Provident Financial plc

2008 Interim Results Presentation

new

Our approach

30 July 2008

Provident Financial plc

Our presentation today

• Overview	Peter Crook
• Financial review	Andrew Fisher
• Consumer Credit Division	Peter Crook
• Vanquis Bank	Peter Crook
• Summary and outlook	Peter Crook

Highlights

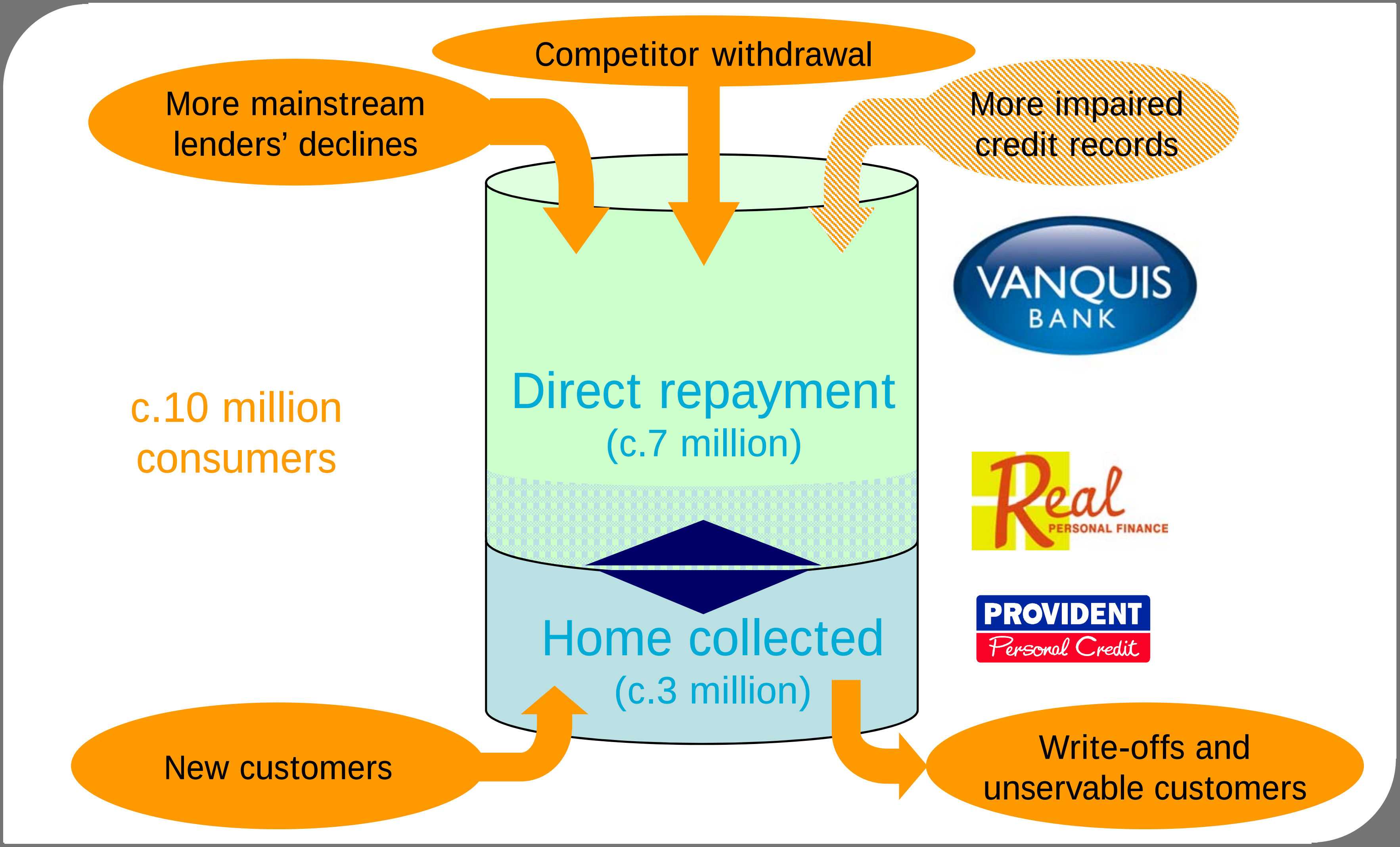
Delivering high-quality growth

• Customer numbers	up 10.5% to over 2.0m
• Profit before tax from continuing operations	up 34.3% to £51.3m
• Adjusted EPS* from continuing operations	up 27.6% to 28.2p
• Interim dividend	25.4p per share
• Funding headroom on committed facilities	over £380m

