Vanquis Bank
Sustainable growth and high returns
Welcome to Vanquis and to Chatham Maritime
Peter Crook – Chairman, Vanquis Bank
Strong corporate governance

Board

Peter Crook
Chairman

Michael Lenora
Managing Director

Andrew Fisher
Non-Executive Director

Bob van Breda
Finance Director

Ian Lindsey OBE
Independent Non-Executive Director

Michael Hutko
Commercial Director

Iain Cornish*
Independent Non-Executive Director

*With effect from 01/01/12 – subject to FSA approval

Audit Committee

Risk Committee

Remuneration Committee

Credit Committee

Compliance Committee

Vanquis Bank Internal Audit

PFG Internal Audit
How Vanquis is regulated

Vanquis is the subject of close regulation, and maintains high regulatory standards

• FSA regulated bank
  - Submission of regular returns
  - Capital and liquidity requirements
  - Requirements to adhere with BIPRU and GENPRU
  - ARROW visits
  - Treating Customers Fairly

• Holds a Consumer Credit licence and is regulated by the OFT

• FSA regulation in the future to be split between:
  - Prudential Regulation Authority (PRA)
  - Financial Conduct Authority (FCA)
Excellent progress

- Significant progress made over the last 5 years
  - New management team
  - Re-pricing of the receivables book
  - Underwriting tightened in advance of the downturn
  - Collections processes improved
  - Systems and operational capability enhanced
  - Deposit taking secured

- All medium-term targets have been met

- Business has been transformed from loss making in 2006 to a highly profitable, growing business

- Excellent performance achieved during the worst economic conditions in the UK for a long period
Welcome and Introduction
Michael Lenora – Managing Director
## Structure of the day

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Sustainable growth and high returns

To deliver minimum 30% risk-adjusted margin and 30% post-tax ROE

- Significant growth opportunity
  - Focused on our target customers and segment

- Business model that delivers high, sustainable ROE
  - Clear credit management objectives
  - High contact through the acquisitions process and welcome call
  - Credit limit assignment and utilisation key to delivering returns
  - Profitable sustainable assets
  - Lifecycle plays to our advantage over time
  - Stability of impairment

- Funded through retail deposits
Background

- First issued cards in 2003 aimed at under-served market
- Broke even in 2007

Profit before tax (£m)
Background

• Now over 600,000 accounts and over £400m receivables
• Achieved 30% post-tax ROE in H2 2010
What is Vanquis Bank?

In many ways it looks and acts like any other credit card provider

- Contact Centre operations
- Internet sales and servicing
- Visa branded
- Operates like any other card
- Accepted at 15m locations
- Standard payments and statements
What is Vanquis Bank?

But today we are going to focus on why our business model makes us different and successful

- Right people, right culture
- Logical approach, analytical and decision expertise
- Robust ‘low & grow’ strategy
- Solely focused on customer segment
- High level of customer contact
- Granular and timely data
- High sustainable financial returns
The right team

Team of specialists with over 80 years of credit card and 160 years of financial services experience

- More importantly, expertise has depth throughout the organisation
- Strong performance culture
Your journey today.....

Starts this morning in the front line of the contact centre
Your journey today.....

Then looks behind the scenes this afternoon
Your journey today.....

Illustrating how it all ties together

- Marketing Strategy
- Credit Underwriting
- New Accounts
- Customer Lifecycle
  - High Sustainable Returns
- Customer Service
- Existing Customer Management
- Fraud Management
- Fraud
- Collections
- Collections Strategy
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How the Contact Centre Works
David Underwood, IT & Operations Director
Our locations

Chatham 420 seats

London HO 80 staff

Bradford 230 seats (new)

London Data Centre
Our contact centre

The contact centre has four key customer facing departments

- Bespoke underwriting and unique “Welcome to Vanquis” process
- Industry leading fraud prevention systems
- Customer Lifecycle High Sustainable Returns
- Easy access, regular contact & Gold Service proposition
- Segmented and intensive collections strategies
New Accounts

Bespoke underwriting and unique “Welcome to Vanquis” process

- Main channels are Internet, Direct Mail and Partner referrals
- 100 staff:
  - Processing 90,000 to 100,000 applications per month
  - Booking 20,000 to 25,000 accounts per month
  - An acceptance rate of less than 20%
- Application processing and decisioning via Experian’s Transact system with bespoke underwriting
- Successful applications loaded to an outbound dialler
- Using an automated dialler all applicants are called before final decision is made – this welcome call is a unique component of our process
- Champion/Challenger on sales performance
Customer Services

Regular contact and Gold Service propositions, our customers call us more frequently than other card providers

- High customer satisfaction – 9 out of 10 customers would recommend us
- Customer contact mainly via telephone
  - Inbound 300,000 calls per month (60% Interactive Voice Response (IVR), 40% Agents)
  - Gold Service Team focused on most valuable customers (20% of book)
- Over 200,000 customers on e-Vanquis
- Payments - Debit Card (38%) Direct Debit (33%), Internet (15%) and Cheque/Giro (11%)
- % of complaints where Ombudsman finds in our favour is 91% (in 6 months to June 2011) – best in the industry
Collections and Recoveries

Segmented and intensive collections strategies

- 180 staff in Collections & Recoveries
- Combination of letter, telephone, SMS and email
- Pre delinquent activity – past due date or overlimit
- “Vanquis” collections for early delinquency - up to 1 month in arrears
- “IMPACT” (internal) collections for later stage delinquency – up to 4 months in arrears
- External DCA panel from 4 months in arrears – DCA performance is closely measured and controlled
Fraud

Industry leading fraud prevention systems

- 30 staff dealing with 1st and 3rd party fraud, financial crime and disputed transactions
- Fraud losses among lowest in industry – <£0.50/card/year and <0.1% of turnover – <£300,000 this year
- 86% of cases are Card Not Present Fraud (Internet and mail order) – some Application, Counterfeit, Lost and Stolen and Intercept
- Use CIFAS to share industry information
- Use FICO’s Falcon system to identify and block unusual transaction patterns
- Anti Money Laundering and Staff Fraud – monitoring systems in place
- Financial Crime – Regulatory requirements (Police requests and Benefit Claims)
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Contact centre

Several key factors are common to all areas

- Right people, right culture
- High level of customer contact
- Technical support
- Granular and timely data

Please follow your host
Questions?
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Acquiring and Managing Returns from Customers
Michael Hutko – Commercial Director
Agenda

