

Provident Financial

2006 results and demerger update



07 March 2007

Our presentation today

2006 results

- Overview - John van Kuffeler
- Financial review - Andrew Fisher
- UK home credit - Peter Crook
- Vanquis Bank - Peter Crook
- Motor insurance - Peter Crook
- International - John Harnett

Outlook

- John van Kuffeler

Sale of Provident Insurance

- John van Kuffeler

Demerger

- John van Kuffeler

Questions

- John van Kuffeler

Overview

Group

Profit before tax and
exceptional items

up 5.5% to
£191.3m

Pre-exceptional
earnings per share

up 5.0% to
52.92p

Dividend per share

+ 3.0% to
36.50p

A year of investment and development

- UK home credit:
 - customer growth restored and improved medium term prospects
 - improved credit management
 - investment in technology to drive efficiency
 - Competition Commission inquiry concluded
- Vanquis Bank:
 - credit quality improved and pricing adjusted
- International:
 - Polish business successfully adapted to rate cap and credit quality restored
 - expansion in Mexico, Romanian pilot launched
 - new country research well advanced
- Motor insurance:
 - good results and development of yesinsurance.co.uk
 - disposal of business proceeding satisfactorily

2006 results: profit before taxation*

	2006 £m	2005 £m	Change £m
Established businesses	223.2	225.0	(1.8)
Start-up businesses	(30.4)	(19.0)	(11.4)
Yes Car Credit	(1.5)	(24.6)	23.1
	191.3	181.4	9.9

2006 results: established businesses

	2006 £m	2005 £m	Change £m
UK home credit ¹	127.5	130.0	(2.5)
International	58.3	54.2	4.1
Motor insurance	41.0	40.0	1.0
Central costs:			
- costs	(6.0)	(8.3)	2.3
- interest receivable ¹	2.4	9.1	(6.7)
Total central costs	(3.6)	0.8	(4.4)
Profit before tax	223.2	225.0	(1.8)

Note 1 - group interest charges allocated to UK home credit have been restated to reflect revised borrowings based on an average ratio of borrowings to receivables of 80%.

Year ended 31 December

2006 results: UK home credit

	£m
Reported profit	127.5
Interest allocation	12.0
2005 basis	139.5
Impact of pension credit	(5.5)
For comparison with forecasts	134.0

Financial review**2006 results: established businesses**

	2006 £m	2005 £m	Change £m
UK home credit ¹	127.5	130.0	(2.5)
International	58.3	54.2	4.1
Motor insurance	41.0	40.0	1.0
Central costs:			
- costs	(6.0)	(8.3)	2.3
- interest receivable ¹	2.4	9.1	(6.7)
Total central costs	(3.6)	0.8	(4.4)
Profit before tax	223.2	225.0	(1.8)

Note 1 - group interest charges allocated to UK home credit have been restated to reflect revised borrowings based on an average ratio of borrowings to receivables of 80%.

Year ended 31 December

Financial review**2006 results: start-up businesses**

	2006 £m	2005 £m	Change £m
International:			
- new countries	(12.1)	(3.1)	(9.0)
Vanquis Bank	(18.3)	(15.9)	(2.4)
	(30.4)	(19.0)	(11.4)

Capital generation*

	2006 £m	2005 £m
UK home credit	94.5	85.0
Vanquis Bank	(28.3)	(18.2)
International	11.7	29.0
Yes Car Credit	(6.4)	(36.4)
Motor insurance	29.4	26.2
Central	(4.7)	1.8
Net surplus capital before dividends	96.2	87.4
Dividends paid	(91.4)	(88.6)
Group surplus capital generated/(used)	4.8	(1.2)

Year ended 31 December

*before demerger costs and special pension contributions

Balance sheet

	2006 £m	2005 £m
Consumer credit receivables	1,233	1,274
Consumer credit borrowings	1,021	983
Group net assets	354	317
Comprising:		
Consumer credit capital	270	239
Consumer credit goodwill	3	3
	273	242
Motor insurance capital	81	75
Consumer credit capital as % of receivables	21.9%	18.8%
Balance sheet gearing	2.9X	3.1X

Consumer credit regulatory capital

	2006 £m	2005 £m
Receivables	1,233	1,274
Other risk weighted assets	276	268
Total risk weighted assets	1,509	1,542
Capital reserves - Tier 1	247	228
Subordinated debt - Tier 2	100	100
Total capital resources	347	328
Capital adequacy ratio	23.0%	21.2%

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UK home credit





2006 overview

- growth in customer numbers restored
- product innovation
- enhanced credit management
- business streamlining and investment in technology driving efficiency and effectiveness
- conclusion to long-running Competition Commission inquiry
- our external environment more favourable
- improved medium term prospects



New distribution channels

Direct response

- Direct mail
- Inserts
- Press
- Directories
- Internet / email

Widen net beyond agent contacts

Partnerships / affinity

- Retailers
- Mail order
- Finance & loan companies
- Brokers

Sources of declined applications

Internet

- Important source and response handling vehicle
- Growth area
- Specialist internet marketing resource utilised

Leverage new low cost channels


Face to face

- Shopping malls
- High footfall areas
- Specialist 3rd parties

Customer opportunities



Product innovation

Product	Rationale	Status
Longer larger loans	<ul style="list-style-type: none"> customers using other credit sources for larger amounts desire for larger amounts from UK home credit 	<ul style="list-style-type: none"> launched in 2005 significant sales generated credit quality maintained
VISA 	<ul style="list-style-type: none"> plastic has significant kudos appeal in sub prime market home credit benefits (simplicity, transparency, certainty) recruitment and retention potential 	<ul style="list-style-type: none"> developed with Vanquis debit card, not a credit card non-personalised Visa card simple proposition initially future opportunities for reloadable cards etc.
Store specific cards 	<ul style="list-style-type: none"> flexible offer controlled, fixed value so do not overspend 	<ul style="list-style-type: none"> key retailer partnerships with Argos, Woolworths focus on seasonal sales



Enhanced credit management

New Customers

- Phase 1 rolled out
- Internal data
- Free phone number

- Phase 2+ 2007
- All new customers
- External data

- Ability to grant small sums remotely
- Greater control

Existing Customers

- Behavioural scorecard to categorise customers into risk grades
- Ongoing improvements with new data
- Demonstrated significant value in controlling bad debts since introduction

Arrears Process

- Phase 1 rolled out
- Structured process
- Field tactics with central support

- Phase 2+ 2007
- Improved IT support

- Ongoing refinements



Streamlined field organisation

- combine field management and administration of two brands:
 - Provident Personal Credit (PPC)
 - Greenwood Personal Credit (GPC)
- improved efficiency, reduced costs
- supports growth through a single management and cost structure
- integration of management structure completed ahead of plan
- now operating with:
 - 82 home credit areas
 - 14 GPC locations
 - 98 PPC locations
- effectively doubled the number of GPC locations



Insight program

- replaces old paper administration processes
- technology for agents and managers
- improved customer service
- reduction of costs
- platform to improve agent effectiveness