* see Note 7 of the Interim Report

Group strategy

Addressing the UK non-standard lending market



Market conditions

Favourable conditions, well suited to the group's business model

- Favourable conditions for Provident Financial, as mainstream and other non-standard lenders restrict the supply of credit
  - worsening economic environment
  - continuing liquidity issues
- Provident Financial's businesses are inherently robust through a cyclical downturn…
  - uniquely close to customers
  - small-sum, short-term credit
  - customers have restricted access to other sources of credit
  - customers carry relatively low levels of indebtedness
- …although increasingly cautious in our lending decisions due to pressure on customers' disposable incomes from price inflation and the outlook for unemployment
- Provident Financial has a strong funding position

Delivering high-quality growth

Consistently improving the quality of lending

- Provident Financial has been consistently taking action to improve the quality of its lending and enhance its collections processes over the past two years
- Consumer Credit Division
  - credit decisioning for agent and non-agent sourced customers using internal and, in the near future, external data
  - significant enhancements made to behavioural scoring systems
  - enhanced central collections capability to supplement field collections and manage heavy arrears cases more effectively
  - new performance management systems introduced across field and agent force
  - roll-out of new agent commission system to reinforce field collections - expected to improve agent effectiveness through higher retention
  - sales and marketing initiatives now being managed to ensure an appropriate balance between sales and collections capacity

Delivering high-quality growth (continued)

Consistently improving the quality of lending

- Vanquis Bank
    - consistent application of a “Low & Grow” strategy
    - significant tightening of underwriting since 2006 as part of a package of measures to reposition the business
    - continuous refinement of highly bespoke underwriting and credit line increase criteria
    - credit criteria tightened four times in last twelve months to drive up risk-adjusted return and protect against deteriorating economic conditions
    - series of actions to enhance collections processes and resource allocation at Chatham following May 2008 review

Summary of first half

Delivering high-quality growth

- High-quality growth in customers and profits delivered in both the Consumer Credit Division and Vanquis Bank
- Stable impairment levels in both businesses
- Real Personal Finance market test progressing well
- Strong funding and liquidity positions in place to execute in full our internal growth plans
- Favourable market conditions for Provident Financial
- Increasingly cautious lending decisions moderating top-line growth

Financial review

Financial review

Profit before taxation from continuing operations

	2008 £m	2007 £m	Change £m
Consumer Credit Division	50.2	47.0	3.2
Vanquis Bank	3.0	(4.2)	7.2
Yes Car Credit (collect out)	(1.0)	(1.2)	0.2
Central			
- Costs	(2.7)	(4.5)	1.8
- Interest receivable	1.8	1.1	0.7
Total central	(0.9)	(3.4)	2.5
Profit before tax	51.3	38.2	13.1
Earnings per share*	28.2p	22.1p	
Dividend per share	25.4p	25.4p	

