PROVIDENT FINANCIAL PLC

(incorporated with limited liability in England and Wales)

£2,000,000,000 Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed by
PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED
PROVIDENT PERSONAL CREDIT LIMITED
DUNCTON GROUP LIMITED
MONEYBARN GROUP LIMITED
MONEYBARN NO.1 LIMITED

(each incorporated with limited liability in England and Wales)

This offering circular (the "**Offering Circular**") has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended, (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Offering Circular during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments. References in this Offering Circular to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Regulated Market and have been admitted to the Official List.

Under this £2,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Provident Financial plc (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed on a joint and several basis by Provident Financial Management Services Limited, Provident Personal Credit Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited (each a "**Guarantor**" and together the "**Guarantors**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Issuer and the Programme have been rated BBB- (negative outlook) by Fitch Ratings Ltd. ("**Fitch**"). Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") in accordance with the CRA Regulation. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) applicable to the Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

Arranger

BARCLAYS

Dealers

BARCLAYS	**J.P. MORGAN**
LLOYDS BANK	**NATWEST MARKETS**

Offering Circular dated 16 May 2018

IMPORTANT NOTICES

Responsibility for this Offering Circular

The Issuer and the Guarantors accept responsibility for the information contained in this Offering Circular and in the Final Terms for each Tranche of Notes issued under this Programme. To the best of the knowledge of the Issuer and the Guarantors (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Final Terms/Drawdown Offering Circular

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Offering Circular**") as described under "*Final Terms and Drawdown Offering Circular*" below.

Information incorporated by reference in this Offering Circular

This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Documents Incorporated by Reference*"). and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantors and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantors, any Dealer or Prudential Trustee Company Limited (the "**Trustee**").

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantors since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Offering Circular and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Final Terms comes are required by the Issuer, the Guarantors and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the Securities Act and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

Neither this Offering Circular nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantors, the

Dealers or any of them that any recipient of this Offering Circular or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantors.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Benchmark Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

Alternative Performance Measures

In addition to the financial performance measures established by International Financial Reporting Standards ("**IFRS**"), this Offering Circular contains certain financial measures that are presented for the purpose of assisting securities analysts, investors and other interested parties in understanding Provident Financial Group's (as defined herein) financial performance. The relevant metrics are identified as Alternative Performance Measures ("**APMs**") for the purposes of the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority and are accompanied by an explanation of each metric, see "*Key Performance Indicators*" on pages 8 to 10. Such measures should not be considered as a substitute for those required by IFRS.

Supplemental Offering Circular

If at any time the Issuer shall be required to prepare a supplement to the Offering Circular pursuant to Section 87 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"), or to give effect to the provisions of Article 16(1) of the Prospectus Directive, the Issuer will prepare and make available an appropriate amendment or supplement to this Offering Circular or a further offering circular which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the

Regulated Market of the London Stock Exchange, shall constitute a supplemental base prospectus as required by the FCA and Section 87 of the FSMA.

Certain definitions

In this Offering Circular, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**£**", "**GBP**" or "**pounds sterling**" are to the lawful currency for the time being of the United Kingdom, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars.

References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Certain other terms or phrases in this Offering Circular are defined in bold font and references to those terms elsewhere in this Offering Circular are designated with initial capital letters.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

The following overview is a general description of the Programme, must be read as an introduction to this Offering Circular, and is qualified in its entirety by the remainder of this Offering Circular (and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms or Drawdown Offering Circular). Words and expressions defined elsewhere in this Offering Circular shall have the same meaning in this overview unless otherwise defined herein.

Issuer:	Provident Financial plc
Guarantors:	Provident Financial Management Services Limited Provident Personal Credit Limited Duncton Group Limited Moneybarn Group Limited Moneybarn No.1 Limited As described in Condition 14, in certain circumstances other entities may give guarantees in respect of the Notes. In addition, each Guarantor may cease to be a Guarantor if it has resigned as a guarantor under the Facilities Agreement
Arranger:	Barclays Bank PLC
Dealers:	Barclays Bank PLC J.P. Morgan Securities plc Lloyds Bank plc NatWest Markets Plc and any other Dealer appointed from time to time by the Issuer and the Guarantors either generally in respect of the Programme or in relation to a particular Tranche of Notes (together, the "**Dealers**").
Trustee:	Prudential Trustee Company Limited
Principal Paying Agent:	The Bank of New York Mellon
Final Terms or Drawdown Offering Circular:	Notes issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated Final Terms or (2) pursuant to a Drawdown Offering Circular. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Offering Circular
Listing and Trading:	Applications have been made for Notes to be admitted during the period of 12 months from the date of approval of this Offering Circular to listing on the Official List of the Financial Conduct Authority ("**FCA**") and to trading on the Regulated Market of the London Stock Exchange
Clearing Systems:	Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**")

Initial Programme Amount:	Up to £2,000,000,000 (or the equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations
Forms of Notes:	Each Tranche of Notes will be in bearer form ("**Bearer Notes**") and will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**") which, in either case, will (i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") Euroclear and Clearstream, Luxembourg and (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg
Currencies:	Notes may be denominated in pounds sterling, euro, U.S. dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirement
Status of Notes:	The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding
Status of Guarantee:	The joint and several obligations of the Guarantors under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantors and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantors, from time to time outstanding
Issue Price:	Notes may be issued at any price. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantors and

	the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions
Maturities:	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements
Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. Interest may be subject to an Interest Rate Adjustment in certain circumstances (as described in Condition 4.3 (*Interest Rate Adjustment*))
Fixed Rate Notes:	Fixed Rate Notes will bear interest at the fixed rate of interest specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Conditions
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service, in any such case as adjusted for any applicable margin specified in the applicable Final Terms Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to their nominal amount and will not bear interest
Redemption:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms
Redemption for Tax Reasons:	The Notes may be redeemed at the option of the Issuer for tax reasons in whole, but not in part, at any time (if the Note is not a Floating Rate Note) or on any Interest Payment Date (if the Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders provided the Issuer satisfies the Trustee immediately before the giving of such notice that the conditions set out in Conditions 6.2 are satisfied

Redemption at the option of the Issuer (Issuer Call):	If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms, as further described in Condition 6.3
Redemption at the option of the Noteholders (Investor Put):	If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date, as further described in Condition 6.4
Denominations:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the Final Terms (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Note will be €100,000 (or the equivalent in any other currency)
Taxation:	All payments in respect of Notes will be made without withholding or deduction for or on account of any present or future taxes imposed by or on behalf of or within any tax jurisdiction in which the Issuer or any Guarantor is organised or resident for tax purposes unless such withholding or deduction is required by law. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantors will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted All payments in respect of the Notes will be made subject in all cases to, *inter alia*, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto
Ratings:	The Issuer and the Programme have been rated BBB- (negative outlook) by Fitch Ratings Ltd. ("**Fitch**").

	Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) (if any) assigned to the Issuer or the Programme or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency
Governing Law:	English law
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom and Japan (see "*Subscription and Sale*" below)

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer, the Guarantors and the industry(ies) in which each of them operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this section.

Prospective investors should note that the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. The Issuer and Guarantors have described only those risks relating to their ability to fulfil their respective obligations under the Notes that they consider to be material. Additional risks and uncertainties relating to the Issuer and the Guarantors that are not currently known to the Issuer or the Guarantors, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Issuer and the Guarantors and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular 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, which provides short-term unsecured home credit loans, 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 the Consumer Credit Division ("**CCD**") (of which the Home Credit business is a part) 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 (the "**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; (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's key stakeholder group, including customers and the Financial Conduct Authority ("**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 other things: (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 Provident Financial Group's Home Credit business for their respective 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 Issuer believes 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 Issuer believes 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, as at the date of this Offering Circular, the Issuer believes that in circumstances where the Home Credit business is wound down but it is not possible to do so on an orderly basis, the probability of higher impairments on its loans would be significantly greater. 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, whether through termination by the FCA or otherwise, or in circumstances where the Provident Financial Group were to breach certain covenants under (i) a senior unsecured multi-currency revolving facility agreement in an aggregate amount equal to £450,000,000 entered into on 31 January 2017 between, inter alios, Provident Personal Credit Limited as borrower and the lenders named therein (the "**Facilities Agreement**") or (ii) a term loan agreement entered into on 12 January 2011 (as amended on 26 September 2014) between, inter alios, the Issuer, Prudential/M&G UK Companies Financing Fund LP as arranger and original lender in an aggregate amount equal to £65,000,0000 (the "**Term Loan Agreement**") and, in respect of each of the above, Provident Financial Group is unable to obtain a waiver of such breaches from the respective lenders.

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, as of the date of this Offering Circular, the Issuer has 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 Issuer believes, as at the date of this Offering Circular, that 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 ("ROP") beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017***

The Provident Financial Group announced on 27 February 2018 that settlement had 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 ***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 Issuer believes that, as of the date of this Offering Circular, the Home Credit business is the only home credit business amongst its competitors that is not fully FCA authorised and similarly that none 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. 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.

1.7 ***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.

1.8 ***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 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 Issuer 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, business model or process changes or other liability that Moneybarn may incur. Any requirement to make further provision or changes to the business model or processes could have a material adverse effect on the Provident Financial Group's business, financial condition, results of operations, cash flows and prospects.

1.9 ***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, other than any operating model change detailed in the following paragraph, is expected to be substantially completed by July 2018 with key completion date milestones 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 CBI has instructed that the Provident Financial Group should seek to implement the revised operating model into the Republic of Ireland by March 2019 and 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.

1.10 ***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, Provident Financial and its regulated subsidiaries have been notified by the FCA that they are subject to enhanced supervision by the FCA (the "**FCA Watchlist Letters**"). The FCA Watchlist Letters include requirements relating to: (i) the provision to the FCA of an executable wind-down plan for the Provident Financial Group and each of the entities within the Provident Financial Group (this requirement has been met); (ii) the successful execution of the Recovery Plan; (iii) the completion of a successful turnaround of CCD so that CCD is financially stable and the Provident Financial Group can meet its funding requirements to 2020 and performance/facilitation of reviews/monitoring of the new processes to ensure compliance with regulatory requirements; (iv) the implementation of the ROP redress programme; (v) engagement with the FCA in relation to the Moneybarn investigation and Voluntary requirement ("**VREQ**") ; (vi) ensuring the Group's culture drives and supports the businesses to make the right decisions for consumers and markets and that the Group's governance provides effective oversight and challenge; and (vii) the sharing of information and open engagement with the FCA. 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 Letters 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.

1.11 ***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.

1.12 ***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.

1.13 ***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 up to two years from the date of this Offering Circular 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.

1.14 ***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 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.

1.15 ***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.

1.16 ***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.

1.17 ***The Issuer is in discussions with the Financial Reporting Council in relation to certain matters***

Since October 2017, the Issuer has been cooperating with the Financial Reporting Council with its enquiries in relation to, amongst other things, the adequacy of the disclosures in the Issuer'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 Issuer were required to prepare revised accounts or a revised report, this might give rise to civil claims being brought against the Issuer 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 Issuer'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 Issuer were the Financial Reporting Council to find that the Issuer 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.

1.18 ***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.