Agent benefits





Competition Commission

- inquiry concluded in November 2006
- CC confirmed that:
 - there was a high level of customer satisfaction
 - the home credit product was suitable for its target customers
 - the relationship between agents and customers was professional and appropriate
- package of remedies focuses on data-sharing and early settlement rebates

**2006 results**

	2006 £m	2005 £m	Change %
Customer numbers (m)	1.52	1.49	2.0
Credit issued	940.8	926.5	1.5
Average net customer receivables	601.3	559.0	7.6
Revenue	576.7	578.9	1.8 ¹
Impairment	(178.8)	(171.8)	(4.1)
Revenue less impairment	397.9	407.1	(2.3)
Costs	(240.0)	(247.6)	3.1
Interest ²	(30.4)	(29.5)	(3.1)
Profit before tax	127.5	130.0	(1.9)
Impairment as a % of revenue	31.0%	29.7%	

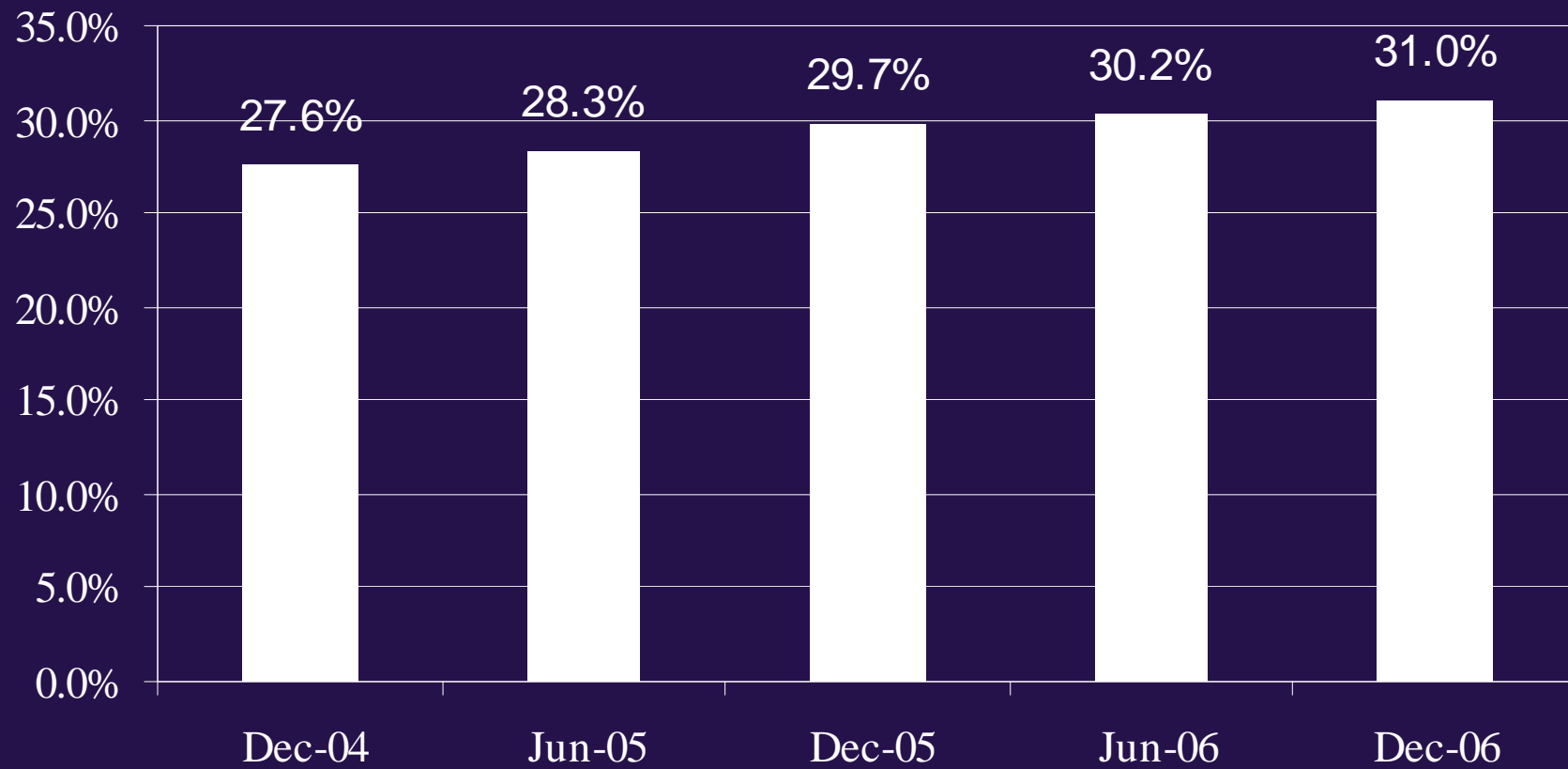
Notes

1. 2005 financial year included a 53rd week. The revenue growth figure has been adjusted accordingly.
2. Group interest charges allocated to UK home credit have been restated to reflect revised borrowings based on an average ratio of borrowings to receivables of 80%.

