Provident Financial plc

2008 Results Presentation

A straightforward approach in turbulent times

3 March 2009

Provident Financial plc

Today's presentation

• Strategy and approach	Peter Crook
• Financial review	Andrew Fisher
• Consumer Credit Division	Chris Gillespie
• Vanquis Bank and Outlook	Peter Crook

2008 Highlights

Delivering high quality growth

- Profit before tax from continuing operations up by 11.8% to £128.8m
- Continued, carefully managed growth, reflecting strong demand, but greater selectivity and tight underwriting standards
- Stable and transparent impairment levels in both CCD and Vanquis Bank despite a difficult economic environment
- First full-year profit from Vanquis Bank of £8.0m
- Funding position further strengthened through successful extension to bank facilities
- Full-year dividend of 63.5p per share

Strategy and approach

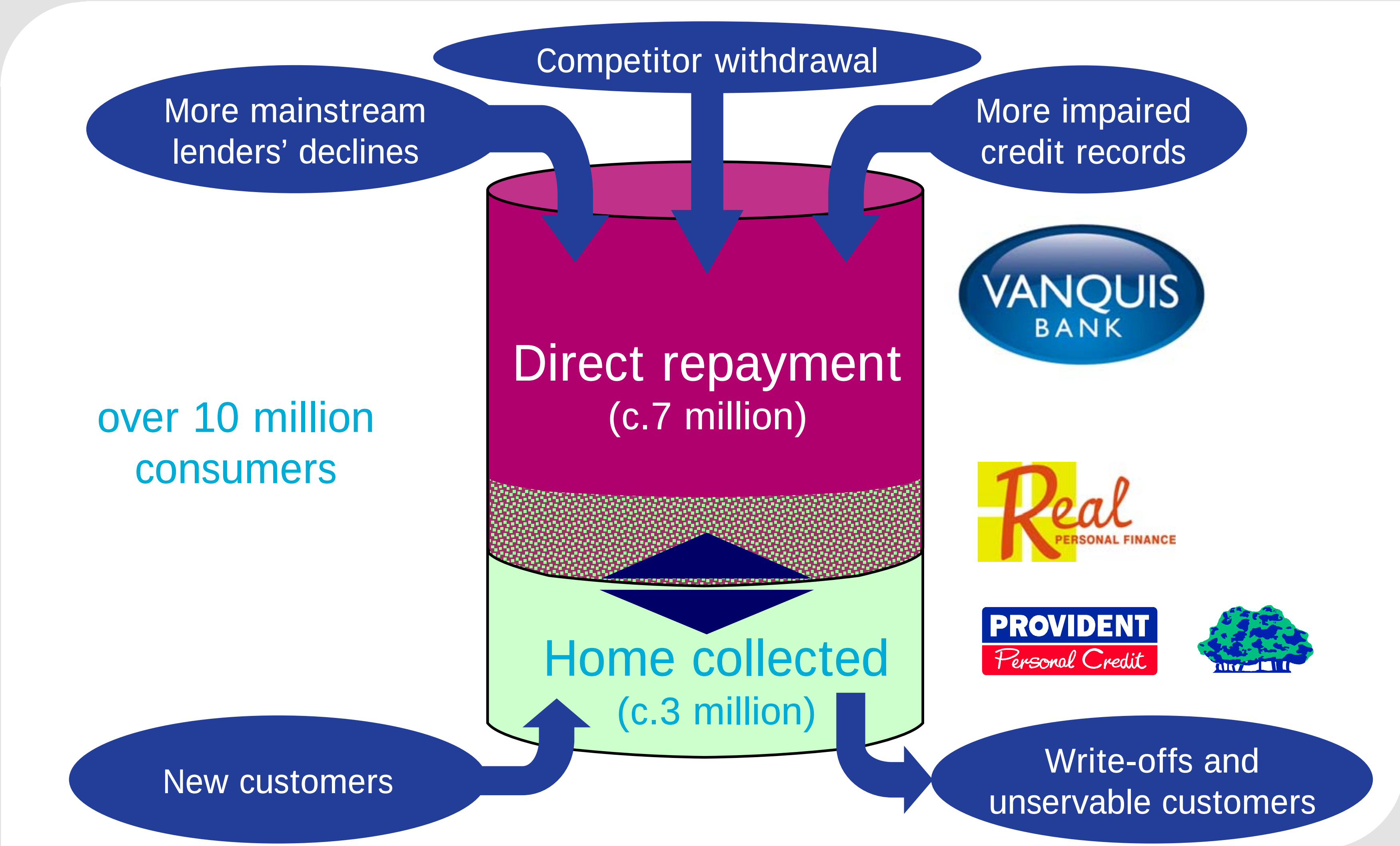
Strategy – addressing the UK non-standard lending market

