US Roadshow Presentation

September 2011

PFG | Provident Financial Group

Highlights

Continued good progress

- Profit before tax up 15.4% to £62.3m
- Cautious approach to extending credit yielding favourable impairment trends in both businesses
- Home-collected Credit performance underpinned by focus on serving good-quality existing customers
- Strong growth and favourable delinquency trends at Vanquis Bank generating above target returns
- Headroom on committed bank facilities, **before deposit taking**, of £280m sufficient to fund growth and contractual maturities until late 2012
- Retail deposits programme activated at Vanquis Bank
- Increase in interim dividend by 5.1% to 26.7 pence per share, supported by earnings growth and strong capital generation

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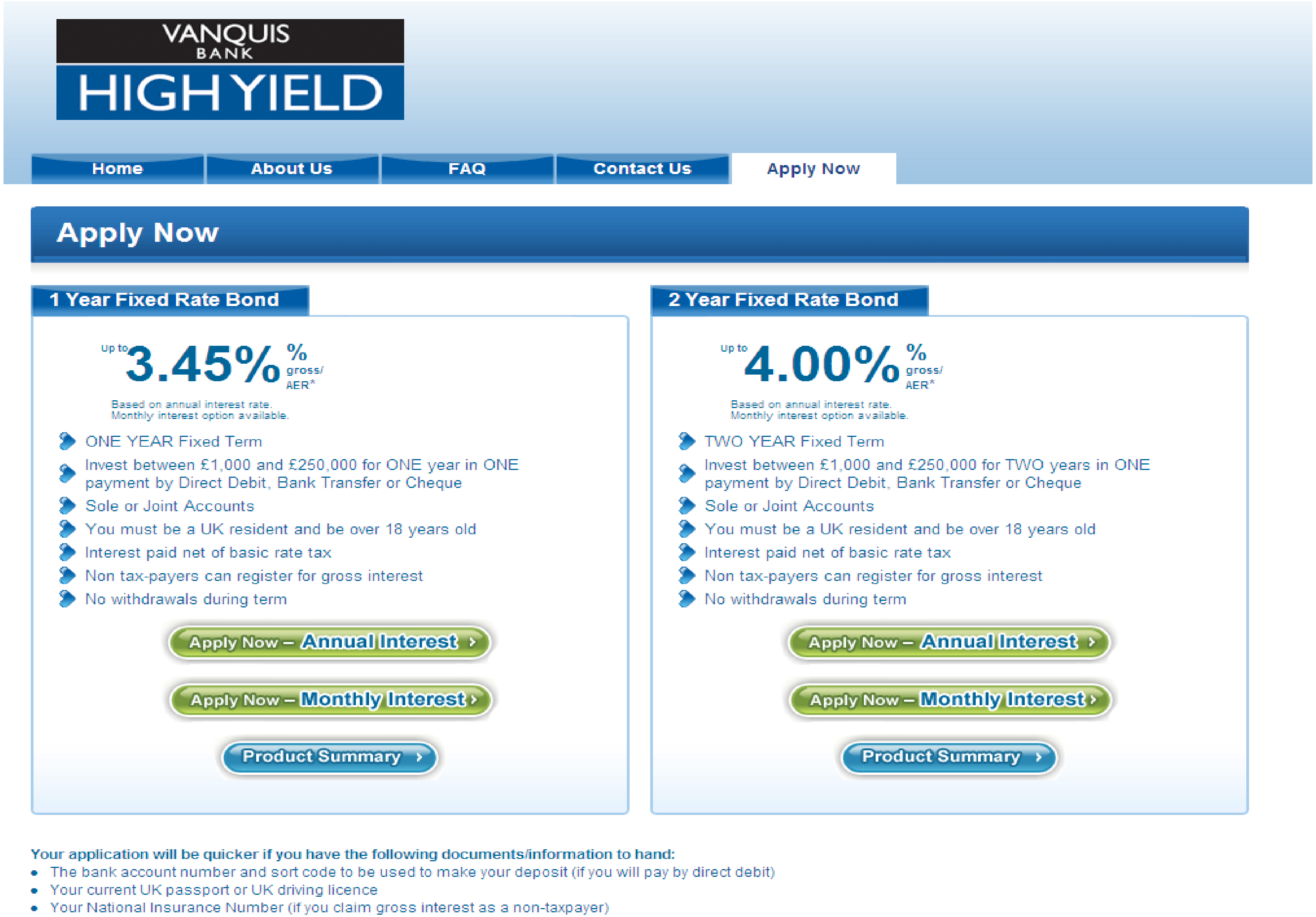
Deposit taking activated



