.6 million, or 1.4 per cent., as compared to £257.0 million for the year ended 31 December 2016. The migration to the new operating model has resulted in the replacement variable agents' commission costs with fixed cost salaries other than in the Republic of Ireland which is currently still using a self-employed model. As a result, the significant reduction in collections performance experienced during the year was not matched by a reduction in costs. As part of an ongoing process of reviewing its cost base, the Home Credit business announced a proposed rationalisation of its central support functions on 16 January 2018 which is subject to workforce consultation and is expected to result in approximately 90 redundancies. Together with the ongoing tight control of cost, this is a necessary step to align the cost base to the reduced size of the business. In addition, the business expects to secure improvements in the effectiveness and efficiency of the field organisation as the new business model continues to be embedded. Customer facing resource is being managed very carefully in order to ensure that further improvements in customer service are delivered.

Administration and operating costs in Moneybarn were £25.5 million for the year ended 31 December 2017, an increase of £5.0 million, or 24.4 per cent., as compared to £20.5 million for the year ended 31 December 2016. This increase was primarily the result of the business continuing to invest in the resources necessary to support future growth and enhance the customer experience. Accordingly, headcount has increased from 195 at the end of 2016 to 225 at the end of 2017. The rate of growth in administration and operating costs is lower than the growth in Average Receivables of 29.4% as the business has benefited from some operational leverage.

Administration and operating costs in the Provident Financial Group's central costs were £11.0 million for the year ended 31 December 2017, a decrease of £5.7 million, or 34.1 per cent., as compared to £16.7 million for the year ended 31 December 2016. This decrease was primarily the result of a credit in respect of share-based payments of £2.2 million due to revised expectations of vesting levels following the Group's weak performance in 2017 compared with a charge of £5.1 million in 2016.

Profit before taxation

For the reasons set forth above, the Provident Financial Group's loss before taxation for the year ended 31 December 2017 was £123.0 million, a decrease of £466.9 million, or 135.8 per cent., compared to £343.9 million for the year ended 31 December 2016. Profit before taxation for the year ended 31 December 2017 included deductions of amortisation of acquisition intangibles of £7.5 million (2016: £7.5 million) and exceptional costs of £224.6 million (2016: a net exceptional gain of £17.3 million).

Tax charge

The Provident Financial Group's tax charge for the year ended 31 December 2017 was £11.4 million compared with £81.0 million for the year ended 31 December 2016. The Provident Financial Group's tax charge for 2017 represents an effective rate of 15.10 per cent. (2016: 23.20 per cent.) on profit before taxation, amortisation of acquisition intangibles and exceptional items. The Provident Financial Group's effective rate reflects: (i) the mainstream corporation tax rate of 19.25 per cent. on the Provident Financial Group's profits (2016: 20.0 per cent.); (ii) the 8.0 per cent. bank corporation tax surcharge on Vanquis Bank's profits in excess of £25 million (2016: 8.0 per cent.); and (iii) a tax credit in respect of prior years, including a release of part of the provision for uncertain tax liabilities.

The tax credit (2016: tax charge) in respect of exceptional costs in 2017 (2016: exceptional gain) amounted to £3.8 million (2016: £5.1 million) and reflects: (i) tax relief of £6.2 million in respect of the restructuring costs in CCD, the estimated balance reductions and redress payable to Moneybarn customers and settlement administration costs in Vanquis Bank; net of (ii) tax of £2.4 million at the combined mainstream corporation tax and bank corporation tax surcharge rates of 27.25 per cent. on the 10 per cent. deemed taxable receipt on the settlements payable to Vanquis Bank customers which are treated as bank compensation payments and the release of the impairment provisions.

The tax credit in respect of the amortisation of acquisition intangibles amounted to £1.4 million (2016: £1.5 million).

Profit for the year

As a result of the foregoing, the Provident Financial Group a loss of £134.4 million for the year ended 31 December 2017, a £397.3 million or 151.1 per cent. decrease, as compared to a profit for the period of £262.9 million for the year ended 31 December 2016.

7.2 Results of operations for the years ended 31 December 2016 and 2015

Revenue

The Provident Financial Group's revenue for the year ended 31 December 2016 was £1,183.2 million, an increase of £70.1 million, or 6.3 per cent., compared to £1,113.1 million for the year ended 31 December 2015. This increase was primarily the result of the increase in revenue generated by Vanquis Bank and Moneybarn.

Revenue by business segment

	For the year ended 31 December	
	2016	**2015**
	(£ millions)	
Vanquis Bank:		
UK	583.7	538.6
Poland[(1)]	—	1.8
Total Vanquis Bank	583.7	540.4
CCD	518.8	517.4
Moneybarn	80.7	55.3
Total revenue	**1,183.2**	**1,113.1**

(1) Revenue in Vanquis Bank in 2015 includes £1.8 million in respect of the Polish branch of Vanquis Bank. During the first half of 2012, Vanquis Bank established a branch in Poland as part of a pilot operation. In early 2015, Vanquis Bank decided to withdraw from the pilot operation and the receivables book was sold to a third party with the economic interest transferring from 1 April 2015.

Vanquis Bank

Revenue from the UK operation of Vanquis Bank was £583.7 million for the year ended 31 December 2016, an increase of £45.1 million, or 8.4 per cent., as compared to £538.6 million for the year ended 31 December 2015. This increase was primarily the result of a 13.0 per cent. increase in Average Receivables during this period due to an 8.7 per cent. growth in customer numbers, as well as the effects of the credit line increase programme to existing customers who have established a sound payment history. This was partly offset by a reduction in Revenue Yield from 46.5 per cent. to 44.7 per cent. primarily due to the further reduction in penetration of the ROP feature within the customer base and the fall in interchange income following the passage of the IFR which took full effect from December 2015.

CCD

Revenue from the CCD segment was £518.8 million for the year ended 31 December 2016, an increase of £1.4 million, or 0.3 per cent., as compared to £517.4 million for the year ended 31 December 2015. This increase was primarily the result of a 1.8 per cent. increase in Average Receivables during this period substantially offset by a reduction in Revenue Yield from 103.6 per cent. to 102.0 per cent. due to the continued focus on serving good quality customers who tend to be served with longer term, lower yielding products.

Moneybarn

Revenue from the Moneybarn segment was £80.7 million for the year ended 31 December 2016, an increase of £25.4 million, or 45.9 per cent., as compared to £55.3 million for the year ended 31 December 2015. This increase was primarily the result of the strong growth in Average Receivables of 39.7 per cent. together with an increase in Revenue Yield from 29.0 per cent. to 30.3 per cent. primarily reflecting a shift in mix to marginally lower value vehicles which carry a higher yield.

Finance costs

The following table sets out the components of the Provident Financial Group's finance costs for the years ended 31 December 2016 and 2015.

	For the year ended 31 December	
	2016	2015
	(*£ millions*)	
Bank borrowings	13.1	12.8
Senior public and retail bonds	41.3	41.2
Private placement loan notes	5.7	6.2
Subordinated loan notes	—	0.2
Retail deposits	21.6	19.6
Total finance costs	**81.7**	**80.0**

The Provident Financial Group recorded £81.7 million in finance costs for the year ended 31 December 2016, a £1.7 million, or 2.1 per cent. increase, as compared to £80.0 million for the year ended 31 December 2015. This was despite a 16.6 per cent. increase in total bank and other borrowings, including retail deposits, from £1,588.8 million at 31 December 2015 to £1,852.2 million at 31 December 2016. The increase in finance costs in 2016 was primarily a result of the increased receivables across the Provident Financial Group being funded at a lower blended funding rate, which decreased from 5.9 per cent. in 2015 to 5.5 per cent. in 2016. This principally reflects the increased level of lower cost retail deposits, which comprised 46 per cent. of total bank and other borrowings in 2015 as compared with 51 per cent. in 2016. The all-in average blended cost of taking retail deposits, after the cost of holding a liquid assets buffer and other liquid resources held in satisfaction of the PRA's liquidity requirements, decreased to 3.0 per cent. in 2016, from 3.1 per cent. in 2015. In addition, there was an increase in short-term funding through the Revolving Credit Facility at a average funding rate of 3.1 per cent. in 2016 compared to 3.1 per cent. in 2015.

Impairment charges

The Provident Financial Group recorded £298.8 million in impairment charges for the year ended 31 December 2016, an increase of £22.8 million, or 8.3 per cent., as compared to £276.0 million for the year ended 31 December 2015.

Impairment charges by business segment

The following table sets out the Provident Financial Group's impairment charges in each of its business segments.

	For the year ended 31 December	
	2016	2015
	(*£ millions*)	
Impairment charge:		
Vanquis Bank:		
UK	162.4	158.9
Poland	—	1.6
Total Vanquis Bank	162.4	160.5
CCD	120.0	106.6
Moneybarn	16.4	8.9
Total impairment charges	**298.8**	**276.0**

(1) Impairment charges in Vanquis Bank in 2015 includes £1.6 million in respect of the Polish branch of Vanquis Bank. During the first half of 2012, Vanquis Bank established a branch in Poland as part of a pilot operation. In early 2015, Vanquis Bank decided to withdraw from the pilot operation and the receivables book was sold to a third party with the economic interest transferring from 1 April 2015.

Vanquis Bank

Impairment charges in Vanquis Bank's UK operations was £162.4 million for the year ended 31 December 2016, an increase of £3.5 million or 2.2 per cent. as compared to £158.9 million for the year ended 31 December 2015. This increase was primarily the result of the impact of a 13.0 per cent. increase in Average Receivables during the year substantially offset by the benefit of improving delinquency due to the application of continued tight credit standards and the benefit of an improving UK employment market.

CCD

Impairment in CCD was £120.0 million for the year ended 31 December 2016, an increase of £13.4 million or 12.6 per cent as compared to £106.6 million for the year ended 31 December 2015. This increase was primarily the result of the impact of a 1.8 per cent. increase in Average Receivables during the year together with an increase in the rate of impairment due to the stable collections performance and arrears profile in the year ended 31 December 2016 compared with the improving profile experienced in the year ended 31 December 2015.

Moneybarn

Impairment in Moneybarn was £16.4 million for the year ended 31 December 2016, an increase of £7.5 million or 84.3 per cent. as compared to £8.9 million for the year ended 31 December 2015. This increase was primarily the result of a 39.7 per cent. increase in Average Receivables during the year together with an increase in the rate of impairment. The increase in the rate of impairment was due to an increase in default rates consistent with an increased mix of business being written towards lower value vehicles which tend to carry a higher impairment rate. In addition, Moneybarn's peak in defaults is between nine and twelve months into a contractual relationship and therefore impairment in 2016 was impacted by the 69 per cent. increase in new business volumes in 2015.

Administrative and operating costs

The Provident Financial Group recorded £458.8 million in administrative and operating costs for the year ended 31 December 2016, a decrease of £24.7 million, or 5.1 per cent., as compared to £483.5 million for the year ended 31 December 2015.

The following table sets out the Provident Financial Group's operating costs in each of its business segments.

	For the year ended 31 December	
	2016	**2015**
	(£ millions)	
Administrative and operating costs:		
Vanquis Bank	174.4	151.1
CCD	257.0	278.3
Moneybarn	20.5	15.6
Central	16.7	17.5
Administrative and operating costs before amortisation of acquisition intangibles and exceptional items	**468.6**	**464.2**
Amortisation of acquisition intangible(1)	7.5	7.5
Exceptional items(2)	(17.3)	11.8
Total administrative and operating costs	**458.8**	**483.5**

(1) Represents £7.5 million of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014.

(2) Exceptional items in 2016 included an exceptional gain of £20.2 million in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe on 21 June 2016 and an exceptional impairment charge of £2.9 million to support "glo," a guarantor loan product within CCD, following the decision to wind down the glo business. Exceptional items in 2015 comprised an exceptional cost of £11.8 million in respect of a business restructuring in CCD.

Vanquis Bank

Administrative and operating costs in Vanquis Bank were £174.4 million for the year ended 31 December 2016, an increase of £23.3 million or 15.4 per cent. as compared to £151.1 million for the year ended

31 December 2015. This increase was primarily the result of the growth in business operations, including headcount, together with expenditure of approximately £6 million during the second half of 2016 to support the programme of initiatives established to augment the medium-term growth of the business. In addition, the business experienced an increase in the average cost per new account booking due to Vanquis Bank investing more in marketing, particularly through television advertising.

CCD

Administrative and operating costs in CCD were £257.0 million for the year ended 31 December 2016, a decrease of £21.3 million or 7.7 per cent. as compared to £278.3 million for the year ended 31 December 2015. Approximately one third of the decrease resulted from the cost savings associated with the reorganization implemented in June 2015. The remaining decrease was primarily the result of a reduction in agents' commission costs due to more exacting collections targets for self-employed agents as a result of the improved quality of the receivables book together with a reduction in marketing expenditure due to the switch to more focused, lower cost digital marketing rather than TV advertising within Satsuma.

Moneybarn

Administrative and operating costs in Moneybarn were £20.5 million for the year ended 31 December 2016, an increase of £4.9 million or 31.4 per cent. as compared to £15.6 million for the year ended 31 December 2015. This increase was primarily the result of the investment in the resources necessary to support future growth as well as meet the more stringent regulatory standards set by the FCA. Accordingly, headcount increased from 151 at 31 December 2015 to 195 at 31 December 2016.

Central

Administrative and operating costs in the Provident Financial Group's central office were £16.7 million for the year ended 31 December 2016, a decrease of £0.8 million or 4.6 per cent. as compared to £17.5 million for the year ended 31 December 2015. This decrease was primarily the result of reduced legal, professional and advisory fees.

Profit before taxation

For the reasons set forth above, the Provident Financial Group's profit before taxation for the year ended 31 December 2016 was £343.9 million, an increase of £70.3 million, or 25.7 per cent., compared to £273.6 million for the year ended 31 December 2015. Profit before taxation for the year ended 31 December 2016 included deductions of amortisation of acquisition intangibles of £7.5 million (2015: £7.5 million) and a net exceptional gain of £17.3 million (2015: an exceptional cost of £11.8 million).

Tax charge

The Provident Financial Group's tax charge for the year ended 31 December 2016 was £81.0 million compared with £55.4 million for the year ended 31 December 2015. The Provident Financial Group's tax charge for 2016 represents an effective rate of 23.20 per cent. (2015: 20.25 per cent.) on profit before taxation, amortisation of acquisition intangibles and exceptional items. The rate was higher than the mainstream UK statutory corporation tax rate which reduced from 21 per cent. to 20 per cent. on 1 April 2015 primarily due to the impact of the bank corporation tax surcharge of 8 per cent. which came into force on 1 January 2016. The surcharge applies to Vanquis Bank profits in excess of £25 million.

The tax charge in respect of the exceptional gain in 2016 amounts to £5.1 million and represents a £5.7 million tax charge on the disposal of Vanquis Bank's interest in Visa Europe Limited at the combined mainstream UK corporation tax and bank corporation tax surcharge rates of 28 per cent. and a tax credit of £0.6 million relating to tax relief for the impairment of glo intangible fixed assets at the mainstream UK corporation tax rate of 20 per cent. The tax credit in respect of exceptional costs in 2015 amounted to £2.4 million and represented tax relief in respect of the exceptional restructuring costs in CCD.

The tax credit in respect of the amortisation of acquisition intangibles amounted to £1.5 million (2015: £1.5 million).

Profit for the year

As a result of the foregoing, the Provident Financial Group recorded £262.9 million in profit for the year ended 31 December 2016, a £44.7 million increase, or 20.5 per cent., as compared to a profit for the year of £218.2 million for the year ended 31 December 2015.

8. **BALANCE SHEET**

The following table sets out the Provident Financial Group's certain balance statement items as at 31 December 2017, 2016 and 2015. For additional information see Part VIII "*Historical Financial Information*" of this Prospectus.

	As at 31 December		
	2017	**2016[(1)]**	**2015**
		(*£ millions*)	
ASSETS (current and non-current)[(1)]			
Amounts receivable from customers:			
Vanquis Bank	1,554.7	1,424.7	1,252.0
CCD	390.6	584.8	545.1
Moneybarn	364.1	297.3	219.6
Total amounts receivable from customers	2,309.4	2,306.8	2,016.7
Retirement benefit asset	102.3	72.4	62.3
Liquid assets buffer[(2)]	263.4	168.9	134.2
Other assets[(3)]	290.8	278.5	255.0
Total assets	**2,965.9**	**2,826.6**	**2,468.2**
LIABILITIES (current and non-current)[(1)]			
Bank and other borrowings:			
Retail deposits[(4)]	(1,291.8)	(941.2)	(731.0)
Bank and other borrowings	(882.3)	(913.9)	(865.2)
Total borrowings[(5)]	(2,174.1)	(1,855.1)	(1,596.2)
Other liabilities[(6)]	(256.7)	(181.4)	(164.3)
Total liabilities	**(2,430.8)**	**(2,036.5)**	**(1,760.5)**
SHAREHOLDERS' EQUITY			
Share capital	30.7	30.6	30.5
Share premium	273.0	272.7	270.7
Other reserves	13.4	24.3	35.6
Retained earnings	218.0	462.5	370.9
Total equity	**535.1**	**790.1**	**707.7**
TOTAL LIABILITIES & EQUITY	**2,965.9**	**2, 826.6**	**2,468.2**

(1) For the breakdown of current and non-current balances, see the consolidated financial statements of the Provident Financial Group for the years ended 31 December 2017, 2016 and 2015.

(2) Liquid assets buffer, including liquid resources, represents gilts and amounts held within the Bank of England reserve account by Vanquis Bank in accordance with the PRA's liquidity regime and liquidity stress tests, specified in the ILAAP of Vanquis Bank. The buffer is not available to finance the Provident Financial Group's day-to-day operations. As at 31 December 2017, the liquid assets buffer comprised £227.5 million disclosed within cash and cash equivalents (31 December 2016: £168.9 million, 31 December 2015: £134.2 million) and £35.9 million, representing UK government gilts with a maturity greater than 3 months, which were disclosed as an available for sale investment (31 December 2016: £nil, 31 December 2015: £nil).

(3) Other assets includes goodwill, other intangible assets, property, plant and equipment, available for sale investment and trade and other receivables.

(4) The consolidated balance sheet as at 31 December 2017 included "retail deposits" on the face of the balance sheet as a separate line item. Previously, all external borrowings held by the group have been shown as "bank and other borrowings" on the face of the balance sheet and split between current (where settlement is within the subsequent 12 months) and non-current (where settlement can be deferred beyond 12 months). Retail deposits are now disclosed separately on the face of the balance sheet with 2016 and 2015 comparatives reclassified.

(5) Balance includes both current and non-current borrowings.

(6) Other liabilities includes provisions, derivative financial instruments, trade and other payables, current tax liabilities, and deferred tax liabilities.

Assets

Amounts receivable from customers

The Provident Financial Group's amounts receivable from customers increased to £2,309.4 million as at 31 December 2017, as compared with £2,306.8 million as at 31 December 2016 and £2,016.7 million as at 31 December 2015.

In 2017, Vanquis Bank's year-end receivables increased by 9.1 per cent., as a result of an increase in customer numbers of 11.3 per cent. and the continued growth in the credit line increase programme to

existing customers. These were partly offset by the £75.4 million of balance reductions to existing customers following the FCA investigation into ROP. CCD receivables comprised £352.2 million at 31 December 2017 in respect of the Provident Financial Group's Home Credit business (31 December 2016: £560.0 million), £35.8 million in respect of Satsuma (31 December 2016: £18.2 million) and £2.6 million in respect of glo, the Provident Financial Group's guarantor loan pilot service (31 December 2016: £6.6 million). Home Credit receivables showed a significant decrease of 37.1 per cent. in 2017 due to the significant increase in impairment as a result of the disruption arising from the transition to the new operating model. Satsuma receivables increased 96.7 per cent., primarily as a result of a 29.6 per cent. year-on-year increase in new business volumes and further lending to established customers. The glo receivables book is in run-off following the decision to close glo to new business within CCD from early October 2016. Moneybarn receivables increased by 22.5 per cent. to £364.1 million at 31 December 2016 as compared to £297.3 million at 31 December 2016. This was primarily the result of strong growth in new business volumes of 17.7 per cent. This was offset by balance reductions of £12.1 million following the FCA investigation into affordability, forbearance and termination options.

In 2016, Vanquis Bank's year-end receivables grew by 8.7 per cent. as a result of growth in customer numbers of 13.7 per cent. together with the success of the credit line increase programme to good quality existing customers through the 'low and grow' approach to lending. CCD receivables comprised £560.0 million at 31 December 2016 in respect of the Provident Financial Group's Home Credit business (31 December 2015: £522.2 million), £18.2 million in respect of Satsuma (31 December 2015: £12.1 million) and £6.6 million in respect of glo, the Provident Financial Group's guarantor loan pilot service (31 December 2015: £10.8 million). Home Credit receivables showed growth of 7.2 per cent. in 2016 reflecting the combination of robust demand and customer confidence together with the focus on serving good quality existing customers which resulted in a 9 per cent. year-on-year improvement in sales. Satsuma receivables showed growth of 50 per cent., benefiting from a 25 per cent. year-on-year increase in new business volumes and further lending to established customers during the fourth quarter of the year. The glo receivables book is in run-off following the decision to close glo to new business within CCD from early October 2016. Moneybarn receivables grew by 35.4 per cent. to £297.3 million at 31 December 2016 as compared to £219.6 million at 31 December 2015. This was primarily the result of strong growth in new business volumes of 28.1 per cent.

Retirement benefit asset

The Provident Financial Group's retirement benefit asset increased to £102.3 million as at 31 December 2017, as compared with £72.4 million as at 31 December 2016 and £62.3 million as at 31 December 2015.

As at 31 December 2017, retirement benefit asset amounted to £102.3 million, an increase from £72.4 million as at 31 December 2016. The increase was primarily the result of:

- a reduction in the rate used to discount liabilities from 2.55 per cent. to 2.40 per cent. which increased liabilities by £20 million;
- changes in inflation assumptions which increased liabilities by £2 million;
- changes to mortality assumptions based on latest life expectancies within the pension schemes which reduced liabilities by £21 million;
- an £18 million increase in the ROA held to meet pension obligations due to the effective hedging put in place by the trustees at the start of 2015 in the form of assets being held which match the scheme's liabilities payable to offset increases in both inflation and interest rates; and
- group cash contributions of £11 million and a curtailment credit of £4m partly offset by the Provident Financial Group's pension charge (actuarially based cost of new benefits) of £2 million.

As at 31 December 2016, retirement benefit asset amounted to £72.4 million, an increase from £62.3 million as at 31 December 2015. The increase was primarily the result of:

- a sharp reduction in the rate used to discount liabilities from 3.75 per cent. to 2.55 per cent. mirroring a reduction in corporate bond yields following the Brexit referendum which increased liabilities by £149 million;
- changes in inflation assumptions which increased liabilities by £5 million;
- a £154 million increase in the ROA held to meet pension obligations due to the effective hedging put in place by the trustees at the start of 2015 in the form of assets being held which match the scheme's liabilities payable to offset increases in both inflation and interest rates; and

- group cash contributions of £12 million, partly offset by the Provident Financial Group's pension charge (actuarially based cost of new benefits) of £2 million.

Liquid assets buffer

The Provident Financial Group's liquid assets buffer and other liquid resources held by Vanquis Bank in satisfaction of the PRA liquidity requirements increased to £263.4 million as at 31 December 2017, as compared with £168.9 million as at 31 December 2016 and £134.2 million as at 31 December 2015. The liquid assets buffer comprised £227.5 million disclosed within cash and cash equivalents (31 December 2016: £168.9 million, 31 December 2015: £134.2 million) and £35.9 million, representing UK government gilts with a maturity greater than 3 months, disclosed as an available for sale investment (31 December 2016: £nil, 31 December 2015: £nil).

The increase in liquid asset buffer and other liquid resources held by Vanquis Bank in satisfaction of the PRA liquidity requirements was primarily the result of the growth in Vanquis Bank's receivables as well as the increase in retail deposits held.

Other assets

The Provident Financial Group's other assets increased to £290.8 million as at 31 December 2017, as compared with £278.5 million as at 31 December 2016 and £255.0 million as at 31 December 2015.

The increase in other assets from 31 December 2016 to 31 December 2017 was primarily the result of an increase in trade and other receivables due to the growth in the business.

The decrease in other assets from 31 December 2015 to 31 December 2016 was primarily the result of a decrease in the available for sale investment of £9.5 million, (due to the receipt of upfront consideration in respect of Vanquis Bank's interest in Visa Europe following completion of Visa Inc.'s acquisition of Visa Europe) and a reduction in acquisition intangibles of £7.5 million.

Total assets

The Provident Financial Group's total assets increased to £2,965.9 million as at 31 December 2017, as compared with £2,826.6 million as at 31 December 2016 and £2,468.2 million as at 31 December 2015. The increase was the result of the reasons described above.

Liabilities

Retail deposits

Retail deposits taken by Vanquis Bank have increased to £1,291.8 million as at 31 December 2017, as compared with £941.2 million as at 31 December 2016 and £731.0 million as at 31 December 2015. The proportion of the Provident Financial Group's funding provided by retail deposits has increased from 51 per cent. to 59 per cent. from 31 December 2015 to 31 December 2017 as Vanquis Bank continues to fund its growth in receivables and repay the intra-group loan from the Provident Financial Group as it works towards being fully funded by retail deposits.

Bank and other borrowings

The Provident Financial Group's bank and other borrowings are primarily used to fund the operations of CCD and Moneybarn. The Provident Financial Group's bank and other borrowings were £882.3 million as at 31 December 2017, as compared with £913.9 million as at 31 December 2016 and £865.2 million as at 31 December 2015.

The decrease in bank and other borrowings from 31 December 2016 to 31 December 2017 primarily reflects the decrease in the Vanquis Bank intra-group loan from £233.5 million to £76.9 million during the year and the net reduction in receivables of CCD and Moneybarn of £115.3 million. This was partly offset by the payment of the 2016 final dividend of £133.4 million and the impact of losses sustained by CCD in the year.

The increase in bank and other borrowings from 31 December 2015 to 31 December 2016 reflects the combined impact of the increase in the receivables of CCD and Moneybarn of £117.4 million partly offset by the reduction in the Vanquis Bank intra-group loan from £283.0 million to £233.5 million during the year.

Other liabilities

The Provident Financial Group's other liabilities increased to £256.7 million as at 31 December 2017, as compared with £181.4 million as at 31 December 2016 and £164.3 million as at 31 December 2015.

The increase in other liabilities from 31 December 2016 to 31 December 2017 reflects the recognition of provisions at 31 December 2017 of (i) £96.7 million in connection with the settlement agreed with the FCA in relation to its investigation into Vanquis Bank's ROP and (ii) £7.9 million in connection with the FCA's ongoing investigation into Moneybarn.

The increase in other liabilities from 31 December 2016 to 31 December 2017 was primarily the result of an increase in the corporation tax creditor due to an increase in group profits during 2016.

Total liabilities

The Provident Financial Group's total liabilities increased to £2,430.8 million as at 31 December 2017, as compared with £2,036.5 million as at 31 December 2016 and £1,760.5 million as at 31 December 2015. The increase was the result of the reasons described above.

9. LIQUIDITY AND CAPITAL RESOURCES

9.1 Funding

As Vanquis Bank holds a banking license, the Provident Financial Group's funding strategy is to maintain a secure, prudent and well-diversified funding structure at all times, sufficient to ensure that it is able to continue to fund the growth of the business. The Provident Financial Group's funding strategy is to maintain headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months, after assuming that Vanquis Bank will fully fund itself through retail deposits and repay its intercompany loan from Provident Financial plc. The PRA does not permit the retail deposits to be upstreamed, and, as such, Vanquis Bank is not able to lend to other members of the group.

The Provident Financial Group borrows to provide credit to customers. The seasonal pattern of lending results in peak funding requirements in December each year. The Directors believe that Provident Financial Group is less exposed than mainstream lenders to liquidity risk as credit provided to customers is of a short-term duration whilst the Provident Financial 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 Provident Financial Group has three main sources of funding:

- Bank funding – in the form of the Revolving Credit Facility;
- Bonds and private placements – senior public bonds, private placements with UK and European institutions and UK retail bonds; and
- Retail deposits taken by Vanquis Bank (which can only be used to fund Vanquis Bank).

The Provident Financial Group's funding and liquidity policy is designed to ensure that it is able to continue to fund the growth of the business. For more information on this loan, see "*Key Performance Measures – Funding Capacity*" above.

The Provident Financial Group's borrowings under committed facilities as at 31 December 2017 were £2,175.8 million.

On 31 January 2017, the Provident Financial Group entered into a new Revolving Credit Facility of £450 million maturing in May 2020 and cancelled an existing facility in the amount of £382.5 million which was due to expire in May 2018. The syndicate comprises the Provident Financial Group's core relationship banks and the all in cost of funds is lower than the previous facility with consistent terms, conditions and financial covenant package.

The Provident Financial Group had committed borrowing facilities of £2,242.0 million at 31 December 2017. These facilities provided committed headroom of £66.2 million as at 31 December 2017 with an average period to maturity of 2.5 years.

At 31 December 2017, Vanquis Bank had taken £1,291.8 million of retail deposits (79 per cent. of Vanquis Bank's receivables), up from £941.2 million at 31 December 2016 (66 per cent. of Vanquis Bank's receivables). A reconciliation of the increase/decrease in retail deposits during 2016 and 2017 is as follows:

	2017	2016
	(*£millions*)	
At 1 January	941.2	731.0
New funds	456.1	316.6
Maturities	(180.7)	(177.7)
Retentions	82.4	76.9
Cancellations	(18.4)	(15.1)
Capitalised interest	11.2	9.5
At 31 December	**1,291.8**	**941.2**

Vanquis Bank paid rates of between 1.60 per cent. and 2.51 per cent. on retail deposits during 2017 and the blended interest rate on the deposit portfolio in the same period was 2.26 per cent. reflecting the low interest rate environment during the course of the year. Including the cost of holding a liquid asset buffer Vanquis Bank's overall blended interest rate on retail deposits during 2017 was 2.3 per cent.

The average period to maturity of the Vanquis Bank's retail deposits at 31 December 2017 was 2.2 years.

The Directors believe that the retail deposits market represents a stable source of funding and Vanquis Bank plans to continue to build its deposit portfolio to enable it to repay its intra-group loan from Provident Financial plc which was £76.9 million at 31 December 2017 (31 December 2016: £233.5 million). In growing the deposit portfolio, the Provident Financial Group seeks to maintain a level of headroom on its committed debt facilities that the Directors believe to be appropriate, but not excessive in line with the Provident Financial Group's treasury policies.

To enable Vanquis Bank to reduce reliance on the Company over the medium-term the Company has terminated the existing £140 million committed facility provided by the Company to Vanquis Bank and entered into the New Intercompany Loan Agreement. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility and the Existing Intercompany Loan Agreement has ceased to have any further force or effect. The remaining amount under the New Intercompany Facility will be drawn prior to the settlement of the Rights Issue and is anticipated to be funded by the Bridge Facility. Vanquis Bank will use the funding under the New Intercompany Loan Agreement to increase its liquid resources to compensate for the reduction in the undrawn committed headroom previously available from the Company.

The funding structure of the Provident Financial Group's committed borrowing facilities at 31 December 2017 is shown in the table below. For more information about the Provident Financial Group's committed borrowing facilities, including the due dates of the various facilities and the key financial covenants see paragraphs 16.3 to 16.6 in Part XIV "*Additional Information*" of this Prospectus.

	Maturity	£m
Revolving Credit Facility	2020	**450.0**
Term Loan Facility	2011-2021	**80.0**
Outstanding Bonds		
2018 Bonds	2018	20.0
2019 Bonds	2019	250.0
2020 Bonds	2020	25.2
2021 Bonds	2021	65.0
2023 Bonds	2023	60.0
Total outstanding facilities and bonds		**950.2**
Vanquis Bank retail deposits	2018-2022	**1,291.8**
Total committed facilities		**2,242.0**
Borrowings on committed facilities[(1)]		2,141.5
Headroom on committed facilities		100.5
Retail deposits capacity[(2)]		76.9
Funding Capacity		**177.4**

(1) Borrowings under committed facilities are stated net of £34.3 million of cash held on deposit.

(2) Assumed capacity based on the Vanquis Bank intercompany loan from of £76.9 million as at 31 December 2017.

