2011 PRELIMINARY RESULTS

PRELIMINARY RESULTS ANNOUNCEMENT

28 February 2012
TODAY’S PRESENTATION

- Highlights and business overview
- Financial review
- Consumer Credit Division
- Regulation and outlook
- Questions

Peter Crook
Andrew Fisher
Chris Gillespie
Peter Crook
HIGHLIGHTS AND BUSINESS OVERVIEW

Peter Crook – Chief Executive
CONTINUED GOOD PROGRESS

• Profit before tax up 12.2% to £162.1m and EPS up 14.0% to 89.6p
• Total dividend per share up 8.7% to 69.0p, 1.30 times covered and supported by strong capital generation
• Cautious approach to extending credit has continued to yield favourable impairment trends in both businesses
• Strong growth at Vanquis Bank backed by continued investment in customer acquisition programme
• Renewal of core bank facilities and retail deposits programme provide funding into 2015
Market conditions and business positioning – Home Credit

MARKET CONDITIONS

• Competitive landscape unchanged
• Household disposable incomes under pressure from food, fuel and utility price increases
• Relatively cautious agent and customer behaviour is moderating the demand for credit
• Increase in unemployment less relevant to Home Credit customer base as bias is towards more casual, temporary and part-time employment

BUSINESS POSITIONING

• Tighter credit standards applied to underwriting new customers and re-serving existing customers has improved credit quality and moderated growth
• Changes to agents’ commission scheme has reinforced collections performance and focus on serving good-quality existing customers
• Business continues to seek opportunities for growth and greater operational efficiency
Market conditions and business positioning – Vanquis Bank

MARKET CONDITIONS

• Vanquis Bank remains the most active participant in the underserved non-standard credit card market
• Strong flow of applications from both direct mail and internet channels
• No discernable impact to date from rising UK unemployment

BUSINESS POSITIONING

• No change to tight underwriting and credit line increase criteria which is supporting record low delinquency and above target returns
• Higher growth driven by more intensive customer acquisition programme since mid-2010
• Credit standards will remain unchanged in a weakening employment market
• 2012 business plan assumes unemployment will rise to 3 million with some moderation in margins
FINANCIAL REVIEW

Andrew Fisher – Finance Director
**Group – Profit before tax**

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2011 £m</th>
<th>*2010 £m</th>
<th>Change £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCD:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Credit</td>
<td>127.5</td>
<td><strong>129.1</strong></td>
<td>(1.6)</td>
</tr>
<tr>
<td>Real Personal Finance</td>
<td>-</td>
<td>(1.8)</td>
<td>1.8</td>
</tr>
<tr>
<td>Total CCD</td>
<td>127.5</td>
<td>127.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Vanquis Bank</td>
<td>44.2</td>
<td>26.7</td>
<td>17.5</td>
</tr>
<tr>
<td>Central:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- costs</td>
<td>(10.2)</td>
<td>(8.1)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>- interest receivable/(payable)</td>
<td>0.6</td>
<td>(1.4)</td>
<td>2.0</td>
</tr>
<tr>
<td>Total central</td>
<td>(9.6)</td>
<td>(9.5)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>162.1</td>
<td>144.5</td>
<td>17.6</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>89.6p</td>
<td>78.6p</td>
<td>+14.0%</td>
</tr>
</tbody>
</table>

* 2010 stated prior to an exceptional cost of £2.5m
** Home Credit’s 2010 financial year included a 53rd trading week which contributed approximately £2m to reported profit
### Home Credit – Income statement