Market conditions and business positioning – Home-collected Credit

Market conditions

- Competitive landscape little changed
- Customer behaviour less cautious than 12 months ago
- Under-employment remains an issue for many households and inflation is creating pressure on disposable incomes
- Welfare changes having limited impact on customer base with changes to individual customer circumstances factored into agents' normal lending decisions

Business positioning

- Business plan for 2011 based on modest receivables growth
- Tighter stance on underwriting to new customers reducing headline growth in customer numbers
- Emphasis continues to be on re-serving good quality existing customers to generate receivables growth
- Collections performance benefitting from improving credit quality and enhancements to agents' commission scheme

Market conditions and business positioning - Vanquis Bank

Market conditions

- Vanquis Bank remains the most active participant in the non-standard credit card market
- Strong flow of applications from both direct mail and internet channels
- Unemployment remains stable
- Consumers in the wider non-standard market still carrying too much debt

Business positioning

- No change to tight underwriting and credit line increase criteria
- Strict adherence to only serving customers with limited indebtedness
- More intensive marketing programme since mid-2010 driving strong growth in customer base
- Improving underlying quality of the book and favourable delinquency trends generating above target returns
- No near-term relaxation of credit standards due to uncertainty over direction of employment market
- Plans well-advanced for Bradford based call centre to increase capacity

Market conditions and business positioning

Summary

- Management's approach in both businesses proving effective in current market conditions
- No change to cautious stance on extending new credit in recognition of continuing pressure on real incomes and uncertainty over future direction of employment market
- Sound credit quality in both businesses provides foundation for delivering good-quality growth for 2011 as a whole

Group - Profit before tax

Six months ended 30 June	**2011 £m**	2010 £m	Change £m
Home-collected Credit	**50.2**	51.1	(0.9)
Real Personal Finance	**-**	(1.8)	1.8
Vanquis Bank	**17.6**	9.1	8.5
Central:			
- Costs	**(4.9)**	(4.1)	(0.8)
- Interest payable	**(0.6)**	(0.3)	(0.3)
Total central	**(5.5)**	(4.4)	(1.1)
Profit before tax	**62.3**	54.0	8.3
Basic earnings per share	**34.3p**	29.5p	

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Home-collected Credit - Income statement

Six months ended 30 June	2011 (26 weeks) £m	2010 (27 weeks) £m	Change
Customer numbers (‘000)	**1,803**	1,805	(0.1%)
Period-end receivables	**785.5**	747.7	5.1%
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

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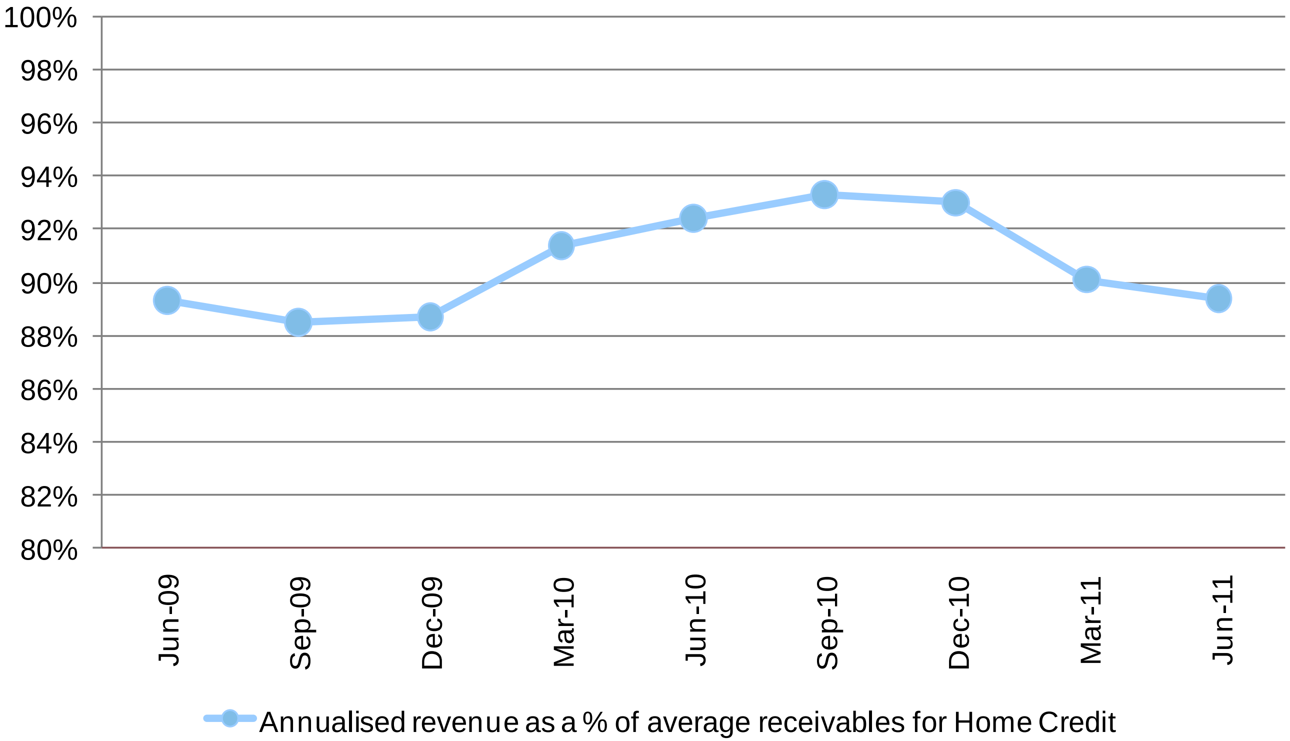
Home-collected Credit - Revenue yield



