

NSF: a different perspective

8 May 2019

Summary

In light of NSF's all-share Offer, Provident has in recent weeks undertaken a further detailed review of NSF's historical financial disclosures, with a view to enabling Provident Shareholders to better understand the financial position of NSF and the valuation of its shares, which are being offered as consideration.

Provident's review has uncovered several areas of concern in relation to NSF, which reveal:

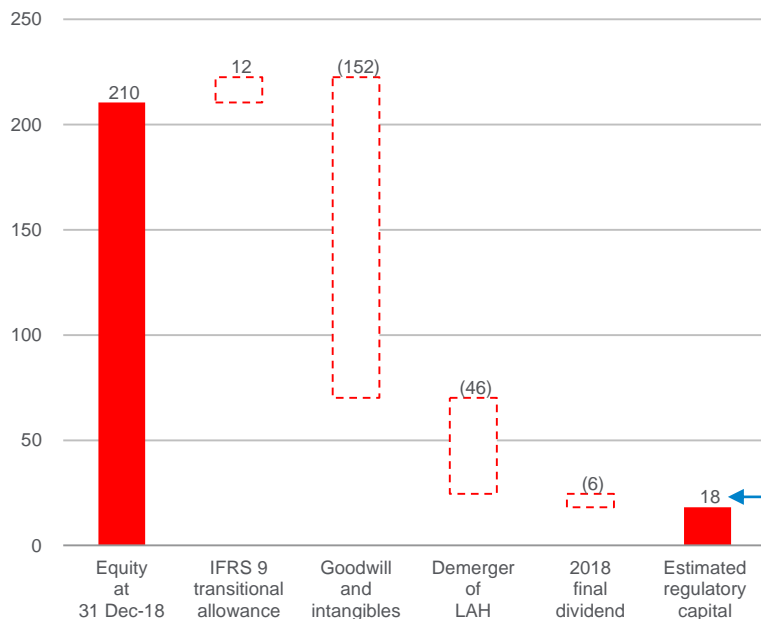
1. that there may be an undercapitalisation of the enlarged group on a pro-forma basis as a result of the combination with NSF, potentially requiring a capital raise;
2. significant headwinds facing NSF's businesses, indicated by NSF's own financial data on gearing and provisioning;
3. an overly positive perspective on NSF's own headline financial performance, despite reporting statutory losses since incorporation;
4. a reduction of NSF shareholders' equity since incorporation through shareholder distributions, many of which NSF has admitted were unlawful, and repeated statutory losses; and,
5. that NSF appears to be overvalued relative to other UK lenders, especially taking into account its financial performance.

- **The Provident Board has serious concerns about the underlying financial and operating performance of NSF and whether the current market capitalisation is a true reflection of the fundamental value of the NSF Group. With respect to both capital and profits, the Provident Board believes that the conclusions presented here make it even more apparent that NSF's Offer, if successful, would benefit NSF by mitigating its own weaknesses with Provident's strengths, resulting in a materially weaker pro-forma combination for Provident Shareholders.**
- **Further, the Provident Board strongly believes the risks associated with a CMA Phase 2 review and possible unwinding of the acquisition are not risks the Provident Shareholders should bear.**
- **Given all of this, and the Provident Board's belief that the NSF Offer has significant flaws and would be value destructive, the Provident Board continues to urge its shareholders to take no action in relation to the Offer.**

NSF's capital base is low

After demerging Loans at Home, reported equity of £210m reduces to pro-forma regulatory capital of £18m, which equates to a CET1 ratio of 5.8%

Pro-forma NSF estimated regulatory capital (CRD IV)
£m, as at 31 Dec-18

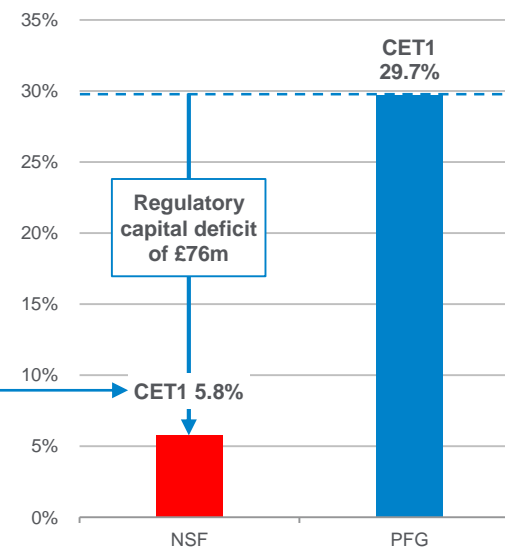


To achieve the same pro-forma CET1 ratio as PFG at 31 Dec-18, NSF would need to raise £76m

CET1 ratio

Estimated pro-forma NSF versus PFG actual, as at 31 Dec-18

Under PRA rules, NSF's pro-forma consolidated total assets of £402m (excluding LAH) equate to risk-weighted exposures of £316m, meaning £18m of regulatory capital equates to a CET1 ratio of 5.8%.



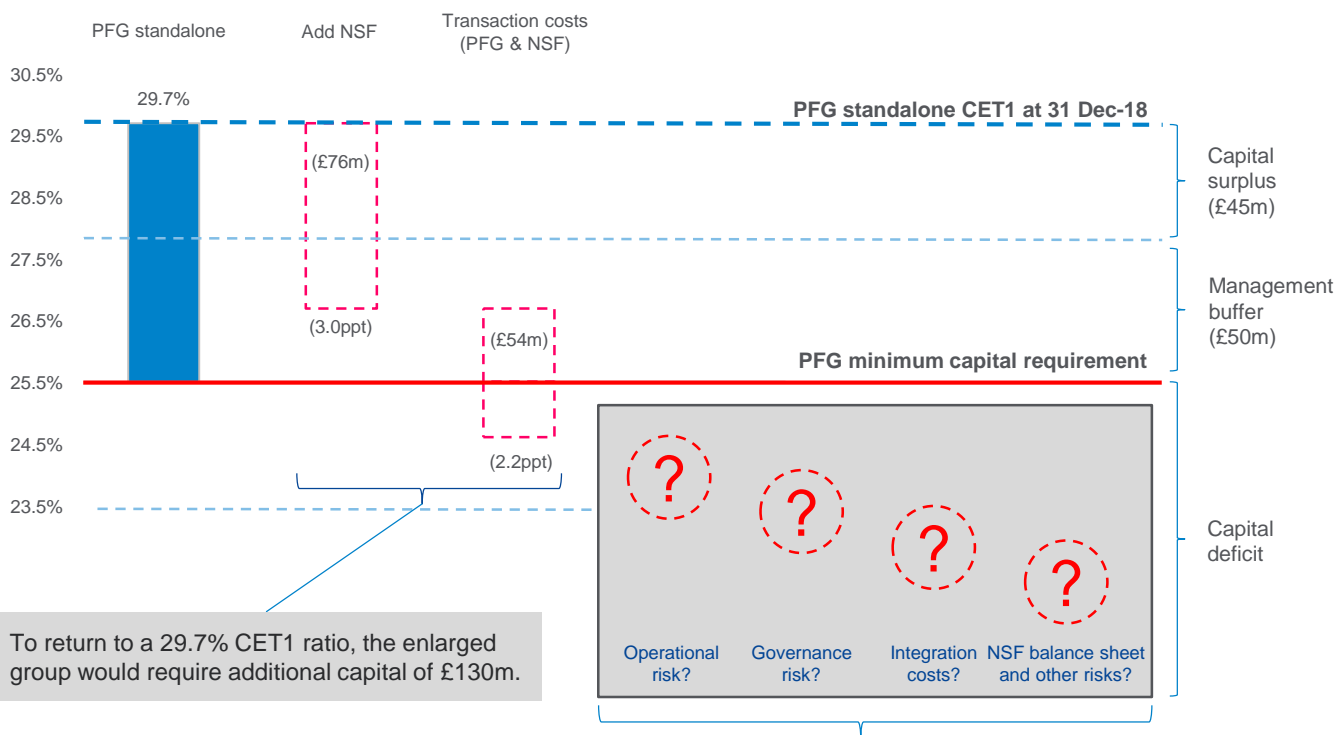
Note 1: Capital requirements have been estimated using the Standardised Approach for credit risk and the Basic Indicator Approach for operational risk.