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2011 (52 weeks) £m</th>
<th>2010 (53 weeks) £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer numbers ('000)</td>
<td>1,825</td>
<td>1,861</td>
<td>(1.9%)</td>
</tr>
<tr>
<td>Year-end receivables</td>
<td>876.7</td>
<td>867.2</td>
<td>1.1%</td>
</tr>
<tr>
<td>Average receivables</td>
<td>783.4</td>
<td>753.6</td>
<td>4.0%</td>
</tr>
<tr>
<td>Revenue</td>
<td>697.1</td>
<td>701.1</td>
<td>(0.6%)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(223.8)</td>
<td>(230.6)</td>
<td>2.9%</td>
</tr>
<tr>
<td>Revenue less impairment</td>
<td>473.3</td>
<td>470.5</td>
<td>0.6%</td>
</tr>
<tr>
<td>Revenue yield*</td>
<td>89.0%</td>
<td>93.0%</td>
<td></td>
</tr>
<tr>
<td>Impairment % revenue**</td>
<td>32.1%</td>
<td>32.9%</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(298.8)</td>
<td>(292.3)</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Interest</td>
<td>(47.0)</td>
<td>(49.1)</td>
<td>4.3%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>127.5</td>
<td>129.1</td>
<td>(1.2%)</td>
</tr>
</tbody>
</table>

* Revenue as a percentage of average receivables for the year ended 31 December

** Impairment as a percentage of revenue for the year ended 31 December
Revenue yield moderated during first half of 2011 reflecting business plan to focus on serving good-quality existing customers who tend to be served with slightly longer term products.

Yield not expected to change significantly during 2012.
Home Credit – Impairment % revenue

- Improvement in impairment rates due to:
  - Tighter credit standards applied to new customers and re-serving existing customers
  - Enhanced arrears management from changes to agents’ commission scheme
  - Emphasis on serving good-quality existing customers rather than new customer recruitment

- Collections performance and impairment rates are expected to remain stable
Home Credit – Impairment policy

- Based on last 12 weeks payment performance
- Loans deemed impaired if more than 1 contractual weekly payment missed in previous 12 weeks
- 95%+ provision against loans for which no payment received in last 12 weeks
- **Timely, realistic provisioning which has been applied consistently and reinforces the right behaviour amongst agents and employees**
Home Credit – IFRS 7 disclosures

<table>
<thead>
<tr>
<th>As at 31 December</th>
<th>2011 %</th>
<th>2010 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order</td>
<td>35.2</td>
<td>36.1</td>
</tr>
<tr>
<td>In arrears:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- past due but not impaired</td>
<td>15.8</td>
<td>16.1</td>
</tr>
<tr>
<td>- impaired</td>
<td>49.0</td>
<td>47.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

- Based on contractual arrears
- Past due but not impaired includes customers who have missed 1 payment in last 12 weeks
- Marginal shift in profile reflects lower customer recruitment during seasonal peak
## Vanquis Bank – Income statement

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2011 £m</th>
<th>2010 £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer numbers ('000)</td>
<td>691</td>
<td>544</td>
<td>27.0%</td>
</tr>
<tr>
<td>Year-end receivables</td>
<td>453.4</td>
<td>345.0</td>
<td>31.4%</td>
</tr>
<tr>
<td>Average receivables</td>
<td>391.2</td>
<td>289.2</td>
<td>35.3%</td>
</tr>
<tr>
<td>Revenue</td>
<td>213.7</td>
<td>162.0</td>
<td>31.9%</td>
</tr>
<tr>
<td>Impairment</td>
<td>(76.9)</td>
<td>(63.9)</td>
<td>(20.3%)</td>
</tr>
<tr>
<td>Revenue less impairment</td>
<td>136.8</td>
<td>98.1</td>
<td>39.4%</td>
</tr>
<tr>
<td>Risk-adjusted margin*</td>
<td>35.0%</td>
<td>33.9%</td>
<td></td>
</tr>
<tr>
<td>Impairment % revenue**</td>
<td>36.0%</td>
<td>39.4%</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(69.4)</td>
<td>(52.9)</td>
<td>(31.2%)</td>
</tr>
<tr>
<td>Interest</td>
<td>(23.2)</td>
<td>(18.5)</td>
<td>(25.4%)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>44.2</td>
<td>26.7</td>
<td>65.5%</td>
</tr>
</tbody>
</table>

