

# Provident Financial plc

Investor & Analyst Event

27 November 2013

# Introduction

Investor & Analyst Event  
27 November 2013

## AGENDA

Timing	Topic
10:45 – 11:05	Group update
11:05 – 11:45	Consumer Credit Division (CCD)
11:45 – 12:05	Coffee break
12:05 – 13:15	CCD (including Q&A)
13:15 – 14:15	Lunch
14:15 – 15:15	Vanquis Bank – UK
15:15 – 15:35	Coffee break
15:35 – 16:25	Vanquis Bank – Poland (including Q&A)
16:25 – 16:30	Concluding remarks
16:30 – 18:00	Drinks reception

## OUR APPROACH

1. **We focus on small-sum unsecured credit:**
  - High margins and therefore high returns on equity (ROE) are available to companies with sustainable business models
2. **Our risks are well spread:**
  - We lend small amounts to millions of customers who do not have much indebtedness elsewhere
3. **We make our returns from a modest balance sheet (c.£1.5bn receivables):**
  - We have short-duration assets funded by longer duration liabilities with low gearing
  - We have not had the funding strain or capital strain that have affected other lenders through the crisis
4. **We are very close to our customers:**
  - We see every customer, every week in our home-collected credit business and have much higher levels of contact than mainstream lenders in our direct repayment businesses (e.g. welcome call)

## ALIGNMENT OF DIVIDEND POLICY, GEARING AND GROWTH

### High ROE businesses

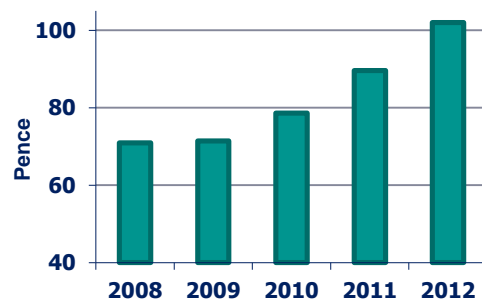
**Dividend  
policy**  
Cover  $\geq 1.25x$

**Gearing**  
 $\leq 3.5x$  versus covenant  
of  $5.0x$

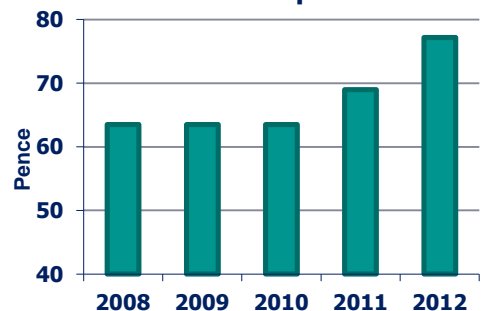
**Growth**  
Supports receivables  
growth of £150m - £200m

