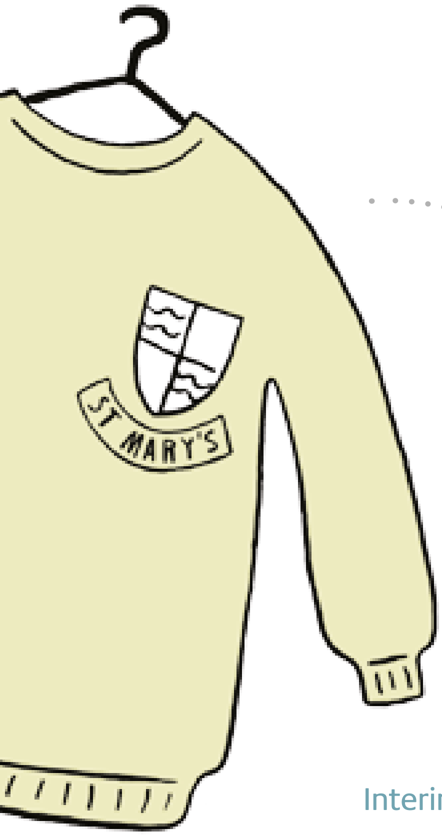

Interim Report 2011

Meeting the need for credit in the real world

PFG Provident Financial Group

Contents

Provident Financial plc is the market-leading provider of home credit in the UK and Ireland, with a successful, growing credit card business. Its operations consist of the Consumer Credit Division and Vanquis Bank.

Highlights

£62.3m
Profit before tax

34.3p
Basic earnings per share

26.7p
Interim dividend

£280m
Headroom on committed facilities

Key financial results

	H1 2011	H1 2010	Change
Customer numbers	2.4m	2.3m	5.2%
Average receivables[1]	£1,151.5m	£1,028.5m	12.0%
Pre-tax profit	£62.3m	£54.0m	15.4%
Basic earnings per share	34.3p	29.5p	16.3%
Interim dividend per share	26.7p	25.4p	5.1%

"I am delighted to report earnings up by 15.4% and to announce a 5.1% increase in the interim dividend, which is strongly supported by the group's excellent capital generation.

The group's funding position is very robust. In this context, the activation of the retail deposit programme in Vanquis Bank not only represents further significant diversification of the group's funding sources, but will also establish ongoing standalone financing for this growing business.

Credit quality in both businesses is very sound as evidenced by the favourable impairment trends in the first half of the year. This provides the foundation for delivering good quality growth for 2011 as a whole. There will be no change to the cautious stance on extending new credit in recognition of the continuing pressure on consumers' real incomes and remaining uncertainty over the future direction of the employment market."

Peter Crook
Chief Executive

Group

- First half pre-tax profit up by 15.4% to £62.3m (2010: £54.0m) reflecting high quality receivables growth and favourable impairment trends.
- Increase in the interim dividend of 5.1% to 26.7p (2010: 25.4p) supported by earnings growth and strong capital generation.
- Strong balance sheet and liquidity with gearing ratio of 3.3 times and headroom on committed facilities of £280m, sufficient to meet contractual maturities and fund planned growth until the final quarter of 2012.
- In addition, Vanquis Bank retail deposit taking programme activated in July to establish standalone funding for this growing business and further diversify the group's funding base.

Consumer Credit Division

- Home Credit pre-tax profit of £50.2m, after absorbing £2m of one-off costs in respect of the implementation of the EU Consumer Credit Directive (2010: £51.1m, including a £2m benefit from the extra trading week[2]).
- Sound credit quality and a strong collections performance throughout the first half reduced Home Credit's annualised rate of impairment from 32.9% of revenue at December 2010 to 31.2% at June 2011.
- Continuing focus on good quality existing customers produced growth in Home Credit average receivables[1] of 4.6%.

Vanquis Bank

- Pre-tax profit up by 93.4% to £17.6m (2010: £9.1m).
- Further strong investment in the customer acquisition programme produced 26.3% growth in the customer base and 36.3% growth in average receivables.
- Annualised risk-adjusted margin[3] of 34.7%, well ahead of the 30% minimum target due to the favourable delinquency performance supported by continued application of tight underwriting standards.
- Surplus distributable capital of £5.2m generated in the first half of the year and a dividend of £5.0m paid to Provident Financial plc in July.

[1] Based on an average of month-end receivables throughout the first half of the year.
[2] Home Credit's 2011 financial year comprises 52 weeks with the first half of the year comprising a 26-week period. Home Credit's 2010 financial year comprised 53 weeks with the first half of the year comprising a 27-week period.
[3] Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.

Group results

The group has reported a strong set of results with group pre-tax profit up 15.4% to £62.3m (2010: £54.0m) reflecting a sound performance in the Consumer Credit Division and continued strong growth in Vanquis Bank. Earnings per share of 34.3p (2010: 29.5p) grew by 16.3%, a marginally faster rate than pre-tax earnings after benefitting from the fall in the corporation tax rate from 28% to 26% on 1 April 2011.

In line with management's internal plans, Home Credit delivered first half profits of £50.2m, which is stated after the one-off cost of £2m from implementing the requirements of the EU Consumer Credit Directive (2010: £51.1m, including a £2m benefit from the extra trading week). Consistent with the last quarter of 2010, management's focus has remained on serving good-quality existing customers as a response to the continuing pressure on household incomes from under-employment and the rising cost of food, fuel and utility bills. As a result, the business generated good quality average receivables growth of 4.6% and delivered a strong collections performance throughout the first half of the year.