Year ended 31 December

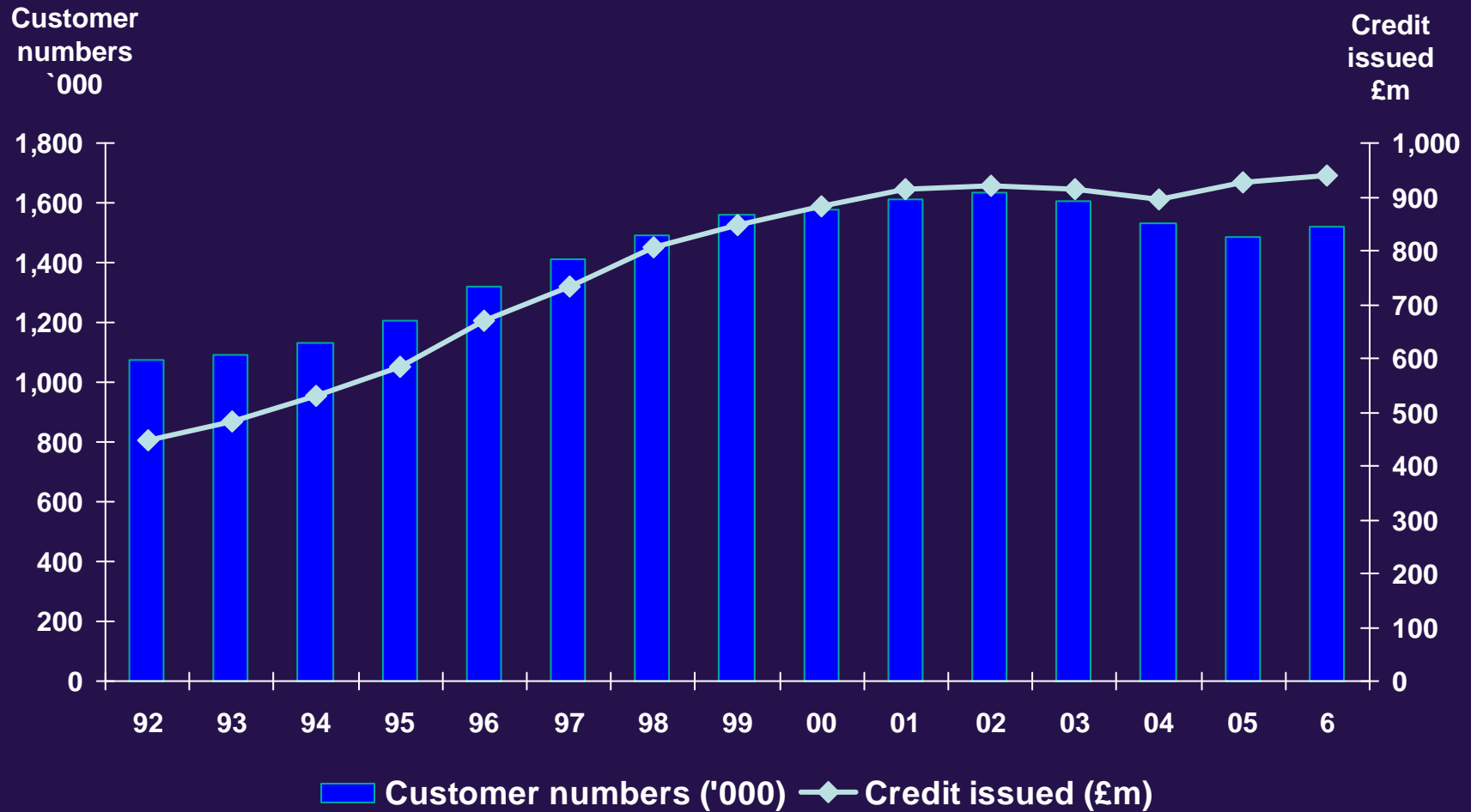


Impairment as % of revenue



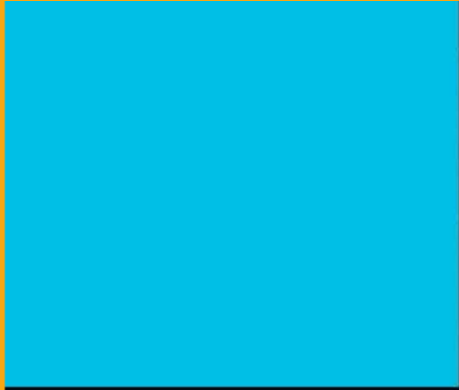


Highly cash-generative business that is growing again



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Vanquis Bank





Overview 2006

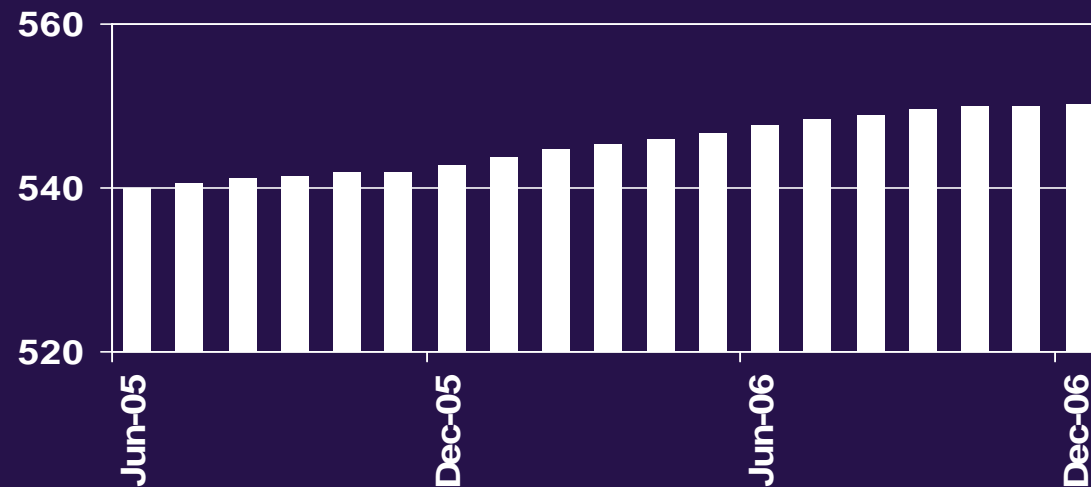
- customer numbers passed 250,000
- established wider distribution for its products
- underwriting criteria improved
- impairment well-controlled but slower revenue growth
- assets re-priced towards the end of 2006
- expected to be around break-even for 2007 as a whole



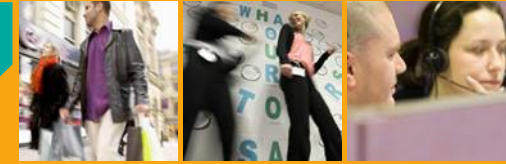
New account quality rising

- tighter initial underwriting
- benefits of scorecard development

Average Credit Score (6 mth moving avg)



Credit score is an internal underwriting score. Minimum score 517 with c.80% booked below 600.



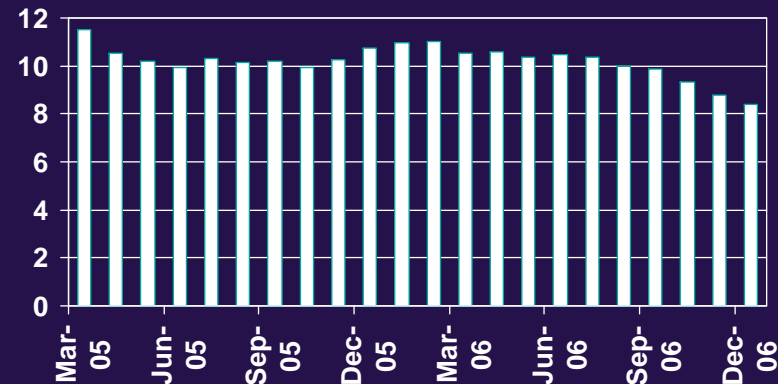
Better quality feeding through assisted by:

- a continuous improvement programme in collections
- improved subsequent credit line increase decisions
- maturing book

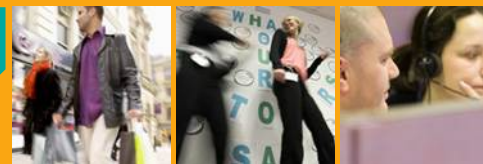
3 + Down Arrears % After 6 Months
(3 mth rolling average)



Good to 1 Down Arrears "Roll Rate" %
(3 mth moving avg)



Graph shows the % of accounts in 3 + arrears after 6 months for each block of booked accounts. The H2 2006 data is yet to develop but we expect continuing improvement.