## DELIVERING SHAREHOLDER VALUE

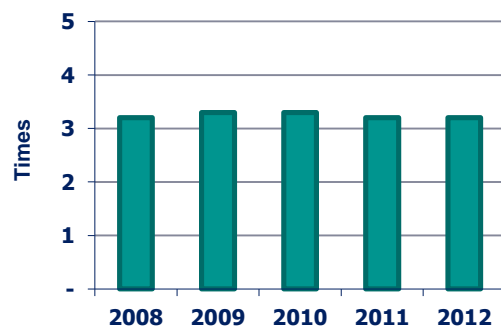
**Earnings per share**



**Dividends per share**



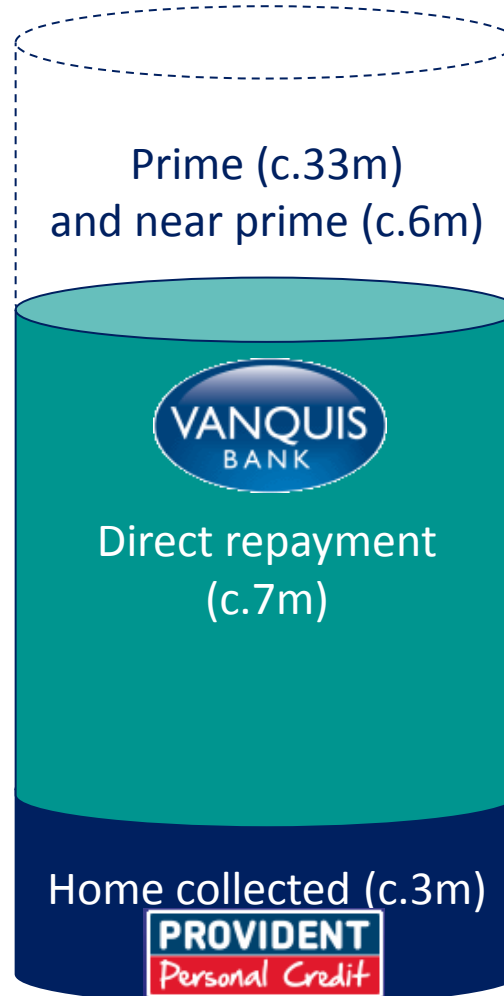
**Gearing**



- We have generated strong, profitable growth since demerger and through the crisis
- We have delivered on our dividend commitments stated at the time of demerger:
  - Maintained a flat dividend through to 2010 whilst building dividend cover to 1.25 times
  - Adopted a progressive dividend policy since 2011 based on distributing up to 80% of post-tax earnings
- We have maintained our gearing level below the maximum target level of 3.5 times
- We have generated Total Shareholder Return of over £11 per share post demerger (annualised: c.20%)
- We generate sufficient capital to support planned growth and business development without compromising our progressive dividend policy

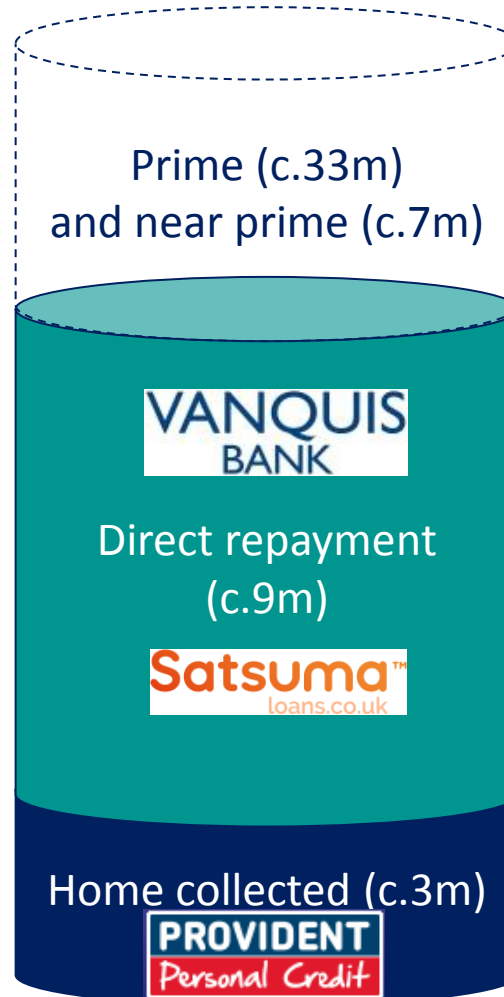
# THE UK NON-STANDARD MARKET IN 2007

- Over £100bn of advances per annum
- Market dominated by mainstream models and products
- Headline prices less than 100% APR with additional fees for Payment Protection Insurance (PPI) and default charges
- Mix of mainstream and specialist competitors
- Regulation by the Office of Fair Trading (OFT) and the Financial Services Authority (FSA) for banks



