Provident Financial plc

2007 Results Presentation

new
Our approach

4 March 2008

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

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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

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Business structure

Consumer Credit Division		Vanquis Bank
Home credit	Direct repayment loans	Credit cards with lower card limits
Brands Provident Personal Credit Greenwood Personal Credit	Brands Real Personal Finance	
Products Small cash loans Larger loans Pre-loaded Visa card Shopping vouchers	Product Direct repayment loans	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 Bank : closer to its customers

- 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

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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

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

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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

	2007 £m	2006 £m	Change £m
Consumer Credit Division	123.5	122.0	1.5
Pension credit*	-	5.5	(5.5)
	123.5	127.5	(4.0)
Vanquis Bank	(0.9)	(18.3)	17.4
Yes Car Credit (collect out)	(2.9)	(1.5)	(1.4)
Central			
Costs	(6.5)	(6.0)	(0.5)
Interest receivable	2.0	2.4	(0.4)
Total central	(4.5)	(3.6)	(0.9)
Profit before tax & exceptional items	115.2	104.1	11.1

* 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

	2007 £m	2006 £m	Change £m
Consumer Credit Division	84.4	94.5	(10.1)
Vanquis Bank	(9.0)	(28.3)	19.3
Yes Car Credit	19.4	(6.4)	25.8
Central	(2.8)	(4.7)	1.9
Capital generated before dividends	92.0	55.1	36.9

Financial review

Balance sheet as at 31 December

	2007 £m	2006 pro forma £m
Receivables		
Consumer Credit Division	749.0	695.6
Vanquis Bank	143.1	97.5
Yes Car Credit	33.3	108.6
	925.4	901.7
Pension asset	61.5	
Borrowings*	(669.8)	
Other	(21.2)	
Net assets	295.9	
Equity(†) : Receivables	21.8%	
Gearing (††)	2.7x	

* including the fair value of derivatives used to hedge US$ private placement notes
† excluding the net pension asset & proposed final dividend
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Financial review

Regulatory capital at 31 December 2007

	Basel II £m	Basel I £m
Risk weighted assets	794.3	990.5
Pillar I capital requirement	69.7	
Tier 1 capital	234.2	234.2
Tier 2 capital	100.0	100.0
Total capital	334.2	334.2
Total capital as a % of Pillar I capital requirement	480%	
Basel I capital adequacy		33.7%