Opportunity to expand in a growing and increasingly under-served market

- Our aim is to be the leading non-standard lender in the UK, acting responsibly in all our relationships and playing a positive role in the communities we serve
- The UK non-standard market will increasingly be the domain of specialist lenders
- High returns available from pursuing organic growth opportunities

Strategy – addressing the UK non-standard lending market

Opportunity to expand in a growing and increasingly under-served 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
- Provident Financial's businesses are inherently resilient through a cyclical downturn...
- ...although increasingly cautious in our lending decisions due to pressure on customers' disposable incomes from price inflation and the outlook for unemployment...
- ...maintaining an appropriate balance between growth, quality and collections capacity
- Provident Financial has reinforced its strong funding position

Management approach

Maintaining a cautious and responsible approach to lending

- Management has taken a cautious approach to lending for nearly two years
  - marked deterioration in economy anticipated in middle of 2007
  - continual tightening of underwriting standards, particularly at Vanquis Bank
  - focus upon maintaining the balance between growth, quality and capacity
- Consistent and prudent approach to funding
  - borrow long and lend short
  - maintain adequate funding and a sound capital base to support growth

Management approach

Maintaining a cautious and responsible approach to lending

- Continued investment to sustain high quality growth
  - Credit management tools in both main businesses
  - Collections capability

    Home Credit: roll-out of enhanced agent commission system, additional field-based resource and expanded Central Debt Recovery

    Vanquis Bank: enhanced collections process, call centre capacity doubled
  - IT effectiveness and capacity

    Home Credit: roll-out of Focus branch accounting system

    Vanquis Bank: major re-fresh alongside move to new call centre to support growth

Financial review

Financial review

Profit before taxation from continuing operations

	2008 £m	2007 £m	Change £m
Consumer Credit Division	126.1	123.5	2.6
Vanquis Bank	8.0	(0.9)	8.9
Yes Car Credit (collect-out)	(2.9)	(2.9)	-
Central			
- Costs	(5.5)	(6.5)	1.0
- Interest receivable	3.1	2.0	1.1
Total central	(2.4)	(4.5)	2.1
Group profit before tax	128.8	115.2	13.6
Earnings per share	70.9p	63.5p*	