Note 2: The pro-forma has been prepared as at 31 December 2018 based on the latest published information of the NSF consolidated group. As disclosed in the PFG Q1 2019 trading update as at 31 March 2019, PFG's CET1 ratio was 27.9% reflecting a reduction in transitional IFRS 9 add-back, IFRS 16 and exceptional costs (prior to the consideration of any costs associated with NSF's Offer). Had we compared NSF to PFG's CET1 ratio of 27.9% as at 31 March 2019, then the deficit of £76m noted above would be £70m.

Excluding fair value accounting, how would the enlarged group comply with its minimum capital requirements?

Impact of pro-forma adjustments on PFG standalone CET1 ratio (excl. fair value adjustments)

Percentage point change versus PFG standalone, as at 31 Dec-18



To return to a 29.7% CET1 ratio, the enlarged group would require additional capital of £130m.

- Combining NSF, together with transaction costs, reduces PFG's CET1 ratio and there are further unquantified regulatory impacts.
- The capital impact of the sale of Moneybarn and sale/closure of Satsuma is not disclosed by NSF.
- Would the enlarged group need to raise additional capital?
- Would NSF seek to fill any capital deficit using fair value accounting? The PRA has discretion over the acceptance of capital "created" by FV adjustments. In any event, is this an appropriate way to fill a regulatory capital deficit?

In addition, there may be further requirements that only the PRA can determine, and if applicable these would increase the £130m.

NSF's offer raises fundamental questions relating to the maintenance of the enlarged group's regulatory capital adequacy: – NSF needs to provide PFG Shareholders with answers to enable them to make an informed decision.

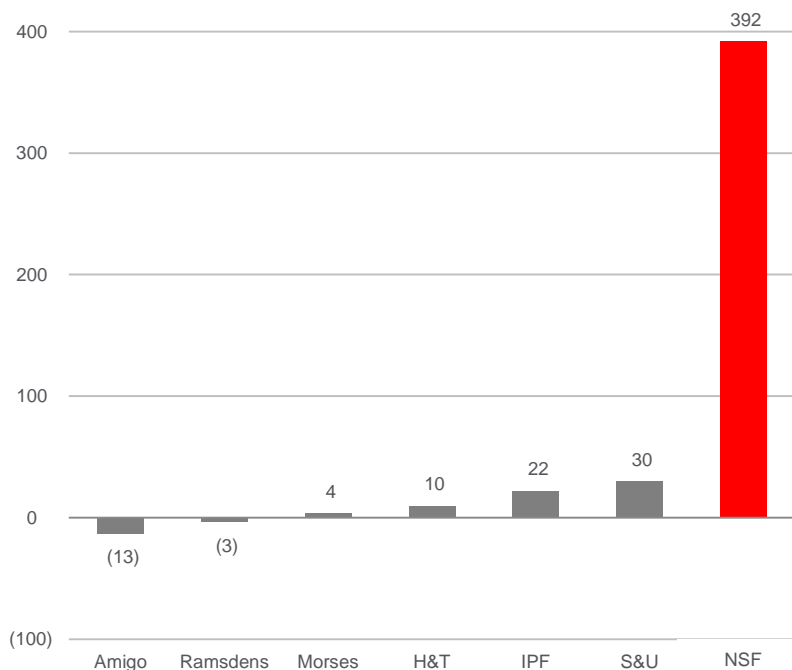
Note 1: NSF's capital deficit of £76m calculated as per page 2. Had PFG's CET1 ratio of 27.9% as at 31 March 2019 been used in the above analysis, the capital deficit shown above would be c. 1.6ppt worse.

Note 2: The potential impact of NSF's stated intention to sell Moneybarn and distribute the proceeds to shareholders has not been reflected above as the proceeds and structure of such a sale are not known.

There has been a significant increase in gearing levels at NSF, potentially reducing its financial flexibility

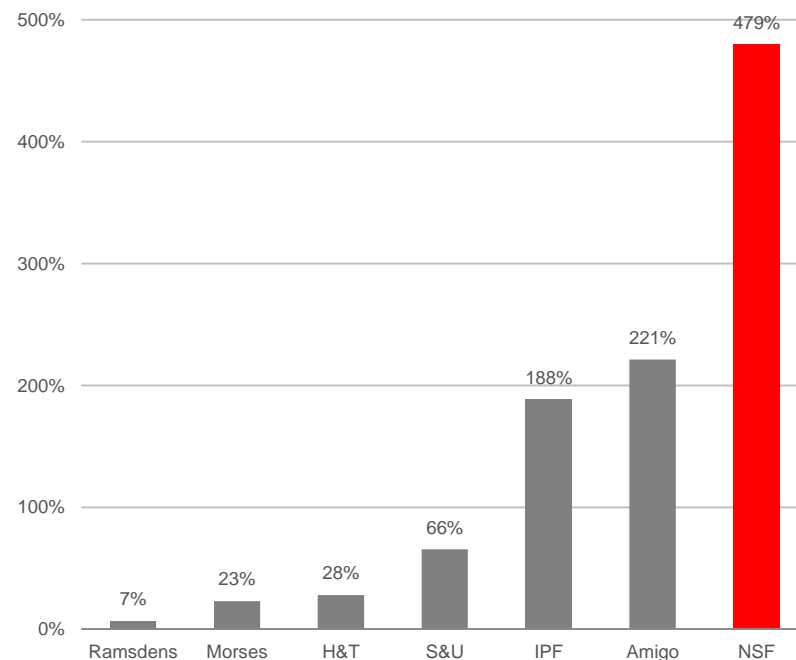
Percentage point change in gearing ratio: 2016 vs. 2018