Financial review

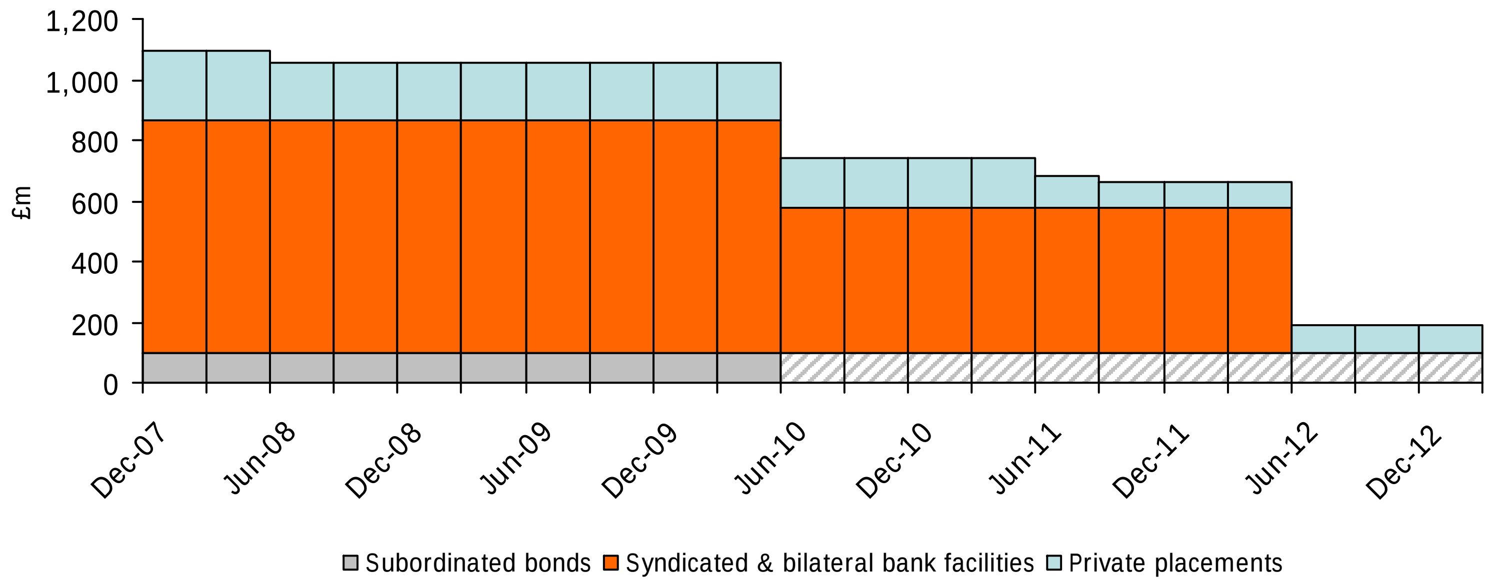
Borrowings & committed facilities

	£m
Committed facilities:	
Syndicated bank facilities	707.5
Bilateral bank facilities	55.0
Private placement notes	234.8
Subordinated bonds	100.0
Total committed facilities	1,097.3
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

	per share	Cost
2007 Dividends		
Interim (paid in Nov-07)	25.4p	£33.0m
Final (to be paid in Jun-08)	38.1p	£50.0m
	63.5p	£83.0m

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

Financial review

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

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- 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

	2007			2006		
	Group %	Home credit %	Vanquis Bank %	Group %	Home credit %	Vanquis Bank %
In order	44.6	35.6	84.5	43.6	33.8	84.0
In arrears						
Past due but not impaired	12.1	14.9	-	11.8	15.3	-
Impaired	43.3	49.5	15.5	44.6	50.9	16.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

- 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

	2007 £m	2006* £m	Change %
Customer numbers ('000)	1,650	1,567	5.3
Credit issued	959.9	940.8	2.0
Average customer receivables	638.8	601.3	6.2
Revenue	590.5	576.7	2.4
Impairment	(175.3)	(178.8)	2.0
Revenue less impairment	415.2	397.9	4.3
Costs	(256.7)	(245.5)	(4.6)
Interest	(35.0)	(30.4)	(15.1)
Profit before tax	123.5	122.0	1.2
Impairment as a % of revenue (MAT)	29.7%	31.0%	