* adjusted, as set out in note 5 of the preliminary announcement

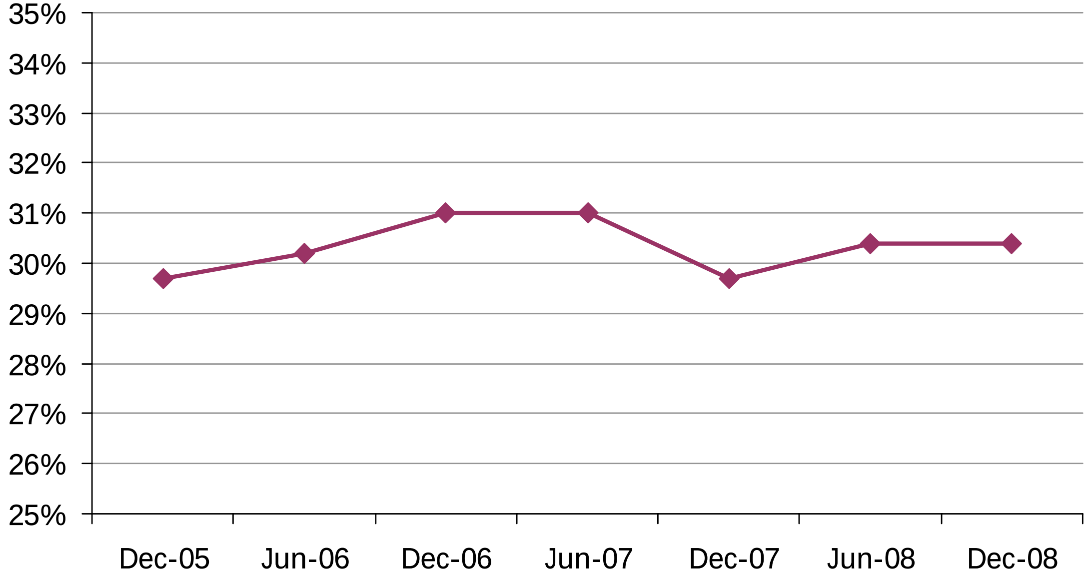
Consumer Credit Division

Income statement

	2008 £m	2007 £m	*Change %*
Customer numbers ('000)	1,762	1,650	6.8
Average customer receivables	712.7	636.1	12.0
Revenue	651.8	590.5	10.4
Impairment	(197.9)	(175.3)	(12.9)
Revenue less impairment	453.9	415.2	9.3
Costs	(291.2)	(256.7)	(13.4)
Interest	(36.6)	(35.0)	(4.6)
Profit before tax	126.1	123.5	2.1
Impairment as a % of revenue	30.4%	29.7%	

Consumer Credit Division

Stable impairment as a % of revenue



Annualised impairment as a % of revenue

Consumer Credit Division

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 90 days*

Timely, realistic provisioning which reinforces the right behaviour amongst 11,500 agents and 3,000 employees

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

Consumer Credit Division

IFRS 7 disclosures: % of closing Home Credit receivables as at 31 December

	2008	2007
	%	%
In order	37.6	35.4
In arrears:		
- Past due but not impaired	13.6	15.0
- Impaired	48.8	49.6
TOTAL	100.0	100.0

Consumer Credit Division

Income statement

	2008 £m	2007 £m	*Change %*
Customer numbers ('000)	1,762	1,650	6.8
Average customer receivables	712.7	636.1	12.0
Revenue	651.8	590.5	10.4
Impairment	(197.9)	(175.3)	(12.9)
Revenue less impairment	453.9	415.2	9.3
Costs	(291.2)	(256.7)	(13.4)
Interest	(36.6)	(35.0)	(4.6)
Profit before tax	126.1	123.5	2.1
Impairment as a % of revenue	30.4%	29.7%	