# THE UK NON-STANDARD MARKET IN 2013

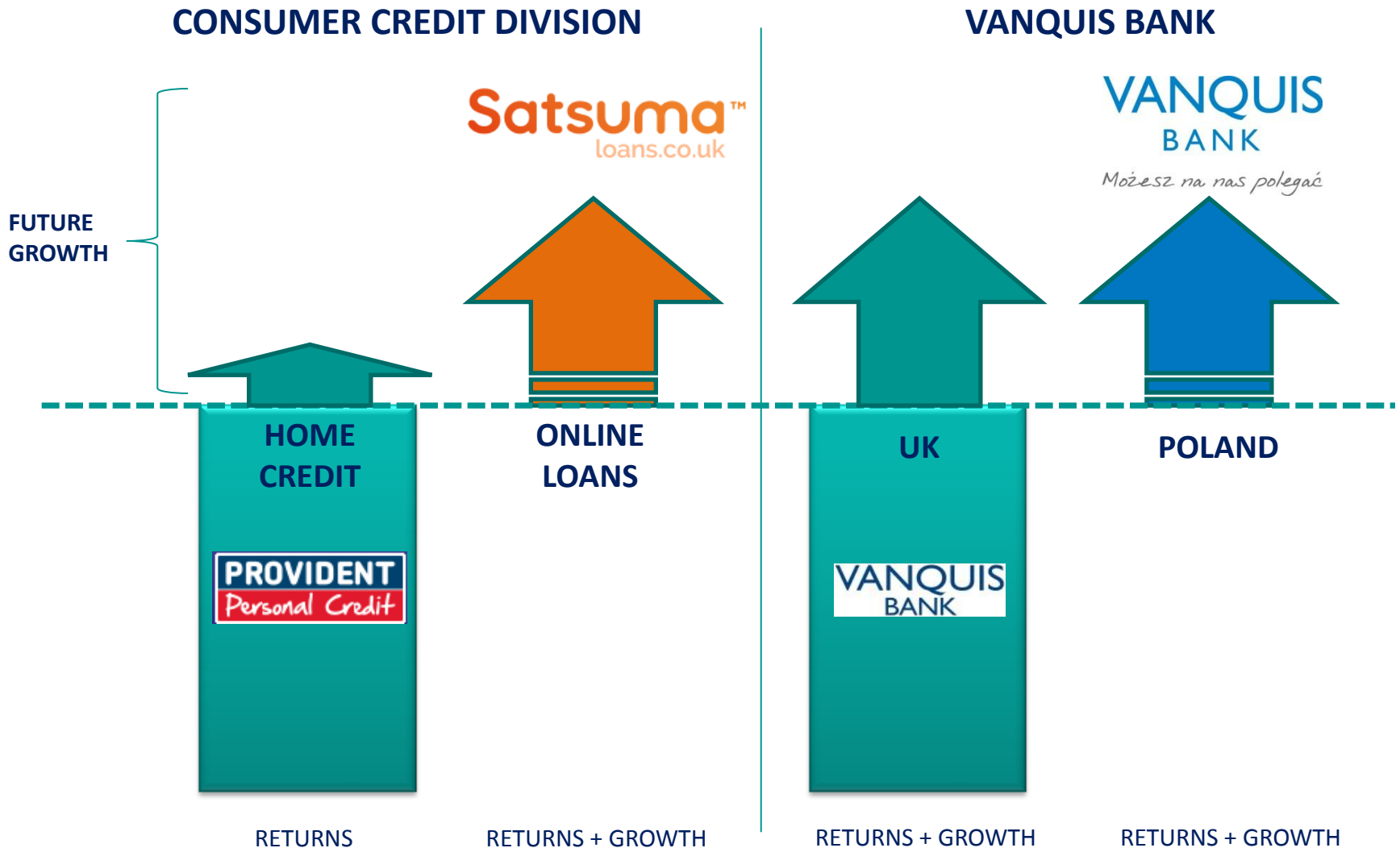
- Approximately £70bn of advances per annum and growing
- Specialist models and products dominate
- More transparent APRs in excess of 100% and into the thousands but with no PPI
- Transition to the Financial Conduct Authority (FCA) and payday regulation is causing dislocation which provides new opportunities for responsible lending businesses
- Satsuma fills the under-served part of the direct repayment market between Vanquis Bank and home credit