The funding structure takes into account the available capacity for Vanquis Bank to take retail deposits with the full repayment of the intra-group loan from Provident Financial plc. The Provident Financial Group's funding capacity on this basis amounts to £177.4 million as at 31 December 2017. Vanquis Bank also agreed to enter into a voluntary requirement with the PRA pursuant to which it agreed not to: (i) pay dividends to or make any distribution of capital to the Provident Financial Group; (ii) provide loans or facilities to the Provident Financial Group; (iii) conduct non "business as usual" liquidity transactions or transactions which have or may have the effect of transferring any cash or assets in favour of any member of, the Provident Financial Group; or (iv) provide any security for the obligations of any member of the Provident Financial Group, outside the normal course of business without the PRA's consent. This requirement was imposed to provide the PRA with increased visibility to be able to assess the impact of transactions undertaken with the Provident Financial Group on Vanquis Bank and its retail depositors.

The funding capacity has reduced from £441.2 million at 31 December 2016 to £177.4 million at 31 December 2017 reflecting: (i) the significant losses incurred by CCD offset by a contraction in CCD receivables; (ii) growth in the Vanquis Bank receivables, and (iii) the payment by the Provident Financial Group to its shareholders of the 2016 final dividend in June 2017 of £133.4 million.

Excluding the retail deposits programme, maturities on the Provident Financial Group's committed debt facilities in 2018 consist of: (i) the third instalment on the M&G term loan of £15 million which was paid in January 2018; and (ii) £20 million of private placement loan notes issued under the EMTN in March 2018. The Provident Financial Group also plans to repay the £85 million Bridge Facility with the net proceeds of the Rights Issue. The Bridge Facility provided the Provident Financial Group with funds to increase the liquid resources held by Vanquis Bank. To enable Vanquis Bank to reduce reliance on the Company over the medium-term, on 26 February 2018 the Company terminated the existing £140 million committed facility provided by the Company to Vanquis Bank and entered into the New Intercompany Loan Agreement. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility, and the Existing Intercompany Loan Agreement has ceased to have any further force or effect. The remaining amount under the New Intercompany Facility will be drawn prior to the settlement of the Rights Issue and is anticipated to be funded by the Bridge Facility. This will provide Vanquis Bank with an additional £85 million of funding.

With respect to the Bridge Facility, the interest rate payable on the loan for each interest period is the aggregate of LIBOR and a margin of 2.00 per cent. per annum.

Assuming that Vanquis Bank fully funds its receivables with retail deposits, the Directors believe that the Provident Financial Group's committed facilities, after taking into account the renewal in January 2017 of the Revolving Credit Facility, will be sufficient to fund both contractual maturities and projected growth of the business until the maturity of the £250 million senior bond in October 2019.

As such, following the successful Rights Issue the Provident Financial Group will continue to review financing options during 2018.

The Provident Financial Group is required to comply with the financial covenants in its bank facilities in respect of gearing, interest cover (the Interest Cover Ratio Covenant, net worth (the Net Worth Covenant), net worth excluding Vanquis Bank (the Net Worth Excluding Vanquis Bank Covenant) and cash cover. Performance against these covenants at 31 December 2017, 2016 and 2015 is set out in the table below:

			As at 31 December		
	Limits[(1)]	**Limits[(2)]**	**2017**	**2016**	**2015**
			(£ in millions, except ratios)		
Gearing[(3)]	<5.0x	<5.0x	4.3x	2.3x	2.2x
Net worth – group[(4)]	>400	>375.0	450.3	730.2	657.1
Net worth – excluding Vanquis Bank[(4)]	>155	>100.0	161.0	350.5	302.0
Interest cover[(5)]	>2.0x	>1.25x	2.6	5.2x	4.8x
Cash cover[(6)]	>1.0x	>1.0x	1.21x	1.22x	1.26x

(1) Covenant limits following the renewal of the Revolving Credit Facility on 31 January 2017 before the amendments under the Consent Request Letters.

(2) Covenant limits following the renewal of the Revolving Credit Facility on 31 January 2017 and taking into account the amendments under the Consent Request Letters.

[3] Total bank and other borrowings less the liquid assets buffer and other liquid resources held in satisfaction of the PRA liquidity requirements divided by equity (excluding the Provident Financial Group's pension assets, net of deferred tax and the fair value of the derivative financial instruments).

[4] Equity for the Provident Financial Group excluding Vanquis Bank, less the Provident Financial Group's pension asset, net of deferred tax, and the fair value of the derivative financial instruments.

[5] Profit before interest, amortisation, the movement in the fair value of derivative financial instruments, exceptional items and tax divided by the finance costs prior to the movement in the fair value of derivative financial instruments.

[6] Cash collected divided by credit issued.

Interest cover is calculated as profit before taxation, interest and amortisation divided by finance costs, excluding net hedge ineffectiveness, and has a minimum requirement of 2.0 times (1.25 times as amended by the Consent Request Letters). Interest cover was 2.6 times as at 31 December 2017, as compared with 5.2 times as at 31 December 2016 and 4.8 times as at 31 December 2015.

Gearing was 4.3 times at 31 December 2017, against a covenant limit of 5.0 times, compared to 2.3 times as at 31 December 2016 and 2.2 times as at 31 December 2015.

Net worth, excluding Vanquis Bank, was £161.0 million at 31 December 2017, against a covenant limit of £155.0 million, (£100.0 million as amended by the Consent Request Letters), compared to £350.5 million as at 31 December 2016 and £302.0 million as at 31 December 2015.

The Provident Financial Group has agreed with its lenders under the Revolving Facility Agreement and the Term Loan Agreement that they will grant a temporary reduction in (a) the minimum level of the interest cover covenant for the 12 months ending 31 March 2018 and the 12 months ending 30 June 2018 from a level of 2.0 times to 1.25 times Consolidated EBITA to Consolidated Net Interest Payable; (b) the requirement that consolidated net worth of the Provident Financial Group shall not be less than £400 million in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000; and (c) the requirement that consolidated net worth less Vanquis Bank Net Worth shall not be less than £155 million in respect of the year-end date falling on 31 December 2017 the quarter-end date falling on 31 March 2018, such that consolidated net worth less Vanquis Bank net worth shall not be less than £100,000,000.

The amendments granted pursuant to the terms of the Consent Request Letters provide the Provident Financial Group with greater covenant headroom under the terms of the Revolving Facility Agreement and the Term Loan Agreement but will cease to have effect if, among other things, the Company has not received the net proceeds from the Rights Issue within three months of the date hereof or the Underwriting Agreement or the Bridge Facility Agreement ceases to be effective or is terminated. For more information about the Revolving Credit Facility, see "*Material Contracts*" in Part XIV "*Additional Information*" of this Prospectus.

9.2 Capital generation and dividends

The Provident Financial Group's strategy is to invest in businesses which generate high returns to support the Provident Financial Group's distribution policy to its shareholders. The Provident Financial Group has a minimum CET1 ratio of at least 25.5 per cent. and as such funds its receivables book through a combination of approximately 25 per cent. equity and 80 per cent. borrowings. Accordingly, the capital generated by the Provident Financial Group is calculated as cash generated from operating activities, after assuming that 75 per cent. of the growth in customer receivables is funded with borrowings, less net capital expenditure. The Directors believe that this is consistent with the Provident Financial Group's target gearing ratio for new business of 3.5 times and maintaining an adequate level of regulatory capital.

From 2010 to 2016, following strong growth in the Provident Financial Group's earnings, dividend cover had exceeded 1.25 times and the Provident Financial Group had generated sufficient capital to fund receivables growth and increase the Provident Financial Group's dividend, whilst retaining surplus capital.

Prior to 2017, dividends increased broadly in line with earnings, whilst delivering a dividend cover of around 1.35 times and retaining net surplus capital in each year. The Provident Financial Group's gearing ratio in 2015 and 2016 was maintained well below the maximum target of 3.5 times. The Provident Financial Group's dividend was withdrawn in 2017. For information on the Provident Financial Group's withdrawn dividend in 2017, see the risk factor titled "*The Company may not be able to pay dividends in the future*" and "*– Impact of the FCA's ROP Investigation*." The Provident Financial Group absorbed capital of £15.6 million in 2017 (2016: £233.2 million) compared with dividends declared of £nil in 2017 (2016: £195.7 million). The Provident Financial Group retained capital in 2017 in order to retain liquidity and balance sheet stability in light of the deterioration in Home Credit's performance and the FCA investigation into ROP.

	For the year ended 31 December		
	2017	**2016**	**2015**
		(£ millions)	
Operating cash flow	72.0	147.8	202.0
Interest paid)	(73.7)	(71.7)	(73.0)
Tax paid	(55.0)	(64.4)	(47.5)
Net capital expenditure	(31.0)	(10.6)	(25.6)
Add back 80% of receivables growth funded by debt	72.1	232.1	(134.0)
Capital (absorbed)/ generated prior to dividends	**(15.6)**	**233.2**	**189.9**
Analysed as:			
Vanquis Bank	133.2	152.2	143.5
CCD1	(137.7)	80.1	65.1
Moneybarn	12.5	7.2	0.2
Central	(23.6)	(6.3)	(18.9)
Dividends declared	**—**	**(195.7)**	**(174.4)**
Capital (absorbed) / generated after dividends	**(15.6)**	**37.5**	**15.5**
Dividend cover[1]	**—**	**1.32**	**1.35**

(1) Prior to the amortisation of acquisition intangibles and exceptional items.

On a segmental basis, Vanquis Bank generated £133.2 million of capital during the year ended 31 December 2017, £152.2 million in the year ended 31 December 2016 and £143.5 million in the year ended 31 December 2015. The business continues to generate surplus capital over and above that required to fund its receivables growth and maintain sufficient regulatory capital. As at 31 December 2017, Vanquis Bank had paid cumulative dividends of £382.1 million out of its surplus capital since it commenced paying dividends in 2011. Vanquis Bank paid dividends of £98.3 million during 2015, £134.0 million during 2016 and paid a further dividend of £67.5 million in 2017. Following the commencement of the FCA's investigation into the ROP, Vanquis Bank agreed with the PRA not to pay dividends to or enter into certain transactions outside the normal course of business with, the Provident Financial Group without the PRA's consent. This requirement was imposed to provide the PRA with increased visibility to be able to assess the impact of transactions undertaken with the Provident Financial Group on Vanquis Bank and its retail depositors. For information on the Provident Financial Group's withdrawn dividend for the second half of 2017, see the risk factor titled "*The Company may not be able to pay dividends in the future.*"

CCD absorbed £(137.7) million in capital in the year ended 31 December 2017, down compared to capital generated of £80.1 million during the same period in 2016. This reflects the significant trading disruption and exceptional costs arising from the transition to the new operating model within the Home Credit business. CCD's capital generated increased from £65.1 million for the year ended 31 December 2015 to £80.1 million for the year ended 31 December 2016 reflecting the reduction in start-up losses at Satsuma together with the impact of exceptional costs of £11.8 million for the year ended 31 December 2015.

Moneybarn generated £12.5 million of capital in the year ended 31 December 2017, £7.2 million in the year ended 31 December 2016 and £0.2 million in the year ended 31 December 2015 supporting its own growth.

9.3 Regulatory capital and liquidity

As a result of holding a banking licence, Vanquis Bank is regulated by the PRA which sets requirements for Vanquis Bank as a solo entity relating to capital adequacy, liquidity and large exposures. Vanquis Bank

is also regulated by the FCA for conduct purposes. In addition, the Provident Financial Group, incorporating Vanquis Bank, CCD and Moneybarn, is the subject of consolidated supervision by the PRA by virtue of Provident being the parent company of Vanquis Bank. The PRA sets requirements for the consolidated group in respect of capital adequacy, large exposures and, with effect from October 2015, liquidity.

Regulatory capital

A reconciliation of the Provident Financial Group's equity to regulatory capital in accordance with CRD IV is set out below:

	For the year ended 31 December		
	2017	**2016**	**2015**
	(£ millions, except %)		
Statutory shareholders' equity	535.1	790.1	707.7
Other intangible assets	(79.4)	(78.1)	(85.2)
Goodwill	(71.2)	(71.2)	(71.2)
Deferred tax on acquired intangible asset	8.5	9.8	11.7
Pension asset	(102.3)	(72.4)	(62.3)
Deferred tax on pension asset	17.4	12.3	11.2
Hedging reserve	—	0.2	0.5
Dividend accrued on profits recognised	—	(132.9)	(117.0)
Total regulatory capital held	**308.1**	**457.8**	**395.4**
Capital ratios			
Common equity tier one	14.5%	21.9%	22.0%
Leverage ratio	10.8%	16.9%	16.9%
Liquidity coverage ratio	189%	207%	141%

The PRA requires financial institutions to maintain a sufficient level of regulatory capital to withstand a series of downside stress events. The PRA sets regulatory capital requirements specific to each institution, known as its Total Capital Requirement (TCR) together with any fixed add-ons (previously ICG). This is determined following consideration of the Internal Capital Adequacy Assessment Process (ICAAP) conducted by the firm. The 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. The minimum amount of regulatory capital held by the Provident Financial Group and Vanquis Bank represents the higher of the PRA imposed requirement of 17.05 per cent. and 19.64 per cent. of total RWAs, respectively, being their respective TCR, together with the fixed add-on in respect of pension risk, together with the CRD IV stipulated buffers, currently applicable, being the capital conservation of 1.875 per cent., and their respective internal assessments of minimum regulatory capital requirements based upon an assessment of risks facing the Provident Financial Group and Vanquis Bank respectively.

The existing TCR, together with the fixed add-on in respect of pension risk, where applicable, of each of the Provident Financial Group and Vanquis Bank reflects the aggregate of its minimum Pillar 1 and Pillar 2a regulatory capital requirements, which are set following a supervisory review and evaluation process ("**SREP**") undertaken by the PRA. Following the review of the capital plan by the PRA, an amended TCR, together with the fixed add-on in respect of pension risk, where applicable, is expected to be imposed in April 2018 following the conclusion of the Rights Issue and the intended use of proceeds.

In addition, the Provident Financial Group and Vanquis Bank continually monitor and assess the internal assessment of minimum regulatory capital requirements. The minimum regulatory capital requirements of each of Vanquis Bank and the Provident Financial Group set out below reflects the expected TCR, including the fixed add-on in respect of pension risk, effective from April 2018 following the conclusion of the Rights Issue and intended use of proceeds.

The Provident Financial Group's and Vanquis Bank's minimum regulatory capital requirements of 25.5 per cent. and 24.9 per cent. of total RWAs respectively, reflect the calculations and assessments within the capital plan and are based upon calculations and assessments undertaken as at 31 December 2017.

The uplifted minimum level for the Provident Financial Group includes an additional capital requirement of £96 million in respect of conduct and operational risk compared with the previous TCR set by the PRA.

These assessments include fully loaded CRD IV buffers of 3.5 per cent. of total RWAs, the minimum Pillar 1 prescribed requirement of 8.0 per cent. of RWAs and the assessment of Pillar 2a regulatory capital requirements (including the fixed add-on in respect of pension risk for the Provident Financial Group), of 14.0 per cent. and 13.4 per cent. of total RWAs for the Provident Financial Group and Vanquis Bank, respectively.

These CRD IV buffers on a fully loaded basis include the capital conservation buffer of 2.5 per cent. of RWAs and the countercyclical buffer of 1.0 per cent. of RWAs.

Given the capital profile of the Provident Financial Group and Vanquis Bank, each of the Provident Financial Group and Vanquis Bank are required to meet the above minimum requirements with CET1 capital only.

As stipulated by CRD IV, regulatory capital equates to equity share capital and reserves after deducting foreseeable dividends in line with the current dividend policy and after adding back subordinated loan notes less: (i) the net book value of goodwill and intangible assets; and (ii) the pension asset, net of deferred tax, and the fair value of derivative financial instruments. As at 31 December 2017, the Provident Financial Group's CET1 capital ratio was 14.5 per cent. (with no deduction for dividend payments as none have been proposed) and its leverage ratio was 10.8 per cent. As at 31 December 2016 and 31 December 2015, the Provident Financial Group's CET1 capital ratio was 21.9 per cent. and 22.0 per cent. respectively (with deductions for final proposed dividend payments) and its leverage ratio was 16.9 per cent. and 16.9 per cent. respectively. Vanquis Bank's CET1 capital ratio as at 31 December 2017, 2016 and 2015 was 21.6 per cent., 25.1 per cent. and 25.2 per cent., respectively.

In addition to any PRA buffer set by the PRA, CRD IV requires each of the Provident Financial Group and Vanquis Bank to maintain a capital conservation buffer and a countercyclical buffer. From 1 January 2016, the capital conservation buffer was calculated as 0.625 per cent. of risk-weighted exposures to the extent that it exceeds the capital planning buffer set by the PRA. The buffer increased from 1.25 per cent. in 2017 to1.875 per cent. in 2018 and will increase further to 2.5 per cent. in 2019. The countercyclical buffer is required from 1 June 2018 at 0.5 per cent. of risk-weighted exposures, before increasing from 1 November 2018 to 1 per cent. of risk-weighted exposures.

As a result of the Provident Financial Group having taken provisions in its audited consolidated financial statements for the year ended 31 December 2017 in relation to the settlement agreed with the FCA in connection with the FCA's investigation into ROP and in connection with the FCA's ongoing investigation into certain of Moneybarn's systems, controls and practices, the Provident Financial Group is currently non-compliant with its TCR, together with the fixed add-on in respect of pension risk, countercyclical buffer, capital conservation buffer and capital planning buffer requirements. Upon completion of the Rights Issue, the capital raised will be used to address the areas of regulatory capital non-compliance described above, such that compliance with those requirements will be restored and the Provident Financial Group's regulatory capital position more generally bolstered to enable it to meet its future regulatory capital requirements. On a pro forma basis, after giving effect to the Rights Issue and taking into account the intended use of proceeds, at 31 December 2017, the Provident Financial Group's CET1 capital ratio would have been 28.7 per cent. and Vanquis Bank's CET1 capital ratio would have been 25.4 per cent. However, if the Rights Issue does not proceed or complete, the Provident Financial Group will continue to fail to meet its TCR, together with the fixed add-on in respect of pension risk, (previously ICG), countercyclical buffer, capital conservation buffer and capital planning buffer requirements. For further information in relation to the Provident Financial Group's non-compliance with certain of its regulatory capital requirements, as well as the risks associated with such non-compliance, see the risk factor headed "*The Provident Financial Group does not meet certain of its regulatory capital requirements and consequently is subject to the risk of the PRA taking enforcement action against it in respect of such non-compliance.*".

Liquidity

To ensure that sufficient liquid resources are available to fulfil operational plans and meet financial obligations as they fall due, the PRA requires that all regulated entities maintain a liquid assets buffer held in the form of high quality, unencumbered assets.

The liquid assets buffer for Vanquis Bank is calculated using Individual Liquidity Guidance (ILG) set by the PRA based on the Internal Liquidity Adequacy Assessment Process (ILAAP) undertaken by Vanquis Bank. In addition, further liquid resources must be maintained based upon daily stress tests linked to the three key liquidity risks of Vanquis Bank, namely retail deposit maturities, undrawn credit card lines and operating cash flows. This results in a dynamic liquid resources requirement.

As at 31 December 2017, the liquid assets buffer, including the liquid resources, amounted to £263.4 million (31 December 2016: £168.9 million and 31 December 2015: £134.2 million). The increase during the year reflects the growth in retail deposits, costs and operational buffer. Vanquis Bank holds its liquid assets buffer, including other liquid resources, in a combination of a Bank of England Reserves Account and UK government gilts.

The Provident Financial Group entered into the £85 million Bridge Facility, the proceeds of which will be used to increase the liquid resources held by Vanquis Bank. For more information, see "*Material Contracts*" in Part XIV "*Additional Information*" of this Prospectus.

CRD IV are introducing further liquidity measures, the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**"). The LCR, which became effective in October 2015, and NSFR, which will not become effective until at the earliest 1 January 2021, are applicable to both the Provident Financial Group and Vanquis Bank. In 2017, the Provident Financial Group, on a consolidated basis, and Vanquis Bank, on an individual basis, were both required to have a minimum LCR of 100 per cent. As at 31 December 2017, the Provident Financial Group and Vanquis Bank had a LCR of 189 per cent. and 387 per cent., respectively.

Pillar III disclosures

As part of the regulatory supervision by the PRA, the Provident Financial Group, consistent with other regulated financial institutions, is required to make annual Pillar III disclosures which set out information on the Provident Financial Group's regulatory capital, risk exposures and risk management processes.

10. CONTRACTUAL COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

10.1 Contractual obligations and commitments

The information presented in the following tables set out the Provident Financial Group's known contractual obligations as at 31 December 2017, as well as an estimate of the timing in which these obligations are expected to be satisfied.

The following table sets out the Provident Financial Group's commitments under operating leases as at 31 December 2017.

	Due within one year	Due between one and five years	Due in more than five years	Total
		(*£ millions*)		
Operating leases	13.2	47.9	67.8	128.9

The following table sets out the Provident Financial Group's commitments under total bank and other borrowings as at 31 December 2017.

	Due in less than one year	Due between one and two years	Due between two and five years	Due in more than five years	Total
			(*£ millions*)		
Borrowing facilities available	407.8	536.1	1,262.6	60.0	2,266.5
Borrowings[(1)]	386.5	535.7	1,192.5	59.4	2,174.1

(1) Borrowings principally comprise syndicated and bilateral bank facilities, together with overdrafts and uncommitted borrowings which are repayable on demand, senior public bonds, loan notes privately placed with UK institutions, retail bonds and retail deposits issued by Vanquis Bank. Borrowings are stated after deducting £4.8 million of unamortised arrangement fees. As at 31 December 2017, borrowings under these facilities amounted to £2,174.1 million, as compared to £1,855.1 million as at 31 December 2016.

10.2 Defined Benefit Pension Scheme

The Provident Financial Group operates a defined benefit pension scheme: 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. As at 31 December 2017, the fair value of the assets held to meet the Provident Financial Group's obligations to current and past employees to provide the defined benefit pension exceeded the present value of such obligations.

10.3 **Off Balance Sheet Arrangements**

The Provident Financial Group has unutilised credit available to its customers as part of established credit card agreements. Total unutilised credit available to customers does not represent potential future cash requirements, as a significant portion of this unutilised credit will likely not be drawn and because the Provident Financial Group has the right to change customer credit limits.

The following table sets out the Provident Financial Group's unutilised credit card facilities.

	As at 31 December		
	2017	2016	2015
		(£ millions)	
Unutilised credit card facilities	969.2	771.8	619.0

11. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Provident Financial Group's financial position and results of operations presented in the financial statements and the notes thereto are prepared in accordance with IFRS. The application of certain accounting policies requires management to make assumptions and estimates and to apply judgments that affect the reported amounts of assets and liabilities. See the 2017 Annual Report for a description of those accounting policies that management believes are important for an understanding of the financial statements and those that involve the most complex judgments and assessments. The estimates and assumptions used by the Provident Financial Group are based on historical experience and other factors as well as expectations and forecasts of future events that management deems to be relevant. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could, in future periods, lead to adjustments in the carrying amounts of the related assets or liabilities.

12. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Provident Financial Group's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk and foreign exchange rate risk. The objective of the Provident Financial Group's risk management framework is to identify and assess the risks facing the Provident Financial Group and to minimise the potential adverse effects of these risks on the Provident Financial Group's financial performance. Financial risk management is overseen by the Risk Committee.

Credit Risk

Credit risk is the risk that the Provident Financial Group will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour payment obligations as they fall due.

Amounts receivable from customers

The Provident Financial Group's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2017 is the carrying value of amounts receivable from customers of £2,309.4 million.

Vanquis Bank

Credit risk within Vanquis Bank is managed by the Vanquis bank credit committee which meets at least quarterly and 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.

A customer's risk profile and the affordability of the credit line is evaluated at the point of application and at various times during the agreement. Internally generated scorecards based on historic 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 such applicant, such as income and employment data from an external credit bureau. Each potential new customer receives a welcome call from Vanquis Bank's contact centre staff to verify details and complete the underwriting process. Initial credit limits are low, typically between £250 and £500 and the maximum credit limit is £4,000. 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' data. 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.

CCD

Credit risk within CCD is managed by the CCD credit committee which meets at least every two months and is responsible for approving credit control policy and decisioning strategy.

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring), policy rules, individual lending approval limits, central underwriting 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 £500. The loans are underwritten in the home by a CEM with emphasis placed on any previous lending experience with the customer, affordability and the CEM's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the CEM typically visits the customer weekly, to collect payment. The CEM is responsible for identifying signs of strain on a customer's income and is authorised to moderate lending accordingly. The regular contact and professional relationship that the CEM has with the customer allows them to adjust customers' repayments when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or occasionally restructuring the debt in an effort to maximise the cash collections.

CEMs conduct an income and expenditure assessment at the point of issuing a loan that is intended to ensure the repayments are affordable. Affordability is reassessed by the CEM each time an existing customer is re-served. This would normally takes place within 12 months of the previous loan because of the short-term nature of the product.

Arrears management within the Home Credit business is a combination of central letters, central telephony, and field activity undertaken by field management. This will often involve a home visit to discuss the customer's reasons for non-payment and to agree a suitable resolution.

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 historic 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 age, proposed loan size and vehicle type are also assessed in the decisioning process, as well as affordability checks intended to ensure that, at the time of application, the customer can afford the loan repayments.

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 good standing and retaining use of the vehicle. These include forbearance arrangements, or where the contract has become unsustainable for the customer, then an exit strategy is implemented.

Bank and government counterparties

The Provident Financial Group's maximum exposure to credit risk on bank counter parties as at 31 December 2017 was £301.7 million.

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk.

Counterparty credit risk is managed by the Provident Financial Group's treasury committee and is governed by a board-approved counterparty policy which is designed to ensure that the Provident Financial Group's cash deposits and derivative financial instruments are only made with high quality counterparties with the permitted level of 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 Provident Financial Group's regulatory capital base in line with the Provident Financial Group's regulatory reporting requirements on large exposures to the PRA.

For more information on the Provident Financial Group's debt maturity profile, see "*Liquidity and Capital Resources – Funding"* above.

Liquidity risk

Liquidity risk is the risk that the Provident Financial Group will have insufficient liquid resources available to fulfil its operational plans and/or meet its financial obligations as they fall due.

Liquidity risk is managed by the Provident Financial Group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board-approved Provident Financial Group funding and liquidity policy. This process is monitored regularly by the Provident Financial Group treasury committee.

The Provident Financial Group's funding and liquidity policy is designed to ensure that the Provident Financial Group is able to continue to fund the growth of the business. It is Provident Financial Group policy to maintain headroom on its committed borrowing facilities to fund growth and the repayment of maturing borrowings for at least the following 12 months, after assuming that Vanquis Bank will fully fund itself through retail deposits and repay its intercompany loan from Provident Financial plc. As at 31 December 2017, the Provident Financial Group's committed borrowing facilities had a weighted average period to maturity of 1.8 years and the headroom on these committed facilities amounted to £66.2 million.

The headroom figure above does not take account of: (i) £34.3 million of cash held on deposit at 31 December 2017; and (ii) the funding capacity for Vanquis Bank to take retail deposits up to the amount of the intercompany loan with Provident Financial plc, which amounted to £76.9 million at 31 December 2016. After taking into account these factors, the Provident Financial Group's funding capacity was £177.4 million.

The headroom figure at 31 December 2016 of £110.2 million does not take account of: (i) £30 million of cash held on deposit at 31 December 2016 which was used to repay the Revolving Credit Facility immediately after the year-end; (ii) the funding capacity for Vanquis Bank to take retail deposits up to the amount of the intercompany loan with Provident Financial plc, which amounted to £233.5 million at 31 December 2016; and (iii) the renewal of the bank syndicated facility on 31 January 2017 which increased the facility from £382.5 million to £450.0 million and extended the maturity date from May 2018 to May 2020. After taking into account these factors, the Provident Financial Group's funding capacity was as follows.

	£ millions
Headroom on committed facilities at 31 December 2017	66.2
Additional retail deposit capacity	76.9
Total funding capacity	143.1
Cash on deposit	34.3
Adjusted total funding capacity	**177.4**

The Provident Financial Group is less exposed than other mainstream lenders to liquidity risk arising out of maturity mismatches, because the loans issued by the Home Credit business are of short-term duration (typically around one year), whereas the Provident Financial Group's borrowings extend over a number of years.

Interest rate risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the Provident Financial Group's cost of borrowing.

The Provident Financial Group's exposure to movements in interest rates is managed by the Provident Financial Group treasury committee and is governed by a board-approved interest rate hedging policy which forms part of the Provident Financial Group's treasury policies.

The Provident Financial Group seeks to limit the net exposure to changes in interest rates through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as interest rate swaps.

Assuming a 2 per cent. movement in market interest rates during 2017, there would not have been a material impact on the Provident Financial Group's profit before taxation or equity as the Provident Financial Group's total bank and other borrowings were either fixed-rate borrowings, or the interest rate risk was substantially hedged.

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 Provident Financial Group's exposure to movements in foreign exchange rates is monitored monthly by the Provident Financial Group treasury committee and is governed by a board approved foreign exchange rate risk management policy which forms part of the Provident Financial Group's treasury policies.

The Provident Financial Group's exposure to movements in foreign exchange rates during 2017 arose from the Home Credit operations in the Republic of Ireland which are hedged by matching euro-denominated net assets with euro-denominated borrowings or forward contracts as closely as practicable. In 2016 the available for sale investment held by Vanquis Bank in respect of Visa Europe Limited, up until Visa Inc.'s acquisition of Visa Europe on 21 June 2016, and then Visa Inc. following the acquisition. Prior to completion of the acquisition, the available for sale investment comprised expected upfront euro cash consideration, which was hedged through matching the cash consideration with euro-denominated borrowings, together with deferred consideration of preferred stock which was convertible into US dollar denominated Class A common stock of Visa Inc. on completion of the transaction. Due to the inherent uncertainty of the valuation and timing of completion, the valuation of the common stock was not hedged. Following completion of the acquisition, the US dollar denominated Class A common stock of Visa Inc. and an element of euro-denominated deferred cash consideration have not been hedged due to the inherent uncertainty of the valuation and timing of any cash flows.

As at 31 December 2017, a 2 per cent. movement in the sterling to euro exchange rate would have led to a £0.9 million (2016: £1.2 million) movement in amounts receivable from customers with an opposite movement of £0.9 million (2016: £1.2 million) in external bank and other 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 2017, a 2 per cent. movement in the sterling to euro exchange rate would have led to a £nil (2016: £0.2 million) movement in the available for sale investment and a £nil impact on reported profits and equity (2016: £0.2 million).

As at 31 December 2017, a 2 per cent. movement in the sterling to US dollar exchange rate would have led to a £0.2 million (2016: £0.1 million) movement in the available for sale investment. Due to the US dollar element relating to the unhedged deferred cash consideration, there would have been a £0.2 million impact on reported profits and equity.

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 Provident Financial 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.

13. SELECTED STATISTICAL INFORMATION FOR VANQUIS BANK

Average Balance Sheet and Interest Rate Data

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of Vanquis Bank for the years ended 31 December 2017, 2016 and 2015. The table also

sets forth the amount of interest income earned and interest expense incurred by Vanquis Bank for the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities.

	Year ended 31 December 2017			Year ended 31 December 2016			Year ended 31 December 2015		
	Average Balance	Interest Income/ (Expense)	Average Rate %	Average Balance	Interest Income/ (Expense)	Average Rate %	Average Balance	Interest Income/ (Expense)	Average Rate %
	(in £ millions, except %)								
ASSETS									
Interest-earning assets:									
Amounts receivable from customers	1,491.70	496.50	33.3%	1,307.00	440.100	33.6%	1,157.10	396.20	34.2%
Liquid asset buffer	184.50	0.60	0.3%	198.80	0.70	0.4%	127.70	0.60	0.5%
Other assets	37.80	0.10	0.3%	—	—		—	—	
Total interest-earning assets	1,714.00	497.20	29.0%	1505.80	440.80	29.2%	1284.80	396.80	30.9%
Non interest-earning assets	37.60	—	—	16.70	—		38.30	—	
Total assets	1,751.60	497.20	28.4%	1,522.50	440.80	29.0%	1,323.10	396.80	30.0%
LIABILITIES									
Interest-bearing liabilities:									
Bank and other borrowings	1,270.80	36.60	2.9%	1,102.60	43.80	4.0%	958.60	40.70	4.2%
Other liabilities									
Total interest-bearing liabilities	1,270.80	36.60	2.9%	1,102.60	43.80	4.0%	958.60	40.70	4.2%
Non interest-bearing liabilities	92.00	—		72.50	—		53.10	—	
Total liabilities	1,362.8	36.60	2.7%	1,175.10	43.80	3.7%	1,011.70	40.70	4.0%

Maturity profile

The following table sets forth the maturity analysis of Vanquis Bank's receivables by product type as at 31 December 2017.

