Our approach
Provident Financial plc

Our presentation today

- Overview
  - Peter Crook
- Financial review
  - Andrew Fisher
- Consumer Credit Division
  - Chris Gillespie
- Vanquis Bank
  - Peter Crook
- Outlook
  - Peter Crook
Provident Financial plc

2007 Highlights: delivering high quality growth

- Profit & customer number growth in CCD
- Significant improvement in impairment in both CCD & Vanquis Bank
- Vanquis Bank around break-even for year
- Real Personal Finance market test progressing well
- Profit before tax from continuing operations up 16.8% to £115.2m*
- Full-year dividend of 63.50p per share
- Strong funding & liquidity positions

* Stated after adjusting for the one-off £5.5m benefit from changes to pension scheme members' commutation rights in 2006 for continuing operations
Provident Financial plc
Overview

new strategy
new business structure
new approach
new management team
Provident Financial plc
Strategy: addressing the UK non-standard lending market

- Focus on the 10m consumers in the UK non-standard lending market
  - Provident Financial already has the largest customer base in the UK
  - existing infrastructure and experience capable of meeting the needs of this wider audience
  - key priorities are:
    - home collected credit
    - credit cards
    - direct repayment lending
Provident Financial plc

Strategy: addressing the UK non-standard lending market

- Current competitive environment provides good opportunities to grow
  - mainstream lenders are tightening their lending criteria
  - demand for non-standard credit remains strong
  - group is very strongly funded & capitalised
## Provident Financial plc

### Business structure

### Consumer Credit Division

**Home credit**

- **Brands**
  - Provident Personal Credit
  - Greenwood Personal Credit

- **Products**
  - Small cash loans
  - Larger loans
  - Pre-loaded Visa card
  - Shopping vouchers

**Direct repayment loans**

- **Brands**
  - Real Personal Finance

### Vanquis Bank

**Credit cards with lower card limits**

- **Product**
  - Visa credit card
Provident Financial plc
Community based lending model: robust through the economic cycle

- Regular face-to-face contact with our customers...
  - all CCD loans are underwritten face-to-face in the customers’ home
  - our home credit customers are visited by our agents every week
  - this means that we make over 80 million visits each year

- ...allows us to routinely manage changes to their personal circumstances...
  - national network of 11,600 agents and over 300 branches to react quickly and manage changes in local economic circumstances
  - loans remain short-term, small value and affordable
  - agents are used to dealing with changes to customers’ circumstances

- ...making us uniquely placed to manage any changes in economic conditions effectively
  - we respond to warning signs of early strain, often before the event happens
  - we respond to signs of recovery and resume profitable lending quickly, whilst other remote lenders can only see impaired historic credit records
Vanquis model is different to mainstream card issuers

- highly bespoke underwriting scorecards have been developed
- application & underwriting process includes a telephone interview
- initial card lines are low, normally £250, which then grow as customers demonstrate performance
- intensive customer interface from our call centre in Chatham
- credit bureau data is re-checked regularly for existing customers to mitigate the risk of over-indebtedness
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New management: enhancing the group’s talent pool

- New managing directors for CCD & Vanquis Bank in Chris Gillespie & Michael Lenora
- Both have over 20 years of industry experience
- Important new appointments to strengthen divisional management teams
- Both businesses well positioned for future growth
Provident Financial plc

New management: enhancing the group's talent pool

- **David Craggs**
  - Business Support Director – CCD
  - Joined in October 2007
  - Previously at Bradford & Bingley, Barclays Bank and the Co-Operative Group
  - Responsible for key head office operations, such as IT, contact centre and central debt recovery
Provident Financial plc
New management: enhancing the group’s talent pool

• **Penny Jones**
  - Director of IT – Consumer Credit Division
  - Joined in January 2008
  - Previously at First Group and Cattles
  - Responsible for effective management of the company’s IT systems
Provident Financial plc

New management: enhancing the group’s talent pool

- **Gary Horgan**
  - Divisional Operations Manager, Real Personal Finance
  - Joined in August 2007
  - Previously at HFC and Provident
  - Responsible for RPF’s performance on sales volumes, arrears performance and compliance standards
Provident Financial plc
New management: enhancing the group’s talent pool

