

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

If you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares please send this circular (but not any accompanying personalised documents) at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you have sold or transferred part only of your holding of Existing Ordinary Shares you should immediately consult the stock broker, bank or other agent through whom the sale or transfer was effected.

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## **PROVIDENT FINANCIAL PLC**

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

### **Circular and Notice of General Meeting**

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This circular should be read as a whole. However, your attention is drawn to Part II “*Letter from the Chairman of Provident Financial plc*”, which is set out on pages 8 to 24 of this circular. Your attention is also drawn to Part III “*Risk Factors*”, which is set out on pages 25 to 27 of this circular, for a discussion of certain factors which should be taken into account when considering whether to vote in favour of the Resolution.

This document is a circular prepared in accordance with the Listing Rules for the purposes of the General Meeting. The information provided in this circular is provided solely for the purposes of complying with the Listing Rules and for enabling Shareholders to consider the Resolution. This circular does not constitute a prospectus or a prospectus equivalent document. Nothing in this circular should be interpreted as an offer of securities or a term or condition of the Rights Issue. A prospectus, relating to the Rights Issue, prepared in accordance with the Prospectus Rules has been approved by the FCA in accordance with section 85 of the FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. The Prospectus containing details of the Rights Issue (including details of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be offered pursuant to the Rights Issue) will, subject to FCA approval, be made available on the Company’s website at [www.providentfinancial.com](http://www.providentfinancial.com) on or around the date of this circular. Qualifying Shareholders should read the Prospectus in full for information about the Rights Issue before deciding on whether or not to invest in the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares referred to in this circular. Qualifying Shareholders should not subscribe for or acquire any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares except on the basis of the information, and the terms and conditions of the Rights Issue, contained in the Prospectus.

**A notice of general meeting of Provident Financial plc (the “Company”), to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ, United Kingdom at 11.00 a.m. on 21 March 2018, is set out at the end of this circular. A Form of Proxy for use in connection with the General Meeting is enclosed with this circular. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 19 March 2018 (or, in the case of an adjournment, not later than 48 hours, excluding non-working days, before the time fixed for the holding of the adjourned meeting). If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Link (CREST Participant RA10), so that it is received by no later than 11.00 a.m. on 19 March 2018. Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at [www.signalshares.com](http://www.signalshares.com). The completion and return of a Form of Proxy (or the electronic appointment of proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.**

This circular does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. There will be no such offer, invitation or solicitation in any jurisdiction in which such an offer, invitation or solicitation is unlawful. The securities referred to herein

which may be offered pursuant to the Rights Issue have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States, or under any securities laws of any Excluded Territory, and may not be offered, sold, taken up, exercised, pledged, resold or renounced, or otherwise transferred, delivered or distributed, directly or indirectly, within the United States, except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, pledged, resold or renounced, or otherwise transferred, delivered or distributed, directly or indirectly, within any Excluded Territory, except pursuant to an exemption from, and in compliance with (or in a transaction not subject to), any applicable securities laws. There will be no public offer in the United States or in any Excluded Territory.

**The distribution of this circular and/or the accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law and therefore persons into whose possession this circular and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.**

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

Shareholders should only rely on the information contained in this circular, the accompanying documents and the documents (or parts thereof) incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this circular and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company or any of the Underwriters.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA, neither of the Underwriters accept any responsibility whatsoever for, or make any representation or warranty, express or implied, for or in respect of the contents of this circular and nothing in this circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of the Underwriters accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this circular or any such statement.

Each Shareholder should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of voting on the Resolution. The Shareholders acknowledge that they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this circular and the accompanying documents or their investment decision.

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

The contents of the website of the Company do not form part of this circular.

Capitalised terms have the meanings ascribed to them in Part VII “Definitions” of this circular.

This circular is dated 27 February 2018.

## IMPORTANT INFORMATION

### Forward-looking statements

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

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

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and circumstances that may or may not occur in the future, forward-looking statements are not guarantees of future performance. The Provident Financial Group’s actual performance, financial condition, results of operations, cash flows and prospects may differ materially from the forward-looking statements contained in this circular and any documents incorporated herein by reference. In addition, even if the Provident Financial Group’s actual performance, financial condition, results of operations, cash flows and prospects are consistent with the forward-looking statements contained in this circular and any documents incorporated herein by reference, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, UK domestic, US, the Republic of Ireland, Eurozone and global macroeconomic and business conditions, the effects of continued volatility in credit markets, the effects of the UK’s decision to exit the European Union, market related risks such as changes in interest rates and foreign exchange rates, effects of changes in valuation of credit market exposures, volatility in capital markets, particularly as it may affect the timing and cost of planned capital raisings, including the Rights Issue, the failure of the Provident Financial Group to implement its Home Credit Recovery Plan, the policies and actions of governmental and regulatory authorities including (i) the CBI and FCA in relation to the Home Credit business’s anti-money laundering, counter-terrorist financing and sanctions policies, procedures and practices, and (ii) the FCA in relation to its investigations relating to Moneybarn and to Vanquis Bank’s ROP and its enhanced supervision of the Provident Financial Group, the risk of non-compliance with the RMP by the Home Credit business in the Republic of Ireland, changes in legislation, demand for non-standard credit products, changes in distribution channels or relationships, the effectiveness of the Provident Financial Group’s marketing and advertising programs, the failure of CCD to receive a full interim permission from the FCA, challenges to the employment status of the Provident Financial Group’s Home Credit agents in the UK and the employment status of its agents in the Republic of Ireland, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS and prudential capital and leverage rules, the outcome of current and future legal or regulatory proceedings, the amounts that the Provident Financial Group will be required to pay in connection with claims relating to Vanquis Bank’s ROP, the performance of the Home Credit business, future levels of conduct provisions, the success of future acquisitions and other strategic transactions and the impact of competition, negative attention and news regarding the non-standard credit market or any harm to the Provident Financial Group’s brand, a number of which factors are beyond the Provident Financial Group’s control. As a result of these uncertain events and circumstances, the Provident Financial Group’s actual future results, dividend payments and capital and leverage ratios may differ materially from the plans, goals and expectations set forth in such forward-looking statements. The list above is not exhaustive and there are other factors that may cause the Company’s actual results to differ materially from the forward-looking statements contained in this circular. You are also advised to read carefully the risk factors set out on pages 25 to 27 of this circular for a discussion of certain factors that should be considered when deciding what action to take in relation to the Resolution.

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

any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or otherwise.

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

### **Presentation of financial information - unaudited pro forma financial information**

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

### **Currency Presentation**

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

### **Rounding**

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

## WHERE TO FIND HELP

If you have any queries please contact Link Market Services Limited on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9.00 a.m to 5.30 p.m (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the helpline cannot provide advice on the merits of the Resolution or the Rights Issue nor give any financial, legal or tax advice.

In addition, see Part IV “*Some Questions and Answers on the Rights Issue*” of this circular for further information.

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## PART I: TIMETABLE OF PRINCIPAL EVENTS

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

Prospectus published and this circular despatched .....	27 February 2018
Latest time and date for receipt of forms of proxy for the General Meeting .....	11.00 a.m. on 19 March 2018
Record Date for entitlement to attend and vote at the General Meeting .....	6.00 p.m. on 19 March 2018
Record Date for entitlement under the Rights Issue for Qualifying Shareholders ....	Close of business on 19 March 2018
<b>General Meeting</b> .....	11.00 a.m. on 21 March 2018
Publication of notice in London Gazette .....	21 March 2018
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange .....	8.00 a.m. on 22 March 2018
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange .....	8.00 a.m. on 10 April 2018

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- (1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this circular are indicative only and may be adjusted by the Company (with the agreement of, in certain circumstances, the Joint Global Co-ordinators), in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (2) Different deadlines and procedures for applications may apply in certain cases. For example, if you hold your Existing Ordinary Shares through a CREST member or other nominee, that person may set an earlier date for application and payment than the dates noted above.
- (3) References to times in this circular are to London times unless otherwise stated.

**PART II: LETTER FROM THE CHAIRMAN OF PROVIDENT FINANCIAL PLC**



**PROVIDENT FINANCIAL PLC**

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

**Registered and Head Office**

No. 1 Godwin Street  
Bradford  
West Yorkshire  
BD1 2SU  
United Kingdom

***Directors***

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

27 February 2018

Dear Shareholder

**17 for 24 Rights Issue at 315 pence per New Ordinary Share and Notice of General Meeting**

**1. INTRODUCTION**

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

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

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

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



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

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

Further information on the Rights Issue (including the full terms and conditions of the Rights Issue) is set out in the Prospectus which can be found at [www.providentfinancial.com](http://www.providentfinancial.com). You should read the whole of the Prospectus, any Provisional Allotment Letter you receive and the documents (or parts thereof) incorporated therein by reference before taking any decision in connection with the Rights Issue.

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

## **2. BACKGROUND TO AND REASONS FOR THE RIGHTS ISSUE**

### **2.1 Developments over the past 12 months**

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

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

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

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

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

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

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

- closely monitor the capital and liquidity position of the Provident Financial Group on a consolidated basis and of Vanquis Bank on a solo basis, whilst maintaining regular and frequent dialogue with the Provident Financial Group's bank lending group, M&G Investments Limited, the Provident Financial Group's rating agency, the PRA (primarily through Vanquis Bank) and the FCA;
- develop a new capital plan based on revised forecasts for the Provident Financial Group's three businesses to establish the appropriate scale and nature of resources required to execute the Provident Financial Group's strategy and generate capital with a view to restoring the shareholder dividend as soon as possible as set out in section 2.4 below; and
- assess the various options available to the Provident Financial Group to meet the potential costs of redress and to ensure the Provident Financial Group has appropriate levels of regulatory capital, as outlined in paragraphs 2.4 and 3 below.

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

On 16 January 2018, the Provident Financial Group released a trading update which disclosed the expectation of a pre-exceptional pre-tax loss for CCD of approximately £120 million, consistent with the upper end of the guidance previously issued on 22 August 2017. Although the actions taken by management had delivered a significant improvement in customer service and operational performance in the Home Credit business since August 2017, the rate of reconnection with those Home Credit customers whose relationship had been adversely impacted following the poorly executed migration to the new operating model in July 2017 was at the lower end of expectations through the fourth quarter of 2017.

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

## 2.2 **The Provident Financial Group's current position**

### *Regulatory Update*

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

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

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

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

The FCA has conducted a preliminary review regarding certain aspects of the Company's public announcement on 20 June 2017 and the 22 August Announcement and has confirmed that it does not intend to take any further action in relation to the two announcements at the present time. The Company has, however, received a letter on behalf of an institutional investor (which has a number of subsidiary investment funds) asserting, amongst other things, that certain of the Company's earlier announcements were false or misleading and the Company acted dishonestly in delaying the public announcement of information. Whilst the matters alleged on behalf of the institutional investor are complex and the Company is at an early stage of analysing the claims, the Company currently believes the claims by the institutional investors are unmeritorious and considers the prospects of the claims being upheld to be limited. As such, the Company intends to defend its position vigorously and to the fullest extent possible. For more information, see paragraph 4.4 of Part VI "*Additional Information*" of this circular and paragraph 15.4 of Part XIV "*Additional Information*" of the Prospectus.

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

### *Financing Update*

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

The Provident Financial Group also announced today that it has entered into a £85 million bridge loan facility with Barclays Bank PLC and JPMorgan Chase Bank, N.A., London Branch (the "**Bridge Facility**"). The Bridge Facility will provide the Provident Financial Group with sufficient funds to



allow Vanquis Bank to draw down in full the New Intercompany Loan Agreement between the Provident Financial Group and Vanquis Bank, providing Vanquis Bank with an additional £85 million of funding which Vanquis Bank intends to hold as additional liquid resources. The Provident Financial Group plans to repay the Bridge Facility in full using approximately £85 million of the net proceeds of the Rights Issue.

### ***Capital Plan***

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

### ***2017 Financial Results***

Today, the Provident Financial Group announced its final results for the year ended 31 December 2017. The Provident Financial Group's Adjusted Profit Before Tax in 2017 reduced by 67.3 per cent. to £109.1 million (2016: £334.1 million) and Adjusted Basic Earnings per Share fell by 64.8 per cent. to 62.5 pence per share (2016: 177.5 pence per share). Profit before tax reduced by 135.8 per cent. to a loss of £123.0 million (2016: profit £343.9 million) and basic earnings per share reduced to a loss of 90.7 pence per share (2016: earnings 181.8 pence per share).