• Marketing strategies
• Credit and customer management decisions
  - Initial underwriting
  - Line increase (low and grow)
  - Other customer management techniques
• Inherently robust business model
Acquiring Customers
Marketing strategies

- How we segment and target Vanquis Card prospects
- Why consumers apply for a Vanquis Visa Card
- Why cardholders use their Vanquis Card
Target market

Vanquis’ target market is over 7 million - mostly C1/2/D

- Diverse routes to market
- Current penetration less than 10%
- Significant room to grow
- Few direct competitors
Target customer

Our target customers have a materially different profile to that of prime credit cardholders

- **Customer status**

<table>
<thead>
<tr>
<th></th>
<th>Prime issuer</th>
<th>Vanquis Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment status</td>
<td>Employed</td>
<td>Employed</td>
</tr>
<tr>
<td>Annual income</td>
<td>£25k+ p.a.</td>
<td>£15 – 30k p.a.</td>
</tr>
<tr>
<td>Residential status</td>
<td>House-owner/mortgaged</td>
<td>Tenant (75%)</td>
</tr>
<tr>
<td>Use of other credit cards</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Use of other borrowings</td>
<td>Medium</td>
<td>Very low</td>
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- **Card features**

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<th>Vanquis Bank</th>
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<tr>
<td>Credit line</td>
<td>£5,000+</td>
<td>£900</td>
</tr>
<tr>
<td>Line utilisation</td>
<td>25%</td>
<td>75+%</td>
</tr>
<tr>
<td>Typical APR</td>
<td>15-20%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Primary purpose of card</td>
<td>Transactor/Revolver</td>
<td>Revolver</td>
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Investor Day – 14 November 2011
## Customer profile

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<th>Total Portfolio</th>
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<td>Gender</td>
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<td>Average Age</td>
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<td>Typical Income</td>
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<td>Residency</td>
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<td>Employment</td>
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<td>Top 5 Merchants</td>
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<tr>
<td>Average Credit Limit</td>
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<tr>
<td>Average balance</td>
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<tr>
<td>Average repayment</td>
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Core customer proposition

A normal credit card for normal spending.

- No annual fee
- 56 days interest free period
- Minimum payment = fees + 1.5%
- Cash advances = 3%/£3
- Late/overlimit fee = £12
Why do customers choose Vanquis?

Our customers understand that Vanquis is taking a risk by issuing a card to them

- Access to the utility of a credit card when other issuers may have declined them
- Build their credit history (if no credit history in the UK)
- Rebuild their credit history (if poor credit history)
- Focus group research indicates that our customers:
  - Are realistic about their situation
  - Know that they will have to work to remedy it
Customer Satisfaction

9 out of 10 cardholders would recommend Vanquis to others

- Cardholders declined by Prime issuers appreciate a “second chance” from Vanquis
- Our UK Customer Service call centres provide a higher level of help and support than those of Prime issuers
- We conduct a ‘Welcome Call’ with all new cardholders before they receive their card
- We provide ongoing education and support for all customers:
Credit Today Awards
Credit Card Provider of the Year

2009 Shortlist
• Vanquis Bank
• M&S Money

2010 Shortlist
• Vanquis Bank
• Clydesdale

2011 Shortlist
• Vanquis Bank
• Barclaycard
Acquisition channels

Multi-channel acquisition strategy is increasingly internet based

- Initially focused on direct mail
- Internet now the largest channel

Booked accounts by channel

*Annualised based on H1 2011 actuals*
Direct mail expertise

Rigorous test and learn approach

- Over a dozen different consumer data list sources used
- Statistical modelling and targeting used extensively
- Creative rotation mitigates response degradation
- Optimum mailing intensity identified for each sub population through testing
- All targets assessed for marginal economic value and Cost Per Account (“CPA”)
- In moving from 150,000 new accounts in 2007 to between 250,000 and 300,000 new accounts this year, the CPAs have remained flat
Vanquis Direct Mail

**Investor Day – 14 November 2011**

**Vanquis Direct Mail**

**Special Invitation For:**

Mr Chris Sample
123 Any Road
New Town
Surry
KT1 1TK

_**Congratulations Mr. Sample,** you are specially invited to apply for the Vanquis Bank Visa Card with a starting Credit Limit of up to £1,000 and a great choice of card design._

**SUMMARY OF BENEFITS FOR CHRIS SAMPLE**

1. You'll start with a manageable Credit Limit from £350 to £1,000.
2. You could get a Credit Limit Increase after your 4th statement and further increases every 4 months, up to £3,000
3. A UK Customer Service Centre - giving you the help and support you need
4. 24/7 Fraud Watch - We'll monitor your account 24 hours a day, 7 days a week, giving you real peace of mind when you shop
5. Plus, your choice of our New Card Designs - Silver, Blueberry, Lime and Plum

Chris Sample, you have been PRE-SELECTED to apply for the Vanquis Bank Visa Card. This card is a great way to build or rebuild your credit. Apply online at www.vanquis.co.uk/card/lead or complete and return the attached Special Invitation in the pre-paid envelope provided.

Don't delay - please accept this special invitation today. We look forward to welcoming you to Vanquis Bank very soon.

Representative 39.9% APR (variable)

---

Dear Mr C Smith,

This is a great time to apply for a Visa card from Vanquis Bank.

We've pre-selected you to speed up your application and give you earlier access to the benefits of a Visa card from Vanquis Bank.

Here's how we'll help you:

- You'll get a manageable starting Credit Limit up to £1,000
- You could receive a Credit Limit Increase after your 4th statement
- And further increases every 4 months, up to £3,000

Our UK Customer Service Centre is on hand to give you the help and support you need.

24/7 Fraud Watch. We'll keep an eye on your account to help protect you.

The Visa card from Vanquis Bank is a great way to build or rebuild your credit. We'll work with you to help you manage your finances and to give you the credit you deserve.

You can apply online at www.vanquis.co.uk/card/lead or complete and return the Special Invitation in the pre-paid envelope provided.

It's a great opportunity. Apply today!

Yours sincerely,

[Signature]

Jane Turner
Customer Service, Vanquis Bank

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Representative 39.9% APR (variable)

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Internet expertise

Heavy and active participants in:

- Natural search
- Paid search
- Affiliates
- Aggregators
- Alternative brand marketing (Granite)
- Display advertising

• All channels (and sub-channels) are closely monitored and actively managed based on effectiveness and value
• A rapidly evolving marketplace, the internet is our primary focus for acquisition
Vanquis in the market – vanquis.co.uk

Build your credit with a Vanquis Bank Card
- You’ll start with an easy to manage credit limit between £100 and £1,000.
- You could get a Credit Limit increase on your 4th statement. Conditions apply. See below*
- And further increases every 4 months, up to £3,000. Conditions apply. See below*
- A friendly UK Customer Service call centre.
- Online and SMS Account Management.