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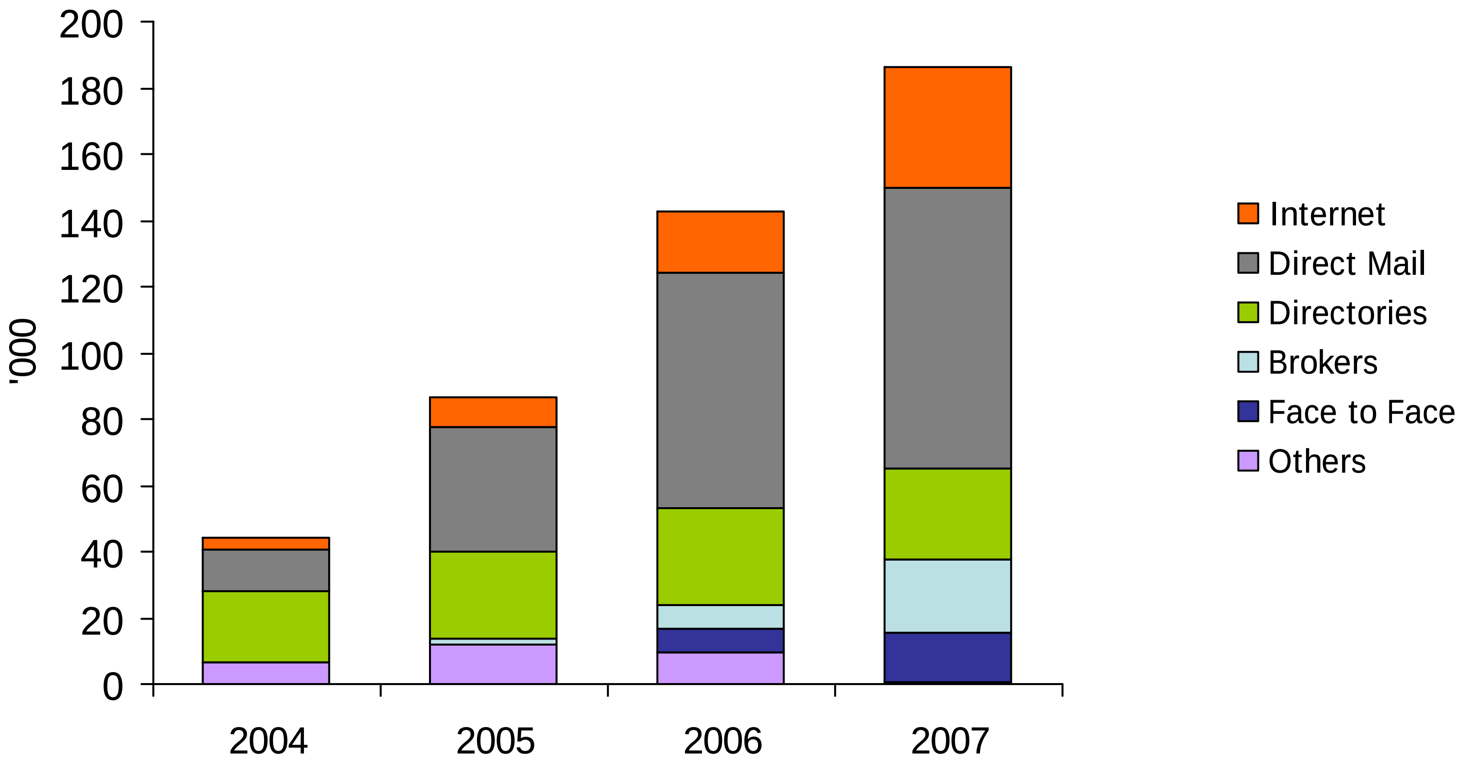
Consumer Credit Division