2006 results

	2006 £m	2005 £m
Customer numbers (000's)	251	160
Average customer receivables	77.3	42.5
Revenue	34.2	17.8
Impairment	(19.4)	(12.4)
Revenue less impairment	14.8	5.4
Costs	(30.0)	(20.0)
Interest	(3.1)	(1.3)
Loss before tax	(18.3)	(15.9)
Impairment as a % of revenue	56.7%	69.7%

Year ended 31 December

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Motor insurance





Overview 2006

- another strong performance in a competitive market
- 37% ROE in 2006
- market prices improving and policy numbers now growing
- favourable development of prior year claims
- yesinsurance.co.uk on plan
- 2007 profit expectation influenced by lower claims reserve release



2006 results

	2006 £m	2005 £m	Change %
Gross written premium	158.0	154.7	2.1
Costs	(131.8)	(134.4)	1.9
Underwriting profit	26.2	20.3	29.1
Combined ratio (%)	83%	87%	
Investment income	18.1	21.6	(16.2)
Profit before tax and yesinsurance.co.uk	44.3	41.9	5.7
yesinsurance.co.uk	(3.3)	(1.9)	(73.7)
Profit before tax	41.0	40.0	2.5
Average investment fund	370	427	(13.3)
Investment yield	4.9%	5.0%	-

Year ended 31 December

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International





Overview 2006

- credit controls improved in all markets
- increase in profit from Central Europe driven by much improved credit quality
- Polish business successfully adapted to rate cap and credit quality substantially improved
- Czech and Slovakia made excellent progress but suspension of lending impacted otherwise strong performance in Hungary
- increased investment in new markets: Mexico and Romania
- new market research into Russia and India at advanced stage



Key initiatives 2006

Credit management

- new application and behavioural scoring systems introduced
- centralised collections piloted in Poland
- impairment metrics integrated into weekly performance reporting

New products

- rate cap compliant product introduced in Poland
- Mandarynka and Rapida piloted

New markets

- Romania pilot launched
- research on Russia and India substantially complete



Key initiatives 2006 - continued

IT

- new core systems rolled out in all markets
- all branches linked by satellite communications
- separate IT and data processing infrastructure built
- new HQ opened

Marketing

- pan-European customer management system introduced
- new 'people helping people' brand and TV advertising campaign launched
- five new customer websites launched

People

- fast track programme introduced
- 'agent as first customer' program developed
- focus on training, development and retention



2006 results : profit before tax

	2006 £m	2005 £m	Change £m
Central Europe			
- home credit	68.8	61.4*	7.4
- new products	(3.1)	(0.7)	(2.4)
	65.7	60.7	5.0
Central divisional costs	(7.4)	(6.5)*	(0.9)
Established businesses	58.3	54.2	4.1
New countries			
- Mexico	(9.7)	(3.1)*	(6.6)
- Romania	(2.4)	-	(2.4)
	(12.1)	(3.1)	(9.0)
Profit before tax	46.2	51.1	(4.9)

12 months to 31 December

* restated to reflect revised allocation of central divisional overheads



2006 results

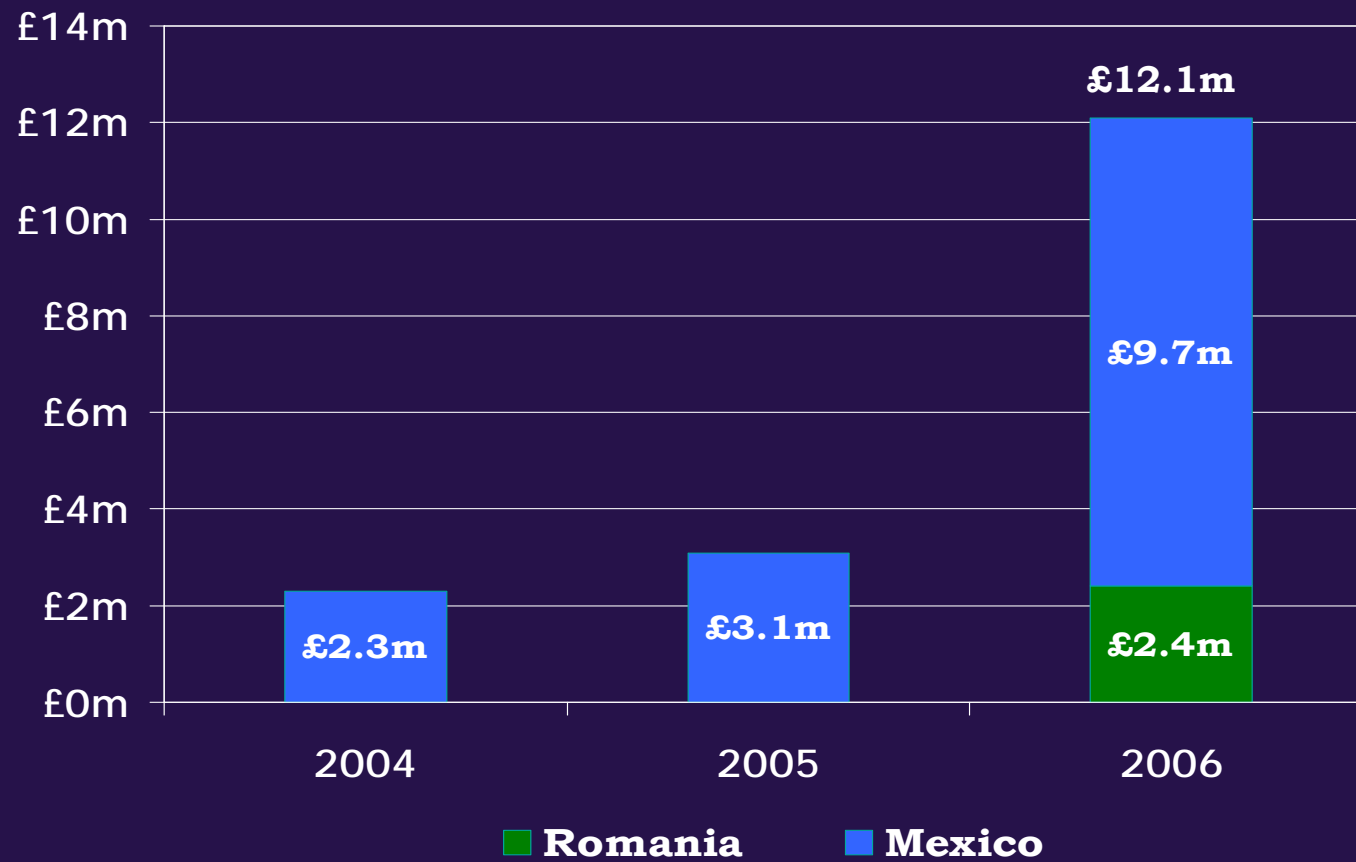
	2006	2005	CER 2005*	Change
	£m	£m	£m	%
Customer numbers ('000)	1,781	1,777	1,777	0.2
Credit issued	524.3	544.9	550.7	(4.8)
Average customer receivables	307.7	281.7	286.3	7.5
Revenue	365.3	358.6	363.0	0.6
Impairment	(103.1)	(132.4)	(134.8)	23.5
Revenue less impairment	262.2	226.2	228.2	14.9
Costs	(194.6)	(155.1)	(156.3)	(24.5)
Interest	(21.4)	(20.0)	(20.0)	(7.0)
Profit before tax	46.2	51.1	51.9	(9.6)
Impairment as a % of revenue	28.2%	36.9%		