• Michael Hutko
  • Commercial & Marketing Director, Vanquis Bank
  • Joined in September 2007
  • Previously at Barclays in both UK & international credit card units, and earlier at Associates First Capital Corporation
  • Responsible for marketing, co-branding, marketing analytics and identifying strategies for growth
Provident Financial plc

New management: enhancing the group’s talent pool

- **Vanessa O’Brien**
  - Business Development Director, Vanquis Bank
  - Joined in February 2008
  - Previously at MBNA, Barclaycard, Morgan Stanley UK Cards, Capital One and GE Capital
  - Responsible for all credit card portfolio acquisitions, partnerships, joint ventures and strategic alliances
Financial review
## Financial review

### Profit before taxation from continuing operations

<table>
<thead>
<tr>
<th></th>
<th>2007 £m</th>
<th>2006 £m</th>
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</tr>
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<td>1.5</td>
</tr>
<tr>
<td>Pension credit*</td>
<td>-</td>
<td>5.5</td>
<td>(5.5)</td>
</tr>
<tr>
<td><strong>Total Central</strong></td>
<td>123.5</td>
<td>127.5</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Vanquis Bank</td>
<td>(0.9)</td>
<td>(18.3)</td>
<td>17.4</td>
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<td>Yes Car Credit (collect out)</td>
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<td><strong>Central</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(6.5)</td>
<td>(6.0)</td>
<td>(0.5)</td>
</tr>
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<td>Interest receivable</td>
<td>2.0</td>
<td>2.4</td>
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<td>115.2</td>
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* Consumer Credit Division profits in 2006 included the benefit of a one-off pension credit in respect of changes to members’ commutation rights.
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## Financial review

### Capital generation

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<th>2006 £m</th>
<th>Change £m</th>
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<td>Consumer Credit Division</td>
<td>84.4</td>
<td>94.5</td>
<td>(10.1)</td>
</tr>
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<td>(9.0)</td>
<td>(28.3)</td>
<td>19.3</td>
</tr>
<tr>
<td>Yes Car Credit</td>
<td>19.4</td>
<td>(6.4)</td>
<td>25.8</td>
</tr>
<tr>
<td>Central</td>
<td>(2.8)</td>
<td>(4.7)</td>
<td>1.9</td>
</tr>
<tr>
<td>Capital generated before dividends</td>
<td>92.0</td>
<td>55.1</td>
<td>36.9</td>
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## Financial review

### Balance sheet as at 31 December

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<td><strong>Pension asset</strong></td>
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<td><strong>Borrowings</strong></td>
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<td>21.8%</td>
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<td><strong>Gearing (††)</strong></td>
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* including the fair value of derivatives used to hedge US$ private placement notes
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### Gearing

**Gearing (††) \(2.7x\)**

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</tr>
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## Financial review

### Regulatory capital at 31 December 2007

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<th>Basel II £m</th>
<th>Basel I £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk weighted assets</td>
<td>794.3</td>
<td>990.5</td>
</tr>
<tr>
<td>Pillar I capital requirement</td>
<td>69.7</td>
<td></td>
</tr>
<tr>
<td>Tier 1 capital</td>
<td>234.2</td>
<td>234.2</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total capital</td>
<td>334.2</td>
<td>334.2</td>
</tr>
</tbody>
</table>

**Total capital as a % of Pillar I capital requirement**: 480%

**Basel I capital adequacy**: 33.7%
Financial review

Borrowings & committed facilities

<table>
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<th>Committed facilities:</th>
<th>£m</th>
</tr>
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<tbody>
<tr>
<td>Syndicated bank facilities</td>
<td>707.5</td>
</tr>
<tr>
<td>Bilateral bank facilities</td>
<td>55.0</td>
</tr>
<tr>
<td>Private placement notes</td>
<td>234.8</td>
</tr>
<tr>
<td>Subordinated bonds</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total committed facilities</strong></td>
<td><strong>1,097.3</strong></td>
</tr>
</tbody>
</table>

Borrowings on committed facilities

as at 31 December 2007* 662.0

Committed headroom available 435.3

* including the fair value of derivatives used to hedge US$ private placements notes
Financial review

Maturity of committed borrowing facilities

- Senior issuer default rating of BBB+ from Fitch Ratings maintained with stable outlook
- 2008 interest cost substantially fixed at around 6.50%
## Financial review