Continuing development of new customer acquisition channels



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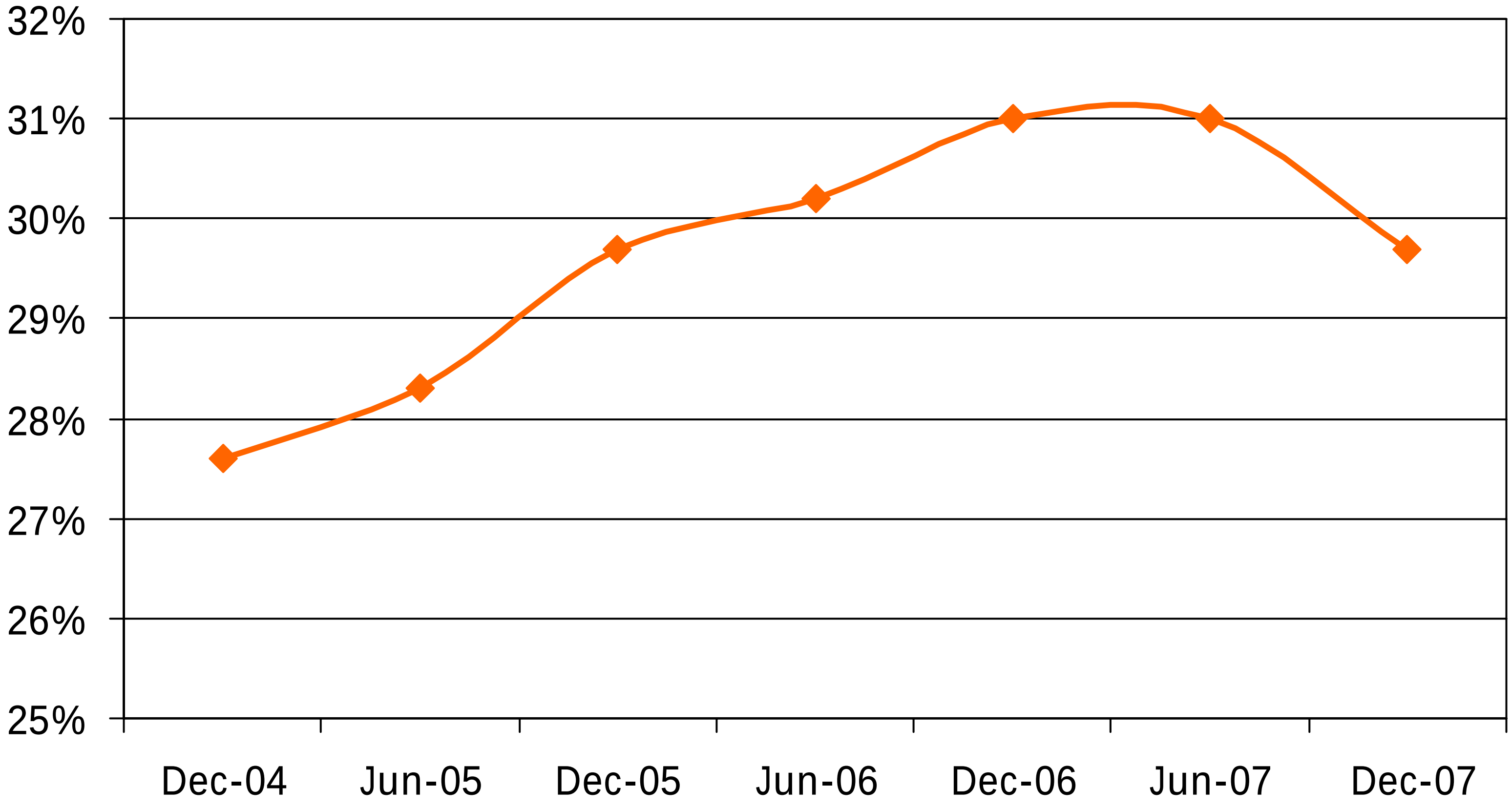
Consumer Credit Division

Impairment as a % of revenue - MAT



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

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Consumer Credit Division

Strategic initiatives for 2008

- 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

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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, <u>not what they lend</u>
  - 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

