Provident Financial plc
Interim results for the six months ended 30 June 2015

Provident Financial plc is the leading non-standard lender in the UK. The group serves 2.4 million customers and its operations consist of Vanquis Bank, the Consumer Credit Division (CCD) comprising Provident, Satsuma and glo, and Moneybarn.

Highlights

Strong group performance supports further dividend increase

- First half adjusted profit before tax[1] up 34.5% to £126.6m (2014: £94.1m) and adjusted earnings per share[1] up 29.9% to 70.4p (2014: 54.2p).
- First half statutory profit before tax up 23.3% to £111.1m (2014: £90.1m) and basic earnings per share up 19.3% to 61.8p (2014: 51.8p).
- Return on assets[2] strengthened to 15.6% (2014: 14.9%) due to the successful repositioning of the home credit business.
- Interim dividend per share up 15.0% to 39.2p (2014: 34.1p).

Robust funding and liquidity position

- Group fully funded until May 2018.
- Gearing remains unchanged from December 2014 at 2.4 times.

Strong growth and returns in Vanquis Bank

- UK profit before tax up 29.6% to £88.5m (2014: £68.3m).
- Customer numbers and average receivables growth of 15.5% and 23.2% respectively, reflecting strong momentum from developing the under-served non-standard credit card market.
- UK risk-adjusted margin[3] of 33.3% (2014: 33.6%), ahead of minimum target of 30%, with arrears at record lows.
- Sale of Polish receivables book agreed in April with completion in early August, resulting in residual loss of £1.8m (2014: loss of £4.6m).

Successful repositioning of CCD

- First half adjusted profit before tax[1] up 2.7% to £38.0m (2014: £37.0m).
- Successful repositioning of the home credit business as a smaller but leaner, better-quality business focused on returns:
    - Year on year customer numbers reduced by 19.2%, with over half attributable to the sale of low value delinquent balances to third party debt purchasers;
    - Period-end receivables reduced by 18.0% due to tighter credit standards and shortened duration of the book; and
    - Annualised risk-adjusted margin[3] increased to 78.2% (2014: 62.9%) due to significant improvement in credit quality.
- Investment in Satsuma stepped-up to support the development of the substantial market opportunity.

Sharp uplift in new business at Moneybarn

- Adjusted profit before tax[1] of £9.4m in first half of 2015, ahead of internal plans, and 38.2% higher than pro forma[4] 2014 first half profits.
- Significant year on year growth in new business volumes of 88%, reflecting access to the group's funding.
- Stable default rates and unchanged risk-adjusted margin of 24.6% (2014: 24.5%).

Key financial results

	H1 2015	H1 2014	Change
Adjusted profit before tax[1]	£126.6m	£94.1m	34.5%
Statutory profit before tax	£111.1m	£90.1m	23.3%
Adjusted earnings per share[1]	70.4p	54.2p	29.9%
Basic earnings per share	61.8p	51.8p	19.3%
Annualised return on assets[2]	15.6%	14.9%	
Interim dividend per share	39.2p	34.1p	15.0%

Peter Crook, Chief Executive, commented:

"Vanquis Bank has further developed its presence in the under-served, non-standard credit card market and delivered first half UK profits growth of 29.6%.

CCD has delivered increased first half profits, reflecting the successful repositioning of the home credit business as a leaner, better-quality business focused on returns rather than growth. This result is after stepping up the investment in the Satsuma online instalment lending business which is developing rapidly and represents a substantial market opportunity.

The progress of the Moneybarn acquisition is very encouraging with growth in new business volumes and profits running ahead of our internal plans.

In view of this strong trading performance, I am pleased to announce a 15.0% increase in the interim dividend which is fully supported by adjusted earnings per share growth of 29.9%, strong capital generation and an extremely robust funding position.

Credit quality in all three businesses is very good and provides the foundation for delivering good quality growth for 2015 as a whole."

Enquiries:	**Today**	**Thereafter**
Media		
David Stevenson, Provident Financial	020 7404 5959	01274 351900
Nick Cosgrove/Simone Selzer, Brunswick	020 7404 5959	020 7404 5959
Investor Relations		
Gary Thompson, Provident Financial	020 7404 5959	01274 351900
investors@providentfinancial.com		

[1] *Adjusted profit before tax is stated before: (i) £3.7m of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 (2014: £nil); and (ii) exceptional costs of £11.8m in respect of business restructuring in CCD (2014: £4.0m).*

[2] *Adjusted profit before interest after tax as a percentage of average receivables for the 12 months ended 30 June.*

[3] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*

[4] *Adjusted to restate the pre-acquisition funding rate of 10% to the group's lower marginal cost of funding of 5%.*

INTERIM REPORT

Group results

The group has reported first half profit before tax, amortisation of acquisition intangibles and exceptional costs up 34.5% to £126.6m (2014: £94.1m) reflecting strong growth and margins in Vanquis Bank, an improved profit performance in CCD and a contribution of £9.4m from Moneybarn which was acquired in August 2014. Adjusted earnings per share of 70.4p (2014: 54.2p) grew by 29.9%, a lower rate than pre-tax profits due to the placing of shares to acquire Moneybarn partly offset by the reduction in the statutory rate of UK corporation tax from 21% to 20% on 1 April 2015.

Vanquis Bank continues to generate strong growth and margins and has delivered another excellent performance in the first half of 2015 with UK profits up 29.6% to £88.5m (2014: £68.3m). Investment in the customer acquisition programme has produced year-on-year customer growth of 15.5% and average receivables growth of 23.2%, against unchanged credit standards. Delinquency levels have remained favourable throughout the first half, reflecting the sound quality of the receivables book and an improving UK employment market. This has enabled Vanquis Bank to deliver an annualised risk-adjusted margin of 33.3% to June 2015 (2014: 33.6%), well ahead of its minimum target of 30%.

Following the decision to withdraw from the Polish pilot operation in February 2015, an agreement has been reached to sell the Polish receivables book to a third party. The economic interest in the receivables book passed to the purchaser from 1 April 2015 and the trading loss of £1.8m in respect of Poland in the first half of 2015 reflects the losses incurred in the three months up to this date (2014: loss of £4.6m). Legal completion and receipt of final consideration will occur on 3 August 2015. There is not expected to be any further loss in respect of Poland.

CCD's profit before tax and exceptional costs in the first half of 2015 was up 2.7% to £38.0m (2014: £37.0m). The repositioning of the home credit business as a leaner, better quality business focused on returns is now complete. There is strong demand for CCD's online direct repayment loan product, Satsuma, and investment in developing its market presence and further enhancing its capability to deliver rapid growth has been stepped up during the first half. Glo, CCD's guarantor loans pilot, continues to show encouraging progress and a formal decision on whether to proceed to full roll-out will be made during the third quarter of the year.

Demand from home credit customers has shown modest improvement and customer confidence has lifted from historic lows. Household incomes and the cost of living for home credit customers are both stable. The tighter credit standards introduced as part of the repositioning of the business in September 2013 have continued to curtail the recruitment of more marginal customers and drive up the quality of the receivables book. As a result, CCD customer numbers showed a year-on-year reduction of approximately 19.2% to just over 1 million and receivables ended the first half 18.0% lower than June 2014. The marked improvement in the quality of the receivables book and the successful implementation of standardised arrears and collections processes assisted by the roll-out of technology have combined to produce a significant strengthening in the annualised risk-adjusted margin. This stood at 78.2% at June 2015, up from 69.1% at December 2014 and 62.9% at June 2014. The roll-out of the technology required to standardise best practice, access significant efficiency gains across the field organisation and implement market-leading compliance has been completed well ahead of schedule. As a result, the business announced a proposed reduction in field manager and field administration employees of approximately 500 in May 2015. This is now substantially complete and expected to deliver annualised savings of around £14m.