Gearing ratio defined as debt to tangible equity



Gearing ratio

As at 31 Dec-18 or closest published balance sheet date



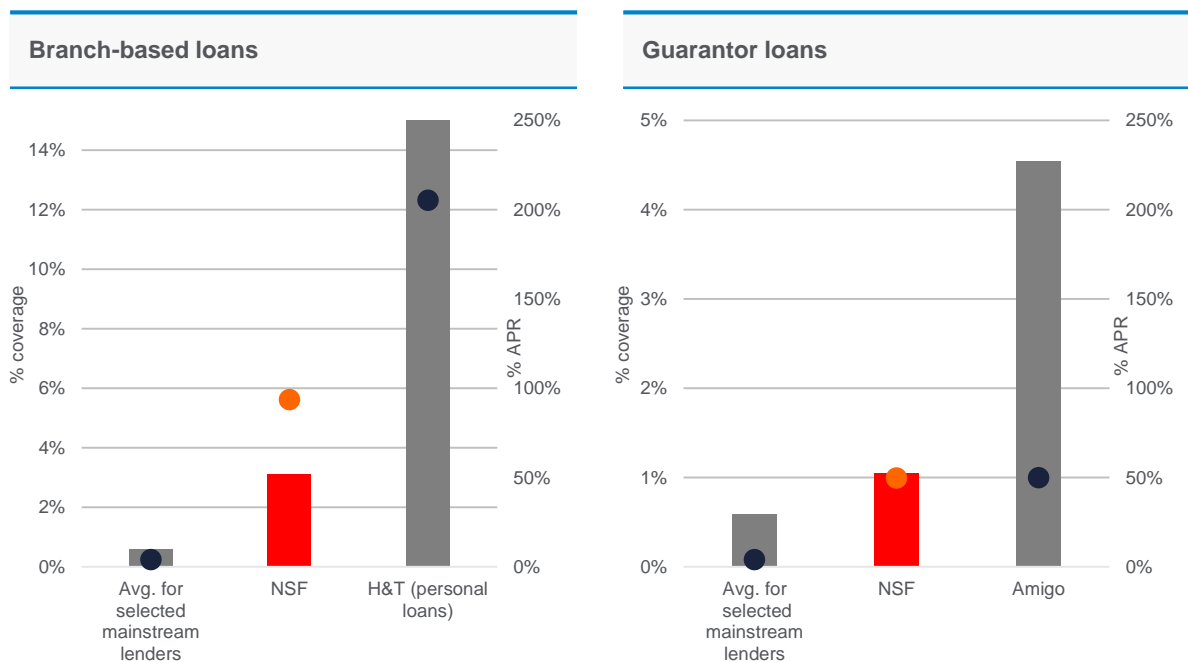
Note 1: Gearing ratio is defined as gross debt (being total borrowings) divided by total equity less goodwill and intangibles (defined as tangible equity).

Note 2: Percentage point change in gearing ratio is calculated as the difference between the gearing at 31 Dec-16 and 31 Dec-18 or the closest published balance sheet. See Appendix 1.

During 2018, NSF's combined branch-based and guarantor loan books grew 29%, however, provisions appear lower than H&T and Amigo

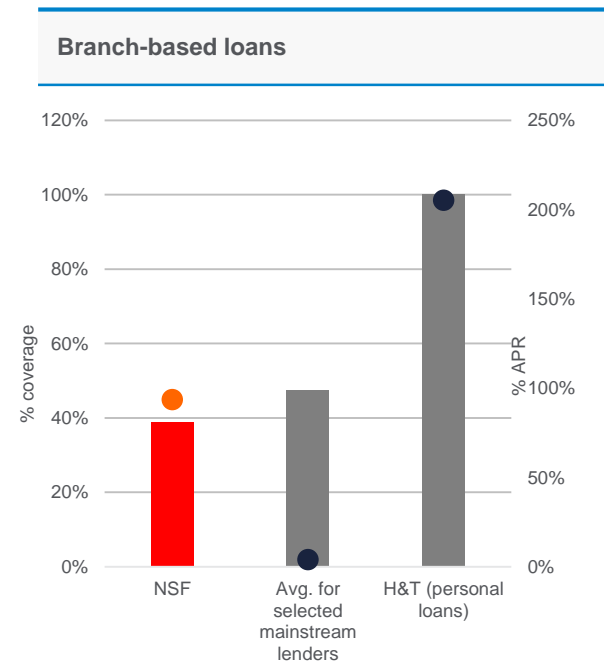
Coverage ratio for performing loans

%, 31 Dec-18



Coverage ratio for non-performing loans

%, 31 Dec-18



For each percentage point change in NSF coverage ratio on performing branch-based and guarantor loans, the impact on its equity is £2.5m.

■ % coverage ● % APR

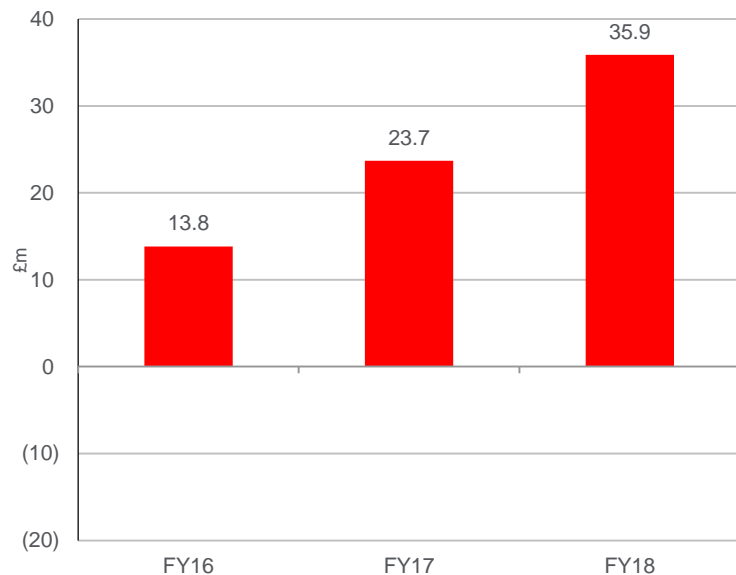
Note 1: Branch-based loans and guarantor loans analysed above as they are the proposed retained businesses of NSF. For comparison, Moneybarn and Vanquis Bank had coverage ratios of 3% and 15% respectively for performing loans, and 79% and 50% respectively for non-performing loans. Representative APRs are 31.9% for Moneybarn and 39.9% for Vanquis Bank. Comparators might include Oakam, which reported a coverage ratio of 12.6% under FRS 102 as at 31 Dec-17, and Moneyshop, which does not disclose the necessary information for a coverage ratio to be calculated at last reporting date (30 Jun-18).

Note 2: The impact on equity of £2.5m is shown before any tax effect. If sufficient taxable profits are available against which to claim a current year deduction then the net impact of the loan impairments would be £2.0m based on the current UK corporation tax rate of 19%.

Note 3: Coverage ratios on non-performing guarantor loans have not been presented above as the NSF guarantor loan business has unamortised fair value adjustments remaining as at 31 December 2018.

NSF focuses on normalised operating profit, but it has made statutory losses each year

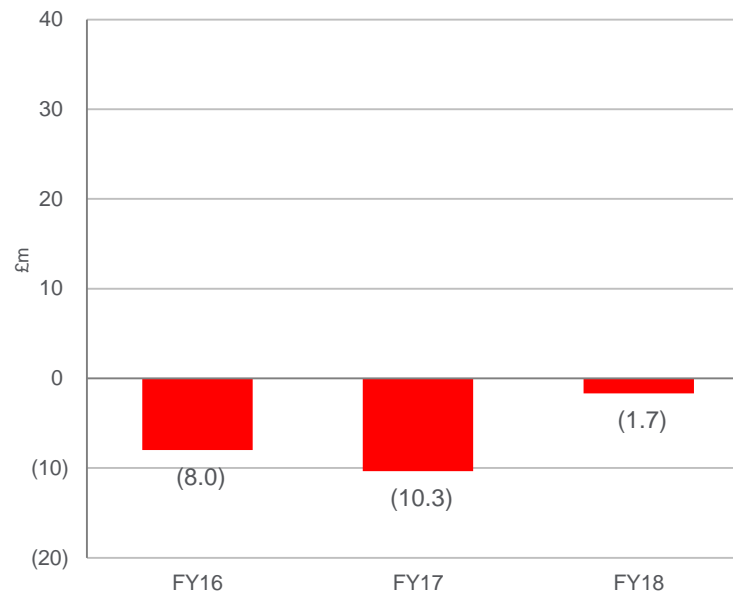
NSF normalised operating profit
£m, FY16-FY18



NSF's growth in normalised operating profit omits interest expense associated with the growth of the loan book (a core part of NSF's business model), fair value adjustments to the loan book, amortisation of intangibles, and exceptional costs.

However, **after taking account of these costs,...**

NSF statutory loss after tax
£m, FY16-FY18



...NSF has not made a statutory post tax profit since incorporation.

Statutory profit after tax is the more relevant income statement measure in terms of creating distributable reserves.

