Provident Financial Group

Reject the NSF Offer

Don't allow your company's future to be put at risk

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Capitalised words and phrases used in this document shall have the meanings given to them in Appendix IV.

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Certain figures in this document have been subject to rounding adjustments. For further details of the sources of information and the basis of calculation of certain of the numbers set out in this document, please refer to Appendix I (Sources of Information and Bases of Calculation) of this document.

This document, including information included or incorporated by reference in this document, may contain certain "forward looking statements" regarding the financial position, business strategy or plans for future operations of the Company. All statements other than statements of historical fact included in this document may be forward looking statements. Forward looking statements also often use words such as "believe", "expect", "estimate", "intend", "anticipate" and words of a similar meaning. By their nature, forward looking statements involve risk and uncertainty that could cause actual results to differ materially from those suggested by them. Much of the risk and uncertainty relates to factors that are beyond the Company's ability to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements which speak only as at the date of this document. The Company does not assume any obligation to, and does not intend to, revise or update these forward looking statements, except as required pursuant to applicable law or regulation.

Reject the NSF Offer

Your Board believes that:

1 The NSF proposal has significant flaws and would have long-lasting, detrimental consequences for Provident Shareholders and customers

- NSF's management has limited banking and credit card experience and NSF has a track record of weak financial performance
- The NSF proposals contain value destructive propositions and, in our view, do not take into account the evolving regulatory environment

2 NSF has not undertaken transactions of this size and complexity and its track record is one of significant value destruction

- NSF's share price has declined 42 per cent. since the NSF IPO
- NSF has only undertaken small acquisitions; it has no experience of acquisitions of this size or complexity
- NSF's recent performance illustrates that its growth strategy has not achieved pre-tax profitability on a statutory basis

3 Provident has been delivering on the objectives set out over the last 12 months

- Excellent progress made against 2018 objectives across all Provident Group businesses
- The Provident Board believes all material outstanding regulatory issues substantially resolved with the FCA
- New cultural blueprint putting the customer at the centre of everything we do
- Strengthened corporate governance through high quality additions to the Provident Board and management team
- Proposal to pay dividend of 10 pence for 2018

4 Provident has a clear strategy to deliver attractive and sustainable shareholder returns and good customer outcomes in an evolving industry and regulatory environment

- Clear strategy underpinned by a number of growth and efficiency initiatives that will extend Provident's existing industry-leading positions
- Capitalise further on synergy benefits between the divisions and across the customer base
- Use of data, analytics, technology and distribution capabilities to augment growth
- Clear commitment to customers and their evolving needs

The Provident Board therefore advises all Provident Shareholders to <u>take no action</u> in relation to the risky and flawed NSF Offer

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Letter from the Chairman of Provident Financial plc

PROVIDENT FINANCIAL PLC

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

Directors		**Registered and Head Office**
Patrick Snowball	Chairman	No. 1 Godwin Street
Malcolm Le May	Chief Executive Officer	Bradford
Simon Thomas	Chief Financial Officer	West Yorkshire
Andrea Blance	Senior Independent Director	BD1 2SU
Elizabeth Chambers	Independent Non-Executive Director	United Kingdom
Paul Hewitt	Independent Non-Executive Director	
Angela Knight	Independent Non-Executive Director	
John Straw	Independent Non-Executive Director	23 March 2019

Dear Shareholder,

Thank you for taking the time to read this document. It contains important information which I believe is of great significance to you.

As you know, on 9 March 2019 NSF published its offer document in respect of its unsolicited offer for Provident (the "Offer"), which was made at a discount of c.6 per cent. to Provident's Closing Price on the previous day. As set out more fully in this document, the Provident Board believes NSF's Offer is strategically and financially flawed and undervalues the Provident Group's prospects. The Provident Board also believes that the NSF Offer and related proposals present significant operational and execution risks due to the uncertainty around NSF's plans, NSF's track record of value destruction and the limited experience of NSF's management in banking and credit cards and against the backdrop of the evolving regulatory environment. Furthermore, the Provident Board believes that a sale of Moneybarn and a sale or closure of Satsuma could significantly disrupt the path the Provident Group is now on to deliver attractive and sustainable returns, and also doubts whether NSF's proposed demerger of its Loans at Home business will create value for Provident Shareholders.

Accordingly, the Provident Board unanimously believes the Offer is not in the best interests of Provident Shareholders or customers and should be firmly rejected.

Patrick Snowball
Chairman

Letter from the Chairman

continued

1

The Provident Board believes that NSF's unsolicited Offer for Provident has significant flaws and would have long-lasting detrimental consequences for Provident Shareholders and customers

The Provident Board believes that NSF's hostile Offer represents an irresponsible approach in the context of a regulated business which is emerging from a period of substantial instability. As such, the Offer would have a negative and destabilising impact on Provident stakeholders, including its customers, for a considerable period of time. The Provident Board believes that the Offer would be value destructive and that the arguments put forward by NSF do not take into account the significant operational progress made by Provident's management team.

The Provident Board notes that NSF's management has limited experience in banking and credit cards. This introduces material risks given that Vanquis Bank is now the largest business of Provident Group by a significant margin and the Provident Board believes that Vanquis Bank and its large customer franchise will be the single largest driver of growth and value in the future.

The regulatory environment has changed significantly over the last few years, and the Provident Board believes Home Credit is at the forefront of meeting developing regulatory standards. However, in our view, the Offer does not reflect the evolving regulatory environment. The letter sent to NSF by the FCA on 6 March 2019, and set out on page 9, underlines the regulatory position on standards in the market and the considerations the FCA would apply to any transformation plans.

The Provident Board believes that NSF has set forth a number of value destructive propositions in its Offer, including the proposed sale of Moneybarn and closure or sale of Satsuma. The Provident Board believes that a sale of Moneybarn would not maximise value and could result in significant break costs, weaken our credit ratings, reduce our ability to access wholesale funding and increase the cost of that funding, and that these issues have only been superficially addressed in the NSF Offer Documents. These factors make us doubt the scope for meaningful capital distribution of proceeds from a sale of Moneybarn. In our view, the proposed closure or sale of Satsuma demonstrates a lack of understanding of the future of the home credit industry and of how our customer base wishes to be served in the digital age.

In addition, the Provident Board has significant concerns regarding NSF's proposed demerger of its Loans at Home business, including its sustainability as a standalone company and the adequacy of the proposed demerger to address competition concerns. This will be an important issue for Provident Shareholders as the proposed demerger is to take place after completion of the Offer, meaning that any risk with respect to value or execution will be substantially borne by existing Provident Shareholders, given they would represent the overwhelming majority of the shareholders of the enlarged group.

2

NSF has not undertaken transactions of this size and complexity and its track record is one of significant value destruction

Given that Provident Shareholders will only receive NSF Shares under the terms of the Offer, the Provident Board believes that Provident Shareholders should be aware of NSF's acquisition history.

NSF has a history of acquisitions which have led to a falling share price and has not thus far integrated an acquisition of this magnitude. Since the NSF IPO on 19 February 2015, NSF has made three small acquisitions ranging in size from approximately £54 million to £235 million. Provident is of an entirely different magnitude: its market capitalisation is approximately seven times that of NSF and its balance sheet, in terms of total assets, is nearly six times the size of NSF's. The Provident Board believes the size, complexity and resulting execution risk associated with the proposed acquisition of Provident is significantly greater than any acquisition NSF has undertaken to date. Furthermore, NSF's acquisitions have not coincided with the creation of shareholder value, but rather since the acquisitions of George Banco, Everyday Loans and Loans at Home, the NSF share price has fallen 18 per cent., 33 per cent. and 44 per cent. respectively.

NSF management's growth strategy has not achieved pre-tax profitability on a statutory basis. NSF's operating track record, while demonstrating organic and inorganic balance sheet and revenue growth, has resulted in repeated pre-tax losses on a statutory basis and a decline in its share price.

Finally, NSF itself admits that its plans are subject to uncertainty as it has elected to pursue its Offer on a hostile basis, and therefore has not had access to non-public information to substantiate a number of its assertions, relying instead on a post-completion review. In particular, NSF has not quantified the financial benefits of its Offer in any meaningful way. The Provident Board considers that the uncertainty around NSF's plans represents a material risk to all Provident Shareholders.

Letter from the Chairman

continued

3

Provident has been delivering on the objectives set out over the last 12 months and, importantly, the Provident Board believes it has substantially resolved all material outstanding regulatory issues with the FCA

Provident has made excellent progress in addressing legacy issues and in providing a sound foundation for future growth and value creation. Our objectives for 2018 included:

1) **the implementation of the Home Credit recovery plan with a view to obtaining full FCA authorisation;**
2) **finalising the Vanquis Bank ROP refund programme and adapting to the changes in regulation;**
3) **making progress in resolving the FCA investigation into historical affordability, forbearance and termination practices at Moneybarn;**
4) **strengthening the Provident Group's board and governance structure and refocusing its culture; and**
5) **re-accessing the debt markets.**

As set out below, we have made excellent progress on all of these.

The FCA granted CCD full authorisation in November 2018 and we recently received no objections from the FCA to our proposals to implement enhanced performance management of Customer Experience Managers (CEMs), which is a key tool in returning the business to run-rate profitability.

In Vanquis Bank, we have now fully implemented the Repayment Option Plan (the **"ROP"**) refund programme in line with the schedule agreed with the FCA in February 2018, while adapting to the developing regulatory expectations relating to enhanced forbearance, affordability and persistent debt in the credit card market.

In Moneybarn, we have made significant progress towards a settlement of the investigation started by the FCA in November 2017 and expect the cost of the required customer redress and fine to be covered by provisions already made. We have also enhanced our termination handling processes and affordability assessments in line with the latest interpretation and guidance on the requirements, working closely with the FCA throughout.

With respect to the culture of the Provident Group, the Provident Board believes that Provident's management team has taken significant and positive action to embed a new culture that puts the customer at the centre of Provident's business model. The Provident Board further believes that the progress the Provident Group has made, including the substantial resolution of all material outstanding regulatory issues with the FCA, is testament to this substantial cultural shift which we have overseen. Were the Offer to succeed, the Provident Board believes these important gains in culture would be put at risk.

The governance of Provident and its leadership were strengthened by the establishment of a new Group Executive Committee in early 2018. The committee provides group governance, control and oversight of our divisions and enhanced collaboration across the businesses for the benefit of customers and shareholders. To further strengthen governance and culture, the Provident Board is finalising plans to establish a new board committee on Customer, Culture and Ethics in the second quarter of this year, chaired by Independent Non-Executive Director Elizabeth Chambers. This committee will focus on embedding the Company's cultural blueprint and ensuring we drive improved customer outcomes and culture.

On re-accessing the debt markets, in the last year we issued a £250 million 5 year fixed rate bond, with high levels of demand from investors. Our ability to access the debt markets on attractive terms is based upon the diversified earnings profile and investment grade credit rating of the Provident Group. These would be at risk under NSF's ownership.

Our results for 2018 are testament to the successful turnaround that the Provident Group has made over the past 18 months, having delivered growth of 82.3 per cent. in 2018 on a pro forma IFRS 9 basis. We were also very pleased to recommend, in line with our commitment at the time of the rights issue, a nominal dividend of 10 pence per share.

Subject to regulatory approvals, we have reached agreement in principle to appoint a new Vanquis Bank Managing Director, joining on 15 April 2019, and also a new Vanquis Bank Chairman. The new Vanquis Bank Managing Director is waiting for the permission of his current employer for us to announce his name, but I am pleased we can now announce that the new Vanquis Bank Chairman will be Robert East. Robert will also join the Provident Board as a Non-Executive Director alongside Graham Lindsay, whose appointment as a Non-Executive Director to the Provident Board we are pleased to announce with effect from 1 April 2019.

Robert brings a wealth of experience to the Provident Board and to Vanquis Bank following his executive career at Barclays, where he held Senior Risk and Business Leadership roles and as an experienced Chairman, Non-Executive Director and former CEO. He is Chairman of Skipton Building Society and a Non-Executive Director at Hampshire Trust Bank, where he chairs the Risk Committee. He also led Cattles's restructuring from 2009 and was its Chief Executive from 2011 until completion of its wind down in 2016. Graham, who will replace John Straw, brings extensive experience in commercial and retail banking following a 40-year career at Lloyds Bank. He is currently a Non-Executive Director on the board of OneFamily, a financial services mutual. Graham joined the Wonga UK boards in 2016 as part of the new leadership team engaged to improve the business and deliver change. We are delighted with the recruitment of these talented individuals, both of whom bring significant relevant retail banking and consumer finance experience, which will further strengthen the Provident Board and senior management team.

Letter from the Chairman

continued

4

Provident has a clear strategy to deliver attractive and sustainable shareholder returns in an evolving industry

The Provident Board has a clear plan to maximise value for all Provident Shareholders by executing its strategy to deliver attractive and sustainable returns through its complementary, synergistic and industry leading businesses.

Having stabilised the Provident Group, the management team is in the process of developing and implementing a number of planned growth and efficiency initiatives across each of its divisions.