* adjusted, as set out in Note 7 of the Interim Report

Consumer Credit Division

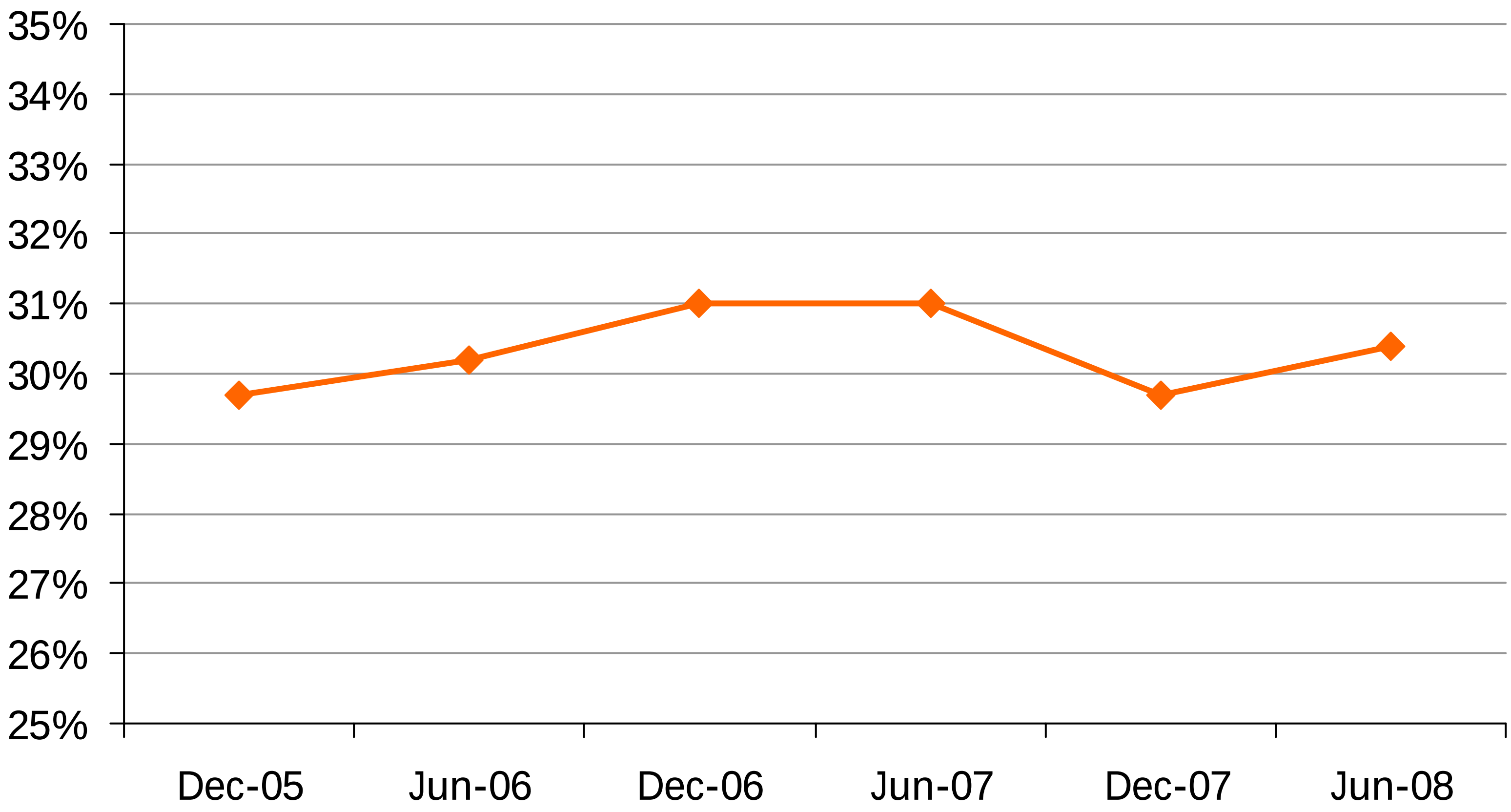
Income statement

	2008 £m	2007 £m	Change %
Customer numbers ('000)	1,661	1,553	7.0
Average customer receivables	689.5	630.0	9.4
Revenue	324.0	292.0	11.0
Impairment	(121.2)	(107.4)	(12.8)
Revenue less impairment	202.8	184.6	9.9
Costs	(134.3)	(120.4)	(11.5)
Interest	(18.3)	(17.2)	(6.4)
Profit before tax	50.2	47.0	6.8
Impairment as a % of revenue*	30.4%	31.0%	

* measured across the 12 months to 30 June

Consumer Credit Division

Impairment as a % of revenue



Consumer Credit Division

IFRS 7 disclosures: % of closing Home Credit receivables as at 30 June

	2008	2007
	%	%
In order	32.3	31.7
In arrears:		
- Past due but not impaired	11.2	10.9
- Impaired	56.5	57.4
TOTAL	100.0	100.0