* Revenue less impairment as a percentage of average receivables for the year ended 31 December
** Impairment as a percentage of revenue for the year ended 31 December
Vanquis Bank – Above target risk-adjusted margin

- Risk-adjusted margin inherently stable due to active management of:
  - Credit line utilisation to minimise contingent undrawn exposure (‘low and grow’)
  - Managing revenue yield through appropriate pricing for risk
- Risk-adjusted margin of 35.0% in 2011, well above minimum target of 30% due to:
  - Stable employment market in 2010 and 2011
  - Improvement in underlying quality of receivables book from consistently tight underwriting stance over last 2 years
- Reduction in delinquency rates has added £7m (2%) to risk-adjusted margin in 2011
- 2012 business plan assumes some moderation in risk-adjusted margin from unemployment rising to 3 million
Vanquis Bank – Impairment policy

- Loans deemed to be impaired as soon as 1 contractual monthly payment is missed
- Provision of over 80% made against accounts that are 90 days in arrears*
- Realistic accounting policy applied consistently which is prudent when benchmarked against other card issuers

* Subject to estimated realisations from central/third party recovery processes
## Vanquis Bank – IFRS 7 disclosures

<table>
<thead>
<tr>
<th>As at 31 December</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>In order</td>
<td>89.0</td>
<td>86.5</td>
</tr>
<tr>
<td>In arrears:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- past due but not impaired</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- impaired</td>
<td>11.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

- Favourable change in profile reflects record low delinquency
### Strong balance sheet

**As at 31 December**  

<table>
<thead>
<tr>
<th></th>
<th>2011 £m</th>
<th>2010 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receivables:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Home Credit</td>
<td>876.7</td>
<td>867.2</td>
</tr>
<tr>
<td>- Real Personal Finance</td>
<td>2.6</td>
<td>7.1</td>
</tr>
<tr>
<td>- Vanquis Bank</td>
<td>453.4</td>
<td>345.0</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td>1,332.7</td>
<td>1,219.3</td>
</tr>
<tr>
<td><strong>Pension asset</strong></td>
<td>13.5</td>
<td>41.0</td>
</tr>
<tr>
<td><strong>Liquid assets buffer</strong></td>
<td>17.5</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Debt funding</strong></td>
<td>(909.9)</td>
<td>(964.9)</td>
</tr>
<tr>
<td><strong>Retail deposits</strong></td>
<td>(139.7)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>12.1</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>326.2</td>
<td>309.4</td>
</tr>
<tr>
<td><em><em>Gearing</em> (times)</em>*</td>
<td>3.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

* On a banking basis equity excludes the pension asset and the fair value of derivatives both net of deferred tax
2011 PRELIMINARY RESULTS

Modest gearing levels

• Gearing at December 2011 of 3.2 times versus a banking covenant of 5.0 times

• Strong capital generation has funded dividends and growth leaving gearing unchanged
Funding programme

• Executed 3-year strategic plan to establish a diversified, sustainable funding base
  → New medium-term bond and private placement funding totalling £465m with an average remaining period to maturity of 7 years
  → Retail deposits programme established to fund Vanquis Bank and its future growth with over £200m raised to date and current capacity of over £360m
  → Renewed bank facility with core relationship banks of over £380m through to May 2015
• Over 90% of current funding put in place over last 30 months
• Debt facilities and retail deposits programme provide sufficient funding into 2015
# Diversified funding base

## As at 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Originated £m</th>
<th>Post-renewal £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core bank group</td>
<td>420</td>
<td>383</td>
</tr>
<tr>
<td>Non-extending overseas banks</td>
<td>197</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>617</td>
<td>383</td>
</tr>
<tr>
<td><strong>Bonds and private placements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior public bond</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>M&amp;G term loan</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Other sterling/euro medium term notes</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Retail bonds - Issue 1</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>- Issue 2</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>US private placements</td>
<td>Pre-2006</td>
<td>87</td>
</tr>
<tr>
<td>Residual subordinated loan notes</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total committed facilities/funding capacity</strong></td>
<td>1,315</td>
<td>1,304</td>
</tr>
<tr>
<td><strong>Headroom</strong></td>
<td>288</td>
<td><strong>266</strong></td>
</tr>
</tbody>
</table>