1.19 ***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.

1.20 ***Certain co-managed funds have threatened proceedings in respect of the Issuer's alleged failure to disclose previously certain matters contained in the Issuer'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 Issuer 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 Issuer 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 Prudential Regulation Authority ("**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 Issuer 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 Issuer 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 Issuer's shares at the time. The institutional investor also asserts that the Issuer'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 Issuer made actionable misstatements during those investor meetings. Whilst the matters alleged on behalf of the institutional investor are complex and the Issuer is at an early stage of analysing the claims, the Issuer 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 Issuer 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 Issuer 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

1.21 ***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 Facilities Agreement, the Term Loan Facility and its 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 "**2019 Bonds**"). 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. 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.

1.22 ***A downgrade in the credit rating of the Issuer 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 Issuer. 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 Issuer 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;
- would likely impact pricing of any Notes issued under the Programme;
- 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 Issuer by Fitch Ratings Limited[1] was to sub-investment grade, result in the Issuer being required to pay an additional interest amount on the 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 Issuer's Long-Term Issuer

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.

Default Rating and senior unsecured debt ratings to BBB- (previously BBB) and had also placed the Issuer's Long-Term Issuer Default Rating and senior unsecured debt rating on negative outlook, meaning the Issuer's rating could be downgraded. Any such downgrade would result in a sub-investment grade rating. The Rating Watch Negative placed on Provident Financial Group on 24 August 2017 was removed by Fitch on 1 March 2018 following the announcement of the underwritten Rights Issue and the resolution of the investigation of the ROP feature by the FCA.

Pursuant to the terms of the Provident Financial Group's Facilities Agreement and Term Loan Agreement, the Issuer is required to comply with an interest cover ratio. Any downgrade in the credit rating of the Issuer 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.

1.23 ***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 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.

1.24 ***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 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 Issuer 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.

1.25 ***The Issuer's cashflows may be adversely impacted due to a lack of receipt of dividends from its subsidiaries***

As a holding company, the Issuer's ability to make payments in the future, including payments to Noteholders, 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 enables it to meet its payment obligations as they fall due. The Issuer's ability to pay interest and or principal to Noteholders is therefore a function of its existing cash flows, future Provident Financial Group profitability and the ability to distribute profits from its operating subsidiaries up from the Provident Financial Group structure to the Issuer. As such, the Issuer's ability to make payments as they fall due 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 Issuer's control. Vanquis Bank's ability to pay any dividends, and the amount of any such dividends to the Issuer 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.

The above factors could limit the Issuer's financial and operational flexibility, and this could have a material adverse effect on its future prospects, financial condition, results of operations or ability to pay Noteholders. See also the risk factor titled "*Risks relating to structural subordination of the Notes*".

1.26 ***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.

1.27 ***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.

1.28 ***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.

1.29 ***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.

1.30 ***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.

1.31 ***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.

1.32 ***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.

1.33 ***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.

1.34 ***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 comprises 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.

1.35 ***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 second 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.

1.36 ***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.

1.37 ***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.

1.38 ***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.

1.39 ***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 Measurement*) 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 Offering Circular 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.

1.40 ***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.

1.41 ***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 which the Issuer believes 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 and due to come into effect prior to the UK's departure from the EU, 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. Provident Financial Group anticipates 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 summer 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 the summer of 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**") in June 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**") published in December 2017 proposed changes to the market risk framework and 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 total capital requirement (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 are 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, can 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 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 its Rights Issue (for more information, see "*Business Description – Rights Issue*" on page 101) has resulted 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 ("ROP") 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 was non-compliant with its total capital requirements, together with the fixed add-on in respect of pension risk (previously individual capital guidance or ICG), countercyclical buffer, capital conservation buffer and capital planning buffer requirements. The completion of the Rights Issue has enabled Provident Financial Group to address the areas of regulatory capital non-compliance described above, such that compliance with those requirements has been restored and the Provident Financial Group's regulatory capital position more generally has been bolstered to enable it to meet its future regulatory capital 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 or Vanquis Bank were to fail to meet their 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 titled "*The Provident Financial Group and Vanquis Bank are each subject to prudential regulatory capital and liquidity requirements*."

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 such as the Issuer***

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 Issuer), 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 Issuer may eventually become subject to administration or insolvency proceedings pursuant to the Banking Act.

As at the date of this Offering Circular, 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.

Exercise of the bail in tool in respect of the Issuer and the Notes may result in Noteholders losing some or all of their investment

The Authorities may exercise the bail-in tool in respect of the Notes, which may result in Noteholders losing some or all of their investment. The Authorities may exercise the bail-in tool to enable them to recapitalise an institution in resolution by allocating losses to its shareholders and unsecured creditors (which include Noteholders) in a manner that (i) reflects the hierarchy of capital instruments under CRD IV and otherwise ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" safeguard). Certain liabilities are excluded from the scope of the bail-in tool, such as insured deposits and liabilities to the extent they are secured. The Banking Act also grants the power for the relevant UK resolution authority to exclude any liability or class of liabilities on certain prescribed grounds (including financial stability grounds) and subject to specified conditions.

The bail-in tool includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Notes into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes, in each case, to give effect to the exercise by the Authority of such power.

Where the relevant statutory conditions for intervention under the SRR and the use of the bail-in tool have been met, the relevant UK resolution authority would be expected to exercise these powers without the consent of the Noteholders.

The exercise of any resolution power, including the power to exercise the bail-in tool in respect of the Issuer and the Notes or any suggestion of any such exercise could materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to the Noteholders losing some or all of the value of their investment in such Notes. In addition, even in circumstances where a claim for compensation is established under the "no creditor worse off" safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Noteholders in the resolution and there can be no assurance that the Noteholders would recover such compensation promptly.

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. 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.

During the course of 2019, 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.

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. Regulators and governmental authorities may also bring administrative or other enforcement actions against the Provident Financial Group. See "*Risk Factors - The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's Repayment Option Plan ("ROP) beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017*", and "*Risk Factors - Certain co-managed funds have threatened proceedings in respect of the Issuer's alleged failure to disclose previously certain matters contained in the Issuer'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 prospect* ". 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 Offering Circular 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.

3. RISKS RELATED TO NOTES GENERALLY

3.1 ***The Notes are not protected by the Financial Services Compensation Scheme ("FSCS")***

Unlike a bank deposit, the Notes are not protected by the FSCS. As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer and/or the Guarantors. If the Issuer or any of the Guarantors go out of business or become insolvent, Noteholders may lose all or part of their investment in the Notes.

3.2 ***Risks relating to structural subordination of the Notes***

The business of the Group is carried out through the operating subsidiaries of the Issuer and therefore the Issuer depends upon receipt of funds, via dividend or interest payments from its operating subsidiaries, to fund payments of principal and interest on the Notes.

Noteholders will have a direct claim against the Issuer based on the Notes or, as applicable, the Guarantors based on the Guarantee but will not have a direct claim against the assets of the Issuer's other operating subsidiaries which are not themselves Guarantors, for example Vanquis Bank. The assets of such subsidiaries will in the first instance be used to pay their creditors. In the example of Vanquis Bank, the assets and the cash within Vanquis Bank would be used to repay retail depositors and other senior creditors within Vanquis Bank in the first instance.

As a result, the right of the Noteholders to receive payments under the Notes and the Guarantee will be structurally subordinated to all liabilities of operating subsidiaries in the Group which are not themselves Guarantors. Structural subordination in this context means that, in the event of a winding up or insolvency of an operating subsidiary of the Issuer, any creditors of such subsidiary would have preferential claims to the assets of that subsidiary ahead of any creditors of the Issuer (including Noteholders).

In addition, Vanquis Bank's ability to pay dividends, and the amount of any such dividends, to the Issuer 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 Issuer without the PRA's consent (see further risk factor titled "*The Issuer's cashflows may be adversely impacted due to a lack of receipt of dividends from its subsidiaries*").

3.3 ***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.***

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), Prudential Trustee Company Limited (the "**Trustee**") shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number).

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may subject as provided in the Trust Deed, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such. The Terms and Conditions also provide for the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in the Trust Deed and for the release of any of the Guarantors and/or the addition of other companies in the Group as additional guarantors of the Notes as referred to in Condition 14. Under the Trust Deed, any of the Guarantors will be automatically released from its obligations to act as guarantor of the Notes if, under the terms of the Facilities Agreement, (i) it becomes a Regulated Subsidiary (as defined in the Terms and Conditions of the Notes) or (ii) it becomes regulated by law and under the terms of such regulation the contingent liability resulting from a guarantee or indemnity by that Guarantor under the Facilities Agreement would result in a breach by the relevant Guarantor of such regulation or would be required to be taken into account in calculating applicable financial adequacy requirements, solvency ratios or any other test of similar nature to be applied to or satisfied by that Guarantor pursuant to such regulation. In addition, the Issuer may choose to release a Guarantor as a guarantor under the Facilities Agreement and the Notes if it ceases to be a subsidiary or a Material Subsidiary (as defined in Condition 9 of the Terms and Conditions of the Notes) of the Issuer, and the lenders under the Facilities Agreement may also agree to the release of a guarantor under such agreement (and therefore also under the Notes).

3.4 ***Payments on certain Notes may be subject to U.S. withholding tax under FATCA***

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime with respect to certain payments made to or by, and accounts maintained with, non-U.S. entities that are classified as financial institutions under FATCA (such as the Issuers). Withholding under FATCA will not be applied to non-U.S. source payments by non-U.S. financial institutions prior to 1 January 2019. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the United Kingdom (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. The Issuer is not required to pay any additional amounts in respect of any withholding or deduction pursuant to FATCA. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

3.5 ***The value of the Notes could be adversely affected by a change in English law or administrative practice***

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

3.6 ***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

3.7 ***Regulation and reform of LIBOR and EURIBOR could adversely affect any Notes linked to such "benchmarks"***

LIBOR, EURIBOR and other rates and indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30

June 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR or EURIBOR, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete.

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the Conditions (as further described in Condition 4.2(g) (*Benchmark Replacement*)), or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Notes whose interest rates are linked to LIBOR or any other such benchmark which is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

The "*Terms and Conditions of the Notes*" set out below provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR or EURIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be determined by an Independent Adviser (as defined below) or the Issuer or set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser or the Issuer, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes and could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

4. RISKS RELATED TO MARKETS GENERALLY

4.1 *An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

4.2 ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

4.3 ***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes and the interest paid under Fixed Rate Notes will be less than the then applicable market interest rate.

4.4 ***The credit ratings may not be reliable, and changes to the credit ratings could affect the value of the Notes***

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

DOCUMENTS INCORPORATED BY REFERENCE

This section contains a description of the information that is incorporated by reference in this Offering Circular.

