Interim Results Presentation

27 July 2011

PFG | Provident Financial Group

Today's presentation

- Highlights and business overview: Peter Crook
- Financial review: Andrew Fisher
- Regulatory update and outlook: Peter Crook
- Questions

Highlights and business overview

Peter Crook – Chief Executive

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 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

PFG | Provident Financial Group

Deposit taking activated

Market conditions and business positioning - Home 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

PFG | Provident Financial Group

Financial review

Andrew Fisher – Finance Director

Group - Profit before tax

Six months ended 30 June	2011 £m	2010 £m	Change £m
Home 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	

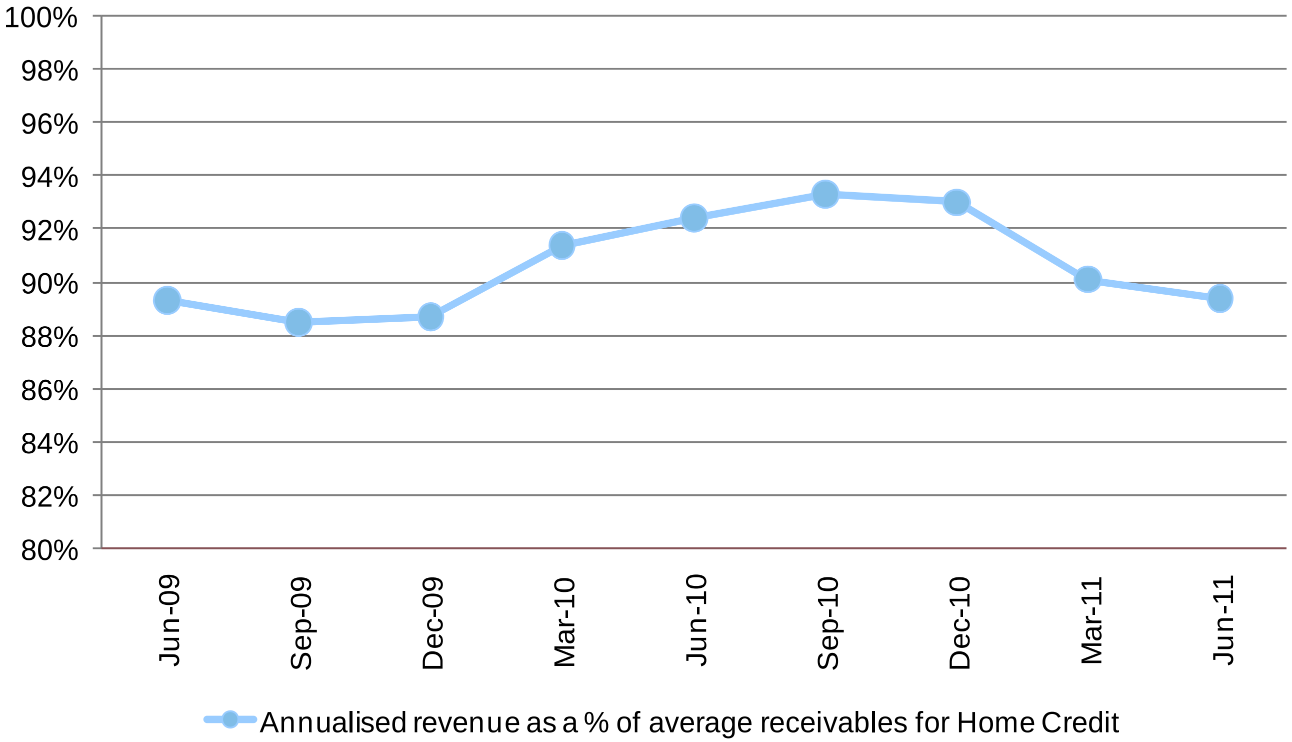
Home Credit - Income statement

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

PFG Provident Financial Group

Home 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

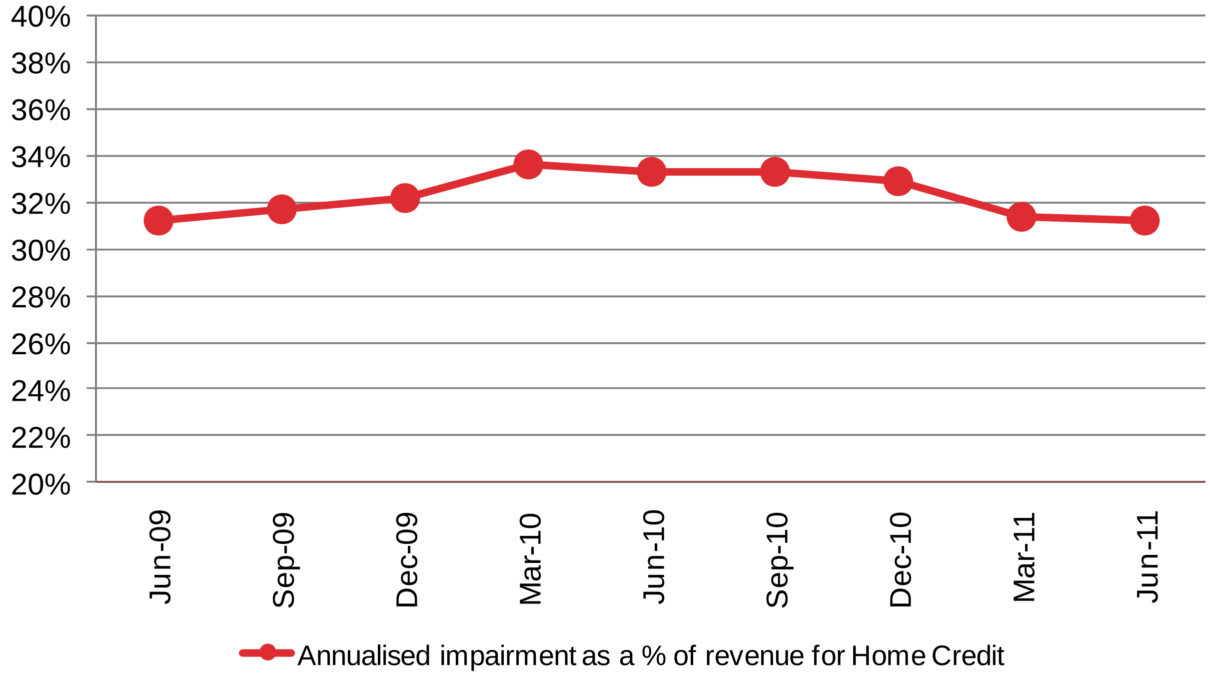
Home Credit - Income statement

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

PFG Provident Financial Group

Home 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 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 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