Vanquis Bank has delivered another excellent performance in the first half of 2011 with profits up 93.4% to £17.6m (2010: £9.1m). This was ahead of management's internal plans due to the strength of the delinquency performance. The strong growth experienced in the second half of 2010 has been maintained in the first half of 2011 supported by further intensive investment in the customer acquisition programme. Year-on-year customer growth of 26.3% and average receivables growth of 36.3% was achieved against unchanged underwriting standards. Delinquency levels have remained favourable throughout the first half, reflecting the strong underlying quality of the receivables book against the backdrop of a stable employment market. This has allowed Vanquis Bank to deliver an annualised risk-adjusted margin of 34.7% as at June 2011 (2010: 31.1%), well ahead of its minimum target of 30%.

The strength of the group's funding and liquidity are reflected in modest gearing of 3.3 times and headroom on committed facilities of approximately £280m. The group has successfully raised £190m of new funds in the first half of the year to further diversify its funding base and has sufficient headroom, prior to Vanquis Bank taking retail deposits, to fund contractual maturities and projected growth until the final quarter of 2012.

Following agreement of the regulatory capital and liquidity positions with the FSA, Vanquis Bank activated its retail deposit taking programme in July which served to test the systems and infrastructure of both Vanquis Bank and the deposit taking platform which is outsourced to a third party. The programme is planned to fund 80% of the receivables book of Vanquis Bank with typically one to three year fixed-term deposits providing a fixed maturity profile. In view of the substantial committed headroom available to the group, the programme will be executed over the next 18 months. This programme will establish standalone funding for this growing business as well as representing further significant diversification of the group's funding base.

In the 12 months to 30 June 2011, the group generated capital of £91.6m* from trading operations compared with the payment of dividends of £84.9m. As previously indicated, Vanquis Bank is now at a stage where it can fund its own growth and generate surplus capital to contribute to the group's dividend. In the first half of 2011, Vanquis Bank generated distributable surplus capital of £5.2m which allowed it to remit a dividend of £5.0m to Provident Financial plc in July.

The interim dividend has been increased by 5.1% reflecting the group's growth in earnings, strong capital generation and the stated policy of maintaining annual dividend cover of at least 1.25 times.

* Before the one-off capital expenditure of £9.1m in respect of the Consumer Credit Division's head office relocation in October 2010.

Market conditions

Market conditions for both businesses remain unchanged and there has been no significant change in the employment market affecting the group's customers during the first half of 2011.

The competitive landscape for the Home Credit business remains unchanged with around 500 active participants in the UK. Whilst household incomes of Home Credit customers have been relatively stable, disposable incomes remain under pressure from under-employment and food, fuel and utility price inflation. Accordingly, tight underwriting standards remain in place and the focus of the business has continued to be on lending to good quality existing customers and moderating the amount of credit advanced to new customers.

Vanquis Bank continues to experience strong demand as the most active participant in the non-standard credit card market and has a significant medium-term growth opportunity. Its customers are typically in regular employment and the business is therefore relatively more sensitive than Home Credit to changes in unemployment rates. The stability of the employment market since mid-2009 coupled with consistently tight underwriting has contributed to the favourable delinquency trends in Vanquis Bank over the last 18 months.

Pressure on customers' real incomes and remaining uncertainty about the future direction of the employment market dictate that tight underwriting standards should remain in place in both businesses for the foreseeable future.

Business performance

Consumer Credit Division

The Consumer Credit Division generated a profit before tax of £50.2m in the six months ended 30 June 2011 (2010: £49.3m) analysed as follows:

	Six months ended 30 June 2011 (26 weeks) £m	Six months ended 30 June 2010 (27 weeks) £m	Change %
Profit/(loss) before tax:			
Home Credit	50.2	51.1	(1.8)
Real Personal Finance	–	(1.8)	100.0
Consumer Credit Division	50.2	49.3	1.8

Home Credit

	Six months ended 30 June 2011 (26 weeks) £m	Six months ended 30 June 2010 (27 weeks) £m	Change %
Customer numbers ('000)	1,803	1,805	(0.1)
Average receivables	784.3	749.5	4.6
Revenue	350.2	362.3	(3.3)
Impairment	(130.1)	(145.8)	10.8
Revenue less impairment	220.1	216.5	1.7
*Annualised revenue yield**	*89.4%*	*92.4%*	
*Annualised impairment % revenue***	*31.2%*	*33.3%*	
Costs	(146.7)	(140.8)	(4.2)
Interest	(23.2)	(24.6)	5.7
Profit before tax	50.2	51.1	(1.8)

* Revenue as a percentage of average receivables for the 12 months ended 30 June.
** Impairment as a percentage of revenue for the 12 months ended 30 June.

Home Credit delivered profits of £50.2m in 2011, in line with internal plans. This profit is after absorbing £2m of additional costs associated with implementing the EU Consumer Credit Directive in early 2011. The prior year profit of £51.1m included a benefit of approximately £2m from the inclusion of an additional trading week.

Year-on-year customer numbers were broadly flat during the first half of the year, reflecting the decision taken during the latter part of 2010 to place greater emphasis on serving good quality existing customers than on recruiting new customers. New customer underwriting has been tightened further in recent months and the criteria applied to existing customers remains tight with agents continuing to exercise caution due to pressure on customers' disposable incomes from under-employment and food, fuel and utility price inflation.

Average receivables grew by 4.6% in the first half of the year. Customers' visibility of their household incomes is better than a year ago, promoting less cautious behaviour and an increase in demand for credit from existing customers against unchanged credit standards.

As previously indicated, the annualised yield on the receivables book has moderated from 93.0% at December 2010 to 89.4% at June 2011 due to the growth in credit over the past nine months being focussed on existing good quality customers who, compared to new customers, tend to be served with slightly longer-term products which carry a lower yield. Management's focus is unlikely to shift significantly during the remainder of the year and the yield is expected to remain at around 90%.