### Earnings & dividends

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<tr>
<th>2007 Dividends</th>
<th>per share</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Interim (paid in Nov-07)</td>
<td>25.4p</td>
<td>£33.0m</td>
</tr>
<tr>
<td>Final (to be paid in Jun-08)</td>
<td>38.1p</td>
<td>£50.0m</td>
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<tr>
<td></td>
<td>63.5p</td>
<td>£83.0m</td>
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**Capital generated from continuing operations**

£92.0m

**Adjusted earnings per share**

63.5p
Financial review
Surplus capital

• Target ratio of 15% ordinary shareholders’ capital to receivables

• Approximately £75m of surplus capital as at 31 December 2007 against this target ratio, excluding the pension asset and taking into account operational seasonality and dividend flows

• In view of the high dividend payout ratio, this surplus will be retained in the near term to fund growth opportunities and provide a sensible degree of strategic flexibility

• Directors may consider a return of capital as and when appropriate
Financial review

Impairment

- **Weekly home credit**
  - evidence of impairment based on payment performance in the previous 12 weeks
  - loans deemed impaired if more than 1 contractual weekly payments is missed in the previous 12 weeks
  - loans are not impaired if only 1 contractual weekly payment is missed in the previous 12 weeks
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  *a provision of over 90% is made against a home credit loan if no payment has been received over the previous 90 day period*

* subject to estimated realisations from central / third party debt recovery processes
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  *a provision of over 90% is made against a home credit loan if no payment has been received over the previous 90 day period*

- **Vanquis Bank**
  - loans deemed to be impaired as soon as one contractual monthly payment is missed

* subject to estimated realisations from central / third party debt recovery processes
Financial review

Impairment

- **Weekly home credit**
  - evidence of impairment based on payment performance in the previous 12 weeks
  - loans deemed impaired if more than 1 contractual weekly payments is missed in the previous 12 weeks
  - loans are not impaired if only 1 contractual weekly payment is missed in the previous 12 weeks
  
  *a provision of over 90% is made against a home credit loan if no payment has been received over the previous 90 day period*

- **Vanquis Bank**
  - loans deemed to be impaired as soon as one contractual monthly payment is missed
  
  *a provision of over 80% is made against Vanquis Bank accounts that are 90 days in arrears*

*subject to estimated realisations from central / third party debt recovery processes*
Financial review
Impairment

In summary:

• Accounting practices are conservative when benchmarked against others

• Policies have been applied consistently since adoption of IFRS in 2005
**Credit quality**

**New IFRS 7 disclosures**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group %</td>
<td>Home credit %</td>
</tr>
<tr>
<td>In order</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>44.6</td>
<td>35.6</td>
</tr>
<tr>
<td>In arrears</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>12.1</td>
<td>14.9</td>
</tr>
<tr>
<td>Impaired</td>
<td>43.3</td>
<td>49.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

- Home credit and Vanquis Bank both show an improvement in their arrears profile in 2007

Figures represent percentage of closing receivables
Consumer Credit Division
Consumer Credit Division

Highlights

- **Excellent results from home credit**
  - year-end customer numbers up 5.3% to a record level
  - impairment charge down by 2.0% in absolute terms, and down to 29.7% as a % of revenue
  - profit growth of 1.2%

- **Continued investment in modernisation**
  - ongoing programme of developments for 2008

- **Encouraging progress with market test of Real Personal Finance**
  - currently in 33 locations rising to 50 in Q2 of 2008
  - no material start up costs expected in 2008
## Consumer Credit Division

**2007 results**

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<th>2007 £m</th>
<th>2006* £m</th>
<th>Change %</th>
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<tr>
<td>Customer numbers (‘000)</td>
<td>1,650</td>
<td>1,567</td>
<td>5.3</td>
</tr>
<tr>
<td>Credit issued</td>
<td>959.9</td>
<td>940.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Average customer receivables</td>
<td>638.8</td>
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<tr>
<td>Revenue</td>
<td>590.5</td>
<td>576.7</td>
<td>2.4</td>
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<td>Impairment</td>
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* Consumer Credit Division profits in 2006 are stated excluding the benefit of a one-off £5.5m pension credit in respect of changes to members’ commutation rights.
Consumer Credit Division

Continuing development of new customer acquisition channels

Graph showing the development of new customer acquisition channels from 2004 to 2007. The channels include Internet, Direct Mail, Directories, Brokers, Face to Face, and Others. The graph is a bar chart with stacked bars for each year, illustrating the growth and contribution of each channel over time.
Consumer Credit Division