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Offering Circular:

(a) the Issuer's Quarter One Trading Statement covering the period from 1 January 2018 to 8 May 2018;

(b) the auditor's reports and audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017;

(c) the auditor's reports and audited annual financial statements of Provident Financial Management Services Limited for the financial years ended 31 December 2016 and 31 December 2017;

(d) the auditor's reports and audited annual financial statements of Provident Personal Credit Limited for the financial years ended 31 December 2016 and 31 December 2017;

(e) the auditor's reports and audited annual financial statements of Duncton Group Limited for the financial years ended 31 December 2016 and 31 December 2017;

(f) the auditor's reports and audited annual financial statements of Moneybarn Group Limited for the financial years ended 31 December 2016 and 31 December 2017; and

(g) the auditor's reports and audited annual financial statements of Moneybarn No.1 Limited for the financial years ended 31 December 2016 and 31 December 2017.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and are published on the Issuer's website at www.providentfinancial.com.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

The Issuer and the Guarantors will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any notes (the "**Notes**") issued under this £2,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

KEY PERFORMANCE INDICATORS

Provident Financial Group uses certain financial measures derived from its consolidated financial statements, accounting records and other management sources to evaluate period to period changes that are not required or presented in accordance with IFRS because the Provident Financial Group believes these measures will assist securities analysts, investors and other interested parties in the understanding of the Group's results of operations and financial position.

These supplemental financial measures derived from the Group's consolidated financial statements, accounting records and other management sources are not measures of the Group's financial performance or liquidity under IFRS and should not be considered as an alternative to consolidated net income as an indicator of the Group's performance or as an alternative to cash flows from operating activities or as a measure of the Group's liquidity. Accordingly, they may differ from similarly-titled measures reported by other companies and may not be comparable. Investors are cautioned not to place undue reliance on these alternative performance measures, which should be considered supplemental to, and not a substitute for, the financial measures presented in the consolidated financial statements of the Issuer prepared in accordance with IFRS and incorporated by reference in this Offering Circular.

This section only contains the alternative performance measures used in the Offering Circular. This overview is not complete given that the Group also uses IFRS performance measures. For these measures, reference is made to the financial statements of the Issuer and the Guarantors for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015, incorporated by reference into this Offering Circular.

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. 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 Prudential Regulation Authority ("**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 Facilities Agreement (as defined herein).

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.

FINAL TERMS AND DRAWDOWN OFFERING CIRCULAR

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantors and the Provident Financial Group and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantors have included in this Offering Circular all of the necessary information except for information relating to the Notes which is not known at the date of this Offering Circular and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Offering Circular and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Offering Circular.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Offering Circular will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Offering Circular. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

Each Drawdown Offering Circular will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantors and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer and the Guarantors and a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes.

DESCRIPTION OF THE NOTES

Each Tranche of notes (the "**Notes**") issued under this £2,000,000,000 Euro Medium Term Note Programme (the "**Programme**") will be in bearer form and will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**") which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"); and

(ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) the expiry of such period of notice as may be specified in the Final Terms (b) at any time, if so specified in the Final Terms or (c) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment of any gain in respect of any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined in the Terms and Conditions of the Notes), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche unless the distribution compliance period applicable to the existing Tranche of Notes has been extended.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

FORM OF FINAL TERMS

IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[*Date*]

PROVIDENT FINANCIAL PLC

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Provident Financial Management Services Limited, Provident Personal Credit Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited under the £2,000,000,000 Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 16 May 2018 [and the Supplemental Offering Circular dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular [as so supplemented]. The Offering Circular [and the Supplemental Offering Circular] [is] [are] published on www.providentfinancial.com.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [•] which are incorporated by reference in the Offering Circular dated [•]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Offering Circular dated [•] [and the supplement[s] to it dated [•] [and [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"), including the conditions incorporated by reference in the Offering Circular. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular [and the supplement[s] to it] [is] [are] published on www.providentfinancial.com.]

1.	(a)	Issuer:	Provident Financial plc
	(b)	Guarantors:	Provident Financial Management Services Limited Provident Personal Credit Limited

			Duncton Group Limited Moneybarn Group Limited Moneybarn No.1 Limited
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below, which is expected to occur on or about [ ]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6.	(a)	Specified Denominations:	[ ] [and integral multiples of [•] in excess thereof up to and including [•]]
	(b)	Calculation Amount:	[ ]
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[[ ]/Issue Date/Not Applicable]]
8.	Maturity Date:		[[ ]/Interest Payment Date falling in or nearest to [ ]]
9.	(a)	Interest Basis:	[ ] per cent. Fixed Rate] [ ] month [LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] Zero Coupon] see paragraph 14/15/16 below)
	(b)	Interest Rate Adjustment:	[Applicable/Not Applicable]
	(c)	[Step-Up Margin:	[ ] per cent. per annum]]
10.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount.
11.	Change of Interest Basis:		[ ] [Not Applicable]
12.	Put/Call Options:		[Investor Put] [Issuer Call]

			[(see paragraph [18]/[19] below)]
13.	(a)	Status of the Notes:	Senior
	(b)	Status of the Guarantee:	Senior
	(c)	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[[ ] per cent, per annum payable on each Interest Payment Date in arrear / Initial Rate of Interest]
	(b)	Initial Rate of Interest:	[[ ]/Not Applicable][2]
	(c)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]
	(d)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount
	(e)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
	(f)	Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]
	(g)	[Determination Date(s):	[[ ] in each year] [Not Applicable]
	(h)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Specified Period(s)/ Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest	[ ]

[2] Only applicable where there is an Interest Rate Adjustment

		Amount (if not the Calculation Agent):	
	(f)	Screen Rate Determination:	
		• Reference Rate:	Reference Rate: [ ] month [LIBOR/EURIBOR]
		• Interest Determination Date(s):	
		• Relevant Screen Page:	[ ][Reuters EURIBOR01/[Bloomberg][3] LIBOR01/[ ]]
	(g)	ISDA Determination:	
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ]
	(h)	Linear Interpolation	[Not Applicable/Applicable – the Rate of Interest for the [long/short]/[first/last] Interest Period shall be calculated using Linear Interpolation]
	(i)	Margin(s):	[[+/-] [ ] per cent. per annum] [Not Applicable]
	(j)	Minimum Rate of Interest:	[[ ] per cent. per annum] [Not Applicable]
	(k)	Maximum Rate of Interest:	[[ ] per cent. per annum] [Not Applicable]
	(l)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA)]
16.	Zero Coupon Note Provisions		[Applicable/Not Applicable]
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]

[3] Arranger to confirm

	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 6.2:		Minimum period: [[5]/[•] Business Days Maximum period: [ ] days
18.	Issuer Call:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount]/[/Make Whole Redemption Amount]] [If the Optional Redemption Date falls before the date falling [•] days/months prior to the Maturity Date: [[•] per Calculation Amount]/[Make Whole Redemption Amount] If the Optional Redemption Date falls on or after the date falling [•] days/months prior to the Maturity Date: [•] per [Calculation Amount]/[Make Whole Redemption Amount]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice periods:	Minimum period: [[5]/[•]] Business Days Maximum period: [ ] Business Days Minimum period for publication of serial numbers of Redeemed Notes if Notes in definitive form: [[ ] days/Not Applicable]
	(e)	Calculation Date:	[•], being the date set out in the notice of redemption
	(f)	Make-Whole Redemption Margin:	[•]/Not Applicable
	(g)	Reference Security:	[•]/Not Applicable
	(h)	Quotation Time:	[•]/Not Applicable
	(i)	Calculation Agent:	[•]
19.	Investor Put:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]

	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ]/[Par] per Calculation Amount/Make-Whole Amount]
	(c)	Notice periods:	Minimum period: [15] Business Days Maximum period: [ ] Business Days
20.		Final Redemption Amount:	[[ ] per Calculation Amount]
21.		Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[[ ] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.		Form of Notes:	
	(a)	Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes on [[ ] days' notice/at any time/only upon an Exchange Event] [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for definitive Notes on [[ ] days' notice/at any time/only upon an Exchange Event]
	(b)	New Global Note:	[Yes] [No]
23.		Additional Financial Centre(s):	[Not Applicable/[TARGET 2 System/New York]
24.		Relevant Benchmark[s]:	[[*specify benchmark*] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation]/[Not Applicable]
25.		Talons for future Coupons to be attached to definitive Notes:	[Yes/No]

THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Provident Financial plc

By: ....
Duly authorised

Signed on behalf of Provident Financial Management Services Limited, Provident Personal Credit Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited

By: ....
Duly authorised

PART B — OTHER INFORMATION

1.	**LISTING AND ADMISSION TO TRADING**		
	(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and admission to the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and admission to the Official List of the UK Listing Authority with effect from [ ].]
	(ii)	Estimate of total expenses related to admission to trading:	[ ]
	(iii)	Reasons for the offer	[[•]/See "Use of Proceeds" in the Offering Circular]

2. **RATINGS**

Ratings:	[The Notes to be issued [have been]/[are expected to be] rated] [The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [ ] by [ ].

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers] by the Issuer, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantors and their affiliates in the ordinary course of business.]

4. **YIELD (Fixed Rate Notes Only)**

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. **OPERATIONAL INFORMATION**

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
[(iii)	FISN	[ ]]
[(iv)	CFI Code	[ ]]
[(v)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as

			common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
	(vi)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[[Not Applicable/[ ]]
	(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
6.	**DISTRIBUTION**		
	(i)	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2/]; TEFRA D/TEFRA C/TEFRA not applicable]]
	(ii)	Stabilisation Manager(s) (if any):	[[•]/Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to the 'Form of the Notes' section for a description of the form of the Notes as specified in the Final Terms as to which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Provident Financial plc (the "**Issuer**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 16 May 2018 made between the Issuer, Provident Personal Credit Limited, Provident Financial Management Services Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited (each a "**Guarantor**" and together, the "**Guarantors**") and Prudential Trustee Company Limited (the "**Trustee,**" which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes, and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 16 May 2018 and made between the Issuer, the Guarantors, The Bank of New York Mellon as issuing and principal paying agent and agent bank (the "**Agent**" or "**Paying Agent**", which expression shall include any successor agent or paying agent) and the other parties named therein.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement (and, where relevant, a copy of the certificate of the Issuer provided to the Trustee under Condition 6.2) are available for inspection and collection by Noteholders during normal business hours at the principal office for the time being of the Trustee being at Prudential Trustee Company Limited, Laurence Pountney Hill, London EC4R 0HH, United Kingdom and at the specified office of any Paying Agent. Copies of the applicable Final Terms will be published on the website of the London Stock Exchange through its Regulatory News Service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the

Trust Deed and the applicable Final Terms and the terms of the Agency Agreement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denominations(s)**") specified in the applicable Final Terms (save that the minimum denomination of each Note will be €100,000 (or the equivalent in any other currency)). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, each of the Guarantors the Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, each of the Guarantors, the Paying Agent and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, each of the Guarantors, the Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

2. **STATUS OF THE NOTES AND THE GUARANTEE**

2.1 **Status of the Notes**

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 **Status of the Guarantee**

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantors on a joint and several basis in the Trust Deed (the "**Guarantee**"). The obligations of the Guarantors under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantors and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantors, from time to time outstanding.