	Due within 3 months	Due within 3 to 6 months	Due within 6 to 12 months	Due within 12 months to 5 years	Over 5 years	Total
	(£millions)					
Credit cards	260.13	223.38	342.19	735.42	47.00	1608.12
Unsecured loans	0.08	0.18	1.45	14.49	—	16.20

Loan loss information

The following table sets out movements in Vanquis Bank's provision for loan losses for the years ended 31 December 2017, 2016 and 2015.

Changes in provision for loan impairment	As at 31 December 2017	2016	2015
	(£ millions)		
Balance at the beginning of the year	261.4	225.0	178.6
Impairment loss	186.6	162.4	160.5
Exceptional release of impairment provision as part of balance reduction	(14.7)		
Recoveries – Credit cards	31.6	27.9	23.5
Net impairment for the year	203.5	190.3	184.0
Write offs	(176.0)	(153.9)	(127.1)
Sale of Polish receivables	—	—	(10.5)
Balance at the end of the year	288.9	261.4	225.0

Deposits

The following table shows the composition of Vanquis Bank's average deposits, and the average rate paid on such deposits, for the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December					
	2017		2016		2015	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(*in £ millions, except percentages*)					
One to two year deposits	178.7	1.59%	75.6	1.31%	60.2	1.74%
Three to four deposits	382.7	1.99%	287.2	1.88%	277.2	2.49%
Five year deposits	551.1	2.22%	437.6	2.18%	339.8	2.92%
Total deposits	1,112.6		800.4		677.1	

PART XI
CAPITALISATION AND INDEBTEDNESS

The following tables show the capitalisation of the Provident Financial Group as at 31 December 2017 and the indebtedness of the Group as at 31 December 2017.

Capitalisation

The following figures have been extracted from the Group's financial statements as at 31 December 2017.

Capitalisation	As at 31 December 2017
	(*£ millions*)
Current debt:	
Guaranteed	38.1
Secured	—
Unguaranteed / Unsecured	348.4
Total current debt	386.5
Non-current debt:	
Guaranteed	844.2
Secured	—
Unguaranteed / Unsecured	943.4
Total non-current debt	1,787.6
Shareholders' equity:	
Share capital	30.7
Share premium	273.0
Other reserves	13.4
Retained earnings	218.0
Total shareholders' equity	**535.1**

There has been no material change in the capitalisation of Provident Financial Group since 31 December 2017.

On 20 February 2018, the Provident Financial Group entered into the £85 million Bridge Facility with Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch.

Indebtedness

The following figures have been extracted from the Group's financial statements as at 31 December 2017.

Indebtedness	As at 31 December 2017
	(*£ millions*)
Bank and other borrowings	
Bank loans and overdrafts	382.1
Senior public bonds	250.0
Private placement loan notes	100.0
Retail bonds	150.2
Total bank and other borrowings	882.3
Retail deposits	1,291.8
Other indebtedness	—
Total indebtedness	2,174.1

Contingent liabilities	As at 31 December 2017
	(*£ millions*)
Total contingent liabilities	—

For more information on the Provident Financial Group's committed borrowing facilities and funding capacity, see "*Liquidity and Capital Resources*" in Part X "*Operating and Financial Review*" of this Prospectus.

PART XII
UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited *pro forma* financial information of the Provident Financial Group as at 31 December 2017 and the notes thereto set out in Section A of this Part XII "*Unaudited Pro Forma Financial Information*" (together, the "***pro forma* financial information**") are based on the audited financial information of the Provident Financial Group as at 31 December 2017 prepared under IFRS after applying the adjustments described in the notes set out below. The unaudited *pro forma* financial information has been prepared to show the effects of the receipt and application of the net proceeds of the Rights Issue on the assets and liabilities and certain capital ratios of the Provident Financial Group, as if the net proceeds had been received on 31 December 2017. The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Provident Financial Group's actual financial position or results. The unaudited *pro forma* financial information has been prepared on the basis set out in the notes below and in accordance with Annex II of the PD Regulation. The PD Regulation regarding the preparation and presentation of the unaudited pro forma financial information varies in certain respects from Article 11 of Regulation S-X promulgated under the US Securities Act and, accordingly, the unaudited pro forma financial information included herein should not be relied upon as if it had been prepared in accordance with such requirements.

SECTION A: Unaudited *pro forma* financial information as at 31 December 2017

The unaudited pro forma financial information of the Provident Financial Group as at 31 December 2017 and the notes thereto set out in this Part XII (together the "**unaudited pro forma financial information**") are based on the audited financial information of the Provident Financial Group as at 31 December 2017 prepared under IFRS after applying the adjustments described in the notes below. The unaudited pro forma financial information has been prepared to show the effects of the receipt and application of the net proceeds of the Rights Issue on the Provident Financial Group's assets and liabilities and the capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) as if the net proceeds had been received on 31 December 2017. The unaudited pro forma information has been prepared for illustrative purpose only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Provident Financial Group's actual financial position or results.

	31 December 2017	Adjustments		
	(Audited)[1]	Bridge Facility[2]	Rights Issue[3]	Proforma (Unaudited)
			£m	
ASSETS				
Non-current assets				
Goodwill	71.2	—	—	71.2
Other intangible assets	79.4	—		79.4
Property, plant and equipment	30.9	—		30.9
Financial assets:				
– amounts receivable from customers	328.2	—	—	328.2
Retirement benefit asset	102.3	—	—	102.3
	612.0	—	—	**612.0**
Current assets				
Financial assets:				
– available for sale investment	45.8	—	—	45.8
– amounts receivable from customers	1,981.2	—	—	1,981.2
– cash and cash equivalents	282.9	85.0	50.0	417.9
– trade and other receivables	44.0	—	—	44.0
	2,353.9	**85.0**	**50.0**	**2,488.9**
Total assets	**2,965.9**	**85.0**	**50.0**	**3,100.9**
LIABILITIES				
Current liabilities				
Financial liabilities:				
– retail deposits	(348.4)	—	—	348.4
– bank and other borrowings	(38.1)	85.0	(85.0)	38.1
Total borrowings:	(386.5)	—	—	(386.5)
– derivative financial instruments	(0.1)	—	—	(0.1)

	31 December 2017	Adjustments		
	(Audited)[(1)]	Bridge Facility[(2)]	Rights Issue[(3)]	Proforma (Unaudited)
			£m	
– trade and other payables	(115.8)	—	—	(115.8)
Current tax liabilities	(15.9)	—	—	(15.9)
Provisions	(104.6)	—	—	(104.6)
	(622.9)	**(85.0)**	**85.0**	**(622.9)**
Non-current liabilities				
Financial liabilities:				
– retail deposits	(943.4)	—	—	(943.4)
– bank and other borrowings	(844.2)	—	165.0	(679.2)
Total borrowings	(1,787.6)	—	—	(1,622.6)
– derivative financial instruments	—	—	—	—
Deferred tax liabilities	(20.3)	—	—	(20.3)
	(1,807.9)	**—**	**165.0**	**(1,642.9)**
Total liabilities	**(2,430.8)**	**(85.0)**	**250.0**	**(2,265.8)**
NET ASSETS	**535.1**	**—**	**300.0**	**835.1**
CAPITAL MEASURES – PROVIDENT FINANCIAL GROUP[(5)]				
Common Equity Tier 1 Capital (Unaudited)	308.1	—	300.0	608.1
CET 1 ratio (Unaudited)[(6)]	14.5%	—	14.2%	28.7%
CAPITAL MEASURES – VANQUIS BANK[(5)]				
Common Equity Tier 1 Capital (Unaudited)	285.3	—	50.0	335.3
CET 1 ratio (Unaudited)[(7)]	21.6%	—	3.8%	25.4%

Notes:

(1) The financial information has been extracted without material adjustment from the Company's audited financial statements for the year ended 31 December 2017 (which are incorporated by reference into this Prospectus pursuant to Part VIII of this Prospectus), with the exception of the capital measures, which are noted as unaudited (Note 3). No account has been taken of the trading activity or other transactions of the Provident Financial Group which have occurred since 31 December 2017.

(2) The Provident Financial Group has entered into the Bridge Facility. The proceeds of £85 million are to be used to increase the liquid resources held by Vanquis Bank. On 26 February 2018, the Company and Vanquis Bank terminated the existing £140 million committed facility provided by the Company to Vanquis Bank and entered into the New Intercompany Facility. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility, with the remaining amount available for drawing in cash and anticipated to be fully drawn prior to the settlement of the Rights Issue and funded by borrowings under the Bridge Facility. The Bridge Facility is intended to be repaid from the proceeds of the Rights Issue as described in Note 3. The pro forma net assets statement does not take into account the fees and interest costs associated with the Bridge Facility.

(3) The net proceeds of the 17 for 24 Rights Issue of 104,998,731 new ordinary shares at 315 pence per new ordinary share (£300 million) after taking into account expenses expected to be incurred in connection with the Rights Issue of £31 million (inclusive of VAT). The net proceeds are split between £50 million held in liquid assets by Vanquis Bank (in connection with the equity injection described in footnote 4) and £250 million which has been included as a reduction in borrowing (including borrowings under the Bridge Facility of £85 million).

(4) The Company will inject £50 million of the net proceeds of the Rights Issue into Vanquis Bank by way of a subscription of equity.

(5) The capital measures include unaudited pro forma regulatory capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) before and immediately after the application of the proceeds of the Rights Issue, as if the Rights Issue had occurred on 31 December 2017. The 31 December 2017 unadjusted amounts and ratios for the Provident Financial Group have been extracted from the Company's financial statements for the year ended 31 December 2017 (which are incorporated by reference into this Prospectus pursuant to Part VIII of this Prospectus). The unadjusted amounts and ratios for Vanquis Bank are extracted from the accounting records of Vanquis Bank. For the purposes of calculating risk weighted assets, the information presented assumes proceeds of the Rights Issue are used to repay borrowings and do not affect risk weighted assets.

(6) The CET 1 ratio is calculated as the Provident Financial Group's CET1 Capital divided by risk weighted assets.

(7) The CET 1 ratio is calculated as Vanquis Bank's CET1 Capital divided by risk weighted assets.

SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

The Board of Directors
on behalf of Provident Financial plc
No.1 Godwin Street
Bradford
BD1 2SU

J.P. Morgan Securities plc
25 Bank Street
Canary Street
London
E14 5JP

27 February 2018

Dear Sirs,

Provident Financial plc (the "Company")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part XII of the prospectus dated 27 February 2018 (the "**Prospectus**"), which has been prepared on the basis described in notes 1 to 7, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2017. This report is required by the Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("**DTTL**"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.*

PART XIII
TAXATION

1. UK TAXATION

1.1 General

The following statements are intended to apply only as a general guide to certain UK tax considerations, and are based on current UK tax law and published practice of HMRC as of the date of this Prospectus, both of which are subject to change at any time, possibly with retroactive effect. The statements relate only to certain limited aspects of the UK taxation treatment of the holders of Existing Ordinary Shares and New Ordinary Shares. They are intended to apply only to Qualifying Shareholders who are resident and, in the case of individuals, domiciled, in (and only in) the UK for UK tax purposes (except in so far as express reference is made to the treatment of non-UK residents) who hold their Existing Ordinary Shares and New Ordinary Shares as investments (other than under an individual savings account) and who are the absolute beneficial owners of their Existing Ordinary Shares and New Ordinary Shares and (in each case) any dividends paid on them. The statements are not addressed to: (i) special classes of Qualifying Shareholders such as, for example, dealers in securities, broker-dealers, intermediaries, insurance companies and collective investment schemes; (ii) Qualifying Shareholders who hold New Ordinary Shares as part of hedging transactions; (iii) Qualifying Shareholders who have (or are deemed to have) acquired their New Ordinary Shares by virtue of an office or employment; and (iv) Qualifying Shareholders who hold New Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Qualifying Shareholder, through a permanent establishment or otherwise).

1.2 Chargeable gains

Rights Issue

The issue of the New Ordinary Shares by the Company to Qualifying Shareholders by way of rights should constitute a reorganisation of the Company's share capital for the purposes of United Kingdom taxation of chargeable gains. Accordingly, a Qualifying Shareholder should not be treated as making a disposal, for the purposes of the taxation of chargeable gains, of any part of his Existing Ordinary Shares by reason of taking up his rights to New Ordinary Shares. No liability to taxation on chargeable gains should arise in respect of the issue of New Ordinary Shares to the extent that a Qualifying Shareholder takes up his full entitlement to New Ordinary Shares.

For the purposes of the taxation of chargeable gains, if and to the extent that a Qualifying Shareholder takes up all or any of his rights to the New Ordinary Shares, his holding of Existing Ordinary Shares and his New Ordinary Shares should be treated as the same asset, acquired at the time he acquired his Existing Ordinary Shares. The amount paid for the New Ordinary Shares should generally be added to the base cost of his Existing Ordinary Shares. In the case of a Qualifying Shareholder within the charge to UK corporation tax, indexation allowance should apply to the amount paid (but generally only from the time such payment was made) for the New Ordinary Shares (but will not apply so as to create or increase an allowable loss). If the Finance (No.2) Bill 2017-19 is enacted in its current form, indexation allowance for companies will be frozen from 31 December 2017. In the case of individuals, trustees and personal representatives, indexation allowance is not available.

Disposals

If a Qualifying Shareholder sells or otherwise disposes of (or is deemed to dispose of) all or any of the New Ordinary Shares provisionally allotted to him, or his rights to them, or if he allows or is deemed to have allowed his rights to lapse and receives a cash payment in respect of them, he may, depending on his circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders), incur a liability to taxation on any chargeable gain realised.

However, if the proceeds resulting from a lapse or disposal of the rights to acquire New Ordinary Shares are "small" as compared with the market value (on the date of the lapse or disposal) of that Qualifying Shareholder's holding of Existing Ordinary Shares, such a Qualifying Shareholder should not generally be treated as making a disposal for the purposes of the taxation of chargeable gains. The proceeds should instead normally be deducted from the base cost of the relevant holding of Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. The current

practice of HMRC is generally to treat the proceeds as "small" where either: (i) the proceeds of the lapse or disposal of rights do not exceed 5% of the market value (at the date of the lapse or disposal) of the holding of Existing Ordinary Shares in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5% test is satisfied. This treatment will not apply where a Qualifying Shareholder's base cost in his Existing Ordinary Shares is less than the proceeds resulting from the lapse or disposal. If that is the case, such Qualifying Shareholder will instead be treated as making a disposal for the purposes of tax on chargeable gains upon the lapse or disposal of all or any of the New Ordinary Shares provisionally allotted to him, or his rights to them. Such a Qualifying Shareholder may elect for the proceeds of such a disposal to be reduced by the base cost (if any) which he has in his Existing Ordinary Shares. A consequence of such an election would be that the Qualifying Shareholder's base cost in his Existing Ordinary Shares would not then be allowable as a deduction in computing any gain accruing on any subsequent occasion.

A disposal by a Qualifying Shareholder within the charge to UK capital gains tax, such as an individual, trustee or personal representative, will, subject to the availability to the Qualifying Shareholder of any exceptions, reliefs and/or allowable losses, generally be subject to tax on any gain arising at the rate of 10% (in the case of individuals whose total income and chargeable gains in the tax year of disposal do not exceed the individual's basic rate band for income tax purposes for that tax year) or 20% (in the case of individuals to the extent that the gain, when aggregated with the individual's total taxable income and other chargeable gains for the tax year of disposal, exceeds the basic rate band for income tax purposes for that year, trustees and personal representatives).

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the UK.

A Qualifying Shareholder who is not resident for tax purposes in the UK will not generally be subject to taxation of chargeable gains on the disposal or deemed disposal of New Ordinary Shares unless the Qualifying Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Qualifying Shareholder, a permanent establishment) in connection with which the New Ordinary Shares are used, held or acquired. Non-UK tax resident Ordinary Shareholders may be subject to non-UK taxation on any gain under local law.

1.3 **Dividends**

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

Individuals

A nil rate of income tax will apply to the first £5,000 of taxable dividend income received by individuals who hold New Ordinary Shares in a tax year. Income within the nil rate will still count towards an individual's basic rate, higher rate or additional rate tax bands. This nil rate will apply only to the first £2,000 of taxable dividend income received by individuals for the tax year 2018-19 and subsequent tax years. To the extent that a holder of New Ordinary Shares who is subject to income tax at a rate or rates not exceeding the basic rate has dividend income in a tax year exceeding the applicable nil rate allowance, they will be liable to tax on the dividend income at a rate of 7.5 per cent. A holder of New Ordinary Shares who is subject to income tax at the higher rate (but not the additional rate) will be liable to income tax on the dividend income at a rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of that holder's income, exceeds the threshold for higher rate income tax and to the extent that their dividend income in that tax year exceeds the applicable nil rate allowance. An individual holder of New Ordinary Shares liable to income tax at the additional rate will be subject to income tax on the dividend at a rate of 38.1 per cent., to the extent that such sum, when treated as the top slice of that holder's income, exceeds the threshold for additional rate income tax and to the extent that their dividend income in that tax year exceeds the applicable nil rate allowance.

Companies

Holders of New Ordinary Shares which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Other holders of New Ordinary Shares will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met.

These exemptions are not comprehensive and are subject to certain anti-avoidance rules. Whether or not one or more exemptions apply will depend upon the particular circumstances of the holder of New Ordinary Shares.

If the conditions for exemption are not met or cease to be satisfied, or such a holder of New Ordinary Shares elects for an otherwise exempt dividend to be taxable, the holder will be subject to UK corporation tax on dividends received from the Company at the prevailing rate of corporation tax (currently 19 per cent., intended to be reduced to 17 per cent. from April 2020).

Non UK Qualifying Shareholders

A Qualifying Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A Qualifying Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

1.4 **Stamp duty and SDRT**

General

The following statements are intended only as a general guide to the current stamp duty and SDRT position, and apply to Qualifying Shareholders, irrespective of their place of residence for tax purposes. Transfers to certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it. In particular, special rules apply to transfers or issues to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or issuing depositary receipts.

Rights Issue

No stamp duty or SDRT will generally be payable on: the issue of Provisional Allotment Letters, split letters of allotment or definitive share certificates in respect of New Ordinary Shares; the registration of the original holders of Provisional Allotment Letters or their renouncees; the crediting of the Nil Paid Rights or Fully Paid Rights to stock accounts in CREST; or issue in uncertificated form of the New Ordinary Shares.

The transfer of Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter or held in CREST on or before the latest time for registration or renunciation or transfer, will not be liable to stamp duty but will normally be liable to SDRT at the rate of 0.5% of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the acquirer of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HMRC by CREST.

Subsequent transfers

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring New Ordinary Shares. A charge to SDRT will also arise on an unconditional agreement to transfer New Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, where the tax repaid is not less than £25, together with interest at the relevant prevailing rate from the date on which the payment was made until the order for repayment is issued) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring New Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Paperless transfers of New Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on

relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of New Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise, generally borne by the purchaser.

If New Ordinary Shares are transferred into a clearance service or a depositary receipt system, a liability to stamp duty or SDRT may be payable at the rate of 1.5 per cent. of the amount or value of consideration provided for the shares.

Following litigation, HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when new shares are issued to a clearance service or depositary receipt system. HMRC's view is that the 1.5 per cent. stamp duty or SDRT charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital.

Consequently, where New Ordinary Shares are transferred to: (i) a nominee or an agent for a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986; or (ii) a nominee or an agent for a person whose business is or includes the provision of clearance services within section 70 or section 96 of the Finance Act 1986, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the New Ordinary Shares. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable by the clearance service or depositary receipt system operator or their nominee as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

There is an exception from the 1.5 per cent. charge on the transfer to a nominee or agent for a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer on sale of New Ordinary Shares into such a service and on subsequent agreements to transfer such New Ordinary Shares within such service.

Specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or SDRT charge.

2. UNITED STATES TAXATION

The following is a discussion of certain U.S. federal income tax consequences of the receipt, exercise and disposition of rights pursuant to the Rights Issue, as well as the acquisition, ownership and disposition of New Ordinary Shares. This summary addresses only U.S. Holders (as defined below) that receive rights with respect to the Company's outstanding shares in the Rights Issue, hold rights and, if applicable, New Ordinary Shares as capital assets (generally, property held for investment) and use the U.S. dollar as their functional currency. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investor subject to special treatment under the U.S. federal income tax laws such as banks and other financial institutions, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons that own (or are deemed to own) 10 per cent. or more (by voting power or value) of the shares of the Company, persons who have ceased to be U.S. citizens or to be taxed as U.S. lawful permanent residents, and investors that will hold the New Ordinary Shares or rights as part of straddles, hedging or conversion transactions, or as part of a synthetic security for U.S. federal income tax purposes.

For the purposes of this summary, a "**U.S. Holder**" is a beneficial owner of rights or New Ordinary Shares that is, for U.S. federal income tax purposes, (a) a citizen of or an individual resident in the United States, (b) a corporation created in or organised under the laws of the United States or any state thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. Persons (as defined in the U.S. Internal Revenue Code of 1986, as amended (the "**IR Code**")) have the authority to control all of the substantial decisions of such trust.

This summary does not address U.S. Holders that are partnerships (or any other entity treated as a partnership for U.S. federal income tax purposes) or holders of equity interests in a U.S. Holder. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds rights or New

Ordinary Shares, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the partnership's receipt, exercise and disposition of rights as well as the partnership's acquisition, ownership and disposition of New Ordinary Shares.

This summary is based upon current U.S. federal income tax law, including the IR Code, its legislative history, existing, temporary and proposed regulations thereunder, published rulings and court decisions, all of which are subject to change, possibly with retroactive effect.

This summary does not purport to be a comprehensive description of all tax considerations that may be relevant to a U.S. Holder and does not address the application of the alternative minimum tax, the Medicare contribution tax, state, local or non-U.S. or other tax laws. No ruling will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any statement or conclusion in this summary, and there can be no assurance that the IRS will not challenge any particular statement or conclusion in this summary or, if challenged, that a court will uphold such statement or conclusion. U.S. Holders should consult their own tax advisers regarding the tax consequences of the receipt, exercise and disposition rights pursuant to the Rights Issue, as well as the acquisition, ownership and disposition of New Ordinary Shares.

2.1 Taxation of rights

Receipt of rights

The proper U.S. federal income tax characterisation of the issuance of rights is uncertain. Under U.S. federal income tax principles, the issuance and subsequent sale of rights could be treated either as a distribution of property by the Company or as a distribution of rights by the Company and a subsequent sale of rights by the relevant U.S. Holders. U.S. Holders should consult their tax advisers as to the proper characterisation of the issuance of rights for U.S. federal income tax purposes. Furthermore, there is a significant risk that the Company may be classified as a PFIC, which may impact the rules discussed in this section. U.S. Holders should consult their tax adviser about the impact of the PFIC rules on their receipt of rights.

If the issuance of rights is not a distribution of property for U.S. federal income tax purposes, a U.S. Holder generally should not be required to include any amount in income for U.S. federal income tax purposes as a result of the Rights Issue. In such a case, if, on the date rights are issued, the fair market value of the rights allocable to a U.S. Holder is less than 15 per cent. of the fair market value of the existing shares held by a U.S. Holder with respect to which such subscription rights are issued, the rights will generally have a zero basis for U.S. federal income tax purposes. However, such U.S. Holder may affirmatively elect to allocate basis in proportion to the relative fair market value of such U.S. Holder's existing shares and the subscription offer, determined on the date of issuance. This election must be made in the tax return of the U.S. Holder for the taxable year in which the rights are issued, and is irrevocable once made.

If, on the date rights are issued, the fair market value of the rights attributable to a U.S. Holder is at least 15 per cent. of the fair market value of the existing Shares with respect to which the rights are issued, then the basis in such U.S. Holder's Existing Ordinary Shares must be allocated between such existing Shares and the rights issued in proportion to their fair market values determined on the date the rights are issued. The fair market value of the rights on the date the rights will be distributed is uncertain, and the Company has not obtained, and does not intend to obtain, an appraisal of the fair market value of the rights on that date.

If a taxable distribution of property is considered to be made by the Company, the issuance of rights to a U.S. Holder generally should be taxable as foreign source dividend income in an amount equal to the fair market value of the subscription offer. In such a case, a U.S. Holder would have a tax basis in the rights equal to the amount treated as a dividend, and a U.S. Holder's holding period in the rights would begin on the date the rights are received. For the U.S. federal income taxation of dividends paid by the Company, refer to the discussion below under "*Taxation of New Ordinary Shares – Dividends*".

Sale, exchange or other disposition of the rights

A U.S. Holder will recognise capital gain or loss on the sale, exchange or other disposition of rights (including a sale of rights on its behalf) in an amount equal to the difference between such U.S. Holder's tax basis in the rights and the U.S. dollar value of the amount realised (as determined for U.S. federal income tax purposes) from the sale, exchange or other disposition. For the U.S. federal income taxation of gains on a disposition of the rights, refer to the discussion regarding gains on disposition of shares below under "Taxation of New Ordinary Shares". The deductibility of capital losses is subject to significant limitations. Any gain or loss generally will be treated as arising from U.S. sources.

If the issuance of rights is treated as a non-taxable distribution of rights, the holding period of the U.S. Holder in the rights should include its holding period in the existing shares with respect to which the rights were distributed. If the issuance of rights is treated as a taxable distribution of property, however, the holding period of the U.S. Holder in the rights would begin on the date the rights are received.

U.S. Holders should consult their own tax advisers about how to account for payments with respect to the rights that are not received in U.S. dollars under their methods of accounting for U.S. federal income tax purposes.

Exercise of rights and receipt of New Ordinary Shares

A U.S. Holder will not recognise taxable income upon the receipt of New Ordinary Shares pursuant to the exercise of rights. Such a U.S. Holder will have a tax basis in the New Ordinary Shares equal to the sum of the Subscription Price for the New Ordinary Shares and a U.S. Holder's tax basis, if any, in the rights. Such a U.S. Holder's holding period in the New Ordinary Shares received upon exercise generally will begin on the date the rights are exercised.

Expiration of rights

If the issuance of rights is treated as a non-taxable distribution of rights, and a U.S. Holder who receives such rights allows the rights to expire without selling or exercising them (and such U.S. Holder does not receive any proceeds), such U.S. Holder should not recognise any loss upon the expiration of the rights. In addition, such U.S. Holder's basis in its existing shares will not be affected by the Rights Issue or such U.S. Holder's decision to allow its rights to expire and will remain the same as before this offering.

If the issuance of rights is treated as a taxable distribution of property, however, and a U.S. Holder who receives rights allows the rights to expire without receiving any proceeds with respect to such rights, such U.S. Holder should recognise a capital loss treated as arising from U.S. sources upon the expiration of the rights. The deductibility of capital losses is subject to significant limitations.

2.2 Taxation of New Ordinary Shares

Passive Foreign Investment Companies

There is a significant risk that the Company may be classified as a PFIC for the current taxable year and in the foreseeable future. A non U.S. corporation is a PFIC in any taxable year in which, after taking into account certain look through rules, either (i) at least 75 percent of its gross income is passive income or (ii) at least 50 percent of the average value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held to produce passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, and certain rents.

If the Company is a PFIC in any taxable year during which a U.S. Holder owns New Ordinary Shares, a U.S. Holder would generally be subject in that and subsequent years to additional taxes on gains from the sale or other disposition of, and "excess distributions" with respect to, New Ordinary Shares. In general, an excess distribution is any distribution to the U.S. Holder that is greater than 125 percent of the average annual distributions received by the U.S. Holder during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for New Ordinary Shares. Under these rules (i) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the New Ordinary Shares, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized and to any year before we became a PFIC would be taxable as ordinary income in the current year, (iii) the amount allocated to other taxable years would be subject to tax at the highest rate in effect for corporations or individuals, as applicable, for that year and (iv) an amount equal to the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax allocated to each such other years. For these purposes, a U.S. Holder who uses New Ordinary Shares as collateral for a loan would be treated as having disposed of such New Ordinary Shares. A U.S. Holder generally will be required to file IRS Form 8621 if it holds New Ordinary Shares in any year in which the Company treated as a PFIC with respect to such U.S. Holder.

Different rules apply to a U.S. Holder that makes a valid mark to market election with respect to New Ordinary Shares. This election can be made if New Ordinary Shares are considered to be "marketable securities" for purposes of the PFIC rules. The Company's New Ordinary Shares will be marketable securities for these purposes to the extent they are "regularly traded" on a "qualified exchange." A non

U.S. exchange will be a qualified exchange if it is properly regulated and meets certain trading, listing, financial disclosure and other requirements. Generally, New Ordinary Shares are treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the New Ordinary Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. The mark to market election cannot be revoked without the consent of the IRS unless the New Ordinary Shares in question cease to be marketable securities. If the London Stock Exchange is a qualified exchange and the New Ordinary Shares are considered to be regularly traded on the London Stock Exchange, U.S. Holders will be eligible to make a mark to market election with respect to the New Ordinary Shares. The Company believes that the London Stock Exchange is a qualified exchange, but there can be no assurance that the London Stock Exchange will continue to be a qualified exchange or that trading in the New Ordinary Shares will be sufficiently regular to qualify the New Ordinary Shares as regularly traded. Subject to certain limitations, a U.S. Holder that makes a valid mark to market election with respect to the New Ordinary Shares would be required to take into account the difference, if any, between the fair market value and the adjusted tax basis in those New Ordinary Shares, at the end of each taxable year, as ordinary income (or ordinary loss to the extent of the net amount previously included as income by the U.S. Holder as a result of the mark to market election) in calculating its income for such year. A U.S. Holder's basis in the New Ordinary Shares will be increased by the amount of any ordinary income inclusion and decreased by the amount of any ordinary loss taken into account under the mark to market rules. Gains from an actual sale or other disposition of New Ordinary Shares for which this election has been properly made would be treated as ordinary income, any losses incurred on a sale or other disposition of New Ordinary Shares would be treated as an ordinary loss to the extent of any net mark to market gains for prior years and any additional loss would be capital loss.

Investors in certain PFICs can elect to be taxed on their share of the PFIC's ordinary income and net capital gain by making a qualified electing fund election (a "**QEF election**"), which, if made, would result in tax treatment different from the general tax treatment for PFICs described above under the excess distribution regime. U.S. Holders will not be eligible to make a QEF election with respect to New Ordinary Shares.

Prospective U.S. Holders are urged to consult their own tax advisers about the consequences of holding New Ordinary Shares if we are considered a PFIC in any taxable year, including the availability of the mark to market election, and whether making the election would be advisable in their particular circumstances.

Dividends

Subject to the discussion under "– *Passive Foreign Investment Companies*" above, the gross amount of any distributions paid by the Company to a U.S. Holder that are actually or constructively received by the U.S. Holder generally will be subject to U.S. federal income tax as foreign source ordinary dividend income to the extent paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not expect to maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect that a distribution will generally be treated as a dividend for U.S. federal income tax purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution. Such distributions will not be eligible for the dividends received deduction allowed to certain corporations. With respect to non-corporate U.S. Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation does not include a foreign corporation that is a PFIC in the year a dividend is paid or the prior year. As discussed above, there is a significant risk that we will be classified as a PFIC and therefore we do not expect that dividends we pay will be eligible for such reduced rates.

U.S. Holders should consult their own tax advisers about how to account for payments that are not received in U.S. dollars under their methods of accounting for U.S. federal income tax purposes.

Sale, exchange or other disposition

A U.S. Holder generally will recognize gain or loss upon the sale, exchange or other taxable disposition of our New Ordinary Shares equal to the difference, if any, between the U.S. dollar amount realized on the sale, exchange or other taxable disposition of the New Ordinary Shares and the U.S. Holder's tax basis in the New Ordinary Shares. If the Company is a PFIC for any taxable year in which a U.S. Holder holds our New Ordinary Shares (and we believe there is a significant risk this will be the case), any gain recognized

will be treated as ordinary income and subject to the tax rules described under "– *Passive Foreign Investment Companies*" above. If a U.S. Holder holds New Ordinary Shares in any taxable year in which we do not qualify as a PFIC with respect to such Holder, any gain recognized will generally be capital gain. Any loss recognized on a sale, exchange or other taxable disposition of our New Ordinary Shares will generally be treated as a capital loss, although if a U.S. Holder makes a mark-to-market election such loss will be treated as ordinary loss to the extent of prior mark-to-market inclusions. Capital gains or losses will be long-term capital gain or loss if the New Ordinary Shares have been held for more than one year at the time of disposition. Certain non-corporate U.S. Holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to significant limitations.