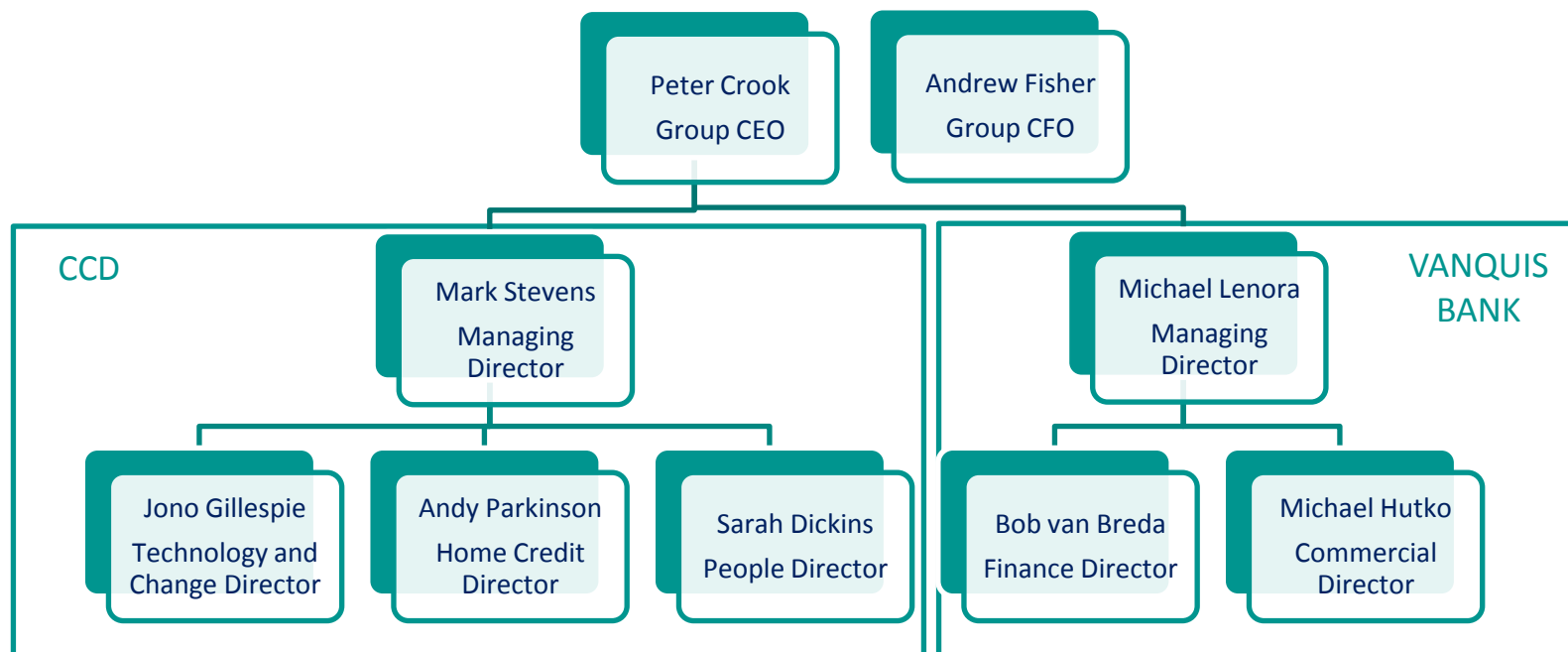


# OUR BUSINESSES

High return businesses with strong growth potential



## TODAY'S PRESENTERS



- The CCD team is under new leadership with a good blend of company knowledge and new skills
- The Vanquis Bank team has delivered consistent, profitable growth since 2007

## A STRONG FOCUS ON CORPORATE, SOCIAL RESPONSIBILITY (CSR)

- We provide access to credit for those who might otherwise be financially excluded
- We lend responsibly keeping the customer at the forefront of our business:
  - Robust underwriting and affordability assessments
  - We provide small-sum transparent products
  - We remain close to our customers
  - Forbearance is built into our approach for those who get into financial difficulty
- We have endorsement from key regulatory bodies
- Our customers are satisfied or very satisfied with CCD (92%) and Vanquis Bank (86%)
- We are a member of the Dow Jones Sustainability World Index, the Dow Jones STOXX Sustainability Index and the FTSE4Good Index
- We received a maximum rating score of 100 and were ranked joint first globally amongst financial services companies in the FTSE4Good Index Series in 2011 and 2012



FTSE4Good



## ADAPTING TO REGULATORY CHANGE

- CCD has been established for over 130 years and Vanquis Bank for over 10 years
- Home credit and credit cards are segments that are well-known to regulators and politicians
- We invest a lot of time in ensuring that the business is well understood
- Both business models have been subject to many evidence-based regulatory reviews
- We continue to ensure that we are a good corporate citizen with our CSR programme
- Regulation will transition to the FCA in 2014:
  - Vanquis Bank is already authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and FCA
  - CCD is a large scale operation with robust governance procedures
- Recent regulation on payday has caused dislocation in the market which provides the group with further opportunities
- We ensure that we use the DNA of our existing business in all new ventures