Collections performance during the critical first half of the year was particularly strong and reflects an improvement in credit quality. In addition, certain enhancements have been made to the agents' commission scheme to provide greater focus on early stage arrears and are proving effective.
As a result, the ratio of annualised impairment to

revenue improved from 32.9% at December 2010 to 31.2% at June 2011. In the absence of any significant change in the external environment, collections performance and impairment rates are expected to remain stable within the range experienced over the last 12 months.

Headline cost growth was 4.2% during the first half of 2011. On an underlying basis, after excluding the additional trading week in the first half of 2010, cost growth was 8.2%. This increase includes the cost of rolling-out the changes required to implement the EU Consumer Credit Directive across the branch network at a one-off cost of £2m, together with additional costs of £3m in relation to the new head office facility into which the business relocated in October 2010 and the increase in VAT which was effective from 4 January 2011. Accordingly, underlying cost growth will moderate in the second half of the year.

Interest costs fell by 5.7% as the business benefitted from a group funding rate of 7.8% compared with 8.4% in the first half of 2010.

Real Personal Finance

The collect-out of the Real Personal Finance receivables book continued to progress satisfactorily with the receivables book reducing from £7.1m at December 2010 to £3.9m at June 2011. There was no gain or loss in the period in respect of Real Personal Finance (2010: loss of £1.8m).

Vanquis Bank

Vanquis Bank generated a profit before tax of £17.6m in the six months ended 30 June 2011 (2010: £9.1m) analysed as follows:

	Six months ended 30 June		
	2011 £m	2010 £m	Change %
Customer numbers ('000)	610	483	26.3
Average receivables	361.6	265.3	36.3
Revenue	99.3	74.7	32.9
Impairment	(38.9)	(33.3)	(16.8)
Revenue less impairment	60.4	41.4	45.9
*Annualised risk-adjusted margin**	*34.7%*	*31.1%*	
*Annualised impairment % revenue***	*37.2%*	*45.6%*	
Costs	(31.7)	(23.9)	(32.6)
Interest	(11.1)	(8.4)	(32.1)
Profit before tax	17.6	9.1	93.4

* Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June.
** Impairment as a percentage of revenue for the 12 months ended 30 June.

Vanquis Bank performed very strongly during the first half of 2011. Further strong growth in the receivables book and favourable delinquency levels enabled the business to deliver profits growth of 93.4% in the first half of the year. The business is generating more than sufficient capital to fund its own growth and, in the six months to 30 June 2011, generated surplus distributable capital of £5.2m which allowed it to remit its first dividend of £5.0m to Provident Financial plc in July. The business generated a post-tax return on equity of 34.5% in the 12 months to 30 June 2011, significantly above the target rate of 30%.

Demand for non-standard credit cards has remained strong with the business attracting a flow of over 760,000 applications during the first half of 2011. Customer growth was 26.3%, up significantly on the first half of 2010 as a result of the more intensive customer acquisition programme since mid-2010. New customer bookings of 145,000 (2010: 116,000) reflected an acceptance rate of 19% (2010: 19%) against unchanged underwriting standards.

The growth in customer numbers together with the credit line increase programme to customers who have established a sound payment history, has generated a 36.3% increase in average receivables and a 32.9% increase in revenue. Returns from the 'low and grow' approach to extending credit remain very good. Vanquis Bank remains extremely active in managing utilisation and yield to reflect underlying risk. Utilisation was maintained at around 75% ensuring a strong stream of revenue is earned whilst maintaining a low level of contingent undrawn exposure.

Delinquency rates stabilised at very favourable levels during the first half of 2011 against the backdrop of a stable employment market. Accordingly, impairment showed a modest 16.8% year-on-year increase compared to the 36.3% increase in average receivables. This strong performance reflects the continued improvement in the underlying quality of the book resulting from the progressive tightening of underwriting between 2007 and 2009, the success of the credit line increase programme and demonstrates the effectiveness of Vanquis Bank's credit decisioning.

The rolling 12-month risk-adjusted margin at June 2011 of 34.7% reflects the sound revenue yield from the receivables book combined with the favourable delinquency performance. It includes the benefit of the reduction in delinquency rates over the last year which will not recur now that delinquency rates have levelled off. Accordingly, the on-going risk-adjusted margin is approximately 33% which is well above the minimum target of 30%.

Notwithstanding the favourable delinquency performance, management continues to be mindful of the potential for unemployment to rise in the current economic environment and, accordingly, the tight underwriting and credit line increase criteria applied over the last two years will remain in place for the foreseeable future.

First half cost growth of 32.6% includes an uplift of £2m in the spend on direct mail and marketing activities that supported the more intensive customer growth programme than a year ago. In addition, Vanquis Bank has incurred costs of approximately £1m in respect of upgrading its IT platform and establishing the retail deposits programme during the first half of the year.

Interest costs increased by 32.1% during the first half of 2011. This reflects the increase in average receivables partly offset by the benefit from a reduction in the group's average funding rate. Retail deposit taking is not expected to have a significant effect on Vanquis Bank's funding rate in 2011.

Vanquis Bank has successfully completed the migration of its customer processing to First Data's First Vision IT platform during the first half of 2011 without interruption to customer service levels or business efficiency. This migration ensures that Vanquis Bank's systems remain at the forefront of technology.

Plans are now well-advanced to establish a second call centre within CCD's new Bradford facility in order to accommodate future growth. The call centre will utilise the ready-made infrastructure of the new facility and access the deep labour pool in Bradford. The call centre is expected to commence operations in the second half of 2011.

Central costs

Central costs in the first half of the year were £4.9m (2010: £4.1m), up by £0.8m on the first half of last year, due to a budgeted increase in the level of expenditure on the group's community programme, additional costs in respect of regulatory matters and the impact of higher share-based incentives.