U.S. Holders should consult their tax advisers about how to account for payments made or received in non-U.S. dollars under their methods of accounting for U.S. federal income tax purposes.

2.3 U.S. information reporting and backup withholding

Information returns may be filed with the IRS in connection with distributions on the New Ordinary Shares and the proceeds from the sale, exchange or other disposition of the rights or New Ordinary Shares unless a U.S. Holder establishes that it is exempt from the information reporting rules. A U.S. Holder that does not establish this may be subject to backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number or otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

U.S. Holders should consult their tax advisers regarding any additional tax reporting or filing requirements they may have as a result of acquiring, owning or disposing of the rights or New Ordinary Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

PART XIV
ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names are set out on page 79 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTERED OFFICE

2.1 The Company is a public limited company registered in England and Wales under company number 00668987. The Company, originally named P C Investments Limited, was incorporated and registered in England and Wales on 31 August 1960 under the Companies Act 1948 as a company limited by shares. The Company changed its name to The Provident Clothing & Supply Company Limited on 28 March 1961. The Company changed its name from Provident Clothing & Supply Company Limited to Provident Financial Group Limited on 31 December 1974.

2.2 On 31 December 1981, the Company re-registered as a public limited company under the Companies Acts 1948 to 1980 and changed its name to Provident Financial Group plc. The company name was changed to Provident Financial plc on 10 December 1990.

2.3 The Company is domiciled in the United Kingdom and has its registered and head office at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU, United Kingdom (telephone number: +44 (0)1274 351 351).

2.4 The principal laws and legislation under which the Company operates and under which the Existing Ordinary Shares were created and pursuant to which the New Ordinary Shares will be created, are the laws of England and Wales, including the Companies Acts and regulations made thereunder.

2.5 The principal trading market for the Ordinary Shares is the London Stock Exchange.

2.6 The New Ordinary Shares are in registered form and may be held in either certificated or uncertificated form.

2.7 The auditors of the Company are, and have been throughout the period covered by the financial information in this Prospectus, Deloitte LLP of 4 Brindleyplace, Birmingham B1 2HZ, United Kingdom.

3. SHARE CAPITAL

3.1 Issued share capital

The issued and fully paid share capital of the Company as at 22 February 2018, being the latest practicable date prior to publication of this Prospectus, was as follows:

Class of share	Issued and fully paid: Number	Issued and fully paid: Aggregate Nominal Value
		(£)
Ordinary shares of $20^{8}/_{11}$ p each	148,233,503	30,724,762

The Company does not hold any Ordinary Shares in treasury.

The issued and fully paid share capital of the Company immediately following completion of the Rights Issue is expected to be as follows:

Class of share	Issued and fully paid: Number[1]	Issued and fully paid: Aggregate Nominal Value
		(£)
Ordinary shares of $20^{8}/_{11}$ p each	253,232,234	52,488,136

(1) The number of Ordinary Shares in issue immediately following the Rights Issue assumes that no further Ordinary Shares are issued between 22 February (the latest practicable date prior to the publication of this Prospectus) and the closing of the Rights Issue (other than pursuant to the Rights Issue).

3.2 **Share capital history**

3.3 The following table shows the changes in the share capital of the Company which occurred from 1 January 2015 to 22 February 2018, being the latest practicable date prior to the publication of this Prospectus:

		Issued and fully paid		
Date	**Nominal Value**	**Aggregate Share Premium of Ordinary Shares allotted**	**Total number of Ordinary Shares**	**Aggregate nominal value of Ordinary Shares allotted**
	(pence)	*(£)*		*(£)*
As at 1 January 2015	$20^{8}/_{11}$ each	268,367,813.24	146,413,447	30,347,513.81
Allotment pursuant to SAYE[(1)]		2,354,820.57	256,410	53,146.80
Allotment pursuant to LTIS		0	323,218	66,994.28
Allotment pursuant to PSP		0	180,860	37,487.35
As at 31 December 2015	$20^{8}/_{11}$ each	270,722,633.81	147,173,935	30,505,142.24
Allotment pursuant to SAYE		1,972,584.88	172,201	35,692.57
Allotment pursuant to LTIS		0	280,118	58,060.82
Allotment pursuant to PSP		0	132,631	27,490.79
Allotment pursuant to ESOS[(2)]		60,215.76	10,820	2,242.69
As at 31 December 2016	$20^{8}/_{11}$ each	272,755,434.45	147,769,705	30,628,629.11
Allotment pursuant to SAYE		344,043.67	28,845	5,978.78
Allotment pursuant to LTIS		0	299,270	62,030.51
Allotment pursuant to PSP		0	135,389	28,062.45
As at 31 December 2017	$20^{8}/_{11}$ each	273,099,478.12	148,233,209	30,724,700.85
Allotment pursuant to SAYE		1,885.34	294	60.94
Allotment pursuant to LTIS		0	0	0
Allotment pursuant to PSP		0	0	0
Total as at 22 February 2018	$20^{8}/_{11}$ each	273,101,363.46	148,233,503	30,724,761.79

(1) SAYE allotments over the course of the year are combined to form one total allotment figure.

(2) ESOS refers to the Provident Executive Share Option Scheme 2006 which is a historic Provident plan. No further awards are outstanding or will be made under this plan.

* SAYE, LTIS and PSP are Provident Financial Group Employee Share Plans. For further information on the Provident Financial Group Employee Share Plans, see paragraph 11 of this Part XIV below.

Save as disclosed in this Prospectus, during the three years immediately preceding the date of this Prospectus, there has been no issue of share capital of the Company, fully or partly paid, either for cash or other consideration, and no such issues are proposed and no share capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

3.4 The Company has not issued any convertible securities, exchangeable securities or securities with warrants. There are no shares in the issued share capital of the Company that do not represent capital.

3.5 Subject to Admission, pursuant to the Rights Issue 104,998,731 New Ordinary Shares will be issued at a price of 315 pence per New Ordinary Share. This will result in the issued share capital of the Company increasing by approximately 70.8 per cent. Qualifying Shareholders who take up their *pro rata* entitlement in full will, subject to fractions, suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Ordinary Shares will suffer an immediate dilution of 41.5 per cent. in their interests in the Company.

3.6 Details of the Resolution to be passed in connection with the Rights Issue are set out in the General Meeting Notice. The authority given to the Directors to allot up to 110,000,000 New Ordinary Shares will enable the Directors to allot sufficient Ordinary Shares to satisfy the Company's obligations in connection with the Rights Issue. The authority granted under the Resolution is in addition to the authority granted to the Directors at the Company's 2016 annual general meeting, which the Directors have no present intention of exercising.

3.7 As at 22 February 2018 (being the last practicable date prior to the publication of this Prospectus), a maximum of 14,823,350 Ordinary Shares may be issued in any 10 year rolling period in respect of options and awards granted or to be granted under the Provident Financial Group Employee Share Plans (details of which are set out in paragraph 11 below).

3.8 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act 2006 (which confers on

shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the unissued share capital of the Company which is not subject to an existing disapplication.

3.9 The Existing Ordinary Shares are in registered form and are capable of being held in either certificated or uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Existing Ordinary Shares are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The ISIN of the Existing Ordinary Shares is GB00B1Z4ST84.

3.10 The New Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where the New Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The New Ordinary Shares will be admitted with the ISIN GB00B1Z4ST84.

3.11 The Company is subject to the UK Takeover Code. Other than as provided in Part 28 of the Companies Act 2006 and the UK Takeover Code there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company. There have been no takeover bids by third parties during the period ended 31 December 2017 or during the Provident Financial Group's current financial year (the period ending 31 December 2018).

4. ARTICLES OF ASSOCIATION

The following is a summary and explanation of the current Articles of Association, which are available for inspection as set out in paragraph 21 of this Part XIV "*Additional Information*". The Articles of Association were adopted at the Company's annual general meeting held on 12 May 2017.

The Company may, by special resolution, amend its Articles of Association.

4.1 Objects

The objects of the Company, in accordance with section 31(1) of the Companies Act, are unrestricted.

4.2 Limited liability

The liability of the members of the Company is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

4.3 Rights attaching to Ordinary Shares

(a) *Voting rights of members*: on a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy shall be entitled to the number of votes prescribed by the statutes. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

(b) *Dividends*: subject to the statutes and the Articles of Association, the Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests in the profits of the Company. No such dividend shall exceed the amount recommended by the Board. Dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal amount on which the dividend is paid. Dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly. Subject to the statutes, the Board may pay such interim dividends (including any

dividend payable at a fixed rate). No dividend or other amount payable by the Company in respect of a share shall bear interest against the Company (unless otherwise provided by the rights attached to the shares). The Board may deduct from any dividend or other amounts payable to any person in respect of a share all such sums as may be due from him to the Company on account of calls or for any other reason in relation to any shares.

(c) *Return of capital*: on a winding up of the Company (whether voluntary, under supervision or by the court) the liquidator may, on obtaining a sanction required by law, divide among the members in kind the whole or any part of the assets from the Company, whether or not the assets consist of property of one kind or of different kinds. For this purpose, the liquidator may set the value he/she deems fair on a class or classes of property, and may determine on the basis of such valuation and in accordance with the then existing rights of the members how the division is to be carried out between members or classes of members. However, no member shall be compelled to accept any assets upon which there is any liability.

(d) *Capitalisation of reserves*: the Board may, with the authority of an ordinary resolution of the Company: (i) resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not available for distribution) or any sum standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available in distribution; (ii) appropriate the sum resolved to be capitalised to the holders of the Ordinary Shares in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, unpaid on any shares held by them respectively, or in paying up in full new shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as the Board may direct, in those proportions, or partly in one way and partly in the other, but so that the share premium account, the capital redemption reserve and any profits or reserves which are not available for distribution may only be applied in paying up new shares to be allotted to members credit as fully paid; (iii) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividend only to the extent that such partly paid shares rank for dividend; (iv) make such provision by the issue of fractional certificates or by payment in cash or otherwise as the Board may determine in the case of shares or debentures becoming distributable in fractions; or (v) authorise any person to enter on behalf of all the members concerned into an agreement with the Company for either the allotment to the respectively, credited as fully paid, of any further shares or debentures to which they are entitled on such capitalisation, or the payment up by the Company on behalf of such members by the application thereto of their respective proportions of the reserves or profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.

4.4 Alteration of share capital

The Company may (i) alter its share capital in any way permitted by the statutes; and (ii) confer any preference or other advantage on one or more of the shares resulting from any division or sub-division of its share capital as compared with the others and make any such share subject to any restriction as compared with the others.

4.5 Variation of class rights

(a) If the share capital of the Company is divided into shares of different classes, any of the rights attached to any class of shares (notwithstanding that the Company may be or be about to be in liquidation) may (unless the rights attached to the shares of the class otherwise provide) be varied or abrogated in any manner, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of the class.

(b) The necessary quorum at any such meeting, other than an adjourned meeting, shall be two persons entitled to vote at the meeting and present in person or by proxy and holding at least one-third in nominal value of the issued shares of the class in question and at an adjourned meeting one person entitled to vote at the meeting and present in person or by proxy and holding shares of the class in question.

4.6 **Forfeiture and lien**

(a) The Company has a first and paramount lien on each issued share (not being a fully paid share) for all amounts payable to the Company (whether actually or contingently and whether presently payable or not) in respect of such share. The lien applies to all dividends on any such share and to all amounts payable by the Company in respect of such share. The Company may enforce a lien by selling the shares after the giving of notice to the defaulting member in accordance with the Articles of Association.

(b) The Company may serve notice on the members in respect of any amounts unpaid on their shares. The member shall be given not less than 14 days' notice to pay the unpaid amount, together with any interest and all expenses incurred by the Company by reason of the non-payment. In the event of non-compliance, a share in respect of which the notice is given may be forfeited by resolution of the Board. Such forfeiture shall include all dividends declared but not yet paid in respect of the forfeited shares. Failure to give notice to the relevant holder of the share will not invalidate the forfeiture. Forfeited shares shall become the property of the Company. Notwithstanding the forfeiture, amounts owing in respect of forfeited shares (together with all interest and expenses) at the time of forfeiture will continue to be payable, together with interest thereon, by the person ceasing to be a member of the Company.

4.7 **Transfer of shares**

(a) Subject to the Articles of Association, a member may transfer all or any of his shares:

(i) in the case of certificated shares, by an instrument of transfer in writing in any usual form or in another form approved by the Board, which must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee; or

(ii) in the case of uncertificated shares, without a written instrument in accordance with the Uncertificated Securities Regulations.

(b) The transferor shall remain the holder of the share transferred until the name of the transferee is entered in the Register of Members in respect of it.

(c) Subject to the Articles of Association and to the statutes, the Board may refuse to register the transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is: (i) in respect of a share which is fully paid; (ii) in respect of only one class of shares; (iii) in favour of a single transferee or renouncee or not more than four joint transferees or renouncees; (iv) duly stamped (if required); and (v) delivered for registration to the registered office of the Company or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so.

(d) If the Board refuses to register a transfer or renunciation pursuant to the Articles of Association, it shall, within two months after the date on which the transfer or renunciation was delivered to the Company and subject to the statutes, send notice of the refusal to the transferee or renouncee.

(e) If a member dies, the survivors or survivor where he was a joint holder, or his personal representatives where he was the sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares. A person becoming so entitled to a share, may elect either to become registered as the holder of such share or to have some person nominated by him so registered.

4.8 **Failure to disclose interests in shares**

(a) If any member or other person appearing to be interested in shares of the Company has been duly served with a notice under section 793 of the Companies Act and has failed in relation to any shares to give the Company the information required within fourteen days after the date of service of the section 793 notice, then the Board may impose restrictions upon the relevant shares.

(b) The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company or on a poll in respect of the relevant shares and, additionally,

in the case of shares representing at least 0.25 per cent. in nominal value of the issued class of shares, the withholding of payment on dividends or other distribution or amount payable in respect of the relevant shares, the member shall not be entitled to elect, pursuant to the Articles of Association or otherwise, to receive shares instead of a dividend, and in certain cases the restriction of transfers of, the relevant shares.

(c) The restrictions shall cease to apply seven days after the earlier of, receipt by the Company of notice of an excepted transfer (but only in relation to the shares transferred) and, receipt by the Company (in a form satisfactory to the Board) of all the information required by the section 793 notice.

4.9 **Appointment, retirement and removal of directors**

(a) Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors shall be not less than three and not more than fifteen. A director need not hold any shares.

(b) Subject to the Articles of Association, each of the Company (by ordinary resolution) and the Board may appoint as a Director a person who is willing to act as such, either to fill a vacancy or as an addition to the existing Directors, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with the Articles of Association.

(c) Subject to the statutes, the Board may appoint any Director to hold any employment or executive office with the Company for such period and on such terms as the Board may decide. The Board may revoke, terminate or vary the terms of any such appointment, without prejudice to any claim for damages which the Director may have for breach of contract against the Company.

(d) No person, other than a Director retiring, shall be appointed a Director at any general meeting unless (i) he is recommended for appointment by the Board; or (ii) not less than seven or more than forty-two days before the date appointed for the holding of the meeting, a notice executed by a member (other than the person to be proposed) qualified to vote at the meeting has been received by the Company at its registered office of the intention to propose such person for appointment, stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, accompanied by a notice executed by that person of his willingness to be appointed.

(e) At each annual general meeting every Director who held office on the date seven days before the date of notice of the annual general meeting shall retire from office. A retiring Director shall be eligible for re-election, and a Director who is re-elected will be treated as continuing in office without a break.

(f) A retiring Director who is not is re-elected shall retain office until the close of the meeting at which he retires. If the Company, at any meeting at which a Director retires in accordance with the Articles of Association, does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-elected, unless at the meeting a resolution is passed not to fill the vacancy or to elect another person in his place or unless the resolution to re-elect him is put to the meeting and lost.

(g) In addition to any other power of removal, the Company may by ordinary resolution in accordance with the statutes remove any Director before the expiration of his period of office, but without prejudice to any claim for damages which he may have for breach of contract against the Company.

(h) Without prejudice to the provisions in the Articles of Association for retirement the office of a Director shall be vacated if:

(i) he resigns by notice delivered to the secretary at the Company's registered office or tendered at a Board meeting; or

(ii) he only held office as a Director for a fixed term and such term expires; or

(iii) he ceases to be a Director by virtue of any provision of the statutes or the Articles of Association or becomes prohibited by law from being a Director; or

(iv) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency; or

(v) a registered medical practitioner who has examined him gives a written opinion to the Company stating that he has become physically or mentally incapable of acting as a director

and may remain so for more than three months and the Board resolves that his office be vacated; or

(vi) he is absent, without permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated; or

(vii) he is removed from office by notice in accordance with the Articles of Association; or

(viii) in the case of a Director who holds executive office, his appointment to such office is terminated or expires and the Board resolves that his office be vacated; or

(ix) in the case of a Director who is an employee of a Provident Financial Group company, he ceases to be employed by such Provident Financial Group company for any reason, other than in circumstances where the Board resolves that a Director who holds executive office continue in office as a Director in a non-executive capacity.

4.10 **Board powers**

(a) The business of the Company shall be managed by the Board, which may exercise all the powers of the Company (whether relating to the management of the business or not) and may do on behalf of the Company all such acts as may be done by or on behalf of the Company and as are not, by the statutes or by the Articles of Association, required to be exercised or done by the Company in general meeting, subject to (i) the statutes, (ii) the Articles of Association, and (iii) such directions (whether or not consistent with the Articles of Association) as may be prescribed by the Company by special resolution. No such direction and no alteration of the Articles of Association shall invalidate any prior act of the Board which would have been valid if such direction had not been given or such alteration had not been made. The provisions in the Articles of Association giving specific powers to the Board shall not limit the general powers given by this Article.

(b) The Board may delegate to (i) a Director holding executive office; or (ii) to a committee consisting of one or more Directors; or (iii) a person appointed (by power of attorney) as the agent of the Company, any of its powers, authorities and discretions for such time and on such terms and conditions as it shall think fit. The Board may grant to a Director or a committee the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director or the committee. The Board may at any time revoke the delegation or alter its terms and conditions.

(c) The Board may exercise or cause to be exercised the voting power conferred by shares in any other body corporate held or owned by the Company, and any power of appointment exercisable by the Company, in any manner it thinks fit.

(d) The Board may exercise any power conferred on the Company by the statutes to make provision for the benefit of persons employed or formerly employed by any Provident Financial Group company in connection with the cessation or the transfer to any person of the whole or part of the undertaking of such Provident Financial Group company.

(e) Subject to paragraph (f) below, The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

(f) The aggregate amount for the time being remaining outstanding or moneys so borrowed or secured and of moneys borrowed or secured by any subsidiary of the Company shall not at any time without the previous sanction of an ordinary resolution of the Company exceed seven times the aggregate of the amount for the time being paid up on the share capital of the Company and the amount for the time being standing to the credit of the consolidated capital and revenue reserves of the Company and its subsidiaries.

4.11 **Directors' remuneration, expenses and benefits**

(a) The Company shall pay to the Directors for their services as Directors such aggregate amount of fees as the Board decides (not exceeding £400,000 per annum or such larger amount as the Company may by ordinary resolution decide). The aggregate fees shall be divided among the Directors in such

proportions as the Board decides or, if no decision is made, equally. A fee payable to a Director pursuant to this paragraph shall be distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the Articles of Association and shall accrue from day to day.

(b) A Director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings to which the Articles of Association apply or otherwise in connection with the discharge of his duties as a Director, including any professional fees incurred by him (with the approval of the Board or in accordance with any procedures prescribed by the Board) in taking independent professional advice in connection with the discharge of such duties.

(c) The Company may, subject to the statutes:

(i) provide any Director with funds to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by the statutes; and

(ii) do anything to enable him to avoid incurring any such expenditure.

(d) A Director who, at the request of the Board, goes or resides abroad, makes a special journey or performs a special service on behalf of or for the Company may be paid such reasonable additional remuneration and expenses as the Board may decide.

(e) The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities for a person who is or has at any time been a Director, an officer or a director or an employee of a company which is or was a Provident Financial Group company, a company which is or was allied to or associated with a Provident Financial Group company or a predecessor in business of a Provident Financial Group company (and for any member of his family, including a spouse or former spouse, or a person who is or was dependent on him).

4.12 **Interests of directors**

(a) The Directors may authorise any situation or matter relating to a particular Director to which section 175 of the 2006 Act applies (each a "**Conflict Matter**"), subject to that section, on such terms (if any) as they think fit. Before any such authorisation (a "**Conflict Authorisation**") is given, a Director (whether or not the Director concerned) shall propose to the Directors, in accordance with the Board's normal procedures for putting proposals to the Directors for their consideration and approval at a meeting of the Board or by way of written resolution or with such other procedures as the Directors may determine, that the Conflict Matter concerned be so authorised. The Directors may terminate or withdraw a Conflict Authorisation at any time by giving notice to the Director concerned.

(b) Any terms to which a Conflict Authorisation is made subject ("**Conflict Authorisation Terms**") may include, in each case at the Directors' discretion, that the Director concerned:

(i) is not obliged to disclose to the Company confidential information obtained by him (other than in his capacity as its Director or as its employee or agent or, if the Directors so decide, in any other capacity that would otherwise oblige him to disclose it to the Company) in any situation to which the Conflict Authorisation applies, nor to use any such information directly or indirectly for the benefit of the Company, where to do so would amount to a breach of a duty of confidence, previously disclosed to the Directors by the Director concerned, to any third party; and

(ii) may absent himself from any Board discussions, and make arrangements not to receive documents and information, relating to the Conflict Matter concerned for so long as he reasonably believes that, as a Director, he has or may have a conflict of interest in respect of it,

and the Company will not treat anything done, or omitted to be done, by the Director concerned in accordance with the Conflict Authorisation Terms as a breach of duty under the following sections of the 2006 Act – section 172 (duty to promote the success of the company), section 173 (duty to exercise independent judgement) and section 174 (duty to exercise reasonable care, skill and diligence).

(c) A Director is not required, by reason of being a Director, to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with a Conflict Matter which

has been authorised by the Board pursuant to the preceding paragraph, or by the Company in general meeting (subject to any terms, limits or conditions attaching to such authorisation).

(d) Provided he has disclosed his interest in the matter concerned in accordance with the statutes, a Director is not required, by reason of being a Director, to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with:

(i) being interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;

(ii) holding any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and acting by himself or through his firm in a professional capacity for the Company (and being entitled to remuneration as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article); and

(iii) being a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment.

(e) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company), other than a resolution:

(i) relating to the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of a Provident Financial Group company;

(ii) relating to the giving of any security, guarantee or indemnity in respect of a debt or obligation of a Provident Financial Group company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) relating to, or in the context of, an offer of securities by a Provident Financial Group company in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) relating to another company in which he does not have to his knowledge an interest (as that term is used in Part 22 of the 2006 Act) in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights in, such company;

(v) relating to an arrangement for the benefit of employees of any Provident Financial Group company which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including any Director; or

(vii) any proposal for the Company (1) to provide him with an indemnity permitted by the statutes, (2) to provide him with funds in circumstances permitted by the statutes to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by the statutes, or (3) to do anything to enable him to avoid incurring any such expenditure.

(f) A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying or recommending the terms of his appointment or its termination) as a holder of any office or place of profit with the Company or any body corporate in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying or recommending the terms of appointment or the termination thereof) of two or more Directors to offices or places of profits with the Company or any body corporate in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not debarred from voting under the Articles of Association) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

4.13 Dividends and other payments

(a) Except as otherwise provided by the Articles of Association or the rights attached to shares:

(i) a dividend shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares on which the dividend is paid; and

(ii) dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

(b) The Company may pay any dividend or other sum payable in respect of a share by such method as the Board may decide and in any currency or currencies decided by the Board (except as otherwise provided by the Articles of Association or the rights attached to shares). The Board may decide to use different methods of payment for different holders or groups of holders. Every cheque, warrant or money order is sent, and payment in any other way is made, at the risk of the person or persons entitled to it and the Company will not be responsible for any sum lost or delayed when it has sent or transmitted the sum in accordance with the Articles of Association. Clearance of a cheque, warrant or money order or transmission of funds through a bank or other funds transfer system or by such other electronic means (including the Uncertificated System) as is permitted by the Articles of Association shall be a good discharge to the Company.

(c) All unclaimed dividends or other monies payable by the Company in respect of any share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend unclaimed after a period of 12 years from the date the dividend became due for payment shall be forfeited and revert to the Company.

(d) A general meeting declaring a dividend may, on the recommendation of the Board, direct that it shall be satisfied wholly or partly by the distribution of assets (including paid up shares or securities of any other body corporate). Where any difficulty arises concerning such distribution, the Board may settle it as it thinks fit, and in particular, may (i) issue fractional certificates or ignore fractions; (ii) fix the value for distribution of any assets, (iii) determine that cash shall be paid to any member on the footing of the value so fixed in order to adjust the rights of members; and (iv) vest any assets in trustees on trust for the persons entitled to the dividend.

(e) The Board may, with the prior authority of an ordinary resolution, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend. The entitlement of each holder of Ordinary Shares to new Ordinary Shares shall be such that the relevant value of the entitlement shall be the cash amount, disregarding any tax credit, (or as near to such cash amount as the Board considers appropriate) that such holder would have received by way of dividend. The Board may make any provision it considers appropriate in relation to an allotment made or to be made. For the purpose of allotting such additional Ordinary Shares, the Board may capitalise out of any amount for the time being standing to the credit of any reserve or fund of the Company a sum equal to the aggregate nominal amount of the additional Ordinary Shares to be allotted and apply it in paying up in full the appropriate number of new Ordinary Shares for allotment and distribution to the holders of the elected Ordinary Shares.

(f) The additional Ordinary Shares when allotted shall rank *pari passu* in all respects with the fully paid Ordinary Shares in issue on the record date for the dividend in respect of which the right of election has been offered, except that they will not rank for any dividend or other entitlement which has been declared, paid or made by reference to such record date.

(g) The Board may set aside out of the profits of the Company and carry to reserve such sums as it thinks fit. Such sums may be applied, at the Board's discretion, for any purpose to which the profits of the Company may properly be applied and, pending such application, may either be employed in the business of the Company or be invested in such investments as the Board thinks fit. The Board may also carry forward any profits without placing them to reserve.

(h) The Board may, with the authority of an ordinary resolution (i) resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend or any sum standing to the credit of any reserve or fund of the Company whether or not available for distribution; and (ii) generally do all acts and things required to give effect to such resolution.

4.14 **General meetings**

(a) The Company shall hold annual general meetings, which shall be convened by the Board, in accordance with the statutes and may be either a physical general meeting, an electronic general meeting; or a combined physical and electronic general meeting.

(b) The Board may convene a general meeting which is not an annual general meeting whenever it thinks fit.

(c) Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice.

(d) No business shall be transacted at a general meeting unless a quorum is present. Two qualifying persons present and entitled to vote on the business to be transacted at the general meeting shall together be a quorum at that meeting unless one of them is a proxy or a corporate representative appointed by the other or if each of them is a proxy or a corporate representative appointed by the same member as the other.

(e) A member may appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote at a general meeting. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to different shares held by the member. A proxy need not also be a member.

(f) A Director (and any other person invited by the chairman to do so) shall be entitled to attend and speak at a general meeting, whether or not he is a member.

4.15 **Communications**

(a) Any notice to be given to or by any person pursuant to the Articles of Association shall be in writing, unless otherwise provided elsewhere in the Articles of Association, except that a notice calling a meeting of the Board need not be in writing.

(b) Subject to the statutes and unless otherwise provided for in the Articles of Association, the Company may send or supply any document or information that is required or authorised by such means, including by electronic means and/or by making it available on a website or otherwise, as the Company may determine. At any time the Company may choose at its sole discretion to send any document or information in hard copy form alone to some or all members.

(c) In the case of joint holders of a share, a notice, document or information shall be validly sent or supplied to all joint holders if sent or supplied to whichever of them is named first in the register in respect of the joint holding. Anything to be agreed or specified in relation to a notice, document or information to be sent or supplied to joint holders, may be agreed or specified by the joint holder who is named first in the register of members.

(d) Any notice, document or information (including a share certificate) which is sent or supplied by the Company:

(i) in hard copy form, or in electronic form but to be delivered other than by electronic means, and which is sent by pre-paid post and properly addressed shall be deemed to have been received by the intended recipient at the expiration of twenty-four hours (or, where first class mail is not used, forty-eight hours) after the time it was posted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed, pre-paid and posted;

(ii) by electronic means shall be deemed to have been received by the intended recipient twenty-four hours after it was transmitted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed; and

(iii) by means of a website shall be deemed to have been received when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

4.16 **Indemnity**

(a) Subject to the statutes, the Company may:

(i) indemnify any Director or any director of any associated company against any liability;

(ii) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme; and

(iii) purchase and maintain insurance against any liability for any director referred to in sub-paragraphs (i) or (ii) above.

5. DIRECTORS AND SENIOR MANAGERS OF THE COMPANY

5.1 Directors

The Company's Directors are:

Name	Age	Position	Date appointed to Board	Date of expiry of current office
Stuart Sinclair	64	Interim Chairman	1 October 2012	31 October 2018
Malcolm Le May . .	59	Group Chief Executive Officer	1 January 2014	N/A
Andrew Fisher	59	Finance Director	17 May 2006	14 February 2023
Andrea Blance	53	Senior Independent Non-executive Director	1 March 2017	39 February 2020
Rob Anderson	59	Independent Non-executive Director	2 March 2009	30 March 2018
John Straw	58	Independent Non-executive Director	1 January 2017	31 January 2020

The business address of each of the Directors is No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU, United Kingdom.

The management expertise and experience of each of the Directors is set out below:

Stuart Sinclair, Interim Chairman

Stuart was appointed to the Board in 2012 as an Independent Non-executive Director and was appointed as the Senior Independent Non-executive Director in November 2017 until he assumed the position of Interim Chairman on 2 February 2018. During his career Stuart has held senior leadership positions in several financial services companies including as Chairman of GE Capital China and GE Capital Bank (UK), chief executive officer of Tesco Personal Finance, director of Virgin Direct and director of Retail Banking at The Royal Bank of Scotland. Currently, Stuart is senior independent director of QBE Insurance (Europe) Limited and QBE Underwriting Limited, and also a non-executive director of Lloyds Bank plc, Lloyds Banking Group Limited, Bank of Scotland plc and HBOS plc.

Malcolm Le May, Group Chief Executive Officer

Malcolm was appointed to the Board in 2014 as an Independent Non-executive Director and Senior Independent Director and, following the sudden death of Executive Chairman, Manjit Wolstenholme, was appointed as Interim Executive Chairman in November 2017 until his appointment as Group Chief Executive Officer on 2 February 2018. His background lies in financial services having held various executive roles at Morgan Grenfell plc, Drexel Burnham Lambert, Barclays de Zoete Wedd Holdings, UBS AG, ING Barings Ltd, Morley Fund Managers (now Aviva Investors), JER Partners Ltd, where he was European President, and Matrix Securities Limited. Malcolm is currently the senior independent director of IG Group Holdings plc and a partner at Opus Corporate Finance LLP and Juno Capital LLP.

Andrew Fisher, Finance Director

Andrew was appointed to the Board in 2006 as the Finance Director. Andrew is a chartered accountant and was previously the Finance Director of Premier Farnell plc and a partner with Price Waterhouse LLP. Andrew is currently a non-executive director of Arrow Global Group plc. Andrew is a Fellow of the Institute of Chartered Accountants.

Andrea Blance, Senior Independent Non-executive Director

Andrea was appointed to the Board in March 2017 as an Independent Non-executive Director and assumed the position of Senior Independent Non-executive Director on 2 February 2018. She is a fellow of the

Association of Chartered Certified Accountants and held a variety of finance roles during her 29 year career at Legal & General Group plc. Latterly, she led the strategy and marketing functions and prior to this she was the group chief risk officer where she led contact with the regulator. Andrea's current appointments include non-executive directorships at Scottish Widows, The Mentoring Foundation and Lloyds Banking Group's insurance division where she also chairs the risk oversight committee.

Rob Anderson, Independent Non-executive Director

Rob was appointed to the Board in 2009 as an Independent Non-executive Director. He has previously held roles as director of the childrenswear business unit of Marks & Spencer and chief executive officer of Signet Jewelers Limited's UK division.