* Capacity to take retail deposits based on 80% of Vanquis Bank receivables of £453.4m at 31 December 2011
** After setting aside the liquid asset buffer - calculated as 15% of the additional deposits capacity multiplied by the FSA’s transitional rate of 30%
Renewal of core bank facility

- Syndicate comprises group’s core relationship banks
- All-in cost of funds very similar and terms, conditions and covenant package are consistent with previous facility

<table>
<thead>
<tr>
<th>Covenant</th>
<th>Limit</th>
<th>Performance in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gearing</td>
<td>&lt; 5.0 times</td>
<td>3.2 times</td>
</tr>
<tr>
<td>Interest cover</td>
<td>&gt; 2.0 times</td>
<td>3.3 times</td>
</tr>
<tr>
<td>Net worth - Group</td>
<td>&gt; £220m</td>
<td>£323m</td>
</tr>
<tr>
<td>- Excluding Vanquis Bank (new)</td>
<td>&gt; £140m</td>
<td>£221m</td>
</tr>
<tr>
<td>Cash cover</td>
<td>&gt; 1.1 times</td>
<td>1.34 times</td>
</tr>
</tbody>
</table>
No further maturities in 2012

2013 and 2014 maturities restricted to £87m of private placements

Headroom on committed facilities together with Vanquis Bank retail deposits programme provides funding into 2015

Funding capacity through retail deposits grows in line with growth in Vanquis Bank’s receivables

Continuing with programme to further diversify funding base as well as extend maturity profile of debt
Retail deposits programme

- Programme commenced in July
- Fixed term deposits of 1, 2, 3 and 5 years
- Redeemable only in the event of death or mandated legal reasons
- Target to build funding up to 80% of Vanquis Bank’s receivables
- Offered through internet best-buy tables (e.g. moneyfacts.co.uk, moneysupermarket.com, moneysavingexpert.com)
- Depositors covered by the FSCS up to £85,000
- Platform outsourced to Newcastle Building Society
## Profile and maturity of retail deposits

The table below shows the profile and maturity of retail deposits for various products from July 2011 to February 2012:

<table>
<thead>
<tr>
<th>Product</th>
<th>Jul-11 £m</th>
<th>Aug-11 £m</th>
<th>Sep-11 £m</th>
<th>Oct-11 £m</th>
<th>Nov-11 £m</th>
<th>Dec-11 £m</th>
<th>Jan-12 £m</th>
<th>Feb-12* £m</th>
<th>Total £m</th>
<th>Rates %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>0.1</td>
<td>7.8</td>
<td>18.5</td>
<td>1.7</td>
<td>0.5</td>
<td>4.0</td>
<td>5.3</td>
<td>2.4</td>
<td>40.3</td>
<td>3.15-3.45</td>
</tr>
<tr>
<td>2 year</td>
<td>-</td>
<td>0.3</td>
<td>19.4</td>
<td>2.9</td>
<td>6.3</td>
<td>45.6</td>
<td>11.6</td>
<td>4.8</td>
<td>90.9</td>
<td>3.49-3.98</td>
</tr>
<tr>
<td>3 year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.1</td>
<td>7.0</td>
<td>9.2</td>
<td>12.8</td>
<td>9.1</td>
<td>40.2</td>
<td>3.88-4.15</td>
</tr>
<tr>
<td>5 year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
<td>5.9</td>
<td>7.4</td>
<td>11.1</td>
<td>7.7</td>
<td>33.1</td>
<td>4.46-4.65</td>
</tr>
<tr>
<td>Total</td>
<td>0.1</td>
<td>8.1</td>
<td>37.9</td>
<td>7.7</td>
<td>19.7</td>
<td>66.2</td>
<td>40.8</td>
<td>24.0</td>
<td>204.5</td>
<td></td>
</tr>
<tr>
<td>Cumulative</td>
<td>0.1</td>
<td>8.2</td>
<td>46.1</td>
<td>53.8</td>
<td>73.5</td>
<td>139.7</td>
<td>180.5</td>
<td>204.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Retail deposits programme initiated with 1-year product followed by 2-year product and then 3 and 5-year products
- Weighted average period to maturity of 24 months at December 2011 consistent with target when fully funded
- Deposits issued at rates of between 3.15% and 4.65%, consistent with previous guidance of an all-in average cost of less than 6%
- Full deposit funding of 80% of receivables requires monthly volumes of between £20m-£30m through the remainder of 2012