Year ended 31 December

* restated at constant exchange rates



Investment in new markets (£m)





Underlying profit*



*excludes new product costs



2006 results

	2006	2005	CER 2005*	Change
	£m	£m	£m	%
Customer numbers ('000)	1,523	1,646	1,646	(7.5)
Credit issued	474.9	522.3	529.3	(10.3)
Average customer receivables	292.9	275.9	280.9	4.3
Revenue	338.6	347.9	353.0	(4.1)
Impairment	(90.6)	(128.8)	(131.4)	31.1
Revenue less impairment	248.0	219.1	221.6	11.9
Costs	(164.1)	(140.1)	(141.7)	(15.8)
Interest	(18.2)	(18.3)	(18.4)	1.1
Profit before tax	65.7	60.7	61.5	8.2
Impairment as a % of revenue	26.8%	37.0%		

Year ended 31 December

* restated at constant exchange rates



Key initiatives

- new unbundled rate cap compliant products successfully introduced
- leadership change in June
- significant tightening of credit controls
- centralised collections process introduced
- established foundations for growth
 - recruitment of an additional 150 development managers
 - recruitment of an additional 1,000 agents
 - additional investment in brand and direct marketing



2006 key statistics

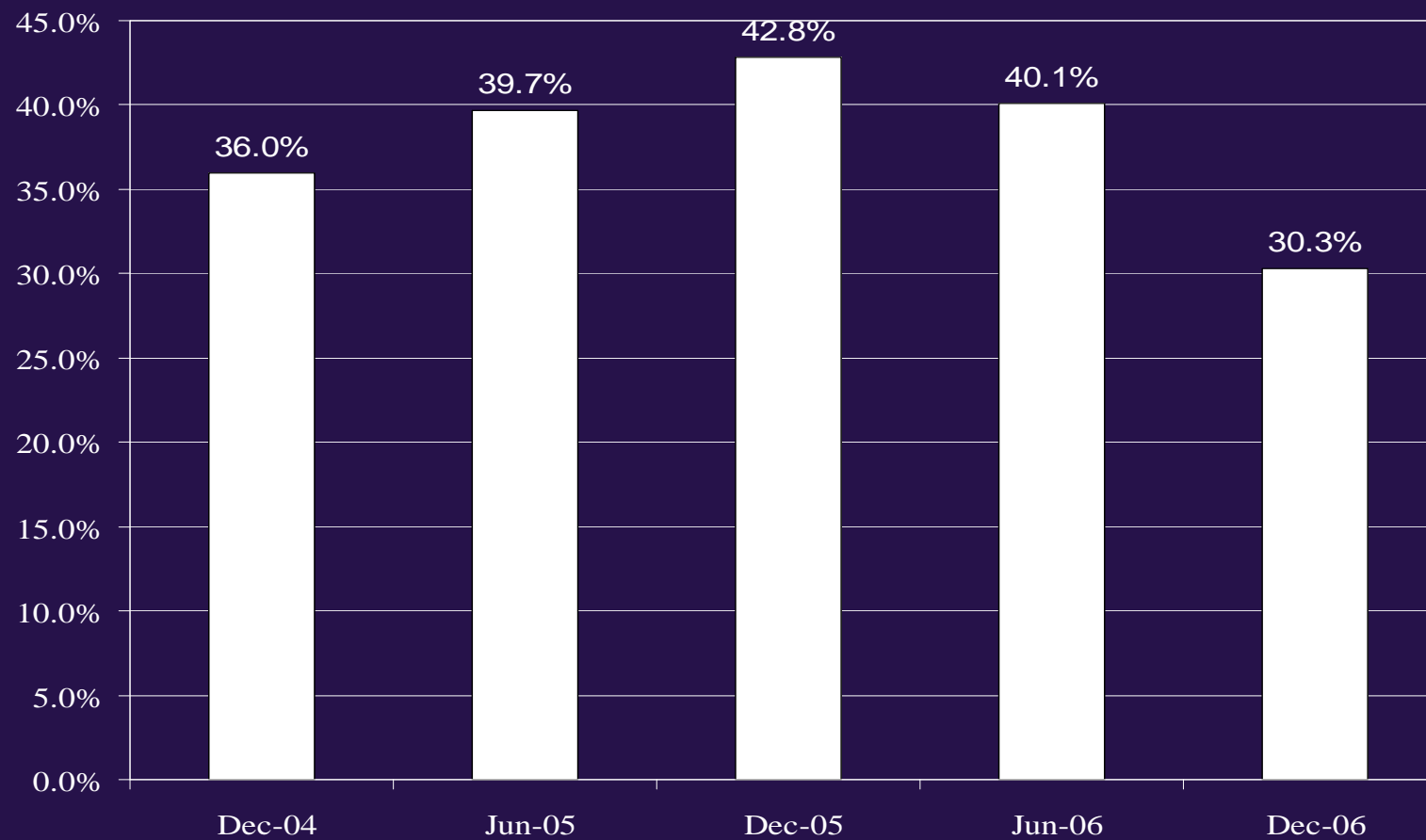
	2006	2005*	2004*
Customer numbers ('000)	854	968	941
	<i>(11.8%)</i>	<i>2.9%</i>	
Credit issued (£m)	235.6	291.8	280.0
	<i>(19.3%)</i>	<i>4.2%</i>	
Average customer receivables (£m)	159.2	165.9	148.4
	<i>(4.0%)</i>	<i>11.8%</i>	
Revenue (£m)	185.0	211.7	192.4
	<i>(12.6%)</i>	<i>10.0%</i>	
Impairment (£m)	56.0	90.6	69.2
	<i>(38.2%)</i>	<i>30.9%</i>	
Revenue less impairment (£m)	129.0	121.1	123.2
	<i>6.5%</i>	<i>(1.7%)</i>	