- Revenue yield moderated during first half of 2011 as previously indicated
- Reflects focus on serving good-quality existing customers who tend to be served with slightly longer term products
- Yield likely to remain around 90% for the remainder of 2011

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Home-collected Credit - Income statement

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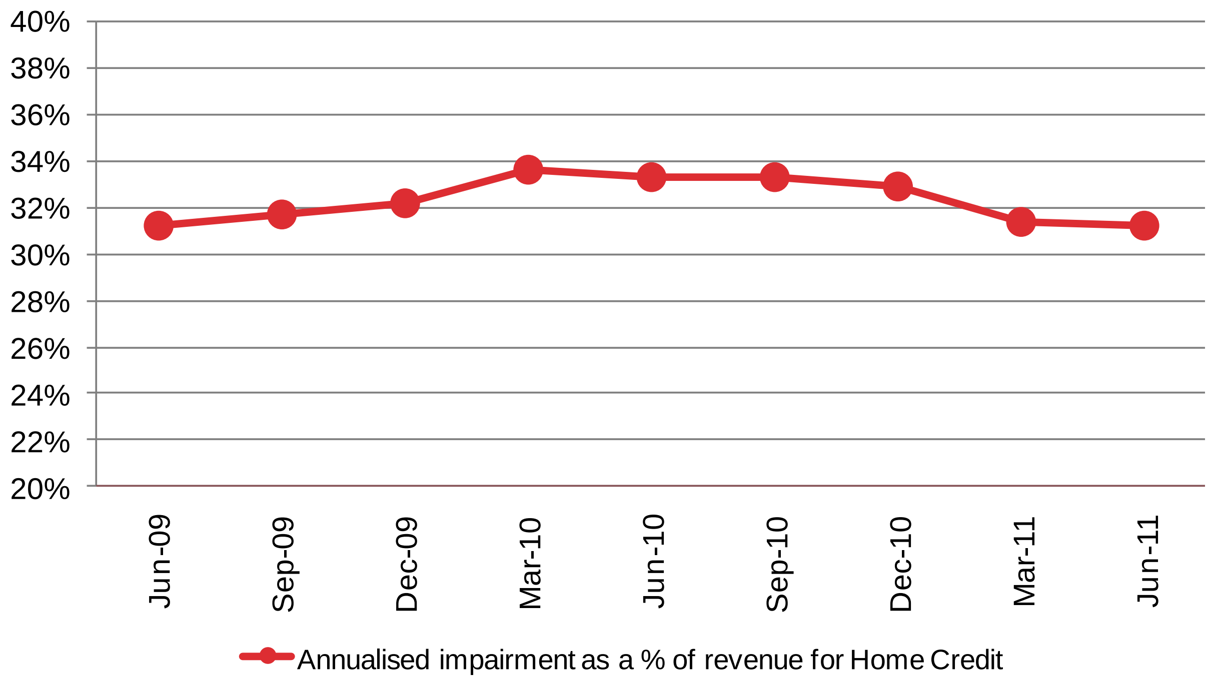
Home-collected Credit - Impairment as a % of revenue



- Strong first half collections performance reflects tighter underwriting and improvement in quality of the book
- Enhancements to agents' commission scheme are proving effective
- Impairment rates expected to remain within the range experienced over the last 12 months

Home-collected Credit - Impairment policy

- Based on last 12 weeks payment performance
- Loans deemed impaired if more than 1 contractual weekly payment missed in previous 12 weeks
- 95%+ provision against loans for which no payment received in last 12 weeks

Timely, realistic provisioning which has been applied consistently and reinforces the right behaviour amongst agents and employees

Home-collected Credit - IFRS 7 disclosures

	2011 %	2010 %
In order	**31.6**	30.4
In arrears:		
- Past due but not impaired	**11.8**	12.6
- Impaired	**56.6**	57.0
Total	**100.0**	100.0