## OUR INVESTMENT CASE

- Winners in non-standard credit will be larger well funded specialist lenders with sustainable business models
- We have an attractive mix of businesses:
  - Cash generative home-collected credit business with a focus on returns
  - Strong, profitable and capital generative growth in Vanquis Bank
  - Opportunities for growth in online instalment market with Satsuma in the segment of the market between Home Credit and Vanquis Bank
  - Excellent UK credit card platform, channels to market and credit expertise capable of being exported into other territories (e.g. Poland)
  - Potential for growth into other forms of non-standard lending
- The transition to the FCA and payday regulation is causing dislocation which provides new opportunities for responsible lending businesses
- Our management teams are highly skilled and experienced
- We have a robust balance sheet and prudent funding
- We generate sufficient capital to support planned growth and business development without compromising our progressive dividend policy

# A new strategy for CCD

Investor & Analyst Event

27 November 2013

## AGENDA

- |  |   |
|--|---|
| 1. A new strategy for CCD  | Mark Stevens  |
| 2. Update Home Credit and drive for returns <ul style="list-style-type: none"><li>• Technology &amp; apps</li><li>• 'One Best Way'</li><li>• Collections focus</li><li>• Cost reduction</li><li>• Performance through people</li></ul> | Jono Gillespie<br>Andy Parkinson<br>Andy Parkinson<br>Mark Stevens<br>Sarah Dickins |
| 3. Win in online lending – Satsuma loans <ul style="list-style-type: none"><li>• Market opportunity</li><li>• Getting the model right</li><li>• Returns</li></ul>  | Mark Stevens  |
| 4. Summary   | Mark Stevens  |

## AGENDA

### 1. A new strategy for CCD

**Mark Stevens**

### 2. Update Home Credit and drive for returns

- Technology & apps
- 'One Best Way'
- Collections focus
- Cost reduction
- Performance through people

Jono Gillespie  
Andy Parkinson  
Andy Parkinson  
Mark Stevens  
Sarah Dickins

### 3. Win in online lending – Satsuma loans

Mark Stevens

- Market opportunity
- Getting the model right
- Returns

### 4. Concluding comments and Q&A

Mark Stevens



## HOME CREDIT – A ROBUST BUSINESS MODEL

### Home Credit is a great business that has stood the test of time

- The home credit service fits the needs of home credit customers ‘like a glove’:
  - Affordable weekly repayments
  - Certain costs with no additional fees or charges
  - In-built flexibility
  - Highly personal service
- Strong, professional agent/customer relationship:
  - Agents often live in the same communities as their customers and understand their needs
  - Agents make the final lending decision as they can assess customer capacity and character in the home
  - Weekly agent visit creates discipline and helps customers manage their finances
- Agent commission is driven by collections, not sales, which reinforces a responsible lending approach

## STRATEGIC BACKGROUND – HOME CREDIT

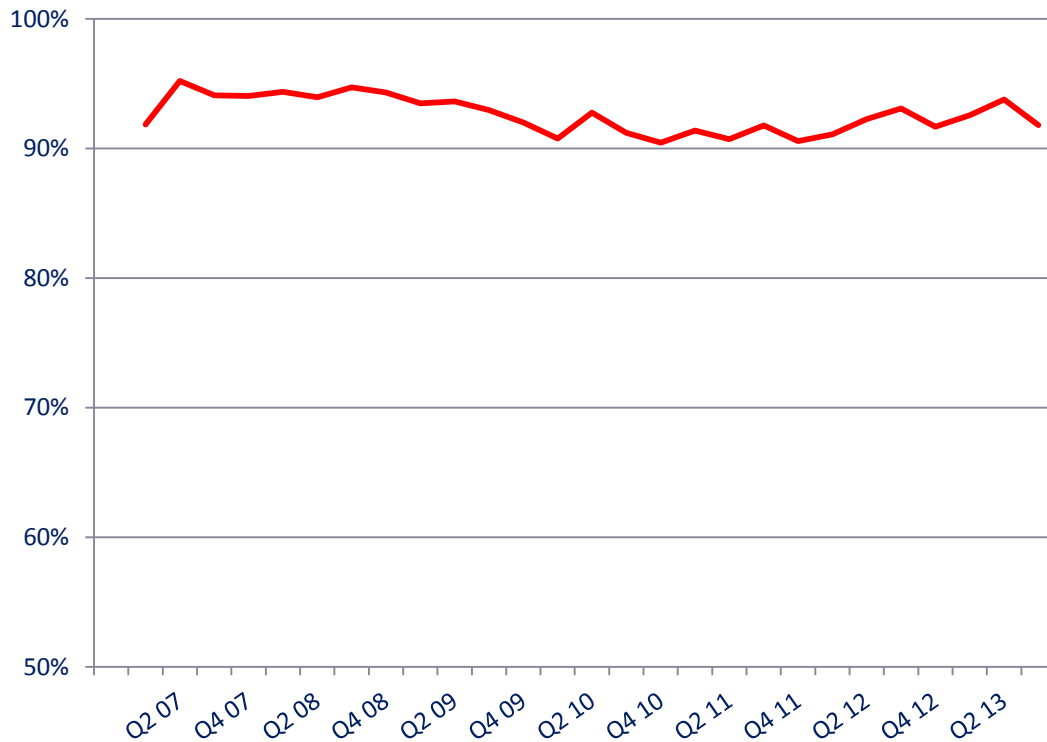
### Home Credit has a long-term future but needs to be updated