Alongside the strong performance of home credit, CCD has stepped-up the advertising of the Satsuma brand and enhanced further the capability required to support the rapid development of the business. As a result, the first half of 2015 has seen a £5m year on year increase in expenditure on Satsuma. It is very evident that the market dislocation caused by the impact of regulation on payday lenders together with the more exacting standards required of consumer credit firms as they transition to the Financial Conduct Authority (FCA) provides an attractive opportunity to develop Satsuma as a sustainable business with a leading market position capable of delivering the group's target returns. Satsuma remains on track to break even on a monthly basis by the end of the year.

Moneybarn has performed very well in the first half of 2015 delivering adjusted profits of £9.4m, up 38.2% on pro forma 2014 first half profits. Access to the group's funding and extension of the product offering to lend up to retail value has enabled the business to generate new business volumes 88% higher than the first half of last year. Default rates and the annualised risk-adjusted margin have remained stable through the first half of 2015.

Exceptional costs of £11.8m have been recognised in the first half of the year comprising costs associated with the reduction in headcount of 500 in CCD following the recent business restructuring (2014: £4.0m). The group's statutory profit before tax is also stated after a £3.7m charge (2014: £nil) in respect of the amortisation of an intangible asset attributed to Moneybarn's broker relationships which was recognised on acquisition.

The group's funding and liquidity positions remain strong with gearing of 2.4 times (2014: 2.9 times). As at 30 June 2015, headroom on the group's committed facilities amounted to £221m and, including the additional capacity available for Vanquis Bank to take retail deposits, total funding capacity amounted to £484m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth in the business until May 2018.

The group continues to be highly capital generative and in the 12 months to 30 June 2015, generated capital of £169.8m (2014: £152.9m) compared with dividends declared through that period of £148.9m (2014: £123.4m).

The interim dividend has been increased by 15.0% to 39.2p (2014: 34.1p) reflecting the growth in earnings, strong capital generation and the stated policy of maintaining annual dividend cover of at least 1.25 times.

Market conditions

Vanquis Bank

Vanquis Bank promotes financial inclusion by bringing the benefits of credit cards to consumers who are typically declined by mainstream lenders, helping people to establish or rebuild their credit profiles and enjoy the increasing utility of card-based credit, including online shopping. Vanquis Bank's 'low and grow' approach to extending credit and high levels of customer contact underpin a sustainable, responsible lending model which produces consistently high levels of customer satisfaction approaching 90%.

The business continues to generate strong demand from developing the under-served, non-standard UK credit card market. Competitors continue to be active in both the direct mail and internet distribution channels. However, Vanquis Bank's continued investment in its customer acquisition programme generated first half new account bookings 11.9% higher than the previous year against unchanged credit standards.

Despite Vanquis Bank customers typically being in more regular employment than home credit customers, the business has demonstrated that it is considerably less sensitive to changes in the employment market than mainstream card issuers. Although the UK employment market continues to improve, Vanquis Bank has maintained tight credit standards. As a result, delinquency levels have continued to be favourable and have run at record lows for the business through the first half of the year.

CCD

The home credit business continues to fill an important need for consumers in the non-standard market, providing access to credit for those who might otherwise be financially excluded. Consumers on low incomes and tight budgets require affordable credit in order to manage the peaks and troughs in their household budgets or one-off items of expenditure that may arise. They value the simple, flexible and transparent nature of the home credit product with its fixed repayments and no additional fees or charges whatsoever, even if a payment is missed. Customers also value the relationship with their agent who typically lives in the same community and genuinely understands their needs. This is evidenced by consistently high levels of customer satisfaction in excess of 90%. The high frequency of contact between agents and customers together with agents' commission being based on collections, rather than amounts lent, further reinforces Provident's responsible lending approach.

Home credit customers tend to be hourly paid with a bias towards more casual, temporary and part-time employment. Demand from home credit customers has shown modest improvement during the first half of 2015 and customer confidence has lifted from historic lows. Household incomes and the cost of living for home credit customers are both stable.

The competitive landscape in the home credit market currently remains unchanged with up to 500 active participants, although industry consolidation may materialise as a result of more exacting regulation under the FCA. Non-standard consumers have a greater choice than in the past because of the growth in alternative formats such as short-term payday or instalment credit products accessible online and high street credit providers including rent to own. The revised strategy for CCD introduced in the second half of 2013 has been a response to these changing market dynamics. It has involved updating the home credit business and focusing on returns as opposed to growth whilst investing in broadening the customer and product proposition through Satsuma in the online instalment lending segment of the non-standard market.

Satsuma addresses those applicants of adequate credit quality and whose preference is to access small-sum credit online and make repayments direct from their bank account without the need for an agent visit. It is relevant to the significant audience of non-standard consumers between Vanquis Bank and the home credit business. In order to maintain the group's responsible approach to lending, the Satsuma product retains many of the features of the home credit product. There are no extra charges with fixed payments based on a predetermined schedule. Customers can have regular contact with a telephone agent and there are a number of forbearance procedures in place for those customers who get into financial difficulty. In addition, Satsuma is utilising the highly effective distribution, underwriting and collections capabilities of both CCD and Vanquis Bank.

Customer demand in the online unsecured loans market, in which payday lending was previously the most significant participant, is strong. The gross advances in this market were in excess of £10bn prior to the credit crunch but had reduced significantly until recent years when payday lending started to fulfil some of the demand. With the backdrop of clearer, tighter regulation around payday lending implemented from 1 July 2014, including the introduction of a rate cap from 2 January 2015, there is an ongoing and significant shift in supply from payday loans to more affordable and responsible instalment lending products. Tighter regulation has meant that a number of smaller payday loan companies have already exited the market and larger operators are revising their business models and curtailing their payday lending activities.

Moneybarn

Moneybarn promotes financial inclusion by providing vehicle finance to those consumers who may be unable to obtain mainstream credit, enabling them to get to work and earn a living. The business shares many of the characteristics of the group's other businesses with a strong focus on delivering favourable customer outcomes. Responsible lending is reinforced through robust affordability checks, and straightforward products which do not involve the sale of ancillary products such as PPI or GAP insurance, or hidden fees or charges. Moneybarn has well-developed forbearance measures for those customers who get into financial difficulty.

The profile of Moneybarn's customers is very similar to Vanquis Bank customers. They typically have a thin or past impaired credit history and find it difficult to access credit from more prime lenders. They have an average age of approximately 40, are employed or self-employed and have an income level around the national average of £25,000.

Moneybarn is one of the largest providers of non-standard vehicle finance in the UK, with an approximate market share of between 20% and 25% of the secured segment. Direct competition comes from around 10 other providers. The non-standard vehicle finance market shrank considerably as a result of the credit crunch, as mainstream and specialist participants reduced their lending, collapsed or exited the market. It has recovered in recent years but remains less than half of the size it was in 2007.

It is estimated that approximately half a million cars were purchased by non-standard borrowers in the UK in 2013, of which about 10% were funded through secured car finance products with the remainder being funded through cash, loans from friends and family or alternative forms of credit such as personal and guarantor loans. Growth in future demand is supported by a number of factors including customer needs, an overall under supply of non-standard car finance and the value for money provided by specialist car finance relative to many other non-standard funding options.

Vanquis Bank

Business performance

Vanquis Bank has generated profit before tax of £86.7m in the six months ended 30 June 2015 (2014: £63.7m) analysed as follows:

	Six months ended 30 June 2015 £m	2014 £m	Change %
Profit/(loss) before tax:			
- UK	88.5	68.3	29.6
- Poland	(1.8)	(4.6)	60.9
Total Vanquis Bank	86.7	63.7	36.1

UK

	Six months ended 30 June 2015 £m	2014 £m	Change %
Customer numbers ('000)	1,359	1,177	15.5
Period-end receivables	1,146.9	954.0	20.2
Average receivables	1,115.1	905.2	23.2
Revenue	261.1	218.4	19.6
Impairment	(78.9)	(72.3)	(9.1)
Revenue less impairment	182.2	146.1	24.7
Annualised risk-adjusted margin[1]	33.3%	33.6%	
Costs	(72.5)	(58.8)	(23.3)
Interest	(21.2)	(19.0)	(11.6)
Profit before tax	88.5	68.3	29.6
Annualised return on assets[2]	15.7%	15.6%	

[1] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*
[2] *Profit before interest after tax as a percentage of average receivables for the 12 months ended 30 June.*

Vanquis Bank has delivered another strong performance in the first half of 2015, reporting UK profits 29.6% higher than the first half of last year. Sound credit quality and favourable delinquency assisted by an improving UK employment market have enabled the UK business to deliver a modest improvement in the annualised return on assets from 15.6% at June 2014 to 15.7% at June 2015.