Year ended 31 December

*restated at constant exchange rates



Impairment as a % of revenue





2006 key statistics

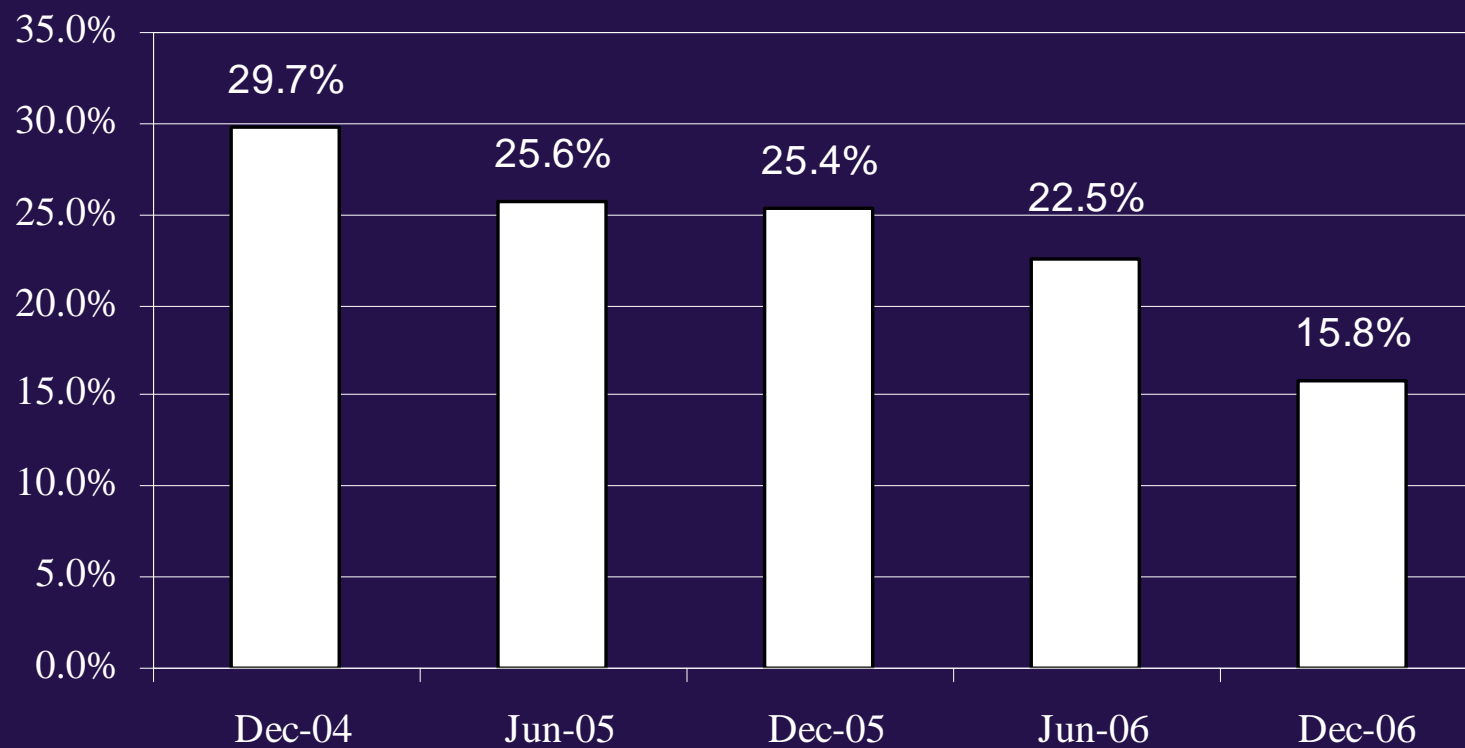
	2006	2005*	2004*
Customer numbers ('000)	254	250	230
	1.6%	8.7%	
Credit issued (£m)	97.4	94.7	87.0
	2.9%	8.9%	
Average customer receivables (£m)	56.8	48.0	43.7
	18.3%	9.8%	
Revenue (£m)	60.7	55.9	51.8
	8.6%	7.9%	
Impairment (£m)	9.6	14.2	15.4
	(32.4%)	(7.8%)	
Revenue less impairment (£m)	51.1	41.7	36.4
	22.5%	14.6%	

Year ended 31 December

* restated at constant exchange rates



Impairment as a % of revenue





Overview

- strong performance impacted by PSZAF resolution
- suspension of trading on 17 October pending
 - conversion of representatives to employee status
 - certain procedural changes requiring IT changes
- close co-operation with the PSZAF to enable lending to resume on 6 December (after seven weeks)
- collections unaffected
- strong lending in December
- financial impact of £3.7m in 2006 and ongoing annual increase in employment costs of £6m



2006 key statistics

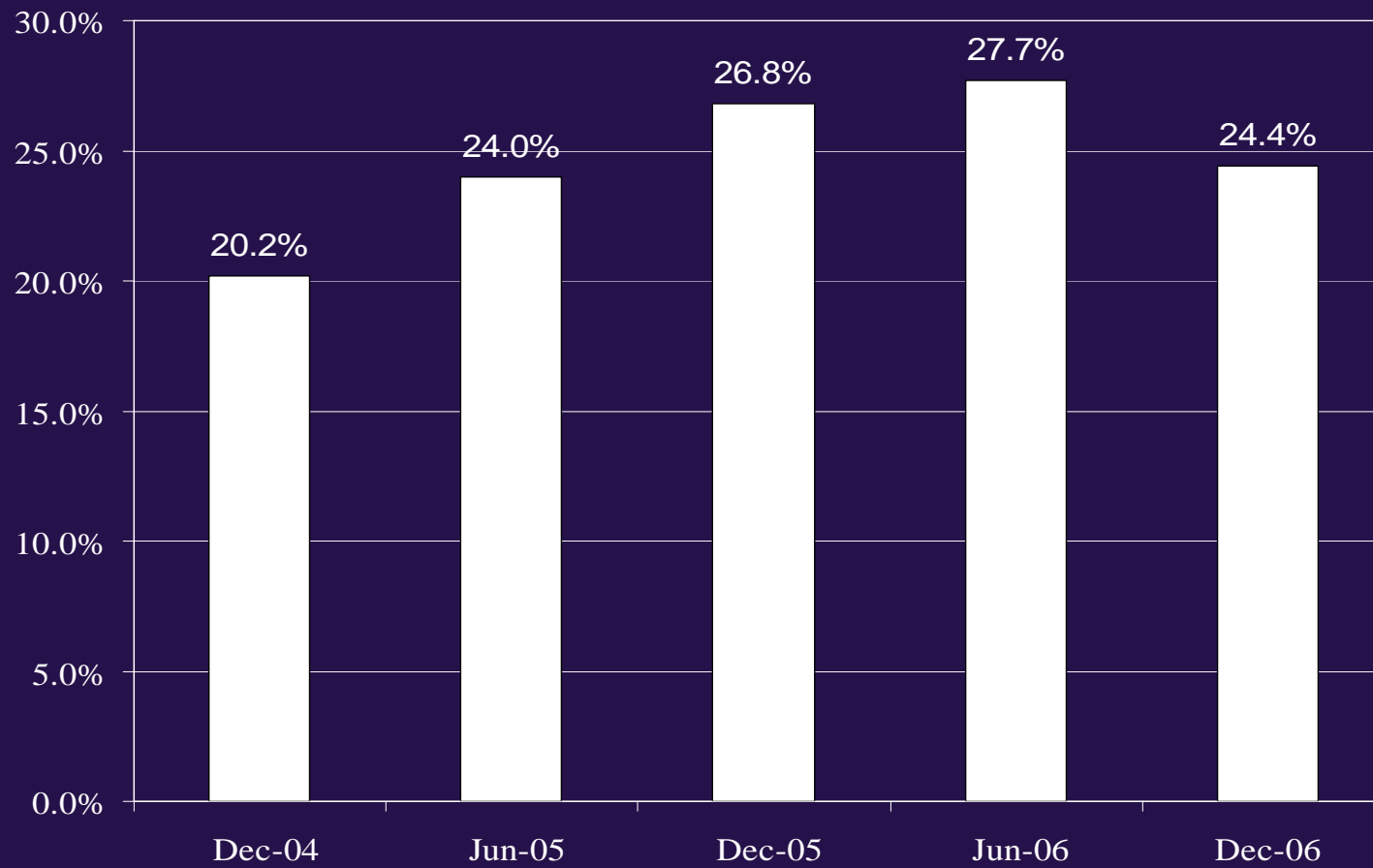
	2006	2005*	2004*
Customer numbers ('000)	284	306	251
	<i>(7.2%)</i>	<i>21.9%</i>	
Credit issued (£m)	102.7	105.3	82.7
	<i>(2.5%)</i>	<i>27.3%</i>	
Average customer receivables (£m)	57.0	50.5	33.5
	<i>12.9%</i>	<i>50.7%</i>	
Revenue (£m)	70.6	65.3	44.0
	<i>8.1%</i>	<i>48.4%</i>	
Impairment (£m)	17.2	17.5	8.9
	<i>(1.7%)</i>	<i>96.6%</i>	
Revenue less impairment (£m)	53.4	47.8	35.1
	<i>11.7%</i>	<i>36.2%</i>	