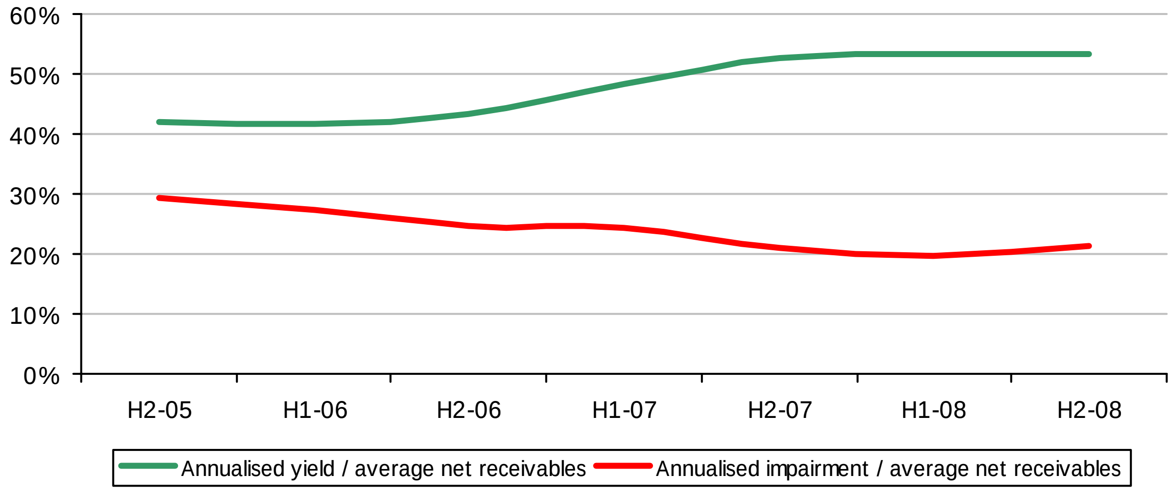
Vanquis Bank

Income statement

	2008 £m	2007 £m	*Change %*
Customer numbers ('000)	404	316	27.8
Average customer receivables	177.5	120.3	47.5
Revenue	94.6	63.5	49.0
Impairment	(38.2)	(25.2)	(51.6)
Revenue less impairment	56.4	38.3	47.3
% of average receivables	*31.8%*	*31.8%*	
Costs	(39.4)	(33.2)	(18.7)
Interest	(9.0)	(6.0)	(50.0)
Profit / (loss) before tax	8.0	(0.9)	
Impairment as a % of revenue	40.4%	39.7%	

Vanquis Bank

Margin development



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 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: % of closing receivables as at 31 December

	2008	2007
	%	%
In order	83.2	84.5
In arrears:		
- Past due but not impaired	-	-
- Impaired	16.8	15.5
TOTAL	100.0	100.0

Vanquis Bank

Income statement

	2008 £m	2007 £m	*Change %*
Customer numbers ('000)	404	316	27.8
Average customer receivables	177.5	120.3	47.5
Revenue	94.6	63.5	49.0
Impairment	(38.2)	(25.2)	(51.6)
Revenue less impairment	56.4	38.3	47.3
% of average receivables	*31.8%*	*31.8%*	
Costs	(39.4)	(33.2)	(18.7)
Interest	(9.0)	(6.0)	(50.0)
Profit / (loss) before tax	8.0	(0.9)	
Impairment as a % of revenue	40.4%	39.7%	

Financial review

Profit before taxation from continuing operations

	2008 £m	2007 £m	Change £m
Consumer Credit Division	126.1	123.5	2.6
Vanquis Bank	8.0	(0.9)	8.9
Yes Car Credit (collect-out)	(2.9)	(2.9)	-
Central			
- Costs	(5.5)	(6.5)	1.0
- Interest receivable	3.1	2.0	1.1
Total central	(2.4)	(4.5)	2.1
Group profit before tax	128.8	115.2	13.6
Earnings per share	70.9p	63.5p*	

* adjusted, as set out in note 5 of the preliminary announcement

Balance sheet

Strong balance sheet with modest gearing levels

	2008 £m	2007 £m
Receivables:		
- Consumer Credit Division	852.1	749.0
- Vanquis Bank	205.4	143.1
- Yes Car Credit	5.8	33.3
	1,063.3	925.4
Pension asset	50.9	61.5
Borrowings*	(803.9)	(670.9)
Other	(32.4)	(20.1)
Net assets	277.9	295.9
Equity(†) : Receivables	19.1%	
Gearing (†)	3.2x	

* including the fair value of derivatives used to hedge US$ private placement notes
† equity excludes the net pension asset and the fair value of derivatives