Vanquis Bank

Income statement

	*% of ave. receivables**	2008 £m	2007 £m	Change %
Customer numbers ('000)		374	289	29.4
Average customer receivables		162.0	107.8	50.3
Revenue	*53.3%*	42.9	27.8	54.3
Impairment	*19.6%*	(16.5)	(12.8)	(28.9)
Revenue less impairment	*33.7%*	26.4	15.0	76.0
Costs		(19.2)	(16.6)	(15.7)
Interest		(4.2)	(2.6)	(61.5)
Profit / (loss) before tax		3.0	(4.2)	n/a
Impairment as a % of revenue*		36.8%	50.1%	

* measured across the 12 months to 30 June

Vanquis Bank

IFRS 7 disclosures: % of closing receivables as at 30 June

	2008 %	2007 %
In order	86.1	85.7
In arrears:		
- Past due but not impaired	-	-
- Impaired	13.9	14.3
TOTAL	100.0	100.0

Financial review

Profit before taxation from continuing operations

		2008 £m	2007 £m	Change £m
Consumer Credit Division		50.2	47.0	3.2
Vanquis Bank		3.0	(4.2)	7.2
Yes Car Credit (collect out)		(1.0)	(1.2)	0.2
Central				
- Costs		(2.7)	(4.5)	1.8
- Interest receivable		1.8	1.1	0.7
Total central		(0.9)	(3.4)	2.5
Profit before tax	*up 34.3%*	51.3	38.2	13.1
Earnings per share*	*up 27.6%*	28.2p	22.1p	
Dividend per share		25.4p	25.4p	

* adjusted, as set out in Note 7 of the Interim Report

Financial review

Balance sheet as at 30 June

	2008 £m	2007 pro forma* £m
Receivables:		
- Consumer Credit Division	701.7	623.9
- Vanquis Bank	177.5	114.3
- Yes Car Credit	16.3	60.8
	895.5	799.0
Pension asset	57.9	65.1
Borrowings**	(678.2)	(582.1)
Other	5.1	4.1
Net assets	280.3	286.1
Equity(†) : Receivables	22.9%	26.0%
Gearing (††)	2.9x	2.4x

* ongoing UK operations ** including the fair value of derivatives used to hedge US$ private placement notes
† excluding the net pension asset & after deducting the interim dividend †† excluding the net pension asset

Financial review

Regulatory capital at 30 June 2008

	Basel II £m
Risk weighted assets	783.2
Pillar I capital requirement	68.6
Tier 1 capital	213.4
Tier 2 capital	100.0
Total capital	313.4
Total capital as a % of Pillar I capital requirement	457%