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Home-collected Credit - Income statement

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Vanquis Bank - Income statement

Six months ended 30 June	**2011 £m**	2010 £m	Change
Customer numbers (‘000)	**610**	483	26.3%
Period-end receivables	**380.1**	281.2	35.2%
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

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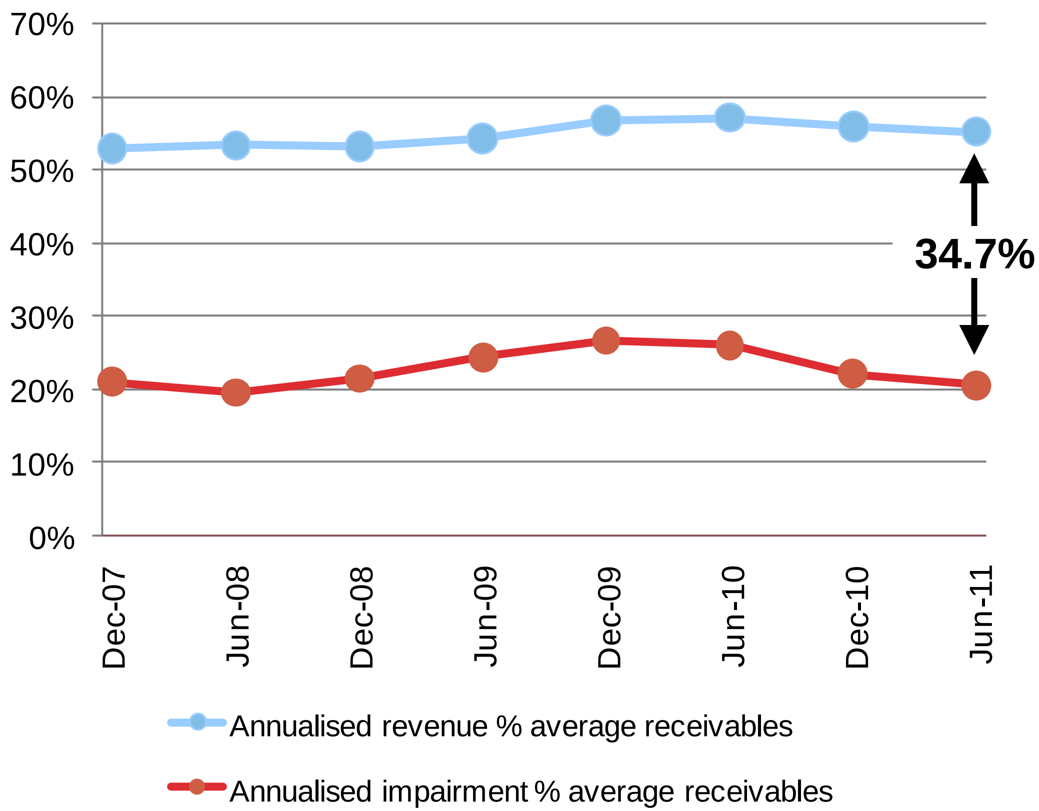
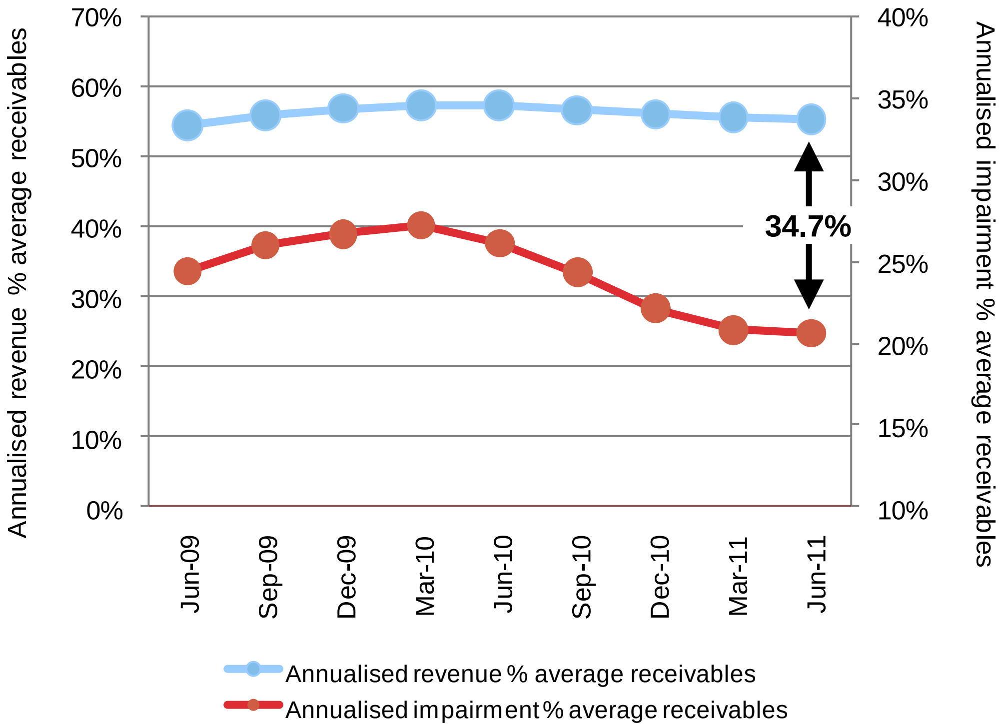
Vanquis Bank - Maintaining the risk-adjusted margin