Taxation

The tax rate for the first half of 2011 of 26.5% is the estimated tax rate for the 2011 financial year and is in line with the UK corporation tax rate which reduced from 28% to 26% on 1 April 2011. The group is expected to benefit in future years from the rate reductions announced by the Government in the last budget and the 2011 Finance Act.

Dividends

The interim dividend has been increased by 5.1% to 26.7p (2010: 25.4p) consistent with the group's stated policy to maintain full year dividend cover of at least 1.25 times and is supported by earnings growth and strong capital generation.

Funding and capital

The group's funding and liquidity positions are strong with the balance sheet showing modest gearing of 3.3 times (2010: 3.2 times) against a banking covenant limit of 5.0 times together with a comfortable surplus of regulatory capital. The group's senior issuer default rating from Fitch Ratings remains unchanged at BBB with a stable outlook.

The group has made significant progress in further diversifying and strengthening its funding base during the first half of 2011 following the issue of private placements totalling £140m and the successful issue of a second retail bond of £50m. Remaining contractual maturities through to the end of 2012 amount to £214m compared with headroom from committed facilities at the end of June of £280m. The group has sufficient headroom, prior to Vanquis Bank taking retail deposits, to meet contractual maturities and projected growth until the final quarter of 2012.

In line with previous guidance, the group's funding rate during the first half of 2011 was 7.8% compared with 8.4% in the first half of 2010. The group's funding rate is expected to remain at around this level for the remainder of 2011.

The group continues to be highly capital generative. In the 12 months to 30 June 2011, the group generated capital of £91.6m* compared with dividend payments of £84.9m.

The group's strong capital generation, planned levels of asset growth and dividend policy remain consistent with maintaining a prudent gearing level of around 3.5 times.

* Before the one-off capital expenditure of £9.1m in respect of the Consumer Credit Division's head office relocation in October 2010.

Retail deposits

As previously reported, during the first half of 2011 the group finalised with the FSA the capital requirements relating to Vanquis Bank taking retail deposits. The new capital requirements have been readily accommodated within the existing capital structure of Vanquis Bank and the group.

Vanquis Bank's retail deposits programme has been activated with the soft launch of one and two year fixed-term deposits in late July to test the systems and infrastructure of both Vanquis Bank and the deposit taking platform which is outsourced to a third party.

The programme is planned to fund 80% of Vanquis Bank's receivables book through a programme of typically one to three year, fixed-term, internet-only retail deposits. The fixed-term deposits will only be redeemable by the depositor prior to the end of the term in the event of death or mandated legal reasons, thereby providing a fixed maturity profile. As Vanquis Bank is a regulated bank, depositors will be covered by the Financial Services Compensation Scheme up to the value of £85,000. In view of the substantial committed headroom available to the group, the programme will be executed over the next 18 months. Vanquis Bank expects to reach the target of 80% of receivables by the end of 2012. The proceeds from retail deposits will be used to repay substantially all of Vanquis Bank's intercompany loan with Provident Financial plc which, as at 30 June 2011, amounted to approximately £300m.

At today's interest rates and at full capacity, the all-in average cost of retail deposits is expected to be no more than 6% after taking account of associated administration costs and liquidity requirements. However, this is not expected to have a significant effect on funding costs during 2011 due to the phased nature of the programme.

Regulation

The group implemented relevant parts of the Irresponsible Lending Guidance to Creditors and the EU Directive on Consumer Credit by the February 2011 deadline.

On 19 July 2011 the Government published a summary of submissions received as part of its review of consumer credit and personal insolvency. The Government will publish its conclusions in the autumn.

The group is very proud to have received a maximum rating score of 100 and be ranked joint first globally amongst financial services companies in the FTSE4Good Index Series which measures the environmental, social and governance ratings of over 2,300 publicly listed companies worldwide. This achievement reflects the continued investment that the group and its employees have made in embedding its corporate responsibility programme across all areas of the business.

Principal risks and uncertainties

The principal risks and uncertainties affecting the group remain unchanged from 31 December 2010 and comprise credit risk, regulatory risk, liquidity risk, reputational risk, pension risk, operational risk and business risk. A full assessment of the risks and uncertainties, together with the controls and processes which are in place to monitor and mitigate the risks where possible, are set out on pages 39 to 41 of the 2010 Annual Report & Financial Statements which is available on the company's website, www.providentfinancial.com.

The most relevant risks and uncertainties for the remaining six months of the 2011 financial year are as follows:

- Notwithstanding that Home Credit and Vanquis Bank have unique characteristics which make them more resilient to changes in economic conditions than more mainstream lenders, marked increases in unemployment and under-employment may lead to higher than expected impairment charges.
- Further increases in food, fuel and utility prices may put additional pressure on the household incomes of Home Credit customers and lead to a reduction in the level of credit issued.

Related party transactions

There have been no changes in the nature of related party transactions as described in note 28 to the 2010 Annual Report & Financial Statements and there have been no new related party transactions which have had a material effect on the financial position or performance of the group in the six months ended 30 June 2011.

Outlook

The strength of the group's balance sheet and liquidity have been augmented by activating Vanquis Bank's retail deposits programme which will establish standalone funding and finance the significant medium-term growth opportunity of this business.

The group has produced an excellent set of interim results and credit quality in both businesses is very sound as evidenced by the favourable impairment trends in the first half of the year. This provides the foundation for delivering good quality growth for 2011 as a whole. There will be no change to the cautious stance on extending new credit in recognition of the continuing pressure on consumers' real incomes and remaining uncertainty over the future direction of the employment market.

