Provident Financial plc

Interim results 2007

11 September 2007
Our Presentation Today

- Overview
- Financial review
- UK home credit
- Vanquis Bank
  - Results
  - Early observations
- Group outlook

- Peter Crook
- Andrew Fisher
- Peter Crook
- Peter Crook
- Michael Lenora
- Peter Crook
Provident Financial plc

Overview

Our ongoing UK operations

<table>
<thead>
<tr>
<th>UK home credit</th>
<th>Vanquis Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROVIDENT</strong></td>
<td><strong>Vanquis Bank</strong></td>
</tr>
<tr>
<td>Provident Personal Credit</td>
<td>Greenwood Personal Credit</td>
</tr>
<tr>
<td><strong>Small, unsecured personal loans</strong></td>
<td><strong>Revolving, Visa-branded credit card</strong></td>
</tr>
<tr>
<td>Average loan size: £333</td>
<td>Average credit line: £685</td>
</tr>
<tr>
<td>Number of customers: 1.5m</td>
<td>Number of customers: 289,000</td>
</tr>
</tbody>
</table>
Overview

Current environment

- growing opportunities in the UK non-standard lending market
- advantage of highly responsive national network
- little exposure to broad consumer indebtedness
- rising interest rates have little impact on customers or the company
- the UK unemployment rate is stable
- worldwide credit crisis not directly relevant to our customers or the company
Responsive national network

- national network of branches
- more than 11,500 agents visiting our customers’ homes each week
- up-to-date granular data captured locally & nationally each week
- highly responsive to changes in local & national market conditions
Current environment

Consumer over-indebtedness

- our customers have relatively limited usage of other credit products
- our underwriting approach is careful and assesses each customer’s ability to repay
- there is no financial incentive for our agents to over-lend
- The increased levels of consumer over-indebtedness in the UK in recent years are not a feature of the UKHC customer base, and are only a minor influence on the Vanquis customer base
Provident Financial plc

Current environment

Rising UK interest rates

• Limited impact on customers
  • main pressures on our customers’ disposable incomes are food, fuel, utility & council tax costs
  • our customers have limited access to other forms of credit, including mortgages
  • UK home credit’s charges are fixed at the start of the loan

• Limited impact on company
  • 2007 interest cost substantially fixed at c.7.0%
  • interest is a relatively small element of the total cost base
Provident Financial plc

Current environment

UK unemployment rate

- Potentially the most material factor adversely affecting our customers’ disposable incomes
- Latest data suggests that the unemployment rate has stabilised at 2.5-3.0%
- This current position is materially lower than during previous recessionary periods
- Our unique network enables a rapid response to changing local & national conditions

Source: Office of National Statistics
Current environment

Worldwide credit crisis

- no impact upon the group’s access to capital
- long-term funding in place for short-term customer lending
- little or no impact upon our customers
- other lenders are continuing to retreat from the UK non-standard lending market
Provident Financial plc

Financial highlights

Ongoing UK operations

<table>
<thead>
<tr>
<th>PROFIT BEFORE TAX*</th>
<th>AVERAGE CUSTOMER RECEIVABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 19.4% to £38.2m</td>
<td>+ 11.5% to £735.0m</td>
</tr>
</tbody>
</table>

Continuing operations (comprising ongoing UK operations & International)

<table>
<thead>
<tr>
<th>PROFIT BEFORE TAX*</th>
<th>EARNINGS PER SHARE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 19.8% to £56.3m</td>
<td>+ 20.2% to 15.38p</td>
</tr>
</tbody>
</table>

* before demerger costs
A good first half from ongoing UK operations

- **UK home credit:**
  - continued customer number & receivables growth
  - continued evolution
  - stable impairment and growth in net revenue
  - profits stable
- **Vanquis Bank:**
  - management actions to put the business on a sounder commercial footing executed successfully
  - significantly reduced start-up losses
  - expected to trade at around break-even for 2007 as a whole
- **Yes Car Credit:**
  - continued strong collections performance
## 2007 interim: profit before taxation