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

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

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

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

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

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

#### *Going Concern*

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

### **2.3 Culture and governance**

#### *The need for change*

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

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

#### *Actions taken and planned*

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

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

- (a) brought together all of its senior executive and non-executive management from the whole of the Provident Financial Group to discuss where we have fallen short and why, what our aspirations are going forward and what needs to change within the Provident Financial Group as a result;
- (b) appointed a new Group Chief Executive Officer and initiated the recruitment of a new external Chairman;
- (c) reaffirmed a clear purpose, vision, mission and set of values which are centred firmly on the customer, and helping customers to help themselves to build brighter financial futures;
- (d) re-initiated a clear and consistent ‘tone from the top’ from the Board in line with these customer-centric values that also emphasises the need to collaborate more effectively and work together across the Provident Financial Group;
- (e) provided greater clarity over the roles and responsibilities of each of the divisions as well as those that exist at the broader Provident Financial Group level, and in doing so begun to disseminate the more consistent and clear vision, mission and values more widely;
- (e) initiated the recruitment of two additional new Non-executive Directors with directly relevant experience (and in line with a Board skills needs assessment), to work alongside the new CEO to deliver on the Board’s vision;
- (f) established, for the first time, the role of a Group Chief Risk Officer (the “**Group CRO**”) who will, once appointed, work closely with the Board and the CEO to provide Group-wide oversight of governance, risk and conduct and ensure that these all remain a key focus of the Provident Financial Group, and appointed an interim Group Chief Risk Officer (“**Interim Group CRO**”);
- (g) re-constituted a wider Executive Committee which will play a far greater part in delivering on the Provident Financial Group’s vision and in enhancing the information flows and control between the Provident Financial Group and its divisions;
- (h) begun the recruitment of a number of executives to create key Provident Financial Group functions. An interim IT Strategy & Procurement Executive has been appointed and the Provident Financial Group also intends to appoint a Group HR Executive. These appointments are intended to improve coordination, cooperation and efficiency across the Provident Financial Group in pursuit of our aims and in support of the Executive Committee; and
- (i) begun the process of establishing a new Board committee, to be chaired by one of the new Non-executive Directors noted above, focusing on the customer, culture and ethics to help drive changes in behaviours and attitudes across the Provident Financial Group.

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

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

Remuneration has an important part to play in realigning our culture. The Provident Financial Group plans to continue to operate within the constraints of the remuneration policy approved by Shareholders at the 2017 AGM. However, in light of recent events and the latest Shareholder feedback, in the short-term we have reduced Director remuneration so as to operate well within the parameters of the current policy. In addition to reducing the level of pension and benefits for new Executive Director

appointments, we plan to make no further grants of matching shares under the performance share plan (“PSP”), although part of the annual bonus will continue to be deferred for three years. For awards under our Long Term Incentive Scheme (“LTIS”), we plan to change the performance condition from absolute Total Shareholder Return (“TSR”) to a more common relative TSR metric, in relation to a suitable comparator group for all new grants. LTIS awards and the annual bonus for senior management will also be subject to a more rounded set of metrics designed to improve performance and culture. Furthermore, we plan to introduce a post-vesting sale restriction period of two years to all new LTIS grants, and have enhanced the withholding (malus) and recovery (clawback) provisions currently in place. In the longer-term, we will work with external advisors to develop a more comprehensive balanced scorecard approach to performance management with an appropriate balance of financial, customer, risk and strategic metrics which is reflected in a revised executive remuneration policy to support the Provident Financial Group’s desired culture and approach to greater coordination of Provident Financial Group resources for the benefit of customers. In due course, any proposed new remuneration policy will be discussed fully with Shareholders and submitted for their approval thereafter at a subsequent AGM.

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

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

## 2.4 **The Provident Financial Group’s Strategy**

### *Future prospects*

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

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

The actions required to refocus on the customer first, as outlined above, together with any further actions that may be required, will result in a moderation of returns, however, the Directors believe that the



Provident Financial Group's businesses have strong customer focused growth strategies going forward which position them well to deliver attractive returns for shareholders:

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

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

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

#### *Capital, balance sheet and financial model*

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

Following a thorough review of the various options available to the Provident Financial Group to improve its capital position vis-a-vis its short- and medium-term priorities, the Board has decided to pursue a fully underwritten Rights Issue. Taking into account the receipt by the Company of the net proceeds of the Rights Issue and the intended use of proceeds, on a pro forma basis the CET1 capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) would have been 28.7 per cent. and 25.4 per cent., respectively, as at 31 December 2017, representing an accretion of 14.2 per cent. and 3.8 per cent., respectively, from the CET1 ratios of the Provident

Financial Group and Vanquis Bank as at 31 December 2017. The Board believes that this level of capital is aligned with leverage expectations for investment grade credit status, and as such, the Provident Financial Group expects to re-establish normal access to funding from the bank and debt capital markets which have been negatively impacted by the uncertainty relating to the outcome of the FCA's investigation into Vanquis Bank's ROP as access to funding was restricted and/or available only at a price and on terms which the Company did not consider to be in the best interests of the Provident Financial Group.

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

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

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

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

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

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

### 3. **USE OF PROCEEDS**

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

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

The provisions that have been made by the Provident Financial Group in its audited consolidated financial statements for the year ended 31 December 2017 in connection with (i) resolving the FCA's investigation in relation to Vanquis Bank's ROP and (ii) Moneybarn's estimated liability in connection with the FCA's ongoing investigation into Moneybarn have depleted the Provident Financial Group's

regulatory capital, with the CET1 capital ratio of the Provident Financial Group reducing to 14.5 per cent. as at 31 December 2017. The receipt of the £300 million net proceeds of the Rights Issue will result in an accretion of the Provident Financial Group's CET1 capital ratio of 14.2 per cent., to 28.7 per cent. as at 31 December 2017 on a pro forma basis which the Directors believe will provide the Provident Financial Group with an appropriate level of regulatory capital to meet its current and future requirements. Additionally, the Company will inject approximately £50 million of the net proceeds of the Rights Issue into Vanquis Bank by way of a subscription of equity, as an additional management buffer, resulting in an accretion of Vanquis Bank's CET1 capital ratio of 3.8 per cent., from 21.6 per cent. as at 31 December 2017 to 25.4 per cent. on a pro forma basis.

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

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

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

#### 4. **PRINCIPAL TERMS OF THE RIGHTS ISSUE**

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

The Issue Price represents a discount of approximately:

- 46.4 per cent. to the Closing Price of 588 pence on 26 February 2018 (being the last Business Day prior to the date of this letter); and

- 33.7 per cent. to the theoretical ex-rights price of 475 pence, based on the Closing Price on 26 February 2018.

The Rights Issue will be made on the basis of:

**17 New Ordinary Shares for every 24 Existing Ordinary Shares**

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

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

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement, the principal terms and conditions of which are summarised in paragraph 5.1 of Part VI “*Additional Information*” of this circular, together with the details of the Underwriters and sub-underwriters of the Rights Issue.

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

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

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

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

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

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

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

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

**5. STRUCTURE OF THE RIGHTS ISSUE**

Under the Companies Act 2006, where shares are issued at a premium (as is the case in a rights issue), an amount equal to that premium must be paid into a share premium account. The share premium account is generally treated as capital and so there are restrictions on its use. By using the structure set out below, certain relief is available to the Company which relieves it of this obligation and should have the effect of providing the Company with the ability to realise distributable reserves approximately equal to the net proceeds of the Rights Issue less the nominal value of the New Ordinary Shares issued by the Company, thereby helping to facilitate the payment of dividends to shareholders in the future in accordance with the dividend policy set out above.

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

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

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

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

Further details of the documents relating to this structure are set out in paragraph 5.1 of Part VI “*Additional Information*” of this circular.

## 6. **PROVIDENT FINANCIAL GROUP EMPLOYEE SHARE PLANS**

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

## 7. **OVERSEAS SHAREHOLDERS**

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

## 8. **TAXATION**

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

## 9. **FURTHER INFORMATION**

Your attention is also drawn in connection with the Rights Issue to the further information contained in Part II “*Questions and Answers on the Rights Issue*” of the Prospectus. Your attention is also drawn to



the further information set out in Part III “*Terms and Conditions of the Rights Issue*” of the Prospectus. This letter is not, and does not purport to be, a summary of this circular and therefore should not be regarded as a substitute for reading this circular. You should read the whole of this circular, the documents incorporated herein by reference and the Form of Proxy and not rely solely on the information set out in this Part II “*Letter from the Chairman of Provident Financial plc*” of this circular. Further information on the Rights Issue (including the full terms and conditions of the Rights Issue) can be found at [www.providentfinancial.com](http://www.providentfinancial.com).

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

10. **RISK FACTORS**

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part III “*Risk Factors*” of this circular.

11. **SHAREHOLDER AUTHORISATION AND GENERAL MEETING**

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

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

A summary and explanation of the Resolution is set out below, but please note that this does not contain the full text of the Resolution and you should read this section in conjunction with the Resolution in the Notice of General Meeting at the end of this circular.

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

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

12. **ACTION TO BE TAKEN IN RESPECT OF THE GENERAL MEETING**

Shareholders will find enclosed with this circular a Form of Proxy for use at the General Meeting. You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it so as to be received by the Registrar, Link Market Services Limited, at the return address on the enclosed Form of Proxy, as soon as possible, and in any event by no later than 11.00 a.m. on 19 March 2018.

If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the notice convening the General Meeting at the end of this circular. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

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

13. **IMPORTANCE OF VOTE**

The deterioration in trading at the Provident Financial Group’s Home Credit Business following implementation of its new operating model, and the provisions that have been made by the Provident

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

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

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

If the Rights Issue were not to proceed, for example, if the Resolution was not passed or any of the other conditions in the Underwriting Agreement (as set out in paragraph 5.1 of Part VI "*Additional Information*" of this circular) were not satisfied or waived by 16 April 2018 being the long-stop date specified in the Underwriting Agreement, either Underwriter (after prior consultation with the Company to the extent reasonably practicable) would have the right to terminate the Underwriting Agreement in accordance with the terms of the Underwriting Agreement.

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

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

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

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

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

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

#### 14. **BOARD RECOMMENDATION**

The Board believes the Rights Issue and the Resolution will promote the success of the Company and are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as the Directors are fully supportive of the Rights Issue and intend to vote in favour of the resolution to approve the Rights Issue and to either take up in full their beneficial rights or sell sufficient of their rights in order to acquire the balance of their rights to an aggregate of 216,798 New Ordinary Shares under the Rights Issue.

Yours sincerely

**Stuart Sinclair**  
*Interim Chairman*



### PART III: RISK FACTORS

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

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

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

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

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

Termination of the Underwriting Agreement is an event of default under the Bridge Facility Agreement giving the lenders under such facility the right to accelerate the repayment of all amounts owing thereunder, as well as an event upon which the amendments and waivers granted pursuant to the Consent Request Letters would cease to be effective. As such, prior to the occurrence of such an event or circumstance the Company would urgently seek to enter into discussions with the Underwriters with a view to seeking to resolve the issue. The Provident Financial Group would also seek to enter into discussions with its lenders under the Bridge Facility, the Revolving Credit Facility and the Term Loan Facility, the Bondholders and the PRA with a view to reaching an agreed solution as quickly as possible. Those discussions might include seeking to obtain alternative committed facilities and/or carry out disposals of assets or businesses and/or the amendment or restructuring of some or all of the Provident Financial Group's indebtedness or a combination of some or all of these measures, and the

ability of the Provident Financial Group to achieve all or any of these measures may depend on first obtaining a standstill agreement among the relevant creditors not to demand repayment for a sufficient period of time to allow such measures to be negotiated and implemented.

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

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

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

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

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

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

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

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

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders resident in such jurisdictions in the Rights Issue. In particular, the Rights Issue will not be registered under the US Securities Act and therefore Shareholders located in the United States may not be permitted to take up their entitlements under the Rights Issue unless an exemption from the registration requirements of the US Securities Act is available. Qualifying Shareholders with a registered address in, or who are a resident in or are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or the New Ordinary Shares. If a Shareholder is not able to take up Rights granted in respect of Existing Ordinary Shares under the Rights Issue, then it will suffer dilution, as described above, and it may not receive the economic benefit of such Rights because there is no assurance that the procedure in respect of Rights not taken up, described in Part III "*Terms and Conditions of the Rights Issue*" of the Prospectus, will be successful either in selling the Nil Paid Rights or in respect of the prices obtained.

## PART IV: SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

### 1. What is a rights issue?

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

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

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

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

### 2. Why is a General Meeting being held?

In view of the requirement to seek authority from Shareholders to allot the New Ordinary Shares, a General Meeting is being convened for the purposes of considering and, if thought fit, passing the Resolution, as described more fully in Part II “*Letter from the Chairman of Provident Financial plc*” of this circular and set out in the Notice of General Meeting on pages 56 to 58 of this circular.

The Rights Issue is conditional on the passing of the Resolution. If the Resolution is not approved at the General Meeting, the Company will be unable to complete the Rights Issue.

### 3. What happens next?

The Company has called a General Meeting to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ, United Kingdom at 11.00 a.m. on 21 March 2018. The Notice of General Meeting and instructions on voting are set out in this circular. The Directors are seeking shareholder approval for the allotment of New Ordinary Shares.