Borrowings and committed facilities

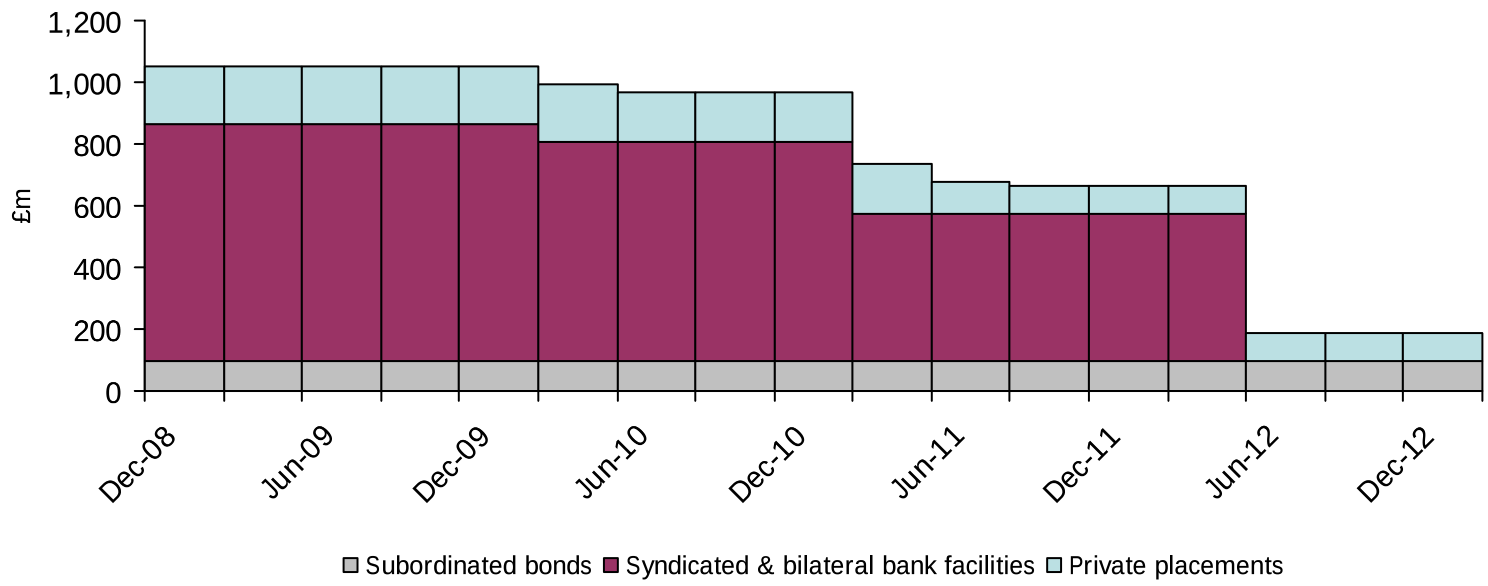
Borrowing long and lending short

	£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 31 December 2008*	801.4
Committed headroom	251.2

* including the fair value of derivatives used to hedge US$ private placement notes

Maturity of committed borrowing facilities

Borrowing long & lending short



- Recently extended £213m of syndicated bank facilities maturing in March 2010 by twelve months
- Interest charge for 2009 substantially fixed at 6.9% (2008: 6.5%)
- Senior issuer default rating of BBB+ from Fitch Ratings maintained with stable outlook

Earnings and dividends

Moving towards medium-term targets

	per share
2008 Dividends	
Interim (paid in Nov-08)	25.4p
Final (to be paid in Jun-09)	38.1p
	63.5p
Earnings per share	70.9p
Dividend cover (target 1.25x)	1.12x

Regulatory capital

Basel II as at 31 December 2008

	2008 £m
Risk weighted assets	899.3
Pillar I capital requirement	79.4
Tier 1 capital	232.8
Tier 2 capital	100.0
Total capital	332.8
Total capital as a % of Pillar I minimum capital requirement	419%