- Risk-adjusted margin of 34.7%, well above minimum target of 30%
- Stable risk-adjusted margin underpinned by active management of:
  - Credit line utilisation to minimise contingent undrawn exposure
  - Revenue yield through appropriate pricing for risk
- Expansion of risk-adjusted margin in 2010 and 2011

Vanquis Bank - Expansion of the risk-adjusted margin



- Margin expansion reflects:
  - Improvement in underlying quality of receivables book
    - Tightening of underwriting from 2007 to mid-2009
    - Consistent application of tight underwriting since mid-2009 in a stable employment market
  - Reduction in delinquency rates which has added 1.5% (£5m) to the annualised risk-adjusted margin of 34.7%

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Vanquis Bank - Impairment policy

- Loans deemed to be impaired as soon as 1 contractual monthly payment is missed
- Provision of over 80% made against accounts that are 90 days in arrears*

Realistic accounting policy applied consistently which is prudent when benchmarked against other card issuers

* Subject to estimated realisations from central/third party debt recovery processes

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Vanquis Bank - IFRS 7 disclosures

	2011 %	2010 %
In order	**87.9**	83.7
In arrears:		
- Past due but not impaired	**-**	-
- Impaired	**12.1**	16.3
Total	**100.0**	100.0

Vanquis Bank - Income statement

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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

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Strong balance sheet

As at 30 June	**2011 £m**	2010 £m
Receivables:		
- Home-collected Credit	**785.5**	747.7
- Real Personal Finance	**3.9**	10.8
- Vanquis Bank	**380.1**	281.2
	1,169.5	1,039.7
Pension asset	**58.9**	1.0
Liquid assets buffer	**10.8**	-
Borrowings*	**(930.6)**	(818.5)
Other	**9.9**	22.1
Net assets	**318.5**	244.3
Equity**: Receivables	**21.0%**	21.3%
Gearing**	**3.3x**	3.2x

* after adjusting for the fair value of derivatives used to hedge US$ private placement notes and arrangement fees
** on a banking basis equity excludes the pension asset and the fair value of derivatives both net of deferred tax

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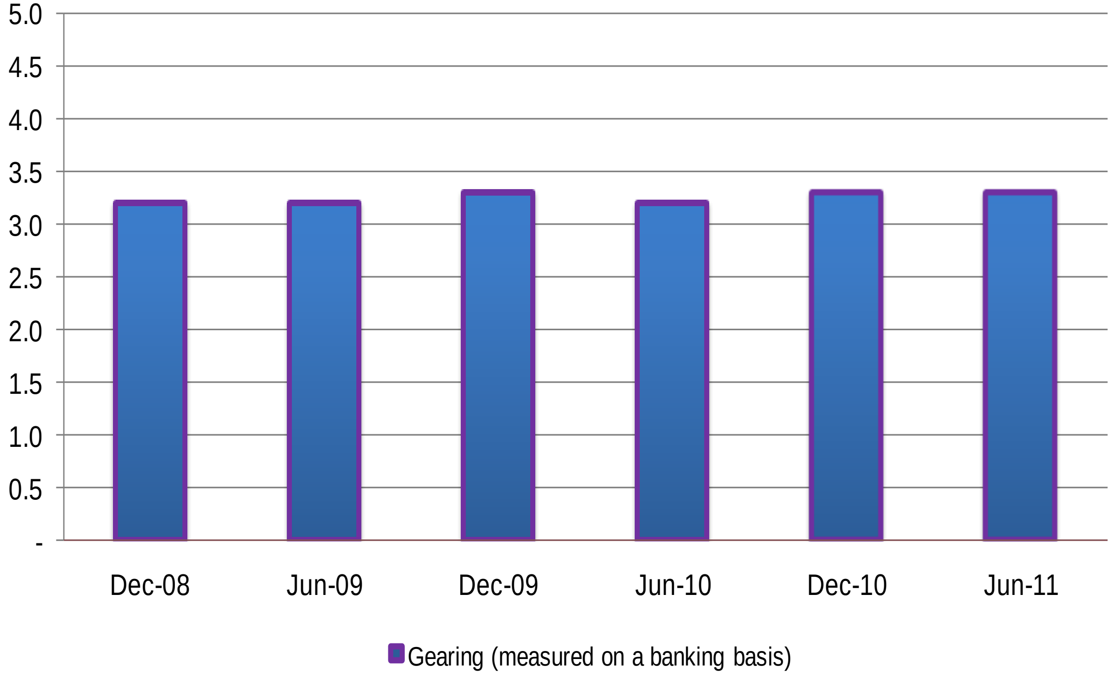
Modest gearing levels