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Consumer Credit Division

Impairment as a % of revenue - MAT

[Graph showing the percentage of impairment over time from Dec-04 to Dec-07, with peaks in Jun-05 and Dec-06, followed by a decrease in Jun-07 and Dec-07.]
Consumer Credit Division
Enhanced credit management

• **Aiming to maintain the quality of the receivables book**
  - keep tight control over impairment
  - reduction in level of customer attrition over time, resulting in lower acquisition and arrears management costs

• **Pre-screening process for credit applications**
  - introduced H2-2006
  - one in three applications being declined
  - many of these would have previously been accepted

• **Full use of Credit Reference Agency data to be deployed from mid-2008**
Consumer Credit Division

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Better credit decisions
- Greater use of analytics in decision-making
- Full access to bureau data in H2-2008

Computer systems
- Core home credit accounts processing systems being replaced
- 25% of business now using the new system. Progressive roll-out during 2008. Technology proven to be robust
- A platform to deliver a number of key business initiatives over the next 3-5 years, including handheld devices
Consumer Credit Division

Strategic initiatives for 2008

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Consumer Credit Division
Strategic initiatives for 2008 - continued

- **Agent commission**
  - Current approach largely unchanged since 1997. Served us well but quite complex and in need of revision
  - New scheme in trial with circa 600 agents since October. Early indications very encouraging
  - Fundamental principle retained. We pay agent commissions on what they collect, *not what they lend*
  - Emphasis changed to offer greater rewards for:
    - developing strong repayment disciplines early in the relationship
    - restoring customers in arrears to order
  - Decision on pace of roll-out to be taken in mid-2008
Handheld computers

- Over 200 agents now using the device
- Extended field trials will continue through 2008
- Prioritised behind rollout of new core accounting system and agent commission initiatives in the short term
- Programme scope widened. Now positioned as a business development and decision support tool, not just cost reduction
Consumer Credit Division

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• What is it?
  • Underwritten in the home
  • Repaid by monthly direct debit

• Who is it for?
  • Non-standard customers who want personal service and direct debit repayments rather than home collection

• Why do it?
  • Many customers are comfortable with direct debit and would otherwise leave us for other lenders
Consumer Credit Division
Real Personal Finance – a high return opportunity

• **Large market – c.10m non-standard individuals**
  • Target market underserved

• **Competition**
  • Mainstream flight from non-standard lending
  • non-standard specialists

• **Customer retention**
  • Significant opportunity to retain a proportion of good customers who leave us each year

• **Leverage existing branch infrastructure**
  • Limited incremental investment required
  • Integrated working

• **Limited fixed customer acquisition costs – pay as you go**
  • Referrals from home credit
  • Brokers
  • Direct
Face to face lending for life in the real world

Because our customers tell us they...

Don’t like banks  →  We don’t sound or look like a bank
Don’t like complexity  →  We keep things simple
Don’t like jargon  →  We use straightforward language
Don’t like to feel intimidated  →  We offer a personalised, face to face service in the home environment
Don’t like to be treated as 2nd class citizens  →  We don’t patronise or judge
Consumer Credit Division
Real Personal Finance – business model

- All potential customers underwritten face-to-face in the home by a Personal Finance Manager (PFM) with central decision support to assess:
  - Capacity
  - Constancy
  - Character

- Repayments collected monthly by direct debit

- Early arrears handled by the PFM with central support

- Pricing is competitive

- We do not sell Payment Protection Insurance
Consumer Credit Division

Real Personal Finance – integrated business

- All PFMs based in existing home credit branch offices
  - An integrated team – one business, two routes to market
  - Jointly identify potential RPF customer opportunities from paid-up former customer base
  - Jointly identify customers known to be at risk of paying up and leaving
  - Opportunity to offer the best product to suit customer needs at a point in time
  - Leverage existing infrastructure, keeps fixed costs down
Consumer Credit Division
Real Personal Finance – why it works for customers

• Target Group A: former home credit customers, and existing customers who are known to be at risk of paying up and leaving us:
  • Access to wider product range, larger loans, different repayment method
  • Home visit is highly valued
  • Lower APR than home credit

• Target Group B: new customers in the broader 10m non-standard market:
  • Convenient
  • Simple
  • Quick
  • Personal

  Less ‘intimidating’ than a branch environment
Consumer Credit Division
Real Personal Finance – why it works for Provident