Home 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

PFG | Provident Financial Group

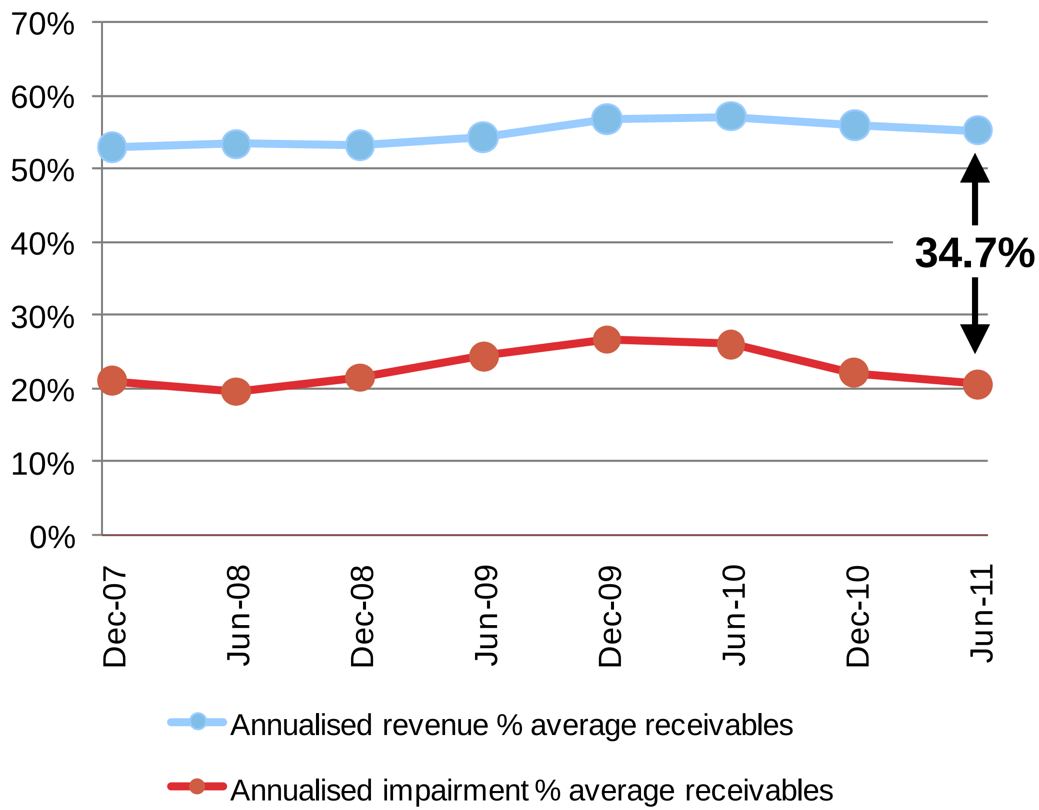
Vanquis Bank - Income statement

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

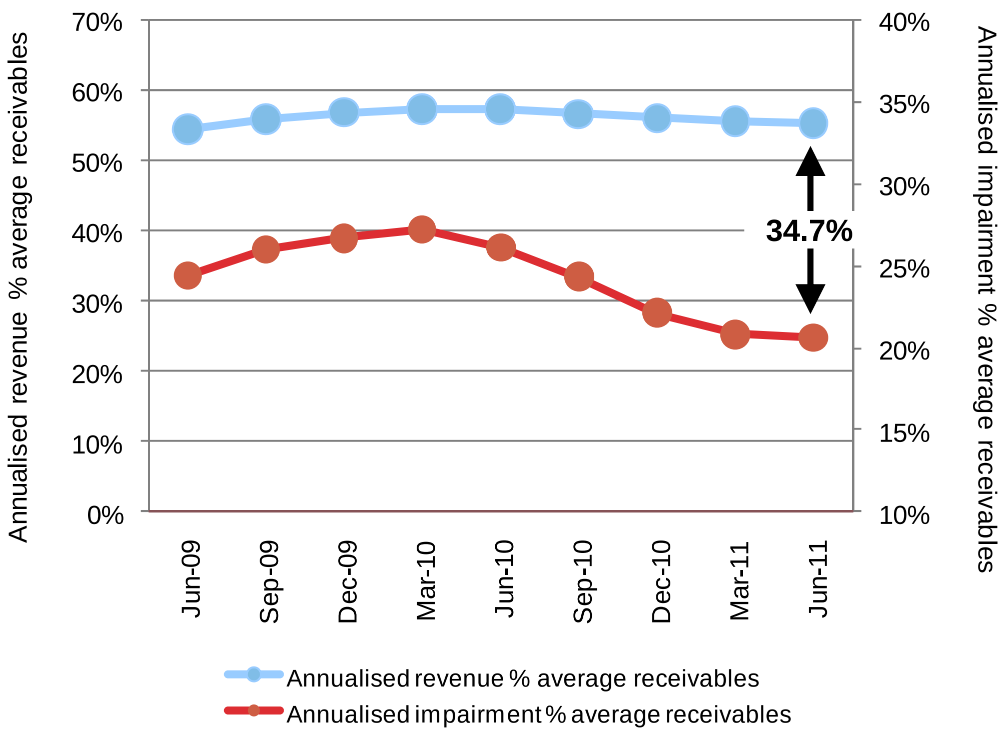
PFG Provident Financial Group

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%