Consumer Credit Division

Strategic initiatives for 2008 - continued

- 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

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Consumer Credit Division

Real Personal Finance

Consumer Credit Division

Real Personal Finance

- 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

Consumer Credit Division

Real Personal Finance – customer proposition

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

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

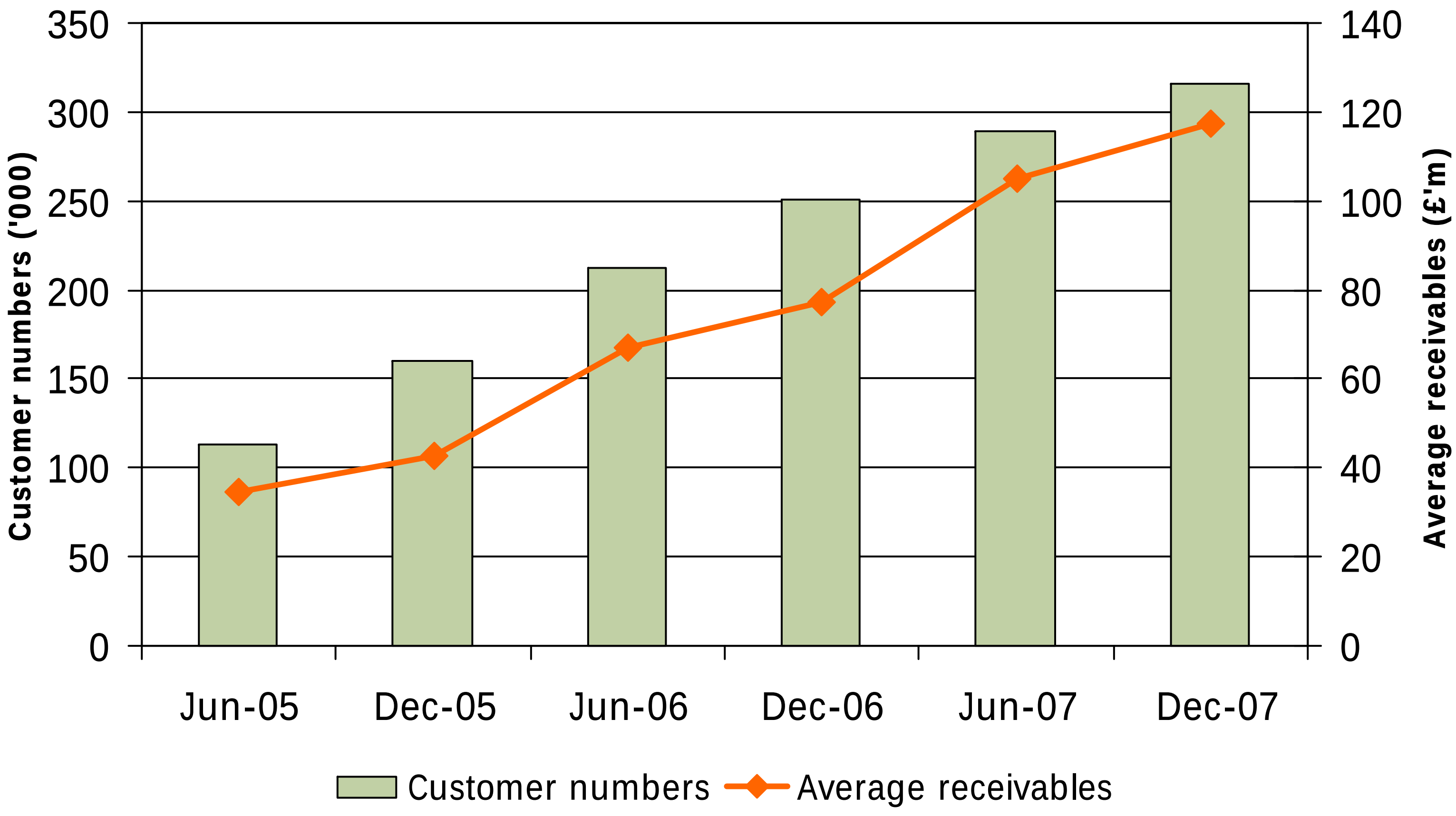
Vanquis Bank

2007 results

	2007 £m	2006 £m	Change %
Customer numbers ('000)	316	251	25.9
Average customer receivables	117.3	77.3	51.7
Revenue	63.5	34.2	85.7
Impairment	(25.2)	(19.4)	(29.9)
Revenue less impairment	38.3	14.8	158.8
Costs	(33.2)	(30.0)	(10.7)
Interest	(6.0)	(3.1)	(93.5)
Loss before tax	(0.9)	(18.3)	95.1
Impairment as a % of revenue (MAT)	39.7%	56.7%	