Surplus capital

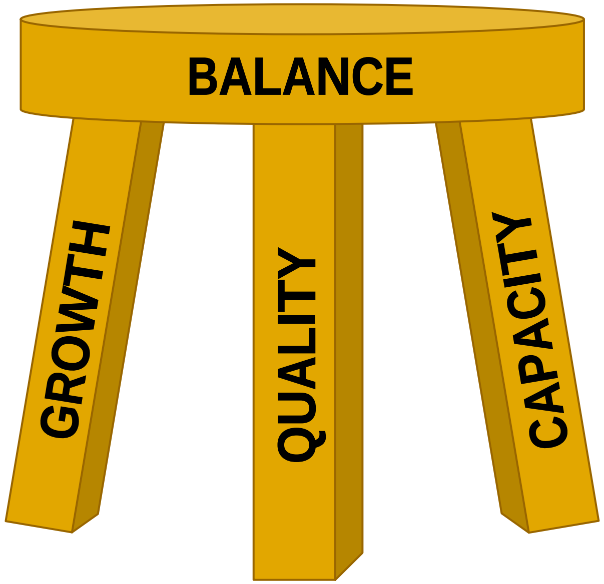
In line with plan

- Approximately £55m of surplus capital as at 31 December 2008 in line with internal plans
- Vanquis Bank expected to generate sufficient capital to fund its own growth in 2009
- Plan to use up to a further £20m of surplus capital until group reaches target dividend cover
- The remaining surplus capital will be retained to fund growth opportunities and provide a sensible degree of strategic flexibility

Consumer Credit Division

Responsible lending model

maintaining an appropriate **balance** between **growth** and **quality** and **capacity**



Provident Financial plc

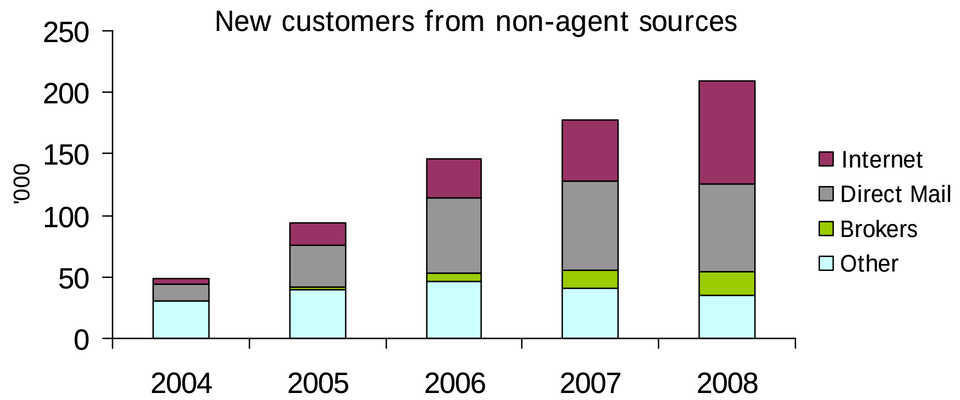
2008 Results Presentation

Home Credit

Growth opportunity

Delivering high quality growth

- 558,000 new customers in 2008 (2007: 525,000)
- Primary focus remains on agent-sourced leads
  - two-thirds of all new customers recruited via agents
  - high quality, low cost source of new customers
- Continued development of new channels
  - over 200,000 new customers recruited in 2008 from non-agent sources
  - greater selectivity at point of application



- Reduced recruitment from less profitable channels

Credit quality

Maintaining portfolio quality in difficult economic conditions

- Further enhancements to decision tools available to agents
  - new applications pre-screened centrally
  - agent's decision to grant further credit supported by credit analytics
  - every loan to every customer underwritten face-to-face in the customer's home
  - significant refinements made to credit scorecards during 2008
    - improved data granularity to make better initial credit decisions and react quickly to changed customer circumstances
    - increased sophistication in using proprietary data to reassess former customers who reapply for Home Credit
  - now supplementing with credit bureau data

- Greater selectivity and higher acceptance thresholds
  - tighter application scoring for new customers
  - tighter behavioural scoring for existing customers
    - system will typically recommend lower amounts and shorter term advances
    - potential credit issue reviewed in advance every week by the agent and their Development Manager