Note 1: In the left hand chart, NSF normalised operating profit in FY17 increased 71% year-on-year from FY16, whilst the increase in FY18 was 51% (from FY17).

NSF's distributions are effectively being paid out of funds raised from shareholders and increased gearing

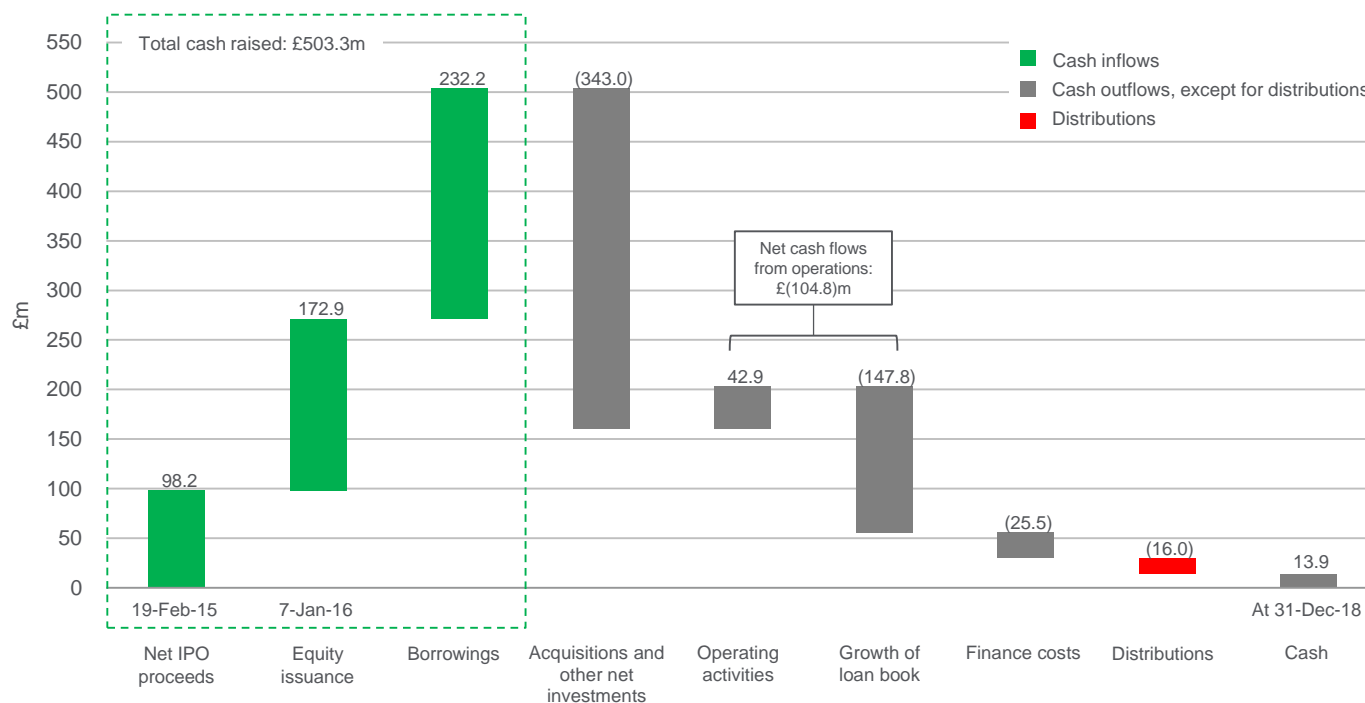
"...the Board's primary focus is to create long-term value for the Company's shareholders in the form of sustainable capital and dividend growth..."

Source: Chairman's Introduction to Governance Report, NSF Annual Report 2018 (p.52)

In spite of having deployed £0.5bn of capital and debt financing since incorporation, NSF has not produced net positive cash flows from its operations.

Dividends and share buy-backs are effectively being funded from the various equity capital raises and increased gearing levels: operating cash flows have been negative each year, and have accumulated to negative £104.8m up to 31 December 2018.

NSF cumulative cash flow bridge: Incorporation (8 Jul-14) to 31 Dec-18
£m



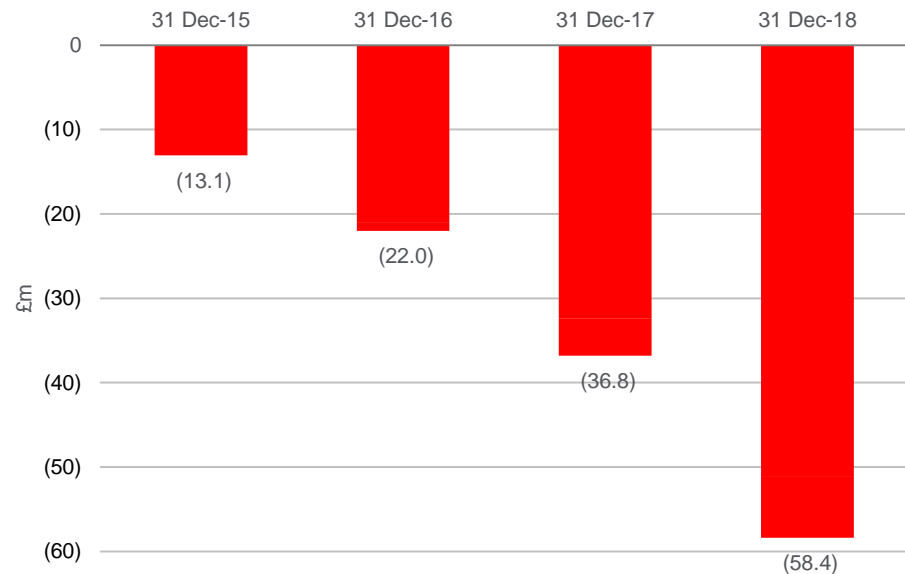
NSF's strategy has resulted in repeated losses and a reduction of shareholders' equity since incorporation

NSF has yet to report a statutory profit in any financial year since incorporation and has accumulated retained losses of £58.4m.

*“2018 saw the group continue to make good progress. It also marked the conclusion of a period of significant investment in the group and structural change, so that **we are now delivering sustained earnings growth...**”*

Source: CEO, John van Kuffeler, commenting on 2018 financial performance, Preliminary announcement of full year results to 31 December 2018, 8 March 2019 (emphasis added)

NSF cumulative consolidated retained losses
Period ended for 31 Dec-15, year ended for all other years



Note 1: Cumulative consolidated retained losses is as disclosed in NSF's consolidated statement of changes in equity which takes into account dividends paid and the IFRS 9 transition opening balance adjustment.

Is NSF overvalued relative to other UK lender peers?

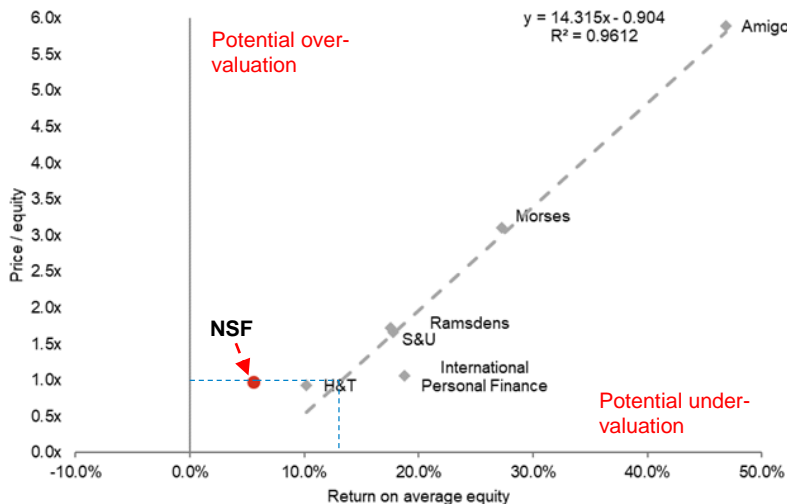
NSF has acquired four businesses, the accounting for which may complicate its returns profile and make it challenging to understand its valuation relative to businesses that have not been as acquisitive.