Representative 39.9% APR (variable)

Vanquis Bank - friendly and helpful
- We have helped over 1 million people get the credit they deserve. So, if you are new to credit or have a poor credit rating, we could help you too.
- We provide a sensible way to stay in control of your money.
- We aim to provide a reliable financial service.
- We are a UK based company with our Call Centre in Chatham and our Head Office in London.
- We are part of the Provident Financial Group, founded in Bradford more than 130 years ago.

Credit Advice
- The right credit card for you
- Your guide to credit cards
- Improve your credit rating
- How credit is calculated
- Financial management
- Card security

Charity work
We like to do our bit to help make the world a better place. So we support some important community projects in the UK and Africa.
Other channels

Small but expanding component of our marketing effort

- Decline referral programmes
- Partnership/white labelling/multi-brand
- Partner cross-selling
- Test channels e.g. Face to Face and Door Drops

• Represents about 20% of our new account volumes, with material opportunities to grow
Vanquis in the market - Partners
Managing Returns from Customers

- Marketing Strategy
- New Accounts
- Customer Lifecycle
  High Sustainable
  Returns
- Customer Service
- Existing Customer Management
- Fraud Management
- Fraud
- Collections
- Collections Strategy
Credit Management Objective

Maximise profitability subject to risk-adjusted rate of return hurdles

- Focused on the marginal decision – **NOT** the average performance
- Priority is credit limit management – **NOT** new account underwriting
- Drive sustained profitability – **NOT** short-term

These principles hold across all key decision points
How do we decide which applications to approve?

Getting the marginal account booking right is our focus

• The “last” booked account must achieve:
  - A projected steady state net loss rate of less than an approved threshold
  - A post-tax ROE consistent with our corporate objectives
How do we apply our risk and value principles?

Accounts must deliver sustained returns over the medium and long term

• We consider projected returns over an account’s lifetime and for each specific year. Accounts must:
  - Pass the risk and value hurdles in year 2, and
  - Provide average returns in excess of the hurdles over a 5-year outcome period ("lifetime" value)

• Returns derived on a Net Present Value basis (discounted at the bank’s cost of funds)
How do we process the applications?

Our system provides control while allowing enough flexibility to test and learn

- We use a state-of-the-art automated system which takes the application from data entry through to the ultimate accept/decline decision
  - Fully customised acquisitions process
  - Allows use of multiple scorecards and decision points
  - Full Champion-Challenger testing functionality
What makes our acquisitions process different?

The welcome call is a critical component of our underwriting strategy

- The use of a pre-acquisition welcome call is unique in the market
- This helps validate customer contact details (important for future marketing and collections efforts)
- Provides an opportunity to ask further questions specific to the customer’s application
- Customer responses during the call form part of final underwriting decision
How do we optimise the accept/decline decision?

Keeping expertise in-house allows us to build on our experience and evolve over time

- All analytical tools are built and maintained in-house
- Our Decision Science team owns a full complement of acquisition scorecards
  - Channel-specific scorecards
  - Thin/thick credit bureau file segmentation
  - Built on 9 years experience of our unique market
How do we optimise the accept/decline decision?

We have a clear view of how we expect our “last” accepted account to perform

- Lifetime value models are used to project ROE and long-term loss rates
  - Forecast income and cost lines based on past experience
  - Build marginal income statements and balance sheets
  - Optimise cut-offs for each marginal decision point
What APRs do successful applicants receive?

Risk-based pricing allows us to offer more products to more customers

- Unlike some issuers, we price for risk at all stages of the customer lifecycle (subject to meeting required hurdles at given price point)
- Lowest risk applicants booked on a 39.9% APR product
- Higher risk applicants booked on a 59.9% APR product
- Accounts failing to meet risk and return hurdles declined
How do we assign credit limits?

Low initial line is the other factor that differentiates us from the prime market

- The majority of accounts are booked on an initial credit line of £250 or less, underpinning the bank’s “Low and Grow” strategy
- Robust underwriting standards mean only 18% of applicants are approved

<table>
<thead>
<tr>
<th>Credit Limit</th>
<th>DM</th>
<th>INT</th>
<th>OTH</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£150</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>£250</td>
<td>49%</td>
<td>52%</td>
<td>37%</td>
<td>48%</td>
</tr>
<tr>
<td>£500</td>
<td>38%</td>
<td>43%</td>
<td>51%</td>
<td>42%</td>
</tr>
<tr>
<td>£1,000</td>
<td>7%</td>
<td>0%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: based on accounts booked in 2011
Existing Customer Management
How do we manage customer accounts?

The risk and value hurdles that underpin acquisitions strategy carry forward into our three key existing customer management strategies:

- **Credit Limit Increases** – responsible credit line growth is essential in delivering the “Low and Grow” strategy
- **Risk-Based Re-Pricing** – the interest yield is carefully managed, with pricing reassessed based on performance against ROE expectations
- **Authorisations and Exposure Management** – overuse of a customer’s credit limit is carefully controlled, and under-utilised credit lines are proactively reduced
Which customers receive a credit limit increase?

Granting line increases to low risk, active customers allows us to grow balances quickly and responsibly

• Additional credit lines are only extended to lower risk segments

• Particular attention is paid to the marginal utilisation (i.e. the amount that the customer will use) of the additional credit line as granting limit that is unlikely to be used is both non-value adding to the bottom line and potentially risky in managing future losses

• Execution complies with all regulatory requirements around selection and communications

• Accounts with recent missed payments are not eligible for a line increase
How do we identify low risk accounts?

Our scoring tools give us the ability to accurately identify lower risk segments

Our in-house Decision Science function builds scoring models that reassess risk monthly at an account level

- The models use both internal behavioural and external credit reference agency data
- Internal behavioural data is particularly powerful in predicting future loss
- The use of credit bureau data ensures that customers are continuing to manage their external lending facilities
- All data is refreshed monthly
What does “Low and Grow” look like in practice?

The success of our credit limit increase programme is fundamental to our business strategy:

- More credit is granted each month via the credit limit increase programme than at new account underwriting, underlining the importance of the account management strategy.