We are at an inflection point for the Provident Group, as customer needs are changing, the digital business models are challenging old operating approaches, and the regulatory environment is constantly evolving. Against this backdrop, we have a clear strategy and vision for the Provident Group and its divisions. The Provident Board believes that Vanquis Bank will be the biggest part of the Provident Group and its ability to maximise the value in the crossover of its customers with Moneybarn will be important going forward. The Provident Board also believes that Moneybarn will continue its development under Provident ownership, with growth driven from new distribution channels, product extension and further realisation of the commercial synergies that exist with Vanquis Bank. It is also expected that CCD and its market segment will continue to evolve, driven by customer preferences, with traditional channels shrinking due to changing customer demands and being replaced with other channels focused on digital interactions with customers. We believe that through Home Credit and Satsuma, where we offer industry leadership and strong digital distribution respectively, we are well placed to serve customers in this segment of the market. The Provident Board believes that it has the right strategy for the Provident Group and one which will underpin attractive and sustainable shareholder returns and growth in dividends.

The Provident Board has committed to building to 10 per cent. ROA, based on a CET 1 ratio of 25.5 per cent. and dividend cover of at least 1.4x (following absorption of the IFRS 9 transition, CCD returning to profitability and maintaining at least £50 million of regulatory capital headroom). This is a sustainable model which reflects the known risks and opportunities of the Provident Group.

In 2019, our objectives are to:

1) grow customer numbers in Vanquis Bank and Moneybarn;
2) stabilise CCD customer numbers and reduce its cost base with a view to achieving run rate profitability in due course;
3) progress the strategic growth initiatives outlined in this document;
4) drive synergies, especially through Moneybarn and Satsuma working more closely with Vanquis Bank, and drive cost reduction across the Provident Group;
5) refinance the Provident Group's syndicated bank facility; and
6) embed the Provident Group's new cultural blueprint to realign more closely with the developing needs of the customer.

The Provident Board has confidence that Provident, under its current leadership team, can achieve all of these objectives.

We believe that these initiatives will further enhance the strength of the Provident Group and our existing industry leading positions in credit cards, motor finance and home credit for those customers who are not well served by mainstream lenders.

Given the breadth of our customer base and product offering and through the use of our data, analytics, technology and distribution capabilities, we believe that the Provident Group is very well positioned to deliver attractive and sustainable shareholder returns. This would be put at risk under NSF's ownership.

TAKE NO ACTION WITH RESPECT TO THE OFFER

The Provident Board, on the basis of the points in this document, and having been so advised by Barclays, J.P. Morgan Cazenove and Jefferies (the "Advisers") as to the financial terms of the Offer, believes that the terms of the Offer are not fair and reasonable. In providing their advice to the Provident Board, the Advisers have taken into account the Provident Board's commercial assessments. Accordingly, the Provident Board unanimously recommends that you should take no action in relation to the Offer and that you should not sign any document which NSF or its advisers send to you. The Provident Board reiterates its commitment to maximise value for all Provident Shareholders and confirms that it is exploring all appropriate alternatives to achieve that objective.

Barclays is providing independent financial advice to the Provident Board for the purposes of Rule 3 of the Takeover Code.

Yours faithfully,

Patrick Snowball
Chairman
23 March 2019

Your Board's assessment of the NSF Offer

1 The NSF proposal has significant flaws and would have long-lasting, detrimental consequences for Provident Shareholders and customers

NSF's management has limited experience of running a dual-regulated banking group and this creates significant regulatory, conduct and operational risk

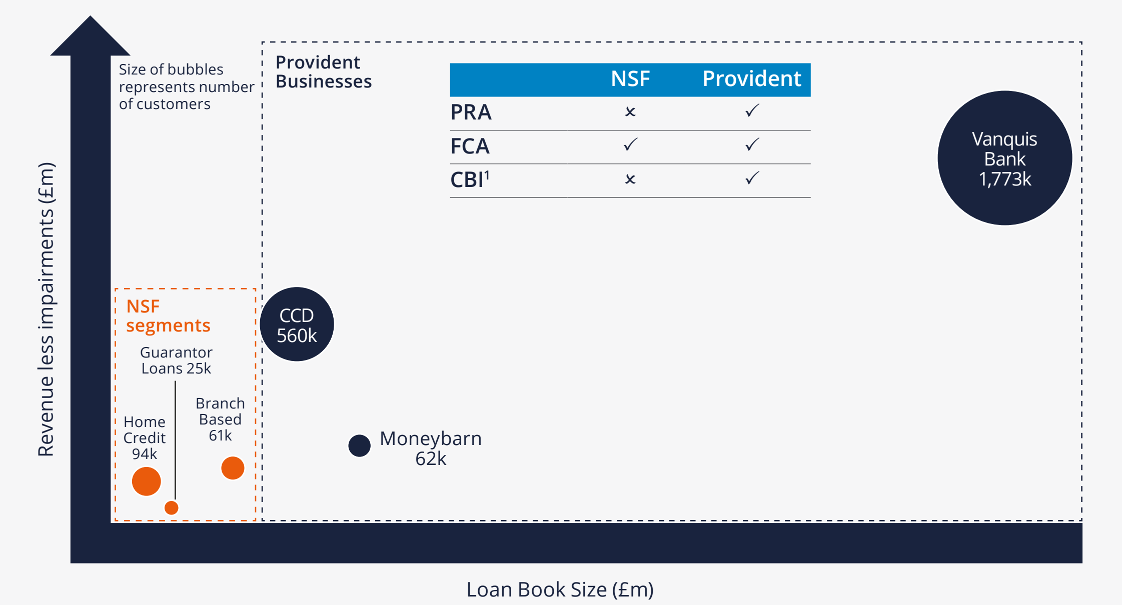
Provident management is best positioned to continue to lead Provident and to deliver attractive and sustainable shareholder returns in the evolving regulatory environment

1 Provident is a dual-regulated banking group. NSF is accountable to a single regulator and its business is significantly smaller and simpler than Provident's

> The regulatory regime for dual-regulated firms such as Provident is materially different from, and imposes more exacting standards than, that of smaller non-bank financial institutions such as NSF

> NSF does not have a bank or a credit card business; Vanquis Bank is by far the largest division of Provident by customers, revenues and receivables

Scale and complexity of Provident, as a dual-regulated banking group vs. NSF's collection of smaller non-bank businesses



	NSF	Provident
PRA	×	✓
FCA	✓	✓
CBI[1]	×	✓

Source: 2018 consolidated financial statements of each of Provident and NSF

1 Central Bank of Ireland

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

❷ Provident management has significantly more banking and credit card experience than NSF management and more experience operating a dual-regulated banking group

> NSF's management team has limited banking and credit card experience, which introduces material risk given that Vanquis Bank is Provident's largest business by a significant margin

> The NSF Offer Documents do not take account of the ring-fenced nature of Vanquis Bank's retail deposits, where NSF expects to borrow at rates similar to Provident's current cost post-transaction

  > We note that NSF expects to secure funding for the enlarged group at similar levels to those currently available to Provident

  > However, the incremental funding requirement would not benefit from cheaper, ring-fenced Vanquis Bank retail deposits, unless NSF persuades the PRA to allow NSF assets to be brought into Vanquis Bank, which is a significant regulatory assumption

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

The FCA explained its position in the context of NSF's proposals in a letter to NSF dated 6 March 2019 and underlined the regulatory position on standards in the market and the considerations the FCA would apply to any transformation plans

Letter from the FCA to NSF

6 March 2019

Dear Mr Van Kuffeler

Conduct Standards in the High Cost Lending

I write with reference to your offer document for Provident Financial Group (Provident) and our recent conversations in which you set out the proposals for the business if Non Standard Finance (NSF) were to takeover Provident. As we discussed, any changes to the business model of Provident will need to be consistent with our expectations of a firm satisfying FCA threshold conditions and our requirements relating to the provision of high-cost credit.

The offer document states NSF intends to capitalise on its operational and commercial success by acquiring and transforming Provident to unlock substantial value for all shareholders of, and stakeholders in, both Provident and NSF. Given the potential value that might be attributed to the transformation of Provident, we are writing to underline the regulatory position on standards in the market and the considerations we would apply to any transformation plans.

High-cost credit remains a priority for the FCA and protecting consumers, especially vulnerable consumers, is at the heart of everything we do as a regulator. We therefore consider the sector as presenting high risks of harm to consumers – particularly from unaffordable and repeat lending and poor treatment of customers in arrears.

As you are aware we have carried out substantial work in high cost lending sector to reduce potential harm to customers. This work included our High Cost Credit Review (CP18/12 and CP18/43 (Chapter 2)) which included a review of the home-collected credit market. We published final rules and guidance in December 2018 in relation to home collected credit with the aim of ensuring that customers are properly protected from potentially poor practices.

It is important to note the changes made by Provident within its home-collected credit business to reduce the risks of unaffordable lending and poor treatment of customers in arrears. These changes include the change from self-employed agents to the introduction of employed Customer Experience Managers (CEM) together with the introduction of recording interactions between the CEM and customer. Any changes that were to lead to a relaxation of controls, including changes to the incentives of the agents and how they are monitored, would require consideration by the FCA to ensure the changes would not lead to an increased risk of harm to consumers.

I also note that you have indicated you propose to reintroduce the Repayment Option Plan ('ROP'), a product which has caused harm to a significant number of consumers and resulted in a fine and redress exercise totalling over £170m. Any proposals for a reintroduction of a version of this product would require close engagement with the FCA to satisfy us that lessons have been learned and to ensure that costs and terms are made clear to customers and that customers are treated fairly.

I would also like to make clear that any change in controls or a shift in culture towards one that is driven by profits and incentives at the cost of good customer outcomes resulting in unaffordable lending will be something we act on immediately.

If you believe that anything in this letter may be inside information, you should consider and take advice on your disclosure obligations. You should also consider your obligations under the Takeover Code and whether you ought to consult the Takeover Panel in light of the matters raised in this letter.

Yours sincerely

Philip Salter
Director of Retail Lending
Supervision – Retail and Authorisations

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

The proposal to sell Moneybarn demonstrates a lack of understanding of the Provident Group

The Provident Board believes that the NSF Offer Documents only superficially address the issues highlighted by Provident with respect to a sale of Moneybarn

1 The Provident Board believes that a sale of Moneybarn could result in significant value destruction

> There is a real risk that a sale of Moneybarn would result in significant break costs in the form of redemption or liability management payments to bondholders

2 A sale of Moneybarn could have a long-lasting negative impact on the Provident Group's access to credit markets and future cost of funds

> Such impacts could include:

> Consequential redemption of debt, resulting in new debt origination fees to refinance the group

> Reduced access to credit markets due to loss of Moneybarn's earnings

> The risk of a credit rating downgrade, which would considerably increase cost of funds

> These factors, in addition to the real risk of break costs, make Provident doubt the scope for a meaningful capital distribution of proceeds of such a sale

3 A sale of Moneybarn would also weaken the Provident Group's pension scheme covenant

> A sale of Moneybarn would weaken the existing pension scheme covenant. As a consequence of a sale, the Provident Group's pension trustees may therefore be concerned to ensure that the pension fund is not detrimented, given the loss of earnings contribution from Moneybarn to Provident Group earnings

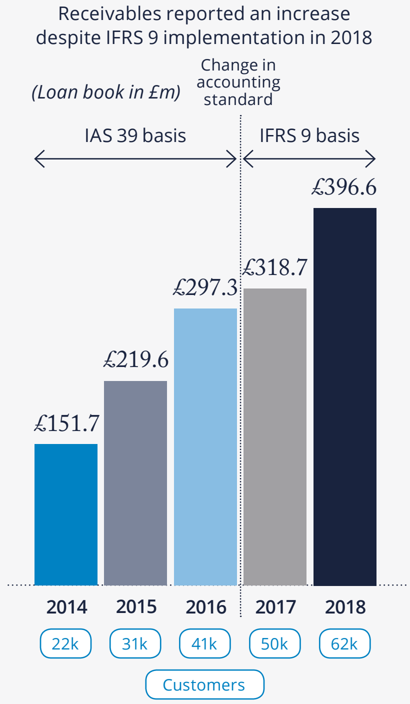
Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

❹ The proposal to sell Moneybarn would not recognise the significant value potential of Moneybarn within the Provident Group

> Moneybarn is a material contributor to Provident Group's growth and profitability

Moneybarn loan book and customer growth



Source: 2014, 2016 and 2018 consolidated financial statements of Provident

Moneybarn Profit Before Tax evolution[1]

Source: 2014, 2016 and 2018 consolidated financial statements of Provident

> We continue to see significant synergy potential between Vanquis Bank and Moneybarn and do not agree with NSF's assertion that these synergies are "overrated". To be specific, potential synergies include:
- Development and marketing of Vanquis Bank cards to new and existing Moneybarn customers
- Development and marketing of Moneybarn products to the Vanquis Bank customer base via the digital app/web, providing access to the many Vanquis Bank customers who may need or want to buy a car
- Opportunity for Moneybarn to benefit from Vanquis Bank data for decisioning and expertise on scorecards, collections and credit