In the left hand chart, using adjusted post-tax profits divided by average total equity, NSF appears to be somewhat overvalued compared with peers.

In the right hand chart, using statutory post-tax profits divided by average tangible equity, NSF appears to be significantly overvalued compared with peers.

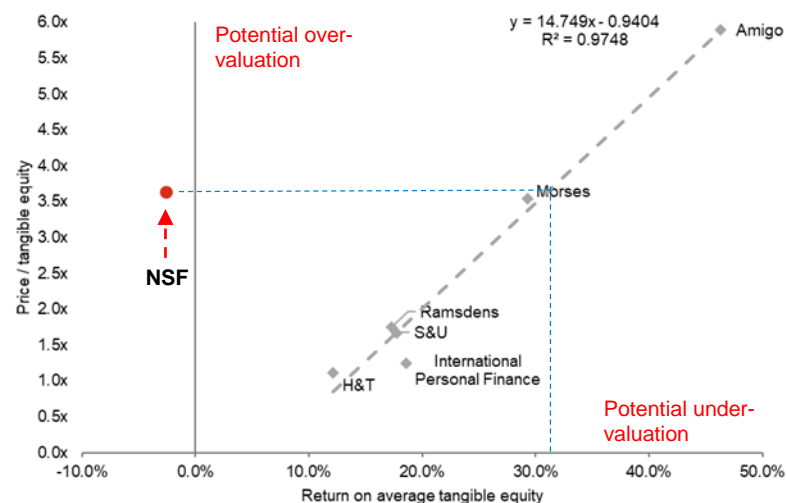
Regression analysis: NSF vs selected UK lender peers, as at 31 Dec-18

Adjusted post-tax profit divided by average equity vs. price to equity



Regression analysis: NSF vs selected UK lender peers, as at 31 Dec-18

Statutory post-tax profit divided by average tangible equity vs. price to tangible equity



Price to equity is market capitalisation divided by total equity as at 31 December 2018.

Return on average equity is adjusted post-tax profit divided by the average of total equity at the beginning and end of the year.

Adjusted post-tax profit is derived by adding back amortisation and impairment of intangibles, impairment of goodwill, unwinding of fair value adjustments made to the carrying value of the loan book at acquisition and exceptional items (add backs have been adjusted for tax at a rate of 19%).

Price to tangible equity is market capitalisation divided by tangible equity as at 31 December 2018.

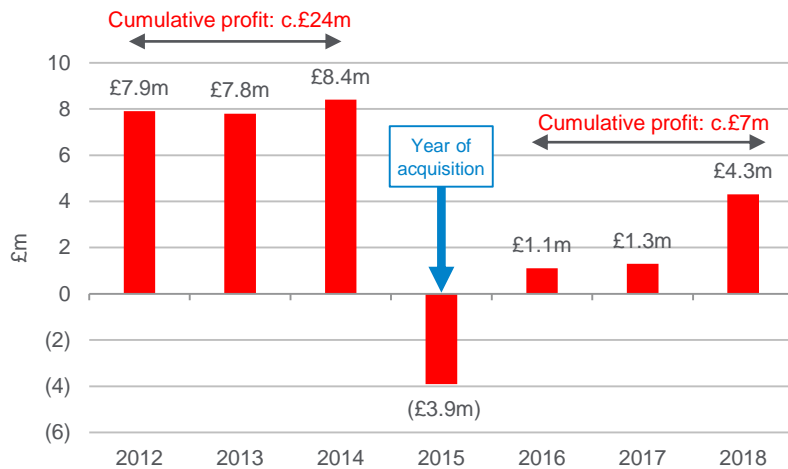
Return on average tangible equity is statutory post-tax profit divided by the average of tangible equity at the beginning and end of the year.

Tangible equity is the total equity less intangible assets and goodwill.

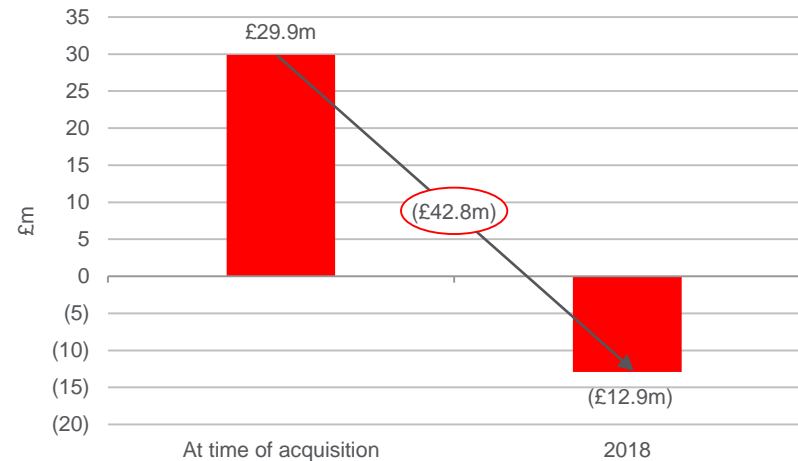
PFG has significant concerns about the adequacy of a demerger or disposal of Loans at Home as a CMA remedy

These concerns include Loans at Home's track record, its sustainability as a standalone business and the cost of achieving the proposed demerger, or a disposal.

Profit before tax
£m, FY12 to FY18



Segmental net assets
£m, acquisition to 31 Dec-18



Since its acquisition in 2015, Loans at Home's profit before tax has deteriorated and its segmental net assets have reduced to negative £12.9m.

NSF proposes to demerge Loans at Home on a debt-free basis with sufficient working capital for its peak trading period, but this will come at a significant cost.

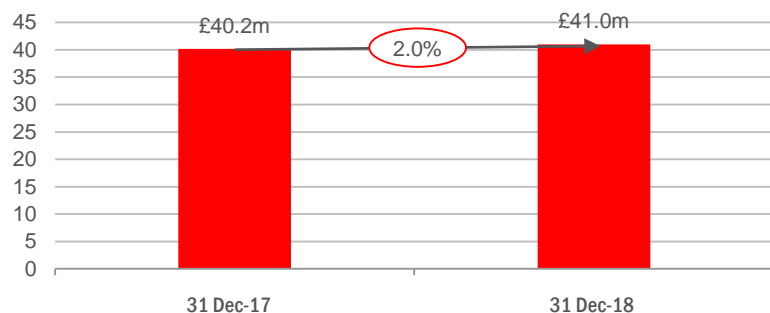
Note 1: Latest available figure at time of acquisition; as of 31 July 2015.

Note 2: Loans at Home profit before tax for the years 2012, 2013 and 2014 relates to reported accounts for the years ended 31 January 2013, 2014 and 2015 respectively; 2018 numbers on an IFRS 9 basis.

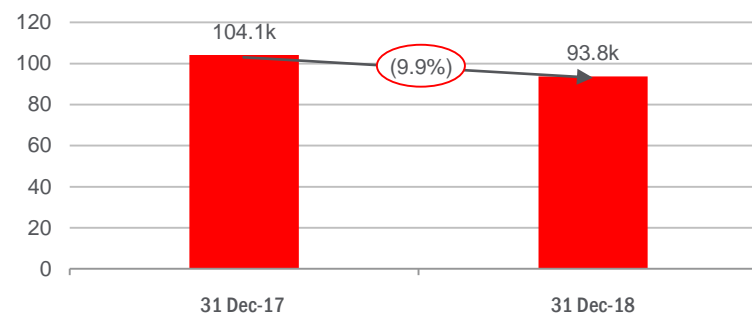
PFG has significant concerns about the adequacy of a demerger or disposal of Loans at Home as a CMA remedy (continued)

Loans at Home expects low growth and is likely to incur incremental overheads. Is this a sustainable business?