3. **NEGATIVE PLEDGE**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer 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 Notes and the Coupons 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 shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In this Condition 3:

(a) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

(b) "**Subsidiary**" means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

4. **INTEREST**

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

4.1 **Interest on Fixed Rate Notes**

This Condition 4.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions:

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 **Interest on Floating Rate Notes**

This Condition 4.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

(a) ***Interest Payment Dates***

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Unless stated otherwise, in the Conditions, "**Business Day**" means a day which is both:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

(ii) either (a) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (b) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Agent, in the case of Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period **provided however that** if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) ***Notification of Rate of Interest and Interest Amounts***

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Benchmark Replacement**

Notwithstanding the provisions in Condition 4.2 (*Interest on Floating Rate Notes*) above, if the Issuer determines that a Benchmark Event (as defined below) has occurred or the Issuer considers that there may be a Successor Rate (as defined below) when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine, no later than 5 Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) and (in either case) any Adjustment Spread for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate and (in either case) any Adjustment Spread;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.2(g) (*Benchmark Replacement*); *provided however*, that if sub-paragraph (ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest

Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 4.2(g) (*Benchmark Replacement*);

(iv) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also (without the consent or approval of Noteholders) specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate (as the case may be) and (in either case) any Adjustment Spread. If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread (as defined below) is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;

(v) if any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4(g) (*Benchmark Replacement)* and the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines (i) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(g)(vi) below, without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 4(h)(vi) below, the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and, if required, the Agency Agreement), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way; and

(vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) or Adjustment Spread and the specific terms of any Benchmark Amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement, promptly give notice thereof to the Trustee, the Principal Paying Agent, the Calculation Agent and the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer:

(A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4(h) (*Benchmark Replacement*); and

(B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Paying Agents and the Noteholders.

An Independent Adviser appointed pursuant to this Condition 4.2(g) (*Benchmark Replacement*) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4.2(g) (*Benchmark Replacement*).

For the purposes of this Condition 4.2(g) (*Benchmark Replacement*):

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body (as defined below); or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable) determines (acting in good faith) to be appropriate;

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its sole discretion is most comparable to the relevant Reference Rate;

"Benchmark Event" means:

(i) the Reference Rate ceases to be published or ceases to exist; or

(ii) a public statement by the administrator of the Reference Rate that it will, by a specified date within the following six months, cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Reference Rate that means the Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or

(v) it has become unlawful for any Paying Agent, Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(h) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent or the Trustee, shall (in the absence of manifest error) be binding on the Issuer, the Guarantors, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantors, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Interest Rate Adjustment**

This Condition 4.3 shall apply to Notes which are Fixed Rate Notes or Floating Rate Notes only where the Final Terms state that the Notes will be subject to adjustment (each such adjustment an "**Interest Rate Adjustment**") in the event of a Step Up Event or a Step Down Event. Following a Step Up Event or a Step Down Event, the Interest Rate Adjustment will be made in accordance with the Interest Ratchet.

Any Interest Rate Adjustment shall be effective from the Interest Period commencing on the Interest Payment Date immediately following the date of the relevant Step Up Event or the relevant Step Down Event until the date on which either a further Interest Rate Adjustment becomes effective or the Notes cease to bear interest, as the case may be (and, in the case of Fixed Rate Notes, the relevant Fixed Coupon Amount shall be adjusted accordingly). For the avoidance of doubt, if a Step Up Event and a Step Down Event occur during the same Interest Period, there shall be no adjustment to the rate of interest applicable to the next following Interest Period or thereafter by reason of those two events. There shall be no limit on the number of times that an Interest Rate Adjustment may be made pursuant to this Condition during the term of the Notes, **provided always that** at no time during the term of the Notes will the rate of interest payable on the Notes be less than the Initial Rate of Interest and in the case of Floating Rate Notes only, any Minimum Rate of Interest specified or more than the Initial Rate of Interest plus the Step Up Margin and in the case of Floating Rate Notes only, any Maximum Rate of Interest specified.

The Issuer, failing which any of the Guarantors, will cause the occurrence of an event giving rise to an Interest Rate Adjustment to be notified to the Trustee, the Principal Paying Agent and (in accordance with Condition 13) the Noteholders as soon as reasonably practicable after the occurrence of the Step Up Event or the Step Down Event (as the case may be) but in no event later than the tenth London business day thereafter.

If the rating designations employed by a Rating Agency are changed from those which are ascribed to any Notes at the time of issuance, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of such Rating Agency or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of such Rating Agency (or of the Substitute Rating Agency, if such Substitute Rating Agency subsequently changes its rating designations) and this Condition 4.3 shall be read accordingly.

The Trustee is under no obligation to ascertain whether a Step Down Event or a Step Up Event or any event which could lead to the occurrence of or could constitute a Step Down Event or a Step Up Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Step Down Event or Step Up Event or other such event has occurred.

In these Conditions:

"**Initial Rate of Interest**" means (a) in the case of Fixed Rate Notes, the Rate of Interest (expressed as a percentage per annum) initially payable in respect of the Notes specified in the relevant Final Terms; (b) in the case of Floating Rate Notes, the Rate of Interest that is payable in respect of the Notes as calculated in accordance with Condition 4.2 (*Interest on Floating Rate Notes*);

"**Interest Ratchet**" means the following rates of interest:

(a) in respect of any Interest Period commencing on or after the Interest Payment Date immediately following the date of the relevant Step Up Event: the Initial Rate of Interest plus the Step Up Margin per annum; and

(b) in respect of any Interest Period commencing on or after the Interest Payment Date immediately following the date of the relevant Step Down Event: the Initial Rate of Interest;

"**Minimum Rating Requirement**" means that there shall be in existence a Rating equal to or higher than the Specified Threshold from at least one Rating Agency at any particular time;

"**Rating**" means the rating of the Notes;

"**Rating Agency**" means, to the extent that a rating of any Notes is solicited by the Issuer from such rating agency, Fitch Ratings Limited ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") or Standard & Poor's Credit Market Services Europe Limited ("**S&P"**) or their successors or any rating agency (a "**Substitute Rating Agency**") substituted for any of them by the Issuer from time to time;

"**Specified Threshold**" means 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 has been designated by the Issuer, the equivalent rating designation of any Rating Agency or such other threshold as is specified in the relevant Final Terms;

"**Step Down Event**" means the satisfaction of the Minimum Rating Requirement following the occurrence of a Step Up Event;

"**Step Up Event**" means a failure to meet the Minimum Rating Requirement at any time; and

"**Step Up Margin**" has the meaning given to it in the Final Terms.

4.4 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

5. **PAYMENTS**

5.1 **Method of payment**

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation)*) any law implementing an intergovernmental approach thereto.

5.2 **Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note whose outstanding nominal amount is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the outstanding nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantors will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantors to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantors, adverse tax consequences to the Issuer or the Guarantors.

5.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Financial Centre (being a day on which the TARGET2 System is open or other principal financial centre) specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6. **REDEMPTION AND PURCHASE**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with

Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer (or, if the Guarantee were called, a Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantors taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be), then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer or, as the case may be, two authorised signatories of the relevant Guarantor stating that the obligation referred to in (a) above cannot be avoided by the Issuer (or the relevant Guarantor(s), as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (a) and (b) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 **Redemption at the option of the Issuer (Issuer Call)**

This Condition 6.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "**Issuer Call**". The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), Optional Redemption Amount and any minimum or maximum amount of Notes which must or can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than the minimum period specified in the applicable Final Terms prior to the date fixed for redemption.

In these Conditions:

"**Calculation Agent**" means the Agent or such other person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest, Interest Amount(s), the Make-Whole Amount, Gross Redemption Yield and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Date**" means the date set out in the relevant notice of redemption;

"**Gross Redemption Yield**" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Issuer and Trustee by the Calculation Agent specified in the relevant Final Terms;

"**Make-Whole Amount**" means the principal amount of the Notes to be redeemed multiplied by the price (expressed as a percentage and rounded to four decimal places with 0.00005 being rounded upwards) at which the Gross Redemption Yield on such Notes on the relevant Calculation Date is equal to the Gross Redemption Yield at the Quotation Time on the relevant Calculation Date of the Reference Security, plus the Make-Whole Redemption Margin, all as determined by the Calculation Agent specified in the relevant Final Terms;

"**Make-Whole Redemption Amount**" means the higher of (x) the principal amount of the Notes and (y) the Make-Whole Amount, plus accrued interest (if any) to (but excluding) the date fixed for redemption;

"**Make-Whole Redemption Margin**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount**" means, in respect of any Note, its principal amount, the Make-Whole Redemption Amount and/or such other amount as may be specified in the relevant Final Terms and in each case the Optional Redemption Amount shall be specified in the Final Terms and may constitute different amounts which depend on the date that the Issuer Call is exercised;

"**Quotation Time**" has the meaning given in the relevant Final Terms; and

"**Reference Security**" shall be the security as specified in the relevant Final Terms or, where the Calculation Agent advises the Issuer and Trustee that, for reasons of illiquidity or otherwise, such security is not appropriate for such purpose, such other government stock as the Calculation Agent may recommend.

6.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 6.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an "**Investor Put**". The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 6.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a

Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4.

6.5 **Early Redemption Amounts**

For the purpose of Condition 6.2 above and Condition 9 below:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount= $RP \times (1 + AY)^y$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.6 **Purchases**

The Issuer, the Guarantors or any Subsidiary of the Issuer or the Guarantors may at any time purchase Notes (**provided that**, in the case of definitive Notes, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantors, surrendered to any Paying Agent for cancellation.

Any Notes so purchased, while held by or on behalf of the Issuer, the Guarantors or any Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quora at meetings of the Noteholders for the purposes of Conditions 6, 9 and 14.

6.7 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.6 above (together with all Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.8 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. **TAXATION**

All payments of principal and interest in respect of the Notes and Coupons (or under the Guarantee, as the case may be) by the Issuer or the Guarantors will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of or within any Tax Jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantors will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons (or under the Guarantee), as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5).

As used herein:

(i) "**Tax Jurisdiction**" means any jurisdiction under the laws of which the Issuer or any Guarantor, or any successor to the Issuer or the Guarantor(s), or any entity which becomes an additional guarantor under Condition 14, is organised or in which it is resident for tax purposes; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

Notwithstanding any other provision in these Conditions, the Issuer shall be entitled to withhold and deduct any amounts required to be deducted or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or otherwise imposed pursuant to (i) any regulations thereunder or official interpretations thereof, or (ii) an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, or (iii) any law implementing such an intergovernmental agreement (any such withholding or deduction, a "**FATCA Withholding**"), and no person shall be required to pay any additional amounts in respect of FATCA Withholding.

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b), (d) and (e), only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(a) the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of five Business Days; or

(b) the Issuer or any Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 25 days after notice of such default shall have been given to the Issuer or the relevant Guarantor(s) by the Trustee; or

(c) (i) any other present or future Financial Indebtedness of the Issuer or a Guarantor or any of their respective Subsidiaries become due and payable prior to their stated maturity by reason of default, event of default or the like (howsoever described), or (ii) any such Financial Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or a Guarantor or any of their respective Subsidiaries fails to pay, when due any amount payable by it under any present or future guarantee for, or indemnity in respect of Financial Indebtedness **provided that** the aggregate amount of the relevant Financial Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9.1(c) have occurred equals or exceeds £5,000,000 or its equivalent (as determined by the Trustee); or

(d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or a Guarantor or any Material Subsidiary and remains undischarged for 60 days; or

(e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or a Guarantor or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

(f) the Issuer or a Guarantor or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or a Guarantor or any Material Subsidiary; or

(g) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or a Guarantor or any Material Subsidiary, or the Issuer or a Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or a Guarantor (as the case may be) or another of its Subsidiaries; or

(h) in the opinion of the Trustee, any material obligations of the Issuer or any Guarantor are not or cease to be legal, valid and enforceable; or

(i) any of the Guarantors is not or ceases to be a Subsidiary of the Issuer; or

(j) a Guarantee is not (or is claimed by a Guarantor not to be) in full force and effect.