* As at 17 February 2012
Alignment of dividend policy, gearing and growth

High ROE businesses

- Dividend Policy
  Cover ≥ 1.25x

- Gearing
  3.5x versus covenant of 5.0x

- Growth
  Supports £110m+ receivables growth p.a

- Minimum retention of 20% of profits supports receivables growth of £110m at 3.5x gearing
- Current gearing of 3.2x within target
## Strong capital generation

<table>
<thead>
<tr>
<th></th>
<th>2011 £m</th>
<th>2010 £m</th>
<th>2009 £m</th>
<th>2008 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Credit Division</td>
<td>107.3</td>
<td>93.3</td>
<td>67.6</td>
<td>66.9</td>
</tr>
<tr>
<td>Vanquis Bank</td>
<td>14.8</td>
<td>6.3</td>
<td>5.1</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Central</td>
<td>(12.0)</td>
<td>(19.2)</td>
<td>(17.0)</td>
<td>1.6</td>
</tr>
<tr>
<td>Capital generated</td>
<td>110.1</td>
<td>80.4</td>
<td>55.7</td>
<td>63.5</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>(93.2)</td>
<td>(84.9)</td>
<td>(84.5)</td>
<td>(84.0)</td>
</tr>
<tr>
<td>Capital retained/(absorbed)</td>
<td>16.9</td>
<td>(4.5)</td>
<td>(28.8)</td>
<td>(20.5)</td>
</tr>
<tr>
<td>Dividend cover (times)</td>
<td>1.30</td>
<td>*1.24</td>
<td>1.12</td>
<td>1.12</td>
</tr>
<tr>
<td>Gearing (times)</td>
<td>3.2</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
</tr>
</tbody>
</table>

* 2010 stated prior to an exceptional cost of £2.5m.

- Group absorbed capital between 2008 and 2010 whilst dividend cover built to minimum target of 1.25 times
- Business generated sufficient capital in 2011 to fund growth, pay the group's dividend in respect of 2011 and retain surplus capital of £16.9m
- Gearing has remained stable since demerger
## Vanquis Bank – Capital generation

<table>
<thead>
<tr>
<th></th>
<th>Capital generation £m</th>
<th>Equity £m</th>
<th>Receivables £m</th>
<th>Equity to receivables %</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2010</td>
<td></td>
<td>70.5</td>
<td>345.0</td>
<td>20.4%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>44.2</td>
<td>44.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>(11.7)</td>
<td>(11.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>32.5</td>
<td>32.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To fund growth in receivables (20% x £108.4m)</td>
<td>(21.7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other movements</td>
<td>4.0</td>
<td>3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus capital generated</td>
<td>14.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends – July 2011</td>
<td>(5.0)</td>
<td>(5.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends – March 2012</td>
<td>(5.0)</td>
<td>(5.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>4.8</td>
<td>96.5</td>
<td>453.4</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

- Vanquis Bank is generating sufficient capital to fund its own growth and maintain its regulatory capital base
- Remitted first dividend of £5m to Provident Financial plc in July with a further £5m in respect of 2011 due to be paid in March 2012
Dividends