<table>
<thead>
<tr>
<th>Category</th>
<th>2007 £m</th>
<th>2006 £m</th>
<th>Change £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing UK operations</td>
<td>38.2</td>
<td>32.0</td>
<td>6.2</td>
</tr>
<tr>
<td>International</td>
<td>18.1</td>
<td>15.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>56.3</td>
<td>47.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Discontinued operation - Motor Insurance</td>
<td>11.8</td>
<td>19.0</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Profit before tax and exceptional items</td>
<td>68.1</td>
<td>66.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Demerger costs</td>
<td>(11.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on disposal of Motor Insurance</td>
<td>69.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>125.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 2007 interim: profit before taxation from ongoing UK operations

<table>
<thead>
<tr>
<th></th>
<th>2007 £m</th>
<th>2006 £m</th>
<th>Change £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK home credit</td>
<td>47.0</td>
<td>47.0</td>
<td>-</td>
</tr>
<tr>
<td>Vanquis Bank</td>
<td>(4.2)</td>
<td>(10.7)</td>
<td>6.5</td>
</tr>
<tr>
<td>Yes Car Credit</td>
<td>(1.2)</td>
<td>(0.5)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Central costs</td>
<td>(3.4)</td>
<td>(3.8)</td>
<td>0.4</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>38.2</td>
<td>32.0</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Note: group interest charges allocated to UK home credit for 2006 have been increased by £4.7m to reflect revised borrowings based on an average ratio of borrowings to receivables of 80%, with a corresponding reduction in Central costs.
## Provident Financial plc
### Balance Sheet

#### Consolidated & pro forma demerged balance sheets as at 30 June 2007

<table>
<thead>
<tr>
<th>£m</th>
<th>PF Group (pro forma)</th>
<th>IPF (pro forma)</th>
<th>UK Group (pro forma)</th>
<th>UK Group (pro forma as at 31 Dec 06)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>1,154.2</td>
<td>355.2</td>
<td>799.0</td>
<td>901.7</td>
</tr>
<tr>
<td>Pension asset</td>
<td>68.6</td>
<td>3.5</td>
<td>65.1</td>
<td>18.5</td>
</tr>
<tr>
<td>Borrowings</td>
<td>(844.5)</td>
<td>(262.4)</td>
<td>(582.1)</td>
<td>(639.0)</td>
</tr>
<tr>
<td>Other</td>
<td>72.5</td>
<td>68.4</td>
<td>4.1</td>
<td>(17.7)</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>450.8</strong></td>
<td><strong>164.7</strong></td>
<td><strong>286.1</strong></td>
<td><strong>263.5</strong></td>
</tr>
</tbody>
</table>

**Equity(*):**
- Receivables (%): 33.1% 45.4% 27.7% 27.2%

* excluding the pension asset
† as per the Circular to shareholders dated 25 June 2007
Surplus capital for the ongoing UK operations

- Target of 15% Ordinary Shareholders’ Capital to receivables
- Still approximately £80m of surplus as at June 2007, disregarding the pension asset and taking into account operational seasonality and dividend flows
- In view of high dividend payout ratio, 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
## Provident Financial plc
### Balance Sheet

#### Regulatory capital – ongoing UK operations

<table>
<thead>
<tr>
<th></th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>799.0</td>
</tr>
<tr>
<td>Other risk weighted assets</td>
<td>52.9</td>
</tr>
<tr>
<td><strong>Total risk weighted assets</strong></td>
<td><strong>851.9</strong></td>
</tr>
<tr>
<td>Capital reserves - Tier 1</td>
<td>217.3</td>
</tr>
<tr>
<td>Subordinated debt - Tier 2</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total capital resources</strong></td>
<td><strong>317.3</strong></td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td><strong>37.2%</strong></td>
</tr>
</tbody>
</table>
## Borrowings & committed facilities

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Committed facilities</strong></td>
<td></td>
</tr>
<tr>
<td>Syndicated bank facilities</td>
<td>707.5</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>1,042.3</td>
</tr>
<tr>
<td><strong>Pro forma borrowings at 30 June 2007</strong></td>
<td>582.1</td>
</tr>
<tr>
<td><strong>Committed headroom available</strong></td>
<td>460.2</td>
</tr>
</tbody>
</table>
• Senior issuer default rating of BBB+ from Fitch Ratings maintained with a stable outlook
• 2007 interest cost substantially fixed at c.7.0%
### Profit on disposal