For the purposes of this Condition 9:

"**Base IFRS**" means international accounting standards within the meaning of the IAS Regulation 1606/2002 as applied by the Issuer in connection with the preparation of the audited financial statements of the Issuer for the financial year ended 31 December 2017.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

"**Consolidated EBITA**" means, in respect of any period, the consolidated profit of the Group and the profits of any joint venture and associates of the Group for that period:

(a) after adding back (to the extent otherwise deducted) interest payable;

(b) before any deduction for or on account of taxation;

(c) after adding back (to the extent otherwise deducted) any amount attributable to the impairment of goodwill;

(d) after adding back (to the extent otherwise deducted) any amount attributable to the amortisation or impairment of intangible assets (excluding any deferred acquisition costs in respect of any of the Regulated Subsidiaries);

(e) excluding any item of income or expense that is material (either individually or in aggregate) and either of an unusual or a non-recurring nature including, without limitation, any such item:

 (i) in relation to:

  (A) the restructuring of the activities of an entity;

  (B) disposals, revaluations or impairment of non-current assets; or

  (C) disposals of assets associated with discontinued operations; or

(ii) which is a reversal of any item falling within this paragraph (e); and

(f) excluding the effect under IAS 32 and IAS 39 of the fair valuation of derivative assets and liabilities,

all as determined in accordance with Base IFRS.

"**Financial Indebtedness**" means, without double counting, any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with Base IFRS, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement, but excluding any amounts held on deposit by Vanquis Bank Limited) having the commercial effect of a borrowing in accordance with Base IFRS;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

"**Gross Tangible Assets**" means, in relation to the Issuer or any Subsidiary of the Issuer or grouping of the foregoing referred to in these Conditions, the total of the fixed and current assets of such entity or grouping, but excluding:

(a) sums due to such entity or grouping from other members of the Group; and

(b) any amounts attributable to goodwill and other intangible assets,

as determined in accordance with Base IFRS.

"**Group**" means the Issuer and its Subsidiaries for the time being.

"**Material Subsidiary**" means each Subsidiary of the Issuer (other than any Stand Alone Subsidiary) from time to time whether owned at the date of issue of the Notes or acquired subsequently:

(a) whose Gross Tangible Assets represents 7.5 per cent. or more of the Gross Tangible Assets of the Group, immediately before the relevant company becomes a Subsidiary of the Issuer in the case of an acquired Subsidiary; or

(b) whose profit for the financial period of the Issuer and its Subsidiaries then most recently ended (calculated with respect to such Subsidiary in the same manner as Consolidated EBITA is calculated) represents 7.5 per cent. or more of Consolidated EBITA, immediately before the relevant company becomes a Subsidiary of the Issuer in the case of an acquired Subsidiary.

In the case of such a Subsidiary which itself has Subsidiaries (the "**Relevant Group**"), the calculation shall be made by comparing the Gross Tangible Assets or consolidated profit (calculated in the same manner as Consolidated EBITA is calculated), as the case may be, of the Relevant Group to the Gross Tangible Assets or Consolidated EBITA of the Group.

"**Non-Guaranteeing Subsidiary**" means any Subsidiary of the Issuer which is not a Regulated Subsidiary, a Guarantor or a Stand Alone Subsidiary, and "**Non-Guaranteeing Subsidiaries**" means all such Subsidiaries.

"**Regulated Subsidiary**" means any Subsidiary of the Issuer which is:

(a) an institution or a Subsidiary of such an institution, authorised or permitted under applicable law or regulation to accept deposits from the general public, and which does so accept deposits, in the course of its business; or

(b) permitted under the Financial Services and Markets Act 2000 to effect and carry out contracts of insurance or which is a Subsidiary of the same; or

(c) an institution or a Subsidiary of such an institution not falling within paragraph (b), authorised or permitted under applicable law or regulation to engage, and which does so engage, in the business of writing or issuing contracts of insurance with the general public or in the business of writing similar contracts for the purpose of the spreading or underwriting of specified risks or peril,

and "**Regulated Subsidiaries**" means all such Subsidiaries, and any reference in this definition (i) to any statute shall be construed as a reference to the same as it may have been or may from time to time be amended, modified or re-enacted or (ii) to any body shall include any successor thereto.

"**Stand Alone Subsidiary**" means any Subsidiary of the Issuer:

(a) which is not a Regulated Subsidiary;

(b) whose Financial Indebtedness is not guaranteed by the Issuer, any Guarantor or any Non-Guaranteeing Subsidiary and the person to whom the Financial Indebtedness is owed has no recourse to the Issuer, any Guarantor or any Non-Guaranteeing Subsidiary in respect of any failure to pay that Financial Indebtedness; and

(c) which does not provide guarantees in respect of the Financial Indebtedness of the Issuer, the Guarantors and the Non-Guaranteeing Subsidiaries.

"**Subsidiary**" means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

A certificate signed by two authorised signatories of the Issuer stating a Subsidiary is or is not or was or was not at any particular time or any particular period a Material Subsidiary shall in the absence of manifest error be conclusive and binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

9.2 **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such steps, actions or proceedings against the Issuer and/or the Guarantors as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such steps, actions or proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, **provided that**:

(a) there will at all times be an Agent;

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer, failing which any of the Guarantors, shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer, failing which the Guarantors shall maintain a Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantors and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and such notices shall be deemed to have been given on the date of delivery to Euroclear and/or Clearstream Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantors or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than one-tenth in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than half in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing, altering or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, or the Coupons but excluding any modification or amendment made in accordance with Condition 4(h) (*Benchmark Replacement*)), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of holders of not less than three quarters of the principal amount of the Notes for the time being outstanding or (ii) where Notes are represented by a Temporary Global Note and/or a Permanent Global Note or are held in definitive form within the relevant Clearing System(s), approval of a resolution given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (except as set out in the Trust Deed), or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution of certain other entities in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed (as set out in Clause 22.1 of the Trust Deed).

In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

The Trust Deed also contains provisions requiring the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the resignation of a guarantor, or to the addition of a new guarantor, in certain circumstances. Any such resignation or addition will occur if there is a resignation of a Guarantor, or the addition of a new guarantor, under the terms of the Issuer's Multi-Currency Revolving Facility Agreement dated 31 January 2017 as amended, extended and/or replaced from time to time (the "**Facilities Agreement**"), and will take effect on the same date that any such resignation or addition takes effect under the Facilities Agreement. In the case of such a resignation or addition the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. The Issuer will provide to the Trustee 30 days' notice of any planned change of guarantor under the Facilities Agreement before any such change is to take effect under the Facilities Agreement.

The Issuer will notify Noteholders in the event of any substitution of the Issuer, or of any previous substituted company, or of any resignation of a Guarantor or addition of a new guarantor, pursuant to this Condition 14.

15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTORS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia,* (a) to enter into business transactions with the Issuer, the Guarantors and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantors and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **GOVERNING LAW**

The Trust Deed, the Agency Agreement, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

BUSINESS DESCRIPTION

INTRODUCTION

Established in 1880, Provident Financial plc (the "**Issuer**") and its subsidiaries and its subsidiary undertakings from time to time (together, the "**Provident Financial Group**" or the "**Group**") 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) the Consumer Credit Division ("**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.

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, the Issuer 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. Since the demerger of its international home credit business, the Provident Financial Group, between 2007 and 2016, 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 Issuer's social purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

MAJOR SHAREHOLDERS

The principal shareholders of the Issuer as at 31 December 2017 are as follows:

Woodford Investment Management Ltd	22.61%
Invesco Ltd	22.12%
Schroders plc	7.43%
Jupiter Asset Management Limited (UK)	5.07%
WindAcre Partnership (US)	4.98%
Marathon Asset Management LLP	4.59%
BlackRock Inc.	3.90%
Standard Life Aberdeen	3.64%
Elliott Advisors Ltd (UK)	3.00%

CORPORATE GOVERNANCE

The Issuer complied with the UK Corporate Governance Code throughout 2017.

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 Customer Experience Managers ("**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, the Group 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, the Group 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 the Group'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, 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. Due to 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, 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. On 27 February 2018, the Provident Financial Group announced its final results in which it reported 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. On 27 February 2018, Provident Financial Group announced CCD's Adjusted Profit Before Tax was a loss of £118.8 million for the year ended 31 December 2017.

In response to the adverse performance by the Home Credit business, several members of senior management left the Home Credit business and the 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 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 measures 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 measures 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 has implemented a number of initiatives:

(a) increased 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;

(b) appointed assistant area managers to support compliance, administration and arrears in order to free up area managers to focus on local resource allocation and management of individual CEM activity in the field;

(c) recruited part-time employed CEMs, primarily from the previously self-employed agent workforce, to accelerate the reconnection with customers;

(d) provided additional training for new and underperforming CEMs, including extending the shadowing period and reintroducing a "buddy" system;

(e) increased 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) supported 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.

Further improvements to the organisational field model are currently being piloted in a number of areas with the aim of further narrowing the spans of control, improving the consistency of service through greater management oversight and further improving levels of customer engagement.

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.

The FCA conducted a preliminary review regarding certain aspects of the Issuer's public announcement on 20 June 2017 and the 22 August 2017 announcement (following which, on 26 January 2018, the Issuer 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 announcements asserting, amongst other things, that certain of the Issuer's earlier announcements were false or misleading and the Issuer acted dishonestly in delaying the public announcement of information). As of the date of this Offering Circular, the Issuer has confirmation that the FCA does not intend to take any further action in relation to the two announcements. For more information, see risk factor titled "*Certain co-managed funds have threatened proceedings in respect of the Issuer's alleged failure to disclose previously certain matters contained in the Issuer'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*".

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),[4] Principle 6

[4] "A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

(Customers' interests)[5], Principle 7 (Communications with clients)[6] of the Principles and/or the Consumer Credit Sourcebook ("**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 Provident Financial Group; (ii) provide loans or facilities to 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, 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.

Provident Financial Group announced on 27 February 2018 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*

5 "A firm must pay due regard to the interests of its customers and treat them fairly."

6 "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."

Vanquis Bank's Repayment Option Plan ("ROP") beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017".