Consolidated income statement

Continuing operations	Note	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m
Revenue	4	449.5	440.0
Finance costs		(34.8)	(33.8)
Operating costs		(241.6)	(251.3)
Administrative expenses		(110.8)	(100.9)
Total costs		(387.2)	(386.0)
Profit before taxation	4	62.3	54.0
Tax charge	5	(16.5)	(15.1)
Profit for the period attributable to equity shareholders		45.8	38.9

Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m
Profit for the period attributable to equity shareholders		45.8	38.9
Other comprehensive income:			
– cash flow hedges		0.4	1.2
– actuarial movements on retirement benefit asset	9	13.3	(22.0)
– tax on other comprehensive income		(3.7)	5.9
Other comprehensive income for the period		10.0	(14.9)
Total comprehensive income for the period		55.8	24.0

	Note	Six months ended 30 June 2011 Pence	Six months ended 30 June 2010 Pence
Earnings per share			
Basic	6	34.3	29.5
Diluted	6	34.2	29.4
Dividends per share			
Proposed interim dividend	7	26.7	25.4
Paid in the period*	7	38.1	38.1

* The total cost of dividends paid in the period was £51.0m (six months ended 30 June 2010: £51.0m).

Consolidated balance sheet

	Note	30 June 2011 £m	31 December 2010 £m	30 June 2010 £m
ASSETS				
Non-current assets				
Goodwill		2.1	2.1	2.1
Other intangible assets		15.8	17.4	19.2
Property, plant and equipment		28.2	29.9	27.4
Financial assets:				
– amounts receivable from customers	8	80.7	97.4	68.9
– derivative financial instruments		11.0	12.4	21.1
Retirement benefit asset	9	58.9	41.0	1.0
Deferred tax assets		–	2.8	7.7
		196.7	203.0	147.4
Current assets				
Financial assets:				
– amounts receivable from customers	8	1,088.8	1,121.9	970.8
– derivative financial instruments		2.8	3.5	0.4
– cash and cash equivalents		34.8	29.0	27.0
– trade and other receivables		23.1	23.6	22.0
		1,149.5	1,178.0	1,020.2
Total assets	4	1,346.2	1,381.0	1,167.6
LIABILITIES				
Current liabilities				
Financial liabilities:				
– bank and other borrowings		(167.2)	(147.7)	(145.7)
– derivative financial instruments		(6.4)	(13.4)	(5.8)
– trade and other payables		(38.8)	(46.0)	(40.1)
Current tax liabilities		(42.0)	(44.4)	(30.9)
Provisions		–	–	(0.2)
		(254.4)	(251.5)	(222.7)
Non-current liabilities				
Financial liabilities:				
– bank and other borrowings		(766.7)	(817.2)	(682.4)
– derivative financial instruments		(6.1)	(2.9)	(18.2)
Deferred tax liabilities		(0.5)	–	–
		(773.3)	(820.1)	(700.6)
Total liabilities		(1,027.7)	(1,071.6)	(923.3)
NET ASSETS	4	318.5	309.4	244.3
SHAREHOLDERS' EQUITY				
Called-up share capital		28.4	28.1	28.1
Share premium account		144.4	144.0	142.5
Other reserves		4.6	0.9	(9.5)
Retained earnings		141.1	136.4	83.2
TOTAL EQUITY		318.5	309.4	244.3

Consolidated statement of changes in shareholders' equity

	Note	Called-up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2010		27.9	142.4	(13.0)	111.1	268.4
Profit for the period		–	–	–	38.9	38.9
Other comprehensive income:						
– cash flow hedges		–	–	1.2	–	1.2
– actuarial movements on retirement benefit asset	9	–	–	–	(22.0)	(22.0)
– tax on other comprehensive income		–	–	(0.3)	6.2	5.9
Other comprehensive income for the period		–	–	0.9	(15.8)	(14.9)
Total comprehensive income for the period		–	–	0.9	23.1	24.0
Transactions with owners:						
– issue of share capital		0.2	0.1	–	–	0.3
– purchase of own shares		–	–	(0.1)	–	(0.1)
– share-based payment charge		–	–	2.7	–	2.7
– dividends	7	–	–	–	(51.0)	(51.0)
At 30 June 2010		28.1	142.5	(9.5)	83.2	244.3
At 1 July 2010		28.1	142.5	(9.5)	83.2	244.3
Profit for the period		–	–	–	62.6	62.6
Other comprehensive income:						
– cash flow hedges		–	–	6.4	–	6.4
– actuarial movements on retirement benefit asset		–	–	–	36.9	36.9
– tax on other comprehensive income		–	–	(1.8)	(10.4)	(12.2)
– impact of change in UK tax rate		–	–	(0.1)	0.3	0.2
Other comprehensive income for the period		–	–	4.5	26.8	31.3
Total comprehensive income for the period		–	–	4.5	89.4	93.9
Transactions with owners:						
– issue of share capital		–	1.5	–	–	1.5
– purchase of own shares		–	–	(0.1)	–	(0.1)
– disposal of own shares on vesting of share options/awards		–	–	6.5	(6.5)	–
– share-based payment charge		–	–	3.7	–	3.7
– transfer of share-based payment reserve		–	–	(4.2)	4.2	–
– dividends		–	–	–	(33.9)	(33.9)
At 31 December 2010		28.1	144.0	0.9	136.4	309.4
At 1 January 2011		28.1	144.0	0.9	136.4	309.4
Profit for the period		–	–	–	45.8	45.8
Other comprehensive income:						
– cash flow hedges		–	–	0.4	–	0.4
– actuarial movements on retirement benefit asset	9	–	–	–	13.3	13.3
– tax on other comprehensive income		–	–	(0.2)	(3.5)	(3.7)
Other comprehensive income for the period		–	–	0.2	9.8	10.0
Total comprehensive income for the period		–	–	0.2	55.6	55.8
Transactions with owners:						
– issue of share capital		0.3	0.4	–	–	0.7
– purchase of own shares		–	–	(0.2)	–	(0.2)
– disposal of own shares on vesting of share options/awards		–	–	6.2	(6.2)	–
– share-based payment charge		–	–	3.8	–	3.8
– transfer of share-based payment reserve		–	–	(6.3)	6.3	–
– dividends	7	–	–	–	(51.0)	(51.0)
At 30 June 2011		28.4	144.4	4.6	141.1	318.5