- Customer satisfaction is high and stable at 92%:
  - Simple, transparent and flexible product which directly meets customers' needs
- Customers (and agents) are cautious due to cost of living pressures (late cycle):
  - 61% of customers agree that “in the last 12 months I have felt a lot worse off than before” (highest ever proportion)
- As a result, demand is soft and the whole home credit market is contracting (for now):
  - As disposable incomes recover, confidence and demand will recover
- Some more creditworthy customers now have other options:
  - But this is at the margins
  - Only 5% of our Home Credit customer base have taken out payday loans
- Changing customer behaviours and preferences:
  - Accelerated by smartphone and affordable tablet proliferation
  - Harder to attract new customers with traditional cash-only home credit model

# CUSTOMER SATISFACTION

Customers remain very satisfied with high scores on key brand attributes

Customer satisfaction %



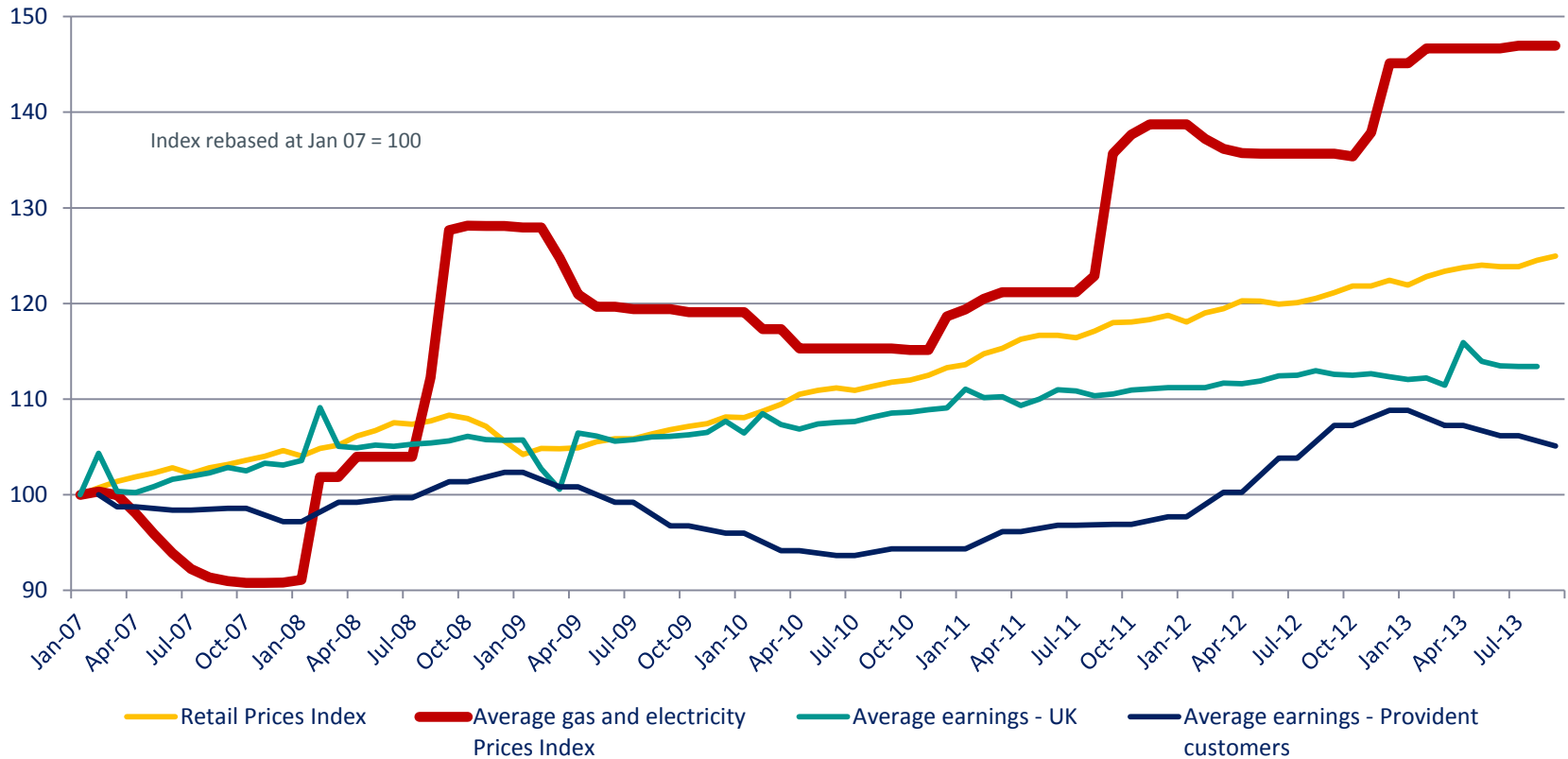