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

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

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

## PART V: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Provident Financial Group as at 31 December 2017 and the notes thereto set out in Section A of this Part V “*Unaudited Pro Forma Financial Information*” (together, the “**pro forma financial information**”) are based on the audited financial information of the Provident Financial Group as at 31 December 2017 prepared under IFRS after applying the adjustments described in the notes set out below. The unaudited pro forma financial information has been prepared to show the effects of the receipt and application of the net proceeds of the Rights Issue on the assets and liabilities and certain capital ratios of the Provident Financial Group, as if the net proceeds had been received on 31 December 2017. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Provident Financial Group’s actual financial position or results. The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II of the PD Regulation. The PD Regulation regarding the preparation and presentation of the unaudited pro forma financial information varies in certain respects from Article 11 of Regulation S-X promulgated under the US Securities Act and, accordingly, the unaudited pro forma financial information included herein should not be relied upon as if it had been prepared in accordance with such requirements.

### Unaudited pro forma financial information as at 31 December 2017

The unaudited pro forma financial information of the Provident Financial Group as at 31 December 2017 and the notes thereto set out in this Part V (together the “**unaudited pro forma financial information**”) are based on the audited financial information of the Provident Financial Group as at 31 December 2017 prepared under IFRS after applying the adjustments described in the notes below. The unaudited pro forma financial information has been prepared to show the effects of the net proceeds of the Rights Issue on the Provident Financial Group’s assets and liabilities and the capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) as if the net proceeds had been received on 31 December 2017. The unaudited pro forma information has been prepared for illustrative purpose only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Provident Financial Group’s actual financial position or results.

	31 December 2017	Adjustments		Proforma (Unaudited)
	(Audited) <sup>(1)</sup>	Bridge Facility <sup>(2)</sup>	Rights Issue <sup>(3)(4)</sup>	
			<i>£m</i>	
<b>ASSETS</b>				
<b>Non-current assets</b>				
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
	<b>612.0</b>	<b>-</b>	<b>-</b>	<b>612.0</b>
<b>Current assets</b>				
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
	<b>2,353.9</b>	<b>85.0</b>	<b>50.0</b>	<b>2,488.9</b>
<b>Total assets .....</b>	<b>2,965.9</b>	<b>85.0</b>	<b>50.0</b>	<b>3,100.9</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
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)
	<b>(622.9)</b>	<b>(85.0)</b>	<b>85.0</b>	<b>(622.9)</b>

	31 December 2017	Adjustments		
	(Audited) <sup>(1)</sup>	Bridge Facility <sup>(2)</sup>	Rights Issue <sup>(3)(4)</sup>	Proforma (Unaudited)
			<i>£m</i>	
<b>Non-current liabilities</b>				
Financial liabilities: .....				
– retail deposits .....	(943.4)	-	-	(943.4)
– bank and other borrowings .....	(844.2)	-	165.0	(679.2)
Total borrowings .....	(1,787.6)	-	-	(1,622.6)
– derivative financial instruments .....	-	-	-	-
Deferred tax liabilities .....	(20.3)	-	-	(20.3)
	<b>(1,807.9)</b>	<b>0.0</b>	<b>165.0</b>	<b>(1,642.9)</b>
<b>Total liabilities</b> .....	<b>(2,430.8)</b>	<b>(85.0)</b>	<b>250.0</b>	<b>(2,265.8)</b>
<b>NET ASSETS</b>	<b>535.1</b>	<b>0.0</b>	<b>300.0</b>	<b>835.1</b>
<b>CAPITAL MEASURES – PROVIDENT FINANCIAL GROUP<sup>(5)</sup></b>				
Common Equity Tier 1 Capital (Unaudited) .....	308.1	-	300.0	608.1
CET 1 ratio (Unaudited) <sup>(6)</sup> .....	14.5%	-	14.2%	28.7%
<b>CAPITAL MEASURES – VANQUIS BANK<sup>(5)</sup></b>				
Common Equity Tier 1 Capital (Unaudited) .....	285.3	-	50.0	335.3
CET 1 ratio (Unaudited) <sup>(7)</sup> .....	21.6%	-	3.8%	25.4%

Notes:

- (1) The financial information has been extracted without material adjustment from the Company's audited financial statements for the year ended 31 December 2017 (which are incorporated by reference into the Prospectus pursuant to Part VIII of the Prospectus), with the exception of the capital measures, which are noted as unaudited (Note 3). No account has been taken of the trading activity or other transactions of the Provident Financial Group which have occurred since 31 December 2017.
- (2) The Provident Financial Group has entered into the Bridge Facility. The proceeds of £85 million are to be used to increase the liquid resources held by Vanquis Bank. On 26 February 2018, the Company and Vanquis Bank terminated the existing £140 million committed facility provided by the Company to Vanquis Bank and entered into the New Intercompany Facility. Pursuant to the New Intercompany Loan Agreement, all amounts outstanding and accrued under the Existing Intercompany Facility have been deemed advanced as a term loan of £40 million under the New Intercompany Facility, with the remaining amount available for drawing in cash and anticipated to be fully drawn prior to the settlement of the Rights Issue and funded by borrowings under the Bridge Facility. The Bridge Facility is intended to be repaid from the proceeds of the Rights Issue as described in Note 3. The pro forma net assets statement does not take into account the fees and interest costs associated with the Bridge Facility.
- (3) The net proceeds of the 17 for 24 Rights Issue of 104,998,731 new ordinary shares at 315 pence per new ordinary share (£300 million) after taking into account expenses expected to be incurred in connection with the Rights Issue of £31 million (inclusive of VAT). The net proceeds are split between £50 million held in liquid assets by Vanquis Bank (in connection with the equity injection described in footnote 4) and £250 million which has been included as a reduction in borrowing (including borrowings under the Bridge Facility of £85 million).
- (4) The Company will inject £50 million of the net proceeds of the Rights Issue into Vanquis Bank by way of a subscription of equity.
- (5) The capital measures include unaudited pro forma regulatory capital ratios of the Provident Financial Group (on a consolidated basis) and Vanquis Bank (on a solo basis) before and immediately after the application of the proceeds of the Rights Issue, as if the Rights Issue had occurred on 31 December 2017. The 31 December 2017 unadjusted amounts and ratios for the Provident Financial Group have been extracted from the company's financial statements for the year ended 31 December 2017 (which are incorporated by reference into the Prospectus at Part VII). The unadjusted amounts and ratios for Vanquis Bank are extracted from the accounting records of Vanquis Bank. For the purpose of calculating risk weighted assets, the information presented assumes proceeds of the Rights Issue are used to repay borrowings and do not affect risk weighted assets.
- (6) The CET 1 ratio is calculated as the Provident Financial Group's CET1 Capital divided by risk weighted assets.
- (7) The CET 1 ratio is calculated as Vanquis Bank's CET1 Capital divided by risk weighted assets.



## PART VI: ADDITIONAL INFORMATION

### 1. SHARE CAPITAL

#### 1.1 Issued share capital

The issued and fully paid share capital of the Company as at 22 February 2018, being the latest practicable date prior to publication of this circular, was as follows:

<u>Class of share</u>	<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Aggregate Nominal Value</u> (£)
Ordinary shares of 20 <sup>9</sup> / <sub>11</sub> p each .....	148,233,503	30,724,762

The Company does not hold any Ordinary Shares in treasury.

The issued and fully paid share capital of the Company immediately following completion of the Rights Issue is expected to be as follows:

<u>Class of share</u>	<u>Issued and fully paid</u>	
	<u>Number<sup>(1)</sup></u>	<u>Aggregate Nominal Value</u> (£)
Ordinary shares of 20 <sup>9</sup> / <sub>11</sub> p each .....	253,232,234	52,488,136

<sup>(1)</sup> The number of Ordinary Shares in issue immediately following the Rights Issue assumes that no further Ordinary Shares are issued between 22 February (the latest practicable date prior to the publication of this circular) and the closing of the Rights Issue (other than pursuant to the Rights Issue).

#### 1.2 Share capital history

The following table shows the changes in the share capital of the Company which occurred from 1 January 2015 to 22 February 2018, being the latest practicable date prior to the publication of this circular:

<u>Date</u>	<u>Nominal Value</u> (pence)	<u>Issued and fully paid</u>		
		<u>Aggregate Share Premium of Ordinary Shares allotted</u> (£)	<u>Total number of Ordinary Shares</u>	<u>Aggregate nominal value of Ordinary Shares allotted</u> (£)
As at 1 January 2015 .....	20 <sup>9</sup> / <sub>11</sub> each	268,367,813.24	146,413,447	30,347,513.81
Allotment pursuant to SAYE <sup>(1)</sup> .....		2,354,820.57	256,410	53,146.80
Allotment pursuant to LTIS .....		0	323,218	66,994.28
Allotment pursuant to PSP .....		0	180,860	37,487.35
As at 31 December 2015 .....	20 <sup>9</sup> / <sub>11</sub> each	270,722,633.81	147,173,935	30,505,142.24
Allotment pursuant to SAYE .....		1,972,584.88	172,201	35,692.57
Allotment pursuant to LTIS .....		0	280,118	58,060.82
Allotment pursuant to PSP .....		0	132,631	27,490.79
Allotment pursuant to ESOS <sup>(2)</sup> .....		60,215.76	10,820	2,242.69
As at 31 December 2016 .....	20 <sup>9</sup> / <sub>11</sub> each	272,755,434.45	147,769,705	30,628,629.11
Allotment pursuant to SAYE .....		344,043.67	28,845	5,978.78
Allotment pursuant to LTIS .....		0	299,270	62,030.51
Allotment pursuant to PSP .....		0	135,389	28,062.45
As at 31 December 2017 .....	20 <sup>9</sup> / <sub>11</sub> each	273,099,478.12	148,233,209	30,724,700.85
Allotment pursuant to SAYE .....		1,885.39	294	60.94
Allotment pursuant to LTIS .....		0	0	0
Allotment pursuant to PSP .....		0	0	0
<b>Total as at 22 February 2018</b> .....	20 <sup>9</sup> / <sub>11</sub> each	273,101,363.46	148,233,503	30,724,761.79

<sup>(1)</sup> SAYE allotments over the course of the year are combined to form one total allotment figure.

<sup>(2)</sup> ESOS refers to the Provident Financial Executive Share Option Scheme 2006 which is a historic Provident plan. No further awards are outstanding or will be made under this plan.

\* SAYE, LTIS and PSP are Provident Financial Group Employee Share Plans.

- (a) Save as disclosed in this circular, during the three years immediately preceding the date of this circular, there has been no issue of share capital of the Company, fully or partly paid, either for cash or other consideration, and no such issues are proposed and no share capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.
- (b) The Company has not issued any convertible securities, exchangeable securities or securities with warrants. There are no shares in the issued share capital of the Company that do not represent capital.
- (c) Subject to Admission, pursuant to the Rights Issue 104,998,731 New Ordinary Shares will be issued at a price of 315 pence per New Ordinary Share. This will result in the issued share capital of the Company increasing by approximately 70.8 per cent. Qualifying Shareholders who take up their *pro rata* entitlement in full will, subject to fractions, suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Ordinary Shares will suffer an immediate dilution of 41.5 per cent. in their interests in the Company.
- (d) Details of the Resolution to be passed in connection with the Rights Issue are set out in the Notice of General Meeting at the end of this circular. The authority given to the Directors to allot up to 110,000,000 New Ordinary Shares will enable the Directors to allot sufficient Ordinary Shares to satisfy the Company's obligations in connection with the Rights Issue. The authority granted under the Resolution is in addition to the authority granted to the Directors at the Company's 2017 annual general meeting and will also be in addition to any authority granted to the Directors at the Company's 2018 annual general meeting, which the Directors have no present intention of exercising.
- (e) As at 22 February 2018 (being the last practicable date prior to the publication of this circular), a maximum of 14,823,350 Ordinary Shares may be issued in any 10 year rolling period in respect of options and awards granted or to be granted under the Provident Financial Group Employee Share Plans.
- (f) The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act 2006 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the unissued share capital of the Company which is not subject to an existing disapplication.
- (g) The Existing Ordinary Shares are in registered form and are capable of being held in either certificated or uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Existing Ordinary Shares are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The ISIN of the Existing Ordinary Shares is GB00B1Z4ST84.
- (h) The New Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where the New Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The New Ordinary Shares will be admitted with the ISIN GB00B1Z4ST84.
- (i) The Company is subject to the UK Takeover Code. Other than as provided in Part 28 of the Companies Act 2006 and the UK Takeover Code there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company. There have been no takeover bids by third parties during the period ended 31 December 2017 or during the Provident Financial Group's current financial year (the period ending 31 December 2018).

### 1.3 New Ordinary Shares

References in this circular to the number of New Ordinary Shares to be issued pursuant to the Rights Issue are based on the assumption that no further Ordinary Shares are issued between the date of this circular and the Record Date for entitlement under the Rights Issue.



## 2. **WORKING CAPITAL**

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the Existing Facilities available to the Provident Financial Group, the Provident Financial Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this circular.