Consolidated statement of cash flows

	Note	Six months ended 30 June 2011 £m	2010 £m
Cash flows from operations			
Cash generated from operations	10	147.4	191.3
Finance costs paid		(39.1)	(34.2)
Tax paid		(19.3)	(17.5)
Net cash generated from operating activities		89.0	139.6
Cash flows from investing activities			
Purchases of intangible assets		(2.2)	(2.6)
Purchases of property, plant and equipment		(3.3)	(5.7)
Proceeds from disposal of property, plant and equipment		1.2	0.9
Net cash used in investing activities		(4.3)	(7.4)
Cash flows from financing activities			
Proceeds from borrowings		192.1	15.4
Repayment of borrowings		(222.8)	(97.9)
Dividends paid to company shareholders	7	(51.0)	(51.0)
Proceeds from issue of share capital		0.7	0.3
Purchase of own shares		(0.2)	(0.1)
Net cash used in financing activities		(81.2)	(133.3)
Net increase/(decrease) in cash, cash equivalents and overdrafts		3.5	(1.1)
Cash, cash equivalents and overdrafts at beginning of period		18.4	14.5
Cash, cash equivalents and overdrafts at end of period		21.9	13.4
Cash, cash equivalents and overdrafts at end of period comprise:			
Cash at bank and in hand		34.8	27.0
Overdrafts (held in bank and other borrowings)		(12.9)	(13.6)
Total cash, cash equivalents and overdrafts		21.9	13.4

1. General information

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, BD1 2SU.

The company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the group within the meaning of section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2010 were approved by the board of directors on 1 March 2011 and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been reviewed, not audited, and was approved for issue by the board of directors on 27 July 2011.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the statutory financial statements for the year ended 31 December 2010 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors have reviewed the group's budgets, plans and cashflow forecasts for 2011 and for 2012 together with outline projections for the three subsequent years. Based on this review, they have a reasonable expectation that the group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

3. Accounting policies

Except as described below, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2010.

Taxes on profits in interim periods are accrued using the tax rate that will be applicable to expected total annual profits.

The following new standards, interpretations and amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2011 but do not have a material impact or are not relevant to the group:

- Amendments to IAS 32, 'Financial instruments: Presentation on classification of rights issues', was issued in October 2009 and is effective for accounting periods beginning on or after 1 February 2010;
- Amendment to IFRS 1, 'First time adoption on financial instrument disclosures' was issued in January 2010 and is effective for accounting periods beginning on or after 1 July 2010;
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement' was issued in November 2009 and is effective for accounting periods beginning on or after 1 January 2011;
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective from 1 January 2011;
- IAS 24 (revised) 'Related party disclosures', was issued in November 2009 and is effective for accounting periods beginning on or after 1 January 2011; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' is effective for accounting periods beginning on or after 1 July 2010.

4. Segment information

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The group's chief operating decision maker is deemed to be the Executive Committee comprising Peter Crook (Chief Executive), Andrew Fisher (Finance Director) and Chris Gillespie (Managing Director, Consumer Credit Division) whose primary responsibility it is to manage the group's day-to-day operations and analyse trading performance. The group's segments comprise the Consumer Credit Division, Vanquis Bank and Central which are those segments reported in the group's management accounts used by the Executive Committee as the primary means for analysing trading performance. The Executive Committee assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the group financial statements.

	Revenue Six months ended 30 June		Profit/(loss) before taxation Six months ended 30 June	
	2011 £m	2010 £m	2011 £m	2010 £m
Consumer Credit Division	350.2	365.3	50.2	49.3
Vanquis Bank	99.3	74.7	17.6	9.1
	449.5	440.0	67.8	58.4
Central				
– costs	–	–	(4.9)	(4.1)
– interest payable	–	–	(0.6)	(0.3)
Total central	–	–	(5.5)	(4.4)
Total group	449.5	440.0	62.3	54.0

The Consumer Credit Division's profit of £50.2m for the six months ended 30 June 2011 (2010: £49.3m) comprises a profit of £50.2m in respect of the Home Credit business (2010: £51.1m) and a loss of £nil in respect of Real Personal Finance (2010: loss of £1.8m). In order to align the weekly Home Credit business with the group's financial year, Home Credit's 2010 financial year comprised 53 weeks with the first half of the year comprising a 27-week period. Home Credit's 2011 financial year comprises 52 weeks with the first half of the year comprising a 26-week period.

All of the above activities relate to continuing operations as defined in IFRS 5 'Non-current assets held for sale and discontinued operations'.

Revenue between business segments is not significant. All of the group's operations operate in the UK and Republic of Ireland.

	Segment assets			Net assets/(liabilities)		
	30 June 2011 £m	31 December 2010 £m	30 June 2010 £m	30 June 2011 £m	31 December 2010 £m	30 June 2010 £m
Consumer Credit Division	882.2	963.9	835.2	235.0	247.3	193.0
Vanquis Bank	404.9	369.4	295.3	85.1	70.5	58.9
Central	265.6	219.3	217.5	(1.6)	(8.4)	(7.6)
Total before intra-group elimination	1,552.7	1,552.6	1,348.0	318.5	309.4	244.3
Intra-group elimination	(206.5)	(171.6)	(180.4)	–	–	–
Total group	1,346.2	1,381.0	1,167.6	318.5	309.4	244.3

Segment net assets are based on the statutory accounts of the companies forming the group's business segments adjusted to assume repayment of intra-group balances and rebasing of the borrowings of the Consumer Credit Division to reflect a borrowings to receivables ratio of 80%. The impact of this is an increase in the notional allocation of group borrowings to the Consumer Credit Division of £206.5m (31 December 2010: £171.6m, 30 June 2010: £180.4m) and an increase in the notional cash allocated to central activities of the same amount. The intra-group elimination adjustment removes this notional allocation to state borrowings and cash on a consolidated group basis.