Demand for non-standard credit cards continues to be strong. Whilst the marketing activity of competitors in both the direct mail and internet channels has continued, further investment in the customer acquisition programme has allowed the business to deliver an 11.9% increase in first half new account bookings to 216,000 (2014: 193,000), reflecting a stable acceptance rate of around 25% against unchanged underwriting standards. As a result, customer numbers ended the first half at 1,359,000, up 15.5% on June 2014.

The growth in customer numbers, together with the credit line increase programme to customers who have established a sound payment history, generated a 23.2% increase in average receivables. Returns from the 'low and grow' approach to extending credit remain consistently strong and are underpinned by average credit line utilisation of around 70% which delivers a strong stream of revenue whilst maintaining a relatively low level of contingent risk from undrawn credit lines.

The annualised risk-adjusted margin at June 2015 is 33.3%, a modest reduction from 33.6% at June 2014. The reduction in the risk-adjusted margin comprises a 0.6% decline in the revenue yield derived from the Repayment Option Plan

(ROP) product, following the changes to the sales process and product features in 2013, and interchange income, partly offset by a 0.3% benefit from improved delinquency.

Interchange income is now being adversely impacted by the agreement between Visa and the European Commission to implement a phased reduction in the interchange fees charged by credit card companies to retailers. This programme will be fully implemented by October 2015. The impact on Vanquis Bank is expected to be approximately £5m for 2015 as a whole increasing to around £9m by 2016, based on current volumes, as the reduced fees on domestic transactions fully take effect. Interchange revenue is a less significant source of income for Vanquis Bank than for mainstream credit card providers.

Although the UK employment market has continued to improve, Vanquis Bank has, and will continue to, apply tight credit standards. This is why the rate of delinquency has fallen to a new all time low for the business and produced a 1.6% reduction in the rate of impairment since June 2014. Over the same period, the improving quality of the book has seen the revenue yield from interest and late and over limit fees reduce by around 1.3%. Taken together, these explain the net benefit of 0.3% to the annualised risk-adjusted margin from improved delinquency over the last year.

Based on stable delinquency trends, the changes made to the ROP product and the impact of reduced interchange fees, the risk-adjusted margin is expected to moderate to around 32% for 2015 as a whole and remain above the target of 30% thereafter.

First half cost growth of 23.3% was in line with average receivables growth. It includes a further uplift of £3m in the spend on direct mail and marketing activities that has supported the increase in new account bookings in the first half and additional expenditure of approximately £1m on the risk, legal and compliance functions.

Interest costs increased by 11.6% during the first half of 2015, significantly lower than the growth in average receivables of 23.2%. This reflects the reduction in Vanquis Bank's blended funding rate, after taking account of the cost of holding a liquid assets buffer, from 5.7% in the first half of 2014 to 5.5% in the first half of 2015 due to the progressive benefit from taking retail deposits. Assuming market rates remain unchanged, Vanquis Bank's overall funding rate for the year as a whole is expected to be around 5.3%.

Poland

Following the decision to withdraw from the Polish pilot operation in February 2015, an agreement has been reached to sell the receivables book to a third party. The economic interest in the receivables book passed from Vanquis Bank to the purchaser on 1 April 2015 and, accordingly, the receivables book and the associated revenues, impairment and direct costs were derecognised from this date. Legal completion and the payment of final consideration are scheduled for 3 August 2015.

The loss of £1.8m in the first half of the year reflects the trading losses in the first three months of the year up until the transfer of the economic interest to the purchaser (2014: loss of £4.6m). There are not expected to be any further losses in respect of the Polish pilot operation in 2015 or thereafter.

CCD

Business performance

CCD generated a profit before tax and exceptional costs of £38.0m in the first half of 2015 (2014: £37.0m) as set out below:

	Six months ended 30 June 2015 £m	2014 £m	Change %
Customer numbers ('000)	1,011	1,252	(19.2)
Period-end receivables	497.9	607.5	(18.0)
Average receivables	511.5	632.6	(19.1)
Revenue	268.2	313.6	(14.5)
Impairment	(72.1)	(124.4)	42.0
Revenue less impairment	196.1	189.2	3.6
Annualised risk-adjusted margin[1]	78.2%	62.9%	
Costs	(143.4)	(133.1)	(7.7)
Interest	(14.7)	(19.1)	23.0
Profit before tax[2]	38.0	37.0	2.7
Annualised return on assets[3]	19.7%	16.5%	

1 *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*

2 *First half profit before tax in 2015 is stated before an exceptional cost of £11.8m (2014: £4.0m) in respect of business restructuring.*

3 *Profit before interest and exceptional costs after tax as a percentage of average receivables for the 12 months ended 30 June.*

CCD has made good progress in executing on its strategic plan to develop a broader based lending business and delivered first half adjusted profits 2.7% up on the prior year. The repositioning of the home credit business as a leaner, better-quality business is complete and is delivering strong returns. This has allowed CCD to increase the investment in developing the Satsuma online loans proposition and progress the guarantor loans pilot with glo. The success in delivering the strategy has resulted in a significant increase in CCD's return on assets from 16.5% at June 2014 to 19.7% at June 2015.

Customer numbers in CCD have shown a year on year reduction of 19.2% to 1,011,000 (2014: 1,252,000). Over half of the reduction relates to the sale to third party debt purchasers of delinquent low value customer balances residing in home credit's central collections department. The remaining reduction reflects the tighter credit standards introduced as part of the repositioning of the business in September 2013 which have continued to curtail the recruitment of more marginal customers, improve overall credit quality and shorten the duration of the book. These changes to the customer base resulted in receivables at the end of June being 18.0% lower than the prior year.

The annualised revenue yield has remained strong at 101.4%, up from 97.1% at June 2014, due to a shift in mix towards shorter-term, lower-risk, higher-yielding lending.

The implementation of standardised arrears and collections processes coupled with tighter credit standards have continued to produce a significant improvement in arrears and resulted in the annualised ratio of impairment to revenue reducing from 35.2% at June 2014 to 22.9% at June 2015. The ratio is expected to remain broadly unchanged for 2015 as a whole.

The increase in revenue yield and reduction in impairment has produced a significant strengthening in the annualised risk-adjusted margin to 78.2% at June 2015, up from 69.1% at December 2014 and 62.9% at June 2014.

Business performance is benefitting from the planned reduction in costs following the programme of cost savings implemented during the last two years. First-half cost growth of 7.7% or £10.3m resulted from a step-up in the year on year investment in Satsuma of approximately £5m and increased regulatory and compliance costs of approximately £3m.

The programme to deploy technology throughout the field operation to support an improvement in agent and branch productivity and implement market-leading compliance has been completed well ahead of schedule. In particular, all UK agents are now using both the collections and lending apps. As a result, the business commenced consultation in May 2015 on a proposed headcount reduction of 500, representing both field managers and the remaining field administration workforce. The headcount reductions will secure annualised savings of approximately £14m and will have no impact on customer service levels. An exceptional restructuring cost of £11.8m has been incurred in the first half in respect of associated redundancy costs (2014: £4.0m).