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, Provident Financial Group was 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 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 Consumer Credit Act 1974, as amended (the "**CCA**"). The 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 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 into the processes applied by Moneybarn in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties, Provident Financial and its regulated entities have become subject to enhanced supervision by the FCA as notified to the Provident Financial Group by the FCA Watchlist Letters. The FCA Watchlist Letters include requirements relating to: (i) the provision to the FCA of an executable wind-down plan for the Provident Financial Group and each of the entities within the Provident Financial Group (this requirement has been met); (ii) the successful execution of the Recovery Plan; and (iii) the completion of a successful turnaround of CCD so that CCD is financially stable and the Provident Financial Group can meet its funding requirements to 2020 and performance/facilitation of reviews/monitoring of the new processes to ensure compliance with regulatory requirements; (iv) the implementation of the ROP redress programme; (v) engagement with the FCA in relation to the Moneybarn investigation and VREQ; (vi) ensuring the Group's culture drives and supports the businesses to make the right decisions for consumers and markets and that the Group's governance provides effective oversight and challenge; and (vii) the sharing of information and open engagement with the FCA. 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 £300 million net proceeds from the Rights Issue (as defined below), (ii) the Provident Financial Group's revised dividend policy described below and estimated future levels of dividends to be paid by the Issuer 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 (see Risk Factor titled "*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*") which has been reflected in the 2017 results as an exceptional cost of £20 million in the Provident Financial Group's audited consolidated financial statements for the year ended 31 December 2017, (v) the amendment of certain covenants under the Facilities Agreement 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 going forward.

Rights Issue

The provisions that were 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 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.

In February 2018, 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 Provident Financial Group launched a fully underwritten rights issue (the "**Rights Issue**"), which completed on 12 April 2018.

The Rights Issue raised additional capital of approximately £300 million (£331 million gross proceeds before deduction of expenses of approximately £31 million). The net proceeds of the Rights Issue have bolstered the Provident Financial Group's regulatory capital position to enable it to meet its 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 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 Issuer believes will provide an appropriate level of regulatory capital to meet its current and future requirements. Additionally, the Issuer has injected 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 unaudited *pro forma* financial information set out under the section titled "*Unaudited Pro Forma Financial Information*" on pages 159 – 160 of this Offering Circular 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.

Quarter one trading statement

The Issuer released a trading statement on 9 May 2018 covering the period from 1 January 2018 to 8 May 2018. The Issuer stated that the operational and financial performance of the Provident Financial Group during the first quarter of the year was on-track to deliver results for the full year 2018 in line with internal plans and that the successful completion of the Rights Issue had provided a strong capital base and access to the funding that will allow Provident Financial Group's businesses to further develop their market-leading positions. The Issuer reported that Vanquis Bank had delivered profits ahead of plan in the first quarter as a result of robust margins and operational leverage, the Home Credit business had delivered a good collections performance during the critical first quarter trading period with the recovery plan on track and that Moneybarn had delivered strong new business volumes and, although impairment for Moneybarn had continued to track modestly above expectations, lead indicators showed that delinquency trends were now improving. Provident Financial Group stated that it was making good progress in strengthening Provident Financial Group's governance framework, improving the relationship with its regulators and implementing the changes necessary to its culture to place the customer firmly at the heart of its strategy. The trading statement is incorporated by reference into this Offering Circular as set out in "*Documents Incorporated By Reference*".

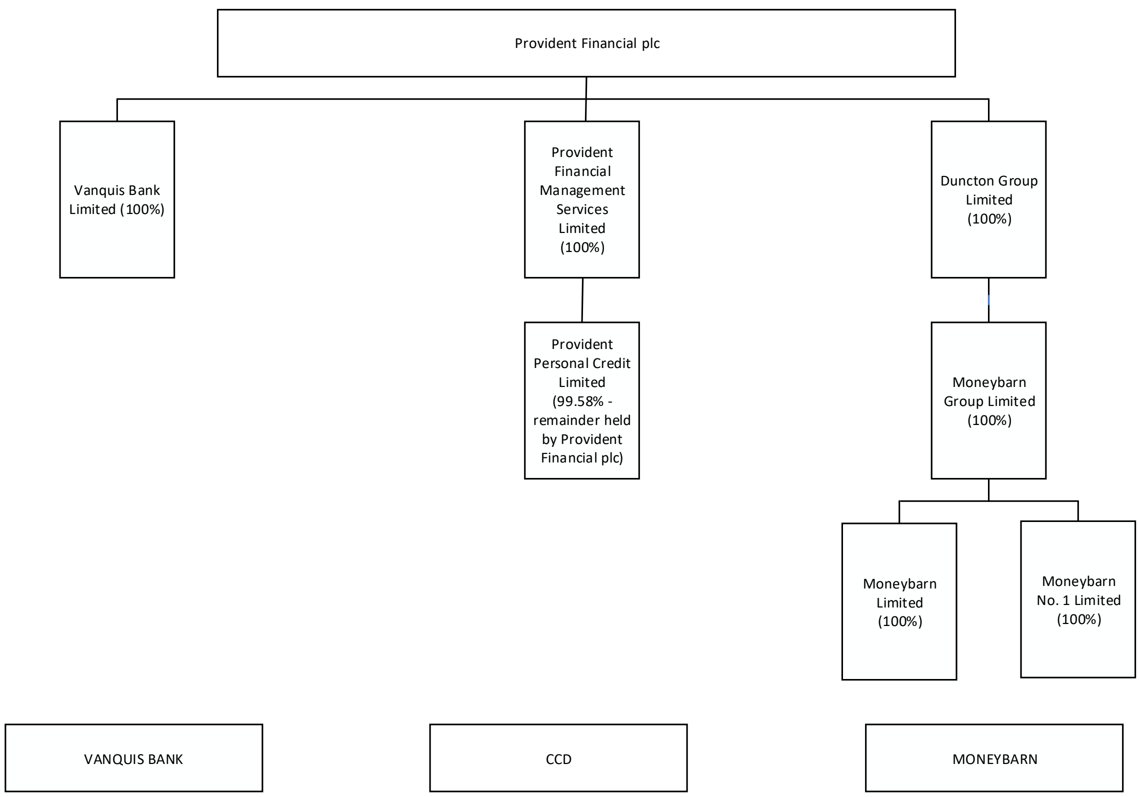
BUSINESS OVERVIEW

Provident Financial Group structure

The Issuer is the ultimate holding company of the Provident Financial Group. The significant subsidiaries of the Issuer are set out under "*Significant Subsidiaries*" below.

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 the Issuer and Satsuma); and (iii) Moneybarn.

A summary of the Provident Financial Group's structure is set out below:



VANQUIS BANK

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.

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	150-4000	39.9-69.9
Vanquis Gold Card	150-4000	39.9-69.9
Chrome Card	250-4000	29.5-59.5
Progress Card	250-4000	19.5-34.5
Aquis Card	250-4000	29.8-39.9
Granite Card	150-4000	34.9-59.9
Black Diamond Card	150-4000	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.

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.

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.

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:

	Typical Vanquis Bank credit card customer	Typical prime credit card customer[(1)]
Usage		
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	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.

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.

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.

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 and approximately £15.5 million of paying debt during the year ended 31 December 2017.

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.

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 term facilities provided by Provident Financial plc which has a minimum maturity term of two years.

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 due to 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 in particular, the £50m capital injection into Vanquis Bank as 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.

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, together with the fixed add-on in respect of pension risk (which does not include Vanquis Bank), together with the CRD IV stipulated buffers, currently applicable, being the capital conservation buffer 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 previous TCR of 17.05 per cent. and 19.64 per cent. of total RWAs for Provident Financial Group and Vanquis Bank respectively, together with the fixed add-on in respect of pension risk, where applicable, of each of the Provident Financial Group and Vanquis Bank, reflected the aggregate of its minimum Pillar 1 and Pillar 2A regulatory capital requirements, which were set following a supervisory review and evaluation process ("**SREP**") undertaken by the PRA. Following the review of the capital plan (prepared at the time of the Rights Issue) by the PRA, an amended TCR, together with the fixed add-on in respect of pension risk, where applicable, was imposed in April 2018 following the conclusion of the Rights Issue and the intended use of proceeds. The minimum regulatory capital requirements of each of Vanquis Bank and the Provident Financial Group set out below reflect the TCR, including the fixed add-on in respect of pension risk, set by the PRA effective from April 2018. In addition, the Provident Financial Group and Vanquis Bank continually monitor and assess the internal assessment of minimum regulatory capital requirements.

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 the TCR set by the PRA together with any add-on in respect of pension risk effective April 2018 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 were 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 RWAs to the extent that it exceeded the capital planning buffer set by the PRA. The buffer increased from 1.25 per cent. in 2017 to 1.875 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 RWAs, before increasing from 1 November 2018 to 1 per cent. of RWAs.

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 was 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 has been used to address the areas of regulatory capital non-compliance described above, such that compliance with those requirements has been 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, 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. For further information in relation to the Provident Financial Group's historical 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 and Vanquis Bank are each subject to prudential regulatory capital and liquidity requirements*."

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 set by the PRA based on the Internal Liquidity Adequacy Assessment Process 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.

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.

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.

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 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.

CCD

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%

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 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. 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 does 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 titled "*Payment arrangement and options*" above 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.

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.

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.

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

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 has developed and provided an action plan to address these matters to the FCA. The action plan 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.

Moneybarn

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%

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 titled "*Credit underwriting process*" 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).

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, 95.9 per cent. of Moneybarn's sales by loan volume were intermediated, with 4.1 per cent. being made direct with Moneybarn.

As at February 2018, Moneybarn had 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.

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.

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 titled "*Pricing*" 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.

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.

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.

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 paragraph titled "*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.

Moneybarn Funding and Capital Structure

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.

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.

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.

Regulation

Moneybarn Limited, Moneybarn No. 1 Limited and Moneybarn No. 4 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*".

Funding

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 (which holds a banking license) 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 Group believes 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 Facilities Agreement;
- 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.

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 the Facilities Agreement 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 Group believes 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 the Issuer 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 Group believes to be appropriate, but not excessive in line with the Provident Financial Group's treasury policies.

The funding structure of the Provident Financial Group's committed borrowing facilities at 31 December 2017 is shown in the table below.

	Maturity	£m
Facilities Agreement	2020	450.0
Term Loan Facility	2011-2021	80.0
Outstanding Bonds		
2018 Bonds	2018[7]	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 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.

[7] Since 31 December 2017, the 2018 Bonds have matured and have been repaid.

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 a euro medium term note programme in March 2018. The Provident Financial Group has paid off an £85 million bridge facility (the "**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 Issuer over the medium-term, on 26 February 2018 the Issuer terminated the existing £140 million committed facility provided by the Issuer to Vanquis Bank and entered into a 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 was drawn prior to the settlement of the Rights Issue and was funded by the Bridge Facility. This provided 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 Group believes that the Provident Financial Group's committed facilities, after taking into account the renewal in January 2017 of the Facilities Agreement, will be sufficient to fund both contractual maturities and projected growth of the business until the maturity of the Facilities Agreement in May 2020.

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 Facilities Agreement on 31 January 2017 before the amendments under the consent request letters.
(2) Covenant limits following the renewal of the Facilities Agreement 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 Facilities 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 ended 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 Facilities Agreement and the Term Loan Agreement but will cease to have effect if, among other things, the Issuer has not received the net proceeds from the Rights Issue within three months from 27 February 2018 or the Underwriting Agreement or the Bridge Facility Agreement ceases to be effective or is terminated.

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 75 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 Group believes 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. 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

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.

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.

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.

Regulation

Moneybarn Limited, Moneybarn No. 1 Limited and Moneybarn No. 4 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*".