A sale of Moneybarn could result in significant value destruction for Provident Shareholders

1 The Provident Group has adopted IFRS 9 from 1 January 2018 and made an opening balance sheet adjustment to restate the IAS 39 2017 balance sheet onto an IFRS 9 basis at that date. However, 2017 statutory prior year comparatives have not been restated

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

NSF's plan to demerge Loans at Home would leave Provident Shareholders with a c.88 per cent.[1] share in a sub-scale business with a weak equity story

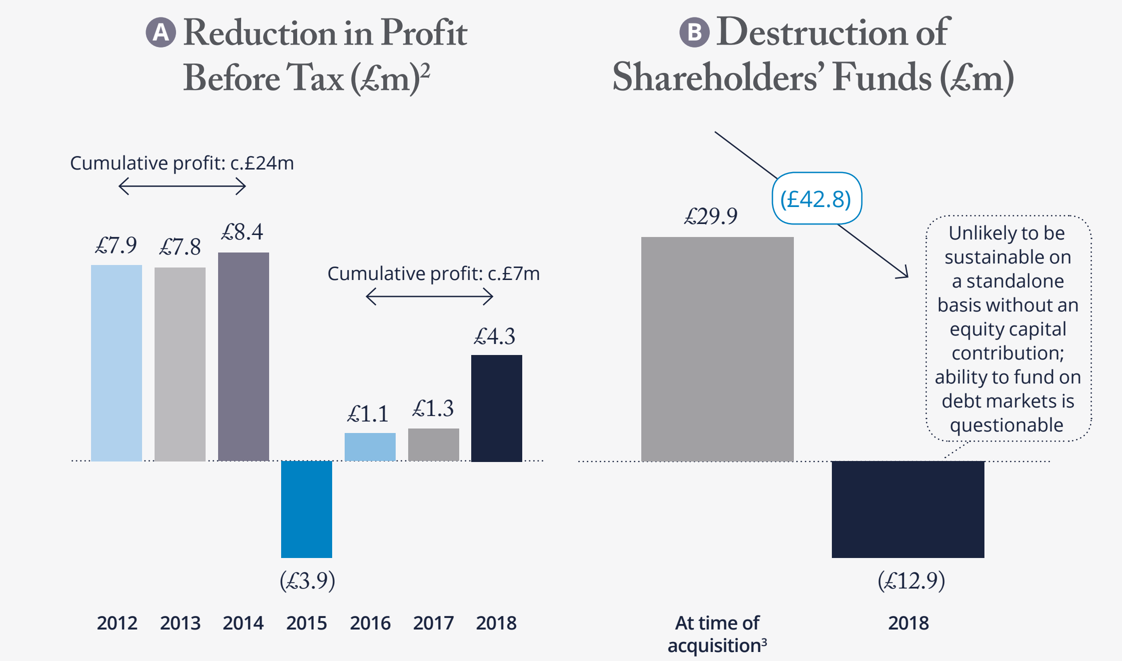
The Provident Board has serious concerns about Loans at Home's track record and its sustainability as a standalone business

1 Loans at Home's profitability and financial position has deteriorated materially since its acquisition by NSF in 2015:

A Profit Before Tax has reduced from cumulative profits of c.£24 million for the three years leading up to the acquisition to cumulative profits of c.£7 million for the three years since the acquisition

B Net Assets have reduced from £29.9 million at the time of the acquisition to a net liability (i.e. negative equity) position of £12.9 million at year-end 2018

Deterioration in profitability and financial position of Loans at Home under NSF ownership



Source: NSF December 2015 prospectus; 2016, 2017 and 2018 consolidated financial statements of NSF

1 Per NSF Offer Document

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

3 Latest available figure at time of acquisition; as of 31 July 2015

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

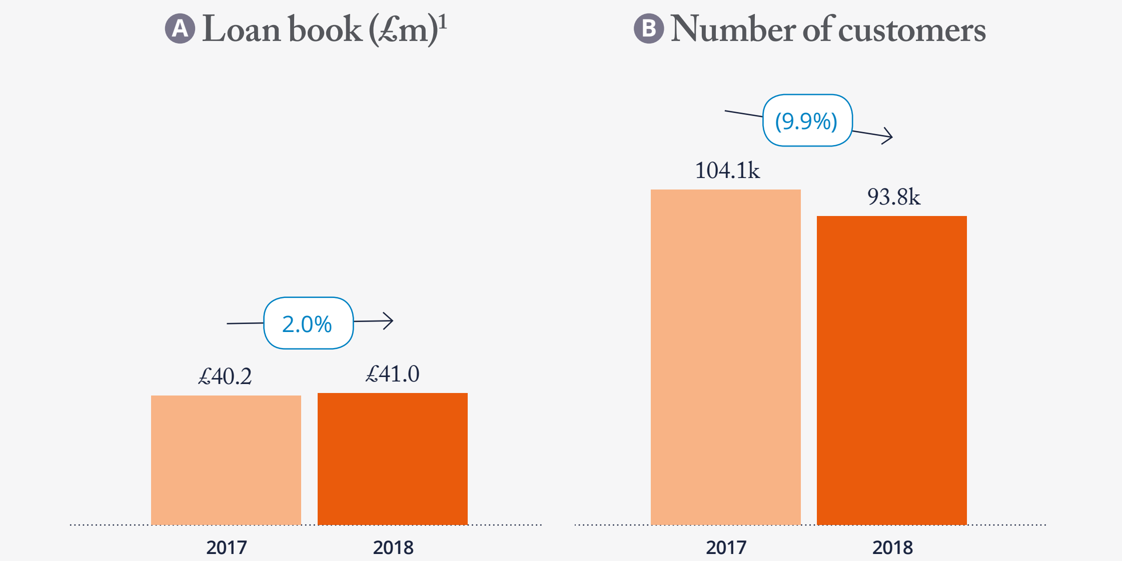
2 The Provident Board is sceptical of Loans at Home's future growth prospects given the inability of NSF's management to deliver profitability for their own businesses to date

The Provident Board questions NSF's statement that Loans at Home "continues to demonstrate strong growth", given that:

A The growth in Net Loans between 2017 and 2018 was only c.2 per cent.

B The Loans at Home business reported a c.10 per cent. decline in customer numbers between 2017 and 2018, having reduced from 104.1k to 93.8k

Loans at Home historical performance



Source: 2018 consolidated financial statements of NSF

1 On an IFRS 9 basis

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

3 NSF's plan to demerge the Loans at Home business would result in a sub-scale listed company, and would be unlikely to maximise value for Provident Shareholders

A NSF acquired the Loans at Home business for £82.5 million in 2015; in its latest goodwill impairment test, NSF estimates the value of the Loans at Home business at only £64 million to £67 million

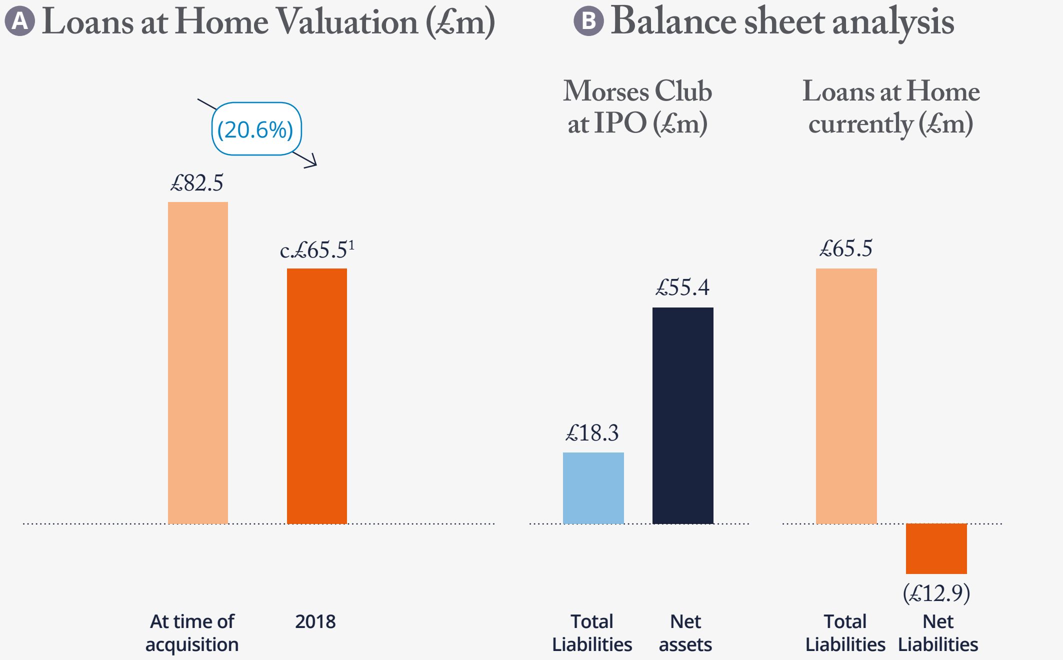
> NSF's own valuation implies c.21 per cent. value destruction for NSF shareholders since acquisition

B The NSF Offer Document states that Morses Club is an example of a company of similar size that has "successfully maximised value in a public markets context"

> Loans at Home's balance sheet is significantly weaker today than Morses Club, which had Net Assets of £55.4 million at the time of its admission to the AIM

> Accordingly, a standalone Loans at Home business would likely need to raise capital to reverse its net liabilities position and independently access credit markets

Sub-scale standalone business exhibits balance sheet weakness relative to closest peer (Morses Club)



Source: NSF December 2015 prospectus; 2018 consolidated financial statements of NSF; Morses Club IPO prospectus

1 Represents the mid-point of the valuation range

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

❹ The Provident Board is sceptical of NSF's plan regarding management of the demerged Loans at Home business

> NSF's plan is for the current CEO, CFO and CRO all to leave the Loans at Home business at the same time

Management of Loans at Home

NOW		POST DEMERGER	
CEO	Davie Thompson ⊕	CEO	Mike Palmer
CFO	Jono Gillespie ⊕	CFO	?
CRO	Paul Gill ⊕	CRO	?
COO	Mike Palmer	COO	?

⊕ To operate the home credit business of the enlarged group

A demerger of Loans at Home is unlikely to maximise value for Provident Shareholders given the serious concerns around sustainability and prospects of a standalone Loans at Home business

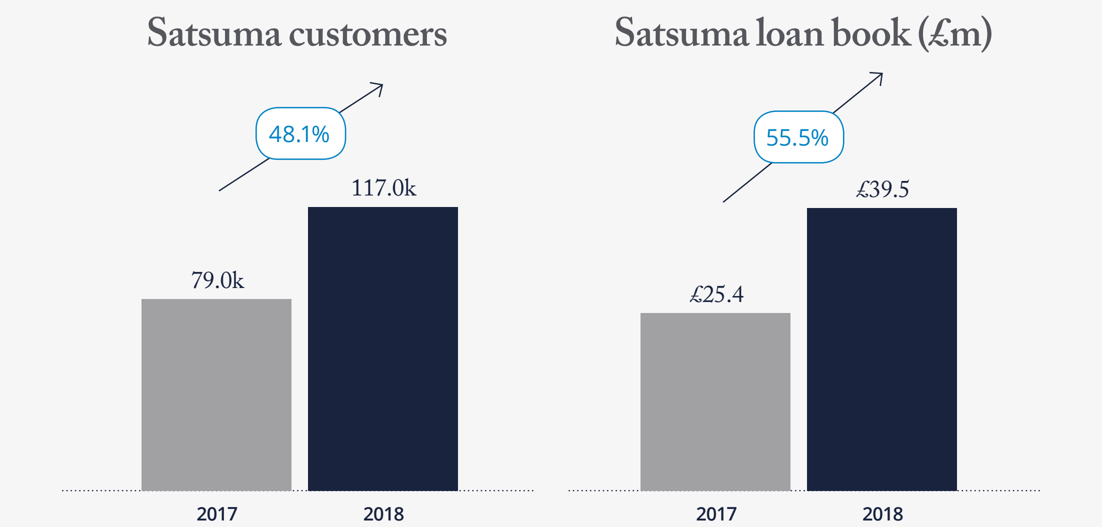
Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

NSF's plan to sell or close Satsuma demonstrates a lack of understanding of the future of the home credit industry and of our wider customer base

- NSF's plan to sell or close Satsuma indicates a backward-looking view
  - Satsuma is the Provident Group's strategic digital loans platform, currently focused on small, short-term loans and poised to expand into slightly larger, longer term loans, leveraging its platform, capabilities and distribution. This will materially expand its addressable market, with limited impact on its fixed costs
- The Provident Board believes Home Credit is well positioned, along with Satsuma, to capture growth in an industry that is structurally changing, alongside shifting customer behaviour
  - Satsuma contributes to CCD by offering a digital proposition that is complementary to the face-to-face home credit operating model, which the Provident Board believes will be fundamental to servicing the demand of our wider customer base
  - Satsuma's capabilities are also important to the development of the new Provident Direct proposition
- The Provident Board believes Satsuma is an important driver of future growth for the Provident Group
  - Satsuma delivered significant customer and loan book growth in 2018, and has generated positive EBITDA[1] for the first two months of this year