• Retain existing quality customers

• Access a broader range of customers in the 10m non-standard market

• An underserved market segment

• Builds on core lending competencies - face to face underwriting supported by decision analytics

• Leverage existing infrastructure —> low start-up investment
Consumer Credit Division
Real Personal Finance – progress to date

- Initial 20 locations went live in November 2007
  - Expanded to 33 locations at end of February
  - Expanding further to 50 in May

- Specialist skills recruited including:
  - Field management
  - Underwriting
  - Arrears
  - Marketing
  - System Support

- Performance
  - c. 1,500 customers
  - c. £2.9m receivables
  - c. £1,900 average customer balance
  - Average monthly repayment £116
  - Impairment well within expectations at this early stage

- No material start up costs expected in 2008

- Review Q3-2008 to determine the pace and scale of further roll-out
Consumer Credit Division
Real Personal Finance – www.realpersonalfinance.co.uk

Keeping it Real
Face to face lending for life in the real world

Real loans for people with real lives
We understand that most people can’t just buy whatever takes their fancy. But we can make it a lot simpler for you to get your hands on what you want. Real Personal Finance is for real people who lead real lives.
You’ll discover it’s so much easier to borrow money when you talk to us. We offer secured loans from £750 to £4,000. We’ll arrange a face-to-face meeting with one of our Personal Finance Managers at a time to suit you. And because you repay us by direct debit you’ll find it convenient too.
You should also be reassured to know we’re part of Provident Financial, established in 1896 - and now a leading provider of credit in the UK with over 1.5 million customers.

Loan Calender
Work out how much you can afford using our handy calender!

Contact Us
If you want to discuss arranging a loan with us, please call us now 0800 218 2700

Work With Us
We’re looking for someone with a great package and a great CV. Why not take a look at our up to date job listings for exciting opportunities to begin a new and fulfilling career.

Terms & Conditions / Privacy Policy / Contact Us / Careers

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Vanquis Bank
Vanquis Bank

Highlights

• **Strong growth in volumes**
  • customer numbers up 26% to 316,000
  • average receivables up 52% to £117.3m
  • internet applications particularly strong

• **Significant improvement in credit quality**
  • impairment as a percentage of revenue at 39.7%, down from 56.7% in 2006
  • now close to the planned ongoing rate
  • over 70% of customer applications declined

• **Moved into monthly profitability in June 2007**
  • second half profit of £3.3m
  • full-year loss of £0.9m, down from £18.3m in 2006
## Vanquis Bank

### 2007 results

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</tr>
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<tr>
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<td>316</td>
<td>251</td>
<td>25.9</td>
</tr>
<tr>
<td>Average customer receivables</td>
<td>117.3</td>
<td>77.3</td>
<td>51.7</td>
</tr>
<tr>
<td>Revenue</td>
<td>63.5</td>
<td>34.2</td>
<td>85.7</td>
</tr>
<tr>
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Vanquis Bank

Continued strong growth in customer numbers & average receivables

[Graph showing customer numbers and average receivables from June 2005 to December 2007]
Vanquis Bank

Continued improvement in arrears

Impairment as a % of revenue - MAT

Dec-05 Jun-06 Dec-06 Jun-07 Dec-07
Vanquis Bank
Strategic initiatives for 2008

- **Continued growth in average customer balances**
  - credit line management
  - utilisation initiatives

- **Development of affinity relationships**
  - retailers serving target customer demographic
  - declines from other card issuers

- **Development of synergies with CCD**
  - card declines to CCD
  - arrears management
  - infrastructure
Vanquis Bank
Strategic initiatives for 2008 - continued

- Potential acquisition of card portfolios
  - fit with Vanquis customer profile
  - leverage scale and infrastructure

- Expansion of capacity at Chatham call centre
  - extended facility and upgraded IT capability in H1-2008
  - provides capacity to manage 750,000 accounts
The past year has seen further enhancements to marketing, credit management and the talent base within the group’s businesses, which is now driving high quality growth in both customer numbers and profit.

The strength of the group’s funding and liquidity positions underpin the group’s medium term organic growth plans, as it pursues its strategy of addressing the broader UK non-standard lending market of some 10 million consumers.

Current market conditions are favourable as mainstream lenders continue to tighten their lending criteria, and the group has made a strong start to 2008.
Questions