John Straw, Independent Non-executive Director

John was appointed to the Board in January 2017 as an Independent Non-executive Director. John is a digital entrepreneur with four start-ups and four exits behind him. He was Chair of Thomas Cook's digital advisory board until 2013, is an author of a book on disruptive technology (iDisrupted) and an active investor in early stage digital platform start-ups. John is considered an authority on the application of big data and is a senior advisor to McKinsey and Co.

5.2 Senior Managers

In addition to the executive management on the Board of the Company, the following senior managers are considered relevant to establishing that the Company has the appropriate expertise and experience for the management of its business:

Name	Age	Position
Chris Gillespie	54	Managing Director of CCD
Shamus Hodgson	46	Managing Director of Moneybarn
Chris Sweeney	51	Managing Director of Vanquis Bank and Deputy Group Chief Executive Officer
Ken Mullen	59	General Counsel and Company Secretary

The business address of each of the Senior Managers is No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU, United Kingdom.

The management expertise and experience of each of the Senior Managers is set out below:

Chris Gillespie, Managing Director of CCD

Chris is the Managing Director of CCD, and re-joined the Provident Financial Group on 25 August 2017 in order to stabilise the home-credit business. Chris had previously been the Managing Director of CCD between 2007 and 2013 and since leaving the Provident Financial Group, has had extensive consumer credit experience as Chief Executive Officer of Albemarle & Bonds Holdings plc, Amigo Loans Ltd and 118118 Money. Prior to joining CCD in 2007, he had senior roles at Barclays, HFC Bank and Bradford and Bingley.

Shamus Hodgson, Managing Director of Moneybarn

Shamus is the Managing Director of Moneybarn. Shamus joined Moneybarn in 2008 and has been part of the senior team that has grown the company from a niche finance provider to one of the UK's largest specialist motor finance company. He has fulfilled several roles during his time at the company, including Sales & Marketing Director and Commercial Director. Prior to joining Moneybarn, Shamus had over 15 years' business development and organisation management experience with blue chip organisations such as IBM, Aviva, and Manpower.

Chris Sweeney, Managing Director of Vanquis Bank and Deputy Group Chief Executive Officer

Chris is the Managing Director of Vanquis Bank and Deputy Group Chief Executive Officer. Chris joined Vanquis Bank in January 2016. Prior to joining Vanquis Bank Chris was Director of Customer Services at Centrica and worked in numerous positions between 2001 and 2010 for Barclaycard and Barclays, across

the UK, Europe and Africa. In 2010, Chris became the Chief Executive of Personal and Business Banking, International at Standard Bank, and became Group Executive of Card and Payment Solutions in January 2013 at Standard Bank. Chris has an BSc (Hons) degree in chemistry from the University of Birmingham and has completed the Advanced Management Programme at Harvard Business School.

Ken Mullen, General Counsel and Company Secretary

Ken was appointed to the Board in 2007 and serves as the Company's General Counsel and Company Secretary. Ken qualified as a lawyer in Scotland in 1983 having graduated in law and has served as general counsel and company secretary for a number of UK listed companies, including Premier Farnell plc, Silentnight plc and Whessoe plc. Ken is currently also the Chairman of Rexel UK Limited Pension Scheme.

5.3 **Other Directorships**

Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and other members of the Provident Financial Group), within the past five years.

Directors

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
Stuart Sinclair	QBE Insurance (Europe) Limited QBE Underwriting Limited QBE Re (Europe) Limited Bank of Scotland plc HBOS plc Lloyds Bank plc Lloyds Banking Group plc	Platinum Bank (Ukraine) Swinton Group Limited TSB Bank plc TSB Banking Group plc Vitality Life Limited
Malcolm Le May	European Film Partners LLP Juno Capital Partners LLP Juno Capital LLP Juno Capital (FP) LLP Juno Capital (GP) LLP Twyford School The Upham Brush Company Limited IG Group Holdings plc Opus Corporate Finance LLP The Grange Festival Hastings Group Holdings plc	Eclipse Film Partners No.26 LLP Preventative Healthcare Company Limited RSA Insurance Group plc Pendragon plc Tall Ships Youth Trust Le May Advisors Limited Reg (UK) Limited
Andrew Fisher	Arrow Global Group plc	—
Andrea Blance	Lloyds Bank General Insurance Limited Lloyds Bank General Insurance Holdings Limited Scottish Widows Financial Services Holdings Scottish Widows Group Limited Scottish Widows Limited St Andrews Insurance plc The Mentoring Foundation	Scottish Widows Annuities Ltd SW Funding plc St Andrews Life Assurance plc Legal & General Assurance Society Limited Legal & General Retail Investments (Holdings) Limited Legal & General (Portfolio Management Services) Ltd Legal & General Resources Limited Suffolk Life Group Limited Suffolk Life Annuities Ltd Suffolk Life Pensions Ltd Legal & General Holdings No 2 Ltd
Rob Anderson	—	The Mill Hampstead Management Company Limited
John Straw	IThinkDigital Limited Greydog Ventures Ltd IDisrupted Limited	Linkdex Limited Cloudfind Ltd

Senior Managers

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
Chris Gillespie	—	The Event Horse Owners Association Limited Amigo Loans Ltd Madison CF UK Limited Albemarle & Bond Holdings PLC
Shamus Hodgson	—	—
Chris Sweeney	—	Standard Bank Offshore Group Standard Bank Jersey Ltd Standard Bank Isle of Man Ltd Diners Club South Africa
Ken Mullen	Rexel UK Pensions Trustees Limited KP JMS Limited	—

5.4 Except as disclosed below, within the period of five years preceding the date of this Prospectus none of the Directors or Senior Managers:

(a) has had any convictions in relation to fraudulent offences;

(b) has been a member of the administrative, management or supervisory bodies or a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director or member of an administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of a company.

Chris Gillespie was the Chief Executive Officer of Albemarle & Bond Holdings plc when it entered into administration in March 2014.

None of the Directors or Senior Managers has any actual or potential conflicts of interests between their duties to the Company and their private interests or other duties.

6. DIRECTORS' AND SENIOR MANAGERS' SHAREHOLDINGS

6.1 The interests of the Directors and Senior Managers in the share capital of the Company (including any interests held through the SIP and forfeitable shares held through the LTIS or the PSP) were as at 22 February 2018 (being the latest practicable date prior to publication of this Prospectus), and are expected to be immediately following the Rights Issue, as follows:

	Number of Ordinary Shares as at 22 February 2018[(1)]	% of Ordinary Shares as at 22 February 2018	Number of Ordinary Shares following the Rights Issue[(2)]	% of Ordinary Shares following the Rights Issue
Directors				
Stuart Sinclair	0	0.00	0	0.00
Malcolm Le May	0	0.00	0	0.00
Andrew Fisher	301,891	0.20	515,730	0.20
Andrea Blance	0	0.00	0	0.00
Rob Anderson	4,178	0.00	7,137	0.00
John Straw	0	0.00	0	0.00
Senior Managers				
Chris Gillespie	14,475	0.01	24,728	0.01
Shamus Hodgson	19,944	0.01	34,071	0.01
Chris Sweeney	82,642	0.06	141,180	0.06
Ken Mullen	37,738	0.03	64,469	0.03

(1) The interests shown above in the table include the maximum number of Ordinary Shares that may be received under the SIP, the LTIS and the PSP. The actual number of Ordinary Shares that may be released may be less than the maximum shown dependent on performance conditions.

(2) Assumes that each Director and Senior Manager takes up his full entitlement to his rights in New Ordinary Shares pursuant to the Rights Issue.

6.2 As at 22 February 2018 (being the latest practicable date prior to publication of this Prospectus), the following Directors and Senior Managers held options and/or awards to acquire Ordinary Shares under the Provident Financial Group Employee Share Plans as follows:

Award Name	Date of grant	Maximum number of Ordinary Shares under plan	Exercise price (if any)	Period of exercise (if relevant)
Directors				
Andrew Fisher				
PSP Matching Award	27.02.2015	23,918	N/A	N/A
PSP Matching Award	01.03.2016	20,270	N/A	N/A
PSP Matching Award	27.03.2017	23,680	N/A	N/A
Senior Managers				
Chris Sweeney				
SAYE	29.09.2017	2,627	£6.85	6 months
PSP Matching Award	27.03.2017	13,114	N/A	N/A
Conditional award	18.10.2016	10,524	N/A	N/A
Ken Mullen				
SAYE	29.09.2017	2,267	£6.85	6 months
PSP Matching Award	27.02.2015	1,467	N/A	N/A
PSP Matching Award	01.03.2016	1,678	N/A	N/A
Shamus Hodgson				
PSP Matching Award	01.01.2017	437	N/A	N/A
PSP Matching Award	01.01.2017	1,025	N/A	N/A
PSP Matching Award	27.03.2017	1,534	N/A	N/A

6.3 Save as set out in this Part XIV "*Additional Information*", following the Rights Issue no Director or Senior Manager will have any interest in the share capital of the Company or any of its subsidiaries.

7. REMUNERATION DETAILS, DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

7.1 Remuneration

In relation to the financial year ended 31 December 2017, the aggregate total remuneration paid (including contingent or deferred compensation) and the benefits in kind granted to the Directors and Senior Managers by members of the Provident Financial Group was £3,091,965. Of this amount, the remuneration paid to the Directors was as follows:

Directors	Fees/Basic Salary £000	Benefits in kind(1) £000	Pension £000	Annual Cash Bonus(2) £000	LTIS(3) £000	PSP(4) £000	PSP dividends £000	Total £000
Stuart Sinclair(5)	94	1	—	—	—	—	—	95
Malcolm Le May(6)	163	4	—	—	—	—	—	167
Andrew Fisher	538	36(1)	172(7)	0	0	104	31	881
Andrea Blance	75	—	—	—	—	—	—	75
Rob Anderson(5)	70	1	—	—	—	—	—	71
John Straw	66	—	—	—	—	—	—	66

(1) This figure includes amounts in respect of a company car benefit, fuel allowance, private medical insurance and permanent health insurance.

(2) The annual bonus represents the gross bonus payable to the executive directors in respect of 2017.

(3) Amount calculated based on 0% vesting of 2015 LTIS.

(4) Amount calculated based on 0% vesting of 2015 PSP Matching Awards and 100% vesting of the 2015 PSP Basic Award, multiplied by an average share price for the three months ended 31 December 2017.

(5) Stuart Sinclair and Rob Anderson each receive an additional fee of £50,000 per annum in respect of their respective directorships of the relevant companies of CCD and Moneybarn.

(6) Malcolm Le May receives an additional fee of £65,000 per annum in respect of his directorship of Vanquis Bank Limited. Malcolm Le May held a non-executive director position until 23 November 2017 when he was appointed as an executive director.

(7) Andrew Fisher participated in the Provident Financial UURBS up until 31 May 2017. He received a cash supplement from 1 June 2017 as a percentage of base salary.

In relation to the financial year ended 31 December 2017, the total amount set aside or accrued by the Provident Financial Group to provide pension, retirement or other benefits (including cash in lieu of pension) to the Directors or Senior Managers not including amounts set out in the table above was £10,000.

Consistent with the Provident Financial Group's Remuneration Policy, in respect of her death in service Manjit Wolstenhome's estate has been paid the sum of £960,000 funded by the Provident Financial Group's insurers and the Provident Financial Group plans to pay a further £960,000 during the year ending 31 December 2018, representing in aggregate six times the amount of her Chairman's salary of £320,000 per annum (which at the time of her death had not yet been increased to reflect her taking on the role of executive chairman in August 2017 following the resignation of the CEO, Peter Crook).

7.2 Service agreements and letters of appointment

Each of the Executive Directors has entered into a service agreement with the Company as follows:

Executive Director	**Effective Date**	**Notice period from the Director**	**Notice period from the Company**	**Provident Financial Group liability in the event of early termination[1]**
Malcolm Le May	1 February 2018	12 months	12 months	12 months' compensation
Andrew Fisher	17 May 2006	12 months	12 months	12 months' compensation

(1) The Executive Director may be entitled to receive up to 12 months' compensation. Compensation is limited to: base salary due for any unexpired notice period; any amount assessed by the committee as representing the value of contractual benefits and pension which would have been received during the period; and any annual bonus which the Executive Director might otherwise have been eligible to receive on a *pro rata* basis subject to the Remuneration Committee's assessment of financial and personal performance.

Each of the Non-executive Directors has entered into a letter of appointment with the Company as follows:

Non-executive Director	**Effective Date**	**Notice period from the Director**	**Notice period from the Company**	**Provident Financial Group liability in the event of early termination**
Rob Anderson	2 March 2009	1 month	1 month	Accrued fees
Andrea Blance	1 March 2017	1 month	1 month	Accrued fees
John Straw	1 January 2017	1 month	1 month	Accrued fees
Stuart Sinclair	1 October 2012	1 month	1 month	Accrued fees

Save as set out in this Part XIV "*Additional Information*", there are no existing or proposed service agreements between any Director and any member of the Provident Financial Group providing for benefits upon termination of employment.

8. SIGNIFICANT SHAREHOLDINGS

8.1 As at 22 February 2018 (being the latest practicable date prior to publication of this Prospectus), the Company had been notified that the following persons (other than the Directors and Senior Managers) hold directly or indirectly three per cent. or more of the voting rights of the Company which are notifiable under the Disclosure Guidance and Transparency Rules and Regulation (EU) No 596/2014 on market abuse or will do so immediately following the Rights Issue:

Name	Number of Ordinary Shares as at 22 February 2018	% of voting rights in respect of Ordinary Shares as at 22 February 2018	Number of Ordinary Shares following the Rights Issue[1]	% of voting rights in respect of Ordinary Shares following the Rights Issue
Invesco Limited	36,946,572	24.9	63,117,060	24.9
Woodford Investment Management Limited	34,149,354	23.0	58,338,479	23.0
Deutsche Bank AG	10,185,352	6.9	17,399,976	6.9
Schroders plc	8,244,338	5.6	14,084,077	5.6
Blackrock, Inc.	7,443,199	5.0	12,715,464	5.0
Marathon Asset Management LLP	6,691,469	4.5	11,431,259	4.5
The WindAcre Partnership LLC	5,820,885	3.9	9,944,011	3.9

(1) Assumes no sale or purchase of any Ordinary Shares held by such Shareholders, that the Shareholders take up all of their rights in New Ordinary Shares pursuant to the Rights Issue and the Shareholders do not participate in any sub-underwriting.

Save as set out in this paragraph 8.1, the Company is not aware of any person who holds, or who will immediately following Admission hold, as shareholder (within the meaning of the Disclosure Guidance and Transparency Rules), directly or indirectly, three per cent. or more of the voting rights of the Company.

Certain investors are expected to acquire interests of more than 5 per cent. of the New Ordinary Shares available pursuant to the Rights Issue through one or more funds.

8.2 None of the Shareholders referred to in paragraph 8.1 above has different voting rights from any other holder of Shares in respect of any Shares held by them.

8.3 Save as set out in this Part XIV "*Additional Information*", the Company is not aware of any:

(a) person who immediately following the Rights Issue, directly or indirectly, jointly or severally, will own, or could exercise control over, the Company; or

(b) arrangements the operation of which may at a subsequent date result in a change of control of the Company.

9. CORPORATE GOVERNANCE

The Company is committed to, and recognises the value and importance of, high standards of corporate governance. As at the date of this Prospectus, the Company is in compliance with the provisions set out in the UK Corporate Governance Code, with the exception of Code Provision C.3.1. which recommends that a board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. With Stuart Sinclair continuing to sit on the audit committee following his assumption of the position of Interim Chairman, the Company is not technically in compliance with the recommendations of the UK Corporate Governance Code in relation to the composition of audit committees. The Company intends to reassess the composition of the Audit Committee following the appointment of further Non-Executive Directors taking into account the recommendations of the UK Corporate Governance Code.

9.1 Roles and responsibilities of the Board

As at the date of this Prospectus, the Board is comprised of two Executive Directors (being the Group Chief Executive Officer and the Finance Director), four Non-executive Directors and the Company Secretary. All of the Non-executive Directors are considered to be independent.

The Board is responsible for the Provident Financial Group's strategy and maintaining an effective system of internal control and regulatory oversight that provides assurance that the Provident Financial Group's divisions operate effectively and that there is an appropriate system of risk management in place consistent with the nature of the Provident Financial Group. The Board is responsible to Shareholders for the financial and operational performance of the Provident Financial Group. This includes clearly laying out the key responsibilities and authorities of the Board itself, of senior management and of those responsible for strategic leadership, performance management, investor relations, risk management, governance and succession planning. The Board also play a key role in establishing the Provident Financial Group's culture and values, setting the tone from the top and ensuring that there is not excessive risk taking within the Provident Financial Group.

Specific key decisions and matters have been reserved for approval by the Board. These include: the establishment of, and changes to, the Provident Financial Group's strategy; determination of interim and recommendation of final dividends having considered the available distributable reserves and regulatory capital requirements of the Provident Financial Group; approval of all major transactions; approval of the Provident Financial Group's budget and financial results; approval of the Vanquis Bank controls required by the PRA safety and soundness objectives; and the annual review of the effectiveness of the Provident Financial Group's system of internal controls.

9.2 **Roles on the Board**

The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman will lead the Board to ensure its effectiveness in all aspects of its role, including setting its agenda to align with the Provident Financial Group's strategic objectives and to ensure that adequate time is available for substantive discussion on strategy, performance and key value issues such that Board decisions can be taken on a sound and well-informed basis. The Chairman is responsible for encouraging and promoting critical discussion and ensuring that dissenting views can be freely expressed and discussed within the decision making process.

The Senior Independent Director acts as a sounding board for the Chairman and the Directors in the delivery of their respective objectives. He also serves as a conduit, as required, for the views of the other Non-Executive Directors on the performance of the Chairman and is responsible for conducting the Chairman's annual performance valuation. The Senior Independent Director is available to Shareholders if they have any concerns that they cannot resolve through the normal channels of contact or if such contact is inappropriate. In periods of stress, the Senior Independent Director will work with the Chairman and other Directors/shareholders as required to resolve significant issues.

The Executive Directors are responsible for all matters affecting the performance of the Provident Financial Group, including responsibility for the implementation of strategy, policies, budgets and the financial performance of the Provident Financial Group in a manner consistent with the Provident Financial Group's strategy, risk appetite and other procedures approved by the Board.

The Non-executive Directors are independent of management. Their role is to effectively and constructively challenge management, monitor the success of management within the risk appetite and control framework set by the Board and provide governance through participation in and chairmanship of the Board committees.

9.3 **Succession planning and appointment of Directors**

The Board recognises the need to ensure that the Board and management are always well resourced, with the right people in terms of skills and experience to deliver the Company's strategy. Board composition is regularly reviewed to ensure the Board retains an appropriately balanced range of skills, experience and technical ability so that the Provident Financial Group is well placed to achieve its objectives and long-term strategy.

The Nomination Committee is responsible for both executive and non-executive Director succession planning and recommends new appointments to the Board.

All Directors are subject to annual re-election by Shareholders at the Company's annual general meeting.

9.4 **External appointments and conflicts of interest**

Directors have a duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board.

Prior to taking on additional responsibilities or external appointments, Directors are obliged to obtain authorisation from the Board and it is their responsibility to ensure that they will have sufficient time to fulfil their duties to the Company, including, where appropriate, chairing a committee. The Board considers all requests for permission to accept other directorships carefully and subject to certain principles. For example, a Non-Executive Director would not be expected to hold more than four other material non-executive directorships and an Executive Director would be permitted to hold one non-executive directorship in a FTSE 100 company (and to retain any fees they receive from that appointment) provided that the Board considers that this will not adversely affect his/her executive responsibilities to the Company.

9.5 **Evaluation of Board performance**

The performance of the Board is evaluated annually and the Chairman is primarily responsible for this evaluation. In accordance with the UK Corporate Governance Code, an external evaluation is carried out every three years and the Company also engaged Lintstock Ltd in October 2016 to provide a continuous board evaluation process over a three-year term. The evaluation includes questions on different aspects of the operation of the Board and its committees and the performance of individual Directors. The Board considers the results of the evaluation and agrees proposals to address any issues identified. The Chairman’s performance is also reviewed annually and the Senior Independent Director is responsible for this evaluation.

9.6 **Board meetings and attendance**

The Board meets regularly and there are at least six scheduled meetings each year and a two-day corporate planning conference to review and develop the Provident Financial Group’s strategy. When necessary, additional Board meetings are held. All Directors are expected to attend each meeting, unless there are exceptional circumstances that prevent them from doing so. In the year ended 31 December 2017, 22 meetings of the Board were held.

9.7 **Independent advice**

Independent professional advice is available, on request, to all Directors at the Company’s expense.

9.8 **Induction and ongoing training**

Appropriate training and briefing is provided to all Directors on appointment to the Board and to Board committees, taking into account their individual qualifications, skills and experience. All Directors are required to participate in a comprehensive induction programme which introduces them to the Provident Financial Group’s businesses and its senior management. The programme includes individual meetings with the Executive Directors and the Company Secretary; meetings with divisional board members and senior management teams; visits to divisional offices; and a meeting between the Chairperson of the Audit Committee with the audit partner from Deloitte.

Ongoing training is arranged to suit the Directors’ specific needs and the Chairman periodically reviews and agrees with each Director their training and development needs.

9.9 **Board committees**

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain functions to its five principal committees: the Executive Committee, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Group Risk Committee, each of which, excluding the Executive Committee, are comprised of Independent Non-executive Directors and, in some cases, the Chairman. In addition to the five principal committees, the Board also delegates certain functions to the Disclosure Committee.

The chairman of each committee reports to the Board on the matters discussed at the committee meeting. Each committee has written terms of reference that define their duties, authorities and membership which are approved by the Board and reviewed annually.

Each committee has access to independent expert advice at the Company’s expense.

(a) ***Executive Committee***

Current members

The Executive Committee is chaired by the Group Chief Executive Officer, Malcolm Le May. The current members are Malcolm Le May (chairman), Andrew Fisher, Rick Hunkin (the Interim Group CRO), Chris Gillespie, Shamus Hodgson, Chris Sweeney and Ken Mullen. Paula Watts (Deputy Company Secretary) acts as the secretary of the Executive Committee.

Role of Executive Committee

The Executive Committee normally formally meets once a month, and more frequently as required, and supervises the Boards of its principle operating divisions and manages the running of the Provident Financial Group, other than those matters reserved to the Board and those specifically assigned to the other four committees.

(b) ***Audit Committee***

Current members

The Audit Committee is comprised of not less than three Independent Non-executive Directors and shall include at least one member from the Risk Committee, one member from the Remuneration Committee and one member with recent and relevant financial experience. The current members are Andrea Blance (chairman), John Straw and Stuart Sinclair. Ken Mullen acts as the secretary of the Audit Committee.

Role of Audit Committee

Meetings of the Audit Committee will be held at least three times per year and at such other times as required at appropriate intervals in the financial reporting and audit cycle to review the half-year and year-end results and other audit matters. A partner of the external auditor will attend meetings of the Audit Committee when invited. In the year ended 31 December 2017, four meetings of the Audit Committee were held.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and challenging the integrity of the financial statements of the Provident Financial Group and other financial information before publication and reviewing and challenging the significant financial reporting judgements contained in them. In addition, the Audit Committee also reviews the systems of internal financial, operational and compliance controls on a continuing basis; the arrangements and procedures in place to deal with whistleblowing, fraud and bribery; and the accounting and financial reporting processes, along with the roles and effectiveness of both the Provident Financial Group Internal Audit function and the external auditor.

(c) ***Remuneration Committee***

Current members

The Remuneration Committee is comprised of at least three members, all of whom shall be independent Non-executive Directors. The current members are Andrea Blance (chairman), Rob Anderson and Stuart Sinclair. Ken Mullen acts as the secretary of the Remuneration Committee.

Role of Remuneration Committee

Meetings of the Remuneration Committee will be held at least three times per year and at such other times as may be necessary. In the year ended 31 December 2017, eight meetings of the Remuneration Committee were held.

The Remuneration Committee is responsible for the remuneration of the Chairman, the Executive Directors and the Company Secretary. The remuneration and terms of appointment of the Non-executive Directors are determined by the Board as a whole. The Remuneration Committee also reviews the remuneration of the senior management teams within the three divisions and the corporate office team.

The Chairman (or Chief Executive, as appropriate) is consulted on proposals relating to the remuneration of the other executive directors and the senior management teams and the Senior

Independent Director is consulted on proposals relating to the Chairman's remuneration. When appropriate, the Chairman is invited by the committee to attend meetings but is not present when his/her own remuneration is considered.

(d) ***Nomination Committee***

Current members

The Nomination Committee is comprised of the Interim Chairman and all of the Independent Non-executive Directors. The current members are Stuart Sinclair (chairman), Andrea Blance, Rob Anderson and John Straw. Ken Mullen acts as the secretary of the Nomination Committee.

Role of Nomination Committee

Meetings of the Nomination Committee will be held at least twice per year and at such other times as may be necessary. In the year ended 31 December 2017, five meetings of the Nomination Committee were held.

The Nomination Committee ensures that the balance of Directors remains appropriate as the Provident Financial Group develops and that there is effective succession planning for senior positions within the Provident Financial Group. The Nomination Committee is also responsible for: reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board; considering the succession planning requirements for Directors and other senior executives; keeping under review the leadership needs of the Provident Financial Group, with a view to ensure it remains competitive in the marketplace; and reviewing and considering the performance and effectiveness of the committee through the results of the Board and committee performance evaluation process.

(e) ***Group Risk Committee***

Current members

The Group Risk Committee is comprised of Independent Non-executive Directors selected by the Board. The current members are Stuart Sinclair (chairman), Andrea Blance and John Straw. Ken Mullen acts as the secretary of the Group Risk Committee. Additional mandatory attendees are Malcolm Le May, Andrew Fisher, David Merrett (Director of Corporate Strategy), David Mortlock (Head of Internal Audit), Ken Mullen and the Managing Directors and Chief Risk Officers of each Division.

Role of the Group Risk Committee

Meetings of the Group Risk Committee will be held at least four times per year and at such other times as may be necessary. In the year ended 31 December 2017, four meetings of the Group Risk Committee were held.

As part of the overall corporate governance framework, the Board has ultimate responsibility for overseeing a strong risk governance framework and determining the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. The Board is also responsible for maintaining a sound system of risk management and internal controls, in accordance with the UK Corporate Governance Code. The Group Risk Committee assists the Board by taking an active role in defining risk appetite and monitoring the risk management and internal control systems across the Provident Financial Group.

(f) ***Disclosure Committee***

Current members

The Disclosure Committee is comprised of at least three members selected by the Board, including at least one Non-Executive Director. The current members are Malcolm Le May (Chairman), Andrew Fisher, Ken Mullen and Stuart Sinclair. Paula Watts acts as the secretary of the Disclosure Committee.

Role of the Disclosure Committee

Meetings of the Disclosure Committee will be held as and when required in order for the Disclosure Committee to fulfil its responsibilities. In the year ended 31 December 2017, six meetings of the Disclosure Committee were held.

The Disclosure Committee is responsible for ensuring that the Company complies with its obligations pursuant to MAR and the Disclosure Guidance and Transparency Rules, and that appropriate policies and procedures are in place.

10. SIGNIFICANT SUBSIDIARIES

10.1 The Company is the ultimate holding company of the Provident Financial Group, the principal activity of which is the supply of personal credit products to the non-standard credit market in the UK.

10.2 The Company has the following significant subsidiaries and subsidiary undertakings (each of which is considered by the Company to be likely to have a significant effect on the assessment of its assets and liabilities, financial position or profits and losses):

Company Name	Country of registration or incorporation	% of holding of shares and voting rights
Vanquis Bank Limited	UK	100
Provident Financial Management Services Limited	UK	100
Provident Personal Credit Limited	UK	100
Greenwood Personal Credit Limited	UK	100
N&N Simple Financial Solution Limited	UK	100
Cheque Exchange Limited	UK	100
Provident Investments plc	UK	100
Direct Auto Finance Insurance Services Limited	UK	100
Direct Auto Finance Limited	UK	100
Direct Auto Financial Services Limited	UK	100
Provfin Limited	UK	100
Provident Limited	UK	100
Provident Print Limited	UK	100
Provident Yes Car Credit Limited	UK	100
Yes Car Credit (Holdings) Limited	UK	100
Yes Car Credit Limited	UK	100
Aquis Cards Limited	UK	100
Arden Insurance Services	UK	100
Colonnade Insurance Services Limited	UK	100
Ellaf Limited	UK	100
Envoyhead Limited	UK	100
HT Greenwood Limited	UK	100
I for Insurance Services Limited	UK	100
Peoples Motor Finance Limited	UK	100
Policyline Limited	UK	100
Provfin Investments Limited	UK	100
Provident Check Traders Limited	UK	100
Provident Family Finance Limited	UK	100
Provident Finance Limited	UK	100
Provident Financial Group Limited	UK	100
Provident Financial Trustees (Performance Share Plan) Limited	UK	100
Provident Home Shopping Limited	UK	100
Provident No 1 Limited	UK	100
Provident Personal Credit (London) Limited	UK	100
Provident Personal Credit (North) Limited	UK	100
Provident Personal Credit (South) Limited	UK	100
The Provident Clothing and Supply Company Limited	UK	100
Moneybarn No. 1 Limited	UK	100
Duncton Group Limited	UK	100
Moneybarn Group Limited	UK	100
Moneybarn Limited	UK	100
Moneybarn No. 4 Limited	UK	100

Company Name	Country of registration or incorporation	% of holding of shares and voting rights
Moneybarn Vehicle Finance Limited	UK	100
First Tower LP (1) Limited	UK	100
First Tower LP (2) Limited	UK	100
First Tower LP (3) Limited	UK	100
First Tower LP (4) Limited	UK	100
First Tower LP (5) Limited	UK	100
First Tower LP (6) Limited	UK	100
First Tower LP (7) Limited	UK	100
First Tower LP (8) Limited	UK	100
First Tower LP (9) Limited	UK	100
First Tower LP (10) Limited	UK	100
First Tower LP (11) Limited	UK	100
First Tower LP (12) Limited	UK	100
Lawson Fisher Limited	UK	100
Erringham Holdings Limited	Channel Islands	100

11. SHARE PLANS

A summary of the key terms of the Provident Financial Group Employee Share Plans is set out below.

11.1 The Provident Financial Group Long Term Incentive Scheme 2015

The LTIS was approved by Shareholders at the annual general meeting of the Company on 7 May 2015. The LTIS is the performance-linked share incentive plan for Executive Directors and senior management.

Eligibility

Under the LTIS awards may be granted to employees of the Provident Financial Group (including Executive Directors) of the Company and its subsidiary companies at the discretion of the Remuneration Committee.

Awards

Awards may be granted in the 42 days following any general meeting of the Company; the date on which the Company announces its results for any period; or another day if the Remuneration Committee determines this is justified by exceptional circumstances.

No awards may be granted more than ten years from the date of adoption of the LTIS. Awards granted under the LTIS are personal to the participant and, except on the death of the participant, may not be transferred. No payment is made for the grant of an award. Awards granted under the LTIS are not pensionable.

Awards may be made as (a) an option with a nil exercise price or (b) an award of Ordinary Shares which are forfeited if specified vesting conditions are not met.

Individual limits

The Remuneration Committee will determine the value of awards to be granted to each participant in each financial year up to a maximum of 200 per cent. of base salary. The number of Ordinary Shares made subject to an award will be calculated on the basis determined by the Remuneration Committee.

Overall limits

The LTIS contains a limit on the issue of new Ordinary Shares. The number of the Company's unissued Ordinary Shares that may be issued or placed under award under the LTIS and under any other employee share plan in any 10 year period may not exceed such number of Ordinary Shares as represents 10 per cent. of the Company's ordinary share capital in issue from time to time.

Performance condition

Performance is measured against two separate financial conditions based on absolute total shareholder return and absolute growth in earnings per share, both measured over a three year period.

Vesting of awards

In normal circumstances, an award will vest following the end of the performance period and once the performance conditions have been met.

If a participant leaves employment before an award vests, due to retirement, ill-health, injury, disability, or because the company or business for which he works is transferred out of the Provident Financial Group, or for any other reason at the discretion of the Remuneration Committee (except where a participant is dismissed lawfully without notice, in which case the award shall lapse), the award will normally vest on the normal vesting date, to the extent that that performance condition has been met over the performance period and will be time pro-rated.

If a participant dies, his award will vest unless the Remuneration Committee determines otherwise.