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

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

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

PFG Provident Financial Group

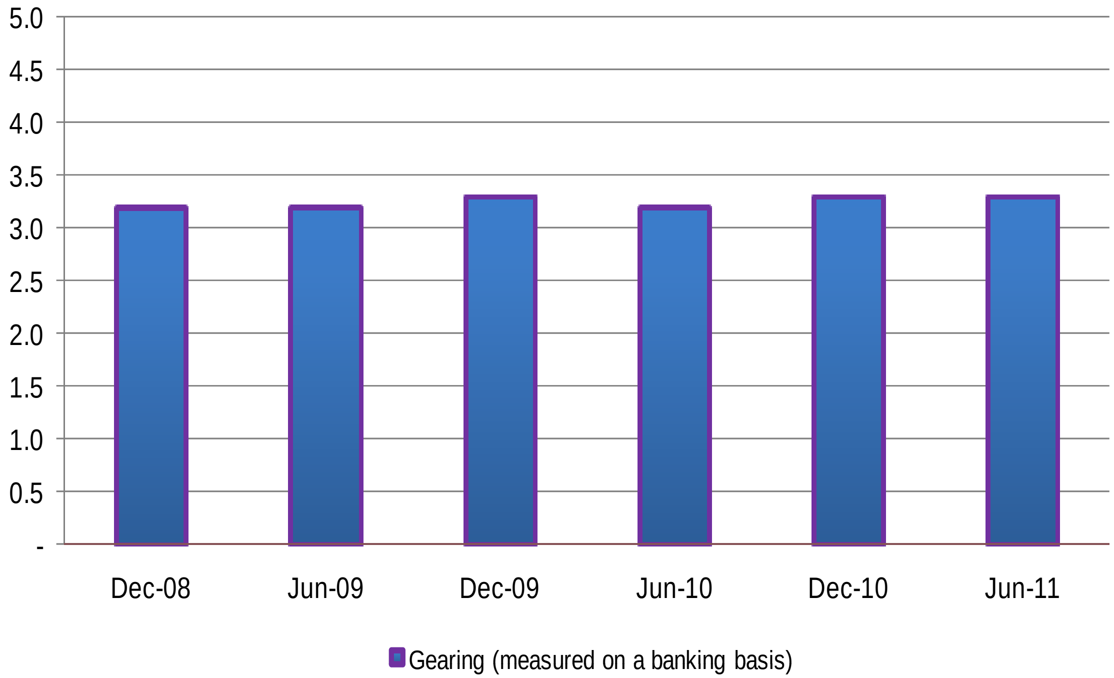
Strong balance sheet

As at 30 June	2011 £m	2010 £m
Receivables:		
- Home 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

