

# Everyday matters

Provident Financial plc  
Annual Report and Financial Statements 2018



## Inside this report

<b>Overview</b>	Our purpose	1	
	A snapshot of the Group	2	
	Our business model	4	
<b>Strategic report</b>	Chairman's statement	6	Our customer proposition
	Chief Executive Officer's review	12	– Vanquis Bank
	Our market	19	– Consumer Credit Division
	Our strategy and progress	24	– Moneybarn
	Our purpose and strategy	34	Risk management and principal risks
			Relations with regulators
			Financial review
			Corporate responsibility
<b>Governance</b>	Chairman's introduction	91	Composition, induction and evaluation:
	Leadership and purpose:		– Composition
	– Our Board	94	– Induction for new directors
	– Activities of the Board during the year	98	– Board evaluation
	– Ensuring effective engagement with stakeholders	101	Nomination Committee report
	Shareholder and Investor Relations	105	Audit, risk and internal control
	Division of responsibilities	109	– Audit Committee and auditor
			Group Risk Committee
			Directors' report
<b>Directors' remuneration report</b>	Annual statement by the Chairman of the remuneration committee	145	
	Annual report on remuneration	146	
	Directors' remuneration policy	161	
<b>Financial statements</b>	Consolidated income statement	168	Statements of cash flows
	Consolidated statement of comprehensive income	168	Statement of accounting policies
	Earnings/(loss) per share	168	Financial and capital risk management
	Dividends per share	168	Notes to the financial statements
	Balance sheets	169	Independent auditor's report
	Statements of changes in shareholders' equity	170	
<b>Shareholder information</b>	Information for shareholders	235	

### Cautionary statement

All statements other than statements of historical fact included in this document, including, without limitation, those regarding beliefs and expectations about the financial condition, results, operations and business of Provident Financial plc and its strategy, plans and objectives and the markets in which it operates, are forward-looking statements. Such forward-looking statements which reflect the directors' assumptions made on the basis of current information available to them at this time, involve known and unknown risks, uncertainties and other important factors and therefore undue reliance should not be placed on the, which include but are not limited to, changes in the general economic conditions in the markets in which Provident Financial plc operate and changes in government policy and regulation, which could cause the actual results, performance or achievements of Provident Financial plc or the markets in which it operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Nothing in the document shall be regarded as a profit forecast and its directors accept no liability to third parties in respect of this report save as would arise under English law. In particular, section 463 of the Companies Act 2006 limits the liability of the directors of Provident Financial plc so that their liability is solely to Provident Financial plc.

# Our purpose

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

Jennie's day



See how we helped Jennie  
*page 18*

Bianca's day



See how we helped Bianca  
*page 23*

Paul's day



See how we helped Paul  
*page 28*

Jess's day



See how we helped Jess  
*page 30*

Judith's day



See how we helped Judith  
*page 33*

Shirley's day



See how we helped Shirley  
*page 72*

## A snapshot of the Group

Customer numbers

2017: 2,550k

2,395k

Adjusted basic earnings per share<sup>2,3</sup> (p)

2017: 36.8p (IFRS 9<sup>1</sup>), 45.7p (IAS 39)

46.6p

Adjusted profit before tax<sup>2</sup>

2017: £84.2m (IFRS 9), £109.1m (IAS 39)

£153.5m

Proposed dividend

2017: £nil

10p/share

Return on assets<sup>1,4</sup>

2017: 6.9% (IFRS 9<sup>1</sup>), 6.9% (IAS 39)

7.5%

Community investment

2017: £2.6m

£1.7m

Amounts receivable from customers

2017: £2,071.3m (IFRS 9<sup>1</sup>), £2,309.4m (IAS 39)

£2,162.9m

Basic earnings/(loss) per share<sup>2,3</sup>

2017: (75.3p) (IFRS 9<sup>1</sup>), (66.4p) (IAS 39)

25.2p

Statutory profit/(loss) before tax

2017: (£147.9m) (IFRS 9), (£123.0m) (IAS 39)

£90.7m

Dividend cover

2017: n/a

4.7 times

CET 1 ratio (%)<sup>5</sup>

2017: 14.5%

29.7%

Total tax contribution

2017: £168.0m

£133.6m

1 The Group has adopted IFRS 9 from 1 January 2018. Statutory prior year comparatives have not been restated. The Group has provided unaudited pro forma 2017 income statement and balance sheet comparatives as though IFRS 9 had been implemented from 1 January 2017.

2 Adjusted profit before tax is stated before: £7.5m of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 (2017: £7.5m) and exceptional charges of £55.3m (2017: £224.6m).

3 The weighted average number of shares in the period prior to the rights issue in April 2018 has been adjusted to take account of the bonus element of the rights issue of 1.367 and EPS comparatives restated.

4 Return on assets is calculated as adjusted profit before interest after tax as a percentage of average receivables for the 12 months ended 31 December.

5 Common equity tier 1 (CET 1) ratio is measured against a fully loaded total capital requirement of 25.5%.

## Our divisions

### Consumer Credit Division

#### Provident

Home credit

Provident offers home credit loans, typically of a few hundred pounds, to consumers on low incomes and tight budgets who require affordable credit to manage the household budget or one-off items of expenditure.