5. Tax charge

The tax charge for the period has been calculated by applying the directors' best estimate of the effective tax rate for the financial year of 26.5% (2010: 28.0%), to the profit before tax for the period. The reduction in tax rate reflects the change in UK corporation tax rate which was effective from 1 April 2011.

6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding own shares held, which are treated, for this purpose, as being cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. For share options and awards, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options and awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awards.

Reconciliations of basic and diluted earnings per share are set out below:

	Six months ended 30 June					
	2011			2010		
	Earnings £m	Weighted average number of shares	Per share amount Pence	Earnings £m	Weighted average number of shares	Per share amount Pence
Earnings per share						
Shares in issue during the period		136.5			134.8	
Own shares held		(3.1)			(2.8)	
Basic earnings per share	45.8	133.4	34.3	38.9	132.0	29.5
Dilutive effect of share options and awards	–	0.4	(0.1)	–	0.3	(0.1)
Diluted earnings per share	45.8	133.8	34.2	38.9	132.3	29.4

7. Dividends

	Six months ended 30 June	
	2011 £m	2010 £m
2009 final – 38.1p per share	–	51.0
2010 final – 38.1p per share	51.0	–
Dividends paid	51.0	51.0

The directors have declared an interim dividend in respect of the six months ended 30 June 2011 of 26.7p per share (2010: 25.4p) which will amount to a dividend payment of £35.8m (2010: £33.9m). This dividend is not reflected in the balance sheet as it will be paid after the balance sheet date.

8. Amounts receivable from customers

	30 June 2011 £m	31 December 2010 £m	30 June 2010 £m
Consumer Credit Division	789.4	874.3	758.5
Vanquis Bank	380.1	345.0	281.2
Total group	1,169.5	1,219.3	1,039.7
Analysed as:			
– due within one year	1,088.8	1,121.9	970.8
– due in more than one year	80.7	97.4	68.9
Total group	1,169.5	1,219.3	1,039.7

8. Amounts receivable from customers – continued

The impairment charge in respect of amounts receivable from customers reflected within operating costs can be analysed as follows:

	Six months ended 30 June	
	2011 £m	2010 £m
Consumer Credit Division	130.1	148.1
Vanquis Bank	38.9	33.3
Total group	169.0	181.4

Impairment in Vanquis Bank is deducted from the carrying value of amounts receivable from customers by the use of an allowance account. The Vanquis Bank allowance account as at 30 June 2011 amounted to £56.3m (31 December 2010: £45.9m, 30 June 2010: £43.5m). Within the Consumer Credit Division, impairments are deducted directly from amounts receivable from customers without the use of an allowance account.

9. Retirement benefit asset

The group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme has been closed to new members since 1 January 2003. The scheme covers 61% of employees with company-provided pension arrangements and is of the funded, defined benefit type providing retirement benefits based on final salary. Following a full group review of pension scheme arrangements, from 1 April 2006 members were provided with a choice of paying higher member contributions to continue accruing benefits based on final salary or paying a lower member contribution and accruing benefits based on a percentage of salary which would be revalued each year.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out as at 1 June 2009 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee benefits' has been based on the results of this valuation which has been updated by the actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value at the balance sheet date.

The net retirement benefit asset recognised in the balance sheet of the group is as follows:

	30 June 2011 £m	31 December 2010 £m	30 June 2010 £m
Fair value of scheme assets	528.9	514.1	468.3
Present value of funded defined benefit obligations	(470.0)	(473.1)	(467.3)
Net retirement benefit asset recognised in the balance sheet	58.9	41.0	1.0

The amounts recognised in the income statement are as follows:

	Six months ended 30 June	
	2011 £m	2010 £m
Current service cost	(3.5)	(3.9)
Interest cost	(12.7)	(12.4)
Expected return on scheme assets	16.0	14.6
Net charge recognised in the income statement	(0.2)	(1.7)

The net charge recognised in the income statement has been included within administrative costs.

Movements in the fair value of scheme assets were as follows:

	Six months ended 30 June	
	2011 £m	2010 £m
Fair value of scheme assets at 1 January	514.1	464.6
Expected return on scheme assets	16.0	14.6
Actuarial movements on scheme assets	(0.4)	(10.0)
Contributions by the group	4.8	4.8
Contributions paid by scheme participants	–	0.1
Net benefits paid out	(5.6)	(5.8)
Fair value of scheme assets at 30 June	528.9	468.3

9. Retirement benefit asset – continued

Movements in the present value of the defined benefit obligation were as follows:

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m
Defined benefit obligation at 1 January	(473.1)	(444.7)
Current service cost	(3.5)	(3.9)
Interest cost	(12.7)	(12.4)
Contributions paid by scheme participants	–	(0.1)
Actuarial movements on scheme liabilities	13.7	(12.0)
Net benefits paid out	5.6	5.8
Defined benefit obligation at 30 June	**(470.0)**	**(467.3)**

The principal actuarial assumptions used at the balance sheet date were as follows:

	30 June 2011 %	31 December 2010 %	30 June 2010 %
Price inflation	3.60	3.50	3.30
Rate of increase in pensionable salaries	4.60	4.50	4.30
Rate of increase to pensions in payment	3.60	3.50	3.30
Inflationary increases to pensions in deferment	2.35	2.80	3.30
Discount rate	5.50	5.40	5.30

The mortality assumptions used in the valuation of the group's defined benefit pension scheme are based on the mortality experience of self-administered pension schemes and allow for future improvements in life expectancy.