Early vesting is also permitted on a change of control, subject to satisfaction of the performance condition up to the event in question and normally with awards being time pro-rated.

Internal reorganisations do not automatically trigger the early vesting of awards.

Malus and clawback

The LTIS includes malus and clawback provisions which allow the Remuneration Committee to reduce (to nil, if appropriate) the number of Ordinary Shares that would otherwise vest (known as "**malus**") or recoup the whole or part of the value of awards that have already vested (known as "**clawback**"). Awards are subject to malus and/or clawback following a material misstatement of the Company's (or any Provident Financial Group member's) financial results or a miscalculation of the extent to which the performance conditions were met.

Entitlement to dividends

Participants holding Ordinary Shares subject to forfeiture irrevocably waive their right to dividends before they vest. The Remuneration Committee may decide that participants should receive an additional benefit equal in value to any dividends that they would have received during the vesting period, if they had been the holders of the vested Shares. The benefit can be provided as a cash sum or in the form of shares.

Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital of the Company, the Remuneration Committee may make such adjustments as it considers appropriate to the number of Ordinary Shares subject to an award and any nominal exercise price of an option.

Alterations

The Remuneration Committee may at any time amend the LTIS. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits terms of forfeiture or exercise and the adjustments to awards (other than in the event of any variation of share capital). Minor amendments to benefit the administration of the LTIS, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Provident Financial Group member, do not require the approval of the Company in general meeting.

11.2 **The Provident Financial Group Performance Share Plan 2013**

The PSP was approved by Shareholders at the annual general meeting of the Company on 9 May 2013. The PSP is a performance share matching plan which operates alongside the annual bonus or similar cash bonus scheme for senior executives and the Executive Directors.

Eligibility

Awards may be granted to senior executives of the Company who have waived some of their entitlement, if any, under the Company's annual bonus scheme or another similar cash bonus scheme as the Remuneration Committee may nominate. Executive Directors are required to waive a minimum of one third of their bonus into the PSP and may waive up to an additional third on a voluntary basis.

Awards

Awards may be granted in the 42 days following any general meeting of the Company; the date on which the Company announces its results for any period; or another day if the Remuneration Committee determines this is justified by exceptional circumstances.

No awards may be granted more than ten years from the date of adoption of the PSP. Awards granted under the PSP are personal to the participant and, except on the death of the participant, may not be transferred. No payment is made for the grant of an award. Awards granted under the PSP are not pensionable.

Participants are awarded a number of Ordinary Shares whose value is equal to the amount of the bonus to which the participant would have been entitled but for the waiver (the "**Basic Award**") based on the Closing Price Shares can be bought on the London Stock Exchange on or around the date the bonus was due to be paid to the relevant participant.

Participants will also receive a further award of up to two Ordinary Shares for each Ordinary Share comprised in the Basic Award ("**Matching Award**").

Basic Awards take the form of restricted Ordinary Shares in the Company where the participant acquires beneficial ownership at the grant date but the Ordinary Shares remain subject to forfeiture until they vest. Matching Awards may be either in the form of a conditional award of Ordinary Shares or a nil cost option over Ordinary Shares.

Individual limits

An annual grant of a Basic Award cannot exceed two thirds of a participant's annual bonus and a Matching Award can be up to two times that amount.

Overall limits

The PSP contains a limit on the issue of new Ordinary Shares. The number of the Company's unissued Ordinary Shares that may be issued or placed under award under the PSP and under any other employee share plan in any 10 year period may not exceed such number of Ordinary Shares as represents 10 per cent. of the Company's ordinary share capital in issue from time to time.

Performance condition

The vesting of Matching Awards depends on financial conditions being satisfied based on growth in earnings per share, measured over a three year period.

Vesting of awards

In normal circumstances, Basic Awards and Matching Awards will vest on the third anniversary of grant.

A Basic Award will be forfeited immediately upon the participant being adjudicated bankrupt or the participant being summarily dismissed.

A Matching Award will lapse if a participant ceases employment, unless this is due to the death, retirement, injury, ill-health, disability or redundancy of the participant or the transfer of the participant's employer out of the Provident Financial Group, or such other reason as the Remuneration Committee decides. If a participant leaves for one of these reasons, the Matching Award will normally vest in the usual way or, if the relevant event occurs in the first year following grant, with an alternative performance condition at the discretion of the Remuneration Committee. The number of Ordinary Shares which vest will usually be time pro-rated.

Early vesting is also permitted on a change of control, subject to satisfaction of the performance condition for Matching Awards on a pro-rated basis up to the event in question.

Malus and clawback

PSP awards are subject to malus and clawback provisions which allow the Remuneration Committee to reduce (to nil, if appropriate) the number of Ordinary Shares that would otherwise vest (known as "**malus**") or recoup the whole or part of the value of awards that have already vested (known as

"**clawback**"). Awards are subject to malus and/or clawback following a material misstatement of the Company's (or any Provident Financial Group member's) financial results or a miscalculation of the extent to which the performance conditions were met.

Entitlement to dividends

Dividends will be payable on Ordinary Shares held under Basic Awards. Matching Awards will be eligible for a dividend equivalent only to the extent that the Matching Awards vest based on achievement of performance conditions (and may be made on the basis that dividends that would have been paid on the Ordinary Shares in the Matching Award during the vesting period would have been used to buy further Ordinary Shares). Matching Awards in the form of options are not eligible for a dividend equivalent after vesting. The benefit can be provided as a cash sum or in the form of shares.

Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital of the Company, the Remuneration Committee may make such adjustments as it considers appropriate to the number of Ordinary Shares subject to an award and any nominal exercise price of an option.

Alterations

The Remuneration Committee may at any time amend the PSP. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, terms of forfeiture or exercise and the adjustments to awards (other than in the event of any variation of share capital). Minor amendments to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Provident Financial Group member, do not require the approval of the Company in general meeting.

11.3 **The Provident Financial Group Savings-Related Share Option Scheme 2013 ("SAYE")**

The SAYE was approved by Shareholders at the annual general meeting of the Company on 9 May 2013. The SAYE is an all-employee savings-related share option plan which is designed to meet the requirements of Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003.

Eligibility

An individual must be an employee or full-time director of the Company or a participating subsidiary who is tax-resident in the UK on the date that options are granted. The Board has discretion to nominate employees who do not satisfy the above conditions to participate in the SAYE.

Grant of options

The Board invite all eligible employees to apply for options in the 42 days following any general meeting of the Company; the date on which the Company announces its results for any period; the date on which changes are announced or made to the legislation governing savings-related share option plans; or another day if the Board determines this is justified by exceptional circumstances.

No options may be granted after the period of ten years from the date of approval of the SAYE by the Company's shareholders. Options granted under the SAYE are personal to optionholders and, except on the death of an optionholder, may not be transferred. Options granted under the SAYE are not pensionable.

Savings contracts

An eligible employee who applies for an option under the SAYE must also enter into a specified savings contract for a specified period of three or five years. The Board has discretion to determine which of the savings contracts will be available in respect of any invitation to apply for options. Under this contract, the employee will agree to make monthly savings contributions of a fixed amount between £5 and £500. Ordinary Shares may only be acquired under the SAYE on the exercise of the option using the savings under this contract. Payment will be taken as including any bonus payable under the savings contract, unless otherwise decided by the Board.

Price

The Board determines the price payable for each Ordinary Share under option, provided that the price shall not be less than the higher of 80 per cent. of the middle-market price on the dealing day before invitations to apply for options are issued and the nominal value of an Ordinary Share.

Overall limits

The SAYE contains a limit on the issue of new Ordinary Shares. The number of the Company's unissued Ordinary Shares that may be issued or placed under award under the SAYE and under any other employee share plan in any 10 year period may not exceed such number of Ordinary Shares as represents 10 per cent. of the Company's ordinary share capital in issue from time to time.

Scaling down

Applications to participate in the SAYE may be scaled down by the Board if applications exceed the number of Ordinary Shares available for the grant of options. The ways in which scaling down may be carried out are set out in the rules of the SAYE.

Exercise of options

An option may not normally be exercised until the optionholder has completed his or her savings contract and then not more than six months after that date. Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement, because the Company or business which employs the optionholder is transferred out of the Provident Financial Group, or in the event of a takeover or liquidation of the Company.

Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of Ordinary Shares subject to an award and the exercise price of any option.

Alterations

The Board may at any time amend the SAYE. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, terms of forfeiture or exercise and the adjustments to awards (other than in the event of any variation of share capital). Minor amendments to benefit the administration of the SAYE, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Provident Financial Group member, do not require the approval of the Company in general meeting.

11.4 **The Provident Financial Irish Savings Related Share Option Scheme 2014**

The Provident Financial Irish Savings Related Share Option Scheme 2014 is operated in the Republic of Ireland and is substantially similar to the SAYE.

11.5 **The Provident Financial Group Share Incentive Plan 2013 ("SIP")**

The SIP was approved by Shareholders at the annual general meeting of the Company on 9 May 2013. The SIP is an all-employee share plan which is designed to meet the requirements of Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003.

Structure

The SIP is intended to be flexible and the Company may offer any combination of the features outlined below to allow eligible employees to obtain Shares. Under the SIP, the Company can:

(a) give up to £3,600 worth of free Shares a year to an employee (Free Shares);

(b) offer an employee the opportunity of buying up to £1,800 of Shares a year (Partnership Shares) out of pre-tax salary;

(c) give an employee up to two free matching Shares for each Partnership Share bought (Matching Shares); and

(d) in addition to buying up to £1,800 of Partnership Shares each year, allow employees to purchase more Shares using dividends received on Free Shares, Partnership Shares and Matching Shares (Dividend Shares). There is no statutory limit on the amount of dividends that may be used to purchase Dividend Shares although the Company may set its own limit from time to time.

Any award under the SIP is not pensionable.

Eligibility

Each time the Board decides to operate the SIP, all UK tax-resident employees of the Company and its participating subsidiaries must be offered the opportunity to participate. Other employees may be permitted to participate at the Board's discretion. The Board can require employees to have completed a minimum qualifying period of employment before they can participate, but that period must not exceed eighteen months or, in certain circumstances, six months.

Free Shares

Up to £3,600 worth of Free Shares can be awarded to each employee in any tax year. Free Shares must be awarded on similar terms, although the number of Free Shares awarded to each employee may be determined by reference to remuneration, length of service and number of hours worked.

There is a holding period of between three and five years (the length to be determined by the Board) during which the employee cannot withdraw the Free Shares from the SIP, unless the employee leaves employment or a change of control occurs.

The Board can, at its discretion, provide that the Free Shares will be forfeited if the employee leaves employment, other than as a "good leaver".

Partnership Shares

The Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is set by the Board and may not exceed the lower of £1,800 or 10 per cent. of pre-tax salary in any tax year. Once acquired, Partnership Shares may be withdrawn from the SIP by the employee at any time and are not forfeitable in any circumstances.

Matching Shares

The Board may offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all employees up to a maximum of two Matching Shares for every Partnership Share purchased.

There is a holding period of between three and five years during which the employee cannot withdraw the Matching Shares from the SIP unless the employee leaves employment or a change of control event occurs.

The Board can, at its discretion, provide that the Matching Shares will be forfeited if the employee leaves employment, other than as a "good leaver".

Investment of dividends

The Board may direct an employee to reinvest dividends received on SIP shares into Dividend Shares. There is no statutory limit on the amount of dividends that may be used to purchase Dividend Shares, although the Company may set its own limit from time to time. Dividend Shares must be held in the SIP for three years, unless the employee leaves employment or a change of control occurs. Once acquired, Dividend Shares are not capable of forfeiture.

Plan Trust

The SIP is operated through a UK resident trust ("**SIP Trust**"). The SIP Trust purchases or subscribes for Ordinary Shares that are subsequently awarded to employees. The money to buy Ordinary Shares will be provided either by the Company or, if employees are allowed to acquire Partnership Shares, by the employees themselves.

Overall limits

The SIP contains a limit on the issue of new Ordinary Shares. The number of the Company's unissued Ordinary Shares that may be issued or placed under award under the SIP and under any other employee share plan in any 10 year period may not exceed such number of Ordinary Shares as represents 10 per cent. of the Company's ordinary share capital in issue from time to time.

Alterations

The Board may at any time amend the SIP. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, terms of forfeiture or exercise and the adjustments to awards (other than in the event of any variation of share capital). Minor amendments to benefit the administration of the SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Provident Financial Group member, do not require the approval of the Company in general meeting.

11.6 The Provident Long Term Incentive Scheme 2006 ("2006 LTIS")

No further grants of new awards will be made under the 2006 LTIS and so this summary excludes certain sections found in the other summaries.

The 2006 LTIS was approved by Shareholders on 17 May 2006. Prior to the LTIS, the 2006 LTIS was the performance-linked share incentive plan for Executive Directors and senior management.

Overall limits

The 2006 LTIS contains a limit on the issue of new Ordinary Shares. The number of the Company's unissued Ordinary Shares that may be issued or placed under award under the 2006 LTIS and under any other employee share plan in any 10 year period may not exceed such number of Ordinary Shares as represents 10% of the Company's ordinary share capital in issue from time to time.

Vesting of awards

The outstanding awards will vest in February 2018 subject to their performance conditions being met.

If a participant leaves employment before an award vests, due to retirement, redundancy, ill-health, injury, disability, or because the company or business for which he works is transferred out of the Provident Financial Group, or for any other reason at the discretion of the Remuneration Committee, the award will normally vest on the normal vesting date (or in the case of death of a participant, the date of death), to the extent that that performance condition has been met over the performance period and will be time pro rated.

Early vesting is also permitted on a change of control, subject to satisfaction of the performance condition up to the event in question and normally with awards being time pro rated.

Internal reorganisations do not automatically trigger the early vesting of awards.

Malus and clawback

The 2006 LTIS includes malus and clawback provisions which allow the Remuneration Committee to reduce (to nil, if appropriate) the number of Ordinary Shares that would otherwise vest (known as "**malus**") or recoup the whole or part of the value of awards that have already vested (known as "**clawback**"). Awards are subject to malus and/or clawback following a material misstatement of the Company's (or any Provident Financial Group member's) financial results or a miscalculation of the extent to which the performance conditions were met.

Entitlement to dividends

Participants holding Ordinary Shares subject to forfeiture irrevocably waive their right to dividends before they vest. Participants receive an additional benefit equal in value to any dividends that they would have received during the vesting period, if they had been the holders of the vested Shares. The benefit can be provided as a cash sum or in the form of shares.

Variation of capital

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the ordinary share capital of the Company, Ordinary Shares subject to forfeiture will be treated in the same way as other Ordinary Shares, and the Remuneration Committee may make such adjustments as it considers appropriate to the number and nominal amount of Ordinary Shares in an option.

Alterations

The Remuneration Committee may at any time amend the 2006 LTIS. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, terms of forfeiture or exercise and the adjustments to awards (other than in the event of any variation of share capital). Minor amendments to benefit the administration of the 2006 LTIS, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any Provident Financial Group member, do not require the approval of the Company in general meeting.

11.7 **Employee Benefit Trust**

The Company operates an employee benefit trust, the Provident Financial plc 2007 Employee Benefit Trust (the "**EBT**"). As at 22 February 2018 (being the last practicable date prior to the publication of this Prospectus), the EBT held 659,213 unallocated Shares.

11.8 **Outstanding options under the Company and Provident Financial Group member employee share plans**

Save as disclosed below, none of the share capital of any member of the Provident Financial Group is under option or agreed conditionally or unconditionally to be put under option.[1]

Plans	Exercise price range (£)	Number of shares under option/ award as at 22 February 2018
SAYE	**6.62 – 24.06**	**1,862,103**
PSP (Matching Awards only)	**-**	**136,904**

12. **PENSION ARRANGEMENTS**

The Provident Financial Group operates four pension schemes in the UK. The Provident Financial Group operates a defined benefit pension scheme for 157 current staff, 3,508 former employees and 2,635 pensioners. The Scheme was substantially closed to new employees joining the Provident Financial Group after 1 January 2003. There is a risk that the liabilities within the Scheme may materially exceed the assets in the Scheme due to changes in corporate bond yields, inflation, equity and bond returns and mortality rates. The current economic environment has led to volatile movements in equity markets and corporate yields and mortality rates have been improving in the UK. The Provident Financial Group and the Trustees of the defined benefit pension scheme have sought to minimise the investment and market risks by adopting a low-risk investment strategy and investing 60 per cent. in gilts, 20 per cent. in bonds, 10 per cent. in diversified growth funds and 10 per cent. in equities. Within the portfolio there is hedging against adverse changes in interest rates and inflation. The de-risking investment strategy is kept under close review by both the trustees and the Company.

As at 31 December 2017, the Provident Financial Group had a pension asset, calculated in accordance with IAS 19 "Employee benefits", of £102.3 million on its balance sheet. The Provident Financial Group undertakes a full actuarial valuation of the Scheme every three years, with the next such valuation to be carried out on 1 June 2018. Employee involvement in the Provident Financial 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.

There are currently three member nominated trustees and three trustees appointed by the Company in relation to the Scheme.

The Provident Financial Group also operates a Provident Financial Group personal pension plan for employees who joined the Provident Financial Group from 1 January 2003.

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 offers an alternative to a cash payment in lieu of a pension benefit.

In October 2013, the Provident Financial Group auto-enrolled all eligible staff into a new scheme designed for auto-enrolment.

The Company arranges Pension Trustee Indemnity Insurance to cover all of the Provident Financial Group's pension schemes where individuals act as trustees. The trustees are protected by an indemnity within each scheme's rules and this insurance effectively protects the business against the cost of potential claims impacted on the solvency of the pension schemes.

13. WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the Existing Facilities available to the Provident Financial Group, the Provident Financial Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

14. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Provident Financial Group since 31 December 2017, the date to which the audited consolidated historical financial information of the Provident Financial Group was prepared.

15. LEGAL AND REGULATORY PROCEEDINGS

15.1 Save as disclosed in paragraphs 15.2 to 15.4 below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have, or have had a significant effect on the financial position or profitability of the Provident Financial Group.

15.2 The FCA's investigation into Vanquis Bank's ROP

On 24 February 2017, the FCA commenced an investigation into the sale of Vanquis Bank's ROP. The ROP is made up of the following features:

- "Account Freeze", which permits customers to freeze their accounts and not pay interest for up to 24 months if they experience certain defined circumstances which impact their ability to make payments;
- "Lifeline", which is activated automatically once a year if customers choose not to make their minimum monthly payment for any reason such that the customer's Vanquis Bank account will not show as being in arrears on external credit reports;
- "Payment Holiday", which can be activated once a year, at the request of a customer, such that the customer is able to miss a minimum monthly payment without showing as being in arrears on external credit reports;
- "Overlimit", SMS alerts are sent if customers are close to, or over, their credit limit; and
- payment reminders, these are sent by SMS five days before a customer's payment due date.

Customers are offered either a "Full Plan" which is for people who are in full, part-time or temporary employment or self-employment, or a "Standard Plan" which is for people who are homemakers, students, retired or not in employment. The Plans cost £1.29 per £100 of monthly outstanding balance and £1.19 per £100 of monthly outstanding balance, respectively.

The FCA investigation related to the period 1 April 2014 to 19 April 2016 and involved an investigation into whether Vanquis Bank contravened Principle 3 (Management and control)[17], Principle 6 (Customers'

[17] "A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

interests)[18], Principle 7 (Communications with clients)[19] of the Principles and/or the CONC rules. In particular the FCA proposed to investigate:

- whether Vanquis Bank's risk management systems and controls were sufficient in that they appear to have failed to identify and mitigate unfair customer outcomes for those who opted to purchase the ROP;
- whether in marketing and selling the ROP, Vanquis Bank provided accurate, complete, balanced and comprehensible information to customers so that they could fairly assess whether it was in their interests to purchase it and whether customers were misled into purchasing the ROP; and
- whether high arrears rates for the ROP customers indicates that Vanquis Bank's creditworthiness assessments were deficient.

In April 2016, Vanquis Bank agreed with the FCA to enter into a voluntary requirement to suspend all new sales of the ROP and to conduct a customer contact exercise, which has since been completed. Following the commencement of the FCA's investigation into the ROP, Vanquis Bank agreed with the PRA not to pay dividends to or enter into certain transactions outside the normal course of business with, the Provident Financial Group without the PRA's consent. This requirement was imposed to provide the PRA with increased visibility to enable it to assess the impact of transactions undertaken with the Provident Financial Group on Vanquis Bank and its retail depositors. This requirement is expected to last until the full and final conclusion of the FCA's investigation into the ROP, including any follow-on actions required by the FCA.

The Provident Financial Group has announced today that settlement has been reached with the FCA in relation to its investigation into the sale of Vanquis Bank's ROP, with Vanquis Bank accepting that it had breached Principle 6 (Customers' interests) and Principle 7 (Communications with clients) of the FCA's Principles for Businesses between 1 April 2014 and 19 April 2016 in relation to its telephone sales of Vanquis Bank's ROP. Pursuant to the settlement: (i) Vanquis Bank has agreed to pay the ROP Financial Penalty of £1,976,000, (ii) the FCA has required Vanquis Bank to pay restitution of £11,876,000 on the agreed basis to customers who opted into ROP after 1 April 2014 and (iii) Vanquis Bank has voluntarily agreed to pay restitution of £156,905,000 on the agreed basis to customers who opted into ROP from inception of the ROP in 2003 to 31 March 2014, notwithstanding that this is a period before the FCA regulated consumer credit activities, leading to the Gross Restitution Amount of £168,781,000. The restitution payments are to refund those customers with the interest element of the ROP from the inception of ROP in 2003 up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. In connection with the settlement, the Provident Financial Group has taken a provision of £172.1 million in its audited consolidated financial statements for the year ended 31 December 2017 which includes (i) the ROP Financial Penalty of £2.0 million, (ii) the Gross Restitution Amount, offset by charged off balances of £26.9 million and less a release of impairment provisions of £14.7 million, resulting in a net restitution payment amount of £127.1 million, (iii) the operational costs associated with these payments (amounting to £12.3 million) and (iv) a contingency in respect of potential additional liability which may arise related to forward flow of complaints in relation to ROP more generally as described below in connection with the ROP (amounting to £30.7 million).

Affected customers covered by the agreed settlement comprise four categories: (i) customers with open Vanquis Bank accounts, (ii) customers with closed Vanquis Bank accounts (these accounts will either be in good order (i.e. no debt is owed to Vanquis Bank) or be closed and settled between Vanquis Bank and the customer, (iii) third party managed accounts, held within Vanquis Bank (these customers are those that are not maintaining their credit agreements and have entered into some form of debt arrangement with a third party overseeing the arrangement), and (iv) charged off accounts where debt has been sold to a third party. In aggregate the total number of affected customers are estimated at approximately 1.2 million customers (after taking into account certain exclusions from the four categories of customer populations agreed with the FCA). The time period covered by the terms of the settlement agreed with the FCA is from the inception of the ROP, in 2003, up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. The agreed settlement with the FCA relates to breaches of Principle 6 (Customers' Interests) and Principle 7 (Communications to Customers) of the FCA's Principles for Businesses. In particular, as a result of the failure to disclose during the sales call that ROP was treated as a purchase transaction and that interest would accordingly be charged and accrue on the ROP fee, there was a serious risk that customers agreed to purchase the ROP without understanding

[18] "A firm must pay due regard to the interests of its customers and treat them fairly."

[19] "A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading."

the full cost of the ROP and that customers were unaware that interest could be charged on the ROP. The FCA made no findings in respect to any of the other areas to investigate.

Having agreed this settlement with the FCA, Vanquis Bank will be working with the FCA on a plan to resume sales of a ROP to new customers.

15.3 **The FCA's investigation into Moneybarn**

In the period prior to and following Moneybarn obtaining full FCA authorisation on 3 June 2016, the Provident Financial Group has been in discussions with the FCA regarding certain of its systems, controls and practices relating to: (i) affordability assessments; (ii) termination of arrangements with customers; (iii) fees and charges; and (iv) forbearance. In July 2016, the FCA carried out a site visit at Moneybarn's registered office to gather more information in relation to the business following Moneybarn's authorisation and following such visit, in September 2016, the FCA set out in a letter that it had certain concerns relating to, among other things, the items described in (i) to (iv) above.

On 4 December 2017, the FCA commenced an investigation into Moneybarn. The FCA investigation relates to the period commencing 1 April 2014 and involves an investigation into whether Moneybarn, including its senior managers, contravened Principle 3 (Management and control), Principle 6 (Customers' interests), and/or Principle 7 (Communications with clients) of the Principles and/or the CONC rules, in particular the FCA is investigating:

- whether Moneybarn's creditworthiness and customer affordability assessments were adequate and compliant with regulatory requirements;
- whether Moneybarn failed to treat customers in default or in arrears with due forbearance and consideration appropriate to their circumstances; and
- whether Moneybarn provided information about its termination processes which was clear, fair and not misleading in order to allow customers to make informed decisions about the different options open to them in respect of the termination process and its financial implications.

Moneybarn continues to cooperate with the FCA in its ongoing investigation into affordability, forbearance and termination options. The estimated cost of £20.0 million, representing management's estimate of the expected outcome in respect of the investigation, has been reflected as an exceptional cost in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017. A final resolution to the investigation is likely to take up to 24 months.

15.4 **22 August Announcement**

On 26 January 2018, the Company received a letter on behalf of an institutional investor (which has a number of subsidiary investment funds) in connection with certain matters disclosed in the 22 August Announcement. On that date, as part of a trading update, the Company announced, among other things, that Vanquis Bank was co-operating with an investigation by the FCA into the ROP, had agreed with the FCA to enter into a voluntary requirement to suspend all new sales of the ROP in April 2016 and had agreed with the PRA, pending the outcome of the FCA investigation, not to pay dividends to, or enter into certain transactions outside the normal course of business with, the Provident Financial Group without the PRA's consent. The institutional investor asserts that the Company is liable to compensate it and its subsidiary investment funds for losses suffered as a result of the fact that certain matters disclosed in the 22 August Announcement were not publicly announced earlier or disclosed to them by the Company in investor meetings. The institutional investor has not quantified the losses that it alleges have been incurred, although it alleges that it and its subsidiary investment funds held significant positions in the Company's shares at the time. The institutional investor asserts that the Company's earlier public announcements were false or misleading or, alternatively, the delay in disclosing those matters publicly was dishonest pursuant to Section 90A of the Financial Services and Markets Act 2000, and the Company made actionable misstatements during those investor meetings. Whilst the matters alleged on behalf of the institutional investor are complex and the Company is at an early stage of analysing the claims, the Company currently believes the claims by the institutional investor are unmeritorious and considers the prospects of the claims being upheld to be limited. As such, the Company intends to defend its position vigorously and to the fullest extent possible.

16. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Provident Financial Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Provident Financial Group, or (b) at any time and contain provisions under which the Company or any member of the Provident Financial Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Provident Financial Group as at the date of this Prospectus.

16.1 Underwriting Agreement

On 27 February 2018, the Company and the Underwriters entered into an underwriting and sponsor's agreement (the "**Underwriting Agreement**").

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to fully underwrite the Rights Issue. The Underwriters (as agents of the Company) have agreed to use reasonable endeavours to procure, on behalf of the Company, subscribers for the New Ordinary Shares which have not been taken up under the Rights Issue (or, at their discretion, for as many as can be so procured) as soon as reasonably practicable and in any event by no later than 4.30 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, for an amount which is not less than the total of the Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured plus the expenses of procurement (including any applicable commissions and VAT). If and to the extent that the Underwriters are unable to procure, on behalf of the Company, subscribers on the basis outlined above, the Underwriters have agreed to subscribe, on a several basis (in their due proportions), for any remaining New Ordinary Shares.

In connection with the Rights Issue, the Company has agreed to pay the Underwriters: (i) an underwriting commission equal to 2.5 per cent. of the gross proceeds of the rights issue (the "**Base Commission**"); and (ii) in the Company's sole and absolute discretion, an additional discretionary commission of up to 0.25 per cent. of the gross proceeds of the Rights Issue (in each case plus any applicable VAT). Out of such Base Commission payable to the Underwriters, the Underwriters shall pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to acquire New Ordinary Shares.

The Company has given certain customary representations, warranties and undertakings to the Underwriters, and customary indemnities to the Underwriters and to certain persons connected with them, in relation to the Rights Issue. The obligations of the Underwriters under the Underwriting Agreement are subject to Admission occurring not later than 8.00 a.m. on 22 March 2018 (or such later time and/or date (being not later than 8.00 a.m. on 16 April 2018) as the Underwriters and the Company may agree) and certain other customary and other conditions to be satisfied prior to Admission including, amongst others:

(a) the passing of the Resolution (without amendment) at the General Meeting on 21 March 2018 (or such later date as the Underwriters may agree) and such Resolution remaining in force;

(b) none of the representations and warranties being untrue, inaccurate or misleading as at the date of the Underwriting Agreement, immediately prior to the publication of any supplementary prospectus published prior to Admission, or immediately prior to Admission (in each case by reference to the facts and circumstances then subsisting);

(c) the Company having complied with and not being in breach, at any time prior to Admission, of any of its obligations under this Agreement or under the terms of the Rights Issue which, in each case, fall to be performed or satisfied prior to Admission and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Rules which fall to be performed or satisfied prior to Admission, save for any non-compliance or breach which, in the good faith opinion of the Underwriters, is not material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or the applications for Admission;

(d) the Subscription and Transfer Agreement and the Option Agreement having been executed by the parties thereto and there having occurred no default or breach of such agreements prior to Admission save for any non-compliance or breach which, in the good faith opinion of the Underwriters, is not material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or the applications for Admission;

(e) no matter referred to in Section 87G of the FSMA arising in the period between the time of publication of this Prospectus and the time of Admission and no supplementary prospectus being required to be published by or on behalf of the Company before Admission, save as the Underwriters (acting in good faith) consider is not materially adverse in the context of the Rights Issue, the underwriting of the New Ordinary Shares or the applications for Admission;

(f) the Company not being in breach of any of the terms of the Revolving Facility Agreement and/or the Term Loan Agreement and/or the Bridge Facility Agreement at any time prior to Admission, save in the case of the Revolving Facility Agreement and the Term Loan Agreement for any breach which in each case has been irrevocably waived pursuant to the Consent Request Letters, and the Consent Request Letters not having been revoked or terminated and remaining in full force and effect prior to Admission; and

(g) there being prior to Admission no developments in relation to certain regulatory matters that are material in the context of the Rights Issue, Admission or the underwriting of the New Ordinary Shares.

If any of the conditions in the Underwriting Agreement is not satisfied (or waived by the Underwriters); or becomes incapable of being satisfied, including for material adverse change and force majeure, by the required time and date (or by such later time and/or date as the Underwriters and the Company may agree) then, save for certain exceptions, the obligations of the parties under the Underwriting Agreement shall cease and terminate without prejudice to any liability for any prior breach of the Underwriting Agreement.

In addition, the Underwriters are entitled to terminate the Underwriting Agreement in certain customary circumstances, but only prior to Admission.

The Company has also agreed that, between the date of the Underwriting Agreement and the date which falls 180 days after the settlement date of the Rights Issue it will not, without the prior written consent of the Underwriters:

(a) directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or file any registration statement under the Securities Act with respect to any of the foregoing (or publicly announce the same);

(b) enter into any swap or other agreement, arrangement or transaction that transfers or confers in whole or in part, directly or indirectly, any of the economic consequences of the ownership of its Ordinary Shares; or

(c) carry out any capital increases or issue any convertible bonds, exchangeable bonds or other securities which are convertible, exchangeable, exercisable into, or otherwise give the right to subscribe for or acquire its Ordinary Shares, whether directly or indirectly,

(whether any such swap, agreement, arrangement or transaction described in (a) to (c) above is to be settled by delivery of Ordinary Shares, cash or otherwise), provided that the restrictions above shall not apply in relation to (i) the issuance of the New Ordinary Shares to be issued in the context of the Rights Issue, and (ii) the grant or award in the ordinary course of options or Ordinary Shares under, and allotments and issuances of Ordinary Shares of the Company pursuant to, the Company's executive or employee share schemes or incentive plans existing on the date hereof.

The Underwriters and certain of their respective affiliates have from time to time engaged in, are currently engaged in, and may in future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. They have received and will receive customary fees and commissions for these transactions and services. For further information please see paragraph 16.3 and paragraph 16.4 in this Part XIV "*Additional Information*".

16.2 **Option and Subscription and Transfer Agreements**

In connection with the Rights Issue, the Company, J.P. Morgan Cazenove and Newco have entered into a subscription and transfer agreement dated 27 February 2018 (the "**Subscription and Transfer Agreement**") and an option agreement dated 27 February 2018 (the "**Option Agreement**"), in relation to the subscription and transfer of ordinary shares and redeemable preference shares in Newco.

