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The Directors
Provident Personal Credit Limited
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25 June 2021

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Dear Sir / Madam

Re: Independent review of the estimated insolvency outcomes for Provident Personal Credit Limited ("PPC") and Greenwood Personal Credit Limited ("Greenwood") (together 'the Companies')

Background

1. A scheme of arrangement has been proposed under Part 26 of the Companies Act 2006 ("Scheme") in relation to loans issued by PPC and Greenwood between 6 April 2007 and 17 December 2020 (inclusive).

2. For the purposes of assessing the fairness of the proposed Scheme, PPC engaged Ernst & Young LLP ("EY" or "us" or "we") to provide an independent review of the estimated insolvency outcomes for the Companies in a scenario where the Scheme was not implemented and the Companies entered an insolvency process, highlighting whether we considered the conclusions made by PPC and Greenwood were reasonable.

3. EY performed this work between 1 June 2021 and 17 June 2021, and delivered our final report on 17 June 2021 (the "Report"). Based on our review of the Companies' Estimated Outcome Statement ("EOS") we concluded that the assumptions made were reasonable and that it was also reasonable to assume that no recoveries would be made by any redress claimants in an insolvency of either PPC or Greenwood.

4. On 24 June 2021, PPC issued us with an update to the EOS (the "Updated EOS") as more up to date actual data has subsequently become available. This information did not become available until after we issued the Report. For the avoidance of doubt, we have not received any updated information in respect of Greenwood.

5. The purpose of this letter (the "Letter") is to provide commentary on the Updated EOS, with a particular focus on the reasonableness of Management's assumptions and whether the overall conclusion remains reasonable.

6. The Letter has been prepared solely for the Companies' purposes and on the basis of our engagement with PPC. EY authorises the Companies to make the Letter available to creditors of the Companies affected by the Scheme (a "Recipient") for informational purposes only and on the basis set out in the click-through access agreement ("Access Agreement") entered into by a Recipient, including but not limited to the acknowledgment and agreement that (i) Ernst & Young LLP neither owes nor accepts any responsibility nor has any liability in contract, tort or otherwise

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to any Recipient or any other third party (including, for the avoidance of doubt, any redress claimant, creditor or otherwise) in relation to the contents of the Letter, (ii) any use a Recipient makes of the Letter is entirely at its own risk, and (iii) no Recipient shall disclose all or any part of the Letter to any other person, by any means, or refer to Ernst & Young LLP in connection with the Letter.

7. The Letter should be read in conjunction with the Report for a full understanding of our findings and conclusions.

Management's revised EOS assumptions

8. Management has made three updates that may impact the realisable asset assumptions within PPC, as follows:

    a. The net customer receivables have reduced by £10.8m, due to a recalculation required by IFRS 9 following the announcement of the PPC wind-down in May 2021, resulting in greater provisioning against the gross asset. This reduction is only a change to the accounting of the customer receivable. Management's assessment of future collections has not changed from the previous forecast;

    b. The realisable tax asset that could be utilised by other group companies has increased by £1.4m, as Management believes there to be greater capacity for the surrender of PPC tax losses to other profitable group entities; and

    c. The forecast intercompany debtor balance from Provident Financial Management Services Limited ("PFMSL") has reduced, resulting in a reduction of estimated recoveries of £0.3m.

9. In addition, Management has updated the following unsecured creditor balances:

    a. Estimated intercompany creditors have reduced by £24.8m. This is due to a reprofiling of some cost elements which are now expected to be incurred later in 2021; and

    b. The forecast trade and other payable balance has increased by £20.0m from £14.2m to £34.2m. This is primarily due to increased provisions arising following the announcement of the PPC wind-down in May 2021.

10. Whilst the changes have resulted in a small increase in realisable assets, Management have concluded that the estimated recovery for unsecured creditors in both scenarios remains at £Nil with significant cash shortfalls to preferential creditors.

EY consideration of Management's Updated EOS assumptions

11. We have considered the Updated EOS and each of the line items that Management has updated, and set out our views as follows:

    a. Whilst there has been a reduction in the accounting treatment of the loan book, Management's assumption that this will ultimately have no bearing on the amounts that would be collected in an insolvency is reasonable. On this basis we believe it is a fair assumption that the estimated recoverable value of the loan book remains unchanged;

b. Management's assumption that the realisable tax losses has improved by £1.4m appears reasonable given there are further additional losses that may now be available to PPC, which may be sold to other entities within the group following an insolvency. Management has used the same recovery rate as previously reported which we continue to believe is reasonable;

c. The movement in the PFMSL intercompany balance is immaterial and given the low dividend prospects were that entity to enter insolvency, we believe the £0.3m reduction in realisable value to be reasonable; and

d. The estimated movements in unsecured creditors appear reasonable, however given it is highly unlikely that any dividend would be made to unsecured creditors these movements have no impact on the EOS.

Conclusion

12. The Updated EOS indicates a shortfall to preferential creditors in the region of £9m - £25m. This is an improvement of £1.2m- £1.5m when compared to the EOS previously reported.

13. Based on our consideration of the Updated EOS we are of the view that this slight improvement is a reasonable assumption and that the Updated EOS is a fair reflection of the appropriate returns that PPC may expect to achieve in an insolvency.

14. Given the relatively low level of anticipated recoveries and the significant estimated preferential claims faced by PPC, we believe it is reasonable for Management to assume, should the Scheme not be approved, that there would be no recoveries to unsecured creditors (including potential redress claimants) in an insolvency.

15. For the avoidance of doubt, this is the same conclusion that we reached when we issued the Report. Whilst there has been a slight improvement in the estimated net realisations, the movement is not material enough to indicate that any funds would be available for potential redress claimants, and our conclusion therefore remains unchanged.

Yours faithfully
For and on behalf of Ernst & Young LLP

Simon Edel
Partner