Interest costs were 23.0% lower than the first half of last year compared with a reduction of 19.1% in average receivables. This reflects a reduction in the funding rate for the business from 7.5% in the first half of 2014 to 7.3% in the first half of 2015. A lower margin on the group’s syndicated bank facility following the extension in January 2015 and the lower interest rate on the March 2015 retail bond explain this reduction.

Business development

Satsuma

Satsuma has made good progress during the first half of the year. As at 30 June, Satsuma had 45,000 customers (2014: 11,000) and a receivables book of £11.6m (2014: £2.4m).

Demand for online instalment loan products is strong, supported by a step-up in advertising expenditure. Development of Satsuma's B2C marketing strategies, together with the benefits of the new decision engine and scorecard introduced in November 2014, are resulting in a progressive increase in conversion rates from around 14% at the end of 2014 to approximately 20% towards the end of the first half. The weekly product proposition is performing well and the business continues to test alternative product propositions and channels to market. Overall, new business volumes in the first half of the year were approximately three times higher than the first half of 2014.

Satsuma’s collections performance is in line with plan and continues to benefit from the highly effective and scalable collections capability of Vanquis Bank’s contact centre in Chatham.

Above the line advertising has been stepped-up to build the market presence of the Satsuma brand and the business is actively developing its capability in distributing its loans through brokers and intermediaries which represent a significant route to market. The business also continues to invest in IT, analytics, resource and governance processes to develop a ‘best in class’ infrastructure to support the market opportunity. As a result, the first half of the year saw a £5m year on year step-up in the investment in Satsuma.

Satsuma remains on track to break even on a monthly basis by the end of the year and produce a profit contribution in 2016.

Guarantor loans

Glo is CCD’s pilot guarantor loan product introduced to test whether a proposition capable of delivering the group's target returns can be developed.

The guarantor loans proposition is distinct from home credit and Satsuma, comprising larger, longer loans of between £1,000 and £7,000 repayable over a period of between one and five years. The loan is typically guaranteed by a family member or friend with a sound credit record who supports the customer if their circumstances change. CCD’s proposition offers customers competitive pricing and a very customer-centric approach to forbearance, including the high levels of personal service that the group deploys in all of its offerings.

Glo continues to show encouraging progress and a formal decision on whether to proceed to full roll-out will be made during the third quarter of the year.

Moneybarn

Moneybarn has contributed a profit before tax and amortisation of acquisition intangibles of £9.4m in the first half of 2015. The first half results, together with the pro forma comparatives for the first half of 2014 adjusted to apply the group's lower cost of funding to pre-acquisition results, are set out below:

	Six months ended 30 June		
	2015	2014[1]	Change
	£m	£m	%
Customer numbers ('000)	26	18	44.4
Period-end receivables	186.5	130.3	43.1
Average receivables	171.1	126.3	35.5
Revenue	24.2	18.0	34.4
Impairment	(3.4)	(2.4)	(41.7)
Revenue less impairment	20.8	15.6	33.3
Annualised risk-adjusted margin[2]	24.6%	24.5%	
Costs	(7.1)	(5.3)	(34.0)
Interest	(4.3)	(3.5)	(22.9)
Profit before tax[3]	9.4	6.8	38.2
Annualised return on assets[4]	12.9%	12.5%	

[1] *Adjusted to restate the pre-acquisition funding rate of 10% to the group's lower marginal cost of funding of 5%.*
[2] *Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.*
[3] *First half profit before tax is stated before the amortisation of acquisition intangibles of £3.7m (2014: £nil).*
[4] *Profit before interest and the amortisation of acquisition intangibles after tax as a percentage of average receivables for the 12 months ended 30 June.*

Moneybarn has performed very well during the first half of 2015, delivering an increase in adjusted profits of 38.2% against pro forma 2014 first half profits. Strong growth in the receivables book together with stable delinquency have enabled the business to invest in headcount to support growth whilst delivering an annualised return on assets of 12.9% at June 2015, in line with December 2014 and up from 12.5% at June 2014.

New business volumes during the first half of the year have been strong as the business continues to benefit from the group's funding. The extension of the product offering to lend up to retail value and the reduction in the minimum lend from £5,000 to £4,000 has reinforced primacy amongst its broker network. Accordingly, new business volumes were 88% higher than the first half of last year. Customer numbers ended June at 26,000 (December 2014: 22,000) and the business is comfortably on track to achieve the previously communicated target of 30,000 customers by the end of the year. A trial to test the appeal of the Moneybarn car finance proposition to Vanquis Bank customers is currently in progress and the business will shortly commence a trial of financing light commercial vehicles through its broker network.

The strong growth in new business volumes has resulted in receivables growth of 43.1% to £186.5m at June 2015. Average new loan sizes in the first half have remained broadly comparable to prior years at around £9,000.

Default rates through the first half have remained stable and have enabled the business to generate an annualised risk-adjusted margin of 24.6% at June 2015, in line with December 2014 and marginally up from 24.5% at June 2014. Based on the current delinquency trends and the mix of business, the risk-adjusted margin is expected to remain stable during the second half of the year.

The business has continued to invest in the resources necessary to support future growth, meet higher regulatory standards under the FCA and bring governance processes into line with the rest of the group. Accordingly, headcount has increased by 39 to 129 since the acquisition of the business in August 2014. This has resulted in first half cost growth of 34.0%, which is similar to the growth in revenue of 34.4%.

Interest costs have shown growth of 22.9% in the first half of 2015 compared with average receivables growth of 35.5%. The lower rate of growth in interest costs reflects the retention of profits since acquisition as the capital base is increased towards the group's target gearing ratio of 3.5 times.

Central costs

Central costs increased to £7.5m in the first half of 2015 (2014: £6.6m), reflecting increased share-based payment and pension charges together with the cost of group office accommodation within Vanquis Bank's new London head office at 20 Fenchurch Street.

Taxation

The tax rate for the first half of 2015 of 20.25% (2014: 21.50%) is the estimated effective tax rate for the 2015 financial year and is in line with the UK statutory corporation tax rate which reduced from 21% to 20% on 1 April 2015.

On Wednesday 8 July, the Chancellor announced that a bank corporation tax surcharge will be introduced which will impose an additional corporation tax of 8% on banking companies. The surcharge comes into force for accounting periods beginning on or after 1 January 2016 and will apply to the profits in excess of £25m attributable to Vanquis Bank only.

Dividends

The interim dividend per share has been increased by 15.0% to 39.2p (2014: 34.1p), consistent with the group's stated policy to grow dividends whilst maintaining a dividend cover of at least 1.25 times. The increase in the interim dividend is supported by the group's growth in earnings and strong capital generation.

Funding and capital

The group's funding and liquidity positions are strong with the balance sheet reflecting gearing of 2.4 times (2014: 2.9 times) against a banking covenant limit of 5.0 times. The reduction over the last 12 months reflects two factors. Firstly, the Moneybarn acquisition in August 2014 was almost wholly funded by an equity issue in order to preserve the group's regulatory capital position; and secondly, the shrinkage of the home credit receivables book following the repositioning of the business.

The group continued to strengthen its funding base during the first half of 2015. As previously reported, in January the group exercised its option to extend its £382.5m syndicated bank facility by 12 months to May 2018. The group also issued its fifth retail bond in April, raising £60m at a coupon of 5.125% and a duration of eight and a half years. As at the end of June, Vanquis Bank had taken £645.4m of retail deposits (56% of Vanquis Bank's UK receivables), up from £580.3m at 31 December 2014 (53% of Vanquis Bank's UK receivables), with additional retail deposits capacity of £262.8m, representing the remaining outstanding balance on the intercompany loan with Provident Financial. Due to the high level of committed debt funding and the contraction in the CCD receivables book, the flow of new funds from the retail deposits programme has been managed to relatively modest levels during the first half of 2015 through appropriate pricing.