Financial review

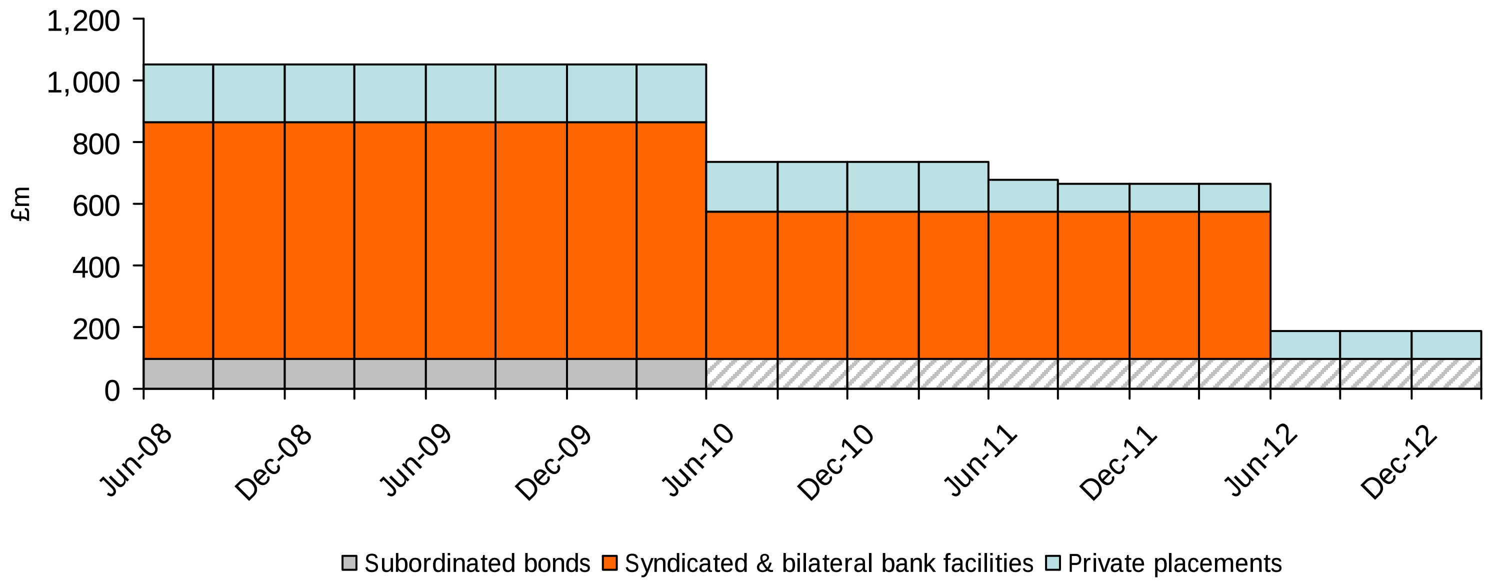
Borrowings and committed facilities

	£m
Committed facilities:	
- Syndicated bank facilities	707.5
- Bilateral bank facilities	55.0
- Private placement notes	190.1
- Subordinated bonds	100.0
Total committed facilities	1,052.6
Borrowings on committed facilities as at 30 June 2008*	668.1
Committed headroom available	384.5

* 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

Surplus capital

- Target ratio of 15% ordinary shareholders' capital to receivables
- Approximately £70m of surplus capital as at 30 June 2008 against this target ratio, excluding the pension asset and taking into account 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

Consumer Credit Division

Consumer Credit Division

Review

- Lending model
- Development of sales channels
- Change programme
- Real Personal Finance