## 3. **SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Provident Financial Group since 31 December 2017, the date to which the audited consolidated historical financial information of the Provident Financial Group was prepared.

## 4. **LEGAL AND REGULATORY PROCEEDINGS**

4.1 Save as disclosed in paragraphs 4.2 to 4.4 below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this circular which may have, or have had a significant effect on the financial position or profitability of the Provident Financial Group.

### 4.2 **The FCA's investigation into Vanquis Bank's ROP**

On 24 February 2017, the FCA commenced an investigation into the sale of Vanquis Bank's ROP. The ROP is made up of the following features:

- "Account Freeze", which permits customers to freeze their accounts and not pay interest for up to 24 months if they experience certain defined circumstances which impact their ability to make payments;
- "Lifeline", which is activated automatically once a year if customers choose not to make their minimum monthly payment for any reason such that the customer's Vanquis Bank account will not show as being in arrears on external credit reports;
- "Payment Holiday", which can be activated once a year, at the request of a customer, such that the customer is able to miss a minimum monthly payment without showing as being in arrears on external credit reports;
- "Overlimit", SMS alerts are sent if customers are close to, or over, their credit limit; and
- payment reminders, which are sent by SMS five days before a customer's payment due date.

Customers are offered either a "Full Plan" which is for people who are in full, part-time or temporary employment or self-employment, or a "Standard Plan" which is for people who are homemakers, students, retired or not in employment. The Plans cost £1.29 per £100 of monthly outstanding balance and £1.19 per £100 of monthly outstanding balance, respectively.

The FCA investigation related to the period 1 April 2014 to 19 April 2016 and involved an investigation into whether Vanquis Bank contravened Principle 3 (Management and control)<sup>1</sup>, Principle 6 (Customers' interests)<sup>2</sup>, Principle 7 (Communications with clients)<sup>3</sup> of the Principles and/or the CONC rules. In particular, the FCA proposed to investigate:

- whether Vanquis Bank's risk management systems and controls were sufficient in that they appear to have failed to identify and mitigate unfair customer outcomes for those who opted to purchase the ROP;

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<sup>1</sup> "A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

<sup>2</sup> "A firm must pay due regard to the interests of its customers and treat them fairly."

<sup>3</sup> "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."

- 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 with the PRA not to pay dividends to, or enter into certain transactions outside the normal course of business with, the Provident Financial Group without the PRA's consent. This requirement was imposed to provide the PRA with increased visibility to enable it to assess the impact of transactions undertaken with the Provident Financial Group on Vanquis Bank and its retail depositors. This requirement is expected to last until the full and final conclusion of the FCA's investigation into the ROP, including any follow-on actions required by the FCA.

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

Affected customers covered by the agreed settlement comprise four categories: (i) customers with open Vanquis Bank accounts, (ii) customers with closed Vanquis Bank accounts (these accounts will either be in good order (i.e. no debt is owed to Vanquis Bank) or be closed and settled between Vanquis Bank and the customer, (iii) third party managed accounts, held within Vanquis Bank (these customers are those that are not maintaining their credit agreements and have entered into some form of debt arrangement with a third party overseeing the arrangement), and (iv) charged off accounts where debt has been sold to a third party. In aggregate the total number of affected customers are estimated at approximately 1.2 million customers (after taking into account certain exclusions from the four categories of customer populations agreed with the FCA). The time period covered by the terms of the settlement agreed with the FCA is from the inception of the ROP, in 2003, up until 30 days following the communication to customers by Vanquis Bank between October 2016 and March 2017 of the full cost of ROP. The agreed settlement with the FCA relates to breaches of Principle 6 (Customers' Interests) and Principle 7 (Communications to Customers) of the FCA's Principles for Businesses. In particular, as a result of the failure to disclose during the sales call that ROP was treated as a purchase transaction and that interest would accordingly be charged and accrue on the ROP fee, there was a serious risk that customers agreed to purchase the ROP without understanding 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 of 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.

#### 4.3 **The FCA's investigation into Moneybarn**

In the period prior to and following Moneybarn obtaining full FCA authorisation on 3 June 2016, the Provident Financial Group has been in discussions with the FCA regarding certain of its systems, controls and practices relating to: (i) affordability assessments; (ii) termination of arrangements with customers; (iii) fees and charges; and (iv) forbearance. In July 2016, the FCA carried out a site visit at Moneybarn's registered office to gather more information in relation to the business following Moneybarn's authorisation and following such visit, in September 2016, the FCA set out in a letter that it had certain concerns relating to, among other things, the items described in (i) to (iv) above.

On 4 December 2017, the FCA commenced an investigation into Moneybarn. The FCA investigation related to the period commencing 1 April 2014 and involved an investigation into whether Moneybarn, including its senior managers, contravened Principle 3 (Management and control), Principle 6 (Customers' interests), and/or Principle 7 (Communications with clients) of the Principles and/or the CONC rules, in particular the FCA is investigating:

- whether Moneybarn's creditworthiness and customer affordability assessments were adequate and compliant with regulatory requirements;
- whether Moneybarn failed to treat customers in default or in arrears with due forbearance and consideration appropriate to their circumstances; and
- whether Moneybarn provided information about its termination processes which was clear, fair and not misleading in order to allow customers to make informed decisions about the different options open to them in respect of the termination process and its financial implications.

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

#### 4.4 **22 August Announcement**

On 26 January 2018, the Company received a letter on behalf of an institutional investor (which has a number of subsidiary investment funds) in connection with certain matters disclosed in the 22 August Announcement. On that date, as part of a trading update, the Company announced, among other things, that Vanquis Bank was co-operating with an investigation by the FCA into the ROP, had agreed with the FCA to enter into a voluntary requirement to suspend all new sales of the ROP in April 2016 and had agreed with the PRA, pending the outcome of the FCA investigation, not to pay dividends to, or enter into certain transactions outside the normal course of business with, the Provident Financial Group without the PRA's consent. The institutional investor asserts that the Company is liable to compensate it and its subsidiary investment funds for losses suffered as a result of the fact that certain matters disclosed in the 22 August Announcement were not publicly announced earlier or disclosed to them by the Company in investor meetings. The institutional investor has not quantified the losses that it alleges have been incurred, although it alleges that it and its subsidiary investment funds held significant positions in the Company's shares at the time. The institutional investor asserts that the Company's earlier public announcements were false or misleading or, alternatively, the delay in disclosing those matters publicly was dishonest pursuant to Section 90A of the FSMA, and the Company made actionable misstatements during those investor meetings. Whilst the matters alleged on behalf of the institutional investor are complex and the Company is at an early stage of analysing the claims, the Company currently believes the claims by the institutional investor are unmeritorious and considers the prospects of the claims being upheld to be limited. As such, the Company intends to defend its position vigorously and to the fullest extent possible.

#### 5. **MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Provident Financial Group: (a) within the two years immediately preceding the date of this circular which are, or may be, material to the Company or any member of the Provident Financial Group; or (b) at any time and contain provisions under which the Company or any member of the Provident Financial Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Provident Financial Group as at the date of this circular.

## 5.1 Underwriting Agreement

On 27 February 2018, the Company and the Underwriters entered into an underwriting and sponsor's agreement (the "**Underwriting Agreement**").

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to fully underwrite the Rights Issue. The Underwriters (as agents of the Company) have agreed to use reasonable endeavours to procure, on behalf of the Company, subscribers for the New Ordinary Shares which have not been taken up under the Rights Issue (or, at their discretion, for as many as can be so procured) as soon as reasonably practicable and in any event by no later than 4.30 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, for an amount which is not less than the total of the Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured plus the expenses of procurement (including any applicable commissions and VAT). If and to the extent that the Underwriters are unable to procure, on behalf of the Company, subscribers on the basis outlined above, the Underwriters have agreed to subscribe, on a several basis (in their due proportions), for any remaining New Ordinary Shares.

In connection with the Rights Issue, the Company has agreed to pay the Underwriters: (i) an underwriting commission equal to 2.5 per cent. of the gross proceeds of the Rights Issue (the "**Base Commission**"); and (ii) in the Company's sole and absolute discretion, an additional discretionary commission of up to 0.25 per cent. of the gross proceeds of the Rights Issue (in each case plus any applicable VAT). Out of such Base Commission payable to the Underwriters, the Underwriters shall pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to acquire New Ordinary Shares.

The Company has given certain customary representations, warranties and undertakings to the Underwriters, and customary indemnities to the Underwriters and to certain persons connected with them, in relation to the Rights Issue. The obligations of the Underwriters under the Underwriting Agreement are subject to Admission occurring not later than 8.00 a.m. on 22 March 2018 (or such later time and/or date (being not later than 8.00 a.m. on 16 April 2018) as the Underwriters and the Company may agree) and certain other customary and other conditions to be satisfied prior to Admission including, amongst others:

- (a) the passing of the Resolution (without amendment) at the General Meeting on 21 March 2018 (or such later date as the Underwriters may agree) and such Resolution remaining in force;
- (b) none of the representations and warranties being untrue, inaccurate or misleading as at the date of the Underwriting Agreement, immediately prior to the publication of any supplementary prospectus published prior to Admission, or immediately prior to Admission (in each case by reference to the facts and circumstances then subsisting);
- (c) the Company having complied with and not being in breach, at any time prior to Admission, of any of its obligations under this Agreement or under the terms of the Rights Issue which, in each case, fall to be performed or satisfied prior to Admission and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Rules which fall to be performed or satisfied prior to Admission, save for any non-compliance or breach which, in the good faith opinion of the Underwriters, is not material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or the applications for Admission;
- (d) the Subscription and Transfer Agreement and the Option Agreement having been executed by the parties thereto and there having occurred no default or breach of such agreements prior to Admission save for any non-compliance or breach which, in the good faith opinion of the Underwriters, is not material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or the applications for Admission;
- (e) no matter referred to in Section 87G of the FSMA arising in the period between the time of publication of the Prospectus and the time of Admission and no supplementary prospectus being required to be published by or on behalf of the Company before Admission, save as the Underwriters (acting in good faith) consider is not materially adverse in the context of the Rights Issue, the underwriting of the New Ordinary Shares or the applications for Admission;

- (f) the Company not being in breach of any of the terms of the Revolving Facility Agreement and/or the Term Loan Agreement and/or the Bridge Facility Agreement at any time prior to Admission, save in the case of the Revolving Facility Agreement and the Term Loan Agreement for any breach which in each case has been irrevocably waived pursuant to the Consent Request Letters, and the Consent Request Letters not having been revoked or terminated and remaining in full force and effect prior to Admission; and
- (g) there being prior to Admission no developments in relation to certain regulatory matters that are material in the context of the Rights Issue, Admission or the underwriting of the New Ordinary Shares.

If any of the conditions in the Underwriting Agreement is not satisfied (or waived by the Underwriters), or becomes incapable of being satisfied, including for material adverse change and force majeure, by the required time and date (or by such later time and/or date as the Underwriters and the Company may agree) then, save for certain exceptions, the obligations of the parties under the Underwriting Agreement shall cease and terminate without prejudice to any liability for any prior breach of the Underwriting Agreement.

In addition, the Underwriters are entitled to terminate the Underwriting Agreement in certain customary circumstances, but only prior to Admission.

The Company has also agreed that, between the date of the Underwriting Agreement and the date which falls 180 days after the settlement date of the Rights Issue, it will not, without the prior written consent of the Underwriters:

- (a) directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or file any registration statement under the Securities Act with respect to any of the foregoing (or publicly announce the same);
- (b) enter into any swap or other agreement, arrangement or transaction that transfers or confers in whole or in part, directly or indirectly, any of the economic consequences of the ownership of its Ordinary Shares; or
- (c) carry out any capital increases or issue any convertible bonds, exchangeable bonds or other securities which are convertible, exchangeable, exercisable into, or otherwise give the right to subscribe for or acquire its Ordinary Shares, whether directly or indirectly,

(whether any such swap, agreement, arrangement or transaction described in (a) to (c) above is to be settled by delivery of Ordinary Shares, cash or otherwise), provided that the restrictions above shall not apply in relation to (i) the issuance of the New Ordinary Shares to be issued in the context of the Rights Issue, and (ii) the grant or award in the ordinary course of options or Ordinary Shares under, and allotments and issuances of Ordinary Shares pursuant to, the Company's executive or employee share schemes or incentive plans existing on the date hereof.

The Underwriters and certain of their respective affiliates have from time to time engaged in, are currently engaged in, and may in future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. They have received and will receive customary fees and commissions for these transactions and services.

## 5.2 Option and Subscription and Transfer Agreements

In connection with the Rights Issue, the Company, J.P. Morgan Cazenove and Newco have entered into a subscription and transfer agreement dated 27 February 2018 (the "**Subscription and Transfer Agreement**") and an option agreement dated 27 February 2018 (the "**Option Agreement**"), in relation to the subscription and transfer of ordinary shares and redeemable preference shares in Newco.