PFG Provident Financial Group

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**

PFG | Provident Financial Group

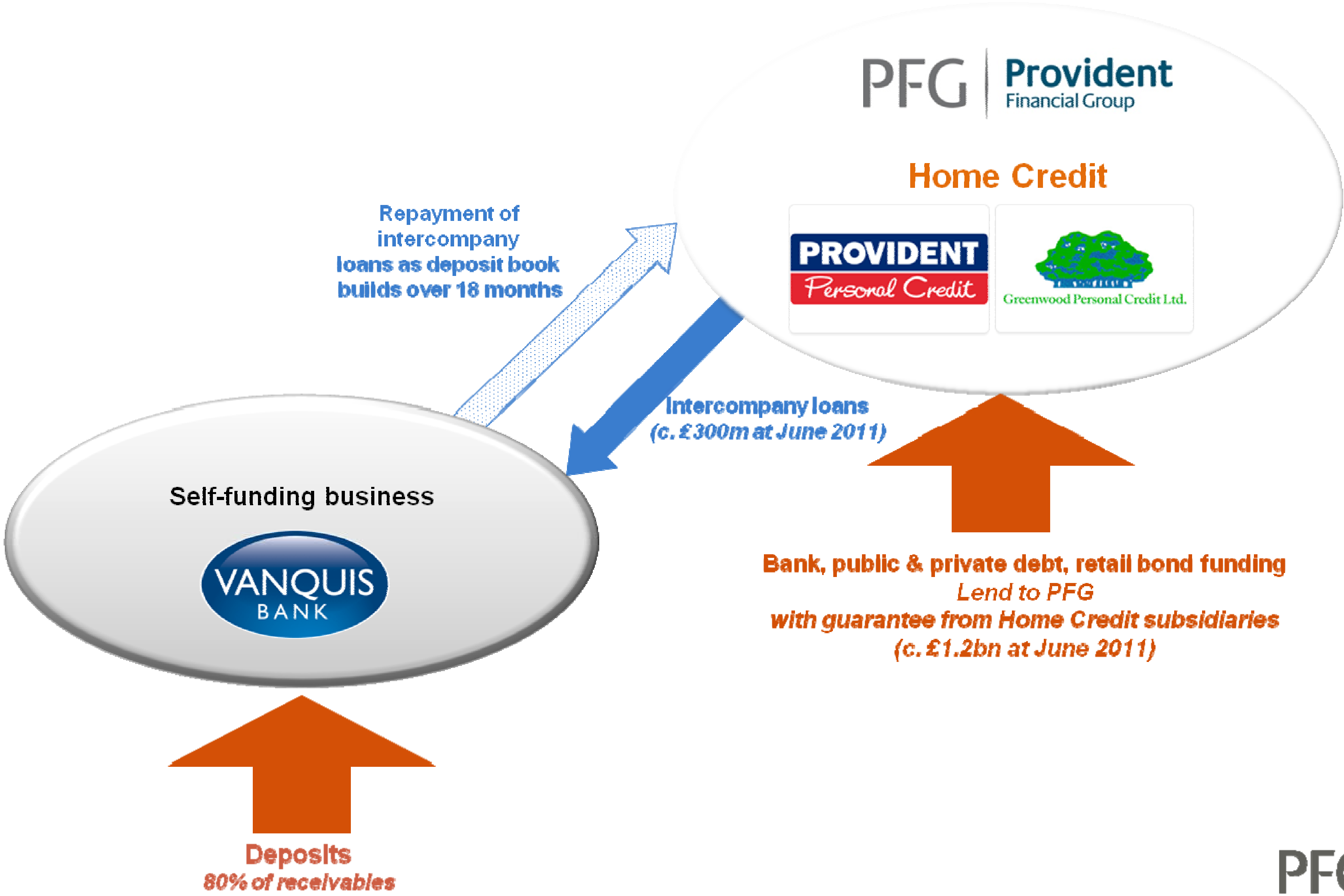
Maturities and funding

Maturities	£m	Funding
2011		
US private placements	16	• Extension by May 2012 of UK-centric bank group facilities of £420m maturing in May 2013
2012		
Non-extending overseas banks	197	
2013		
UK-centric bank group	420	• Vanquis Bank deposit programme to provide £300m of funding by end of 2012
US private placements	49	
2014		
US private placements	38	
2015		• Retail bond market (raised £50m in March 2011)
Residual subordinated bonds	6	

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

PFG | Provident Financial Group

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

Fixed maturity profile

- 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

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*

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

PFG Provident Financial Group

Alignment of dividend policy, gearing and growth

Alignment		
Distribution Policy 80% of earnings	**Gearing** 3.5x versus covenant of 5.0x	**Growth** 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

Regulatory update

Peter Crook – Chief Executive

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

PFG | Provident Financial Group

Outlook

Peter Crook – Chief Executive

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

Questions

Provident Financial plc

Contact details

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

Contact: Gary Thompson – Group Financial Controller and Head of Investor Relations

Telephone: 01274 351019

E-mail: gary.thompson@providentfinancial.com

Website: www.providentfinancial.com