Under the terms of these agreements:

(i) the Company and J.P. Morgan Cazenove have agreed to subscribe for ordinary shares in Newco and enter into certain put and call options in respect of the ordinary shares in Newco subscribed for by J.P. Morgan Cazenove that are exercisable if the Rights Issue does not proceed;

(ii) J.P. Morgan Cazenove has agreed to apply an amount equal to monies received (and held by the Receiving Agent) from Qualifying Shareholders and renouncees and from subscribers of New Ordinary Shares not taken up by Qualifying Shareholders and renouncees under the Rights Issue, to subscribe for redeemable "A" preference shares and redeemable "B" preference shares in Newco at an aggregate value equal to such monies (after deducting relevant commissions and expenses); and

(iii) the Company will allot and issue the New Ordinary Shares directly to those persons entitled thereto in consideration of J.P. Morgan Cazenove transferring its holdings of redeemable preference shares and ordinary shares in Newco to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Rights Issue the Company will own the entire issued ordinary share capital and entire issued redeemable "A" preference share capital and redeemable "B" preference share capital of Newco whose only assets will be its cash reserves, which will represent an amount equal to the net proceeds of the Rights Issue.

The Company will be able to utilise this amount on redemption of the redeemable preference shares it will hold in Newco and/or during any interim period prior to redemption, by procuring that Newco lends the amount to the Company (or one of the Company's subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against J.P. Morgan Cazenove pursuant to these arrangements. The Company will be responsible for enforcing the obligations of J.P. Morgan Cazenove and Newco thereunder.

16.3 Revolving Facility Agreement and RCF Consent Request Letter

Revolving Facility Agreement

On 31 January 2017, the Company as parent and an original borrower, Provident Personal Credit Limited as an original borrower, the parties named therein as original guaranteeing subsidiaries and Abbey National Treasury Services plc (trading as Santander Global Corporate Banking), Barclays Bank PLC, Lloyds Bank plc and The Royal Bank of Scotland plc as bookrunners and mandated lead arrangers, the financial institutions named therein as original lenders (the "**RCF Lenders**") and The Royal Bank of Scotland plc as agent (the "**RCF Agent**") entered into a revolving facility agreement (the "**Revolving Facility Agreement**"). The Revolving Facility Agreement consists of a multi-currency revolving credit facility in an aggregate amount equal to £450,000,000 (the "**Revolving Credit Facility**") and any drawings thereunder represent senior unsecured obligations of the Company that rank at least pari-passu with any other of the Company's unsubordinated and unsecured borrowings or guarantees. The Revolving Credit Facility is guaranteed by the Company, PPC, PFMSL, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No. 1 Limited.

The Revolving Credit Facility was made available, first, to prepay or repay in full the £382,500,000 multi-currency revolving facility agreement dated 31 January 2014 between, amongst others, the Company and The Royal Bank of Scotland plc as agent, and thereafter for the general corporate purposes of the Provident Financial Group. The final maturity date of the Revolving Credit Facility is 10 May 2020 and the facility is available for drawing until the date falling one month prior to its scheduled final maturity date. As at 23 February 2018, approximately £384,000,000 Sterling equivalent of the Revolving Credit Facility was utilised.

Each loan made under the Revolving Credit Facility is required to be repaid on the last day of its interest period and the relevant interest period can be one week, one, two, three or six months or any other period agreed between the Company and the RCF Agent. The interest rate payable on each loan for each interest period is the aggregate of LIBOR or, in relation to any loan denominated in euro, EURIBOR and a margin of 2.25 per cent. per annum.

Customary fees are payable to the RCF Agent along with a commitment fee payable to the RCF Agent (for the account of each (a) original lender under the Revolving Facility Agreement and (b) any bank, financial institution, trust, fund or other entity which has become a party to the Revolving Facility Agreement, which in each case has not ceased to be a party in accordance with the terms of the Revolving Facility

Agreement) at the rate of 40 per cent. of the margin, payable on the unutilised amounts under the Revolving Credit Facility for the availability period.

In addition, subject to certain exceptions and limitations (including those imposed by applicable law), each member of the Provident Financial Group that has gross tangible assets representing 7.5 per cent. or more of the gross tangible assets of the Provident Financial Group or whose profit (calculated on the same basis as consolidated EBITA) represents 7.5 per cent. or more of consolidated EBITA (each, a "**Material Subsidiary**") must become a guarantor of the Revolving Credit Facility within 45 days from the date the Company becomes aware that such entity qualifies as a Material Subsidiary.

The Revolving Facility Agreement contains customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties, financial covenants and events of default, including:

(a) if required by a lender, mandatory prepayment of all utilisations provided by that lender, and cancellation of that lender's commitments upon a change of control i.e. where any person or group of persons acting in concert (within the meaning of The City Code on Takeovers and Mergers) gains control of the Company;

(b) financial covenants requiring that: (i) the ratio of consolidated EBITA to consolidated net interest payable (the "**RCF Interest Cover Ratio**") shall not be less than 2.00:1; and (ii) the ratio of cash collections received to credit issued shall not be less than 1.00:1, each tested on a rolling 12-month period ending on each quarter-end date, each semi-annual date and each year-end date;

(c) financial covenants requiring that: (i) the ratio of consolidated total net borrowings to consolidated net worth does not exceed 5.00:1; (ii) consolidated net worth shall not be less than £400,000,000 at any time; and (iii) consolidated net worth less Vanquis Bank Limited net worth shall not be less than £155,000,000 at any time, each to be evidenced on each quarter-end date, each semi-annual date and each year-end date;

(d) covenants imposing restrictions on the Provident Financial Group's ability to enter into mergers, incur additional financial indebtedness, make acquisitions and disposals, grant security or make a substantial change to the general nature of the Provident Financial Group (in each case subject to certain exceptions);

(e) voluntary prepayment of loans (subject to minimum amounts and prior notice);

(f) events of default including non-payment, failure to comply with financial covenants, misrepresentation and breach of other obligations, cross default (in relation to certain other financial indebtedness of the Provident Financial Group, subject to a £10,000,000 *de minimis* threshold), insolvency, unlawfulness, invalidity, repudiation of the finance documents and material adverse change (subject to customary grace periods and thresholds); and

(g) certain ongoing financial information provisions.

Upon the occurrence of any event of default which is continuing, the majority lenders (being the lenders whose commitments aggregate more than 75 per cent. of the total commitments) may direct the RCF Agent to (i) cancel the total commitments; (ii) declare all or part of the outstanding loan and accrued interest immediately due and payable; and/or (iii) declare that all or part of the outstanding loan be payable on demand.

Barclays (a Joint Bookrunner and Underwriter of the Rights Issue) is one of the RCF Lenders and as at 21 February 2018 had lent 22 per cent. of the aggregate principal amount outstanding under the Revolving Credit Facility. The Company intends to use a portion of the net proceeds from the Rights Issue to make repayments under the Revolving Credit Facility. For further information please see paragraph 3 in Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus.

RCF Consent Request Letter

On 16 February 2018, the RCF Agent countersigned a consent request letter from the Company dated 16 February 2018 (the "**RCF Consent Request Letter**") pursuant to which the RCF Lenders agreed that:

(a) the Revolving Facility Agreement shall apply as if the RCF Interest Cover Ratio was 1.25:1 in respect of each of the rolling twelve month periods ending on 31 March 2018 and 30 June 2018, and shall thereafter revert to 2.0:1;

(b) the requirement that consolidated net worth shall not be less than £400,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000;

(c) the requirement that consolidated net worth less Vanquis Bank net worth shall not be less than £155,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth less Vanquis Bank net worth shall not be less than £100,000,000.

The RCF Lenders also irrevocably waived any default or event of default resulting from any other matter directly relating to the proposal, implementation or negotiation of the RCF Consent Request Letter, the M&G Consent Request Letter, the Rights Issue and/or the FCA Investigations and/or any agreements reached with the relevant authorities in relation to the FCA Investigations, in each case which has arisen or may arise prior to the date on which funds have been received by the relevant member of the Provident Financial Group in connection with the Rights Issue, save that this waiver will not apply to any default or event of default as a result of default by the Company in the due performance or observance of the covenants set out in clause 21 (*Financial Covenants*) of the Revolving Facility Agreement (as amended in accordance with the RCF Consent Request as set out above).

The amendments and waivers granted pursuant to the RCF Consent Request Letter shall be effective on the date on which the Company has entered into the Bridge Facility Agreement.

The RCF Consent Request Letter contains representations and warranties that:

(a) save as set out in the information pack provided to the RCF Lenders (the "**RCF Information Pack**"), the repeating representations under the Revolving Facility Agreement are true as at the date of the RCF Consent Request Letter and the date on which the amendments and waivers granted under the RCF Consent Request Letter become effective;

(b) the RCF Information Pack, the RCF Consent Request Letter and any other information in writing prepared by the Company or any member of the Provident Financial Group and provided to the RCF Agent in connection with the amendments and waivers (the "**RCF Waiver Information Package**") has been prepared on the basis of recent historical information and assumptions believed by the Company to be reasonable and, in so far as it relates to the FCA Investigations, is representative of the discussions that the Company has had to date with the FCA;

(c) each expression of opinion or intention contained in the RCF Waiver Information Package was made after careful consideration and enquiry and is believed by the Company to be reasonable as at the date at which it is stated to be given;

(d) the RCF Waiver Information Package did not omit as at its date any information known to the Company which, if disclosed, would make the RCF Waiver Information Package untrue or misleading in any material respect; and

(e) an event of default will exist if any representation in the RCF Consent Request Letter proves to have been false or incorrect in any material respect when made.

The amendments and waivers granted pursuant to the RCF Consent Request Letter shall cease to be effective on:

(a) 6 March 2018 unless on or before 5 March 2018 the Company has entered into the Underwriting Agreement in respect of the Rights Issue by which J.P. Morgan Securities plc and Barclays Bank plc have committed, subject to certain conditions, to underwrite the full amount of the Rights Issue;

(b) 1 April 2018 unless on or before 30 March 2018:

  (i) the Company has launched the Rights Issue to raise an aggregate amount of at least £45,000,000 more than any provision created in relation to the FCA Investigations at the date of the launch (the "**Launch**");

  (ii) the Company has delivered to the RCF Agent its audited consolidated annual financial statements for the financial year ended 2017, a copy of the final Prospectus and a copy of the Deloitte working capital report;

(c) if at any time:

  (i) the shareholders of the Company do not provide the necessary consent for the Rights Issue at the general meeting convened to approve the Rights Issue;

(ii) the Company publicly announces that it will not pursue the Rights Issue;

(iii) the Underwriting Agreement ceases to be effective or is terminated, or any of the underwriters thereunder withdraws from its underwriting commitment in accordance with the terms of the Underwriting Agreement;

(iv) the Bridge Facility Agreement ceases to be effective or is terminated, or any of the Bridge Lenders cancels its commitments in accordance with the terms of the Bridge Facility Agreement; or

(d) on the date falling three months after the date of the Launch, unless the relevant member of the Provident Financial Group has received funds in connection with the Rights Issue in an aggregate net amount referred to in paragraph (b)(i) above; or

(e) if, upon receipt, the proceeds of the Rights Issue are not applied towards repayment in full of amounts outstanding under the Bridge Facility Agreement, towards a capital injection into Vanquis Bank and, as to the balance, for the general corporate purposes of the Provident Financial Group.

16.4 Term Loan Agreement and M&G Consent Request Letter

Term Loan Agreement

On 12 January 2011, the Company, Prudential/M&G UK Companies Financing Fund LP as arranger and original lender, the parties named therein as original guaranteeing subsidiaries and M&G Investment Management Limited as the agent (the "**TL Agent**") entered into a term loan agreement (the "**Term Loan Agreement**"). The Term Loan Agreement was subsequently amended and restated by an amendment agreement on 26 September 2014. The Term Loan Agreement consists of a sterling term loan facility in an aggregate amount equal to £100,000,000 (the "**Term Loan Facility**") and was made available for the general corporate purposes of the Provident Financial Group. The Term Loan Facility represents a senior unsecured obligation of the Company and ranks at least pari-passu with any other of the Company's unsubordinated and unsecured borrowings or guarantees, including its the obligations under the Revolving Facility Agreement.

The Term Loan Facility is required to be repaid in instalments beginning on the fifth anniversary of 31 January 2011 (the "**Utilisation Date**") and each anniversary thereafter until the final maturity date (being the tenth anniversary of the Utilisation Date). As at 31 December 2017, the amount outstanding under the Term Loan Facility was £80 million, to be repaid as follows: (i) £15 million on 31 January 2018; (ii) £15 million on 31 January 2019; (iii) £25 million on 31 January 2020; and (iv) £25 million on 31 January 2021. Customary fees are payable to the TL Agent.

The Term Loan Facility is guaranteed by the Company, PPC, Greenwood Personal Credit Limited, PFMSL, Provident Investments plc and Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited. In addition, subject to certain exceptions and limitations (including those imposed by applicable law), each member of the Provident Financial Group that has gross tangible assets representing 7.5 per cent. or more of the gross tangible assets of the Provident Financial Group or whose profit (calculated on the same basis as consolidated EBITA) represents 7.5 per cent. or more of consolidated EBITA must become a guarantor of the Term Loan Facility within 45 days from the date the Company becomes aware that such entity qualifies as a Material Subsidiary.

The Term Loan Agreement contains customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties, financial covenants and events of default, including:

(a) if required by a lender, mandatory prepayment of all utilisations provided by that lender upon a change of control i.e. where any person or group of persons acting in concert (within the meaning of The City Code on Takeovers and Mergers) gains control of the Company;

(b) financial covenants, requiring that: (i) the ratio of consolidated EBITA to consolidated net interest payable (the "**M&G Interest Cover Ratio**") shall not be less than 2.00:1; and (ii) the ratio of cash collections received to credit issued shall not be less than 1.10:1, each tested on a rolling 12-month period ending on each quarter-end date, each semi-annual date and each year-end date.

(c) financial covenants, requiring that: (i) the ratio of consolidated total net borrowings to consolidated net worth does not exceed 5.00:1; (ii) consolidated net worth shall not be less than £400,000,000 at any time; and (iii) consolidated net worth less Vanquis Bank Limited net worth shall not be less than £155,000,000 at any time, each to be evidenced on each quarter-end date, each semi-annual date and each year-end date.

(d) covenants imposing restrictions on the Provident Financial Group's ability to enter into mergers, incur additional financial indebtedness, make acquisitions and disposals, grant security or make a substantial change to the general nature of the Provident Financial Group (in each case subject to certain exceptions);

(e) events of default including non-payment, failure to comply with financial covenants, misrepresentation and breach of other obligations, cross default (in relation to certain other financial indebtedness of the Provident Financial Group, subject to a £10,000,000 *de minimis* threshold), insolvency, unlawfulness, invalidity, repudiation of the finance documents and material adverse change (subject to customary grace periods and thresholds); and

(f) certain ongoing financial information provisions.

Upon the occurrence of any event of default which is continuing, the majority lenders (being the lenders whose commitments aggregate more than 66⅔ per cent. of the total commitments) may direct the TL Agent to: (i) cancel the total commitments; (ii) declare all or part of the outstanding loan and accrued interest immediately due and payable; and/or (iii) declare that all or part of the outstanding loan be payable on demand.

M&G Consent Request Letter

On 16 February 2018, the TL Agent countersigned a consent request letter from the Company dated 16 February 2018 (the "**M&G Consent Request Letter**") pursuant to which the M&G Lender agreed that:

(a) the Term Loan Agreement shall apply as if the M&G Interest Cover Ratio was 1.25:1 in respect of each of the rolling twelve month periods ending on 31 March 2018 and 30 June 2018, and shall thereafter revert to 2.0:1;

(b) the requirement that consolidated net worth shall not be less than £400,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000;

(c) the requirement that consolidated net worth less Vanquis net worth shall not be less than £155,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth less Vanquis net worth shall not be less than £100,000,000,

The M&G Lender also irrevocably waived any default or event of default resulting from any other matter directly relating to the proposal, implementation or negotiation of the M&G Consent Request Letter, the RCF Consent Request Letter, the Rights Issue and/or the FCA Investigations and/or any agreements reached with the relevant authorities in relation to the FCA Investigations, in each case which has arisen or may arise prior to the date on which funds have been received by the relevant member of the Provident Financial Group in connection with the Rights Issue, save that this waiver will not apply to any default or event of default as a result of default by the Company in the due performance or observance of the covenants set out in clause 20 (*Financial Covenants*) of the Term Loan Agreement (as amended in accordance with the M&G Consent Request as set out above).

The M&G Consent Request Letter contains representations and warranties that:

(a) save as set out in the information pack provided to the M&G Lender (the "**M&G Information Pack**"), the repeating representations under the Term Loan Agreement are true as at the date of the M&G Consent Request Letter and the date on which the amendments and waivers granted under the M&G Consent Request Letter become effective;

(b) the M&G Information Pack, the M&G Consent Request Letter and any other information in writing prepared by the Company or any member of the Group and provided to the TL Agent in connection with the amendments and waivers (the "**M&G Waiver Information Package**") has been prepared on the basis of recent historical information and assumptions believed by the Company to be reasonable and, in so far as it relates to the FCA Investigations, is representative of the discussions that the Company has had to date with the FCA;

(c) each expression of opinion or intention contained in the M&G Waiver Information Package was made after careful consideration and enquiry and is believed by the Company to be reasonable as at the date at which it is stated to be given;

(d) the M&G Waiver Information Package did not omit as at its date any information known to the Company which, if disclosed, would make the M&G Waiver Information Package untrue or misleading in any material respect; and

(e) an event of default will exist if any representation in the M&G Consent Request Letter proves to have been false or incorrect in any material respect when made.

The Company also undertakes to offer (and/or procure the offer) to the M&G Lender any terms offered to any RCF Lender in connection with seeking consent to the equivalent matters referred to in the M&G Consent Request Letter which are or may reasonably be expected to be more favourable to any such RCF Lender in any material respect than those provided for in the M&G Consent Request Letter.

The amendments and waivers granted under the M&G Consent Request Letter shall be effective on the date on which the Company has entered into the Bridge Facility Agreement.

The amendments and waivers granted under the M&G Consent Request Letter shall cease to be effective on:

(a) 6 March 2018 unless on or before 5 March 2018:

  (i) the Company has entered into the Underwriting Agreement in respect of the Rights Issue by which J.P. Morgan Securities plc and Barclays Bank PLC have committed, subject to certain conditions, to underwrite the full amount of the Rights Issue; and

  (ii) the Company has delivered to the Agent a copy of the conditions to and termination events under the Underwriting Agreement;

(b) 1 April 2018 unless on or before 30 March 2018:

  (i) the Launch has occurred;

  (ii) the Company has delivered to the TL Agent its audited consolidated annual financial statements for the financial year ended 2017, a copy of the final Prospectus and a copy of the Deloitte working capital report;

(c) if at any time:

  (i) the shareholders of the Company do not provide the necessary consent for the Rights Issue at the general meeting convened to approve the Rights Issue;

  (ii) the Company publicly announces that it will not pursue the Rights Issue;

  (iii) the Underwriting Agreement ceases to be effective or is terminated, or any of the underwriters thereunder withdraws from its underwriting commitment in accordance with the terms of the Underwriting Agreement;

  (iv) the Bridge Facility Agreement ceases to be effective or is terminated, or any of the Bridge Lenders cancels its commitments in accordance with the terms of the Bridge Facility Agreement;

(d) the date falling three months after the date of the Launch, unless the relevant member of the Provident Financial Group has received funds in connection with the Rights Issue in an aggregate net amount referred to in paragraph (b)(i) above; or

(e) the proceeds of the Rights Issue are not applied towards repayment in full of amounts outstanding under the Bridge Facility Agreement, towards a capital injection into Vanquis Bank Limited and, as to the balance, for the general corporate purposes of the Provident Financial Group, provided that such balance will not be used to make any payment or repayment under the Revolving Facility Agreement which results in a cancellation of any part of the total commitments thereunder.

16.5 Bridge Facility Agreement

On 20 February 2018, the Company as borrower, Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch as lenders (each a "**Bridge Lender**", together the "**Bridge Lenders**") and Barclays Bank PLC as agent (the "**Bridge Agent**") entered into a bridge facility agreement (the "**Bridge Facility Agreement**"). The Bridge Facility Agreement consists of a sterling term loan facility in an aggregate amount equal to £85,000,000 (the "**Bridge Facility**") and any drawing thereunder represents senior unsecured obligations of the Company that ranks at least pari-passu with any other of the Company's unsubordinated and unsecured borrowings or guarantees. The Bridge Facility is not guaranteed.

The proceeds of the Bridge Facility are to be applied in connection with the refinancing of the Existing Intercompany Loan Agreement.

The termination date of the Bridge Facility is the date falling three months after the announcement of the Rights Issue. The Bridge Facility is available for drawing until the earlier of: the date falling three business days after the satisfaction of the conditions precedent; and (ii) 30 March 2018. The interest rate payable on the loan for each interest period is the aggregate of LIBOR and a margin of 2.00 per cent. per annum.

The Bridge Facility Agreement contains customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties and events of default, including:

(a) as conditions precedent, a copy of the executed Underwriting Agreement, a copy of the executed Subscription and Transfer Agreement, a copy of the services agreement entered into with the Receiving Agent (the "**Receiving Agent Services Agreement**"), a copy of the latest draft Working Capital Report prepared by Deloitte, a copy of the RNS announcement confirming that the Company will undertake the Rights Issue, the final form prospectus for the Rights Issue to be submitted to the UK Listing Authority for final approval, a copy of each of the Consent Request Letters executed by each of the parties to it, a certified group structure chart showing the percentage of shares owned by each shareholder of each member of the Provident Financial Group (excluding the Company), a copy of the New Intercompany Loan Agreement and an irrevocable payment instruction in relation to the application of the proceeds of the Rights Issue in repayment of the Bridge Facility;

(b) as conditions subsequent, evidence that that all amounts outstanding under the Existing Intercompany Loan Agreement have been irrevocably repaid in full and that all of the commitments thereunder have been cancelled one Business Day after the first utilisation date under the Bridge Facility Agreement, the issued prospectus for the Rights Issue, the 2017 audited consolidated financial statements for the Company and the final Working Capital Report issued by Deloitte;

(c) covenants imposing restrictions on (i) the Company's ability to pay any dividend or redeem its shares or make any amendment to the Underwriting Agreement, the Subscription and Transfer Agreement or the Receiving Agent Services Agreement (save where any such amendment is of a technical, administrative or typographical nature); and (ii) the Provident Financial Group's ability to enter into mergers, incur additional financial indebtedness, make acquisitions and disposals, grant security or make a substantial change to the general nature of the Provident Financial Group (in each case subject to certain exceptions);

(d) voluntary prepayment of loans (subject to minimum amounts and prior notice);

(e) events of default including non-payment, misrepresentation and breach of other obligations, cross default (in relation to certain other financial indebtedness of the Provident Financial Group, subject to a £10,000,000 de minimis threshold), insolvency, unlawfulness, ownership of the obligors, invalidity, repudiation of the finance documents, rescission, repudiation or termination of the Underwriting Agreement, material adverse change (subject to customary grace periods and thresholds), in circumstances where the shareholders of the Company do not provide the necessary consent for the Rights Issue at the general meeting convened to approve the Rights Issue, where the Company publically announces that it will not pursue the Rights Issue and in the event of misrepresentation under the Consent Request Letters; and

(f) certain ongoing financial information provisions and covenants to provide certain information in respect of the Underwriting Agreement.

The Bridge Facility Agreement also provides that no event of default shall arise (save in respect of the rescission, repudiation or termination of the Underwriting Agreement, in circumstances where the shareholders of the Company do not provide the necessary consent for the Rights Issue at the general meeting convened to approve the Rights Issue, in certain circumstances linked to the terms of the Consent Request Letters and where the Company publically announces that it will not pursue the Rights Issue), no default will be continuing and there shall be no breach of representation under the Bridge Facility Agreement in relation to any matter directly relating to the proposal, implementation or negotiation of the M&G Consent Request Letter and the RCF Consent Request Letter, the Rights Issue and/or relating to the ongoing investigations by the FCA into the Repayment Option Plan of Vanquis Bank and various aspects of the business conducted by Moneybarn (the "**FCA Investigations**") and/or any agreements reached with the relevant authorities (which shall include, but not be limited to the FCA and the PRA) in relation to the FCA Investigations, in each case which has arisen or may arise prior to the date on which funds have been received by the relevant member of the Provident Financial Group in connection with the Rights Issue.

Upon the occurrence of any event of default which is continuing, each Bridge Lender may (i) cancel the commitments of that Bridge Lender; (ii) declare all or part of the outstanding loans and accrued interest immediately due and payable; and/or (iii) declare that all or part of the outstanding loans be payable on demand.

The Company also undertakes that if, after the date of the Bridge Facility Agreement, any new terms are offered to any lender (save in respect of the terms of the Consent Request Letters) under the Revolving Facility Agreement or the Term Loan Agreement which are or may reasonably be expected to be more favourable to such lender than those provided for in the Bridge Facility, the Company shall offer and/or procure the offer of the same terms to each Bridge Lender, mutatis mutandis.

Barclays (a Joint Bookrunner and Underwriter of the Rights Issue) is one of the Bridge Lenders and as at 20 February 2018 had committed 50 per cent. of the aggregate commitments under the Bridge Facility. J.P. Morgan Cazenove (the sole Sponsor and a Joint Bookrunner and Underwriter of the Rights Issue) is an affiliate of JPMorgan Chase Bank, N.A., London Branch, one of the Bridge Lenders which as at 20 February 2018 had committed 50 per cent. of the aggregate commitments under the Bridge Facility. The Company intends to use a portion of the net proceeds from the Rights Issue to repay the Bridge Facility in full. For further information please see paragraph 3 in Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus.

16.6 The Provident Financial Group's 2018 Bonds, 2019 Bonds, 2020 Bonds, 2021 Bonds and 2023 Bonds

General

On 23 October 2009, the Company issued £250.0 million in aggregate principal amount of fixed rate guaranteed bonds due 23 October 2019 (the "**2019 Bonds**") pursuant to an offering circular dated 21 October 2009. On 14 April 2010, the Company issued £25.2 million in aggregate principal amount of fixed rate guaranteed bonds due 14 April 2020 (the "**2020 Bonds**") pursuant to an offering circular dated 23 March 2010.

Pursuant to the Company's £2,000,000,000 Euro Medium Term Bond Programme dated 10 September 2010, as amended, supplemented, restated or updated from time to time, the Company has, on 4 March 2011 issued £20.0 million in aggregate principal amount of floating rate guaranteed bonds due in March 2018 (the "**2018 Bonds**"), on 27 March 2013 issued £65.0 million in aggregate principal amount of fixed rate guaranteed bonds due 27 September 2021 (the "**2021 Bonds**") and on 9 April 2015 issued £60.0 million in aggregate principal amount of fixed rate guaranteed bonds due 9 October 2023 (the "**2023 Bonds**" and together with the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds, the "**Outstanding Bonds**").

Interest

The 2019 Bonds initially bear interest at a rate of 8 per cent. per annum, payable semi-annually in arrears on 23 April and 23 October of each year, from and including 23 April 2010, to and including 23 October 2019. The 2020 Bonds bear interest at a rate of 7 per cent. per annum, payable semi-annually in arrears on 14 April and 14 October of each year, from and including 14 October 2010, to and including 14 April 2020. The 2021 Bonds bear interest at a rate of 6 per cent. per annum, payable semi-annually in arrears on 27 March and 27 September of each year, from and including 27 September 2013, to and including 27 September 2021. The 2023 Bonds bear interest at a rate of 5.125 per cent. per annum, payable semi-annually in arrears on 9 April and 9 October of each year, from and including 9 October 2015, to and including 9 October 2023.

The 2018 Bonds bear interest at a rate equal to three-month sterling LIBOR plus 4.50 per cent. per annum, reset quarterly, payable quarterly in arrears on 4 March, 4 June, 4 September and 4 December of each year, from and including 4 June 2011, to and including the interest payment date falling in or nearest to March 2018.

Step-up and Step-down of interest in relation to the 2019 Bonds

The rate of interest on the 2019 Bonds will be subject to a step-up of 1.25 per cent. per annum following the first public announcement by any Rating Agency of (a) its ceasing to apply a credit rating to the 2019 Bonds or (b) a decrease in the credit rating of the 2019 Bonds with the result that, following such public announcement(s), any of the Rating Agencies rate the 2019 Bonds below investment grade (investment

grade being BBB– or above in relation to Fitch, BBB– or above in relation to S&P or Baa3 or above in relation to Moody's or, where a Substitute Rating Agency (as defined below) has been designated by the Company, a comparable rating or above ("**Investment Grade**").

The rate of interest will revert to the initial rate of interest on the first public announcement by any of the Rating Agencies (a) applying a credit rating to the 2019 Bonds or (b) of an increase in the credit rating of the 2019 Bonds to Investment Grade, with the result that following such public announcement, the 2019 Bonds are rated by each of the Rating Agencies and none of the Rating Agencies rate the 2019 Bonds below Investment Grade.

For the purpose of this sub-section a "**Rating Agency**" means to the extent that a rating of the 2019 Bonds is solicited by the Company from such rating agency, Fitch, Moody's Investors Service, Inc. ("**Moody's**") or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") or their successors or any rating agency (a "**Substitute Rating Agency**") substituted for any of them by the Company from time to time.

Ranking and Guarantee

Each series of Outstanding Bonds and any relative coupons are direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge described below) unsecured obligations of the Company. Payments of principal and interest in respect of the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds have been unconditionally and irrevocably guaranteed by each of PPC, PFMSL, Greenwood Personal Credit Limited and Provident Investments PLC (the "**Original Guarantors**"). Payments of principal and interest in respect of the 2023 Bonds have been unconditionally and irrevocably guaranteed by each of the Original Guarantors and Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited (the "**Moneybarn Guarantors**", and together with the Original Guarantors, the "**Guarantors**"). The guarantees provided by the Moneybarn Guarantors were extended to the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds by virtue of the trust deed dated 6 October 2014.

Redemption

The Company may redeem any series of the Outstanding Bonds in whole, but not in part, at any time, or, in the case of the 2018 Bonds on an interest payment date only, if, as a result of certain changes in tax law, the Company (or, if the relevant guarantee were called, a Guarantor) is or would be required to pay additional amounts with respect to the Outstanding Bonds. If the Company decides to exercise such redemption right, it must pay a price equal to 100 per cent. of the principal amount of the Outstanding Bonds plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Negative Pledge

So long as any series of Outstanding Bonds remains outstanding, neither the Company nor the Guarantors will, and will ensure that none of their subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any relevant indebtedness, or any guarantee or indemnity in respect of any relevant indebtedness, without at the same time or prior thereto according to the relevant series of Outstanding Bonds that remains outstanding providing the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as either: (i) the trustee in relation to such series shall in its absolute discretion deem not materially less beneficial to the interests of the relevant Bondholders; or (ii) shall be approved by an extraordinary resolution of the relevant Bondholders.

Events of Default

The Outstanding Bonds contain customary events of default, including, without limitation, payment defaults, breaches of other obligations, cross-acceleration provisions, certain events of bankruptcy and insolvency and judgment defaults.

Governing Law

The Outstanding Bonds are governed by English law.

17. **RELATED PARTY TRANSACTIONS**

Save as disclosed in: (a) Note 29, Note 28 and Note 29 of the Provident Financial Group's audited consolidated financial information for the years ended 31 December 2015, 2016 and 2017, respectively, each as incorporated by reference into this Prospectus, there were no related party transactions (which for the purposes of this paragraph 17 are those set out in the standards adopted according to Regulation (EC) No 1606/2002) entered into by the Company during the years ended 31 December 2015, 2016 and 2017.

During the period since 31 December 2017 and up to 22 February 2018 (being the latest practicable date prior to the date of publication of this Prospectus), there were no related party transactions (which for the purposes of this paragraph 17 are those set out in the standards adopted according to Regulation (EC) No 1606/2002) entered into by the Company.