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.

Significant Subsidiaries

The Issuer 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.

The Issuer has the following significant subsidiaries and subsidiary undertakings (each of which is considered by the Issuer 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

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.

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 February 2018, the Issuer employed approximately 5,947 persons (excluding Directors) all of whom are based in the UK and the Republic of Ireland.

Directors

The Issuer's Directors and directorships and partnerships held by the Directors (other than, where applicable, directorships held in the Issuer and other members of the Provident Financial Group), are set out below:

Name	Directorships/Partnerships	Position
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	Interim Chairman
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	Group Chief Executive Officer

Name	Directorships/Partnerships	Position
	Holdings plc	
Andrew Fisher....................	Arrow Global Group plc	Finance Director
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	Senior Independent Non-executive Director
Rob Anderson	—	Independent Non-executive Director
John Straw..........................	IThinkDigital Limited Greydog Ventures Ltd IDisrupted Limited	Independent Non-executive Director

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.

Senior Managers

In addition to the executive management on the Board of the Issuer, the following senior managers are considered relevant to establishing that the Issuer has the appropriate expertise and experience for the management of its business.

Name	Position
Chris Gillespie.........................	Managing Director of CCD
Shamus Hodgson.....................	Managing Director of Moneybarn
Chris Sweeney.........................	Managing Director of Vanquis Bank and Deputy Group Chief Executive Officer
Ken Mullen	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 Issuer'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.

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.

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.

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 "*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 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 Prospectus Directive Regulation (No 2004/809/EC).

The unaudited pro forma financial information is based on equivalent financial information provided in the prospectus issued by Provident Financial PLC on 27 February 2018 concerning the Rights Issue which completed on 12 April 2018 (the "**Rights Issue Prospectus**"). The unaudited pro forma financial information has not been prepared to, and does not, show the effects of the receipt and application of the net proceeds of any issuance of Notes pursuant to this Programme but is included herein as relevant information given that, as of the date of this Offering Circular and since the completion of the Rights Issue, the Provident Financial Group has not published updated financial information. For further information on the Rights Issue see "*Business Description – Rights Issue*".

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION AS PRESENTED IN THE RIGHTS ISSUE PROSPECTUS DATED 27 FEBRUARY 2018

	31 December 2017	**Adjustments**		
		Bridge		**Proforma**
	Audited[(1)]	**Facility[(2)]**	**Rights Issue[(3)]**	**(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)
– 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	—	—	—	—

	31 December 2017	Adjustments		
		Bridge		Proforma
	Audited[1]	Facility[2]	Rights Issue[3]	(Unaudited)
			£m	
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 Issuer's audited financial statements for the year ended 31 December 2017 (which are incorporated by reference into this Offering Circular), with the exception of the capital measures, which are noted as unaudited (for further information, see Note 3 below). 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 Issuer and Vanquis Bank terminated the existing £140 million committed facility provided by the Issuer 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 below. 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 Note 4 below) and £250 million which has been included as a reduction in borrowing (including borrowings under the Bridge Facility of £85 million).

(4) The Issuer 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 Issuer's financial statements for the year ended 31 December 2017 (which are incorporated by reference into this Offering Circular). 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 CET1 ratio is calculated as the Provident Financial Group's CET1 Capital divided by risk weighted assets.

(7) The CET1 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
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Birmingham
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The Board of Directors
on behalf of Provident Financial plc
No.1 Godwin Street
Bradford
BD1 2SU

16 May 2018

Dear Sirs,

Provident Financial plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in section A of the "Unaudited Pro Forma Financial Information" section of this Offering Circular dated 16 May 2018 (the "Offering Circular"), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the rights issue of new ordinary shares announced on 27 February 2018 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 period 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 5.5.4R(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 IX item 13.1 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 5.5.4R(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 IX 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.

DESCRIPTION OF THE GUARANTORS

This section sets out information about each of the Guarantors in respect of Notes issued under the Programme.

PROVIDENT FINANCIAL MANAGEMENT SERVICES LIMITED

Introduction

Provident Financial Management Services Limited was incorporated as a private limited company in England and Wales on 18 June 1937 with registered number 328933. It has its principal place of business and registered office at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU and its telephone number is +44 1274 351 135.

Provident Financial Management Services Limited is a wholly owned subsidiary of the Issuer. It is the direct intermediary holding company of Provident Personal Credit Limited and Greenwood Personal Credit Limited and provides various head office services and related activities to Provident Personal Credit Limited.

Provident Financial Management Services Limited has an authorised share capital of £900,000,000 divided into 272,000,000 ordinary shares of £1 each; and 6,280,000 9.75 per cent. Cumulative Preference Shares of £100 each. Its issued share capital consists of 257,782,905 ordinary shares with an aggregate nominal value of £257,782,905.

The objects and purposes of Provident Financial Management Services Limited are set out in clause 3 of its Memorandum of Association and include amongst others, providing credit as such term is defined in the Consumer Credit Act of 1974 and lending and advancing money to any person, firm or company.

Administrative, Management and Supervisory Bodies

The directors of Provident Financial Management Services Limited are as follows:

Name:	Position:
Malcolm Le May	Chairman
Chris Gillespie	Managing Director
Andrew Fisher	Non-executive Director
E Thornhill	Director
Stuart Sinclair	Non-executive Director

The business address of each of the Directors is No. 1 Godwin Street, Bradford, West Yorkshire, BD1 2SU.

Malcolm Le May, Stuart Sinclair and Andrew Fisher are each Directors of the Issuer. Malcolm Le May is also the Chairman of Provident Personal Credit Limited and a Director of Moneybarn Group Limited, Moneybarn No. 1 Limited and Duncton Group Limited while Chris Gillespie is also the Managing Director of Provident Personal Credit Limited. Andrew Fisher is also a Director of Moneybarn Group Limited, Moneybarn No. 1 Limited and Duncton Group Limited while E Thornhill and Stuart Sinclair are, respectively, Director and Non-executive Director of Provident Personal Credit Limited. As a result, potential conflicts of interest may from time to time arise between the duties these directors owe to Provident Financial Management Services Limited and duties owed in respect of such additional Directorships. Provident Financial Management Services Limited's Articles of Association allow Directors to disclose and, where appropriate, authorise conflicts of interest and the Board has in place a policy and procedures for managing and, where appropriate, approving potential conflicts of interest.

PROVIDENT PERSONAL CREDIT LIMITED

Introduction

Provident Personal Credit Limited was incorporated as a private limited company in England and Wales on 20 February 1917 with registered number 146091. It has its principal place of business and registered office at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU and its telephone number is +44 1274 351 135.

Provident Personal Credit Limited is an indirectly wholly owned subsidiary of the Issuer. It is directly held by the intermediary holding company, Provident Financial Management Services Limited, and has no subsidiaries. Its principal activity is to provide home credit loans and unsecured direct repayment loans to customers on low and moderate incomes in the UK and the Republic of Ireland.

Provident Personal Credit Limited's authorised share capital is £100,125,230. Its issued share capital consists of 316,367,421 shares made up of A preference shares of 12,523,000, ordinary shares of 286,168,421 and preference shares of 17,676,000. The aggregate nominal value of the shares is £71,844,095.25 with the A preference shares valued at £125,230, the ordinary shares valued at £71,542,105.25 and the preference shares valued at £176,760.

The objects and purposes of Provident Personal Credit Limited are set out in clause 3 of its Memorandum of Association and include, amongst others, lending money on any terms that may be thought fit particularly to customers or other persons having dealings with the company.

Administrative, Management and Supervisory Bodies

The directors of Provident Personal Credit Limited are as follows:

Name:	Position:
Malcolm Le May..	Chairman
Chris Gillespie...	Managing Director
E Thornhill..	Director
Stuart Sinclair...	Non-executive Director

The business address of each of the Directors is No. 1 Godwin Street, Bradford, West Yorkshire, BD1 2SU.

Malcolm Le May is also the Chairman of Provident Financial Management Services Limited and a Director of Moneybarn Group Limited, Moneybarn No. 1 Limited and Duncton Group Limited while Chris Gillespie is also the Managing Director of Provident Financial Management Services Limited. E Thornhill and Stuart Sinclair are, respectively, an Executive Director and Non-executive Director of Provident Personal Credit Limited. As a result, potential conflicts of interest may from time to time arise between the duties these Directors owe to the Provident Personal Credit Limited and duties owed in respect of such additional directorships. Provident Personal Credit Limited's Articles of Association allow Directors to disclose and, where appropriate, authorise conflicts of interest and the Board has in place a policy and procedures for managing and, where appropriate, approving potential conflicts of interest.

DUNCTON GROUP LIMITED

Introduction

Duncton Group Limited was incorporated as a private limited company in England and Wales on 10 July 2007 with registered number 6308608. It has its principal place of business and registered office at The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ and its telephone number is +44 3305 551 230.

Duncton Group Limited is a wholly owned subsidiary of the Issuer. It is the direct intermediary holding company of Moneybarn Group Limited, Moneybarn No.1 Limited and Moneybarn plc.

Duncton Group Limited has 12,747,362 issued ordinary shares with an aggregate nominal value of £11,006,583.

The objects and purposes of Duncton Group Limited are unrestricted as set out in clause 3 of its Articles of Association.

Administrative, Management and Supervisory Bodies

The directors of Duncton Group Limited are as follows:

Name:	Position:
Peter Minter	Chairman
Andrew Fisher	Non-executive Director
Shamus Hodgson	Managing Director
Rob Anderson	Non-executive Director
Malcolm Le May	Director

The business address of each of the Directors is The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ.

Malcolm Le May, Rob Anderson and Andrew Fisher are each Directors of the Issuer. Malcolm Le May is also the Chairman of Provident Personal Credit Limited and Provident Financial Management Services Limited and a Director of Moneybarn Group Limited and Moneybarn No. 1 Limited. Andrew Fisher is also a Non-executive Director of Provident Financial Management Services Limited, Moneybarn Group Limited and Moneybarn No.1 Limited. Rob Anderson is also a Non-executive Director of Moneybarn Group Limited and Moneybarn No.1 Limited while Shamus Hodgson is also a Managing Director of Moneybarn Group Limited and Moneybarn No.1 Limited. Peter Minter is also the Chairman of Moneybarn Group Limited and Moneybarn No.1 Limited. As a result, potential conflicts of interest may from time to time arise between the duties these Directors owe to Duncton Group and duties owed in respect of such additional Directorships. Duncton Group Limited's Articles of Association allow Directors to disclose and, where appropriate, authorise conflicts of interest and the Board has in place a policy and procedures for managing and, where appropriate, approving potential conflicts of interest.

Corporate Governance

Duncton Group Limited complied with the UK Corporate Governance Code throughout 2017.

MONEYBARN GROUP LIMITED

Introduction

Moneybarn Group Limited was incorporated as a private limited company in England and Wales on 4 September 2002 with registered number 4525773. It was incorporated under the name Duncton Contracts Limited and changed its name on 28 July 2011. It has its principal place of business and registered office at The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ and its telephone number is +44 3305 551 230.