Satsuma customer and loan book growth in 2018



Source: 2018 consolidated financial statements of Provident

- The Provident Board believes that there are significant synergy opportunities between Satsuma and Vanquis Bank
  - Collaboration between Satsuma and Vanquis Bank loans has potential to improve scale and efficiency
  - c.30 per cent. of Satsuma's customers are also customers of other Provident Group products, most commonly Vanquis Credit Cards

The proposal to sell or close Satsuma does not recognise its significant value potential as part of the Provident Group's digital proposition

1 Earnings before interest, tax, depreciation and amortisation

Your Board's assessment of the NSF Offer

The NSF proposal has significant flaws…

The FCA said, in a letter addressed to CEOs of firms providing high cost lending products dated 6 March 2019, that as well as its portfolio wide work, it will start a piece of complementary work on guarantor lending

"Additional focus for firms providing guarantor lending

As well as the areas of focus above, we will also prioritise our supervisory work with firms that provide guarantor loans in the following area:

Payments made by guarantor: Our diagnostic work on guarantor lending showed that many guarantors make at least one repayment and the proportion of guarantors making payments is growing. We want to understand the root causes for this increase, and whether firms are conducting adequate affordability assessments. We are also concerned that guarantors may not fully understand how likely it is that they will be called upon to make a payment. So, as well as our broad portfolio-wide work on relending, we will start a piece of complementary work on guarantor lending. This will establish whether potential guarantors have enough information to understand the likelihood and implications of the guarantee being enforced"

Extract from "Dear CEO" Letter from the FCA, dated 6 March 2019, which is set out in full on pages 29 to 32

> We do not have sufficient information to judge whether this area of focus by the FCA is a concern in relation to NSF's Guarantor Loans businesses, but there is a risk that it is

> NSF's 2018 results show loan book growth of 61% in Guarantor Loans

Your Board's assessment of the NSF Offer

2 NSF has not undertaken transactions of this size and complexity and its track record is one of significant value destruction

NSF does not have relevant experience relating to an acquisition of a company seven times its size

NSF's Offer has been made on a hostile basis, and consequently, its corporate restructuring and execution plans have been developed solely from industry information and publicly available data and are subject to a post-completion review

The Offer represents a significant risk to shareholder value, given its hostile nature and NSF's acquisition track record

1 NSF has not undertaken transactions of this size and complexity

> Since the NSF IPO on 19 February 2015, NSF has made three small acquisitions

Provident is materially larger than NSF's previous acquisitions

Source: NSF RIS announcements on 4 August 2015, 13 April 2016 and 17 August 2017 respectively; FactSet as of 21 March 2019

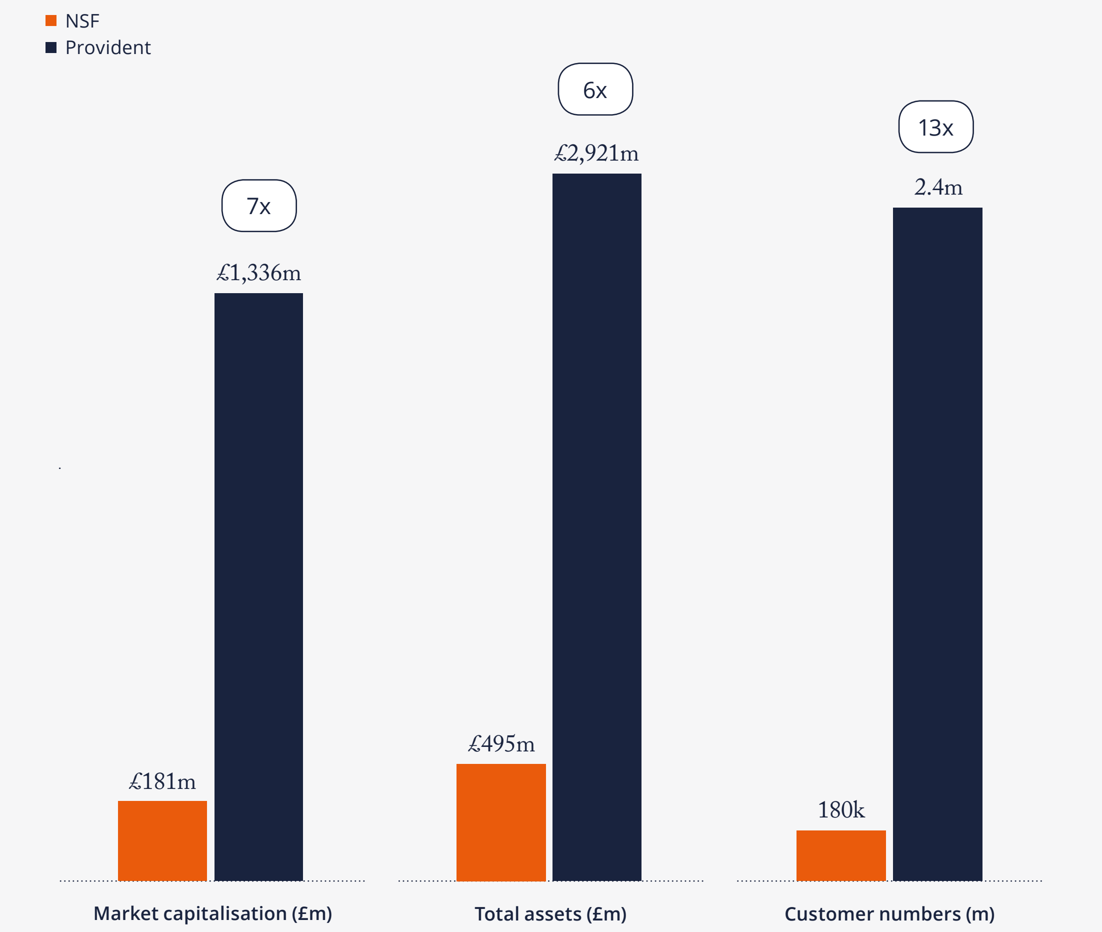
> Provident is of an entirely different magnitude
  > Market capitalisation c.7x the size of NSF's
  > Balance sheet c.6x the size of NSF's (on a total assets basis)
  > Customer numbers c.13x the size of NSF's

1 Disclosed purchase price
2 Disclosed enterprise value

Your Board's assessment of the NSF Offer

NSF has not undertaken transactions of this size and complexity…

The proposed transaction is inherently risky given its magnitude



Source: FactSet as of 21 March 2019; 2018 consolidated financial statements of each of Provident and NSF

The size and complexity, hostile nature and resulting execution risk is significantly greater than any acquisition NSF has undertaken to date

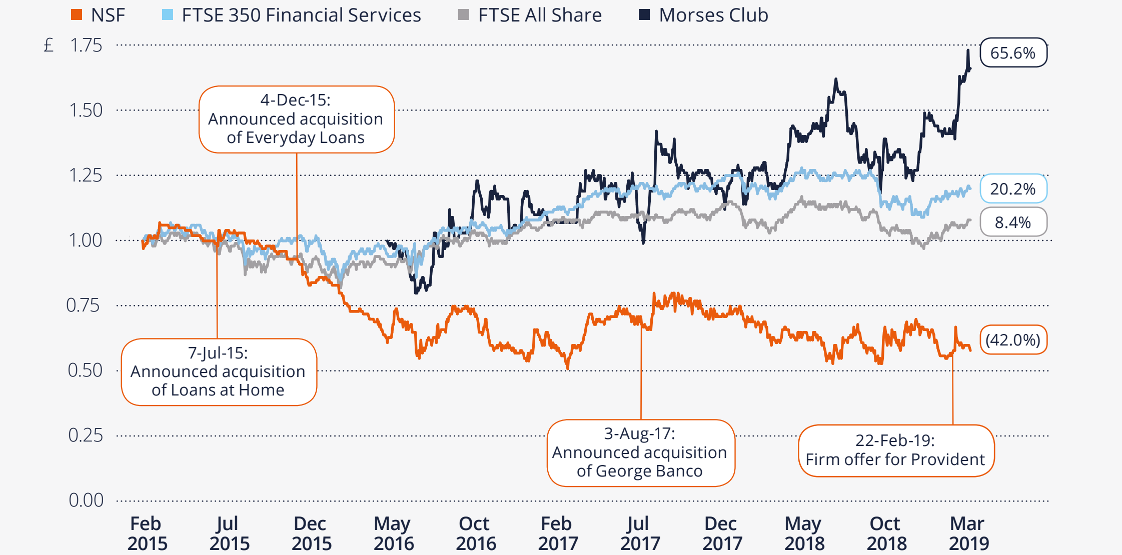
Your Board's assessment of the NSF Offer

NSF has not undertaken transactions of this size and complexity…

❷ NSF has a history of acquisitions which have not resulted in positive share price performance

Share price underperformance since the NSF IPO[1]

NSF relative share price performance (rebased to NSF IPO placing price of £1.00)

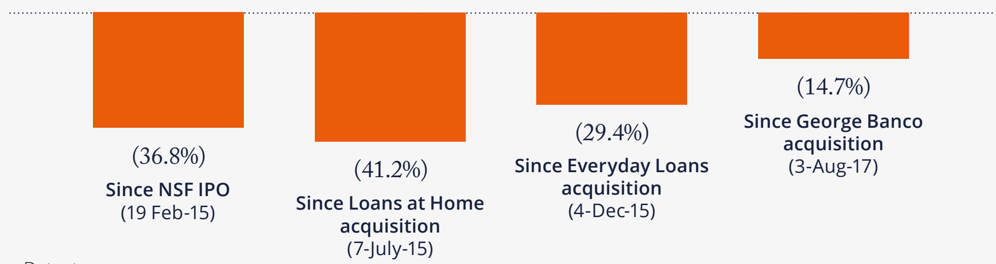


Source: FactSet as of 21 March 2019

> Since the NSF IPO, NSF's share price has declined 42 per cent., while the broader indices and key comparable peer, Morses Club, have delivered positive returns

> Despite making acquisitions totalling £371 million in purchase value and a capital raise of £160 million, the undisturbed NSF market capitalisation immediately prior to announcement of the Offer was only £181 million[2]

Consistently negative total shareholder return[3]



Source: Datastream

> Total shareholder return since the NSF IPO and since **each** of the three acquisitions highlighted above has been negative

The facts above clearly undermine NSF's claim of a "history of creating shareholder value in the UK non-standard finance sector"

1 NSF's share price performance (rebased to the NSF IPO price of 100p); Morses Club shown since admission and commencement of dealings in the ordinary shares on AIM on 5 May 2016

2 As of 21 February 2019; FactSet as of 21 March 2019

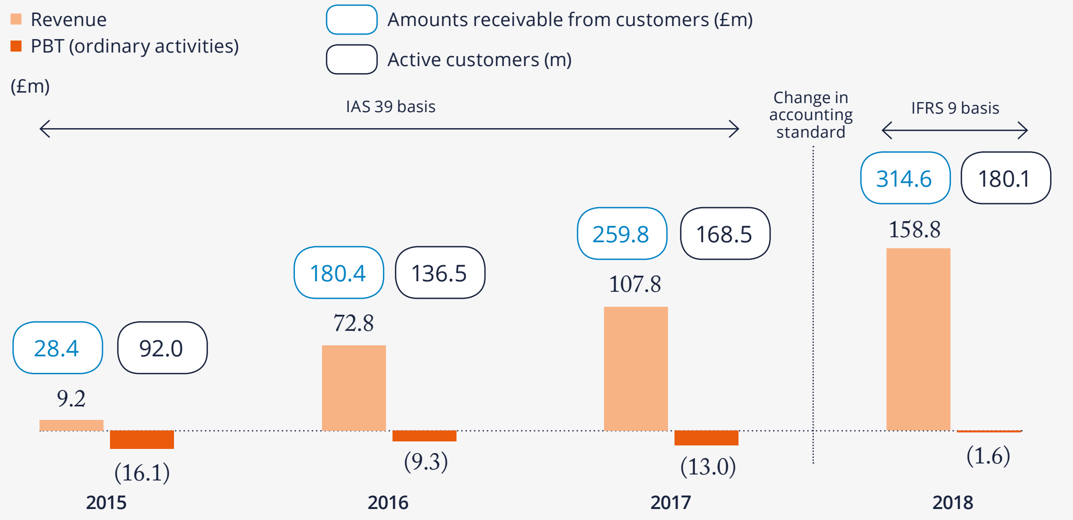
3 Until 21 February 2019 (undisturbed date); Total shareholder return is the profit generated by a combination of the change in the share price over the measurement period, plus any dividends paid by the company in the interim

Your Board's assessment of the NSF Offer

NSF has not undertaken transactions of this size and complexity…

❸ NSF's growth strategy has not delivered pre-tax profitability on a statutory basis