Year ended 31 December

* restated at constant exchange rates



Impairment as a % of revenue



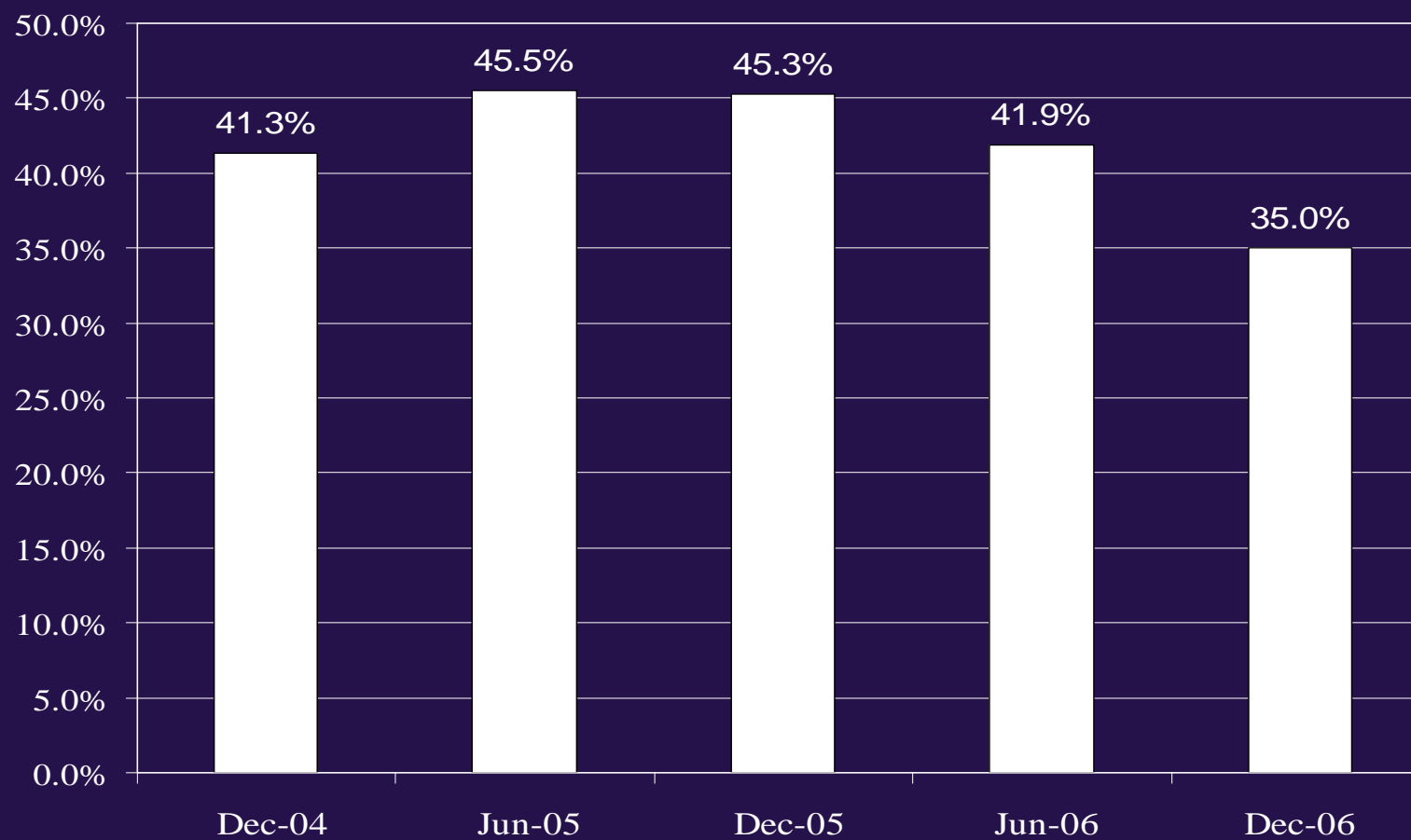


2006 key statistics

	2006	2005*	2004*
Customer numbers ('000)	131	122	102
	<i>7.4%</i>	<i>19.6%</i>	
Credit issued (£m)	39.2	37.5	29.4
	<i>4.5%</i>	<i>27.6%</i>	
Average customer receivables (£m)	19.9	16.5	10.0
	<i>20.6%</i>	<i>65.0%</i>	
Revenue (£m)	22.3	20.1	12.6
	<i>10.9%</i>	<i>59.5%</i>	
Impairment (£m)	7.8	9.1	5.2
	<i>(14.3%)</i>	<i>75.0%</i>	
Revenue less impairment (£m)	14.5	11.0	7.4
	<i>31.8%</i>	<i>48.6%</i>	



Impairment as a % of revenue





2006 performance

- a year of significant growth
 - fastest growing new market
 - increase in branch infrastructure from 16 to 34
 - Guadalajara region opened
- however, some operational issues
 - higher levels of agent and staff turnover than Central European markets
 - gradual decline in collections performance
 - gradual increase in underlying bad debt / impairment
- Guadalajara region is performing well