Moneybarn Group Limited is an indirect wholly owned subsidiary of the Issuer and has three subsidiaries. It is directly held by the intermediary holding company, Duncton Group Limited. Its principal business activity is to act as an intermediate holding company for the Group's investment in Moneybarn No.1 Limited and Moneybarn plc.

The authorised share capital of Moneybarn Group Limited is £476,258.41. It has 122,737 issued ordinary shares with an aggregate nominal value of £1,227.37.

The objects and purposes of Moneybarn Group Limited are set out in clause 3 of its Memorandum of Association and include, amongst others, advancing and lending money or giving credit on any terms with or without security to any company or person and to guarantee the performance of the obligations, and the payment of the capital or principal (together with any premium), of, and interest on, any securities, loans, trading or current account of any company.

Administrative, Management and Supervisory Bodies

The directors of Moneybarn Group Limited are as follows:

Name:	Position:
Peter Minter	Chairman
Andrew Fisher	Non-executive Director
Shamus Hodgson	Managing Director
Rob Anderson	Non-executive Director
Malcolm Le May	Director

The business address of each of the Directors is The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ.

Malcolm Le May is also the Chairman of Provident Personal Credit Limited and Provident Financial Management Services Limited and a Director of Duncton Group Limited and Moneybarn No. 1 Limited. Andrew Fisher is also a Non-executive Director of Provident Financial Management Services Limited, Duncton Group Limited and Moneybarn No.1 Limited. Rob Anderson is also a Non-executive Director of Duncton Group Limited and Moneybarn No.1 Limited while Shamus Hodgson is also a Managing Director of Duncton Group Limited and Moneybarn No.1 Limited. Peter Minter is also the Chairman of Duncton Group Limited and Moneybarn No.1 Limited. As a result, potential conflicts of interest may from time to time arise between the duties these Directors owe to Moneybarn Group Limited and duties owed in respect of such additional Directorships. Moneybarn Group Limited's Articles of Association allow Directors to disclose and, where appropriate, authorise conflicts of interest and the Board has in place a policy and procedures for managing and, where appropriate, approving potential conflicts of interest.

Corporate Governance

Moneybarn Group Limited complied with the UK Corporate Governance Code throughout 2017.

MONEYBARN NO.1 LIMITED

Introduction

Moneybarn No.1 Limited was incorporated as a private limited company in England and Wales on 26 July 2002 with registered number 4496573. It was incorporated under the name Duncton No.1 Limited and changed its name on 28 July 2011. It has its principal place of business and registered office at The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ and its telephone number is +44 3305 551 230.

Moneybarn No.1 Limited is an indirect wholly owned subsidiary of the Issuer and has no subsidiaries. It is directly held by the intermediary holding companies, Duncton Group Limited and Moneybarn Group Limited. Its principal business activity is the provision of secured car finance loans to customers on low to moderate incomes in the UK.

The authorised share capital of Moneybarn No.1 Limited is £100. It has 2 issued ordinary shares with an aggregate nominal value of £2.

The objects and purposes of Moneybarn No.1 Limited are set out in clause 3 of its Memorandum of Association and include, amongst others, advancing and lending money or giving credit on any terms with or without security to any company or person and to guarantee the performance of the obligations, and the payment of the capital or principal (together with any premium), of, and interest on, any securities, loans, trading or current account of any company.

Administrative, Management and Supervisory Bodies

The directors of Moneybarn No.1 Limited are as follows:

Name:	Position:
Peter Minter	Chairman
Andrew Fisher	Non-executive Director
Shamus Hodgson	Managing Director
Rob Anderson	Non-executive Director
Malcolm Le May	Director

The business address of each of the Directors is The New Barn, Bedford Road, Petersfield, Hampshire GU32 3LJ.

Malcolm Le May is also the Chairman of Provident Personal Credit Limited and Provident Financial Management Services Limited and a Director of Duncton Group Limited and Moneybarn Group Limited. Andrew Fisher is also a Non-executive Director of Provident Financial Management Services Limited. Rob Anderson is also a Non-executive Director of Moneybarn Group Limited and Duncton Group Limited Limited while Shamus Hodgson is also a Managing Director of Moneybarn Group Limited and Group Limited. Peter Minter is also the Chairman of Moneybarn Group Limited and Duncton Group Limited. As a result, potential conflicts of interest may from time to time arise between the duties these Directors owe to Moneybarn No.1 Limited and duties owed in respect of such additional Directorships. Moneybarn No.1 Limited's Articles of Association allow Directors to disclose and, where appropriate, authorise conflicts of interest and the Board has in place a policy and procedures for managing and, where appropriate, approving potential conflicts of interest.

USE OF PROCEEDS

The proceeds of the issue of each Tranche of Notes will be used for general corporate purposes of the Issuer and/or the Group or as may otherwise be disclosed in the relevant Final Terms.

TAXATION

If investors are considering applying for Notes issued under the Programme, it is important that they understand the taxation consequences of investing in those Notes. Investors should read this section and discuss the taxation consequences with their tax adviser, financial adviser or other professional adviser before deciding whether to invest.

United Kingdom Taxation

The following applies only to persons who are the absolute beneficial owners of notes (the Notes) issued under this £2,000,000,000 Euro Medium Term Note Programme (the Programme) and is a summary of the current United Kingdom law and published practice of Her Majesty's Revenue and Customs ("HMRC") (which practice may not be binding on HMRC and may be changed, sometimes with retrospective effect) as applied in England and Wales relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective Noteholders should be aware that the particular terms of issue of any Tranche of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other Tranche of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. Payments of interest on the Notes

Payments of interest by Provident Financial plc (the "**Issuer**") on the Notes may be made without deduction of or withholding on account of United Kingdom income tax **provided that** the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes may be paid by the Issuer without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently twenty per cent.) subject to the availability of any reliefs. Where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

B. Payments in respect of the Guarantee

The United Kingdom withholding tax treatment of payments by the Guarantors under the terms of the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for under the Notes) is uncertain. In particular, such payments by the Guarantors may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantors make any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for under the Notes), such payments may be subject to United Kingdom withholding tax at the basic rate (currently twenty per cent), subject to the availability of any reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

C. Other rules relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 14 of the Notes or otherwise and does not consider the tax consequences of any such substitution.

Other Taxation

D. The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

E. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 16 May 2018, agreed with Provident Financial plc (the "**Issuer**"), Provident Financial Management Services Limited, Provident Personal Credit Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited (each a "**Guarantor**" and together the "**Guarantors**") a basis upon which they or any of them may from time to time agree to purchase notes issued under the Programme (the "**Notes**"). Any such agreement will extend to those matters stated under the "Description of the Notes" and the "Terms and Conditions of the Notes". In the Programme Agreement, the Issuer (failing which, the Guarantors) has agreed to reimburse the Dealers for certain of their expenses in connection with any update of this £2,000,000,000 Euro Medium Term Note Programme (the "**Programme**") and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The TEFRA C rules will apply to Notes which are initially issued in the form of a Permanent Global Note and the TEFRA D rules will apply to Notes which are initially issued in the form of a Temporary Global Note.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Offering Circular, as the case may be) in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(b) ***No deposit-taking*****:** in relation to any Notes having a maturity of less than one year:

   (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

   (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

      (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

      (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

   where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") by the Issuer;

(c) ***Financial promotion*****:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(d) ***General compliance*****:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer will represent, warrant and agree that it complies and will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Offering Circular in all cases at its own expense.

Other persons into whose hands this Offering Circular or any Final Terms comes are required by the Issuer, the Guarantors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any Final Terms or any related offering material, in all cases at their own expense.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Offering Circular

GENERAL INFORMATION

Authorisation

The update of this £2,000,000,000 Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 9 May 2018 and the giving of the Guarantee has been duly authorised by resolutions of each of the Boards of Directors of Provident Financial Management Services Limited, Provident Personal Credit Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited (each a "**Guarantor**" and together the "**Guarantors**") dated 15 May 2018.

Significant or Material Change

Save as disclosed in this Offering Circular under "*Business Description – Rights Issue*" on page 107, there has been no significant change in the financial or trading position of the Group since 31 December 2017 and there has been no material adverse change in the prospects of the Issuer since 31 December 2017. Save as disclosed in this Offering Circular under "*Business Description – Rights Issue*", there has been no significant change in the financial or trading position, and no material adverse change in the prospects of each of Provident Personal Credit Limited, Provident Financial Management Services Limited, Duncton Group Limited, Moneybarn Group Limited, Moneybarn No.1 Limited and their respective subsidiaries since 31 December 2017.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(a) the Articles of Association of the Issuer and the Memoranda and Articles of Association of each of the Guarantors;

(b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2015, 2016 and 2017, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) the audited financial statements of each Guarantor in respect of the financial periods ended 31 December 2016 and 2017, in each case together with the audit reports prepared in connection therewith. Each of the Guarantors currently prepares audited unconsolidated accounts on an annual basis;

(d) the most recently published interim financial statements (if any) of the Issuer, together with any audit or review reports prepared in connection therewith. The Issuer currently prepares consolidated interim accounts on a six-monthly basis;

(e) the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the forms of Coupons and forms of Talons;

(f) a copy of this Offering Circular; and

(g) any future offering circulars, prospectuses, information memoranda and supplements to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code, International Securities Identification Number (ISIN), Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 213800U93SZC44VXN635.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of yield in respect of such Notes will be specified in the applicable Final Terms.

Litigation

Save as disclosed in this Offering Circular under "*Risk Factors - The Provident Financial Group may incur additional material costs in connection with the FCA's findings relating to Vanquis Bank's Repayment Option Plan ("ROP) beyond those provided for in its audited consolidated financial statements for the year ended 31 December 2017*", and "*Risk Factors - Certain co-managed funds have threatened proceedings in respect of the Issuer's alleged failure to disclose previously certain matters contained in the Issuer'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 prospect* ", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) in the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, significant effect on the financial position or profitability of the Issuer, any of Provident Personal Credit Limited, Provident Financial Management Services Limited, Duncton Group Limited, Moneybarn Group Limited, Moneybarn No.1 Limited and their respective subsidiaries, or the Group.

Auditors

Auditors of the Issuer and the Guarantors

The auditors of the Issuer and the Guarantors are Deloitte LLP who have audited without qualification, in accordance with International Standards on Auditing (UK and Ireland), the Issuer's accounts for each of the three financial years ended on 31 December 2015, 31 December 2016 and 31 December 2017 and the Guarantors' accounts for each of the two financial years ended on 31 December 2016 and 31 December 2017. Deloitte LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. These accounts have been prepared in accordance with IFRS as adopted by the European Union. The auditors of the Issuer have no material interest in the Issuer or the Provident Financial Group.

Auditors report on the compilation of pro forma financial information

Deloitte LLP, independent accountants, has given, and has not withdrawn, its consent to the inclusion in this Offering Circular of its report on the unaudited pro forma financial information, in the form set out in "*Unaudited Pro Forma Financial Information*" on pages 159 and 160 to this Offering Circular and has authorised the content of that report solely for the purposes of item 5.5.4R(2)(f) of the Prospectus Rules.

Dealers transacting with the Issuer and the Guarantors

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantors and their affiliates in the ordinary course of business.

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantors and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or the Guarantors routinely hedge their credit exposure to the Issuer and the Guarantors consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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