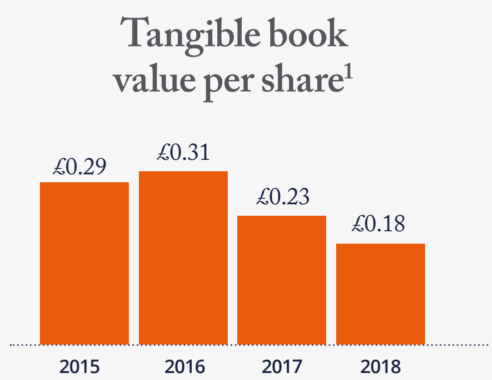
High growth in revenue and receivables but repeated losses

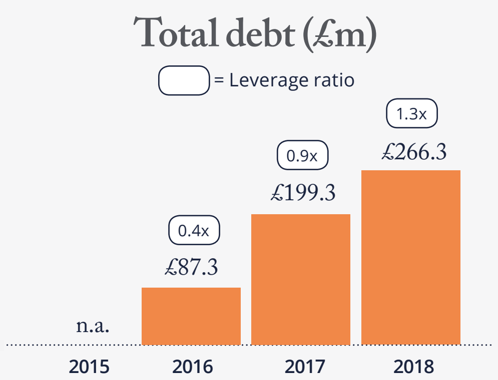


Source: 2016, 2017 and 2018 consolidated financial statements of NSF

- Receivables have seen a steady growth during this period, but this has coincided with unprofitable growth and negative total returns to shareholders
- NSF has a track record of repeated statutory losses, paying dividends from reserves and depleting shareholder equity, thereby creating financial risk of undercapitalisation

Depleting capital position and significant increase in leverage





Source: 2016, 2017 and 2018 consolidated financial statements of NSF

- NSF's tangible book value per share has been steadily declining since 2016, while its leverage has increased significantly
- NSF's leverage ratio has increased from 0.4x in 2016 to 1.3x in 2018

The pursuit of top-line growth alone doesn't necessarily translate to shareholder value

1 Increase in tangible book value per share in 2016 reflects the share issuance to finance the acquisition of Everyday Loans; NSF 2017 Annual Report and Accounts

Your Board's assessment of the NSF Offer

3 Provident has been delivering on the objectives set out over the last 12 months

The Provident team has stabilised the business and positioned it well for growth

The team has achieved its 2018 objectives, has repositioned the business with its customers and regulators, and has made material operational and financial progress

2018 objectives

- Progress the Home Credit recovery plan and obtain FCA authorisation ✓
- Implement the ROP refund programme and adapt to developing regulation in Vanquis Bank ✓
- Progress the Moneybarn FCA investigation ✓
- Strengthen the board, governance and culture ✓
- Re-access debt markets ✓

2018 financial performance

Group adjusted profit before tax up 82.3 per cent. to £153.5 million (2017: £84.2 million)[1]

VANQUIS BANK	Stable Vanquis Bank profits of £184.3 million (2017: £181.4 million)[1] whilst substantially completing the ROP refund programme (now fully implemented) and adapting to developing regulation
Provident / Satsuma loans.co.uk	Significant reduction in CCD losses to £38.7 million (2017: £106.3 million)[1], reflecting implementation of the recovery plan Reduction of approximately 1,000 CCD roles in the last twelve months
moneybarn credit you can trust	Moneybarn increased profits by 28.3 per cent. to £28.1 million (2017: £21.9 million)[1] with strong growth in customers and receivables

Following your support of Provident in 2018, we have delivered on our commitments and will continue to do so in 2019

1 On a pro forma IFRS 9 basis

Your Board's assessment of the NSF Offer

Provident has been delivering on its objectives…

Delivery on regulatory issues

WHAT WE SAID AT OUR 2017 RESULTS	WHERE WE ARE TODAY
VANQUIS BANK	
Resolution agreed on ROP investigation Active refund programme implemented for all ROP sales back to 2003 and up to customer mailing in late 2016	ROP refund programme **fully implemented** within the FCA agreed timetable Delivered within the previously announced provisions for balance reductions and refunds
Provident / **Satsuma** loans.co.uk	
Home Credit operations under an interim permission during the implementation of the recovery plan	**CCD fully authorised by the FCA** in November 2018 **Received no objections from the FCA** on proposals to implement **performance management measures** (including balanced scorecard approach and element of variable pay)
moneybarn credit you can trust	
Specific cohorts of customers identified as at risk of detriment due to historical practices	Provident Group **continues to work with the FCA** on investigation into affordability, forbearance and termination options
Final resolution likely to take 24 months	Working towards **conclusion in coming weeks**
Exceptional cost of £20 million reflected in 2017 financial statement based on management's estimate of expected outcome	**Final cost** expected to be **within provisions already made**

The Provident Board believes that all material outstanding regulatory issues have been substantially resolved with the FCA

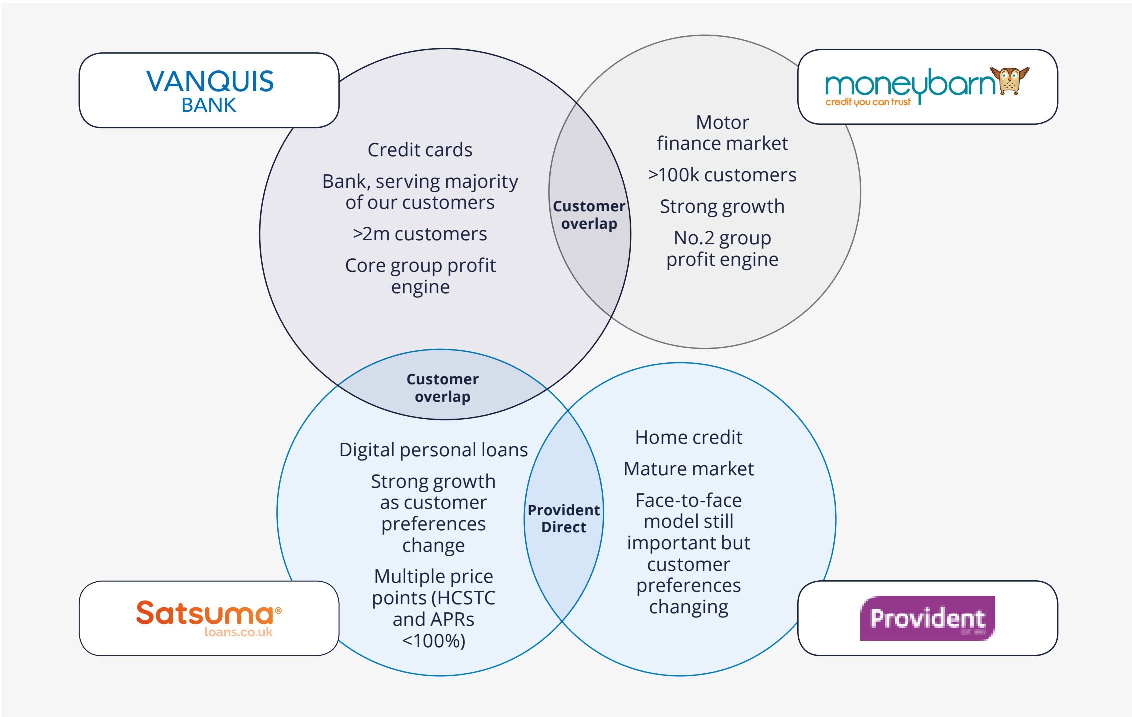
4 Provident has a clear strategy to deliver attractive and sustainable shareholder returns and good customer outcomes in an evolving industry and regulatory environment

In the UK, there are 10 – 12 million people (c.20 per cent. of the adult population), who are not well-served by the mainstream lenders. We, with our leading brands, serve 2.4 million customers within this market

VANQUIS BANK	MONEYBARN	CCD	
VANQUIS BANK	moneybarn credit you can trust	Provident	Satsuma loans.co.uk
A leading supplier of credit cards to those not well served by mainstream lenders	A leading supplier of vehicle finance to those not well served by mainstream lenders	A leading provider of home credit loans to consumers on low incomes who require affordable credit	A leading online instalment loan product provider
Operating since 2003	**Established in 1992**	**Established in 1880**	**Established in 2013**
1.8m **UK customers**	62,000 **Customers**	440,000 **Customers**	117,000 **Customers**

> Provident offers several products and services across a number of channels to meet the evolving needs of our customers who, like customers in the mainstream, increasingly expect digitally-enabled products and services

> There is significant competitive advantage and value to be gained from leveraging both the customer and capability synergies that exist across the group of businesses, as illustrated in our longer term vision below:



Your Board's assessment of the NSF Offer

Provident has a clear strategy…

The Provident Group has developed a number of planned growth and efficiency initiatives across each of the divisions

The Provident Board believes that the combination of these initiatives with Provident's industry-leading positions will deliver good customer outcomes and attractive and sustainable shareholder returns

Key initiatives

VANQUIS BANK

- Enhance "low and grow" strategy of credit line increases
- Increase bookings within existing risk appetite (e.g. "thin file" customers, "financial fitness")
- Further development of app (now over one million customers)
- Development of affiliate and co-brand relationships
- Marketing of Vanquis Bank cards to Moneybarn customers

Satsuma loans.co.uk / Provident

- Introduction of Provident Direct, leveraging:
  - CCD distribution and face-to-face underwriting capabilities; and
  - Satsuma digital collection process
- Personal loans pilot product under Satsuma brand
- Further development of Satsuma app

moneybarn credit you can trust

- Introduction of re-solicitation programme
- Expansion of relationships with lead generators and quotation site partners (e.g. ClearScore)
- Development of new asset classes (e.g. light commercial vehicles, motorbikes, touring caravans)
- Moneybarn product offering via Vanquis Bank digital app

PFG Provident Financial Group

- Development of data strategy
- Expansion of group-wide collaboration activities

Building for the future on a strengthened foundation

After a successful year of recovery in 2018...

Group adjusted profit after tax up 82.3% to £153.5m (2017: £84.2m[1]) and adjusted EPS up 26.6% to 46.6p (2017: 36.8p[1,2])

Stable Vanquis Bank profits of £184.3m (2017: £181.4m[1]) with ROP refund programme 100% complete

Significant reduction in CCD losses to £38.7m (2017: £106.3m[1]), reflecting implementation of the recovery plan

Moneybarn increased profits by 28.3% to £28.1m (2017: £21.9m[1]) with strong growth in customers and receivables

Proposed final dividend in respect of 2018 of 10 pence per share (2017: nil)

Our 2019 objectives include

Grow customer numbers in Vanquis Bank and Moneybarn

Stabilise customer base and reduce cost base in CCD to return business to run rate profitability in due course

Progress strategic growth initiatives

Drive synergies, in particular via Moneybarn and Satsuma working more closely with Vanquis Bank, and drive cost reduction across the Provident Group

Refinance the Provident Group's syndicated bank facility

Embed the Provident Group's new cultural blueprint

Do not allow NSF to jeopardise the Provident strategy. Protect your company and its strategy to deliver attractive and sustainable returns and good customer outcomes

1 The Provident Group has adopted IFRS 9 from 1 January 2018 and made an opening balance sheet adjustment to restate the IAS 39 balance sheet onto an IFRS 9 basis at that date. However, 2017 statutory prior year comparatives have not been restated due to the IFRS 9 requirement in respect of de-recognition of financial assets which would require loans terminated prior to 1 January 2018 to remain under IAS 39 in the prior year. As this distorts comparability with the 2018 income statement and 2018 balance sheet which are on a full IFRS 9 basis, the Provident Group has also provided unaudited pro forma 2017 income statement and balance sheet comparatives as though IFRS 9 had been implemented from 1 January 2017

2 The weighted average number of Provident 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

Appendix I: Sources of information and bases of calculation

Unless otherwise stated in this document:

1. As at 21 March 2019 (being the last Business Day prior to the date of this document), Provident had 253,288,220 Provident Shares in issue. On the date of this document Provident holds no Provident Shares in treasury.
2. Based on the NSF Offer Document, as at 7 March 2019, NSF had 312,049,682 NSF Shares in issue (excluding 5,000,000 NSF Shares held in treasury). As at 21 March 2019 (being the last Business Day prior to the date of this document), NSF has not updated its issued share capital number pursuant to Rule 2.9 of the Takeover Code following publication of the NSF Offer Document.
3. Financial information concerning Provident has been extracted from the audited consolidated financial statements of Provident for 2014, 2015, 2016, 2017 and 2018.
4. Financial information concerning NSF has been extracted from the audited consolidated financial statements of NSF for 2015, 2016, 2017 and 2018.
5. The assertion that the Offer was made at a discount of c.six per cent. to Provident's share price was calculated based on the exchange ratio of 8.88 new NSF Shares per the Offer, which implies a value of 526 pence for the Offer based on NSF's Closing Price of 59 pence as of 8 March 2019 versus a Closing Price of 558 pence for Provident on the same day.
6. 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.
7. The acquisition of George Banco for £53.5 million was announced on 3 August 2017 via RIS and the completion of the acquisition of George Banco was announced on 17 August 2017 via RIS.
8. The acquisition of Everyday Loans for £235 million was announced on 4 December 2015 via RIS and the completion of the acquisition of Everyday Loans was announced on 13 April 2016 via RIS.
9. 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.
10. The assertion that the NSF share price has fallen 18 per cent., 33 per cent. and 44 per cent. since the acquisitions of George Banco, Everyday Loans and Loans at Home respectively is by reference to the Closing Prices on (i) 21 March 2019 (being the last Business Day prior to the date of this document) of 58 pence; (ii) 3 August 2017 (being the announcement date of the acquisition of George Banco) of 71 pence; (iii) 4 December 2015 (being the announcement date of the acquisition of Everyday Loans) of 87 pence; and (iv) 7 July 2015 (being the announcement date of the acquisition of Loans at Home) of 104 pence.
11. Loans at Home's £24.1 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 £6.7 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.
12. Morses Club's net assets of £55.4 million has been calculated as total assets of £73.7 million minus total liabilities of £18.3 million, as per the Morses Club initial public offering prospectus published on 29 April 2016.
13. Loans at Home's net liabilities of £12.9 million has been calculated as total assets of £52.6 million minus total liabilities of £65.5 million, as per the audited consolidated financial statements of NSF for 2018.
14. The statement that Provident's market capitalisation is approximately seven times the size of NSF's market capitalisation is by reference to the market capitalisation of Provident as at 21 March 2019 (as calculated by multiplying the Closing Price on 21 March 2019 of 527 pence by the number of Provident Shares outstanding as at 21 March 2019, being 253,288,220) and to the market capitalisation of NSF as at 21 March 2019 (as calculated by multiplying the Closing Price of 58 pence as of 21 March 2019 by the number of NSF Shares outstanding as at 7 March 2019, being 312,049,682).
15. The statement that Provident's total assets are approximately six times the size of NSF's total assets is by reference to Provident's total assets of £2,921 million as at 31 December 2018 and NSF's total assets of £495 million as at 31 December 2018.
16. The statement that Provident's customer numbers are approximately thirteen times the size of NSF's is by reference to the customer numbers set out on page 2 of the 2018 Annual Report and Accounts of Provident and the customer numbers set out on page 15 of the 2018 Annual Report and Accounts of NSF.
17. The assertion that NSF's share price has declined 42 per cent. since the NSF IPO is by reference to the Closing Price on 21 March 2019 of 58 pence and the NSF IPO placing price of 100 pence.

Appendix I: Sources of information and bases of calculation

continued

18. The statement that NSF made acquisitions totalling £371 million is by reference to the acquisition of George Banco for £53.5 million announced on 3 August 2017 via RIS; the acquisition of Everyday Loans for £235 million announced on 4 December 2015 via RIS and the acquisition of Loans at Home for £82.5 million announced on 7 July 2015 via RIS.
19. NSF's capital raise of £160 million has been calculated at by multiplying the offer price per NSF Share of 85 pence by the 188,235,825 NSF Shares issued, in respect of the placing and open offer, as published on 13 April 2016 via RIS.
20. The undisturbed NSF market capitalisation has been calculated by multiplying the Closing Price on 21 February 2019 of 58 pence by the number of NSF Shares outstanding on 7 March 2019 of 312,049,682.
21. The assertion that total shareholder return since the NSF IPO and since each of the three acquisitions has been negative is by reference to the total shareholder return from (i) the admission to trading of NSF Shares on the London Stock Exchange announced on 19 February 2015 to 21 February 2019; (ii) the acquisition of Loans at Home announced on 7 July 2015 to 21 February 2019; (iii) the acquisition of Everyday Loans announced on 4 December 2015 to 21 February 2019; and (iv) the acquisition of George Banco announced on 3 August 2017 to 21 February 2019, each as derived from Datastream.
22. The assertion that NSF has had a track record of repeated losses is by reference to the profit on ordinary activities before tax for the 12 month periods ended 31 December 2015, 2016, 2017 and 2018.
23. The assertion that NSF uses reserves to pay out dividends is by reference to the reported diluted earnings per NSF Share and total dividend per NSF Share for the 12 month periods ended 31 December 2015, 2016, 2017 and 2018.
24. The assertion that NSF's book value per NSF Share has been steadily declining since 2016 is by reference to the reported tangible book value per NSF Share (calculated as total equity excluding goodwill and other tangible assets divided by total number of NSF Shares outstanding) as at 31 December from 2016 to 2018. It should be noted that the increase in tangible book value per NSF Share in 2016 reflects the share issuance to finance the acquisition of Everyday Loans (see footnote 1 on page 21 of this document).
25. The assertion that NSF has increased its debt significantly is by reference to the reported total debt of nil as at 31 December 2015, £87.3 million as at 31 December 2016, £199.3 million as at 31 December 2017 and £266.3 million as at 31 December 2018.
26. The assertion that NSF's leverage ratio has increased between 2016 and 2018 is by reference to the leverage ratio (calculated as reported bank and other borrowings divided by reported total equity excluding non-controlling interests) as at 31 December from 2016 to 2018.

Appendix II: FCA Dear CEO Letter

6 March 2019

Re: Portfolio Strategy Letter to firms providing high cost lending products

Dear CEO

This letter sets out our view of the key risks that High Cost Lenders pose to their consumers or the markets they operate in. You should consider the degree to which your firm presents such risks and your strategies for mitigating them.

Our High Cost Lenders supervision strategy covers the period to January 2021. This strategy includes work to identify, diagnose and remedy the harms in this portfolio. It also evaluates the impact of our interventions. We will write to you again after January 2021 to give you our updated view of the key risks posed by firms in this portfolio and our updated plans to supervise them.

This follows our new approach to supervision, implemented in 2018. As part of this, we have put all the firms we supervise into different 'portfolios'. Each portfolio is made up of firms with broadly similar business models. We have allocated your firm to the High Cost Lenders portfolio. We will regularly analyse each portfolio and give the firms within it the results of our analysis.

Who this letter applies to

This letter applies to firms providing the following products:

- guarantor loans
- high-cost short-term credit (HCSTC)
- high-cost unsecured loans aimed at sub-prime customers
- home-collected credit (HCC)
- income smoothing products
- logbook loans
- pawnbroking
- rent-to-own (RTO)

Appendix II: FCA Dear CEO Letter

continued

It also applies to community development finance institutions (CDFIs).

Please note that firms under our supervisory strategy for high cost lenders only provide some of the products that our recent high-cost credit review (HCCR) covers. We will cover other products in the HCCR, such as overdrafts, in further Portfolio Strategy letters to firms in the relevant portfolios.

Firms in this portfolio vary significantly in size and have a wide variety of specific business models and products. However, customers who use high cost credit products tend to share some key characteristics – for example, they tend to have poor credit histories and low financial resilience. Many of them are also likely to be vulnerable. Given these characteristics, lack of appropriate affordability checks and poor treatment of customers in default or arrears creates a risk of considerable harm. Firms are reminded of their obligations to treat customers fairly and appropriately. They should also ensure that they take an appropriate approach to creditworthiness assessment and treat customers in default, or in arrears, with forbearance and due consideration.

Poor firm culture can be a key driver of harm, an example of this is where firms have high-risk financial incentives and/or performance management practices, coupled with inadequate or ineffective systems and controls, that may lead to poor consumer outcomes. Firms are reminded of their obligations to identify and manage any risks arising from their remuneration or performance management practices. In March 2018 we published a Policy Statement issuing new rules and guidance regarding staff incentives in consumer credit, we expect firms to comply with our new rules.

While not all of the findings of our letter may apply to your firm, we have seen a number of specific causes of harm across the firms in this portfolio. We therefore encourage you to read and reflect on the entire letter. If we have contact with your firm in the future, we will expect you to be able to explain what you did in response to this letter.

Our view of the key causes of harm

To assess how firms in the High Cost Lenders portfolio could cause harm, we analysed their strategies and business models. We considered a wide range of information and data, including firms' regulatory histories, the number and nature of complaints, and findings from the HCCR. We also carried out diagnostic work on guarantor lenders, which involved issuing a data request to firms in October 2018.

Following our analysis, we see two key ways that consumers may be harmed across the High Cost Lenders portfolio:

- a high volume of relending, which may be symptomatic of unsustainable lending patterns
- firms' affordability checks may be insufficient, leading to loans that customers may not be able to afford

We also see an additional potential harm from guarantor lending:

- the proportion of loan repayments that guarantors make has risen considerably, which could indicate that affordability on the part of the borrowers is falling

Appendix II: FCA Dear CEO Letter

continued

Our areas of focus for all firms

We will prioritise our supervisory work in the following areas:

Relending: We have seen a high volume of relending across all credit products in the portfolio. We aim to carry out diagnostic work across the portfolio so that we can better understand the motivation for, and impact of, relending on both consumers and firms. This work will examine aspects of relending such as customers' borrowing journeys, firms' marketing strategies for offering additional credit and the costs of relending for consumers. We want to understand what harm, if any, relending may cause consumers.

As part of this work, we will proactively engage with home-collected credit firms to ensure they understand our expectations. We will also discuss any changes to their processes as a result of the new rules and guidance on relending which we issued in our December 2018 Policy Statement on high-cost credit.

Affordability: We recognise that there is an inherent challenge for these firms in assessing affordability for both new loans and repeat borrowing. High-cost credit customers' finances are often squeezed and they may have poor credit histories and low financial resilience. Nevertheless, firms must ensure that they are complying with all our affordability requirements. We gave an outline of these requirements in the Dear CEO letter we sent to HCSTC firms in October 2018. While this letter was aimed at HCSTC firms, the main principles are relevant to all firms in this portfolio.

In July 2018, we published a Policy Statement clarifying our expectations on creditworthiness, by issuing new rules and guidance which came into effect on 1 November 2018. We expect you to comply with our new rules. Our ongoing supervisory work on affordability with firms will continue to drive improvements in this area. As with all our rules, we will take the necessary action where we identify non-compliance.

Complaints: We know that there have been increasing numbers of complaints about many of the products in this portfolio. Firms should ensure that they are handling complaints appropriately. We expect firms to fulfil all relevant obligations, including analysing the root causes of complaints and taking into account the Financial Ombudsman Service's relevant decisions. We gave further detail about what we expect from firms' complaint-handling procedures in the Dear CEO letter we issued to HCSTC firms in October 2018. This is equally relevant to all firms in the portfolio.

Buying/Selling existing loan portfolios: We know that some firms may be considering selling loan portfolios. We expect any firm considering buying or selling an existing loan portfolio to be mindful of their obligations to treat customers fairly and, where appropriate, to notify us of their intentions at an early stage. As with all our rules, we will take the necessary action where we identify non-compliance

Changes to business model: We have seen a change in the business models of some of the firms in this portfolio, as they expand their services to offer new products. Firms should be aware that they are required to hold the correct permission(s) for all of their regulated activities. Firms should inform us at any early stage, in these circumstances, to comply with their obligations under Principle 11.

Appendix II: FCA Dear CEO Letter

continued

Compliance with new rules and guidance: We have issued various new rules and guidance over the course of our HCCR. We expect firms to comply with our new rules as they come into force. We will monitor compliance and evaluate how well firms are implementing our rules and guidance through proactive engagement, ongoing supervision and by monitoring regulatory returns and complaints.

Additional focus for firms providing guarantor lending

As well as the areas of focus above, we will also prioritise our supervisory work with firms that provide guarantor loans in the following area:

Payments made by guarantor: Our diagnostic work on guarantor lending showed that many guarantors make at least one repayment and the proportion of guarantors making payments is growing. We want to understand the root causes for this increase, and whether firms are conducting adequate affordability assessments. We are also concerned that guarantors may not fully understand how likely it is that they will be called upon to make a payment. So, as well as our broad portfolio-wide work on relending, we will start a piece of complementary work on guarantor lending. This will establish whether potential guarantors have enough information to understand the likelihood and implications of the guarantee being enforced.

Next steps

If you have any questions please contact your normal supervisory contact on 0300 500 0597. They are your main point of contact for your firm's day-to-day interactions with the FCA. Further details of how we can be reached are available on our website.

However, we know there may be occasions when your firm faces urgent issues of strategic importance. In such significant circumstances, please contact me on 020 7066 5900. If I am not available, then please contact my team's manager, Alison Russell, on 020 7066 7942.