Under the terms of these agreements:

- (i) the Company and J.P. Morgan Cazenove have agreed to subscribe for ordinary shares in Newco and enter into certain put and call options in respect of the ordinary shares in Newco subscribed for by J.P. Morgan Cazenove that are exercisable if the Rights Issue does not proceed;



- (ii) J.P. Morgan Cazenove has agreed to apply an amount equal to monies received (and held by the Receiving Agent) from Qualifying Shareholders and renounees and from subscribers of New Ordinary Shares not taken up by Qualifying Shareholders and renounees under the Rights Issue, to subscribe for redeemable “A” preference shares and redeemable “B” preference shares in Newco at an aggregate value equal to such monies (after deducting relevant commissions and expenses); and
- (iii) the Company will allot and issue the New Ordinary Shares directly to those persons entitled thereto in consideration of J.P. Morgan Cazenove transferring its holdings of redeemable preference shares and ordinary shares in Newco to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Rights Issue the Company will own the entire issued ordinary share capital and entire issued redeemable “A” preference share capital and redeemable “B” preference share capital of Newco whose only assets will be its cash reserves, which will represent an amount equal to the net proceeds of the Rights Issue.

The Company will be able to utilise this amount on redemption of the redeemable preference shares it will hold in Newco and/or during any interim period prior to redemption, by procuring that Newco lends the amount to the Company (or one of the Company’s subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against J.P. Morgan Cazenove pursuant to these arrangements. The Company will be responsible for enforcing the obligations of J.P. Morgan Cazenove and Newco thereunder.

### 5.3 **Revolving Facility Agreement and RCF Consent Request Letter**

#### **Revolving Facility Agreement**

On 31 January 2017, the Company as parent and an original borrower, Provident Personal Credit Limited as an original borrower, the parties named therein as original guaranteeing subsidiaries and Abbey National Treasury Services plc (trading as Santander Global Corporate Banking), Barclays Bank PLC, Lloyds Bank plc and The Royal Bank of Scotland plc as bookrunners and mandated lead arrangers, the financial institutions named therein as original lenders (the “**RCF Lenders**”) and The Royal Bank of Scotland plc as agent (the “**RCF Agent**”) entered into a revolving facility agreement (the “**Revolving Facility Agreement**”). The Revolving Facility Agreement consists of a multi-currency revolving credit facility in an aggregate amount equal to £450,000,000 (the “**Revolving Credit Facility**”) and any drawings thereunder represent senior unsecured obligations of the Company that rank at least *pari passu* with any other of the Company’s unsubordinated and unsecured borrowings or guarantees. The Revolving Credit Facility is guaranteed by the Company, PPC, PFMSL, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No. 1 Limited.

The Revolving Credit Facility was made available, first, to prepay or repay in full the £382,500,000 multi-currency revolving facility agreement dated 31 January 2014 between, amongst others, the Company and The Royal Bank of Scotland plc as agent, and thereafter for the general corporate purposes of the Provident Financial Group. The final maturity date of the Revolving Credit Facility is 10 May 2020 and the facility is available for drawing until the date falling one month prior to its scheduled final maturity date. As at 23 February 2018, approximately £384,000,000 Sterling equivalent of the Revolving Credit Facility was utilised.

Each loan made under the Revolving Credit Facility is required to be repaid on the last day of its interest period and the relevant interest period can be one week, one, two, three or six months or any other period agreed between the Company and the RCF Agent. The interest rate payable on each loan for each interest period is the aggregate of LIBOR or, in relation to any loan denominated in euro, EURIBOR and a margin of 2.25 per cent. per annum.

Customary fees are payable to the RCF Agent along with a commitment fee payable to the RCF Agent (for the account of each (a) original lender under the Revolving Facility Agreement and (b) any bank, financial institution, trust, fund or other entity which has become a party to the Revolving Facility Agreement, which in each case has not ceased to be a party in accordance with the terms of the Revolving Facility Agreement) at the rate of 40 per cent. of the margin, payable on the unutilised amounts under the Revolving Credit Facility for the availability period.

In addition, subject to certain exceptions and limitations (including those imposed by applicable law), each member of the Provident Financial Group that has gross tangible assets representing 7.5 per cent. or more of the gross tangible assets of the Provident Financial Group or whose profit (calculated on the same basis as consolidated EBITA) represents 7.5 per cent. or more of consolidated EBITA (each, a “**Material Subsidiary**”) must become a guarantor of the Revolving Credit Facility within 45 days from the date the Company becomes aware that such entity qualifies as a Material Subsidiary.

The Revolving Facility Agreement contains customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties, financial covenants and events of default, including:

- (a) if required by a lender, mandatory prepayment of all utilisations provided by that lender, and cancellation of that lender’s commitments upon a change of control i.e. where any person or group of persons acting in concert (within the meaning of The City Code on Takeovers and Mergers) gains control of the Company;
- (b) financial covenants requiring that: (i) the ratio of consolidated EBITA to consolidated net interest payable (the “**RCF Interest Cover Ratio**”) shall not be less than 2.00:1; and (ii) the ratio of cash collections received to credit issued shall not be less than 1.00:1, each tested on a rolling 12-month period ending on each quarter-end date, each semi-annual date and each year-end date;
- (c) financial covenants requiring that: (i) the ratio of consolidated total net borrowings to consolidated net worth does not exceed 5.00:1; (ii) consolidated net worth shall not be less than £400,000,000 at any time; and (iii) consolidated net worth less Vanquis Bank Limited net worth shall not be less than £155,000,000 at any time, each to be evidenced on each quarter-end date, each semi-annual date and each year-end date;
- (d) covenants imposing restrictions on the Provident Financial Group’s ability to enter into mergers, incur additional financial indebtedness, make acquisitions and disposals, grant security or make a substantial change to the general nature of the Provident Financial Group (in each case subject to certain exceptions);
- (e) voluntary prepayment of loans (subject to minimum amounts and prior notice);
- (f) events of default including non-payment, failure to comply with financial covenants, misrepresentation and breach of other obligations, cross default (in relation to certain other financial indebtedness of the Provident Financial Group, subject to a £10,000,000 *de minimis* threshold), insolvency, unlawfulness, invalidity, repudiation of the finance documents and material adverse change (subject to customary grace periods and thresholds); and
- (g) certain ongoing financial information provisions.

Upon the occurrence of any event of default which is continuing, the majority lenders (being the lenders whose commitments aggregate more than 75 per cent. of the total commitments) may direct the RCF Agent to (i) cancel the total commitments; (ii) declare all or part of the outstanding loan and accrued interest immediately due and payable; and/or (iii) declare that all or part of the outstanding loan be payable on demand.

Barclays (a Joint Bookrunner and Underwriter of the Rights Issue) is one of the RCF Lenders and as at 21 February 2018 had lent 22 per cent. of the aggregate principal amount outstanding under the Revolving Credit Facility. The Company intends to use a portion of the net proceeds from the Rights Issue to make repayments under the Revolving Credit Facility. For further information please see paragraph 3 in Part II “*Letter from the Chairman of Provident Financial plc*” of this circular.

### **RCF Consent Request Letter**

On 16 February 2018, the RCF Agent countersigned a consent request letter from the Company dated 16 February 2018 (the “**RCF Consent Request Letter**”) pursuant to which the RCF Lenders agreed that:

- (a) the Revolving Facility Agreement shall apply as if the RCF Interest Cover Ratio was 1.25:1 in respect of each of the rolling twelve month periods ending on 31 March 2018 and 30 June 2018, and shall thereafter revert to 2.0:1;

- (b) the requirement that consolidated net worth shall not be less than £400,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000;
- (c) the requirement that consolidated net worth less Vanquis Bank net worth shall not be less than £155,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth less Vanquis Bank net worth shall not be less than £100,000,000.

The RCF Lenders also irrevocably waived any default or event of default resulting from any other matter directly relating to the proposal, implementation or negotiation of the RCF Consent Request Letter, the M&G Consent Request Letter, the Rights Issue and/or the FCA Investigations and/or any agreements reached with the relevant authorities in relation to the FCA Investigations, in each case which has arisen or may arise prior to the date on which funds have been received by the relevant member of the Provident Financial Group in connection with the Rights Issue, save that this waiver will not apply to any default or event of default as a result of default by the Company in the due performance or observance of the covenants set out in clause 21 (Financial Covenants) of the Revolving Facility Agreement (as amended in accordance with the RCF Consent Request as set out above).

The amendments and waivers granted pursuant to the RCF Consent Request Letter shall be effective on the date on which the Company has entered into the Bridge Facility Agreement.

The RCF Consent Request Letter contains representations and warranties that:

- (a) save as set out in the information pack provided to the RCF Lenders (the “**RCF Information Pack**”), the repeating representations under the Revolving Facility Agreement are true as at the date of the RCF Consent Request Letter and the date on which the amendments and waivers granted under the RCF Consent Request Letter become effective;
- (b) the RCF Information Pack, the RCF Consent Request Letter and any other information in writing prepared by the Company or any member of the Provident Financial Group and provided to the RCF Agent in connection with the amendments and waivers (the “**RCF Waiver Information Package**”) has been prepared on the basis of recent historical information and assumptions believed by the Company to be reasonable and, in so far as it relates to the FCA Investigations, is representative of the discussions that the Company has had to date with the FCA;
- (c) each expression of opinion or intention contained in the RCF Waiver Information Package was made after careful consideration and enquiry and is believed by the Company to be reasonable as at the date at which it is stated to be given;
- (d) the RCF Waiver Information Package did not omit as at its date any information known to the Company which, if disclosed, would make the RCF Waiver Information Package untrue or misleading in any material respect; and
- (e) an event of default will exist if any representation in the RCF Consent Request Letter proves to have been false or incorrect in any material respect when made.

The amendments and waivers granted pursuant to the RCF Consent Request Letter shall cease to be effective on:

- (a) 6 March 2018 unless on or before 5 March 2018 the Company has entered into the Underwriting Agreement in respect of the Rights Issue by which J.P. Morgan Cazenove and Barclays have committed, subject to certain conditions, to underwrite the full amount of the Rights Issue;
- (b) 1 April 2018 unless on or before 30 March 2018:
  - (i) the Company has launched the Rights Issue to raise an aggregate amount of at least £45,000,000 more than any provision created in relation to the FCA Investigations at the date of the launch (the “**Launch**”);



- (ii) the Company has delivered to the RCF Agent its audited consolidated annual financial statements for the financial year ended 2017, a copy of the final Prospectus and a copy of the Deloitte working capital report;
- (c) if at any time:
  - (i) the Shareholders do not provide the necessary consent for the Rights Issue at the General Meeting;
  - (ii) the Company publicly announces that it will not pursue the Rights Issue;
  - (iii) the Underwriting Agreement ceases to be effective or is terminated, or any of the Underwriters withdraws from its underwriting commitment in accordance with the terms of the Underwriting Agreement;
  - (iv) the Bridge Facility Agreement ceases to be effective or is terminated, or any of the Bridge Lenders cancels its commitments in accordance with the terms of the Bridge Facility Agreement; or
- (d) on the date falling three months after the date of the Launch, unless the relevant member of the Provident Financial Group has received funds in connection with the Rights Issue in an aggregate net amount referred to in paragraph (b)(i) above; or
- (e) if, upon receipt, the proceeds of the Rights Issue are not applied towards repayment in full of amounts outstanding under the Bridge Facility Agreement, towards a capital injection into Vanquis Bank and, as to the balance, for the general corporate purposes of the Provident Financial Group.

#### 5.4 **Term Loan Agreement and M&G Consent Request Letter**

##### **Term Loan Agreement**

On 12 January 2011, the Company, Prudential/M&G UK Companies Financing Fund LP (the “**M&G Lender**”) as arranger and original lender, the parties named therein as original guaranteeing subsidiaries and M&G Investment Management Limited as the agent (the “**TL Agent**”) entered into a term loan agreement (the “**Term Loan Agreement**”). The Term Loan Agreement was subsequently amended and restated by an amendment agreement on 26 September 2014. The Term Loan Agreement consists of a sterling term loan facility in an aggregate amount equal to £100 million (the “**Term Loan Facility**”) and was made available for the general corporate purposes of the Provident Financial Group. The Term Loan Facility represents a senior unsecured obligation of the Company and ranks at least *pari passu* with any other of the Company’s unsecured borrowings or guarantees, including its obligations under the Revolving Facility Agreement.

The Term Loan Facility is required to be repaid in instalments beginning on the fifth anniversary of 31 January 2011 (the “**Utilisation Date**”) and each anniversary thereafter until the final maturity date (being the tenth anniversary of the Utilisation Date). As at 31 December 2017, the amount outstanding under the Term Loan Facility was £80 million, to be repaid as follows: (i) £15 million on 31 January 2018; (ii) £15 million on 31 January 2019; (iii) £25 million on 31 January 2020; and (iv) £25 million on 31 January 2021. Customary fees are payable to the TL Agent.