- Gearing at June 2011 of 3.3 times versus a banking covenant of 5.0 times
- Strong capital generation has funded dividends and growth leaving gearing unchanged

Diversified funding base

		Originated	£m
Banks			
UK-centric bank group		2010	420
Non-extending overseas banks		2007	197
			617
Bonds and private placements			
Senior public bond		2009	250
M&G term loan		2011	100
Other sterling/euro medium term notes		2011	42
Retail bonds	- Issue 1	2010	25
	- Issue 2	2011	50
US private placements		Pre-2006	103
Residual subordinated bonds		2005	6
			576
Vanquis Bank retail deposits			-
Total committed facilities			**1,193**
Headroom on committed bank facilities at 30 June 2011			**280**
Originated in past 2 years			**887**

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Maturities and funding

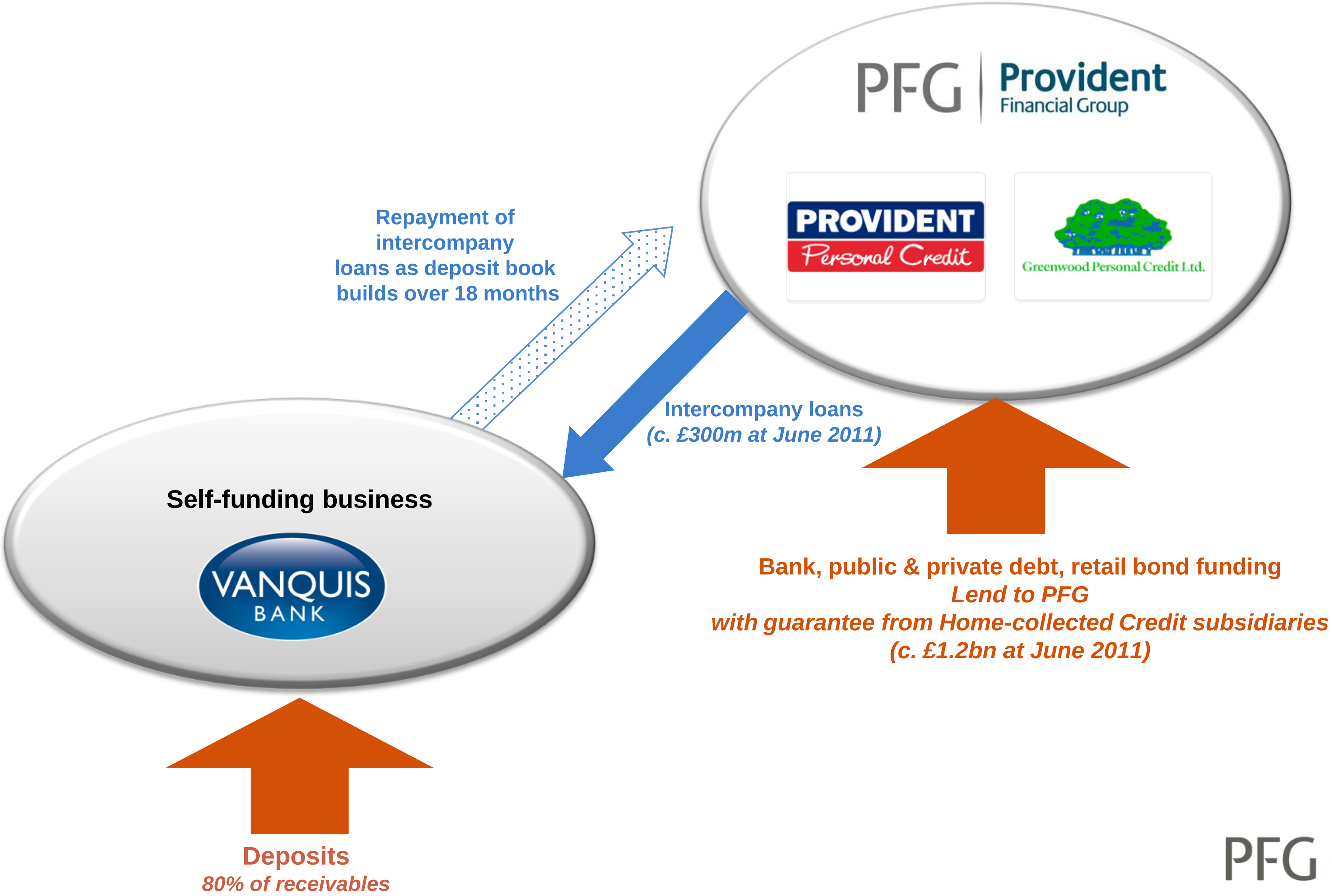
Maturities	£m
2011	
US private placements	16
2012	
Non-extending overseas banks	197
2013	
UK-centric bank group	420
US private placements	49
2014	
US private placements	38
2015	
Residual subordinated bonds	6