- 2/3 of credit is advanced to existing customers who have established a good track record.
How does “Low and Grow” impact individual accounts?

Our account management strategy allows us to grant conservative initial lines and grow them cautiously as our understanding of the individual customer improves.

- The chart below shows the impact of the “Low and Grow” strategy on account balances, which delivers growth over a 4 year period.

- The CLI programme maximises at between £2,000 and £3,000.
How do we manage interest yield?

Carefully controlling our interest yield drives stable returns as accounts age

- As with the credit line strategy, account pricing is reassessed monthly
  - Driven by account-level risk assessment
  - Pricing decision based on performance against ROE hurdles

- Execution complies with all regulatory requirements around selection and communications
How do we decide the appropriate price point for each customer?

*Our re-pricing strategy ensures we price for risk throughout the account’s lifecycle*

- Accounts are re-priced upwards when the ROE hurdle is not met
- Downward re-pricing occurs when:
  - Sustained positive performance is observed, and
  - ROEs are achieved at lower price points
How do we manage our exposure?

Carefully managing inactive accounts reduces costs and minimises unused credit line

• Inactive accounts are reviewed monthly and closed where necessary
  - Outbound marketing programmes attempt to stimulate card usage
  - Accounts are closed after sustained period of inactivity

• As a result, on average, our active accounts use more than 75% of their total credit limit
How do we control future losses?

Reducing exposure on high risk accounts helps drive down ultimate write-offs

- The credit line decrease strategy reduces exposure on poor performing segments
  - Highest risk accounts have their outstanding headroom removed
  - Minimises potential bad balances in the event of further repayment issues
How do we prevent over-exposure?

Preventing transactions when a customer is in financial difficulty is in the customer’s best interest and makes it easier to collect overdue and over-limit balances

• Over-limit transactions are rarely authorised
• No transactions are authorised when an account is in arrears
• All delinquent and over-limit accounts are contacted immediately
Why utilisation matters

A prime portfolio requires a much larger number of good customers to cover the losses incurred from a single bad customer

<table>
<thead>
<tr>
<th></th>
<th>Typical Prime Card Customer</th>
<th>Typical Vanquis Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Credit Limit</td>
<td>£10,000</td>
<td>£1,000</td>
</tr>
<tr>
<td>Average Utilisation</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>“Good” Account Balance</td>
<td>£2,500</td>
<td>£750</td>
</tr>
<tr>
<td>“Bad” Account Balance 1</td>
<td>£9,000</td>
<td>£900</td>
</tr>
<tr>
<td>Revenue Yield</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Revenue per Good Customer</td>
<td>£500</td>
<td>£375</td>
</tr>
<tr>
<td># of “Good” Customers to Offset One “Bad”</td>
<td>18</td>
<td>2.4</td>
</tr>
</tbody>
</table>

1 Typically, the average bad balance is 90% of the credit limit
And the result...

Much greater impairment volatility in a prime portfolio

Industry Trends (Fitch) vs Vanquis Bank
Charge-off
(Indexed as at Jan 2008)
We are left with a sustainable, long-term asset

Loss rates stabilise ~18 months after booking, with more recent vintages showing the effects of ongoing improvements in the customer management strategy throughout 2010 and 2011.

New Account Vintage Performance
(Source: 2008Q1, 2009Q1, 2010Q1 recruitment)
Returns are robust throughout the accounts lifecycle

New accounts quickly start to return value to the business, with returns stabilising 18 months after the account is booked.
Summary

• A diverse set of marketing channels driving strong organic growth within the business

• State-of-the-art systems and non-standard credit card expertise provide robust control of all key credit decisions across the business

• Accounts are actively managed to ensure appropriate returns are maintained

• This culminates in superior growth and stable returns throughout the economic cycle
Structure of the day

11.15 – 11.25 Welcome & Introduction
   Michael Lenora

11.25 – 11.45 How the Contact Centre Works
   David Underwood

11.45 – 13.00 Contact Centre Tour
   David Underwood
   Hosts
   Vanessa Farmer
   Josephine Kelly
   James Appleby
   Mark Evans

13.00 – 14.00 Lunch

14.00 – 15.00 Acquiring and Managing Returns from Customers
   Michael Hutko

15.00 – 15.30 Collections
   David Underwood

15.30 – 16.00 Coffee break

16.00 – 16.45 Financial Results & Funding
   Bob van Breda

16.45 – 17.00 Summary
   Michael Lenora

17.00 – 17.15 Concluding Remarks
   Peter Crook

17.15 – 20.00 Drinks & Canapes
   Maritime Museum
Collections
David Underwood – IT & Operations Director
Collections Overview

Management has a blend of Credit Card and Collections specialists, which drives new thinking in this area

- 180 staff working across the collections and recovery cycle
- Roll rates severity drives urgency and focus unique to non-standard lending
- Continuous and intensive focus on innovation required to compete
Collections Process

Our kept promise rate is 70 to 75% which we believe is industry leading

- 1st priority is to make contact with a customer
- Get an immediate payment – preferably via debit card
- If that is not possible:
  - Negotiate a realistic promise to pay
    - i.e. A specific amount to be paid on a specific date
- Skill of a Collector is to negotiate a promise to pay that:
  - Clears the account’s delinquency
  - Has a high likelihood of being kept
- Our kept promise rate is 70 to 75% which we believe is ‘best in class’
## Collections Work Flow

<table>
<thead>
<tr>
<th></th>
<th>Day &lt;0</th>
<th>30 Days</th>
<th>60 Days +</th>
<th>130 Days+</th>
<th>210 Days +</th>
<th>300 Days +</th>
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<tr>
<td>Pre-delinquency</td>
<td></td>
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<tr>
<td>Early Cycle</td>
<td></td>
<td>Vanquis</td>
<td></td>
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<td>Internal Recovery</td>
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<td>IMPACT</td>
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<td></td>
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<td>Prime Placement</td>
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<td>DCA</td>
<td></td>
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<tr>
<td>2nd Placement</td>
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<td>DCA</td>
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<td>Debt Sale</td>
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<td>Trace</td>
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<td>Financial Difficulty</td>
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</tbody>
</table>
Investor Day – 14 November 2011

Pre-delinquency

Behavioural triggers are used to segment and identify pre-delinquent population

- Triggers:
  - Cancelled Direct Debit
  - Missed payment due but yet to cycle
  - Overlimit accounts

- Activity is ‘light’ touch but immediate
  - PaySMS (now 6% of all promises)
  - Email Collections
  - Segmented Telephony Contact (20 FTE)
Early Cycle Arrears