The Term Loan Facility is guaranteed by the Company, PPC, Greenwood Personal Credit Limited, PFMSL, Provident Investments plc, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited. In addition, subject to certain exceptions and limitations (including those imposed by applicable law), each member of the Provident Financial Group that has gross tangible assets representing 7.5 per cent. or more of the gross tangible assets of the Provident Financial Group or whose profit (calculated on the same basis as consolidated EBITA) represents 7.5 per cent. or more of consolidated EBITA must become a guarantor of the Term Loan Facility within 45 days from the date the Company becomes aware that such entity qualifies as a Material Subsidiary.

The Term Loan Agreement contains customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties, financial covenants and events of default, including:

- (a) if required by a lender, mandatory prepayment of all utilisations provided by that lender upon a change of control i.e. where any person or group of persons acting in concert (within the meaning of The City Code on Takeovers and Mergers) gains control of the Company;

- (b) financial covenants, requiring that: (i) the ratio of consolidated EBITA to consolidated net interest payable (the “**M&G Interest Cover Ratio**”) shall not be less than 2.00:1; and (ii) the ratio of cash collections received to credit issued shall not be less than 1.10:1, each tested on a rolling 12-month period ending on each quarter-end date, each semi-annual date and each year-end date;
- (c) financial covenants, requiring that: (i) the ratio of consolidated total net borrowings to consolidated net worth does not exceed 5.00:1; (ii) consolidated net worth shall not be less than £400,000,000 at any time; and (iii) consolidated net worth less Vanquis Bank Limited net worth shall not be less than £155,000,000 at any time, each to be evidenced on each quarter-end date, each semi-annual date and each year-end date;
- (d) covenants imposing restrictions on the Provident Financial Group’s ability to enter into mergers, incur additional financial indebtedness, make acquisitions and disposals, grant security or make a substantial change to the general nature of the Provident Financial Group (in each case subject to certain exceptions);
- (e) events of default including non-payment, failure to comply with financial covenants, misrepresentation and breach of other obligations, cross default (in relation to certain other financial indebtedness of the Provident Financial Group, subject to a £10,000,000 *de minimis* threshold), insolvency, unlawfulness, invalidity, repudiation of the finance documents and material adverse change (subject to customary grace periods and thresholds); and
- (f) certain ongoing financial information provisions.

Upon the occurrence of any event of default which is continuing, the majority lenders (being the lenders whose commitments aggregate more than 66⅔ per cent. of the total commitments) may direct the TL Agent to: (i) cancel the total commitments; (ii) declare all or part of the outstanding loan and accrued interest immediately due and payable; and/or (iii) declare that all or part of the outstanding loan be payable on demand.

#### **M&G Consent Request Letter**

On 16 February 2018, the TL Agent countersigned a consent request letter from the Company dated 16 February 2018 (the “**M&G Consent Request Letter**”) pursuant to which the M&G Lender agreed that:

- (a) the Term Loan Agreement shall apply as if the M&G Interest Cover Ratio was 1.25:1 in respect of each of the rolling twelve month periods ending on 31 March 2018 and 30 June 2018, and shall thereafter revert to 2.0:1;
- (b) the requirement that consolidated net worth shall not be less than £400,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth shall not be less than £375,000,000;
- (c) the requirement that consolidated net worth less Vanquis net worth shall not be less than £155,000,000 shall be amended in respect of the year-end date falling on 31 December 2017 and the quarter-end date falling on 31 March 2018, such that consolidated net worth less Vanquis net worth shall not be less than £100,000,000,

The M&G Lender also irrevocably waived any default or event of default resulting from any other matter directly relating to the proposal, implementation or negotiation of the M&G Consent Request Letter, the RCF Consent Request Letter, the Rights Issue and/or the FCA Investigations and/or any agreements reached with the relevant authorities in relation to the FCA Investigations, in each case which has arisen or may arise prior to the date on which funds have been received by the relevant member of the Provident Financial Group in connection with the Rights Issue, save that this waiver will not apply to any default or event of default as a result of default by the Company in the due performance or observance of the covenants set out in clause 20 (*Financial Covenants*) of the Term Loan Agreement (as amended in accordance with the M&G Consent Request as set out above).

The M&G Consent Request Letter contains representations and warranties that:

- (a) save as set out in the information pack provided to the M&G Lender (the “**M&G Information Pack**”), the repeating representations under the Term Loan Agreement are true as at the date of the M&G Consent Request Letter and the date on which the amendments and waivers granted under the M&G Consent Request Letter become effective;

- (b) the M&G Information Pack, the M&G Consent Request Letter and any other information in writing prepared by the Company or any member of the Provident Financial Group and provided to the TL Agent in connection with the amendments and waivers (the “**M&G Waiver Information Package**”) has been prepared on the basis of recent historical information and assumptions believed by the Company to be reasonable and, in so far as it relates to the FCA Investigations, is representative of the discussions that the Company has had to date with the FCA;
- (c) each expression of opinion or intention contained in the M&G Waiver Information Package was made after careful consideration and enquiry and is believed by the Company to be reasonable as at the date at which it is stated to be given;
- (d) the M&G Waiver Information Package did not omit as at its date any information known to the Company which, if disclosed, would make the M&G Waiver Information Package untrue or misleading in any material respect; and
- (e) an event of default will exist if any representation in the M&G Consent Request Letter proves to have been false or incorrect in any material respect when made.

The Company also undertakes to offer (and/or procure the offer) to the M&G Lender any terms offered to any RCF Lender in connection with seeking consent to the equivalent matters referred to in the M&G Consent Request Letter which are or may reasonably be expected to be more favourable to any such RCF Lender in any material respect than those provided for in the M&G Consent Request Letter.

The amendments and waivers granted under the M&G Consent Request Letter shall be effective on the date on which the Company has entered into the Bridge Facility Agreement.

The amendments and waivers granted under the M&G Consent Request Letter shall cease to be effective on:

- (a) 6 March 2018 unless on or before 5 March 2018:
  - (i) the Company has entered into the Underwriting Agreement in respect of the Rights Issue by which J.P. Morgan Cazenove and Barclays have committed, subject to certain conditions, to underwrite the full amount of the Rights Issue; and
  - (ii) the Company has delivered to the Agent a copy of the conditions to and termination events under the Underwriting Agreement;
- (b) 1 April 2018 unless on or before 30 March 2018:
  - (i) the Launch has occurred;
  - (ii) the Company has delivered to the TL Agent its audited consolidated annual financial statements for the financial year ended 2017, a copy of the final Prospectus and a copy of the Deloitte working capital report;
- (c) if at any time:
  - (i) the Shareholders do not provide the necessary consent for the Rights Issue at the General Meeting;
  - (ii) the Company publicly announces that it will not pursue the Rights Issue;
  - (iii) the Underwriting Agreement ceases to be effective or is terminated, or any of the Underwriters withdraws from its underwriting commitment in accordance with the terms of the Underwriting Agreement;
  - (iv) the Bridge Facility Agreement ceases to be effective or is terminated, or any of the Bridge Lenders cancels its commitments in accordance with the terms of the Bridge Facility Agreement;

- (d) the date falling three months after the date of the Launch, unless the relevant member of the Provident Financial Group has received funds in connection with the Rights Issue in an aggregate net amount referred to in paragraph (b)(i) above; or
- (e) the proceeds of the Rights Issue are not applied towards repayment in full of amounts outstanding under the Bridge Facility Agreement, towards a capital injection into Vanquis Bank Limited and, as to the balance, for the general corporate purposes of the Provident Financial Group, provided that such balance will not be used to make any payment or repayment under the Revolving Facility Agreement which results in a cancellation of any part of the total commitments thereunder.

## 5.5 **Bridge Facility Agreement**

On 20 February 2018, the Company as borrower, Barclays and JPMorgan Chase Bank, N.A., London Branch as lenders (each a “**Bridge Lender**”, together the “**Bridge Lenders**”) and Barclays as agent (the “**Bridge Agent**”) entered into a bridge facility agreement (the “**Bridge Facility Agreement**”). The Bridge Facility Agreement consists of a sterling term loan facility in an aggregate amount equal to £85,000,000 (the “**Bridge Facility**”) and any drawing thereunder represents senior unsecured obligations of the Company that ranks at least pari-passu with any other of the Company’s unsecured and unsecured borrowings or guarantees. The Bridge Facility is not guaranteed.

The proceeds of the Bridge Facility are to be applied in connection with the refinancing of the Existing Intercompany Loan Agreement.

The termination date of the Bridge Facility is the date falling three months after the announcement of the Rights Issue. The Bridge Facility is available for drawing until the earlier of: (i) the date falling three business days after the satisfaction of the conditions precedent; and (ii) 30 March 2018. The interest rate payable on the loan for each interest period is the aggregate of LIBOR and a margin of 2.00 per cent. per annum.

The Bridge Facility Agreement contains customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties and events of default, including:

- (a) as conditions precedent, a copy of the executed Underwriting Agreement, a copy of the executed Subscription and Transfer Agreement, a copy of the Services agreement entered into with a Receiving Agent (the “**Receiving Agent Services Agreement**”), a copy of the latest draft Working Capital Report prepared by Deloitte, a copy of the RNS announcement confirming that the Company will undertake the Rights Issue, the final form Prospectus for the Rights Issue to be submitted to the UK Listing Authority for final approval, a copy of each of the Consent Request Letters executed by each of the parties to it, a certified group structure chart showing the percentage of shares owned by each shareholder of each member of the Provident Financial Group (excluding the Company), a copy of the New Intercompany Loan Agreement and an irrevocable payment instruction in relation to the application of the proceeds of the Rights Issue in repayment of the Bridge Facility;
- (b) as conditions subsequent, evidence that all amounts outstanding under the Existing Intercompany Loan Agreement have been irrevocably repaid in full and that all of the commitments thereunder have been cancelled one Business Day after the first utilisation date under the Bridge Facility Agreement, the issued prospectus for the Rights Issue, the 2017 audited consolidated financial statements for the Company and the final Working Capital Report issued by Deloitte;
- (c) covenants imposing restrictions on (i) the Company’s ability to pay any dividend or redeem its shares or make any amendment to the Underwriting Agreement, the Subscription and Transfer Agreement or the Receiving Agent Services Agreement (save where any such amendment is of a technical, administrative or typographical nature); and (ii) the Provident Financial Group’s ability to enter into mergers, incur additional financial indebtedness, make acquisitions and disposals, grant security or make a substantial change to the general nature of the Provident Financial Group (in each case subject to certain exceptions);
- (d) voluntary prepayment of loans (subject to minimum amounts and prior notice);
- (e) events of default including non-payment, misrepresentation and breach of other obligations, cross default (in relation to certain other financial indebtedness of the Provident Financial Group, subject to a £10,000,000 de minimis threshold), insolvency, unlawfulness, ownership of

the obligors, invalidity, repudiation of the finance documents, rescission, repudiation or termination of the Underwriting Agreement, material adverse change (subject to customary grace periods and thresholds), in circumstances where the shareholders of the Company do not provide the necessary consent for the Rights Issue at the general meeting convened to approve the Rights Issue, where the Company publicly announces that it will not pursue the Rights Issue and in the event of a misrepresentation under the Consent Request Letter; and

- (f) certain ongoing financial information provisions and covenants to provide certain information in respect of the Underwriting Agreement.

The Bridge Facility Agreement also provides that no event of default shall arise (save in respect of the rescission, repudiation or termination of the Underwriting Agreement, in circumstances where the shareholders of the Company do not provide the necessary consent for the Rights Issue at the general meeting convened to approve the Rights Issue, in certain circumstances linked to the terms of the Consent Request Letters and where the Company publically announces that it will not pursue the Rights Issue), no default will be continuing and there shall be no breach of representation under the Bridge Facility Agreement in relation to any matter directly relating to the proposal, implementation or negotiation of the M&G Consent Request Letter and the RCF Consent Request Letter, the Rights Issue and/or relating to the ongoing investigations by the FCA into the Repayment Option Plan of Vanquis Bank and various aspects of the business conducted by Moneybarn (the “**FCA Investigations**”) and/or any agreements reached with the relevant authorities (which shall include, but not be limited to the FCA and the PRA) in relation to the FCA Investigations, in each case, which has arisen or may arise prior to the date on which funds have been received by the relevant member of the Provident Financial Group in connection with the Rights Issue.

Upon the occurrence of any event of default which is continuing, each Bridge Lender may (i) cancel the commitments of that Bridge Lender; (ii) declare all or part of the outstanding loans and accrued interest immediately due and payable; and/or (iii) declare that all or part of the outstanding loans be payable on demand.

The Company also undertakes that if, after the date of the Bridge Facility Agreement, any new terms are offered to any lender (save in respect of the terms of the Consent Request Letters) under the Revolving Facility Agreement or the Term Loan Agreement which are or may reasonably be expected to be more favourable to such lender than those provided for in the Bridge Facility, the Company shall offer and/or procure the offer of the same terms to each Bridge Lender, *mutatis mutandis*.