Customers	Employees	Adjusted loss before tax <sup>1,2</sup>
440,000	3,800	£(38.7)m
Loan range		
£100-£2,000		

#### Satsuma®

loans.co.uk

Online lending

Satsuma is our online instalment loan product. We give new customers a small-sum, short-term loan and collect repayments by continuous payment authority either weekly or monthly.

Customers	Loan range
117,000	£100-£1,000



See more about this content [pages 62-63](#).

#### VANQUIS BANK

Credit cards

Vanquis Bank is the leading supplier of credit cards to those not well-served by mainstream lenders. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly.

Customers	Employees	Adjusted profit before tax <sup>1</sup>
1.8m	1,600	£184.3m
Loan range		
£250-£4,000		



See more about this content [pages 60-61](#).

#### moneybarn

credit you can trust

Vehicle finance

Moneybarn is the market leader in the provision of vehicle finance for people not well-served by mainstream lenders.

Customers	Employees	Adjusted profit before tax <sup>1</sup>
62,000	300	£28.1m
Loan range		
£4,000-£25,000		



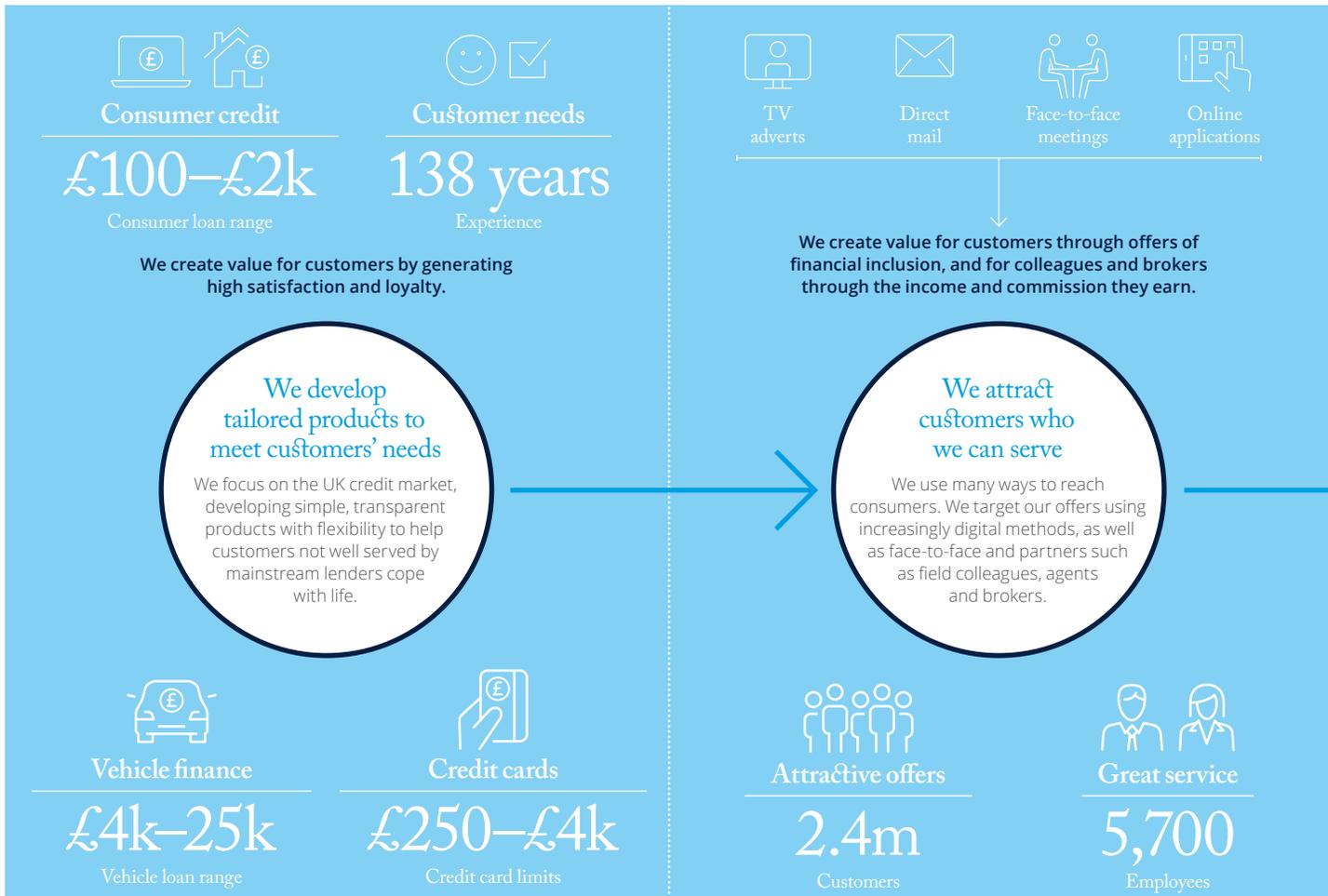
See more about this content [pages 64-65](#).