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales proceeds</strong></td>
<td>170.5</td>
</tr>
<tr>
<td>Less adjustments for termination of swaps (£6.9m), pension (£3.4m) &amp; disposal costs (£7.8m)</td>
<td>(18.1)</td>
</tr>
<tr>
<td>Tax recoverable from purchaser</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total net consideration</strong></td>
<td>154.1</td>
</tr>
<tr>
<td>Net assets on disposal</td>
<td>(90.5)</td>
</tr>
<tr>
<td>Pension credit and other</td>
<td>5.7</td>
</tr>
<tr>
<td>Profit on disposal before tax</td>
<td>69.3</td>
</tr>
<tr>
<td>Tax charge</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Net profit on disposal</strong></td>
<td>68.4</td>
</tr>
</tbody>
</table>
Interim dividend

- continue to pay c.40% as an interim dividend
- $31.75 \times 40\% \times 2 = 25.40p$ per PFplc share

**consolidation ratio**

- interim dividend of 1.90p per IPFplc share
- Phasing of dividend payments:
  - interim: November (previously October)
  - final: June (previously May)
## Interim 2007: results

<table>
<thead>
<tr>
<th></th>
<th>2007 £m</th>
<th>2006 £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer numbers (‘000)</td>
<td>1,486</td>
<td>1,472</td>
<td>1.0</td>
</tr>
<tr>
<td>Credit issued</td>
<td>393.1</td>
<td>390.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Average net customer receivables</td>
<td>630.0</td>
<td>591.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Revenue</td>
<td>292.0</td>
<td>289.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Impairment</td>
<td>(107.4)</td>
<td>(106.4)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Revenue less impairment</td>
<td>184.6</td>
<td>183.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Costs</td>
<td>(120.4)</td>
<td>(121.2)</td>
<td>0.7</td>
</tr>
<tr>
<td>Interest</td>
<td>(17.2)</td>
<td>(15.0)</td>
<td>(14.7)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>47.0</td>
<td>47.0</td>
<td>-</td>
</tr>
</tbody>
</table>

*Impairment as a % of revenue (MAT)*

31.0% 30.2%
New channels add significant profitable volume

Total New Accounts Booked
Non-Agent Sources

- Internet
- Direct Mail
- Directories
- Inserts
- Face to Face
- Brokers
- Press
- Door to Door & other

2006
2007
Customers and credit issued (MAT) at June
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 agent-led applications
  - introduced H2-2006
  - resulted in over 50,000 applications rejected in both H2-2006 and H1-2007
    - many of these would have previously been accepted
- Full use of Credit Reference Agency data to be deployed from H1-2008
Real Personal Finance

Sales

Remote
Face-to-face

Collections

Remote
Face-to-face

Provident Financial plc
Product Innovation
• 200,000 satisfied customers migrate from UK home credit annually
• RPF is a logical extension of the existing business
  • offers monthly, remotely collected unsecured personal loans
  • leverages from existing branch network and customer base
Real Personal Finance

Business model

- Extension of weekly home credit
- Customers underwritten face to face in the home by Personal Finance Manager (PFM)
- Repayments collected monthly by direct debit
- Unsecured personal loans of c.£3,000 over c.36 months
- Early arrears handled by the PFM
- More customer oriented service than the competition
- Business model being piloted through to early 2008
Provident Financial plc
Vanquis Bank – overview

Business now on a sounder commercial footing

• Existing portfolio re-priced at end of 2006
  • no material levels of customer attrition
  • no material reduction in credit line utilisation
• Underwriting criteria tightened progressively since 2005
• Arrears management processes strengthened during 2006
• Customer number & receivables growth continues
  • customer numbers up 36.3% to 289k
  • average receivables up 56.3% to £105m
• Impairment as a % of revenue (MAT) fell sharply from 65.7% to 50.1% in H1-07
• Moved into monthly profit from June 2007
Improvements in quality of underwriting

Impairment as a % of revenue (MAT)
Strong growth in customer numbers & average receivables
## Interim 2007: results