18. **DIVIDENDS**

The following table sets out the dividend per Ordinary Share for each financial year ended 31 December 2015, 2016 and 2017:

	For the year ended 31 December		
	2017	**2016**	**2015**
Interim dividend (pence/Ordinary Share)	—	43.2	39.2
Final dividend (pence/Ordinary Share)	N/A	91.4	80.9

19. **CONSENTS**

Deloitte LLP whose registered office is at 4 Brindleyplace, Birmingham B1 2HZ, United Kingdom is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its report set out in Section B of Part XII "*Unaudited Pro Forma Financial Information*" of this Prospectus and the references to its reports in the form and context in which they are respectively included and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the US Securities Act. As the New Ordinary Shares have not been and will not be registered under the US Securities Act, Deloitte LLP has not filed a consent under section 7 of the US Securities Act.

20. **GENERAL**

20.1 The financial information concerning the Provident Financial Group contained in this Prospectus does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Full individual accounts of the Company and each of its subsidiary undertakings for each financial year to which the financial information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies. The consolidated financial statements of the Company in respect of the three years ended 31 December 2015, 2016 and 2017 were reported on by Deloitte LLP whose registered office is at 4 Brindleyplace, Birmingham B1 2HZ, United Kingdom, is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales, the auditors of the Company within the meaning of section 495 of the Companies Act 2006.

20.2 The Issue Price which is to be paid in cash represents a premium of 294.3 pence over the nominal value of 20 $^{8/11}$pence per New Ordinary Share.

20.3 The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement, details of which are set out in paragraph 16.1 of this Part XIV "*Additional Information*".

20.4 The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be £31 million (inclusive of VAT).

20.5 References in this Prospectus to the number of New Ordinary Shares to be issued pursuant to the Rights Issue are based on the assumption that no further Ordinary Shares are issued between the date of this Prospectus and the Record Date for entitlement under the Rights Issue.

21. **DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ, United Kingdom up to and including the date of Admission:

(a) the Articles of Association;

(b) the report by Deloitte LLP referred to in set out in Section B of Part XII "*Unaudited Pro Forma Financial Information*";

(c) the 2017 Annual Report;

(d) the 2016 Annual Report;

(e) the 2015 Annual Report;

(f) the consent letter referred to in paragraph 19 of this Part XIV "*Additional Information*";

(g) the Circular; and

(h) this Prospectus.

22. ANNOUNCEMENT OF RESULTS OF RIGHTS ISSUE

The Company will make an appropriate announcement to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of New Ordinary Shares not taken up by Qualifying Shareholders on or about 10 April 2018.

Dated: 27 February 2018

PART XV
DEFINITIONS

In this Prospectus the following expressions and technical terms have the following meaning unless the context otherwise requires:

"**2006 LTIS**"	the Provident Long Term Incentive Scheme 2006 as more particularly described in paragraph 11.6 in Part XIV "*Additional Information*" of this Prospectus
"**2015 Annual Report**"	the Company's Annual Report and Financial Statements for the year ended 31 December 2015
"**2016 Annual Report**"	the Company's Annual Report and Financial Statements for the year ended 31 December 2016
"**2017 Annual Report**"	the Company's Annual Report and Financial Statements for the year ended 31 December 2017
"**2018 Bonds**"	the issued £20.0 million in aggregate principal amount of floating rate guaranteed bonds due in March 2018
"**2019 Bonds**"	the £250.0 million in aggregate principal amount of fixed rate guaranteed bonds due 23 October 2019
"**2020 Bonds**"	the £25.2 million in aggregate principal amount of fixed rate guaranteed bonds due 14 April 2020
"**2021 Bonds**"	the £65.0 million in aggregate principal amount of fixed rate guaranteed bonds due 27 September 2021
"**2023 Bonds**"	the £60.0 million in aggregate principal amount of fixed rate guaranteed bonds due 9 October 2023
"**acceptor**"	has the meaning given in paragraph 2.1 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus
"**Admission**"	the admission of the New Ordinary Shares (nil paid) to the premium listing segment of the Official List of the FCA becoming effective in accordance with the Listing Rules and the admission of such shares (nil paid) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards (as amended from time to time) of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities
"**APR**"	annual percentage rate
"**ARC**"	Audit and Risk Committee
"**Articles of Association**"	the articles of association of the Company, details of which are set out in paragraph 4 of Part XIV "*Additional Information*" of this Prospectus
"**Audit Committee**"	the audit committee established by the Board

"**Authorities**"	HM Treasury, the Bank of England, the FCA and the PRA
"**BACS**"	the UK BACS system for the electronic processing of financial transactions
"**Banking Act**"	UK Banking Act 2009, as amended
"**Barclays**"	Barclays Bank PLC
"**Basel Committee**"	the Basel Committee on Banking Supervision
"**Basel II**"	a statement of best practice issued by the Basel Committee, that defines the methods by which firms should calculate their regulatory capital requirements to retain enough capital to protect the financial system against unexpected losses. Basel II became law in the CRD, and was implemented in the UK via the FSA Handbook.
"**Basel III**"	changes to the Basel II framework (as agreed by the Basel Committee between 2011 and 2013)
"**Basic Award**"	has the meaning given in paragraph 11.2 of Part XIV "*Additional Information*" of this Prospectus
"**Board**"	the board of directors of the Company
"**Bondholders**"	a holder of one or more of the Outstanding Bonds
"**Bribery Act**"	the UK Bribery Act 2010
"**Bridge Agent**"	Barclays Bank PLC
"**Bridge Facility**"	the £85 million bridge loan facility entered into on 20 February 2018 with Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch as original lenders
"**Bridge Facility Agreement**"	has the meaning given in paragraph 16.5 of Part XIV "*Additional Information*" of this Prospectus
"**Bridge Lenders**"	Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch
"**BRRD**"	Bank Recovery and Resolution Directive (2014/59/EU)
"**Business Day**"	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open in London for the transaction of normal business
"**CAIS**"	Credit Account Information Sharing
"**Capital Requirements Regulation**"	Capital Requirements Regulation (Regulation (EU) 575/2013)
"**CBI**"	Central Bank of Ireland
"**CBS**"	Credit Benefit Services LLC
"**CCA**"	Consumer Credit Act 1974, as amended
"**CCD**"	Consumer Credit Division of the Provident Financial Group
"**CCD Board**"	the board of directors of CCD
"**CCD ExCo**"	CCD Executive Committee

"**CCD Framework**"	CCD's Enterprise Risk Management Framework
"**CCSS**" or "**CREST Courier and Sorting Service**"	the CREST Courier and Sorting Service established by Euroclear UK to facilitate, amongst other things, the deposit and withdrawal of securities
"**CEMs**"	Customer Experience Managers
"**certificated**" or "**in certificated form**"	where a share or other security is not in uncertificated form
"**Certification Regime**"	the FCA's Certification Regime
"**CET1**"	common equity tier 1
"**CHAPS**"	the UK Clearing House Automated Payment System for the same-day processing of pound sterling and euro fund transfers
"**Circular**"	the circular dated 27 February 2018 sent to Shareholders in connection with the General Meeting
"**CLI**"	credit limit increase
"**Closing Price**"	the closing middle market price of an Ordinary Share as derived from the London Stock Exchange's Daily Official List
"**Code**"	the Consumer Protection Code for Licensed Moneylenders
"**Companies Act**"	the UK Companies Act 1948, as amended, the UK Companies Act 1985, as amended or the UK Companies Act 2006, as the context so requires
"**Company**"	Provident Financial plc, a company incorporated under the laws of England and Wales (with registered number 00668987), with its registered office at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU.
"**CONC**"	the FCA Consumer Credit Sourcebook
"**Conflict Authorisation**"	has the meaning given in paragraph 4.12 of Part XIV "*Additional Information*" of this Prospectus
"**Conflict Authorisation Terms**"	has the meaning given in paragraph 4.12 of Part XIV "*Additional Information*" of this Prospectus
"**Conflict Matter**"	has the meaning given in paragraph 4.12 of Part XIV "*Additional Information*" of this Prospectus
"**Consent Request Letters**"	has the meaning given in the risk factor titled "*If the Rights Issue were not to proceed and the Provident Financial Group were unable to obtain an alternative source of capital, the PRA could exercise any of its wide-ranging powers over the Provident Financial Group and/or Vanquis Bank and/or there would, absent a waiver from the Provident Financial Group's lenders, be an event of default under the Bridge Facility and the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective which could result in the Provident Financial Group being required to repay all outstanding amounts under the Bridge Facility, the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds. In such circumstances, any failure by the Provident Financial Group to repay such amounts could result in insolvency proceedings being initiated against the Provident Financial Group.*" of this Prospectus

"**Corporations Act 2001 (Cth)**"	the Corporations Act 2001 of the Commonwealth of Australia
"**Consumer Credit Directive**"	Directive 2008/48/EC on consumer credit
"**Consumer Rights Act**"	Consumer Rights Act 2015
"**CP 17/10**"	FCA consultation paper entitled Credit card market study: consultation on persistent debt and earlier intervention remedies
"**CPA**"	continuous payment authority
"**CRA**"	credit reference agency
"**CRD IV**"	together, the Capital Requirements Regulation and CRD IV Directive
"**CRD IV Directive**"	Capital Requirements Directive (Directive 2013/36/EU)
"**Credit Card Market Study**"	has the meaning given in paragraph 2.2 of "*Risk Factors*" of this Prospectus
"**CREST**"	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear UK is the operator as defined in the CREST Regulations)
"**CREST Deposit Form**"	the form used to deposit securities into the CREST system in the United Kingdom
"**CREST Manual**"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996 and as amended since)
"**CREST member**"	a person who has been admitted to Euroclear UK as a system member (as defined in the CREST Regulations)
"**CREST participant**"	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
"**CREST Regulations**" or "**Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
"**CREST sponsor**"	a CREST participant admitted to CREST as a CREST sponsor
"**CREST sponsored member**"	a CREST member admitted to CREST as a sponsored member
"**CRR**"	Capital Requirements Regulation (Regulation (EU) 575/2013)
"**Daily Official List**"	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
"**dealer brokers**"	has the meaning given in paragraph 7.3 of Part IV "*Business*" of this Prospectus
"**Default Termination**"	has the meaning given in paragraph 7.8 of Part IV "*Business*" of this Prospectus

"**DGSD**"	Deposit Guarantee Schemes Directive (Directive 2009/14/EC)
"**Directors**"	the Executive Directors and Non-executive Directors, whose names appear on page 79 of this Prospectus
"**Disclosure Guidance and Transparency Rules**"	the Disclosure Guidance and Transparency Rules contained in the FCA's sourcebook
"**Division**"	each of Vanquis Bank, the CDD and Moneybarn
"**Divisional Board**"	the board of directors of the Divisions
"**Divisions**"	Vanquis Bank, the CDD and Moneybarn
"**DPA**"	Data Protection Act 1998
"**DTTL**"	Deloitte Touche Tohmatsu Limited
"**EBT**"	the Provident Financial plc 2007 Employee Benefit Trust
"**EIR**"	effective interest rate
"**ERC**"	Enterprise Risk and Compliance
"**EU**" or "**European Union**"	the European Union
"**EURIBOR**"	Euro Interbank Offered Rate
"**euro**" or "**€**"	the lawful currency of the member states of the EU that adopt the single currency in accordance with the EC Treaty
"**Euroclear UK**"	Euroclear UK & Ireland Limited, the operator of CREST
"**European Economic Area**" or "**EEA**"	the EU, Iceland, Norway and Liechtenstein
"**Eurozone**"	those member states of the European Union which have adopted the euro
"**Excluded Territories**" and each an "**Excluded Territory**"	Canada, Japan, People's Republic of China, Republic of South Africa and Russian Federation and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law
"**Executive Committee**"	the Provident Financial Group Executive Committee
"**Executive Directors**"	the executive directors of the Company
"**Existing Facilities**"	the facilities made available under the Existing Finance Agreements
"**Existing Finance Agreements**"	together, the Revolving Facility Agreement and the Term Loan Agreement
"**Existing Intercompany Facility**"	has the meaning in paragraph 3 of Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus

"**Existing Intercompany Loan Agreement**"	has the meaning in paragraph 3 of Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus
"**Existing Ordinary Shares**"	the Ordinary Shares in issue as at the date of this Prospectus
"**Experian**"	Experian Ltd
"**Ex-Rights Date**"	the date on which the Ordinary Shares commence trading ex-rights, expected to be 22 March 2018
"**FCA Handbook**"	the FCA's handbook containing detailed rules and prudential standards set by the FCA
"**FCA Investigations**"	has the meaning given in paragraph 16.5 of Part XIV "*Additional Information*" of this Prospectus
"**FCA Watchlist Letter**"	has the meaning given in the risk factor titled *"The Provident Financial Group is subject to enhanced supervision by the FCA.*"
"**Financial Conduct Authority**" or "**FCA**"	the Financial Conduct Authority of the UK
"**Financial Sections**"	Part IX "*Selected Financial Information*" and Part X "*Operating and Financial Review*" of this Prospectus
"**Financial Services Handbooks**"	together, the FCA Handbook and the PRA Rulebook
"**first instruction**"	has the meaning given in paragraph 2.2(g)(iv) of Part III "*Terms And Conditions Of The Rights Issue*" of this Prospectus
"**FOS**"	Financial Ombudsman Service
"**FPC**"	the Bank of England's Financial Policy Committee
"**Framework**"	the Provident Financial Group's risk management framework
"**FSA**"	Financial Services Authority
"**FSCS**"	Financial Services Compensation Scheme
"**FSDMR**"	Financial Services (Distance Marketing) Regulations 2004
"**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**Full Plan**"	the Full Plan offered in connection with the ROP for people who are in full, part-time or temporary employment or self-employment
"**Fully Paid Rights**"	rights to acquire the New Ordinary Shares, fully paid
"**GDPR**"	the EU General Data Protection Regulation ((EU) 2016/679))
"**General Meeting**"	the general meeting of the Company to be held at 11.00 a.m. on 21 March 2018 at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ (and any adjournment thereof) for the purposes of considering and, if thought fit, approving the Resolution
"**Governance and Risk Programme**"	has the meaning given in paragraph 3 of Part V "*Risk Management*" of this Prospectus
"**Group CRO**"	Group Chief Risk Officer

“**Group Risk Committee**” .... the Provident Financial Group Risk Committee

“**Guarantors**” .... together, the Original Guarantors and the Moneybarn Guarantors

“**HCSTC**” .... High-Cost Short-Term Credit

“**Home Credit**” or “**Provident Financial Group’s Home Credit business**” .... means the home credit business of the Provident Financial Group provided through Provident

“**Home Credit Oversight and Governance Related Matters**” ..... has the meaning given in the risk factor titled “*The Provident Financial Group may be unsuccessful in implementing its Home Credit Recovery Plan based on a revised operating model and restoring customer service and collections performance to acceptable levels.*”

“**IAS**” .... International Accounting Standards

“**IASB**” .... International Accounting Standards Board

“**ICAAP**” .... Internal Capital Adequacy Assessment Process

“**ICG**” .... Individual Capital Guidance

“**ICO**” .... UK Information Commissioner’s Office

“**IFR**” .... Regulation on Interchange Fees for Card-based Payment Transactions ((EU) 2015/751)

“**IFRS**” .... International Financial Reporting Standards as issued by the International Accounting Standards Board

“**IFRS 9**” .... International Financial Reporting Standard 9

“**ILAAP**” .... Internal Liquidity Adequacy Assessment Process

“**Interest Cover Ratio Covenant**” ..... has the meaning given in the risk factor titled “*If the Rights Issue were not to proceed and the Provident Financial Group were unable to obtain an alternative source of capital, the PRA could exercise any of its wide-ranging powers over the Provident Financial Group and/or Vanquis Bank and/or there would, absent a waiver from the Provident Financial Group’s lenders, be an event of default under the Bridge Facility and the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective which could result in the Provident Financial Group being required to repay all outstanding amounts under the Bridge Facility, the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds. In such circumstances, any failure by the Provident Financial Group to repay such amounts could result in insolvency proceedings being initiated against the Provident Financial Group.*” of this Prospectus

“**Interest Step-up**” .... has the meaning given in the risk factor titled “*A downgrade in the credit rating of the Company would have an adverse effect on the Provident Financial Group’s business, results of operations, financial condition, cash flows and prospects.*” of this Prospectus

“**Internal Audit**” .... the Provident Financial Group’s Internal Audit Team

"**Investment Grade**"	has the meaning given in paragraph 16.6 of Part XIV "*Additional Information*" of this Prospectus
"**IR Code**"	U.S. Internal Revenue Code of 1986, as amended
"**IRS**"	U.S. Internal Revenue Service
"**Issue Price**"	315 pence per New Ordinary Share
"**Joint Bookrunners**"	Barclays and J.P. Morgan Cazenove
"**Joint Global Co-ordinators**"	Barclays and J.P. Morgan Cazenove
"**J.P. Morgan Cazenove**"	J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove),
"**KPIs**"	key performance indicators
"**LCR**"	Liquidity Coverage Ratio
"**LCV's**"	Light Commercial Vehicles
"**Lenders**"	the lenders under the Existing Facilities
"**LIBOR**"	London Interbank Offered Rate
"**Link**"	Link Asset Services, a trading name of Link Market Services Limited
"**Liquidity Coverage Ratio**"	has the meaning given in paragraph 2.1 of Part VI "*Regulation*" of this Prospectus
"**Listing Rules**"	the Listing Rules made by the FCA under Part VI of FSMA
"**London Stock Exchange**"	London Stock Exchange plc or its successor(s)
"**LTIS**"	the Provident Financial Group Long Term Incentive Scheme as more particularly described in paragraph 11.1 of Part XIV "*Additional Information*" of this Prospectus
"**LTV**"	loan to value
"**M&G Consent Request Letter**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**M&G Interest Cover Ratio**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**M&G Information Pack**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**M&G Waiver Information Package**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**Matching Award**"	has the meaning given in paragraph 11.2 of Part XIV "*Additional Information*" of this Prospectus
"**Material Subsidiary**"	has the meaning given in paragraph 16.3 of Part XIV "*Additional Information*" of this Prospectus
"**member account ID**"	the identification code or number attached to any member account in CREST

"**MiFID II**"	EU Directive 2014/65/EU on markets in financial instruments, as amended
"**MLD4**"	The Fourth EU Anti Money Laundering Directive (Directive 2015/849)
"**Moneybarn**"	Moneybarn, a division of the Provident Financial Group, which provides vehicle finance
"**Moneybarn Board**"	the board of directors of Moneybarn
"**Moneybarn Credit Committee**"	Moneybarn's Credit Committee
"**Moneybarn ExCo**"	Moneybarn's Executive Committee
"**Moneybarn Framework**"	Moneybarn's internal risk management framework
"**Moneybarn Guarantors**"	has the meaning given in paragraph 16.5 of Part XIV "*Additional Information*" of this Prospectus
"**Moneybarn MD**"	Moneybarn's Managing Director
"**Moneybarn RAC**"	Moneybarn's Risk Advisory Committee
"**Moneybarn Risk Team**"	Moneybarn Risk and Compliance Team
"**Money Laundering Regulations**"	the Money Laundering Regulations Terrorist Financing and Transfer of Funds (Information on the Payer) 2017 (SI 2017/692)
"**monthly payers**"	has the meaning given in paragraph 6.3 of Part IV "*Business*" of this Prospectus
"**Moody's**"	Moody's Investors Service, Inc.
"**Moorcroft**"	Moorcroft Debt Recovery
"**MPC**"	the Bank of England's Monetary Policy Committee
"**MTM**"	has the meaning given in paragraph 3.2 of Part II "*Questions and Answers on the Rights Issue*" of this Prospectus
"**Net Stable Funding Ratio**"	has the meaning given in paragraph 2.1 of Part VI "*Regulation*" of this Prospectus
"**Net Worth Covenant**"	has the meaning given in the risk factor titled "*If the Rights Issue were not to proceed and the Provident Financial Group were unable to obtain an alternative source of capital, the PRA could exercise any of its wide-ranging powers over the Provident Financial Group and/or Vanquis Bank and/or there would, absent a waiver from the Provident Financial Group's lenders, be an event of default under the Bridge Facility and the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective which could result in the Provident Financial Group being required to repay all outstanding amounts under the Bridge Facility, the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds. In such circumstances, any failure by the Provident Financial Group to repay such amounts could result in insolvency proceedings being initiated against the Provident Financial Group.*" of this Prospectus
"**Net Worth Excluding Vanquis Bank Covenant**"	has the meaning given in the risk factor titled "*If the Rights Issue were not to proceed and the Provident Financial Group were unable*

to obtain an alternative source of capital, the PRA could exercise any of its wide-ranging powers over the Provident Financial Group and/ or Vanquis Bank and/or there would, absent a waiver from the Provident Financial Group's lenders, be an event of default under the Bridge Facility and the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective which could result in the Provident Financial Group being required to repay all outstanding amounts under the Bridge Facility, the Revolving Credit Facility, the Term Loan Facility and the Outstanding Bonds. In such circumstances, any failure by the Provident Financial Group to repay such amounts could result in insolvency proceedings being initiated against the Provident Financial Group." of this Prospectus

"**New Intercompany Facility**" . . . . has the meaning in paragraph 3 of Part 1 "*Letter from the Chairman of Provident Financial plc*" of this Prospectus

"**New Intercompany Loan Agreement**" . . . . has the meaning in paragraph 3 of Part I "*Letter from the Chairman of Provident Financial plc*" of this Prospectus

"**New Ordinary Shares**" . . . . Ordinary Shares to be allotted and issued pursuant to the Rights Issue

"**Newco**" . . . . PF JerseyCo Limited

"**Nil Paid Rights**" . . . . New Ordinary Shares in nil paid form to be provisionally allotted to Shareholders pursuant to the Rights Issue

"**Non-executive Directors**" . . . . the non-executive directors of the Company

"**NSFR**" . . . . Net Stable Funding Ratio

"**Official List**" . . . . the Official List of the FCA pursuant to Part VI of FSMA

"**OFT**" . . . . Office of Fair Trading

"**OMG**" . . . . OMG Services Limited

"**Option Agreement**" . . . . has the meaning given in paragraph 16.3 of Part XIV "*Additional Information*" of this Prospectus

"**Ordinary Shares**" or "**Shares**" . . . . . . the ordinary shares of $20^{8}/_{11}$ pence each in the share capital of the Company (including, if the context requires, the New Ordinary Shares)

"**Original Guarantors**" . . . . has the meaning given in paragraph 16.6 of Part XIV "*Additional Information*" of this Prospectus

"**Outstanding Bonds**" . . . . the 2018 Bonds, 2019 Bonds, 2020 Bonds, 2021 Bonds and 2023 Bonds

"**Overseas Shareholders**" . . . . Shareholders with registered addresses outside the UK or who are citizens or residents of, or located in, countries outside the UK

"**participant ID**" . . . . the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant

"**PCC**" . . . . Provident Central Collections

"**PFIC**" . . . . passive foreign investment company

"**PFMSL**" . . . . Provident Financial Management Services Limited

"**Plans**"	the Full Plan and the Standard Plan
"**pounds sterling**" or "**£**"	the lawful currency of the UK
"**PPC**"	Provident Personal Credit Limited
"**PRA**"	Prudential Regulation Authority
"**PRA Rulebook**"	the PRA's rulebook containing detailed rules and prudential standards set by the PRA
"**Principles**"	the FCA's Principles for Businesses
"**Principal Letter**"	has the meaning given in paragraph 2.1 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus
"**pro forma financial information**"	the unaudited pro forma financial information of the Provident Financial Group as at 31 December 2017 and the notes thereto set out in Section A of Part XII "*Unaudited Pro Forma Financial Information*"
"**Prospectus Rules**"	the Prospectus Rules published by the FCA under Section 73A of FSMA
"**Prospectus Directive**"	Directive 2003/71/EC, as amended
"**Provident**"	Provident, a sub-division of CCD, which provides home collected credit products
"**Provident Financial Group**"	the Company and its subsidiaries and subsidiary undertakings from time to time
"**Provident Financial Group Employee Share Plans**"	the 2006 LTIS, LTIS, PSP, SAYE and SIP
"**Provisional Allotment Letter**"	the renounceable provisional allotment letter expected to be sent to Qualifying non-CREST Shareholders in respect of the New Ordinary Shares to be provisionally allotted to them pursuant to the Rights Issue
"**PSD**"	the Payment Services Directive 2007/64/EC
"**PSD2**"	the Second Payment Services Directive
"**PSP**"	the Provident Financial Group Performance Share Plan 2013 as more particularly described in paragraph 11.2 of Part XIV "*Additional Information*" of this Prospectus
"**PSR**"	the Payment Services Regulations 2009 (SI 2009/09)
"**PSR 2**"	Payment Services Regulation 2017 (SI 2017/752)
"**QEF election**"	a qualified electing fund election as more particularly described in paragraph 2.2 of Part XIII "*Taxation*" of this Prospectus
"**QIB**"	qualified institutional buyers
"**QIB Representation Letter**"	has the meaning given in paragraph 2.6 of Part III "*Terms and Conditions of the Rights Issue*" of this Prospectus
"**Qualifying CREST Shareholder**"	a Qualifying Shareholder holding Ordinary Shares in uncertificated form in CREST
"**Qualifying non-CREST Shareholder**"	a Qualifying Shareholder holding Ordinary Shares in certificated form

“**Qualifying Shareholder**” . . . . a holder of Ordinary Shares on the register of members of the Company at close of business on the Record Date with the exclusion (subject to certain exceptions) of persons with a registered address or located or resident in an Excluded Territory

“**Rating Agency**” . . . . has the meaning given in paragraph 16.5 of Part XIV “*Additional Information*” of this Prospectus

“**RCF Agent**” . . . . has the meaning given in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

“**RCF Consent Request Letter**” . . . . . . has the meaning given in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

“**RCF Information Pack**” . . . . has the meaning given in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

“**RCF Interest Cover Ratio**” . . . . has the meaning given in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

“**RCF Lenders**” . . . . has the meaning given in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

“**Receiving Agent**” . . . . Link Asset Services

“**Receiving Agent Services Agreement**”...... . . . . has the meaning given in paragraph 16.5 of Part XIV “*Additional Information*” of this Prospectus

“**Record Date**” . . . . 19 March 2018

“**Recovery Plan**” . . . . the recovery plan for the Home Credit business which is centred around a revised version of the new operating model, retaining the employed CEM approach and some of the new technology, but improving the ability of the Home Credit business to connect with customers at the right time and place consistently, stabilising the operation of the Home Credit business and improving collections performance

“**Registrar**” . . . . the registrars of the Company, Link Market Services Limited at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

“**Regulatory Information Service**” . . . . one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies

“**relevant entity**” . . . . a UK bank, building society, UK investment firm or UK recognised counterparty (for the purposes of the SRR)

“**Relevant Member State**” . . . . each member state of the European Economic Area which has implemented the Prospectus Directive (other than the UK)

“**relevant shares**” . . . . has the meaning given in paragraph 2.1 of Part III *“Terms and Conditions of the Rights Issue”* of this Prospectus

“**Remuneration Committee**” . . . . the remuneration committee established by the Board

“**Resolution**” . . . . the ordinary resolution to be proposed at the General Meeting

“**Revolving Credit Facility**” . . . . has the meaning given in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

“**Revolving Facility Agreement**” . . . . . has the meaning in paragraph 16.3 of Part XIV “*Additional Information*” of this Prospectus

"**RICSA**"	has the meaning given in paragraph 6.2 of Part V *"Risk Management"* of this Prospectus
"**Rights Issue**"	the proposed issue by way of rights of New Ordinary Shares to Shareholders on the basis described in this Prospectus and, in the case of Qualifying non-CREST Shareholders, in the Provisional Allotment Letter
"**RMP**"	risk mitigation programme
"**ROA**"	Adjusted Return on Assets
"**ROE**"	Adjusted Return on Equity
"**ROP**"	Vanquis Bank's Repayment Option Plan
"**RRP**"	recovery and resolution plan
"**RTGS payment mechanism**"	has the meaning given to such term by the CREST Manual
"**RTGS settlement bank**"	has the meaning given to such term by the CREST Manual
"**RWAs**"	risk weighted assets
"**Satsuma**"	Satsuma Loans, a division of the Provident Financial Group, which provides on-line unsecured loans
"**SAYE**"	the Provident Financial Group Savings-Related Share Option Scheme 2013 as more particularly described in paragraph 11.3 of Part XIV "*Additional Information*" of this Prospectus
"**Scheme**"	the Provident Financial Group's defined benefit pension scheme
"**SDRT**"	stamp duty reserve tax
"**SEC**" or "**United States Securities and Exchange Commission**"	the Securities and Exchange Commission, being the United States government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market
"**Senior Manager**"	a Senior Manager under the SMR
"**Shareholder**"	a holder of Ordinary Shares
"**S&P**"	Standard and Poor's Rating Services, a division of the McGraw – Hill Companies, Inc.
"**SIP**"	the Provident Financial Group Share Incentive Plan 2013 as more particularly described in paragraph 11.5 of Part XIV "*Additional Information*" of this Prospectus
"**SIP Trust**"	has the meaning given in paragraph 11.5 of Part XIV "*Additional Information*" of this Prospectus
"**SMR**"	the FCA's Senior Manager's Regime
"**Sponsor**"	J.P. Morgan Cazenove
"**SPR**"	skilled persons review

"**SRR**"	Special resolution regime
"**Standard Plan**"	the Standard Plan offered in connection with the ROP to people who are homemakers, students, retired or not in employment
"**stock account**"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
"**subsidiary**"	has the meaning given in section 1159 of the Companies Act 2006
"**Subscription and Transfer Agreement**"	has the meaning given in paragraph 16.3 of Part XIV "*Additional Information*" of this Prospectus
"**Substitute Rating Agency**"	has the meaning given in paragraph 16.6 of Part XIV "*Additional Information*" of this Prospectus
"**subsidiary undertaking**"	has the meaning given in section 1162 of the Companies Act 2006
"**SYSC 12**"	Chapter 12 of the FCA Handbook (Group risk systems and controls requirements)
"**TCR**"	Total Capital Requirement
"**Term Loan Agreement**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**Term Loan Facility**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**TL Agent**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**Totally Money**"	Totally Money Limited
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK banking group company**"	a UK incorporated company which meets certain conditions and is in the same group as a relevant entity
"**UK Corporate Governance Code**"	UK Corporate Governance Code published by the Financial Reporting Council in April 2016, as amended from time to time
"**UK Listing Authority**"	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA
"**UK Takeover Code**"	the City Code on Takeovers and Mergers (as amended), as issued and administered by The Panel on Takeovers and Mergers
"**uncertificated**" or "**in uncertificated form**"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"**Underwriters**"	Barclays and J.P. Morgan Cazenove

"**Underwriting Agreement**"	the underwriting and sponsor's agreement dated 27 February 2018 between the Company and the Underwriters relating to the Rights Issue and further described in paragraph 16.1 of Part XIV "*Additional Information*" of this Prospectus
"**United States**" or "**US**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**U.S. dollars**" or "**US$**"	the lawful currency of the United States
"**U.S. Holder**"	has the meaning given in paragraph 2 of Part XIII "*Taxation*" of this Prospectus
"**US Securities Act**"	the United States Securities Act of 1933, as amended
"**US Securities Exchange Act**"	the United States Securities Exchange Act of 1934, as amended
"**Utilisation Date**"	has the meaning given in paragraph 16.4 of Part XIV "*Additional Information*" of this Prospectus
"**UURBS**"	the Company's Unfunded Unapproved Retirement Benefits Scheme
"**Vanquis Bank**"	Vanquis Bank Limited
"**Vanquis Bank Board**"	the board of directors of Vanquis Bank
"**Vanquis Bank Credit Committee**"	the Vanquis Bank credit committee
"**Vanquis Bank ExCo**"	the Vanquis Bank Executive Committee
"**Vanquis Bank Risk Committee**"	the Vanquis Bank Risk Committee
"**Vanquis Bank ExCo Risk Forum**"	the Vanquis Bank Executive Committee Risk Forum
"**Vanquis Bank Framework**"	the Vanquis Bank Risk Management Framework
"**Vanquis Bank Risk**"	the Vanquis Bank risk function
"**Vanquis Bank Treasury Committee**"	the Vanquis Bank Treasury Committee
"**VCAP**"	Vanquis Customer Analytics Platform
"**verification of identity requirements**"	has the meaning given in paragraph 2.1 of Part III "*Terms And Conditions Of The Rights Issue*" of this Prospectus
"**Voluntary Termination**"	has the meaning given in paragraph 7.8 of Part IV "*Business*" of this Prospectus
"**weekly payers**"	has the meaning given in paragraph 6.3 of Part IV "*Business*"
"**Zinc**"	Zinc Group Limited

Donnelley Financial Solutions 535597