Loans at Home: net receivables
£m, as at 31 Dec-17 and 31 Dec-18



Loans at Home: number of active customers
Thousands, as at 31 Dec-17 and 31 Dec-18



NSF revised its medium-term target for Loans at Home annual loan book growth from 20% in 2017 to 2-5% in 2018.

Between 2017 and 2018, Loans at Home's net receivables increased by 2% and active customer numbers decreased by 10%.

Other concerns include:

The Government's Good Work Plan may make it more difficult for businesses like Loans at Home to engage self-employed workforces:

- If Loans at Home were to move to an 'employed model' it may incur significant one-off and incremental ongoing costs (including tax, national insurance and employee benefits); and
- It may risk losing field force agents and consequently, customers.

A Standard Listing or AIM quotation would be a demanding process and require demonstration of sufficient working capital for the future and appropriate standalone financial reporting systems and controls.

A disposal may be challenging for a number of the above reasons and furthermore, a purchaser would likely require an indemnity from NSF for historical regulatory risks.

CMA approval is uncertain, and any remedy un-costed

Risk of significant value destruction for Provident Shareholders

NSF has spent three months discussing the Offer with the CMA but has **failed to commence the formal CMA Phase 1 review**, which could take a further three months.

Apparently NSF intends to **waive the CMA condition to the Offer by 5 June 2019**.

CMA has a duty to refer a merger for a Phase 2 investigation if it believes that there is a “realistic prospect” that the merger will result in a substantial lessening of competition absent the offer of a suitable remedy that provides a “clear cut” solution to the competition concerns:

- The Provident Board believes that neither the proposed demerger nor a disposal would provide a “clear cut” solution and consequently there is **a very material risk of Phase 2 reference by the CMA**.

Ordinarily, an offer would lapse when referred to review at Phase 2. However, if NSF does waive the CMA condition, each of the FCA and PRA approves the acquisition and the Offer has otherwise been declared unconditional in all respects, the Offer would close, leaving Provident Shareholders (as holders of 88% of the enlarged group) to suffer the significant majority of the value destruction.

What are the risks for Provident Shareholders?

1

Offer completes without CMA approval

- Provident and NSF groups would be required to be held separate under independent management for potentially six months or more throughout the Phase 2 review, under CMA’s Initial Enforcement Order of 22 February 2019.
- During that time, shareholders would not receive any synergy benefits.

2

CMA does not find final proposed remedy adequate

- Ultimately, if not approved by the CMA, there is a risk that combination would have to be unwound, incurring further value destruction for Provident Shareholders.

Appendix 1

Sources of information and bases of calculation

Unless otherwise stated in this document:

- Financial information concerning Provident has been extracted from the audited consolidated financial statements of Provident for 2015, 2016, 2017 and 2018.
- Financial information concerning NSF has been extracted from the audited consolidated financial statements of NSF for 2015, 2016, 2017 and 2018.
- Financial information concerning Amigo has been extracted from the audited consolidated financial statements of Amigo Holdings plc for 2016, 2017 and 2018.
- Financial information concerning H&T Group plc has been extracted from the audited consolidated financial statements of H&T for 2017 and 2018.
- The admission to trading on the London Stock Exchange of the entire ordinary share capital of NSF was announced on 19 February 2015 via RIS.
- The acquisition of Loans at Home for £82.5 million was announced on 7 July 2015 via RIS and completion of the acquisition of Loans at Home was announced on 4 August 2015 via RIS.
- The statement that Provident is eight times the size of NSF is by reference to the market capitalisation of Provident as at 8 May 2019 (as calculated by multiplying the Closing Price of 507 pence on 8 May 2019 by the number of Provident Shares outstanding as at 30 April 2019, being 253,378,601) and to the market capitalisation of NSF as at 8 May 2019 (as calculated by multiplying the Closing Price of 52 pence as of 8 May 2019 by the number of NSF Shares outstanding as at 29 March 2019, being 312,049,682).
- Please note that rounding differences apply.

Page 2

- Pro-forma NSF estimated regulatory capital of £18m, as at 31 December 2018, is calculated on the basis of:
 - NSF total reported equity of £210.47m less goodwill and intangibles (net of related deferred tax liabilities) of £152.48m (including £40.2m relating to goodwill for Loans at Home), plus estimated IFRS 9 transitional adjustment of £12.08m (being 95% of total IFRS 9 transitional impact of £12.72m), less the final 2018 declared dividend of £6.30m. All amounts taken from audited consolidated financial statements of NSF for 2018.
 - An amount of £46m has been deducted in respect of the demerger of Loans at Home, calculated as being the Home credit segment total assets of £52.61m (note 7 of the NSF financial statements for 2018), less intangible IT assets of £4.91m (note 15 of the audited consolidated financial statements of NSF for 2018) and other liabilities estimated as £2.13m. Goodwill of £40.2m relating to Loans at Home is excluded from this adjustment on the basis that it is already removed from equity as part of the £152.48m total goodwill and intangibles adjustment above. There is no breakdown of the total liabilities of Loans at Home at 31 December 2018 in the audited consolidated financial statements of NSF for 2018, and therefore the amount of £2.13m has been based on the amount of other liabilities recorded in SD Taylor 2017 financial statements without adjustment. The remaining proportion of total liabilities has been assumed to represent intercompany debt on the basis of the disclosures in the SD Taylor financial statements for 2017, and has not been deducted from net assets on the basis that Loans at Home is to be demerged on a debt-free basis, as set out in NSF's announcement of 29 April 2019. No allowance has been made to allow for further working capital that may be required on demerger to cover cyclicalities of the business and allow for future growth.
- NSF estimated total risk weighted exposures of £315.74m are calculated as the sum of credit risk of £221.55m and operational risk of £94.19m. NSF is assumed not to have any significant exposure to market risk.

Appendix 1

Sources of information and bases of calculation

Page 2 (continued)