- 2011 full-year dividend of 69.0p per share (£93.2m)
- Increase of 8.7% on historical rate of 63.5p per share

→ 14% increase in 2011 EPS
→ Exceptionally strong capital generation of £110m
→ Strength of group’s funding and liquidity positions
→ Cover of 1.30 times versus minimum of 1.25 times
2011 PRELIMINARY RESULTS

CONSUMER CREDIT DIVISION

Chris Gillespie – Managing Director, Consumer Credit Division
Continuing development of CCD

• There has been significant investment in developing the CCD business over recent years:
  – Investment in IT systems
  – Development of credit skills and decisioning
  – Creation of distribution channels and marketing capability
  – Enhancements to agents’ commission scheme
  – Effectively dealt with ever increasing compliance and regulation

• From this strong platform, the business is pursuing a programme of initiatives directed at growth and business effectiveness
Delivering sustainable growth

- Growing agent capacity
- Expanding the footprint
- Ongoing product innovation
- Process efficiency and improvement
Enhancing agent effectiveness

- The number of agencies has been reduced and their average size increased
  
  *Agency numbers have reduced by 8% to 10,500*

Hiring more committed agents
- Agents who show motivation to develop their agency
- ‘Breadwinners’ whose agencies are their main source of income

Improving the agency base
- Creating more sustainable and profitable rounds for a new agent by amalgamating smaller, less profitable rounds
Creating a virtuous circle

- An agent is more likely to succeed if they are committed, have a desire for growth and are provided with a sound, profitable agency at the outset.

- Combination of high-quality growth and strong collections allows an agent to grow their commission earnings.

  Enhanced recruitment of agents and amalgamation of agent rounds in 2011

- Strong collections performance and lower impairment.

  9% increase in average commission earned by an agent.

- Proportion of customers served by agents with greater than one year's service:
  
  2011 – 81.2%
  2010 – 79.7%
  2009 – 78.2%
Planning based on a deep understanding of local markets

- Planning process builds on a deep understanding of local market dynamics
- Continuously updated through statistical analysis of data enriched by local field management knowledge
  - Customer opportunity in each location is measured using rich demographic and credit profiling
  - An assessment of local competitive landscape is made, including both traditional home credit providers and broader non-standard operating models
- Market opportunity in each location provides basis for capacity planning carried out by local field operations
- A local business plan is developed setting out clear actions to unlock growth opportunities and address potential future capacity constraints
Expanding the existing footprint

- Home Credit has 1.8m customers compared with 1.5m in 2005
- Field resources operate through 237 management centres covering over 400 branches
- Efficiency-led amalgamations in 1990s led to a number of smaller stand-alone locations in medium-sized provincial towns being run remotely from a management centre
- In some of these secondary towns, Home Credit should be bigger than it is:
  - Some examples where focus has been reduced due to distance from management centre
  - Locations often underserved by competitors
- Secondary towns such as these represent sustainable market growth opportunities for Home Credit
Case study – Stafford

• In mid-2011 Stafford was opened as a pilot

• Background:
  – Stafford was merged into Stoke in 1992 and more recently moved from Stoke to Telford
  – Became a lower priority for local management team
  – Slowly declining customer base of less than 1,000 at start of 2011

• Business plan:
  – Analysis of potential demand and local competitor landscape led to implementation of a plan to achieve a sustainable, growing business and a medium-term target of nearer 4,000 customers
  – High potential Area Manager appointed with clearly defined short and medium-term volume and quality milestones
  – Agent recruitment targeted at candidates with strong commitment to growing a profitable agency
  – Stand-alone branch opened at low incremental cost
  – Strong customer growth and collections will deliver break even within 12 months

• Opened five further branches in 2011 with potential for similar number of openings in 2012
Process efficiency and improvement