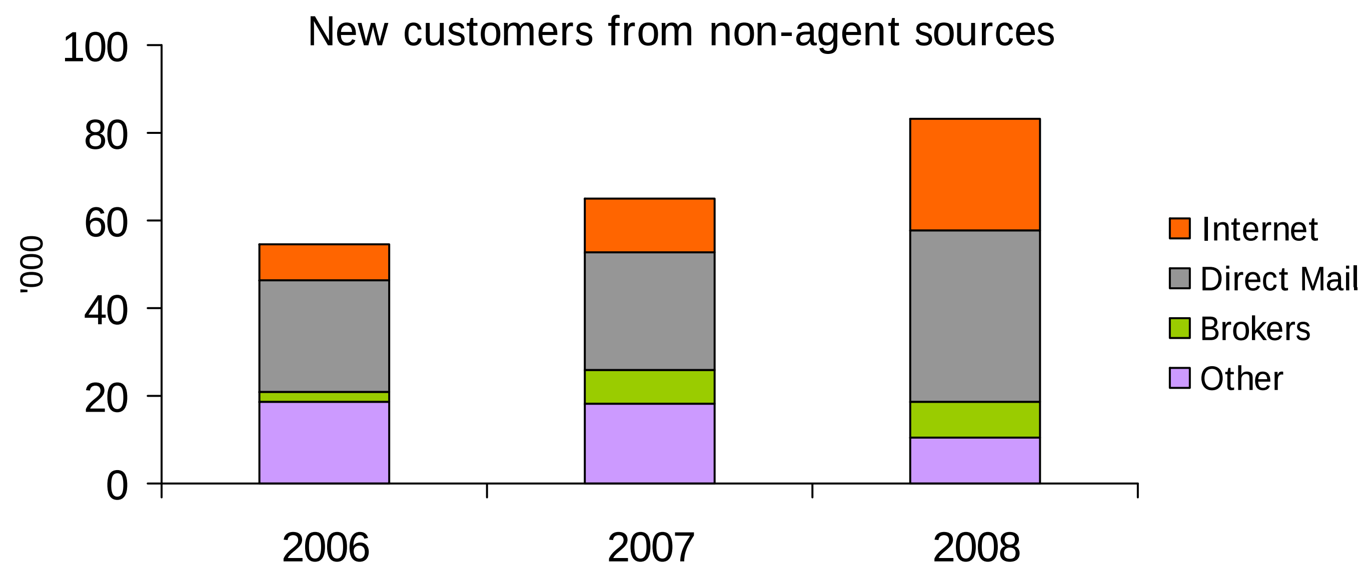
Home Credit

Community based lending model: robust through the economic cycle

- Regular face-to-face contact with our customers...
  - all loans are underwritten face-to-face in the customer's 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 over 11,500 agents and over 300 branches to react quickly and manage changes in local economic circumstances
  - loans remain short-term, small value and affordable
  - customers have relatively low indebtedness
  - agents routinely deal with changes to customers' circumstances, including assessing the impact of price inflation on disposable income and affordability
- ...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

Home Credit

New channel development delivering sustainable growth



- Volumes generated from new channels are delivering sustainable, profitable growth
- Modest underlying growth in the servable population
- Current customer growth rate also reflects the undersupply of credit to the non-standard market
- Competitive landscape in home credit

Home Credit

Change programme progressing well

- Roll-out of Focus platform
  - provides a platform for future business initiatives
  - successfully implemented in approximately 80% of branches, with minimal business disruption
  - will be fully rolled-out ahead of plan by late summer
- Agent commission scheme
  - prioritised ahead of hand-held technology
  - field trials concluded successfully in May
  - now being rolled-out into Focus branches
  - expected to benefit impairment performance and agent retention
  - roll-out ahead of plan

Home Credit

Change programme progressing well

- Credit and arrears management
  - continuous enhancement to data analytics used in arrears management
  - preparing for increased use of external (CRA) data in credit application decisioning (2009)
  - next generation of data analytics to support behavioural scoring system under development (2009)

Real Personal Finance

A natural extension of the core Home Credit business

- Targeting up to 200,000 Home Credit customers who climb up the credit ladder each year
- Customer base is immediately adjacent to the home-collected segment
- Will be progressively augmented by direct business via brokers and the internet
- Underwritten face-to-face in the home
- Average unsecured loan advance is £1,700 repayable monthly by direct debit over 3 years
- Leverages off the existing Home Credit branch infrastructure and customer database
- High-return opportunity

Real Personal Finance

Progress to date

- Currently in around 50 locations
- Early business metrics encouraging
  - receivables of approximately £5m
  - arrears levels well within expectations
- Two-thirds of customers have had a previous relationship with Home Credit
- Investment in 2008 is relatively small
- Decision on pace and scale of national roll-out to be taken later this year
- Likely to remain at current number of locations until next spring

Vanquis Bank

Vanquis Bank

Review

- Lending model
- Customer and receivables growth
- Profitability
- Chatham call centre relocation