- NSF estimated risk weighted exposures relating to credit risk of £221.55m are calculated using the standardised approach to credit risk as the sum of (i) net performing receivables £268.12m (being total NSF net receivables £308.46m less Home credit segment (ie Loans at Home) net receivables £40.34m) multiplied by a 75% risk weighting, (ii) net non-performing receivables £5.47m (being total NSF net receivables £6.16m less Home credit net receivables £0.69m) multiplied by a 150% risk weighting, (iii) PPE, trade & other receivables and other assets totaling £10.53m (being total NSF £11.93m less Home credit £1.40m) multiplied by 100% risk weight, and (iv) cash of £8.62m (being total NSF £13.89m less Home credit £5.28m) multiplied by 20% risk weight. There is no breakdown in the NSF financial statements for 2018 of PPE, trade & other receivables, other assets and cash in Loans at Home at 31 December 2018. We have assumed that PPE is £1.40m, being approximately equal to the amount of PPE disclosed in the SD Taylor financial statements for 2017, with the remaining balance assumed to be cash of £5.28m. Risk weights used are in accordance with the CRR.
- NSF estimated risk weighted exposures relating to operational risk of £94.19m are calculated using the BIA. PFG calculates capital requirements for operational risk under the ASA to reflect both the nature of the business that it writes, and that PFG has specific permission from the PRA to do so. Post the demerger of LAH, it is unknown whether the profile of NSF's remaining businesses would support the use of the ASA, and the PRA would need to be satisfied that NSF could demonstrate that it has a well-documented assessment and management system for operational risk (CRR Article 320).
- Estimated risk weighted exposures relating to operational risk have been calculated by taking the estimated capital requirement relating to operational risk (calculated as 15% of the average net income of NSF, excluding Loans at Home, for the previous three years) and dividing this amount by 8%. NSF average net income for the previous three years has been calculated as the average of interest income less finance costs as disclosed in audited consolidated financial statements of NSF for 2016, 2017 and 2018. Loans at Home net income for the previous three years has been calculated as Home credit division interest income less finance costs as disclosed in segmental analysis in the audited consolidated financial statements of NSF for 2016, 2017 and 2018.
- The regulatory capital deficit shown of £76m represents the difference between NSF estimated regulatory capital of £18m (referred to above) and NSF estimated total risk weighted assets (referred to above) of £315.74m multiplied by 29.7%.
- NSF has not published a trading update for any period in FY19, and therefore no account has been taken of FY19 results in the analysis of pro-forma NSF estimated regulatory capital as at 31 December 2018, or in the analysis of NSF's estimated CET1 ratio compared to PFG's CET1 ratio as at 31 December 2018.
- We have not taken account of future capital reductions alluded to by NSF in its Offer document because NSF has not quantified these and no detailed calculations have been disclosed.
- NSF's pro-forma consolidated total assets of £402m is calculated as NSF's total assets of £494.54m as at 31 December 2018 less Loans at Home's total assets of £92.81m as at 31 December 2018. Loans at Home's total assets as at 31 December 2018 is calculated as the sum of the segmental total assets of £52.61m and goodwill of £40.18m.

Page 3

- PFG CET1 ratio of 29.7% as at 31 December 2018 is taken from audited consolidated financial statements of PFG for 2018.
- Adding in NSF's capital resources and risk weighted assets to PFG, results in a 3.0 percentage points decrease in CET1 ratio, based on the regulatory capital deficit of £76m, divided by total risk weighted assets of £2,524.90m.
- The enlarged group's total risk weighted assets of £2,524.90m are calculated as the sum of PFG risk weighted assets of £2,209m taken from PFG Pillar 3 Disclosures, as at 31 December 2018, plus NSF estimated total risk weighted exposures of £315.74m (referred to above).
- The impact of transaction costs costs (PFG and NSF) on the enlarged group is calculated as a 2.2 percentage points reduction in CET1 ratio based on the transaction costs of £54m divided by the enlarged group's total risk weighted assets of £2,524.90m.

Appendix 1

Sources of information and bases of calculation

Page 3 (continued)

- Transaction costs (PFG and NSF) totaling £54m consist of: PFG advisors fees of £19.68m (being the midpoint of the range disclosed the PFG Day 14 document “Reject the offer”); advisers fees for NSF estimated at £22.30m (as disclosed in NSF’s Offer document) on the basis that should the Offer proceed NSF would incur the higher fee amount disclosed; 50% of fees VAT at 20% on these amounts on has been assumed unrecoverable; and UK stamp duty of 0.5% on the consideration for shares (calculated based on the Closing Price of 511 pence per Provident Share on 21 February 2019, being the last Business Day prior to the publication of the Rule 2.7 Announcement) has been assumed. All such costs are assumed to be non-deductible for UK corporation tax.
- PFG capital headroom of £45m is calculated based on PFG standalone capital headroom (capital resources in excess of total capital requirement) of £95m less management buffer of £50m. All figures taken from audited consolidated financial statements of PFG for 2018. Management buffer of £50m is taken from the audited consolidated financial statements of PFG for 2018.
- Note 2 refers to a quote regarding the distribution to shareholders “the proceeds of any sale of Moneybarn and/or Satsuma, subject to the outcome of discussions with lenders to the Enlarged NSF Group”. The quote can be found on page 17 of the Offer Document dated 9 March 2019 under ‘Dividend policy and potential for shareholder distributions’.

Page 4

- Gearing has been calculated as total borrowings expressed as a percentage of tangible equity. Total borrowings have been calculated as the sum of both current and non-current debt. Tangible equity has been calculated as total equity less intangible assets and goodwill.
- Financial information for the gearing calculation at 2016 and 2018 (24-month period, unless otherwise stated) has been taken from the balance sheet disclosures as at the following dates: Amigo (31 March 2017 and 31 December 2018), S&U Ltd (31 January 2017 and 31 January 2019), Morses (27 February 2017 and 23 February 2019), Ramsdens (31 March 2016 and 30 September 2018).
- At 31 March 2017, Amigo Holdings plc (formerly pre-IPO, Amigo Holdings Limited) had negative equity due to shareholder loan notes being accounted for as liabilities on a statutory basis. The gearing calculation at this date has, therefore, adopted Amigo’s own definition of tangible equity (as referenced in their IPO prospectus, page13). This calculation defines tangible equity as total shareholder equity less intangible assets plus shareholder loan notes. The percentage point change in gearing for Amigo is based on a 21 month period between 31 March 2017 and 31 December 2018 in order to compare the ratios of the listed entity.
- Ramsdens Holdings plc has March year-end. The percentage point change in gearing for Ramsdens is based on a 18 month period between 31 March 2017 and 30 September 2018 as financial information as at 31 December 2018 is unavailable. 30 September 2018 financial information has been extracted from their interim results for the six months ended 30 September 2018

Page 5

- The increase of 29% in total branch-based loans and guarantor loans in FY18 is calculated as the percentage increase in the total of these loans from £222.97m as at 1 January 2018 (under IFRS 9) to £286.95m as at 31 December 2018 (under IFRS 9).
- The coverage ratio for performing loans has been calculated as the loan loss provision divided by the gross carrying amount of loan receivables from customers, for loans subject to a 12 month expected credit loss provision (stage 1 loans), expressed as a percentage.
- The coverage ratio for non-performing loans has been calculated as the loan loss provision divided by the gross carrying amount of loan receivables from customers, for credit impaired loans (stage 3 loans), expressed as a percentage.
- The impact on equity of £2.5m is calculated as the sum of: 1% of the performing branch-based loans as at 31 December 2018, i.e. £1.73m; and 1% of the performing guarantor loans as at 31 December 2018, i.e. £0.78m.

Appendix 1

Sources of information and bases of calculation

Page 5 (continued)

- Financial information for the coverage ratio calculations as at 31 December 2018 has been taken from the balance sheet disclosures set out in the financial statements of NSF, Amigo, H&T, PFG (Moneybarn and Vanquis Bank) and selected mainstream lenders (Barclays Bank UK plc, HSBC Holdings plc, Santander UK plc) as at that date.
- H&T and Amigo have been selected on the basis that they are the peer companies with 2018 financial information available on a comparable basis (ie reported under IFRS9).
- Selected mainstream lenders are defined as Barclays Bank UK plc, HSBC Holdings plc, Santander UK plc. Lloyds Banking Group and Royal Bank of Scotland have not been included because their financial statements do not disclose gross loan and loan loss provision by impairment stage for unsecured retail loans.
- Information for the published APRs has been taken from the respective company website by searching for i) personal loans or ii) guarantor loans on 7 May 2019.
- The coverage ratio calculation as at 31 December 2017 of 12.6% for Oakam Limited is calculated as the provision for doubtful debt of £3.08m expressed as a percentage of total trade debtors of £24.37m. Financial information for Oakam Limited is extracted from Oakam financial statements for 2017.
- The assertion that Oakam Limited entered administration is by reference to the notice of administrator's appointment filed at Companies House on 16 March 2019.

