



# Business Overview & Update

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March 2011

# Group Overview

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- Established in 1880, Provident Financial Group (“PFG”) offers **simple credit products to non-standard customers**
- FTSE 250 business with **market cap of £1.3bn**
- **BBB stable** Fitch rating
- The company has two divisions with **2.4m customers**
  - Consumer Credit Division: Offers small sum, short term home credit loans, underwritten face to face in the home
  - Vanquis Bank: Offers “Visa” branded credit cards with small credit lines
- **Proven track record** in specialised market with stable and strong profitability from a modest balance sheet
- Balance sheet profile is different to most lenders; Provident **borrowes long and lends short**

# Summary Group Financial Information

Group Results YE 31-Dec	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Home Credit	127.5 <sup>1</sup>	123.5 <sup>2</sup>	128.8	128.9	129.1
Real Personal Finance <sup>3</sup>	-	-	(2.7)	(7.7)	(1.8)
Consumer Credit Division	127.5	123.5	126.1	121.2	127.3
Vanquis Bank	(18.3)	(0.9)	8.0	14.1	26.7
Yes Car Credit <sup>3</sup>	(1.5)	(2.9)	(2.9)	0.2	-
Central	(3.6)	(4.5)	(2.4)	(5.4)	(9.5)
<b>Profit before tax (pre exceptional)</b>	<b>104.1</b>	<b>115.2</b>	<b>128.8</b>	<b>130.1</b>	<b>144.5</b>
Receivables	901.7	925.4	1,063.3	1,139.3	1,219.3
Net Debt	n/a	n/a	809.0	870.0	935.9
Gearing Ratio	n/a	n/a	3.2x	3.3x	3.3x
Committed Facility Headroom	n/a	n/a	251.2	331.0	184.7

During 2007, international businesses were de-merged and therefore, debt and gearing comparables are not applicable

1 Includes £5.5m pension credit ; 2 Reported figures include discontinued Real Personal Finance ; 3 Discontinued operations

# Consumer Credit Division

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- Largest home credit provider in the UK with a circa **60% market share**
- **Stable and mature** business, established in 1880
- Offer a simple unsecured credit product with no penalties or late payment fees
- Typically **£300–500 loans** and short term in nature (**predominantly less than one year**)
- Underwritten face-to-face by network of 11,400 local agents who call to collect repayments weekly and **receive commission on amounts collected and not amounts lent**
- Strong credit scoring techniques supplement **face-to-face underwriting** decision
- Customers tend to:-
  - have income from part-time / casual employment
  - **have little other indebtedness**
- Circa 70% of agents and 60% of customers are female ; typically a **female to female relationship**
- **Prudent provisioning:** 95%+ provision against loans for which no payment received in last 90 days

# Home Credit Financial Information

Home Credit YE 31-Dec	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Customer numbers (m)	1.57	1.65	1.75	1.84	1.86
Average customer receivables	601.3	636.1	704.8	759.2	753.6
Revenue	576.7	590.5	645.9	673.7	701.1
Impairment	(178.8)	(175.3)	(197.3)	(216.7)	(230.6)
Revenue less impairment	397.9	415.2	448.6	457.0	470.5
Costs	(245.5)	(256.7)	(283.6)	(288.4)	(292.3)
Interest	(30.4)	(35.0)	(36.2)	(39.7)	(49.1)
<b>Profit before tax</b>	<b>122.0<sup>1</sup></b>	<b>123.5</b>	<b>128.8</b>	<b>128.9</b>	<b>129.1</b>
Revenue yield	95.9%	92.8%	91.6%	88.7%	93.0%
Impairment % revenue	31.0%	29.7%	30.5%	32.2%	32.9%

Note 1:- Excludes the one-off £5.5m pension credit adjustment

Pre 2007 Reported figures include the discontinued Real Personal Finance operation

# Vanquis Bank

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- Fast growing business currently with **limited competition** and high returns
- Started in 2003, Vanquis Bank operates in the non-standard sector of the UK credit card market with 544k accounts and £345m net receivables
- Vanquis' customers are typically in employment and have **limited other indebtedness**
- Operates a '**low and grow**' strategy:
  - Half of accounts start with a credit limit of £250; £1,000 max. initial credit limit
  - Credit line increase programme for customers with sound payment history is the main source of growth
- Typical 39.9% APR
- **High levels of utilisation** (79%) limits undrawn credit exposures
- **Progressive tightening of underwriting** from 2007 to 2009 has led to consistently improving delinquency rates since the second quarter of 2010
- **Prudent provisioning**: over 80% provision made against accounts that are 90 days in arrears

# Vanquis Bank Financial Information

Vanquis Bank YE 31-Dec	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Customer numbers ('000)	251	316	404	426	544
Average customer receivables	77.3	117.3	177.5	231.1	289.2
Revenue	34.2	63.5	94.6	131.3	162.0
Impairment	(19.4)	(25.2)	(38.2)	(61.7)	(63.9)
Revenue less impairment	14.8	38.3	56.4	69.6	98.1
Costs	(30.0)	(33.2)	(39.4)	(43.3)	(52.9)
Interest	(3.1)	(6.0)	(9.0)	(12.2)	(18.5)
Profit before tax	(18.3)	(0.9)	8.0	14.1	26.7
Risk-adjusted margin	19.1%	32.7%	31.8%	30.1%	33.9%
Impairment % revenue	56.7%	39.7%	40.4%	47.0%	39.4%

Risk-adjusted margin represents revenue as a percentage of receivables less impairment as a percentage of receivables

# Funding Structure

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- **Prudent and conservative funding model** with policy to pre-fund growth and contractual maturities 12 months ahead
- **Significant committed facility headroom** at the end of February 2011 of approximately £370m after securing £128.5m private placement funding in 2011
- **Borrow long and lend short profile** ; average duration of receivables is less than 1 year and average duration of debt is 3.8 years
- **Gearing ratio stable** 3.3x against the bank covenant of 5.0x
- **Rating BBB stable** (Fitch - Long term Issuer rating)



# Funding Structure

## Committed Borrowing Facilities

(£m)	
Bank facilities	690.0
Private placement notes	161.9
Senior bonds	250.0
Retail bonds	25.2
Subordinated bonds	6.0
Year End Committed facilities	1,133.1
Funding secured in 2011	128.5
Committed facilities at Feb 11	1,261.6
Year End Headroom	184.7
<b>Headroom as at Feb 2011</b>	<b>370.0</b>

## Maturity Profile of Committed Facilities