Comprehensive approach to collections activity across all channels. Use of letter, SMS, email and telephony – account treatments segmented by risk

- Good to 30 rate of c.10% creates a sharp focus on early arrears
- Collections effort starts on day 1 of delinquency
- A dialler file is delivered to Vanquis overnight and our first call is made at 8am the next day
Early Cycle Arrears - Innovation

We see our dialler management as a competitive advantage

- Some recent development examples:
  - Use of Geographic Call IDs - contact rate increased >10%
  - Using random Call IDs >10% increase in contact rates
  - Best time to dial algorithms drives a 30% uplift in contact rates
  - Removal of contacts with high propensity to be answer machines
Early Cycle Arrears - Analytics

Agent performance is tracked through live MI released to the Agent desk top real time – best in class

- Examples:
  - Agent incentive driven from actual provision release that they personally deliver
  - Promises Kept rate / arrangement volume set up and break rate and non commitment calls all track at Agent level
- Traditional metrics (talk time etc) watched but not prioritised
- All calls are recorded for compliance purposes and to maintain TCF
**Typical 1 Down Account Level Example**

- **Account Holder**: Mrs T
- **Payment Due Date**: October 2\(^{nd}\)
- **Entered Collections**: October 8\(^{th}\)
- **Cured account**: October 25\(^{th}\)

**Promise to pay via outbound call made on Home # at 12:30 on the 8\(^{th}\)**

**Promise breaks on day 12, re-enters Collections on day 13**

**Daily contact attempted on two valid #’s across 11 different contact hours**

**4 Oct**  
**8 Oct**  
**17 Oct**  
**25 Oct**

**Customer cured account on day 17 in response to an automated SMS message**
Internal Recoveries Unit (IRU) - Overview

Focus designed to support the customer in bringing the account back in order

- Internal Recovery Unit (IRU) branded IMPACT Collections, staffed by the 45 best performing Agents
- Designed to reproduce, internally, the uplift seen from external DCA activity
- 20,000+ payment promises each month - accounts worked through automated diallers/manual Case Management work flows
- Accounts settling past 130 days undergo root cause analysis by senior management
Internal Recoveries Unit (IRU) – e-channel

Vanquis has developed an internal e-collections solution

- e-engagement is effective and less stressful for some customers
- e-tools are accessed through the website or email links
- Customers can make a promise, a payment, a settlement offer or trigger a financial difficulty discussion
- Response rates up to 3% and growing - a highly effective tool
Recoveries - Overview

Longstanding partnerships with Champion Agencies which focus on partnership rather than typical DCA panel management

- Relationship examples:
  - High quality data file –108 data elements co-designed with the DCA’s
  - Strong joint focus on rapid prototyping and test and learn to drive innovation
  - Weekly file transfers and analytics to smooth workflow and drive results

![Missing Numbers On the DCA File over the last 18 months](image_url)
Trace

Industry leading capability using all available data to locate cardholders

- Focus on accounts where contact cannot be established (returned mail, dead numbers, 3rd party information)
- Test results have led focus on internal data sources. Including:
  - Application form data
  - Inbound historic Call ID capture
  - Historic account notes
  - Agent level referrals from 3rd parties driven from an automated tool
- Tracing 3,500 to 4,000 customers per month
- Unit cost of £3.00 vs external bureau of £20 to £80
- 40% of customers traced make a payment within 28 days
Financial Difficulties

Policies in line with industry expectations and best practice

- Range of products available for customers in financial difficulties
- Internal payment arrangement options for short-term difficulties
- Longer-term arrangements available for later stage delinquency
- Strict controls in place – tracking at agent and portfolio levels
- Ratio of arrangements as percentage of net receivables is steady and less than 2%
- Strong links to Core Debt Management companies (covering 80% of volume)
Debt Sale

Asset sale forms a structured and controlled part of the Collections cycle

- Vanquis has developed and maintained long term relationships and effective strategies with debt purchasers (“DPs”). Examples:
  - Complete transparency of asset quality and collections activity prior to sale
  - Quality data file - 94 data elements, co-designed with DP’s
  - Sales split across DP’s - this enables buyers to maintain longer term insight into asset quality
Summary

• Blend of credit card and collections specialists are driving new bespoke thinking in this area.

• Comprehensive and intensive collections strategies
  - which start even before an account is in arrears
  - our customers know we won’t go away

• Real-time performance information available to managers and agents is driving improvement.

• Strong relationship with DCAs and debt purchasers is leveraging value.
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.15 – 11.25</td>
<td>Welcome &amp; Introduction</td>
<td>Michael Lenora</td>
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<td>Contact Centre Tour</td>
<td>Hosts</td>
</tr>
<tr>
<td></td>
<td>• New Accounts</td>
<td>Vanessa Farmer</td>
</tr>
<tr>
<td></td>
<td>• Customer Services</td>
<td>Josephine Kelly</td>
</tr>
<tr>
<td></td>
<td>• Collections</td>
<td>James Appleby</td>
</tr>
<tr>
<td></td>
<td>• Fraud</td>
<td>Mark Evans</td>
</tr>
<tr>
<td>13.00 – 14.00</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
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<td>Acquiring and Managing Returns from Customers</td>
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</tr>
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</tr>
<tr>
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<td></td>
</tr>
<tr>
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<td>Financial Results &amp; Funding</td>
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</tbody>
</table>
Financial Results & Funding

Bob van Breda – Finance Director
Investor Day – 14 November 2011

Agenda

Sustainability of growth and returns

• Financial model
• Profitability
  - Overall business performance
  - Impairment stability
  - Impact of low and grow strategy on cohorts
• Balance sheet strength
  - Provisioning
  - Funding - Deposits
  - Capital generation and returns
• Monitoring and MI
Financial model

Our financial model and targets are clear

• Manage to a minimum risk-adjusted margin of 30%
• Generate operating leverage between revenue and cost growth
• Manage to an equity base of 22% to align with regulatory capital requirements and group gearing targets
• Deliver a post-tax ROE of at least 30%
# Income statement