Page 6

- NSF's normalised operating profits for FY16, FY17 and FY18, profit after tax for FY16, FY17 and FY18 and the year-on-year change in normalised operating profits in FY17 and FY18 are taken from the consolidated statement of comprehensive income in the audited consolidated financial statements of NSF for 2016, 2017 and 2018.
- The assertion that NSF has never made a statutory post tax profit is by reference to the statutory loss after tax of £(13.07)m in FY15, £(8.00)m in FY16, £(10.34)m in FY17 and £(1.68)m in FY18.

Page 7

- Financial information concerning NSF's cash flow has been extracted from the consolidated statement of cash flows as per the audited consolidated financial statements for 2016, 2017 and 2018. Cash flows for the period ended 31 December 2015 are extracted from the comparative information in the 2016 consolidated statement of cash flows.
- The cumulative cash flow movement has been calculated as the sum of the respective line items across each corresponding year in the consolidated statements of cash flows (set out above).
- The total cash raised of £503.3m has been calculated as the sum of the cash raised at the listing in February 2015 (net of listing costs) of £98.2m, the cash raised at the second capital raise in Jan-16 of £172.9m and cumulative debt raising of £232.2m.
- The cumulative cash from operating activities of £42.9m has been calculated as the sum of the cumulative net cash used in operating activities of £(104.84)m and the cumulative increase in amounts receivable from customers of £147.78m.
- The assertion that NSF's dividend payments were unlawful is by reference to "technical infringements regarding historic distributions made by the Company" as stated in NSF's announcement on shareholder distributions on 12 April 2019.

Page 8

- Financial information concerning NSF's retained losses has been extracted from the consolidated statement of changes in equity as per the audited consolidated financial statements for 2017 and 2018. The retained losses, as at 31 December 2016 and 2015, have been extracted from the comparative information in the 2017 consolidated statement of changes in equity.

Appendix 1

Sources of information and bases of calculation

Page 9

Chart 1 (on the left hand side): Regression analysis: NSF vs selected UK lender peers, as at 31 Dec 18 Adjusted post-tax profit divided by average equity vs. price to equity

- Return on average equity has been defined as adjusted post-tax profit divided by the average of total equity at the beginning and end of the year.
- Adjusted post-tax profit is derived by adding back amortisation and impairment of intangibles, impairment of goodwill, unwind of fair value adjustments made to the carrying value of the loan book at acquisition and exceptional items (all add backs have been adjusted for tax at a rate of 19%) and is based on reported financial information for the latest available twelve month period ended on or before 31 December 2018. Interim or quarterly information has been used, where this is the most recently available information (actual 12 month period used shown in brackets).
 - NSF (31 December 2018)
 - PFG (31 December 2018)
 - Amigo Loans Group Limited (31 December 2018)
 - Morses Club plc (25 August 2018)
 - International Personal Finance plc (31 December 2018)
 - H&T Group plc (31 December 2018)
 - S&U plc (31 July 2018)
 - Ramsdens Holdings plc (30 September 2018)
- Reported equity in Amigo Holdings Plc were negative as at 31 December 2017, therefore, Amigo Loans Group Limited has been used to avoid complexities of the shareholder structure.
- The average balance of total equity is calculated using the opening and closing balances during the latest twelve month period for which information is available. Not all of the companies presented have published a full year of results under IFRS 9, and therefore for all companies the analysis is based on opening equity reported under IAS 39 and closing equity reported under IFRS 9.
- Price to equity has been defined as market capitalisation divided by total equity as at 31 December 2018
- Market capitalisation as of 31 December 2018 has been sourced from LSE.
- Market regression analysis is based on the linear regression of the “return on average equity” against the “price to equity” for the selected UK lender peers listed above (excluding NSF).

Chart 2 (on the right hand side): Regression analysis: NSF vs selected UK lender peers, as at 31 Dec 18 Statutory post-tax profit divided by average tangible equity vs. price to tangible equity

- Return on average tangible equity has been defined as statutory post-tax profit divided by the average of tangible equity at the beginning and end of the year.
- Statutory post-tax profit is based on reported financial information for the latest available twelve month period ended on or before 31 December 2018. The sources of the financial information used is the same as Chart 1.
- Tangible equity is defined as the total equity less intangible assets and goodwill. The average balance of tangible equity is calculated using the opening and closing balances during the latest twelve month period for which information is available. Not all of the companies presented have published a full year of results under IFRS 9, and therefore for all companies the analysis is based on opening equity reported under IAS 39 and closing equity reported under IFRS 9.
- Price to tangible equity has been defined as market capitalisation divided by tangible equity as at 31 December 2018 .
- Market capitalisation as of 31 December 2018 has been sourced from LSE.
- Market regression analysis is based on the linear regression of the “return on average tangible equity” against the “price to equity” for the selected UK lender peers listed above (excluding NSF).

Appendix 1

Sources of information and bases of calculation

Pages 10, 11 & 12

- Loans at Home profit before tax for the years 2012, 2013 and 2014 is taken from the NSF December 2015 prospectus (p.12) for the years ended 31 January 2013, 2014 and 2015 respectively; 2018 numbers on an IFRS 9 basis.
- The acquisition of Loans at Home for £82.50 million was announced on 7 July 2015 via RIS and completion of the acquisition of Loans at Home was announced on 4 August 2015 via RIS.
- Loans at Home's £24.08 million cumulative profit before tax has been calculated as the sum of profit before tax for the 12 month periods ended 31 January 2013, 2014 and 2015. Loans at Home's £6.70 million cumulative profit before tax has been calculated as the sum of profit before tax for the 12 month periods ended 31 December 2016, 2017 and 2018.
- Loans at Home's net liabilities of £12.92 million has been calculated as total assets of £52.61 million minus total liabilities of £65.53 million, as per the audited consolidated financial statements of NSF for 2018.
- The statement that Loans at Home net loans have increased by c.2.0 per cent. is calculated by reference to the net loans of £41.0 million as at 31 December 2018 and the net loans of £40.2 million, as per the audited consolidated financial statements of NSF for 2018.
- The statement that Loans at Home customer numbers fell by c.9.9 per cent. is by reference to Loans at Home customer numbers of 104.1 thousand as at 31 December 2017 and of 93.8 thousand as at 31 December 2018, as per the audited consolidated financial statements of NSF for 2018.
- The reference to NSF's plan to demerge Loans at Home resulting in Provident Shareholders with c.88 per cent of the value destruction, is sourced from the NSF Offer Document.
- Profit before tax for Loans at Home in FY15, FY16 and FY17 after fair value adjustments and exceptional items of £6.049m, £0.426m and £0.467m, respectively.

Glossary

Unless otherwise defined, all capitalised terms in this announcement shall have the meaning given to them in the response document published on 23 March 2019.

AIM	Alternative Investment Market
APR	Annual percentage rate
ASA	Alternative Standardised Approach
BIA	Basic Indicator Approach
CET1	Common equity Tier 1
CMA	Competition and Markets Authority
CRD IV	Capital Requirements Directive IV
CRR	Capital Requirements Regulation
FCA	Financial Conduct Authority
FV	Fair value
FY	Financial year
IFRS 9	International Financial Reporting Standard 9 Financial Instruments
IFRS 16	International Financial Reporting Standard 16 Leases
IPF	International Personal Finance plc

Glossary

IPO	Initial public offering
LAH	Loans at Home (the trading name of S.D. Taylor Limited)
LSE	London Stock Exchange
NSF	Non-Standard Finance plc
PFG	Provident Financial plc
PPE	Property, plant and equipment
PTBV	Price to Tangible Book Value
PRA	Prudential Regulatory Authority
RIS	Regulatory Information Service
RoE	Return on average equity
RoTE	Return on average tangible equity
RWAs	Risk-weighted assets
RWEs	Risk-weighted exposures