Headroom on the group's committed facilities as at 30 June 2015 amounts to £221m and, including the additional capacity available for Vanquis Bank to take retail deposits, total funding capacity amounts to £484m. The group's committed debt facilities, together with the retail deposits programme at Vanquis Bank, are sufficient to fund contractual maturities and projected growth in the business until May 2018.

The group's funding rate during the first half of 2015 was 6.1%, down from 6.9% in the first half of 2014. This reflects the increased benefit from the Vanquis Bank retail deposits programme, a lower margin on the syndicated bank facility and the lower rate on the 2015 retail bond. The group's funding rate is expected to moderate to below 6% for the year as a whole.

The group's credit rating from Fitch Ratings was reviewed in June 2015 and remains unchanged at BBB. The outlook was changed from negative to stable.

The group continues to be highly capital generative. In the 12 months to 30 June 2015, the group generated capital of £169.8m (2014: £152.9m) compared with dividends declared of £148.9m (2014: £123.4m).

The group maintains a strong capital position and, as at 30 June 2015, the common equity tier one ratio and leverage ratio of the group were 21.1% (2014: 22.0%) and 16.3% (2014: 18.0%) respectively.

Regulation

Transfer of regulation to the FCA

The FCA regulation of the consumer credit industry commenced on 1 April 2014. CCD and Moneybarn obtained interim permissions under the new regime and submitted their applications for full authorisation prior to the 31 May 2015 deadline. Both businesses continue to have a constructive dialogue with the FCA and followed a detailed work programme in preparing for full authorisation.

Vanquis Bank is already an authorised firm but submitted its application for a variation of permissions in December 2014.

The FCA has up to twelve months from date of submission to consider and conclude on variation of permissions and applications for full authorisation.

High-cost short-term credit price cap

The FCA's price cap for high-cost short-term credit came into force on 2 January 2015. This restricts the interest, fees and charges on a loan to a maximum of 0.8% per day of the amount borrowed. If borrowers default, lenders can charge additional default fees up to a limit of £15, and can continue to charge interest on all outstanding amounts up to the same 0.8% per day limit. In addition, the FCA has set a total cost cap of 100% of the amount initially borrowed, including all interest, fees and charges ultimately incurred by the borrower over the life of the loan.

The cap applies to all high-cost short-term credit products as currently defined in the FCA's Handbook of Rules and Guidance, which explicitly excludes home credit, secured loans, pawn broking, logbook loans and overdrafts, as well as products offered by community finance organisations such as credit unions. Satsuma's products fall within the scope of the cap but its pricing is, and has always been, below the limit set by the FCA and the business does not charge any default fees.

FCA credit card review

On 25 November 2014 the FCA published the terms of reference for its credit card market study, originally announced in April 2014. The market study will enable the FCA to build a detailed understanding of the UK retail credit card market, covering credit card services offered to consumers by banks, mono-line issuers, and their affinity and co-brand partners.

The FCA have identified three main areas that they would like to explore as part of the market study: (i) the extent to which consumers drive effective competition through shopping around and switching products; (ii) how firms recover their costs across different cardholder groups and the impact of this on the market; and (iii) the extent of unaffordable credit card debt. Vanquis Bank has responded to information requests from the FCA, and will continue to assist the FCA in its work. The FCA expects that it will take until towards the end of the year to reach its conclusions.

Principal risks and uncertainties

The principal risks and uncertainties affecting the group remain unchanged from 31 December 2014 and comprise customer and conduct risk, regulatory risk, credit risk, business risk, reputational risk, operational risk, liquidity risk, financial risk and pension risk. A full assessment of the risks and uncertainties, together with the controls and processes which are in place to monitor and mitigate the risks where possible, are set out on pages 93 to 96 of the 2014 Annual Report & Financial Statements which is available on the company's website, www.providentfinancial.com.

The most relevant risks and uncertainties for the remaining six months of the 2015 financial year are in respect of regulatory risk. An update on the more important regulatory developments affecting the group is set out in the regulation section of this report.

Related party transactions

There have been no changes in the nature of related party transactions as described in note 28 to the 2014 Annual Report & Financial Statements and there have been no new related party transactions which have had a material effect on the financial position or performance of the group in the six months ended 30 June 2015.

Outlook

Vanquis Bank will continue to generate strong growth and margins through developing its presence in the under-served, non-standard UK credit card market whilst the repositioning of the home credit business as a leaner, better quality business focused on returns rather than growth is now complete.

The first half investment in Satsuma to develop the brand and enhance further the capability required to support its rapid development puts the business on track to break even on a monthly basis by the end of the year and capture the significant medium term growth opportunity in the online instalment loans market.

The significant lift in new business volumes at Moneybarn enabled by access to the group's funding lines has reinforced its primacy across the broker network which, when combined with product development opportunities, leaves the business well-positioned to deliver strong medium-term growth and the group's target returns.

The group's funding and liquidity positions are strong, allowing it to meet contractual debt maturities and fund its internal growth plans through to May 2018.

The group has produced a strong set of interim results and credit quality in all three businesses is very sound as evidenced by the favourable impairment trends in the first half of the year. This provides the foundation for delivering quality growth for 2015 as a whole.

Unaudited condensed interim financial statements

Consolidated income statement

	Note	Six months ended 30 June 2015 £m	2014 £m
Revenue	4	555.3	533.8
Finance costs		(40.6)	(38.2)
Operating costs		(242.7)	(272.2)
Administrative costs		(160.9)	(133.3)
Total costs		(444.2)	(443.7)
Profit before taxation	4	111.1	90.1
Profit before taxation, amortisation of acquisition intangibles and exceptional costs	4	126.6	94.1
Amortisation of acquisition intangibles	4	(3.7)	-
Exceptional costs	4	(11.8)	(4.0)
Tax charge	5	(22.5)	(19.4)
Profit for the period attributable to equity shareholders		88.6	70.7

All of the above activities relate to continuing operations.

Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2015 £m	2014 £m
Profit for the period attributable to equity shareholders		88.6	70.7
Other comprehensive income:			
– cash flow hedges		2.9	1.2
– actuarial movements on retirement benefit asset	9	(44.7)	2.3
– exchange differences on translation of foreign operations		0.4	0.4
– tax on items taken directly to other comprehensive income		8.3	(0.7)
Other comprehensive income for the period		(33.1)	3.2
Total comprehensive income for the period		55.5	73.9

Earnings per share

	Note	Six months ended 30 June 2015 pence	2014 pence
Basic	6	61.8	51.8
Diluted	6	60.9	51.0

Dividends per share

		Six months ended 30 June 2015 pence	2014 pence
Interim dividend	7	39.2	34.1
Paid in the period*	7	63.9	54.0

* The total cost of dividends paid in the period was £92.3m (2014: £74.4m).

Consolidated balance sheet

	Note	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m
ASSETS				
Non-current assets				
Goodwill		71.2	71.2	-
Other intangible assets		84.4	84.3	8.7
Property, plant and equipment		28.2	27.4	22.6
Financial assets:				
– amounts receivable from customers	8	185.1	155.6	61.7
Retirement benefit asset	9	17.5	56.0	35.9
Deferred tax assets		-	-	2.8
		386.4	394.5	131.7
Current assets				
Financial assets:				
– amounts receivable from customers	8	1,646.2	1,693.6	1,509.1
– derivative financial instruments	11	0.4	0.2	3.5
– cash and cash equivalents		148.9	145.9	114.4
– trade and other receivables		50.5	24.5	21.8
		1,846.0	1,864.2	1,648.8
Total assets	4	2,232.4	2,258.7	1,780.5
LIABILITIES				
Current liabilities				
Financial liabilities:				
– bank and other borrowings		(148.2)	(135.3)	(174.4)
– trade and other payables		(103.8)	(94.3)	(71.4)
Current tax liabilities		(41.4)	(40.4)	(40.3)
		(293.4)	(270.0)	(286.1)
Non-current liabilities				
Financial liabilities:				
– bank and other borrowings		(1,350.5)	(1,357.7)	(1,068.5)
– derivative financial instruments	11	(1.7)	(4.4)	(5.0)
Deferred tax liabilities		(4.7)	(13.6)	-
		(1,356.9)	(1,375.7)	(1,073.5)
Total liabilities		(1,650.3)	(1,645.7)	(1,359.6)
NET ASSETS	4	582.1	613.0	420.9
SHAREHOLDERS’ EQUITY				
Share capital		30.5	30.3	29.1
Share premium		268.7	268.3	151.0
Other reserves		17.7	19.0	14.8
Retained earnings		265.2	295.4	226.0
TOTAL EQUITY		582.1	613.0	420.9