Barclays (a Joint Bookrunner and Underwriter of the Rights Issue) is one of the Bridge Lenders and as at 20 February 2018 had committed 50 per cent. of the aggregate commitments under the Bridge Facility. J.P. Morgan Cazenove (the sole Sponsor and a Joint Bookrunner and Underwriter of the Rights Issue) is an affiliate of JPMorgan Chase Bank, N.A., London Branch, one of the Bridge Lenders which as at 20 February 2018 had committed 50 per cent. of the aggregate commitments under the Bridge Facility. The Company intends to use a portion of the net proceeds from the Rights Issue to repay the Bridge Facility in full. For further information please see paragraph 3 in Part II “*Letter from the Chairman of Provident Financial plc*” of this circular.

## 5.6 **The Provident Financial Group’s 2018 Bonds, 2019 Bonds, 2020 Bonds, 2021 Bonds and 2023 Bonds**

### ***General***

On 23 October 2009, the Company issued £250.0 million in aggregate principal amount of fixed rate guaranteed bonds due 23 October 2019 (the “**2019 Bonds**”) pursuant to an offering circular dated 21 October 2009. On 14 April 2010, the Company issued £25.2 million in aggregate principal amount of fixed rate guaranteed bonds due 14 April 2020 (the “**2020 Bonds**”) pursuant to an offering circular dated 23 March 2010.

Pursuant to the Company’s £2,000,000,000 Euro Medium Term Bond Programme dated 10 September 2010, as amended, supplemented, restated or updated from time to time, the Company has, on 4 March 2011 issued £20,000,000 in aggregate principal amount of floating rate guaranteed bonds due in March 2018 (the “**2018 Bonds**”), on 27 March 2013 issued £65.0 million in aggregate principal amount of fixed rate guaranteed bonds due 27 September 2021 (the “**2021 Bonds**”) and on 9 April 2015 issued £60.0 million in aggregate principal amount of fixed rate guaranteed bonds due 9 October 2023 (the “**2023 Bonds**”) and together with the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds, the “**Outstanding Bonds**”).



### ***Interest***

The 2019 Bonds initially bear interest at a rate of 8 per cent. per annum, payable semi-annually in arrears on 23 April and 23 October of each year, from and including 23 April 2010, to and including 23 October 2019. The 2020 Bonds bear interest at a rate of 7 per cent. per annum, payable semi-annually in arrears on 14 April and 14 October of each year, from and including 14 October 2010, to and including 14 April 2020. The 2021 Bonds bear interest at a rate of 6 per cent. per annum, payable semi-annually in arrears on 27 March and 27 September of each year, from and including 27 September 2013, to and including 27 September 2021. The 2023 Bonds bear interest at a rate of 5.125 per cent. per annum, payable semi-annually in arrears on 9 April and 9 October of each year, from and including 9 October 2015, to and including 9 October 2023.

The 2018 Bonds bear interest at a rate equal to three-month sterling LIBOR plus 4.50 per cent. per annum, reset quarterly, payable quarterly in arrears on 4 March, 4 June, 4 September and 4 December of each year, from and including 4 June 2011, to and including the interest payment date falling in or nearest to March 2018.

### ***Step-up and Step-down of interest in relation to the 2019 Bonds***

The rate of interest on the 2019 Bonds will be subject to a step-up of 1.25 per cent. per annum following the first public announcement by any Rating Agency of (a) its ceasing to apply a credit rating to the 2019 Bonds or (b) a decrease in the credit rating of the 2019 Bonds with the result that, following such public announcement(s), any of the Rating Agencies rate the 2019 Bonds below investment grade (investment grade being BBB– or above in relation to Fitch, BBB– or above in relation to S&P or Baa3 or above in relation to Moody’s or, where a Substitute Rating Agency (as defined below) has been designated by the Company, a comparable rating or above (“**Investment Grade**”)).

The rate of interest will revert to the initial rate of interest on the first public announcement by any of the Rating Agencies (a) applying a credit rating to the 2019 Bonds or (b) of an increase in the credit rating of the 2019 Bonds to Investment Grade, with the result that following such public announcement, the 2019 Bonds are rated by each of the Rating Agencies and none of the Rating Agencies rate the 2019 Bonds below Investment Grade.

For the purpose of this sub-section a “**Rating Agency**” means to the extent that a rating of the 2019 Bonds is solicited by the Company from such rating agency, Fitch, Moody’s Investors Service, Inc. (“**Moody’s**”) or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) or their successors or any rating agency (a “**Substitute Rating Agency**”) substituted for any of them by the Company from time to time.

### ***Ranking and Guarantee***

Each series of Outstanding Bonds and any relative coupons are direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge described below) unsecured obligations of the Company. Payments of principal and interest in respect of the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds have been unconditionally and irrevocably guaranteed by each of PPC, PFMSL, Greenwood Personal Credit Limited and Provident Investments plc (the “**Original Guarantors**”). Payments of principal and interest in respect of the 2023 Bonds have been unconditionally and irrevocably guaranteed by each of the Original Guarantors and Duncton Group Limited, Moneybarn Group Limited and Moneybarn No.1 Limited (the “**Moneybarn Guarantors**”, and together with the Original Guarantors, the “**Guarantors**”). The guarantees provided by the Moneybarn Guarantors were extended to the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds by virtue of the trust deed dated 6 October 2014.

### ***Redemption***

The Company may redeem any series of the Outstanding Bonds in whole, but not in part, at any time, or, in the case of the 2018 Bonds on an interest payment date only, if, as a result of certain changes in tax law, the Company (or, if the relevant guarantee were called, a Guarantor) is or would be required to pay additional amounts with respect to the Outstanding Bonds. If the Company decides to exercise such redemption right, it must pay a price equal to 100 per cent. of the principal amount of the Outstanding Bonds plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

### *Negative Pledge*

So long as any series of Outstanding Bonds remains outstanding, neither the Company nor the Guarantors will, and will ensure that none of their subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any relevant indebtedness, or any guarantee or indemnity in respect of any relevant indebtedness, without at the same time or prior thereto according to the relevant series of Outstanding Bonds that remains outstanding providing the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as either: (i) the trustee in relation to such series shall in its absolute discretion deem not materially less beneficial to the interests of the relevant Bondholders; or (ii) shall be approved by an extraordinary resolution of the relevant Bondholders.

### *Events of Default*

The Outstanding Bonds contain customary events of default, including, without limitation, payment defaults, breaches of other obligations, cross-acceleration provisions, certain events of bankruptcy and insolvency and judgment defaults.

### *Governing Law*

The Outstanding Bonds are governed by English law.

## **6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ, United Kingdom up to and including the date of Admission:

- a. the Articles of Association;
- b. the 2017 Annual Report;
- c. the 2016 Annual Report;
- d. the 2015 Annual Report;
- e. the Prospectus; and
- f. this circular.

## **7. ANNOUNCEMENT OF RESULTS OF RIGHTS ISSUE**

The Company will make an appropriate announcement to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of New Ordinary Shares not taken up by Qualifying Shareholders on or about 10 April 2018.

## PART VII: DEFINITIONS

### DEFINITIONS

In this circular the following expressions and technical terms have the following meaning unless the context otherwise requires:

“ <b>2006 LTIS</b> ”	the Provident Financial Long Term Incentive Scheme 2006
“ <b>2015 Annual Report</b> ”	the Company’s Annual Report and Financial Statements 2015
“ <b>2016 Annual Report</b> ”	the Company’s Annual Report and Financial Statements 2016
“ <b>2017 Annual Report</b> ”	the Company’s Annual Report and Financial Statements 2017
“ <b>2018 Bonds</b> ”	the issued £20.0 million in aggregate principal amount of floating rate guaranteed bonds due in March 2018
“ <b>2019 Bonds</b> ”	the £250.0 million in aggregate principal amount of fixed rate guaranteed bonds due 23 October 2019
“ <b>2020 Bonds</b> ”	the £25.2 million in aggregate principal amount of fixed rate guaranteed bonds due 14 April 2020
“ <b>2021 Bonds</b> ”	the £65.0 million in aggregate principal amount of fixed rate guaranteed bonds due 27 September 2021
“ <b>2023 Bonds</b> ”	the £60.0 million in aggregate principal amount of fixed rate guaranteed bonds due 9 October 2023
“ <b>22 August Announcement</b> ”	a public announcement of the Company dated 22 August 2017
“ <b>Adjusted Basic Earnings Per Share</b> ”	the adjusted basic earnings per Ordinary Share 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 Ordinary Shares in issue, excluding own shares held by the Provident Financial Group
“ <b>Admission</b> ”	the admission of the New Ordinary Shares (nil paid and fully paid) to the premium listing segment of the Official List of the FCA becoming effective in accordance with the Listing Rules and the admission of such shares (nil paid and fully paid) to trading on the London Stock Exchange’s market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
“ <b>Admission and Disclosure Standards</b> ”	the Admission and Disclosure Standards (as amended from time to time) of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities
“ <b>AGM</b> ”	Annual General Meeting
“ <b>APR</b> ”	annual percentage rate
“ <b>Articles of Association</b> ”	the articles of association of the Company
“ <b>Banking Act</b> ”	UK Banking Act 2009, as amended
“ <b>Barclays</b> ”	Barclays Bank PLC
“ <b>Board</b> ”	the board of directors of the Company

“ <b>Bondholders</b> ”	a holder of one or more of the Outstanding Bonds
“ <b>Bridge Agent</b> ”	has the meaning given in paragraph 5.5 of Part VI “ <i>Additional Information</i> ” of this circular
“ <b>Bridge Facility</b> ”	has the meaning given in paragraph 5.5 of Part VI “ <i>Additional Information</i> ” of this circular
“ <b>Bridge Facility Agreement</b> ”	has the meaning given in paragraph 5.5 of Part VI “ <i>Additional Information</i> ” of this circular
“ <b>Bridge Lenders</b> ”	has the meaning given in paragraph 5.5 of Part VI “ <i>Additional Information</i> ” of this circular
“ <b>Business Day</b> ”	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open in London for the transaction of normal business
“ <b>CBI</b> ”	Central Bank of Ireland
“ <b>CCD</b> ”	Consumer Credit Division of the Provident Financial Group
“ <b>certificated</b> ” or “ <b>in certificated form</b> ”	where a share or other security is not in uncertificated form
“ <b>CET1</b> ”	common equity tier 1
“ <b>Closing Price</b> ”	the closing middle market price of an Ordinary Share as derived from the London Stock Exchange’s Daily Official List
“ <b>CONC</b> ”	the FCA Consumer Credit Sourcebook
“ <b>Consent Request Letters</b> ”	has the meaning given in Part III “ <i>Risk Factors</i> ” of this circular
“ <b>CREST</b> ”	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear UK is the operator as defined in the CREST Regulations)
“ <b>CREST Manual</b> ”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996 and as amended since)
“ <b>CREST member</b> ”	a person who has been admitted to Euroclear UK as a system member (as defined in the CREST Regulations)
“ <b>CREST participant</b> ”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
“ <b>CREST Regulations</b> ” or “ <b>Regulations</b> ”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
“ <b>Daily Official List</b> ”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
“ <b>Directors</b> ”	the Executive Directors and Non-executive Directors
“ <b>Disclosure Guidance and Transparency Rules</b> ”	the Disclosure Guidance and Transparency Rules contained in the FCA’s sourcebook
“ <b>EBITA</b> ”	earnings between interest, tax and amortisation

“EU” or “European Union”	the European Union
“EURIBOR”	Euro Interbank Offered Rate
“euro” or “€”	the lawful currency of the member states of the EU that adopt the single currency in accordance with the EC Treaty
“Euroclear UK”	Euroclear UK & Ireland Limited, the operator of CREST
“Eurozone”	those member states of the European Union which have adopted the euro
“Excluded Territories” and each an “Excluded Territory”	Canada, Japan, People’s Republic of China, the Republic of South Africa, the Russian Federation and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law
“Executive Committee”	the Provident Financial Group Executive Committee
“Executive Director(s)”	an executive director(s) of the Company
“Existing Facilities”	the facilities made available under the Existing Finance Agreements
“Existing Finance Agreements”	together, the Revolving Facility Agreement and the Term Loan Agreement
“Existing Intercompany Facility”	has the meaning given in paragraph 3 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
“Existing Ordinary Share(s)”	the Ordinary Share(s) in issue as at the Record Date
“Existing Intercompany Loan Agreement”	has the meaning given in paragraph 3 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
“FCA Investigations”	has the meaning given in paragraph 5.5 of Part VI “ <i>Additional Information</i> ” of this circular
“FCA Watchlist Letter”	has the meaning given in paragraph 2 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority of the UK
“Form of Proxy”	the form of proxy for use at the General Meeting
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Fully Paid Rights”	rights to acquire the New Ordinary Shares, fully paid
“General Meeting”	the general meeting of the Company to be held at 11:00 a.m. on 21 March 2018 at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ, United Kingdom (and any adjournment thereof) for the purposes of considering and, if thought fit, approving the Resolution
“Gross Restitution Amount”	has the meaning given in paragraph 2 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
“Guarantors”	together, the Original Guarantors and the Moneybarn Guarantors
“HCSTC”	High-Cost Short-Term Credit