Yours sincerely

Roma Pearson
Head of Department, Retail Lending 3
Supervision Retail & Authorisations Division

Appendix III: Additional information

1. Responsibility

The Provident Directors each accept responsibility for the information contained in this document (including any expressions of opinion), except that the only responsibility accepted by them in respect of the information contained in this document relating to the NSF Group, which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced or presented. Subject as aforesaid, to the best of the knowledge and belief of the Provident Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document (including any expressions of opinion) for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

The Provident Directors and their positions in Provident are as follows:

Name	Position
Patrick Snowball	Chairman
Malcolm Le May	Chief Executive Officer
Simon Thomas	Chief Financial Officer
Andrea Blance	Senior Independent Director
Elizabeth Chambers	Independent Non-Executive Director
Paul Hewitt	Independent Non-Executive Director
Angela Knight	Independent Non-Executive Director
John Straw	Independent Non-Executive Director

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

3. Interests and dealings

For the purposes of this paragraph 3:

"acting in concert" with a party means any such person acting or deemed to be acting in concert with that party in relation to the Offer for the purposes of the Takeover Code;

"arrangement" includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

"control" means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights (as defined in the Takeover Code) of a company, irrespective of whether such interest or interests give *de facto* control;

"dealing" includes: (i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities; (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities; (iii) subscribing or agreeing to subscribe for securities; (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights; (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; (vii) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities by the offeree company or an offeror; and (viii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

"derivative" includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

Appendix III: Additional information

continued

"disclosure date" means the latest practicable date before the publication of this document, which is 21 March 2019;

"disclosure period" means the period commencing on 22 February 2019 and ending on the disclosure date; a person has an **"interest"** or is **"interested"** in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he only has a short position in such securities) and in particular covers: (i) legal title and beneficial ownership (i.e. the right (whether conditional or absolute) to exercise or direct the exercise of voting rights or general control of them); (ii) the right or option to acquire or call for the delivery of securities under an option or derivative or an obligation to take delivery of securities under an option or derivative; and (iii) the situation where a person is a party to any derivative whose value is determined by reference to their price and which results, or may result in, a long position in securities; and

"relevant securities" includes (i) Provident Shares and any other securities of Provident conferring voting rights; (ii) equity share capital of Provident or, as the context requires, NSF; (iii) securities of NSF which carry substantially the same rights as any to be issued as consideration for the Offer; and (iv) securities of Provident or, as the context requires, NSF carrying conversion or subscription rights into any of the foregoing.

3.1 Persons acting in concert with Provident

In addition to the Provident Directors (together with their close relatives and related trusts) and members of the Provident Group, the persons acting in concert with Provident for the purposes of the Offer and which are required to be disclosed are:

Name	Type of company	Registered office	Relationship with Provident
Barclays Bank PLC	Financial Services	1 Churchill Place, Canary Wharf, London, E14 5HP, UK	Corporate Broker and Financial Adviser in connection with the Offer
J.P. Morgan Cazenove	Financial Services	25 Bank Street, London, E14 5JP, UK	Corporate Broker and Financial Adviser in connection with the Offer
Jefferies International Limited	Financial Services	Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ, UK	Financial Adviser in connection with the Offer
Evercore	Financial Services	15 Stanhope Gate, London, W1K 1LN	Financial Adviser to the Provident Non-Executive Directors in connection with the Offer

Appendix III: Additional information

continued

3.2 Interests and dealings in relevant securities of Provident

Interests held by Provident Directors (together with their close relatives and related trusts)

As at the close of business on the disclosure date, the interests, rights to subscribe and short positions in respect of the relevant securities of Provident held by Provident Directors and their close relatives and related trusts and companies were as follows:

Name	Provident share scheme	Maximum number of Provident Shares under option/award	Date of grant	Exercise price (if any) per Provident Share (£)	Vesting date
Malcolm Le May	Provident Long Term Incentive Scheme 2015 (forfeitable shares held by SG Kleinwort Hambros Trust Company (CI) Limited)	204,498 ordinary shares of 20 8/11p	16 April 2018	N/A – nil	16 April 2021 (subject to further two year holding period)
Malcolm Le May	Provident Savings Related Share Option Scheme 2013	5,576 ordinary shares of 20 8/11p	4 October 2018	£5.38 per share	1 December 2023

Interests held by other persons acting in concert with Provident

As at the close of business on the disclosure date, the interests, rights to subscribe and short positions in respect of the relevant securities of Provident held by persons acting in concert with Provident were as follows:

Name	Number of Provident Shares	Percentage of Provident's existing share capital
J.P. Morgan Chase Bank (Custody)	63	0

Appendix III: Additional information

continued

3.3 General

(a) Save as disclosed above, none of Provident, any of the Provident Directors, any close relatives of such directors or any related trusts and companies, or any other person acting in concert with Provident, or any person with whom Provident or any person acting in concert with Provident, has an arrangement, was interested, had any rights to subscribe or had any short positions in respect of any relevant securities of Provident or NSF on the disclosure date, nor has any such person dealt in any relevant securities during the disclosure period.

(b) Save as disclosed above, neither Provident nor any person acting in concert with Provident has borrowed or lent any relevant securities of Provident or NSF during the disclosure period, save for any borrowed shares which have either been on-lent or sold.

(c) Save as disclosed above, neither Provident nor any person acting in concert with Provident has entered into or taken any action to unwind any financial collateral arrangements in respect of any relevant securities of Provident or NSF during the disclosure period.

(d) Save as disclosed above, none of Provident or any person acting in concert with Provident has any arrangement of the kind described in Note 11 to the definition of "acting in concert" set out in the Takeover Code with any other person in respect of any relevant securities of Provident or NSF.

4. Commitments

Provident has not entered into any: (i) irrevocable commitment or letter of intent which Provident or any person acting in concert with it has procured in relation to the relevant securities of Provident or NSF; or (ii) post-offer undertaking or post-offer intention statement.

5. Effects of the Offer on Provident's interests

In addition to the matters set out above, the Takeover Code requires the Provident Board to give its views on certain matters, including, in the event of the Offer becoming or being declared unconditional in all respects, the effect of the Offer on Provident's interests, including, specifically, employment, and its views on NSF's strategic plans for Provident and their likely repercussions on employment and the locations of Provident's places of business.

The Provident Board can only comment on the details provided in the NSF Offer Document (specific details of which are contained in paragraph 6 on pages 22 to 28 of the NSF Offer Document). Based on this information and in light of NSF's proposed sale of Moneybarn, the Provident Board anticipates that in the event of the Offer becoming or being declared unconditional in all respects there is likely to be a significant impact on Provident employees, in particular employees of Moneybarn. There is insufficient information in the NSF Offer Document about NSF's plans in relation to Provident to comment further.

6. Material contracts

Save as disclosed below, there have been no contracts entered into by Provident or any of its subsidiaries during the period commencing on 22 February 2017 (the date two years before the commencement of the Offer Period) which are outside the ordinary course of business and which are or may be considered material:

Appendix III: Additional information

continued

6.1 Underwriting Agreement

On 27 February 2018, the Company and Barclays and J.P. Morgan Cazenove (together, the **"Underwriters"**) entered into an underwriting and sponsor's agreement (the **"Underwriting Agreement"**) whereby the Underwriters agreed to fully underwrite the Rights Issue. The Underwriters (as agents of the Company) agreed to use reasonable endeavours to procure, on behalf of the Company, subscribers for the New Provident Shares which were not 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 was not less than the total of the issue price of 315 pence per New Provident Share multiplied by the number of such New Provident 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 were unable to procure, on behalf of the Company, subscribers on the basis outlined above, the Underwriters agreed to subscribe, on a several basis (in their due proportions), for any remaining New Provident Shares.

In connection with the Rights Issue, the Company 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 agreed to pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters procured to acquire New Provident Shares.

The Company gave 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 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.

6.2 Option Agreement and Subscription and Transfer Agreement

In connection with the Rights Issue, the Company, J.P. Morgan Cazenove and PF JerseyCo Limited (**"Newco"**) 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 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 were to be exercisable if the Rights Issue did not proceed;

ii. J.P. Morgan Cazenove agreed to apply an amount equal to monies received (and held by Link (the **"Receiving Agent"**)) from Qualifying Shareholders and renouncees and from subscribers of New Provident Shares not taken up by Qualifying Shareholders and renouncees under the Rights Issue, to subscribe for redeemable "A" preference shares and redeemable "B" preference shares in Newco at an aggregate value equal to such monies (after deducting relevant commissions and expenses); and

iii. the Company agreed to allot and issue the New Provident 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 Provident Shares, at the conclusion of the Rights Issue the Company owned 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 became its cash reserves, which represented an amount equal to the net proceeds of the Rights Issue.

The Company would be able to utilise this amount on redemption of the redeemable preference shares it held 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).

Appendix III: Additional information

continued

6.3 Bridge Facility Agreement

On 20 February 2018, the Company as borrower, Barclays and JPMorgan Chase Bank, N.A., London Branch as lenders and Barclays as agent entered into a bridge facility agreement (the **"Bridge Facility Agreement"**). The Bridge Facility Agreement consisted of a sterling term loan facility in an aggregate amount equal to £85,000,000 (the **"Bridge Facility"**) and any drawing thereunder represented senior unsecured obligations of the Company that ranked at least pari passu with any other of the Company's unsubordinated and unsecured borrowings or guarantees. The Bridge Facility was not guaranteed.

The proceeds of the Bridge Facility were applied in connection with the refinancing of the existing intercompany loan agreement entered into by the Company and Vanquis Bank.

The termination date of the Bridge Facility was the date falling three months after the announcement of the Rights Issue and the Bridge Facility has now been repaid in full. The interest rate payable on the loan for each interest period was the aggregate of the London Interbank Offered Rate and a margin of 2.00 per cent. per annum.

The Bridge Facility Agreement contained customary prepayment and cancellation provisions and customary conditions precedent, representations, warranties and events of default.

6.4 The Provident Group's June 2023 Bonds

General

Pursuant to the Company's Euro Medium Term Note Programme established on 10 September 2010, as updated from time to time, on 4 June 2018, the Company issued £250.0 million in aggregate principal amount of fixed rate guaranteed bonds due 4 June 2023 (the **"June 2023 Bonds"**).

Interest

The June 2023 Bonds bear interest at a rate of 7.000 per cent. per annum, payable semi-annually in arrear on 4 June and 4 December of each year, commencing on 4 December 2018 up to and including 4 June 2023.

Step-up and step-down of interest in relation to the June 2023 Bonds

The rate of interest on the June 2023 Bonds will be subject to a step-up of 1.25 per cent. per annum in the event that there is a failure of the June 2023 Bonds to meet the Minimum Rating Requirement (as defined below).

The rate of interest will revert to the initial rate of interest in the event that the June 2023 Bonds satisfy the Minimum Rating Requirement.

For the purpose of this sub-section:

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

"Rating Agency" means to the extent that a rating of the June 2023 Bonds is solicited by the Company from such rating agency, Fitch Ratings Limited, Moody's Investors Service Limited (**"Moody's"**) or S&P Global Ratings Europe Limited (**"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; and

"Specified Threshold" means BBB– or above in relation to Fitch, BBB– or above in relation to S&P or Baa3 or above in relation to Moody's or, where a Substitute Rating Agency has been designated by the Company, the equivalent rating designation of any Rating Agency.

Ranking and guarantee

The June 2023 Bonds and any related 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 June 2023 Bonds have been unconditionally and irrevocably guaranteed on a joint and several basis by each of Provident Personal Credit Limited, Provident Financial Management Services Limited, Duncton Group Limited, Moneybarn Group Limited and Moneybarn No. 1 Limited (together, the **"Guarantors"**).

Appendix III: Additional information

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Redemption

The Company may redeem the June 2023 Bonds in whole, but not in part, at any time (subject to a minimum of 30 days' and a maximum of 60 days' notice), if, as a result of certain changes in tax law, the Company (or, if the relevant guarantee were called, a Guarantor) would be required to pay additional amounts with respect to the June 2023 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 June 2023 Bonds plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

The Company may redeem the June 2023 Bonds in whole or in part at any time prior to the maturity date (subject to a minimum of 30 days' and a maximum of 60 days' notice). If the Company decides to exercise such redemption right, it must pay a price equal to higher of (x) the principal amount of the June 2023 Bonds redeemed and (y) the Make-Whole Amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

For the purpose of this sub-section **"Make-Whole Amount"** means the principal amount of the June 2023 Bonds to be redeemed multiplied by the price (expressed as a percentage and rounded to four decimal places with 0.00005 being rounded upwards) at which the yield calculated in accordance with generally accepted market practice at such time, as advised to the Company by The Bank of New York Mellon (the **"Gross Redemption Yield"**) on such June 2023 Bonds on the calculation date set out in the relevant notice of redemption is equal to the Gross Redemption Yield at 11:00 a.m. (London time) on such calculation date of the 0.75 per cent. United Kingdom Treasury Stock due 22 July 2023 (or, where The Bank of New York Mellon advises the Company that, for reasons of illiquidity or otherwise, such security is not appropriate for such purpose, such other government stock as The Bank of New York Mellon may recommend), plus 0.90 per cent., all as determined by The Bank of New York Mellon.

Negative pledge

So long as the June 2023 Bonds remain 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 (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the June 2023 Bonds 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 holders; or (ii) shall be approved by an extraordinary resolution of the relevant holders.

For the purpose of this sub-section **"Relevant Indebtedness"** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

Events of default

The June 2023 Bonds contain customary events of default, including, without limitation, payment defaults, breaches of other obligations, cross-acceleration provisions, certain events of bankruptcy and insolvency, judgment defaults and any Guarantor ceasing to be a subsidiary of the Company or a guarantee ceasing (or being claimed by a Guarantor not to be) in full force and effect.