Credit quality - continued

Maintaining portfolio quality in difficult economic conditions

- Lending shorter
  - 2008 growth came primarily from the core 57-week or shorter products
  - allows affordability to be re-assessed in detail more frequently
  - product mix share of longer term loans stable in 2007 and 2008 at 16% of credit issued
  - further selectivity being applied to the issue of loans beyond 57 weeks
- New agent commission system
  - still based on collections, not lending
  - encourages development of higher-quality new customers
  - encourages agents to work closely with customers in arrears
  - aids agent retention
- Increased resourcing of field operations to manage collections & arrears

Field capacity

Tight controls over collections and arrears

- Investment in Field Management to reinforce collections and arrears activity
  - Development Managers look after around 10 agents each
  - routinely visit customers with deteriorating arrears profile
  - recruitment of over 80 additional Development Managers to reinforce spans of control
  - recruitment of c.30 additional Area and Regional Managers
  - over 20 new branches and 9 new Regions created to enhance effectiveness, reinforce management focus and add capacity

Field capacity - continued

Tight controls over collections and arrears

- Central debt recovery
  - used very effectively for late-stage arrears
  - allows Field Managers to focus on early / mid-stage arrears
  - investments made in systems, headcount and breadth of activities in last 2 years
  - significant collections from arrears balances in 2008
  - a strategic asset to support the Field Operations

- Major change programme deliverables completed ahead of plan
  - roll-out of Focus accounting platform across all 300 branches and new commission system to 11,500 agents fully completed and embedded in 2008
  - early completion allows heavy focus on collections and arrears in 2009

Resilience of the Home Credit model

Inherent strengths of business model in a downturn

- Agents are naturally cautious
  - commissions based on collections, not credit issued
  - no incentive to over-lend to customers
  - commission scheme encourages proactive arrears management
- Customer profile
  - limited access to other forms of credit, so not highly indebted
  - diversity of sources of household income
- Product profile
  - loans are for small sums which remain affordable, typically c.£400
  - loans are for short periods, typically up to 1 year
  - proactive management of product mix ensures appropriate reflection of current economic climate in business written

Resilience of the Home Credit model - continued

Inherent strengths of business model in a downturn

- Extensive and valuable field experience
  - average length of experience:
    - Development Managers – 7 years
    - Agents – 8 years
    - Area / Branch Managers – 14 years
    - Regional / Divisional Managers – 21 years

Provident Financial plc

2008 Results Presentation

Real Personal Finance

Real Personal Finance

Monthly home credit: seizing a major opportunity in our core market

- Now almost total withdrawal of mainstream lenders
- Peer group competition much depleted or operating at reduced capacity
- Market test is progressing well operating from 50 locations with around 10,000 customers and £18m of receivables
- All loans underwritten face-to-face in the customer's home, supported by decision support analytics
- Majority of customers sourced from Home Credit
- Average unsecured loan advance is £1,800, repayable monthly by direct debit over 2 to 3 years
- Increasingly cautious approach to underwriting given economic conditions
- Arrears levels evolving in line with expectations
- Review of pace and scale of roll-out in mid-2009