2006 results

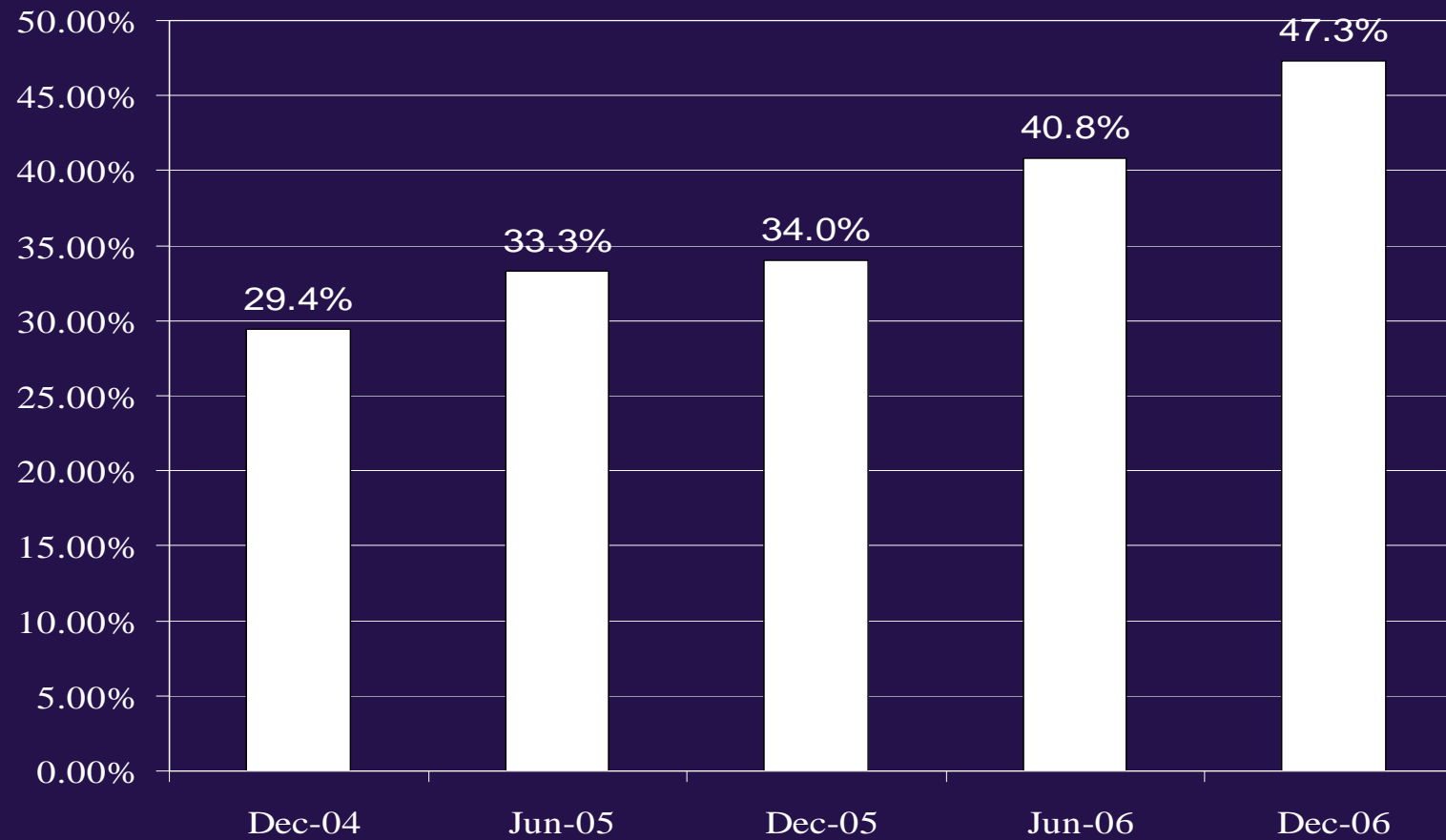
	2006	2005	CER 2005*	Change
	£m	£m	£m	%
Customer numbers ('000)	252	131	131	92
Credit issued	48.1	22.6	21.4	125
Average customer receivables	14.5	5.8	5.4	169
Revenue	26.4	10.7	10.0	164
Impairment	(12.5)	(3.6)	(3.4)	(268)
Revenue less impairment	13.9	7.1	6.6	111
Costs	(21.2)	(9.2)	(8.8)	(141)
Interest	(2.4)	(1.0)	(0.9)	(167)
Loss before tax	(9.7)	(3.1)	(3.1)	(213)
Impairment as a % of revenue	47.3%	33.6%		

Year ended 31 December

* restated at constant exchange rates



Impairment as a % of revenue





Improvement plan for Puebla region

- paused further branch opening in August to build experience
- credit controls tightened
- ex-pat team strengthened
- remuneration structures for staff and agents re-aligned
- credit controls tightened
- management changes initiated in September 2006-effective at the end of 2006
- staff retention has improved substantially
- early signs of improved performance

Provident Financial
Romania





Overview

- pilot launched in 2006 with full senior management team in place
- 4 branches now open in Bucharest and surrounding area
- product well received and good customer demand
- year end customers at 6,000
- progressing according to plan
- start up loss in 2006 of £2.4m

Outlook

- with growth in UK home credit customers restored, medium term outlook improved and business well-placed to take advantage of changing market conditions
- Vanquis Bank is expected to trade around break-even in 2007
- expect to see continued progress in Central Europe in the coming year
- opportunity within the international business for profitable growth in both existing and new markets remains excellent.

Sale of Provident Insurance

Summary

- structured process to establish value following 17 January announcement
- received acceptable indicative offers
- detailed due diligence underway
- formal offers due end March
- completion expected before end of Q2

Background

- International is now a self sufficient and stand-alone entity with local management structures
- distinct business agendas requiring different management skills
 - International will focus on capturing the growth from developing home credit in existing and new emerging markets
 - UK will focus on developing a more broadly based business in the UK sub-prime consumer credit market, leveraging its substantial customer base and infrastructure
- provides different investment propositions to shareholders

Demerger plans well advanced

- ✓ primary debt funding secured
- ✓ legal separation mechanics ready
- ✓ demerger documentation well progressed
- ✓ boards and management roles confirmed
- ✓ main tax clearances obtained
- ✓ IT systems and infrastructure separated
- ✓ fully funded pension scheme split agreed
- ✓ International name selected
- ✓ new international HQ in Leeds occupied

Structure

Provident Financial plc

UK home credit

Vanquis Bank

Yes Car Credit
(sales and financing
activities closed)

International Personal
Finance

Central Europe

Mexico

Romania
(pilot)

Provident Financial plc

Chairman
John van Kuffeler

Chief Executive
Peter Crook

Non-Executive Director
John Maxwell

Finance Director
Andrew Fisher

Non-Executive Director
Robert Hough

Non-Executive Director
TBA

International Personal Finance plc

Executive Chairman
Christopher Rodrigues

Chief Operating Officer
John Harnett

Finance Director
David Broadbent

Senior
Non-Executive Director
Ray Miles

Non-Executive Director
Charles Gregson

Non-Executive Director
Tony Hales

Non-Executive Director
TBA

Capital structure and dividend

- full details of capital structures following sale of Provident Insurance
- a proportion of the expected gain on the disposal of Provident Insurance will be retained to assist the capitalisation of IPF
- aggregate dividends per share for 2007 expected to be at least equivalent to 2006 dividend

Provident Financial

2006 results and demerger update

Questions?