The group uses the S1PA standard tables as the basis for projecting mortality adjusted for the following factors:

- A 5% upward adjustment to mortality rates for males and a 15% upward adjustment for females is made in order to reflect lower life expectancies within the scheme compared to average pension schemes; and
- The projections are combined with the medium cohort improvement factors in order to predict future improvements in life expectancy, subject to an annual minimum rate of improvement of 1%.

In more simple terms, members who retire in the future at age 65 will live on average for a further 23 years if they are male (31 December 2010: 23 years, 30 June 2010: 23 years) and for a further 25 years if they are female (31 December 2010: 25 years, 30 June 2010: 25 years). If assumed life expectancies had been one year greater for the scheme, the net retirement benefit asset would have reduced by approximately £19m (31 December 2010: £16m, 30 June 2010: £14m).

An analysis of amounts recognised in the statement of comprehensive income is set out below:

	Six months ended 30 June 2011 £m	Six months ended 30 June 2010 £m
Actuarial movements on scheme assets	(0.4)	(10.0)
Actuarial movements on scheme liabilities	13.7	(12.0)
Actuarial movements recognised in the statement of comprehensive income in the period	**13.3**	**(22.0)**

10. Reconciliation of profit after taxation to cash generated from operations

	Six months ended 30 June	
	2011 £m	2010 £m
Profit after taxation	45.8	38.9
Adjusted for:		
– tax charge	16.5	15.1
– finance costs	34.8	33.8
– share-based payment charge	3.8	2.7
– retirement benefit charge (note 9)	0.2	1.7
– amortisation of intangible assets	3.8	2.9
– depreciation of property, plant and equipment	3.8	3.7
Changes in operating assets and liabilities:		
– amounts receivable from customers	49.8	99.6
– trade and other receivables	(0.2)	5.3
– trade and other payables	(5.9)	(6.8)
– retirement benefit asset	(4.8)	(4.8)
– derivative financial instruments	(0.2)	(0.2)
– provisions	–	(0.6)
Cash generated from operations	147.4	191.3

11. Seasonality

The group's peak period of lending to customers is in the lead-up to the Easter holidays in the first half of each financial year and then more significantly in the lead-up to Christmas in the second half of the financial year. Typically, approximately 60% of Home Credit loans issued by the Consumer Credit Division are made in the second half of the financial year and the group's peak borrowing requirement arises in December. In addition, the group's accounting policies relating to revenue and impairment are an important influence on the recognition of the group's profit between the first and second halves of the financial year. The interest income earned on loans and receivables is spread on an effective yield basis over the contractual term of the group's loans and receivables resulting in revenue being split broadly evenly between the first and second halves of the financial year, notwithstanding that the larger proportion of credit is issued in the second half of the financial year. The accounting policy relating to the impairment of customer receivables requires impairments to be recognised only when there is objective evidence of impairment of a customer balance, such as a missed payment. This results in the group's largest impairment charges arising early in each financial year when customers default on loans they received in the lead-up to Christmas. Typically, the first half impairment charge in the Consumer Credit Division represents approximately 60% of the full year impairment charge.

The analysis set out above relates to the Consumer Credit Division only. Vanquis Bank is still in a growth phase and at this stage of its development the influence of its growth has a much more significant influence on the profits reported by the business during the financial year than the underlying seasonality.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions that have occurred in the first six months of the financial year and any material changes in the related party transactions described in the last annual report and financial statements.

The current directors of Provident Financial plc are listed in the 2010 Annual Report and Financial Statements. There have been no changes in directors during the six months ended 30 June 2011. A list of current directors is also maintained on the Provident Financial website: www.providentfinancial.com.

By order of the board

Peter Crook
Chief Executive

Andrew Fisher
Finance Director

27 July 2011

Auditors' review report
Independent review report to Provident Financial plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 June 2011, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants, Leeds

27 July 2011

Notes
(a) The maintenance and integrity of the Provident Financial plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information for shareholders

1. The interim report will be posted to shareholders on 11 August 2011.
2. The shares will be marked ex-dividend on 2 November 2011.
3. The interim dividend will be paid on 30 November 2011 to shareholders on the register at the close of business on 4 November 2011. Dividend warrants/vouchers will be posted on 28 November 2011.

Directors

John van Kuffeler	Non-executive Chairman and Chair of the Nomination Committee

Executive Directors

Peter Crook	Chief Executive and Chair of the Executive Committee
Andrew Fisher	Finance Director
Chris Gillespie	Managing Director, Consumer Credit Division

Non-executive Directors

Robert Hough	Senior independent non-executive Director and Chair of the Remuneration Committee
Rob Anderson	Independent non-executive Director and Chair of the Risk Advisory Committee
Manjit Wolstenholme	Independent non-executive Director and Chair of the Audit Committee

General Counsel and Company Secretary

Ken Mullen

Company details

Registered office and contact details:

Provident Financial plc
No. 1 Godwin Street
Bradford
BD1 2SU

Telephone: +44 (0)1274 351351
Fax: +44 (0)1274 730606
Email: enquiries@providentfinancial.com
Website: www.providentfinancial.com

Company number

668987

Provident Financial plc
No. 1 Godwin Street
Bradford
BD1 2SU
United Kingdom

t +44 (0)1274 351351
f +44 (0)1274 730606
e enquiries@providentfinancial.com
w www.providentfinancial.com

Company number
668987

More information is available at
http://www.providentfinancial.com/interimreport