Consolidated statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2014	28.9	150.6	17.2	220.1	416.8
Profit for the period	-	-	-	70.7	70.7
Other comprehensive income:					
– cash flow hedges	-	-	1.2	-	1.2
– actuarial movements on retirement benefit asset (note 9)	-	-	-	2.3	2.3
– exchange differences on translation of foreign operations	-	-	-	0.4	0.4
– tax on items taken directly to other comprehensive income	-	-	(0.2)	(0.5)	(0.7)
Other comprehensive income for the period	-	-	1.0	2.2	3.2
Total comprehensive income for the period	-	-	1.0	72.9	73.9
Transactions with owners:					
– issue of share capital	0.2	0.4	-	-	0.6
– purchase of own shares	-	-	(0.2)	-	(0.2)
– transfer of own shares on vesting of share awards	-	-	0.2	(0.2)	-
– share-based payment charge	-	-	4.2	-	4.2
– transfer of share-based payment reserve	-	-	(7.6)	7.6	-
– dividends (note 7)	-	-	-	(74.4)	(74.4)
At 30 June 2014	29.1	151.0	14.8	226.0	420.9
At 1 July 2014	29.1	151.0	14.8	226.0	420.9
Profit for the period	-	-	-	104.9	104.9
Other comprehensive income:					
– cash flow hedges	-	-	1.0	-	1.0
– actuarial movements on retirement benefit asset	-	-	-	15.2	15.2
– exchange differences on translation of foreign operations	-	-	-	0.1	0.1
– tax on items taken directly to other comprehensive income	-	-	(0.2)	(3.3)	(3.5)
– impact of change in UK tax rate	-	-	-	0.3	0.3
Other comprehensive income for the period	-	-	0.8	12.3	13.1
Total comprehensive income for the period	-	-	0.8	117.2	118.0
Transactions with owners:					
– issue of share capital	1.2	117.3	-	-	118.5
– disposal of own shares	-	-	0.1	-	0.1
– share-based payment charge	-	-	4.5	-	4.5
– transfer of share-based payment reserve	-	-	(1.2)	1.2	-
– dividends (note 7)	-	-	-	(49.0)	(49.0)
At 31 December 2014	30.3	268.3	19.0	295.4	613.0
At 1 January 2015	30.3	268.3	19.0	295.4	613.0
Profit for the period	-	-	-	88.6	88.6
Other comprehensive income:					
– cash flow hedges	-	-	2.9	-	2.9
– actuarial movements on retirement benefit asset (note 9)	-	-	-	(44.7)	(44.7)
– exchange differences on translation of foreign operations	-	-	-	0.4	0.4
– tax on items taken directly to other comprehensive income	-	-	(0.6)	8.9	8.3
Other comprehensive income for the period	-	-	2.3	(35.4)	(33.1)
Total comprehensive income for the period	-	-	2.3	53.2	55.5
Transactions with owners:					
– issue of share capital	0.2	0.4	-	-	0.6
– purchase of own shares	-	-	(0.2)	-	(0.2)
– transfer of own shares on vesting of share awards	-	-	0.2	(0.2)	-
– share-based payment charge	-	-	5.5	-	5.5
– transfer of share-based payment reserve	-	-	(9.1)	9.1	-
– dividends (note 7)	-	-	-	(92.3)	(92.3)
At 30 June 2015	30.5	268.7	17.7	265.2	582.1

Consolidated statement of cash flows

	Note	Six months ended 30 June 2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	10	162.8	169.6
Finance costs paid		(39.9)	(38.7)
Tax paid		(22.1)	(15.4)
Net cash generated from operating activities		100.8	115.5
Cash flows from investing activities			
Purchase of intangible assets		(6.9)	(3.5)
Purchase of property, plant and equipment		(5.0)	(2.8)
Proceeds from disposal of property, plant and equipment		0.6	0.5
Net cash used in investing activities		(11.3)	(5.8)
Cash flows from financing activities			
Proceeds from bank and other borrowings		213.1	61.2
Repayment of bank and other borrowings		(205.7)	(108.8)
Dividends paid to company shareholders	7	(92.3)	(74.4)
Proceeds from issue of share capital		0.6	0.6
Purchase of own shares		(0.2)	(0.2)
Net cash used in financing activities		(84.5)	(121.6)
Net increase/(decrease) in cash, cash equivalents and overdrafts		5.0	(11.9)
Cash, cash equivalents and overdrafts at beginning of period		140.7	109.7
Cash, cash equivalents and overdrafts at end of period		145.7	97.8
Cash, cash equivalents and overdrafts at end of period comprise:			
Cash at bank and in hand		148.9	114.4
Overdrafts (held in bank and other borrowings)		(3.2)	(16.6)
Total cash, cash equivalents and overdrafts		145.7	97.8

Cash at bank and in hand includes £118.0m (2014: £83.8m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank in accordance with the Prudential Regulation Authority's liquidity regime. This buffer is not available to finance the group's day-to-day operations.

Notes to the unaudited condensed interim financial statements

1. General information

The company is a limited liability company, incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, BD1 2SU.

The company is listed on the London Stock Exchange.

The unaudited condensed interim financial statements do not constitute the statutory financial statements of the group within the meaning of section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2014 were approved by the board of directors on 24 February 2015 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The unaudited condensed interim financial statements for the six months ended 30 June 2015 have been reviewed, not audited, and were approved by the board of directors on 28 July 2015.

2. Basis of preparation

The unaudited condensed interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The unaudited condensed interim financial statements should be read in conjunction with the statutory financial statements for the year ended 31 December 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors have reviewed the group's budgets, plans and cash flow forecasts for 2015 and for 2016 together with outline projections for the three subsequent years. Based on this review, they are satisfied that the group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements.

3. Accounting policies

The accounting policies applied in preparing the unaudited condensed interim financial statements are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2014.

Taxes on profits in interim periods are accrued using the tax rate that will be applicable to expected total annual profits.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 June 2015 which have a material impact on the group.

4. Segment reporting

	Revenue Six months ended 30 June 2015 £m	Revenue Six months ended 30 June 2014 £m	Profit/(loss) before taxation Six months ended 30 June 2015 £m	Profit/(loss) before taxation Six months ended 30 June 2014 £m
Vanquis Bank	262.9	220.2	86.7	63.7
CCD	268.2	313.6	38.0	37.0
Moneybarn	24.2	-	9.4	-
Central costs	-	-	(7.5)	(6.6)
Total group before amortisation of acquisition intangibles and exceptional costs	555.3	533.8	126.6	94.1
Amortisation of acquisition intangibles	-	-	(3.7)	-
Exceptional costs	-	-	(11.8)	(4.0)
Total group	555.3	533.8	111.1	90.1

Acquisition intangibles represent the fair value of the broker relationships of £75.0m which arose on the acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with Moneybarn's core broker relationships and is being amortised over an estimated useful life of 10 years. The amortisation charge in the first half of 2015 amounted to £3.7m (2014: £nil).

An exceptional cost of £11.8m has been recognised in the first half of 2015 in respect of a business restructuring in CCD. The exceptional cost comprises £13.1m of redundancy costs associated with approximately 500 field managers and field administration employees as a result of the ongoing deployment of technology within CCD (2014: £4.0m in relation to 225 field administration employees) and an exceptional pension credit of £1.3m associated with those employees made redundant who were part of the group's defined benefit pension scheme (see note 9).