Governing law

The June 2023 Bonds are governed by English law.

Appendix III: Additional information

continued

7. Service contracts and remuneration

7.1 Provident Executive Directors

The particulars of the Provident Executive Directors' service contracts are set out below. Save as set out below, no such contract has been entered into or amended during the six months preceding publication of this document.

Name of Provident Executive Director	Effective date of appointment	Notice periods	Current annual base salary
Malcolm Le May	1 February 2018 (under a contract dated 9 January 2019)	12 months' notice from either party	£700,000
Simon Thomas	3 December 2018 (under a contract dated 7 November 2018)	3 months' notice from Provident and 12 months' notice from Simon Thomas during the probationary period, which ends on 2 June 2019, and 12 months from either party thereafter	£510,000

Neither contract is subject to a fixed term.

In addition to the above, Malcolm Le May is currently provided with the following benefits:

(a) bonus opportunity, at the absolute discretion of Provident;

(b) participation in the PFG Retirement Plan or a cash alternative of 15 per cent.;

(c) participation in Provident's life assurance scheme;

(d) participation in Provident's private medical insurance scheme;

(e) participation in Provident's permanent health insurance scheme; and

(f) car allowance of £9,000 per annum or motor car provided suitable for a person of the Provident Director's status in accordance with Provident's car policy.

In addition to the above, Simon Thomas is currently provided with the following benefits:

(a) bonus opportunity, at the absolute discretion of Provident;

(b) participation in the PFG Retirement Plan or a cash alternative of 15 per cent.;

(c) participation in Provident's life assurance scheme;

(d) participation in Provident's private medical insurance scheme;

(e) participation in Provident's permanent health insurance scheme; and

(f) car allowance of £9,000 per annum.

Appendix III: Additional information

continued

7.2 Provident Non-Executive Directors

The particulars of the Provident Non-Executive Directors' letters of appointment are set out below. Save as set out below, no such letter of appointment has been entered into or amended during the six months preceding publication of this document.

Name of Provident Non-Executive Director	Effective date of appointment	Unexpired term of directorship	Notice periods	Annual fee(s)	Compensation upon early termination
Patrick Snowball	21 September 2018 (under a letter of appointment dated 1 August 2018)	3 years, 2 months	3 months from either party	£320,000 basic annual fee	Director will be entitled to notice No additional severance payment is due under the appointment letter
Andrea Blance	1 March 2017 (under a letter of appointment dated 5 February 2017)	11 months	1 month from either party	£68,000 basic annual fee £20,000 for role as chairperson of the Remuneration committee £15,000 for role as senior independent director (increased from £10,000 to £15,000 in a letter of variation dated 24 December 2018, taking effect on 1 January 2019) £5,000 for membership of each of the Risk and Audit committees	Director will be entitled to notice No additional severance payment is due under the appointment letter
Elizabeth Chambers	31 July 2018 (under a letter of appointment dated 18 September 2018)	2 years, 4 months	1 month from either party	£68,000 basic annual fee £20,000 for role as chairperson of the Customer, Culture & Ethics committee £5,000 for membership of each of the Audit, Risk and Remuneration committees	Director will be entitled to notice No additional severance payment is due under the appointment letter
Paul Hewitt	31 July 2018 (under a letter of appointment dated 27 July 2018)	2 years, 4 months	1 month from either party	£68,000 basic annual fee £20,000 for role as chairperson of the Audit committee £5,000 for membership of each of the Risk and Remuneration committees, and in respect of the Customer, Culture & Ethics committee (when constituted)	Director will be entitled to notice No additional severance payment is due under the appointment letter

Appendix III: Additional information

continued

Name of Provident Non-Executive Director	Effective date of appointment	Unexpired term of directorship	Notice periods	Annual fee(s)	Compensation upon early termination
Angela Knight	31 July 2018 (under a letter of appointment dated 2 August 2018)	2 years, 4 months	1 month from either party	£68,000 basic annual fee £20,000 for role as chairperson of the Risk committee £5,000 for membership of each of the Audit and Remuneration committees, and in respect of the Customer, Culture & Ethics committee (when constituted)	Director will be entitled to notice No additional severance payment is due under the appointment letter
John Straw	1 January 2017 (under a letter of appointment dated 20 December 2016)	9 months	1 month from either party	£68,000 basic annual fee £5,000 for membership of each of the Audit and Risk committees	Director will be entitled to notice No additional severance payment is due under the appointment letter

At each annual general meeting every Provident Director who held office on the date seven days before the date of the notice of the annual general meeting shall retire from office. A retiring Provident Director shall be eligible for re-election, and a Provident Director who is re-elected will be treated as continuing in office without a break. Patrick Snowball, Elizabeth Chambers, Angela Knight, Paul Hewitt and Simon Thomas are standing for election at the 2019 annual general meeting (the **"2019 AGM"**). Andrea Blance and Malcolm Le May are standing for re-election at the 2019 AGM. John Straw will not be standing for re-election at the 2019 AGM as he will be stepping down from the Provident Board on 20 May 2019.

Appendix III: Additional information

continued

7.3 Proposed Provident Non-Executive Directors

The particulars of the Proposed Provident Non-Executive Directors' letters of appointment are set out below. Save as set out below, no such letter of appointment has been entered into or amended during the six months preceding publication of this document.

Name of proposed Provident Non-Executive Director	Effective date of appointment	Unexpired term of directorship	Notice periods	Annual fee(s)	Compensation upon early termination
Robert East	To take effect on the date necessary regulatory approvals are received (under a letter of appointment dated 20 March 2019)	3 years from the date necessary regulatory approvals are received	1 month from either party	£68,000 basic annual fee	Director will be entitled to notice No additional severance payment is due under the appointment letter
Graham Lindsay	1 April 2019 (under a letter of appointment dated 16 March 2019)	3 years from 1 April 2019	1 month from either party	£68,000 basic annual fee £5,000 for membership of each of the Audit, Risk, Remuneration committees, and in respect of the Customer, Culture & Ethics committee (when constituted)	Director will be entitled to notice No additional severance payment is due under the appointment letter

In addition Robert East has agreed to join the Vanquis Bank board as the Chairman, subject to regulatory approval. His letter of appointment with Vanquis Bank is set out below.

Name	Position on Vanquis Bank board	Effective date of appointment	Unexpired term of directorship	Notice periods	Annual fee(s)	Compensation upon early termination
Robert East	Proposed Chairman	To take effect on date necessary regulatory approvals are received (under a letter of appointment dated 20 March 2019)	3 years from date necessary regulatory approvals are received	1 month from either party	£200,000 basic annual fee	Director will be entitled to notice No additional severance payment is due under the appointment letter

Save as disclosed in this paragraph 7:

(a) no Provident Director or Proposed Provident Director is entitled to commission or profit sharing arrangements; and

(b) other than statutory compensation and payment in lieu of notice, no compensation is payable by Provident (or any of its subsidiaries) to any Provident Director or Proposed Provident Director upon early termination of their appointment.

Appendix III: Additional information

continued

8. Other information

(a) Barclays has given and not withdrawn its consent to the issue of this document with the inclusion of its advice in the form and context in which it appears.

(b) J.P. Morgan Cazenove has given and not withdrawn its consent to the issue of this document with the inclusion of its advice in the form and context in which it appears.

(c) Jefferies has given and not withdrawn its consent to the issue of this document with the inclusion of its advice in the form and context in which it appears.

(d) Evercore has given and not withdrawn its consent to the issue of this document with the inclusion of its advice in the form and context in which it appears.

(e) Except as disclosed in this document, there has been no significant change in the financial or trading position of Provident since 31 December 2018 (the date to which the latest audited accounts of Provident were prepared).

9. Fees and expenses

The aggregate fees and expenses expected to be incurred by Provident in connection with the Offer (excluding any applicable VAT and disbursements) are expected to be approximately:

Category	Amount (£ million)
Financial and corporate broking advice	£13 to £15.8
Legal advice	£3 to £4.5
Accounting advice	£0.04 to £0.05
Public relations advice	£1 to £1.3
Other professional services	£0.02 to £0.03
Other costs and expenses	£0.28 to £0.34
Total	**£17.33 to £22.02**

10. Documents on display

Copies of the following documents are available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, at https://www.providentfinancial.com/ until the end of the Offer (including any related competition reference period):

(a) this document and announcements made by Provident relating to the Offer;

(b) the articles of association of Provident; and

(c) the written consents of Barclays, J.P. Morgan Cazenove, Jefferies and Evercore referred to in paragraph 8 above.

The content of the website referred to in this document is not incorporated into and does not form part of this document.

Dated: 23 March 2019

Appendix IV: Definitions

The following definitions apply throughout this document unless the context otherwise requires:

"2006 Act"	the Companies Act 2006, as amended from time to time
"AIM"	the market of that name operated by the London Stock Exchange
"Annual Report and Accounts of NSF"	the annual report and audited accounts of NSF for the year ended 31 December 2018
"Annual Report and Accounts of Provident"	the annual report and audited accounts of Provident for the year ended 31 December 2018
"Barclays"	Barclays Bank PLC, acting through its Investment Bank
"Business Day"	a day, not being a public holiday, Saturday or Sunday, on which clearing banks in London are open for normal business
"CCD"	the Consumer Credit Division, a division of the Provident Group
"Closing Price"	the closing price of a Provident Share or an NSF Share (as applicable), as derived from FactSet on any particular date
"Evercore"	Evercore Partners International LLP
"FCA"	Financial Conduct Authority or its successor from time to time
"FCA Handbook"	the FCA's Handbook of rules and guidance as amended from time to time
"FSMA"	the Financial Services and Markets Act 2000 (as amended from time to time)
"Home Credit"	the home credit business of the Provident Group
"J.P. Morgan Cazenove"	J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove)
"Jefferies"	Jefferies International Limited
"Link"	Link Asset Services, Provident's registrar
"Moneybarn"	Moneybarn, a division of the Provident Group, which provides vehicle finance
"New Provident Shares"	Provident Shares allotted and issued pursuant to the Rights Issue
"NSF"	Non-Standard Finance plc
"NSF Group"	NSF and its subsidiary undertakings and, where the context permits, each of them
"NSF IPO"	the initial public offering of NSF
"NSF Offer Document"	the offer document published by NSF on 9 March 2019
"NSF Offer Documents"	the NSF Offer Document and NSF Prospectus
"NSF Prospectus"	the prospectus published by NSF in relation to the issue of new NSF Shares in connection with the Offer dated 8 March 2019
"NSF Share(s)"	ordinary shares of 5 pence each in the capital of NSF
"Offer"	the unsolicited offer made by NSF to acquire all the issued and to be issued Provident Shares not already owned by or on behalf of NSF on the terms and subject to the conditions set out in the NSF Offer Document
"Offer Period"	the period commencing on (and including) 22 February 2019 and ending on whichever of the following dates shall be the latest: (i) 1.00 p.m. on 8 May 2019; (ii) the time and date on which the Offer lapses; and (iii) the time and date on which the Offer becomes or is declared unconditional as to acceptances
"Official List"	the Official List of the FCA
"Panel"	the Panel on Takeovers and Mergers
"PRA"	Prudential Regulation Authority or its successor from time to time
"Proposed Provident Non-Executive Directors"	Robert East and Graham Lindsay
"Provident" or the **"Company"**	Provident Financial plc
"Provident Board" or **"Provident Directors"**	the current directors of Provident
"Provident Executive Directors"	Malcolm Le May and Simon Thomas
"Provident Group"	Provident and its subsidiary undertakings and, where the context permits, each of them

Appendix IV: Definitions

continued

"Provident Non-Executive Directors"	Patrick Snowball, Andrea Blance, Elizabeth Chambers, Paul Hewitt, Angela Knight and John Straw
"Provident Shareholder(s)"	holders of Provident Shares
"Provident Share(s)"	ordinary shares of 20 8/11 pence each in the capital of Provident
"Qualifying Shareholder"	a holder of Provident Shares on the register of members of Provident at close of business on 19 March 2018 with the exclusion (subject to certain exceptions) of persons with a registered address of located or resident in certain excluded territories, who could participate in the Rights Issue
"Regulatory Information Service" or **"RIS"**	a regulatory information service as defined in the FCA Handbook
"relevant securities"	has the meaning given to it in paragraph 3 of Appendix III
"Restricted Jurisdiction"	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Provident Shareholders in that jurisdiction
"Rights Issue"	the issue by way of rights of New Provident Shares to Provident Shareholders on the basis described in the prospectus published by Provident dated 27 February 2018
"ROP"	Vanquis Bank's Repayment Option Plan
"subsidiary", "subsidiary undertaking" and **"undertaking"**	shall be construed in accordance with the 2006 Act
"Takeover Code"	the City Code on Takeovers and Mergers
"UK" or **"United Kingdom"**	United Kingdom of Great Britain and Northern Ireland
"Vanquis Bank"	Vanquis Bank Limited
"£" or **"pence"**	the lawful currency of the United Kingdom

All times referred to are London time unless otherwise stated.

PFG Provident Financial Group