Vanquis Bank

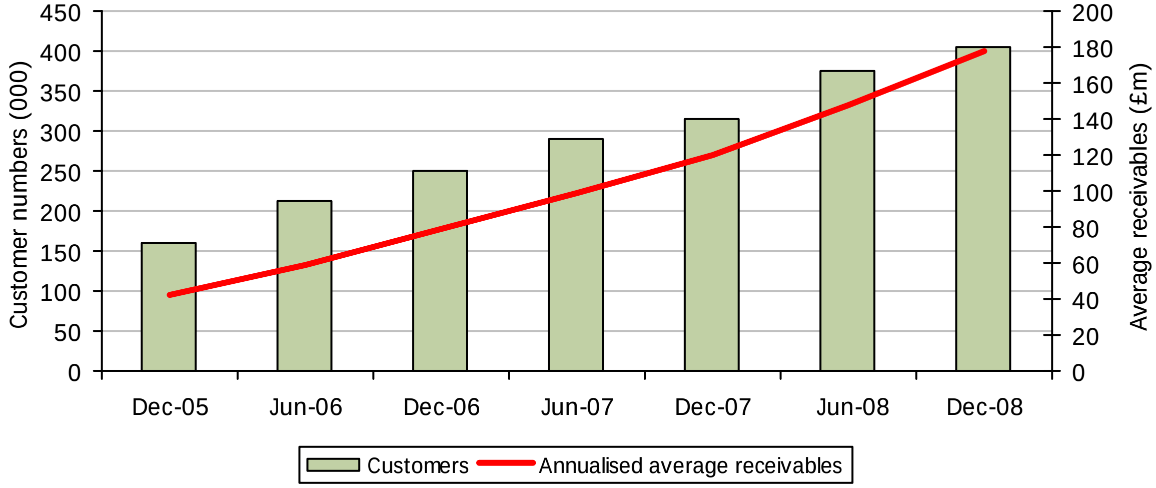
Highlights

A year of strong progress and investment

- Strong progress towards medium-term targets
- Further withdrawal of mainstream issuers and direct competitors in 2008
- Consistent tightening of criteria applied to underwriting applications and to credit line increases to existing customers
- Stable arrears profile during 2008 notwithstanding deteriorating economic conditions
- Major investment in contact centre and IT completed
- Development of customer numbers, receivables and margin consistent with meeting medium-term targets

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

Delivering high quality growth

Significant investment and development

- Continued development of highly bespoke scorecards for each channel
  - uses up to 600 pieces of raw data from credit bureau records
  - customer data re-checked each month to detect signs of credit stress
  - scorecards constantly monitored and refined where appropriate

- Consistent tightening of underwriting of customer applications and credit line increases
  - 2005 decline rate: 70%
  - mid-2007 decline rate: 76%
  - 2008 decline rate: 80%
  - higher decline rate despite improvements to targeting for direct mail campaigns and slightly higher-quality leads from third-party referrals

Delivering high quality growth - continued

Significant investment and development

- Strict adherence to the "low and grow" approach
  - customers typically start with a credit line of £250
  - increased gradually over time if customers exhibit appropriate behaviours
  - average credit line is currently c.£700

- Investment in collections processes
  - expansion to Chatham contact centre facilities and refreshed IT systems implemented during 2008
  - significant improvement in customer contact rate in 2008 through cleaning contact information and capturing more data at key customer contact points
  - updated technology to allow inbound and outbound arrears calls to be handled more effectively
  - improved arrangements with external Debt Collection Agencies for later-stage arrears

Comparison of card issuers

Vanquis Bank is very different to a prime card issuer

- Customer status

	Prime issuer	Vanquis Bank
Employment status	Employed	Employed
Annual income	£25k+ p.a.	£12-25k p.a.
Residential status	House-owner / mortgaged	Tenant
Use of other credit cards	High	Low
Use of secured / unsecured loans	Medium	Very low

- Card features

	Prime issuer	Vanquis Bank
Credit line	£5,000+	£700
Line utilisation	25%	70%
APR	15-20%	40%
Primary purpose of card	Transactor/revolver	Revolver

Comparison of card issuers - continued

Vanquis Bank is very different to a prime card issuer

- Competitive features

	Prime issuer	Vanquis Bank
Competition	Strong	Very limited
Customer motive	Price - adverse selection	Service
Customer loyalty	Lower	Higher

- Operational features

	Prime issuer	Vanquis Bank
Collections	Low investment	High investment
Arrears management	Light touch until 2-down	Intensive at point of 1st miss

- Returns

	Prime issuer	Vanquis Bank
Yield	c.20%	50%+
Average credit losses	c.7%	c.20%

Outlook

Outlook statement

- Provident Financial continues to experience significant demand for its products from an increasingly under-served non-standard credit market
- The group's increasingly cautious approach to lending over a period of nearly two years has been fundamental to maintaining an appropriate balance between growth, credit quality and collections capacity and will continue through 2009 in order to deliver another year of high quality growth

Questions

Provident Financial plc

2008 Results Presentation

A straightforward approach in turbulent times

3 March 2009