All of the above activities relate to continuing operations.

Revenue between business segments is not significant.

	Segment assets 30 June 2015 £m	Segment assets 31 December 2014 £m	Segment assets 30 June 2014 £m	Net assets 30 June 2015 £m	Net assets 31 December 2014 £m	Net assets 30 June 2014 £m
Vanquis Bank	1,292.9	1,252.1	1,072.4	324.6	290.4	246.1
CCD	562.3	628.6	658.5	140.9	128.3	150.0
Moneybarn	204.5	166.7	-	10.8	3.0	-
Central	180.5	271.7	84.6	105.8	191.3	24.8
Total before intra-group elimination	2,240.2	2,319.1	1,815.5	582.1	613.0	420.9
Intra-group elimination	(7.8)	(60.4)	(35.0)	-	-	-
Total group	2,232.4	2,258.7	1,780.5	582.1	613.0	420.9

Segment net assets reflect the statutory basis of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing of the borrowings of CCD to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to CCD of £7.8m (31 December 2014: £60.4m, 30 June 2014: £35.0m) and an increase in the notional cash allocated to central activities of the same amount. The intra-group elimination adjustment removes this notional allocation to state borrowings and cash on a consolidated group basis.

4. Segment reporting (continued)

The group's operations principally operate in the UK and Republic of Ireland. Vanquis Bank established a branch in Poland as part of a pilot credit card operation during the first half of 2012. A decision was taken to withdraw from the pilot operation in early 2015 and an agreement to sell the receivables book has been reached with a third party with the economic interest transferring from 1 April 2015. Accordingly, the Polish receivables were derecognised from this date and the residual assets and liabilities of the branch were transferred to the UK. Legal completion and final consideration will be received on 3 August 2015. The revenue in respect of the branch in the six months ended 30 June 2015 amounted to £1.8m (2014: £1.8m) and the loss before tax amounted to £1.8m, representing the three month period prior to the economic interest in the receivables book passing to the purchaser (2014: loss of £4.6m). The net liabilities of the branch amounted to £nil at 30 June 2015 (31 December 2014: £18.7m, 30 June 2014: £11.7m) comprising assets of £nil (31 December 2014: £22.3m, 30 June 2014: £15.7m) and liabilities of £nil (31 December 2014: £41.0m, 30 June 2014: £27.4m). These figures are included within the Vanquis Bank figures in the tables above.

5. Tax charge

The tax charge for the period has been calculated by applying the directors' best estimate of the effective tax rate for the financial year of 20.25% (2014: 21.50%), to the profit before tax for the period. The reduction in tax rate reflects the change in UK corporation tax rate from 21% to 20% which was effective from 1 April 2015.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares (own shares held). Diluted earnings per share calculates the effect on earnings per share assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares.

Reconciliations of basic and diluted earnings per share are set out below:

	Six months ended 30 June					
		2015			2014	
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Earnings per share						
Shares in issue during the period		146.8			139.9	
Own shares held		(3.4)			(3.5)	
Basic earnings per share	88.6	143.4	61.8	70.7	136.4	51.8
Dilutive effect of share options and awards	-	2.1	(0.9)	-	2.3	(0.8)
Diluted earnings per share	88.6	145.5	60.9	70.7	138.7	51.0

6. Earnings per share (continued)

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of Moneybarn in August 2014 (see note 4) and prior to exceptional costs (see note 4). This is presented to show the earnings per share generated by the group's underlying operations. A reconciliation of basic and diluted earnings per share to adjusted basic and diluted earnings per share is as follows:

	Six months ended 30 June					
	2015			2014		
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic earnings per share	88.6	143.4	61.8	70.7	136.4	51.8
Amortisation of acquisition intangibles, net of tax	3.0	-	2.1	-	-	-
Exceptional costs, net of tax	9.4	-	6.5	3.2	-	2.4
Adjusted basic earnings per share	101.0	143.4	70.4	73.9	136.4	54.2
Diluted earnings per share	88.6	145.5	60.9	70.7	138.7	51.0
Amortisation of acquisition intangibles, net of tax	3.0	-	2.1	-	-	-
Exceptional costs, net of tax	9.4	-	6.4	3.2	-	2.3
Adjusted diluted earnings per share	101.0	145.5	69.4	73.9	138.7	53.3

7. Dividends

		Six months ended 30 June	
		2015 £m	2014 £m
2013 final	- 54.0p per share	-	74.4
2014 final	- 63.9p per share	92.3	-
Dividends paid		92.3	74.4

The directors have declared an interim dividend in respect of the six months ended 30 June 2015 of 39.2p per share (2014: 34.1p) which will amount to an estimated dividend payment of £56.6m (2014: £49.0m). This dividend is not reflected in the balance sheet as it will be paid after the balance sheet date.

8. Amounts receivable from customers

	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m
Vanquis Bank	1,146.9	1,109.4	963.3
CCD	497.9	588.1	607.5
Moneybarn	186.5	151.7	-
Total group	1,831.3	1,849.2	1,570.8
Analysed as:			
– due in more than one year	185.1	155.6	61.7
– due within one year	1,646.2	1,693.6	1,509.1
Total group	1,831.3	1,849.2	1,570.8

Vanquis Bank receivables comprise £1,146.9m in respect of the UK business (31 December 2014: £1,093.9m, 30 June 2014: £954.0m) and £nil in respect of the Polish pilot operation (31 December 2014: £15.5m, 30 June 2014: £9.3m). The receivables in respect of the Polish pilot operation were derecognised on 1 April 2015 following the sale and transfer of the economic interest to a third party.

CCD receivables comprise £486.3m in respect of the home credit business and glo (31 December 2014: £583.1m, 30 June 2014: £605.1m) and £11.6m in respect of Satsuma (31 December 2014: £5.0m, 30 June 2014: £2.4m).

The impairment charge in respect of amounts receivable from customers reflected within operating costs can be analysed as follows:

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m
Vanquis Bank	80.5	73.5
CCD	72.1	124.4
Moneybarn	3.4	-
Total group	156.0	197.9

The Vanquis Bank impairment charge comprises £78.9m in respect of the UK business (2014: £72.3m) and £1.6m in respect of the Polish pilot operation prior to the transfer of the economic interest to a third party on 1 April 2015 (2014: £1.2m).

Impairment in Vanquis Bank and Moneybarn is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The Vanquis Bank allowance account as at 30 June 2015 amounted to £200.3m (31 December 2014: £178.6m, 30 June 2014: £153.8m) and the Moneybarn allowance account amounted to £29.4m (31 December 2014: £27.1m, 30 June 2014: £nil). Within CCD, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

9. Retirement benefit asset

The group operates a defined benefit pension scheme: the Provident Financial Staff Pension Scheme. The scheme has been substantially closed to new members since 1 January 2003. The scheme covers 22% of employees with company-provided pension arrangements and is of the funded, defined benefit type.

All future benefits in the scheme are now provided on a 'cash balance' basis, with a defined amount being made available at retirement, based on a percentage of salary that is revalued up to retirement with reference to increases in price inflation. This retirement account is then used to purchase an annuity on the open market. The scheme also provides pension benefits that were accrued in the past on a final salary basis, but which are no longer linked to final salary.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out as at 1 June 2012 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee Benefits' has been based on the results of this valuation which has been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value at the balance sheet date.

The net retirement benefit asset recognised in the balance sheet of the group is as follows:

	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m
Fair value of scheme assets	659.6	700.1	621.4
Present value of defined benefit obligation	(642.1)	(644.1)	(585.5)
Net retirement benefit asset recognised in the balance sheet	17.5	56.0	35.9

The amounts recognised in the income statement were as follows:

	Six months ended 30 June	
	2015 £m	2014 £m
Current service cost	(2.6)	(3.1)
Interest on scheme liabilities	(11.8)	(12.8)
Interest on scheme assets	12.9	13.5
Net charge recognised in the income statement before exceptional curtailment credit	(1.5)	(2.4)
Exceptional curtailment credit (note 4)	1.3	-
Net charge recognised in the income statement	(0.2)	(2.4)

The net charge recognised in the income statement has been included within administrative costs.