**Breakeven in 2007 and continued profit growth against difficult economic environment**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Customer numbers (‘000)</td>
<td>316</td>
<td>404</td>
<td>426</td>
<td>544</td>
</tr>
<tr>
<td>Period-end receivables</td>
<td>143.1</td>
<td>205.4</td>
<td>255.5</td>
<td>345.0</td>
</tr>
<tr>
<td>Average receivables</td>
<td>120.3</td>
<td>177.5</td>
<td>231.1</td>
<td>289.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>63.5</td>
<td>94.6</td>
<td>131.3</td>
<td>162.0</td>
</tr>
<tr>
<td>Impairment</td>
<td>(25.2)</td>
<td>(38.2)</td>
<td>(61.7)</td>
<td>(63.9)</td>
</tr>
<tr>
<td>Revenue less impairment</td>
<td>38.3</td>
<td>56.4</td>
<td>69.6</td>
<td>98.1</td>
</tr>
<tr>
<td>Risk-adjusted margin</td>
<td>31.8%</td>
<td>31.8%</td>
<td>30.1%</td>
<td>33.9%</td>
</tr>
<tr>
<td>Costs</td>
<td>(33.2)</td>
<td>(39.4)</td>
<td>(43.3)</td>
<td>(52.9)</td>
</tr>
<tr>
<td>Interest</td>
<td>(6.0)</td>
<td>(9.0)</td>
<td>(12.2)</td>
<td>(18.5)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(0.9)</td>
<td>8.0</td>
<td>14.1</td>
<td>26.7</td>
</tr>
</tbody>
</table>
Income statement returns

Revenue margins have been managed within a tight band to deliver a risk-adjusted margin of 30%

<table>
<thead>
<tr>
<th></th>
<th>2007 %</th>
<th>2008 %</th>
<th>2009 %</th>
<th>2010 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>% average receivables</td>
<td>52.8</td>
<td>53.3</td>
<td>56.8</td>
<td>56.0</td>
</tr>
<tr>
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<td>(0.7)</td>
<td>4.5</td>
<td>6.1</td>
<td>9.2</td>
</tr>
</tbody>
</table>

- Appropriate risk based pricing principles applied
- Support from risk based re-pricing and fees as impairment rose in 2008/2009
- Now moderating as impairment improves
Revenue composition

Revenue is predominately interest revenue

2010 Revenue

- Interest: 67%
- Fees: 19%
- Other: 14%

Fees:
- Default
- Overlimit
- Cash advance
- Interchange

Other:
- ID Theft
- Value Saver
- One Call
- Repayment Option Plan
Income statement returns

Impairment measured within a relatively narrow band through the cycle as economic conditions deteriorated and unemployment rose but has reduced as levels of unemployment stabilised

<table>
<thead>
<tr>
<th>% average receivables</th>
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</tbody>
</table>

- Underwriting tightened between 2007-2009
- Consistently tight since 2009
- Improving quality of book from tight underwriting and continued improvement in collections processes
Impairment stability

Reminder! ....impairment volatility is lower than seen in the prime market

- Impairment levels are protected by
  - The low levels of contingent liability
  - Inherent robustness of customer population
  - Blending of improved underwriting and maturing book
## Income statement returns

As a consequence the risk-adjusted margin has remained within a tight band

<table>
<thead>
<tr>
<th>% of average receivables</th>
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</tr>
</tbody>
</table>
Risk-adjusted margin

- Minimum risk-adjusted margin target of 30% delivered during period of rising unemployment in 2008 and 2009
- Margin expansion in 2010 and 2011 as unemployment stabilised and tight underwriting standards maintained
Income statement returns

Fixed costs are being leveraged as the business grows

<table>
<thead>
<tr>
<th>% of average receivables</th>
<th>2007 %</th>
<th>2008 %</th>
<th>2009 %</th>
<th>2010 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>52.8</td>
<td>53.3</td>
<td>56.8</td>
<td>56.0</td>
</tr>
<tr>
<td>Impairment</td>
<td>(20.9)</td>
<td>(21.5)</td>
<td>(26.7)</td>
<td>(22.1)</td>
</tr>
<tr>
<td>Revenue less impairment</td>
<td>31.8</td>
<td>31.8</td>
<td>30.1</td>
<td>33.9</td>
</tr>
<tr>
<td>Costs</td>
<td>(27.6)</td>
<td>(22.2)</td>
<td>(18.7)</td>
<td>(18.3)</td>
</tr>
<tr>
<td>Interest</td>
<td>(5.0)</td>
<td>(5.1)</td>
<td>(5.3)</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(0.7)</td>
<td>4.5</td>
<td>6.1</td>
<td>9.2</td>
</tr>
</tbody>
</table>

- High early infrastructure costs now shared i.e. underwriting engine, data centre and head office resource
- Significant proportion of costs are variable at front line
- Major back office provider provides scalability and variable cost model
Cost breakdown

Administration and acquisition costs are around half of cost base and falling as growth is leveraged

2010 Costs

- Acquisition: 25%
- Servicing: 51%
- Administration: 24%
Income statement returns

Funding costs will be reduced by deposit taking…more later

<table>
<thead>
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<td>6.1</td>
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Income statement returns

Asset returns show good growth but more importantly are manageable given the ability to control the risk adjusted return

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<td>9.2</td>
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Cohort analysis

Balances of a group of accounts remain high as rising average balance offsets loss of accounts due to voluntary attrition or bad debt, creating a long tail of revenue following early credit losses and acquisition costs.

Typical Cohort Analysis

- **Total Cohort Balance £m (2005)**
- **Profit per booked a/c £ (2005)**
Cohort profitability per account

Continuous improvement in returns due to development of credit techniques, pricing decisions and leveraging the fixed cost base

Profit per original booked account £

Yr 1 Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8

2003 2004 2005 2006 2007 2008 2009 2010
Cohort profitability (overall)

Stability of the cohort profile driven by the business model underlines the potential for sustainable future growth

Profit of accounts booked during year £m
Provisioning

Realistic accounting policy applied consistently which is prudent when benchmarked against other card issuers

- 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*
- Policy ensures that impairment charges are recognised early
- Very little lag between growth and impairment

* Subject to estimated realisations from central/third party debt recovery processes
Funding - Deposits

Deposit taking activities launched in July

- Funding of £100m - £125m by year end
- Expect to fund 80% of receivables by end of next year
- Targeting average period to maturity of 2 years
- Implementation:
  - Successful, no operational issues
  - Well developed relationship with Newcastle Building Society

Repayment of intercompany loans as deposit book builds over 18 months

Self-funding business

Deposits 80% of receivables

Bank, public & private debt, retail bond funding
Lend to PFG with guarantee from Home Credit subsidiaries (c. £1.2bn at June 2011)
Deposits