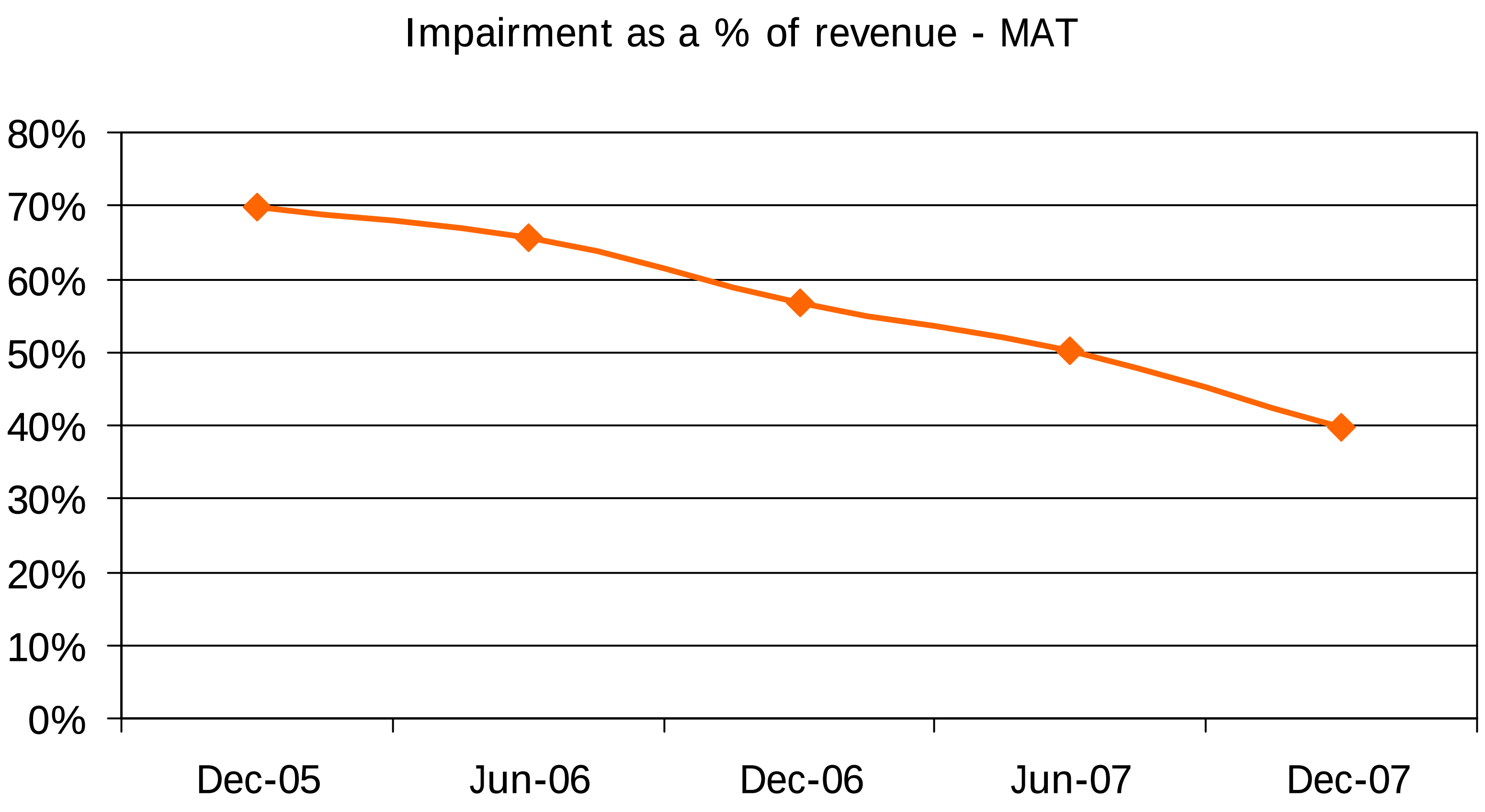
Vanquis Bank

Continued strong growth in customer numbers & average receivables



Vanquis Bank

Continued improvement in arrears



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

Outlook

Provident Financial plc

Summary & outlook

- 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