1 Before exceptional items and, in respect of Moneybarn, prior to the amortisation of acquisition intangibles.

2 Represents CCD as a whole.

## Our business model

We provide our customers with tailored and affordable products that match their specific needs, and we help them to handle the inevitable challenges that everyday life throws their way.



### The resources and relationships critical to our success:



#### Our customers

Our 2.4 million customers are at the heart of what we do, they are the 20% of UK adults who at any one time are looking for something that mainstream lenders don't offer. We specialise in serving their needs and have adapted our business model to do so.

See more about this content [pages 36-43](#).



#### Regulators and government

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

See more about this content [pages 55-56](#).



#### Long-term funds and capital

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

See more about this content [pages 57-71](#).



We create value for customers by helping them minimise the impact of any difficulties in an understanding way.

**We collect payments due**

We offer many ways to pay in cash and remotely, maintaining frequent customer contact. We stay close to customers through call centre, digital communications and face-to-face meetings in the home.

**We manage arrears and customer difficulties**

We establish early contact and an ongoing dialogue with customers who have difficulties, with a sympathetic approach, to understand and offer forbearance.

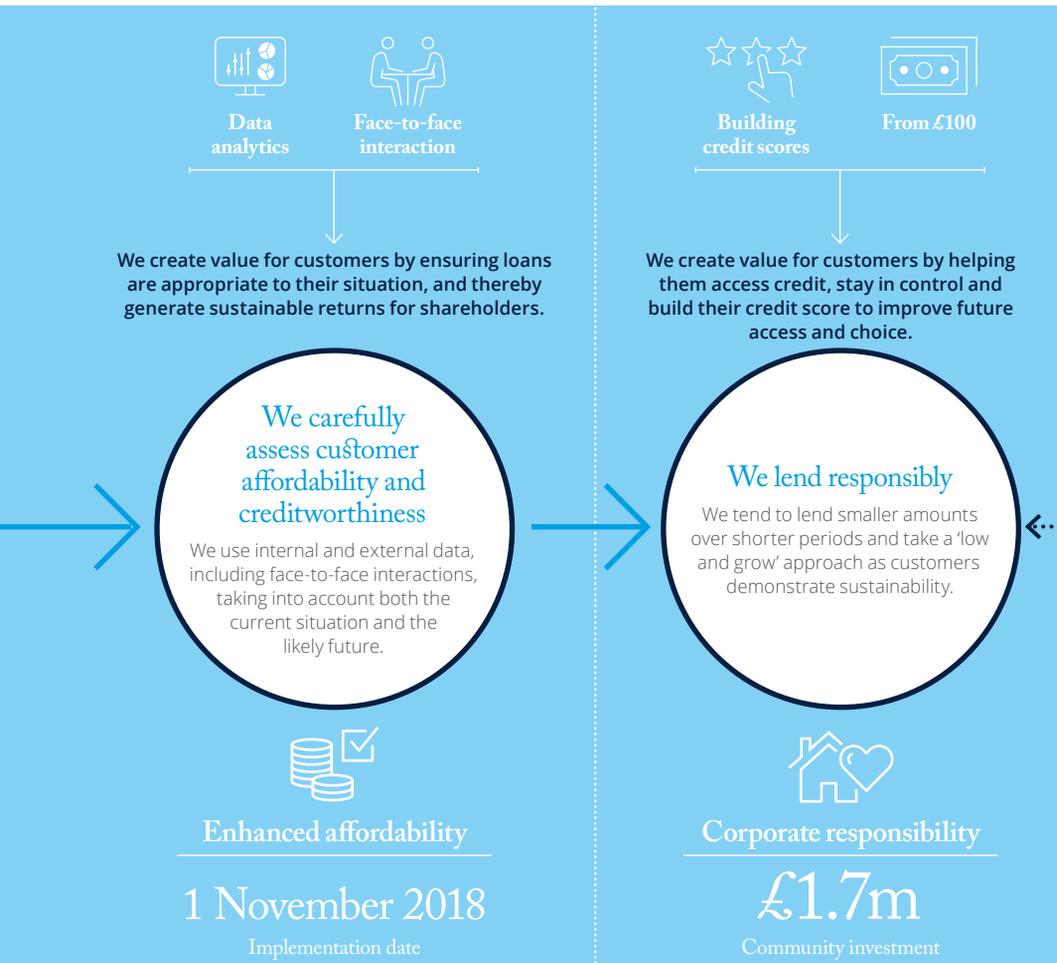
We create value for customers by helping them stay on track and adapt to life's challenges whilst building their credit score.



Sympathetic approach



Dialogue with customers



**Our people**

Our 5,700 people are critical to delivering our tailored and understanding business model, balancing the personal touch with the use of technology where customers increasingly want and expect it. See more about this content **pages 73-89**.



**Our communities**

Our community investment strategy is aligned to our social purpose and seeks to invest in activities and initiatives which address the key factors that tend to reduce somebody's access to credit. See more about this content **pages 73-89**.