Product is designed to be straightforward

- 1, 2, 3 and 5 year fixed-rate bonds
- First £85,000 covered by FSCS
- No right to withdraw, excluding death or bankruptcy
- Internet based
- Outsourced back office to provide scale efficiencies (Newcastle Building Society)
Deposits

Only a small market share is required

- Market size of between £60bn - £140bn including renewals
- Marketing through well known internet best buy tables
- Market is very rate sensitive - £30m raised in a single week in September
Depositor profile

High quality, sustainable depositor base

- Typical for this market
- Not brand sensitive
- Home counties bias
- Most aged over 50
- Average balance £30,000
- Very few balances above FSCS limit of £85,000

<table>
<thead>
<tr>
<th>Age</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50</td>
<td>17%</td>
</tr>
<tr>
<td>&gt;= 50</td>
<td>83%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Monthly</td>
<td>24%</td>
</tr>
<tr>
<td>Interest Annually</td>
<td>76%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>48</td>
</tr>
<tr>
<td>Female</td>
<td>52</td>
</tr>
</tbody>
</table>
Deposits

Benefits accrue to both Vanquis and the group

- Liquidity
  - Stable source of funding
  - Consistent with FSA guidance and Vickers report
- Diversified funding base for Vanquis and Group
- Lower all-in funding costs
  - Headline rate c.4% depending on duration
  - Operating costs around 1-2% but will reduce with scale
  - Liquidity buffer required (between 10-20% dependent on duration)
## Capital generation – H1 2011

Vanquis paid its first dividend to the group in H1 2011

<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>76.5</td>
<td>345.0</td>
<td>22.2</td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td>12.9</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Other capital movements</td>
<td></td>
<td>(0.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth in receivables</td>
<td></td>
<td>(7.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(20% x £35.1m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus capital generated</td>
<td></td>
<td>5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend</td>
<td></td>
<td>(5.0)</td>
<td>(5.0)</td>
<td></td>
</tr>
<tr>
<td>At 30 June 2011</td>
<td></td>
<td>0.2</td>
<td>84.4</td>
<td>22.2</td>
</tr>
</tbody>
</table>
Returns have grown strongly and target 30% ROE was achieved in H2 2010
Monitoring and MI

Monitoring and control is a key business competency

- Necessary to monitor:
  - Credit and overall business performance for chosen segments
    - Acquisition channel (internet, direct mail and other)
    - Customer segment (Gold vs other)
  - Operational performance
  - Credit decisions
Monthly MI

Available day 2 for management review on “day 3”

- Comprehensive pack (over 200 pages) covering all key business KPIs
- Clear executive level responsibility
Monthly MI
Based around a structured scorecard approach

- FINANCIALS
  - P&L and investor returns
  - Income, costs, impairment
  - Key drivers

- RISK/COMPLIANCE
  - Liquidity, capital and ML
  - Audit and review actions
  - Oversight

- MARKETING
  - Response rates
  - Booking rates
  - Cost per account

- CREDIT
  - Roll rates
  - Scorecard performance
  - Initial and line increase

- CUSTOMER MGT
  - Attrition and inactive
  - Utilisation
  - Product penetration

- ACCOUNT BOOKING
  - Contact rates
  - Cost per booked
  - Sales rates

- CUSTOMER SERVICE
  - Abandonment rate
  - Complaints rate
  - Gold profitability

- FRAUD
  - % of transactions
  - Per account
  - Disputes

- COLLECTIONS
  - Contact rates
  - Recovery rates
  - Promises

- STAFF
  - Turnover
  - Satisfaction
  - Leaver reason codes

- IT/INFRASTRUCTURE
  - Uptime
  - Service desk calls
  - Third party performance

Note: only a small sample of KPI's shown
Other MI

Comprehensive supplementary analysis

- Full financial forecast of month end on day “T-5”
- Daily MI
  - 30 pages, multiple KPIs covering portfolio and operation performance
  - Published 9.30am
  - Based on previous day close
- Ad hoc analysis
  - Data warehouse holding customer lifetime transaction level data
Summary

Our returns are high and sustainable

• Business model and low and grow strategy creates:
  - Cohort profitability with long tails
  - Low impairment volatility and a manageable risk-adjusted margin
  - High returns
  - Future growth potential

• Balance sheet strength
  - Prudent provisioning
  - Funding diversification for Vanquis and group

• Monitoring and controls are key
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<td></td>
<td>• Customer Services</td>
<td>Josephine Kelly</td>
</tr>
<tr>
<td></td>
<td>• Collections</td>
<td>James Appleby</td>
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</table>
Summary
Michael Lenora
Sustainable growth and high returns

To deliver minimum 30% risk-adjusted margin and 30% post-tax ROE

- Significant growth opportunity
  - Focused on our target customers and segment

- Business model that delivers high, sustainable ROE
  - Clear credit management objectives
  - High contact through the acquisitions process and welcome call
  - Credit limit assignment and utilisation key to delivering returns
  - Profitable sustainable assets
  - Lifecycle plays to our advantage over time
  - Stability of impairment

- Funded through retail deposits
Target customer

Our target customers have a materially different profile to standard issuers

- Customer status

<table>
<thead>
<tr>
<th></th>
<th>Prime issuer</th>
<th>Vanquis Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment status</td>
<td>Employed</td>
<td>Employed</td>
</tr>
<tr>
<td>Annual income</td>
<td>£25k+ p.a.</td>
<td>£15-30k p.a.</td>
</tr>
<tr>
<td>Residential status</td>
<td>House-owner/mortgaged</td>
<td>Tenant (75%)</td>
</tr>
<tr>
<td>Use of other credit cards</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Use of other borrowings</td>
<td>Medium</td>
<td>Very low</td>
</tr>
</tbody>
</table>

- Card features

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Credit line</td>
<td>£5,000+</td>
<td>£900</td>
</tr>
<tr>
<td>Line utilisation</td>
<td>25%</td>
<td>75+%</td>
</tr>
<tr>
<td>Typical APR</td>
<td>15-20%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Primary purpose of card</td>
<td>Transactor/revolver</td>
<td>Revolver</td>
</tr>
</tbody>
</table>
Credit Management Objective

Maximise profitability subject to risk-adjusted rate of return hurdles

• Focused on the marginal decision – NOT the average performance
• Priority is credit limit management – NOT new account underwriting
• Drive sustained profitability – NOT short-term

These principles hold across all key decision points

Underwriting + Existing Customer Management = Portfolio Performance
What makes our acquisitions process different?