Funding

- Extension by May 2012 of UK-centric bank group facilities of £420m maturing in May 2013
- Vanquis Bank deposit programme to provide £300m of funding by end of 2012
- Retail bond market (raised £50m in March 2011)

- Continue with Treasury programme to maintain and develop options in bank, private placement, public debt and securitisation markets

Vanquis as a self-funding business



Retail deposits programme

- Fixed term deposits of typically 1 to 3 years
- Redeemable only in the event of death or mandated legal reasons
- 18 month programme to build funding to 80% of Vanquis Bank's receivables
- Offered through internet best-buy tables (e.g. moneyfacts.co.uk, moneysupermarket.com, moneysavingexpert.com)
- Depositors covered by the FSCS up to £85,000
- Platform outsourced to a third party

→ **Fixed maturity profile**

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Strong capital generation

- Group generated £91.6m* of capital in the 12 months to 30 June 2011 compared with dividend payments of £84.9m

- Vanquis Bank is generating more than sufficient capital to fund its own growth and paid a maiden dividend of £5.0m to PFG in July

- Regulatory capital remains comfortably in excess of the revised ICG recently set by the FSA

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

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Vanquis Bank - Capital generation

	Capital generation £m	Equity £m	Receivables £m	Equity to receivables %
At 31 December 2010		76.5	345.0	22.2
Profit after tax	12.9	12.9		
Other capital movements	(0.7)			
	12.2			
To fund growth in receivables (20% x £35.1m)	(7.0)			
Surplus capital generated	5.2			
Dividend	(5.0)	(5.0)		
At 30 June 2011	0.2	84.4	380.1	22.2

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Alignment of dividend policy, gearing and growth

Alignment

Distribution Policy	**Gearing**	**Growth**
80% of earnings	3.5x versus covenant of 5.0x	Supports £100m+ receivables growth p.a

- Historic dividend of 63.5p per share, 1.25x covered at pre-tax profits of £145m
- 20% retention of profits supports receivables growth of more than £100m at 3.5x gearing
- Current gearing of 3.3x within target

Regulation

Recent developments

- Relevant provisions of Irresponsible Lending Guidance to Creditors and EU Directive on Consumer Credit implemented by February 2011 as required

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

Outlook

- Strength of group’s balance sheet has been augmented by activating Vanquis Bank’s retail deposits programme
- Credit quality in both businesses is very sound as evidenced by favourable impairment trends in first half and provides foundation for good quality growth for 2011 as a whole
- No change to cautious stance on extending new credit in recognition of the continuing pressure on real incomes and uncertainty over future direction of employment market

Appendix

Home-collected Credit - Providing a valued community service

- Community based model – business conducted face-to-face by agents who typically live in the communities they serve
- Provides access to credit for those who might otherwise be financially excluded
- Endorsement from key regulatory bodies
- Over 90% of customers are satisfied or very satisfied with Provident's Home-collected Credit service
- Member of the Dow Jones Sustainability World Index, the Dow Jones STOXX Sustainability Index and the FTSE4Good Index

Meeting the needs of the community with exceptionally high levels of customer satisfaction