<b>“Home Credit” or “Provident Financial Group’s Home Credit Business”</b>	the home credit business of the Provident Financial Group provided through Provident
<b>“ICG”</b>	individual capital guidance
<b>“IFRS”</b>	International Financial Reporting Standards as issued by the International Accounting Standards Board
<b>“Interest Cover Ratio Covenant”</b>	has the meaning given in Part III “ <i>Risk Factors</i> ” of this circular
<b>“Investment Grade”</b>	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Issue Price”</b>	315 pence per New Ordinary Share
<b>“J.P. Morgan Cazenove”</b>	J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove)
<b>“Joint Bookrunners”</b>	Barclays and J.P. Morgan Cazenove
<b>“Joint Global Co-ordinators”</b>	Barclays and J.P. Morgan Cazenove
<b>“Launch”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Link”</b>	Link Asset Services, a trading name of Link Market Services Limited
<b>“Listing Rules”</b>	the Listing Rules made by the FCA under Part VI of the FSMA
<b>“London Stock Exchange”</b>	London Stock Exchange plc or its successor(s)
<b>“LTIS”</b>	the Provident Financial Group Long Term Incentive Scheme
<b>“Material Subsidiary”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“M&amp;G Consent Request Letter”</b>	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“M&amp;G Information Pack”</b>	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“M&amp;G Interest Cover Ratio”</b>	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“M&amp;G Waiver Information Package”</b>	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Moneybarn”</b>	Moneybarn, a division of the Provident Financial Group, which provides vehicle finance
<b>“Moneybarn Guarantors”</b>	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Moody’s”</b>	Moody’s Investors Service, Inc.
<b>“Net Worth Covenant”</b>	has the meaning given in Part III “ <i>Risk Factors</i> ” of this circular
<b>“Net Worth Excluding Vanquis Bank Covenant”</b>	has the meaning given in Part III “ <i>Risk Factors</i> ” of this circular
<b>“New Intercompany Facility”</b>	has the meaning given in paragraph 3 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular

<b>“New Intercompany Loan Agreement”</b>	has the meaning given in paragraph 3 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
<b>“New Ordinary Shares”</b>	Ordinary Shares to be allotted and issued pursuant to the Rights Issue
<b>“Newco”</b>	PF JerseyCo Limited
<b>“Nil Paid Rights”</b>	New Ordinary Shares in nil paid form to be provisionally allotted to Shareholders pursuant to the Rights Issue
<b>“Non-executive Directors”</b>	the non-executive directors of the Company
<b>“Notice of General Meeting”</b>	the notice of General Meeting set out in this circular
<b>“Official List”</b>	the Official List of the FCA pursuant to Part VI of the FSMA
<b>“Option Agreement”</b>	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Ordinary Shares” or “Shares”</b>	the ordinary shares of 20 <sup>8</sup> / <sub>11</sub> pence each in the share capital of the Company (including, if the context requires, the New Ordinary Shares)
<b>“Original Guarantors”</b>	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Outstanding Bonds”</b>	the 2018 Bonds, 2019 Bonds, 2020 Bonds, 2021 Bonds and 2023 Bonds
<b>“Overseas Shareholders”</b>	Shareholders with registered addresses outside the UK or who are citizens or residents of, or located in, countries outside the UK
<b>“PD Regulation”</b>	the Prospectus Directive Regulation (EC) No. 809/2004 implementing the Prospectus Directive, as amended
<b>“PRA”</b>	Prudential Regulation Authority
<b>“Prospectus”</b>	the document to be published by the Company on the date of this circular, relating to the New Ordinary Shares and prepared in accordance with the Prospectus Rules
<b>“Prospectus Directive”</b>	the Directive 2003/71/EC, as amended
<b>“Provident Financial” or “Company”</b>	Provident Financial plc, a company incorporated under the laws of England and Wales (with registered number 00668987), with its registered office at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU
<b>“Provident Financial Group”</b>	the Company and its subsidiaries and subsidiary undertakings from time to time
<b>“Provident Financial Group Employee Share Plans”</b>	the 2006 LTIS, LTIS, PSP, SAYE and SIP
<b>“Provisional Allotment Letter”</b>	the renounceable provisional allotment letter expected to be sent to Qualifying non-CREST Shareholders in respect of the New Ordinary Shares to be provisionally allotted to them pursuant to the Rights Issue
<b>“PSP”</b>	the Provident Financial Group Performance Share Plan 2013
<b>“Qualifying CREST Shareholder”</b>	a Qualifying Shareholder holding Ordinary Shares in uncertificated form in CREST

<b>“Qualifying non-CREST Shareholder”</b>	a Qualifying Shareholder holding Ordinary Shares in certificated form
<b>“Qualifying Shareholder”</b>	a holder of Ordinary Shares on the register of members of the Company at close of business on 19 March 2018 with the exclusion (subject to certain exceptions) of persons with a registered address or located or resident in an Excluded Territory
<b>“Rating Agency”</b>	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“RCF Agent”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“RCF Consent Request Letter”</b>	has the meaning given in Part III “ <i>Risk Factors</i> ” of this circular
<b>“RCF Information Pack”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“RCF Interest Cover Ratio”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“RCF Lenders”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“RCF Waiver Information Package”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Receiving Agent”</b>	Link Asset Services
<b>“Receiving Agent Services Agreement”</b>	has the meaning given in paragraph 5.5 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Record Date”</b>	19 March 2018
<b>“Recovery Plan”</b>	the recovery plan for the Home Credit business which is centred around a revised version of the new operating model, retaining the employed CEM approach and some of the new technology, but improving the ability of the Home Credit business to connect with customers at the right time and place consistently, stabilising the operation of the Home Credit business and improving collections performance
<b>“Regulatory Information Service”</b>	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
<b>“Remuneration Committee”</b>	the remuneration committee established by the Board
<b>“Resolution”</b>	the ordinary resolution to be proposed at the General Meeting (and set out in the Notice of General Meeting contained in this circular)
<b>“Revolving Credit Facility”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Revolving Facility Agreement”</b>	has the meaning given in paragraph 5.3 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“Rights Issue”</b>	the proposed issue by way of rights of New Ordinary Shares to Shareholders on the basis described in the Prospectus and, in the case of Qualifying non-CREST Shareholders, in the Provisional Allotment Letter

“RMP”	risk mitigation programme
“ROA”	adjusted return on assets
“ROP”	Vanquis Bank’s Repayment Option Plan
“ROP Financial Penalty”	has the meaning given in paragraph 2 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
“S&P”	Standard and Poor’s Rating Services, a division of the McGraw – Hill Companies, Inc.
“Satsuma”	Satsuma Loans, a division of the Provident Financial Group, which provides on-line unsecured loans
“SAYE”	the Provident Financial Group Savings-Related Share Option Scheme 2013
“Shareholder”	a holder of Ordinary Shares
“SIP”	the Provident Financial Group Share Incentive Plan 2013
“Sponsor”	J.P. Morgan Cazenove
“Standard Plan”	the Standard Plan offered in connection with the ROP to people who are homemakers, students, retired or not in employment
“Subscription and Transfer Agreement”	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
“Substitute Rating Agency”	has the meaning given in paragraph 5.6 of Part VI “ <i>Additional Information</i> ” of this circular
“TCR”	total capital requirements
“Term Loan Agreement”	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
“Term Loan Facility”	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
“TL Agent”	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
“TSR”	has the meaning given in paragraph 2.3 of Part II “ <i>Letter from the Chairman of Provident Financial plc</i> ” of this circular
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA
“UK Takeover Code”	the City Code on Takeovers and Mergers (as amended), as issued and administered by The Panel on Takeovers and Mergers
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Underwriters”	Barclays and J.P. Morgan Cazenove

<b>“Underwriting Agreement”</b>	has the meaning given in paragraph 5.1 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“US Securities Act”</b>	the United States Securities Act of 1993, as amended
<b>“Utilisation Date”</b>	has the meaning given in paragraph 5.4 of Part VI “ <i>Additional Information</i> ” of this circular
<b>“VAT”</b>	value added tax
<b>“Vanquis Bank”</b>	Vanquis Bank Limited



NOTICE OF GENERAL MEETING

**PROVIDENT FINANCIAL PLC**

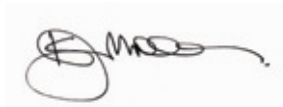
*(incorporated and registered in England and Wales with registered number 00668987)*

**NOTICE IS HEREBY GIVEN that a General Meeting of Provident Financial plc (the “Company”) will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ, United Kingdom at 11.00 a.m. on 21 March 2018, for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:**

**ORDINARY RESOLUTION**

That, subject to and conditional upon admission to listing on the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc’s main market for listed securities of the new ordinary shares with a nominal value of 20<sup>8</sup>/<sub>11</sub> pence each to be issued by the Company in connection with the rights issue announced by the Company on 27 February 2018 (the “**Rights Issue**”), and, in addition to all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to allot ordinary shares in the Company and to grant rights to subscribe for or convert any security into ordinary shares in the Company, up to an aggregate nominal amount of £22,800,000 pursuant to or in connection with the Rights Issue, such authority to expire at the close of business on 31 December 2018, save that the Company may allot ordinary shares in connection with the Rights Issue pursuant to any agreement entered into at any time prior to such expiry (whether before or after the passing of this resolution) which would, or might, require ordinary shares in the Company to be allotted or rights to subscribe for or convert securities into ordinary shares to be granted after such expiry and the Directors may allot ordinary shares or grant rights to subscribe for or convert securities into ordinary shares under any such agreement as if this authority had not expired.

*By order of the board*



Kenneth J Mullen  
General Counsel and Company Secretary

27 February 2018

*Registered office:*

No. 1 Godwin Street  
Bradford  
West Yorkshire  
BD1 2SU

## Notes to the Notice of General Meeting

The following notes explain your general rights as a shareholder and your rights to attend and vote at the General Meeting (as defined below) or to appoint someone else to vote on your behalf.

### Members' right to appoint a proxy

1. Members who are entitled to attend and vote at the meeting are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the general meeting of the Company (the "**General Meeting**"). A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. The right of a member to vote at the General Meeting will be determined by reference to the register of members of the Company (the "**Register of Members**"). To be entitled to attend, vote and speak at the General Meeting, members must be registered in the Register of Members at 6.00 p.m. on 19 March 2018 (or, in the event of any adjournment, on the date which is not less than 48 hours, excluding non-working days, before the time of the adjourned meeting).
3. A member wishing to attend, vote and speak at the General Meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the General Meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006. Any such representative should bring to the General Meeting written evidence of his/her appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the General Meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so.
4. A proxy form which may be used to appoint a proxy and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Link Market Services Limited on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open from 9:00 a.m. to 5:30 p.m. (London time), Monday to Friday, excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

To be valid, a proxy form must be completed in accordance with the instructions that accompany it and delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Link Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by no later than 11.00 a.m. on 19 March 2018.

Alternatively, a member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at [www.signalshares.com](http://www.signalshares.com).

To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received at the same time. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the General Meeting should he/she so wish. If an instrument of proxy is not received in a manner or within the time limits set out in this Notice it shall be invalid, unless and to the extent that the Board, in its absolute discretion in relation to any such instrument, waives any such requirement.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The rights described in Note 1 can only be exercised by members of the Company.
6. As at 22 February 2018 (being the latest practicable date prior to the publication of this circular) the Company's total issued equity share capital consisted of 148,233,503 ordinary shares, carrying one vote

each. The Company does not hold any ordinary shares in treasury. Therefore, the total voting rights in the Company as at 22 February 2018 was 148,233,503.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). In order to be valid, the message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the issuer’s agent (ID RA10) by 11:00 a.m. on 19 March 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of The Uncertificated Securities Regulations 2001.

#### **Member questions**

11. Any member entitled to attend and vote at the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

#### **Notice period**

12. The shorter notice period of 14 clear days, as approved at the Company’s last annual general meeting, has been used for the purposes of this General Meeting as the directors of the Company believe that the flexibility offered by the shorter notice period is merited by the time-sensitive nature of the Rights Issue and it is in the best interests of the shareholders as a whole, taking into account the circumstances and business of the General Meeting. The Company has complied with the 14 working days’ notice period recommended as best practice in the Corporate Governance Code.

#### **Company website**

13. Information relating to the General Meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the General Meeting can be found at [www.providentfinancial.com](http://www.providentfinancial.com). A member may not use any electronic address provided by the Company in this circular or with any proxy appointment form or on any website for communicating with the Company for any purpose in relation to the General Meeting other than as expressly stated in it.