The welcome call is a critical component of our underwriting strategy

- The use of a pre-acquisition welcome call is unique in the market
  - This helps validate customer contact details (important for future Marketing and Collections)
  - Provides an opportunity to ask further questions specific to the customer’s application
  - Customer responses during the call form part of final underwriting decision
How do we assign credit limits?

Low initial line is the other factor that differentiates us from the prime market

- The majority of accounts are booked on an initial credit line of £250 or less, underpinning the bank’s “Low and Grow” strategy
- Robust underwriting standards mean only 18% of applicants are approved

<table>
<thead>
<tr>
<th>Credit Limit</th>
<th>DM</th>
<th>INT</th>
<th>OTH</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£150</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>£250</td>
<td>49%</td>
<td>52%</td>
<td>37%</td>
<td>48%</td>
</tr>
<tr>
<td>£500</td>
<td>38%</td>
<td>43%</td>
<td>51%</td>
<td>42%</td>
</tr>
<tr>
<td>£1,000</td>
<td>7%</td>
<td>0%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: based on accounts booked in 2011
Why utilisation matters
A prime portfolio requires a much larger number of good customers to cover the losses incurred from a single bad customer

<table>
<thead>
<tr>
<th></th>
<th>Typical Prime Card Customer</th>
<th>Typical Vanquis Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Credit Limit</td>
<td>£10,000</td>
<td>£1,000</td>
</tr>
<tr>
<td>Average Utilisation</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>“Good” Account Balance</td>
<td>£2,500</td>
<td>£750</td>
</tr>
<tr>
<td>“Bad” Account Balance ¹</td>
<td>£9,000</td>
<td>£900</td>
</tr>
<tr>
<td>Revenue Yield</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Revenue per Good Customer</td>
<td>£500</td>
<td>£375</td>
</tr>
<tr>
<td># of “Good” Customers to Offset One “Bad”</td>
<td>18</td>
<td>2.4</td>
</tr>
</tbody>
</table>

¹ Typically, the average bad balance is 90% of the credit limit
We are left with a sustainable, long-term asset

Loss rates stabilise ~18 months after booking, with more recent vintages showing the effects of ongoing improvements in the customer management strategy throughout 2010 and 2011
Returns are robust throughout the accounts lifecycle

New accounts quickly start to return value to the business, with returns stabilising 18 months after the account is booked.

Post-Tax ROE over time
(Source: 2008 Q1, 2009Q1, 2010Q1 recruitment)
Impairment stability

Reminder!..impairment volatility is lower than seen in the prime market

- Impairment levels are protected by
  - The low levels of contingent liability
  - Inherent robustness of customer population
  - Blending of improved underwriting and maturing book
Return on Equity

Returns have grown strongly and target 30% ROE was achieved in H2 2010
## Structure of the day

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Concluding remarks
Peter Crook – Chairman, Vanquis Bank
Where can Vanquis get to?

**Vanquis 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 p.a.)
  - Whilst maintaining tight underwriting and a post-tax ROE of 30-35%
- We believe that Vanquis has the potential for:
  - 1.0 to 1.2 million customers with
  - An average balance of between £800-£1,000
  - Generating £1bn of receivables
- Progress will be dictated by:
  - Economic conditions
  - Emergence of competition
  - Maintaining targeted return on equity of at least 30%
Questions?
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<td>15.30 – 16.00</td>
<td>Coffee break</td>
<td></td>
</tr>
<tr>
<td>16.00 – 16.45</td>
<td>Financial Results &amp; Funding</td>
<td>Bob van Breda</td>
</tr>
<tr>
<td>16.45 – 17.00</td>
<td>Summary</td>
<td>Michael Lenora</td>
</tr>
<tr>
<td>17.00 – 17.15</td>
<td>Concluding Remarks</td>
<td>Peter Crook</td>
</tr>
<tr>
<td>17.15 – 20.00</td>
<td>Drinks &amp; Canapes</td>
<td>Maritime Museum</td>
</tr>
</tbody>
</table>
Appendix

• Vanquis Bank Executive Team Biographies
Michael Lenora – Managing Director

- Graduated with a B.S. in Finance, M.A. in Applied Economics and an M.B.A. in Economics. Michael held a number of senior positions from 1980 to 2004 including Vice President, Credit Card Operations and later Senior Executive VP – International Operations, Associates First Capital Corporation. Following this Michael joined Barclaycard International in 2004 as Commercial Director, Rest of World and Auriemma Consulting Group as Managing Director in 2006.

- Michael joined Vanquis Bank in June 2007 as Managing Director.
David Underwood – Operations and IT Director

• David originally qualified and worked for a number of years as a mechanical engineer before moving into Financial Services. He now has more than 30 years of experience in the Financial industry, most of it gained with the Lloyds Banking Group, including 8 years as Operations Director for their Card Business and 3 years as Credit Operations Director for their Retail Bank. In this role he was responsible for the collection and recovery of Credit Card, Personal Loan, Mortgage and Current Account delinquency.

• David joined Vanquis in 2006.
Michael Hutko – Commercial Director

• Graduated with a science degree. Between 1993 and 2001 held a number of positions in the financial services industry in America including with the First USA Bank and Associates Financial Services. In 2001 Michael joined Barclays Bank, UK becoming Director of Customer Management in 2004.

• Michael joined Vanquis Bank in 2007 as the Marketing Director and a member of the Board and now holds the position of Commercial Director.
Bob van Breda – Finance Director

- Graduated in Economics and is a Chartered Banker and Management Accountant. Between 1990 and 1998, Bob held a number of positions in NatWest including Corporate Banking and Group Finance roles. He joined Providian in 2001 becoming Head of Finance.

- Bob joined Vanquis Bank in 2002 as Head of Finance before becoming Finance Director and a member of the Vanquis Bank Board in 2004.
Carole Jones – Legal Director

• Graduated with an Honours Degree in Legal Studies and qualified as a solicitor in 1984. Carole has over 20 years experience within the retail banking sector and has held a number of senior legal management positions in companies including Abbey plc and Kensington Mortgages.

• Carole joined Vanquis Bank as Legal Director and Company Secretary in June 2010 having previously held the position in 2008.
Karen Spencer – HR Director

- As a Fellow of the Chartered Institute of Personnel & Development, Karen has held a number of senior Human Resources positions across the financial sector since 1982. In 1999 she joined Providian National Bank as the Human Resources Director and was part of the UK start up team, remaining with the business until it was ultimately sold to Barclaycard.

- On leaving Providian in 2002 Karen joined Vanquis Bank as part of the start up team.