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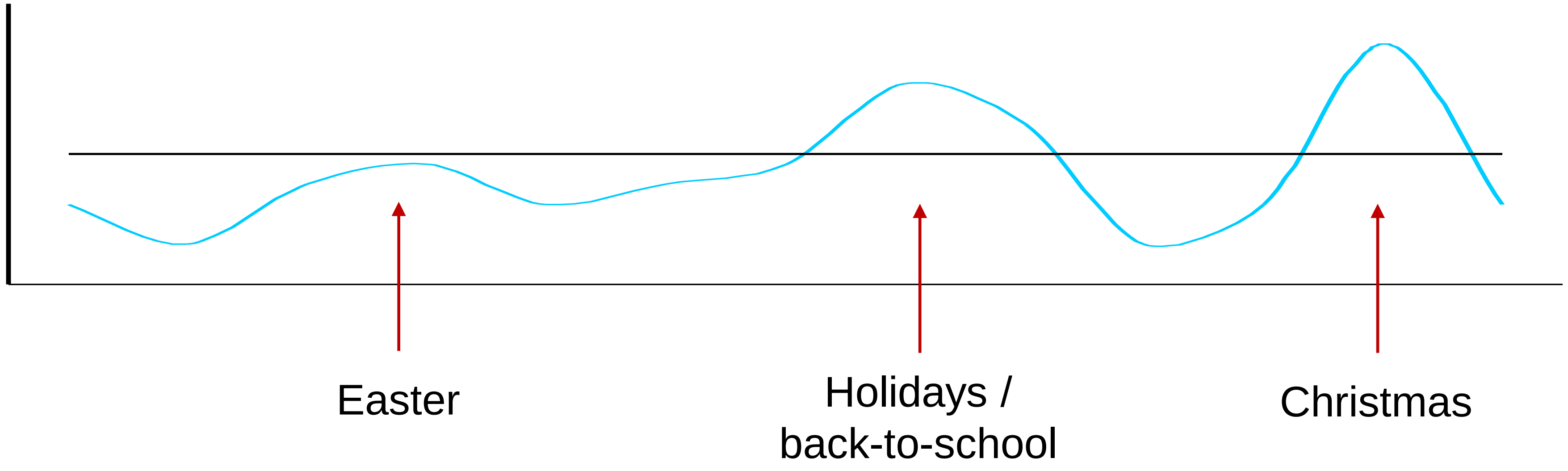
Home-collected Credit - Managing the household budget



<u>Typical uses of Home-collected Credit:</u>

- Seasonal expenditure ✓
- One-off purchases ✓

  (e.g. major appliances or unexpected car repairs)
- Day-to-day living expenses ✗

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Home-collected Credit - Business dynamics

Simple, transparent financial products	• Small (typically £400), short-term (typically 1 year) and affordable (typically £14 per week) unsecured loans • Fixed weekly repayments that do not change, even if payments are missed. No hidden charges, arrangement fees or penalties • Products are priced appropriately to reflect in particular the size of the loans, the method of collection and the risk of default
Strong customer relationships	• Weekly face-to-face visits between agent and customer (90 million visits each year) build strong and trusted relationships, which drives robust underwriting, customer satisfaction and collections performance
Market-leading position	• c.60% market share allows our 11,000+ agents to have enormous knowledge of the local environment, but also with a national support and credit systems framework
Operational structure	• Hierarchical field structure provides a robust framework to control and manage the network of agents with weekly review meetings • Important to ensure sufficient operational resource to manage collections, through the cycle, for lending made • Extremely responsive to changes in local economic environment
Strong control environment	• Agent commission based on collections and not lending • Managed and operated as a cash-based business • Extensive independent audit checks on agents and field network

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Vanquis Bank - Revolving, Visa-branded credit card building value

- Developed organically, rolled-out in 2005
- Holds a banking licence and regulated by the FSA
- Broke even in 2007
- Strong profits growth through the economic downturn
- Over 600,000 UK customers
- Small credit lines focussed upon customers with limited over indebtedness
- High levels of credit utilisation
- Typical APR 39.9%
- Yield on receivables book >50%
- Medium-term target of £450m receivables earning a post-tax ROE of 30% by 2012

Vanquis Bank -Business dynamics

Low and Grow strategy	• Customers are introduced with a small credit limit (typically £250) • Growth in balance, dependent upon performance, to average credit line of circa £900
Targeted customer profile	• Typical customers are non homeowners with an annual income of £15k to £30k with low levels of other indebtedness • Customer segment is well understood and the risk is priced accordingly (typical APR 39.9%)
Sophisticated underwriting techniques and high quality MI	• Balanced scorecard with credit reference information for all applications • Low and grow strategy means that behavioural scorecard is used for large portion of the exposure
Conservative approach to risk	• 81% decline rate reflects the desire to maintain quality and specific target market • Relatively low average balances (c.£650) and minimum monthly repayment (c.£30) • Proactive management of card utilisation (75-80%) and undrawn line exposure
Competitive position	• Mainstream competitors have exited the market and, therefore, customers typically have limited other sources of credit available • Medium-term target of £450m receivables earning a post-tax return on equity of 30% by 2012

PFG Provident Financial Group

Provident Financial plc

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