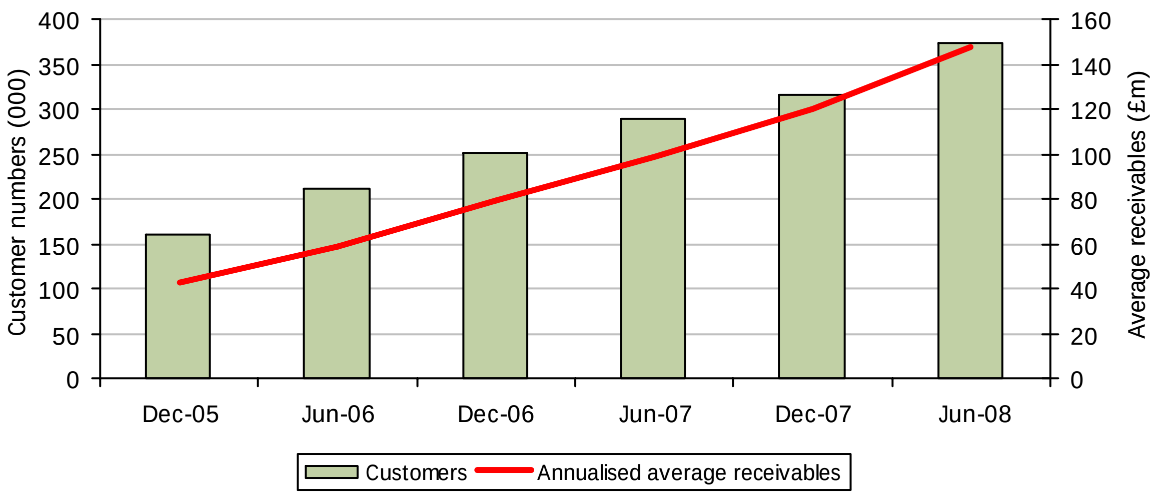
Lending model

Closer to our core customers

- Different to mainstream card issuers
  - specifically designed as a non-standard credit card
  - application and underwriting process includes a telephone interview
  - initial line assignments 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

Customer and receivables growth

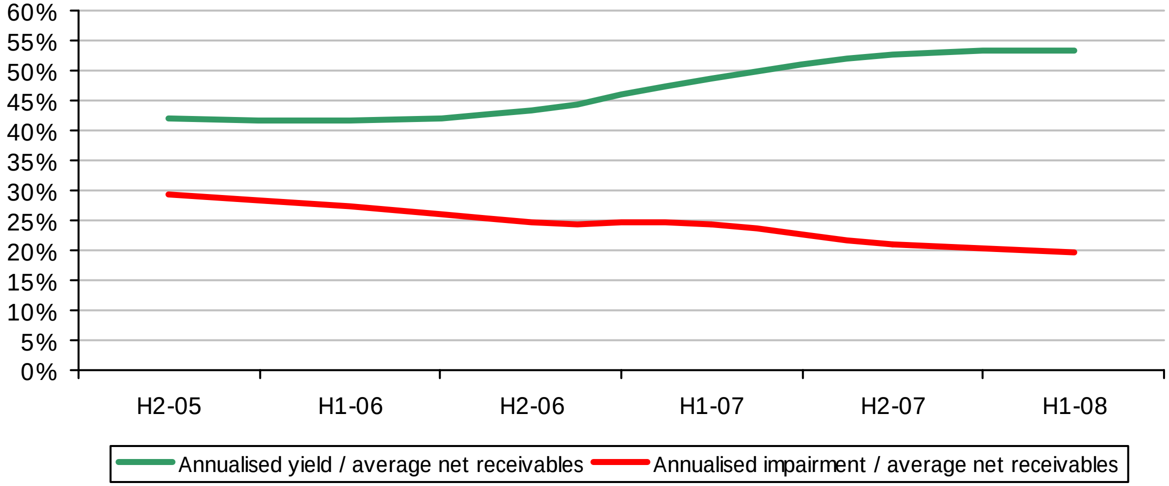
On track to meet medium-term targets



- On track to achieve 2010 targets of 500,000 customers and £300m of receivables
- Promising development of affinity relationships with mainstream issuers

Profitability

On track to meet medium-term targets



- Now close to target risk-adjusted margin of 35%
- Consistent with a 30% post-tax return on equity in 2010

Development plans

Good progress being made

- Chatham call centre
  - new facility capable of serving up to 750,000 accounts
  - on track to be occupied later this summer
  - IT also being upgraded this year to accommodate further growth

Summary and outlook

Provident Financial plc

Summary and outlook

"Our decision to be increasingly cautious in our approach to granting new credit over the last 12 months has resulted in the group's businesses delivering high-quality customer and profit growth. The group's strong funding position leaves it well placed to continue doing so through the second half of 2008."

Questions

Provident Financial plc

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Our approach

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