<table>
<thead>
<tr>
<th></th>
<th>2007 £m</th>
<th>2006 £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer numbers (‘000)</td>
<td>289</td>
<td>212</td>
<td>36.3</td>
</tr>
<tr>
<td>Average net customer receivables</td>
<td>105.0</td>
<td>67.2</td>
<td>56.3</td>
</tr>
<tr>
<td>Revenue</td>
<td>27.8</td>
<td>13.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Impairment</td>
<td>(12.8)</td>
<td>(8.1)</td>
<td>(58.0)</td>
</tr>
<tr>
<td>Revenue less impairment</td>
<td>15.0</td>
<td>5.8</td>
<td>158.6</td>
</tr>
<tr>
<td>Costs</td>
<td>(16.6)</td>
<td>(15.4)</td>
<td>(7.8)</td>
</tr>
<tr>
<td>Interest</td>
<td>(2.6)</td>
<td>(1.1)</td>
<td>(136.4)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(4.2)</td>
<td>(10.7)</td>
<td>60.7</td>
</tr>
</tbody>
</table>

*Impairment as a % of revenue (MAT)*

50.1% 65.7%
## Vanquis Bank – medium-term targets

<table>
<thead>
<tr>
<th></th>
<th>June 2007</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>289k</td>
<td>500k+</td>
</tr>
<tr>
<td>Average credit utilised</td>
<td>£367</td>
<td>£600</td>
</tr>
<tr>
<td>Receivables</td>
<td>£105m</td>
<td>£300m+</td>
</tr>
<tr>
<td>Post-tax annual return on equity</td>
<td>c.30%</td>
<td></td>
</tr>
</tbody>
</table>
Early observations

- People
- Facilities
- Customer Base
- Key drivers
- Summary
People

- Young
- Enthusiastic
- Quantitative
- Tired of the Investment Phase
Vanquis Bank – early observations

Facilities

- Locations
  - City of London: key to attracting skilled positions
  - Chatham: within easy reach, significantly more cost-effective than London, capable of supporting 750,000 accounts
- Systems: very current, no legacy systems
- Reporting: very rapid
Provident Financial plc

Vanquis Bank – early observations

Customer base – as expected

- Earning £12-25k p.a.
- Not particularly sensitive to current market conditions
  - sterling interest rate changes
  - sub-prime mortgage market
- “Low and Grow” strategy perfect for current environment
- Unlike the general trends in the UK credit card industry, credit quality metrics at Vanquis have improved
Market size / opportunity

- UK non-standard lending market is c.9m people
- Prime lenders’ flight to quality
- In the card marketplace, this means:
  - Tighter screening criteria for new solicitations
  - Historically high levels of declines
  - A potential appetite for portfolio sales involving our target customer demographic
- Existing customer base of 289k clearly small by reference to market size
  - medium-term target of 500k
  - potential acquisitions or partnerships may accelerate this
Key business drivers

• Attract/retain top talent
  • Engender a growth environment
  • Incentives
  • Performance

• Focus on daily disciplines
  • Timely production of management information
  • Marketing-driven management style
  • Keep management in front of the operation
  • Make planning a key priority
  • Keep promises, don’t make excuses
Key business drivers (cont..)

- **Diversify sources of customer leads**
  - Continue to drive existing organic growth channels (internet and direct mailing)
  - Develop a broader acquisition strategy (including the use of partnership / affinity relationships)
  - Emphasise customer management activities
  - Exploit synergies effectively with the UK home credit network
Vanquis Bank – early observations

Summary

• Has built a strong infrastructure of people and systems from which to grow further
• Is not as sensitive to external market conditions as mainstream / prime issuers
• Is benefiting from the recent flight to quality and competitors’ retrenchment from the sector
• Will see returns expand as a result of efficiency and scale increases

Vanquis has a very positive and attractive future
Provident Financial plc

Group outlook
• Strengthened management
• Improved medium-term prospects for both UK home credit & Vanquis Bank
• Strong position from which to focus on strategy to develop a broader range of credit products for the non-standard UK lending market

“We are confident that our continuing UK operations will deliver good profits growth for 2007 as a whole.”
QUESTIONS