• A continuous focus on achieving systems and process improvements/efficiencies in order to:
  – Reduce time taken to issue credit and release further capacity for growth
  – Reduce reliance on less efficient manual processes and form filling
  – Embed changing and increasing compliance requirements within the business (e.g. roll-out of EU Consumer Credit Directive requirements in early 2011)
Product innovation to underpin customer satisfaction and growth

• Current initiatives include:
  
  – Using cards rather than cheques in core customer and agent processes, including the launch of a reloadable Moneycard
  
  – Building on success of Shopportunity proposition including introducing further retailer discounts to give something back to best customers
  
  – Testing new Home Credit payment methods (e.g. accepting debit card payments from some low risk customers)
  
  – Ongoing development of internet functionality for customers:
    
    ▪ 70% of customers are active internet users
    ▪ 54% of new customer leads come via the internet
    ▪ 16% of web leads now coming through smartphones
    ▪ Recently launched a new mobile website
Delivering sustainable growth

• Remain primarily focussed on quality of receivables book through difficult economic conditions ………

• …….whilst pursuing opportunities to grow the business and increase effectiveness

• Ongoing initiatives will leave the business better placed to deliver sustainable growth as economic conditions improve and customer sentiment returns
REGULATION AND OUTLOOK

Peter Crook– Chief Executive
Regulatory update

• Implemented relevant parts of Irresponsible Lending Guidance for Creditors and the EU Directive on Consumer Credit by February 2011

• On 1 November 2011, FSA and OFT issued a joint consultation on proposed guidance in relation to payment protection products
  – Builds on high level guidance from FSA and reaffirms previous OFT guidance
  – Covers both insurance products (FSA regulated) and non-insurance products (generally OFT regulated) such as ROP product at Vanquis Bank
  – Final guidance expected in summer 2012

• On 21 November, Government published its response to HMT/BIS review of consumer credit and personal insolvency
  – Bristol University’s Personal Finance Research Centre appointed to carry out research into impact of introducing a variable cap on total cost of credit
  – Update expected in spring 2012 and findings due summer 2012

• On 27 January 2012, Government published draft Financial Services Bill enabling creation of new regulatory architecture for financial services and transfer of responsibility for regulating consumer credit from OFT to FCA
Outlook

- Both businesses enter 2012 with benefit of very sound credit quality
- Credit standards will remain unchanged whilst pressure on customers’ disposable incomes continues in an employment market that is displaying some weakness
- Group’s funding position is extremely robust with renewal of core syndicated bank facility and Vanquis Bank’s deposits programme providing headroom to meet all contractual debt maturities and execute in full on growth plans into 2015
- Focus in 2012 is to maintain tight credit standards whilst:
  - Developing opportunities for growth and greater operational effectiveness in CCD
  - Continuing to invest heavily in customer acquisition programme in Vanquis Bank
- First two months of 2012 has seen a robust collections performance in CCD and continued strong performance from Vanquis Bank
Investment case – Vanquis Bank potential

- Vanquis Bank has the potential to accrue significant value for shareholders.
- Strong investment in developing the customer base:
  - Should support continuing receivables growth at a similar level to recent years (c.£75m-£100m p.a.)
  - Whilst maintaining tight underwriting and a post-tax ROE of 30-35%
- We believe that Vanquis Bank has the potential for:
  - 1.0 to 1.2 million customers with
  - An average balance of between £800-£1,000
  - Generating £1bn of receivables
  - Development of further revenue streams
- Progress will be dictated by:
  - Economic conditions
  - Emergence of competition
  - Maintaining targeted return on equity of at least 30%
Investment case – Group

• Non-standard credit market will remain the domain of specialists
• An attractive business model:
  – Home Credit business with opportunities for growth
    ▪ Growing agent capacity
    ▪ Expanding the footprint
  – Strong, profitable and capital generative growth in Vanquis Bank
• Resilient to current market conditions and regulatory environment
• High ROE businesses which are very capital generative
  – Supports a high and sustainable distribution policy
• Strong balance sheet and prudent funding
QUESTIONS
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