Movements in the fair value of scheme assets were as follows:

	Six months ended 30 June	
	2015 £m	2014 £m
Fair value of scheme assets at 1 January	700.1	613.8
Interest on scheme assets	12.9	13.5
Actuarial movements on scheme assets	(50.1)	8.5
Contributions by the group	6.4	6.8
Net benefits paid out	(9.7)	(21.2)
Fair value of scheme assets at 30 June	659.6	621.4

9. Retirement benefit asset (continued)

Movements in the present value of the defined benefit obligation were as follows:

	Six months ended 30 June 2015 £m	2014 £m
Present value of defined benefit obligation at 1 January	(644.1)	(584.6)
Current service cost	(2.6)	(3.1)
Interest on scheme liabilities	(11.8)	(12.8)
Exceptional curtailment credit	1.3	-
Actuarial movements on scheme liabilities	5.4	(6.2)
Net benefits paid out	9.7	21.2
Present value of defined benefit obligation at 30 June	(642.1)	(585.5)

The principal actuarial assumptions used at the balance sheet date were as follows:

	30 June 2015 %	31 December 2014 %	30 June 2014 %
Price inflation – RPI	3.20	3.10	3.30
Price inflation – CPI	2.20	2.10	2.30
Rate of increase to pensions in payment	3.00	2.90	3.10
Inflationary increases to pensions in deferment	2.20	2.10	2.30
Discount rate	3.75	3.70	4.30

A 0.1% change in the discount and inflation rates would change the present value of the defined benefit obligation by approximately £14m (31 December 2014: £14m, 30 June 2014: £13m) and £9m (31 December 2014: £9m, 30 June 2014: £8m) respectively.

The mortality assumptions used in the valuation of the group's defined benefit pension scheme are based on the mortality experience of self-administered pension schemes and allow for future improvements in life expectancy.

The group uses the S1PA standard tables as the basis for projecting mortality adjusted for the following factors:

- A 5% upward adjustment to mortality rates for males and a 15% upward adjustment for females is made in order to reflect lower life expectancies within the scheme compared to average pension schemes; and
- Future mortality improvements are in line with the CMI 2013 projections with long-term trend improvements of 1.25% per annum.

In more simple terms, members who retire in the future at age 65 will live on average for a further 24 years if they are male (31 December 2014: 24 years, 30 June 2014: 24 years) and for a further 25 years if they are female (31 December 2014: 25 years, 30 June 2014: 25 years). If assumed life expectancies had been one year greater for the scheme, the net retirement benefit asset would have reduced by approximately £19m (31 December 2014: £19m, 30 June 2014: £18m).

An analysis of amounts recognised in the statement of comprehensive income is set out below:

	Six months ended 30 June 2015 £m	2014 £m
Actuarial movements on scheme assets	(50.1)	8.5
Actuarial movements on scheme liabilities	5.4	(6.2)
Actuarial movements recognised in the statement of comprehensive income in the period	(44.7)	2.3

10. Reconciliation of profit after taxation to cash generated from operations

	Six months ended 30 June 2015 £m	2014 £m
Profit after taxation	88.6	70.7
Adjusted for:		
– tax charge	22.5	19.4
– finance costs	40.6	38.2
– share-based payment charge	5.5	4.2
– retirement benefit charge before exceptional curtailment credit (note 9)	1.5	2.4
– exceptional curtailment credit (note 9)	(1.3)	-
– amortisation of intangible assets	6.8	2.2
– depreciation of property, plant and equipment	3.6	3.1
– loss on disposal of property, plant and equipment	-	0.1
Changes in operating assets and liabilities:		
– amounts receivable from customers	17.6	35.9
– trade and other receivables	(26.0)	(6.4)
– trade and other payables	9.8	6.8
– contributions into the retirement benefit scheme (note 9)	(6.4)	(6.8)
– derivative financial instruments	-	(0.2)
Cash generated from operations	162.8	169.6

11. Fair value disclosures

The group holds the following financial instruments at fair value:

	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m
Recurring fair value measurements:			
Financial assets			
Cross-currency swaps	-	-	3.4
Foreign exchange contracts	0.4	0.2	0.1
Total	0.4	0.2	3.5
Financial liabilities			
Interest rate swaps	(1.7)	(4.4)	(5.0)
Total	(1.7)	(4.4)	(5.0)

All financial instruments held at fair value include the use of level 2 inputs as they are not traded in an active market and are valued using discounted contractual cash flows, incorporating interest rates and yield curves observable at commonly quoted intervals and foreign exchange rates as at the balance sheet date. There have been no transfers of assets or liabilities between levels of the fair value hierarchy.

Except as detailed in the following table, the directors consider that the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	Carrying value			Fair value		
	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m
Financial assets						
Amounts receivable from customers	1,831.3	1,849.2	1,570.8	2,900.0	2,900.0	2,200.0
Financial liabilities						
Bank and other borrowings	(1,498.7)	(1,493.0)	(1,242.9)	(1,584.2)	(1,592.2)	(1,314.5)

12. Seasonality

The group's peak period of lending to customers is in the lead-up to the Easter holidays in the first half of each financial year and then more significantly in the lead-up to Christmas in the second half of the financial year. Typically, approximately 60% of home credit loans issued by CCD are made in the second half of the financial year and the group's peak borrowing requirement arises in December. In addition, the group's accounting policies relating to revenue and impairment are an important influence on the recognition of the group's profit between the first and second halves of the financial year. The interest income earned on loans and receivables is spread on an effective yield basis over the contractual term of the group's loans and receivables resulting in revenue being split broadly evenly between the first and second halves of the financial year, notwithstanding that the larger proportion of credit is issued in the second half of the financial year. The accounting policy relating to the impairment of customer receivables requires impairments to be recognised only when there is objective evidence of impairment of a customer balance, such as a missed payment. This results in the group's largest impairment charges arising early in each financial year when customers default on loans they received in the lead-up to Christmas. Typically, the first half impairment charge in CCD represents approximately 60% of the full year impairment charge.

The analysis set out above relates to CCD only. Vanquis Bank and Moneybarn are still in growth phases and at this stage of their development the influence of its growth has a much more significant impact on the profits reported by the business during the financial year than the underlying seasonality.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the unaudited condensed interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions that have occurred in the first six months of the financial year and any material changes in the related party transactions described in the last annual report and financial statements.

The current directors of Provident Financial plc are listed in the 2014 Annual Report & Financial Statements. There have been no changes in directors during the six months ended 30 June 2015. A list of current directors is also maintained on the Provident Financial website: www.providentfinancial.com.

The maintenance and integrity of the Provident Financial website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the unaudited condensed interim financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of unaudited condensed interim financial statements may differ from legislation in other jurisdictions.

By order of the board

Peter Crook – Chief Executive
28 July 2015

Andrew Fisher – Finance Director

INDEPENDENT REVIEW REPORT TO PROVIDENT FINANCIAL PLC

We have been engaged by the company to review the unaudited condensed interim financial statements in the interim report for the six months ended 30 June 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes 1 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed interim financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed interim financial statements included in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the unaudited condensed interim financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed interim financial statements in the interim report for the six months ended 30 June 2015 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
28 July 2015

Information for shareholders

1. The interim report will be posted to shareholders on 6 August 2015.

2. The shares will be marked ex-dividend on 29 October 2015.

3. The interim dividend will be paid on 27 November 2015 to shareholders on the register at the close of business on 30 October 2015. Dividend warrants/vouchers will be posted on 25 November 2015.