Brand attributes

- **97%** of customers agree that Provident is **“friendly”**
- **97%** that we are **“accessible”**
- **96%** that we are **“trustworthy”**
- **96%** that we are **“straightforward”**
- **94%** that we are **“flexible”**

Source: Provident customer tracker of 3,000 customers

# COST OF LIVING PRESSURES

The costs of everyday essentials have risen much faster than incomes



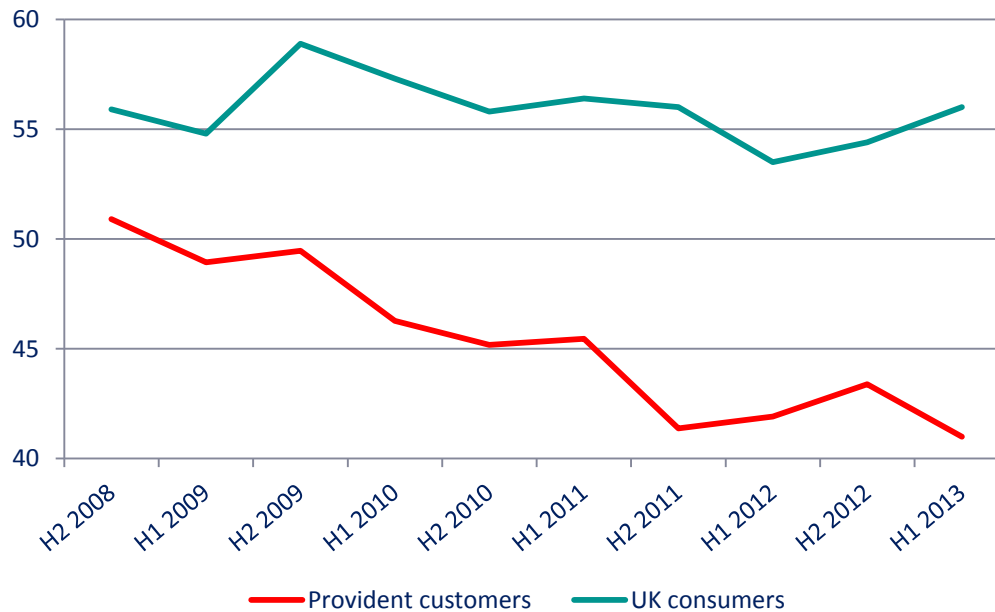
**Our customers are late cycle**

Source: Provident customer tracker of 3,000 customers; ONS

# CUSTOMER CONFIDENCE

As a result, customer confidence (and therefore demand) remains at historically low levels

Customer confidence index (CONFIX)



The CONFIX comprises 5 attitudinal statements:

1. In the last 12 months I have felt financially worse off
2. In a year from now I am sure I will be better off
3. It's easier to get a loan from a bank or building society than it used to be
4. My application for a credit card would be accepted
5. I have more options available to me than ever before

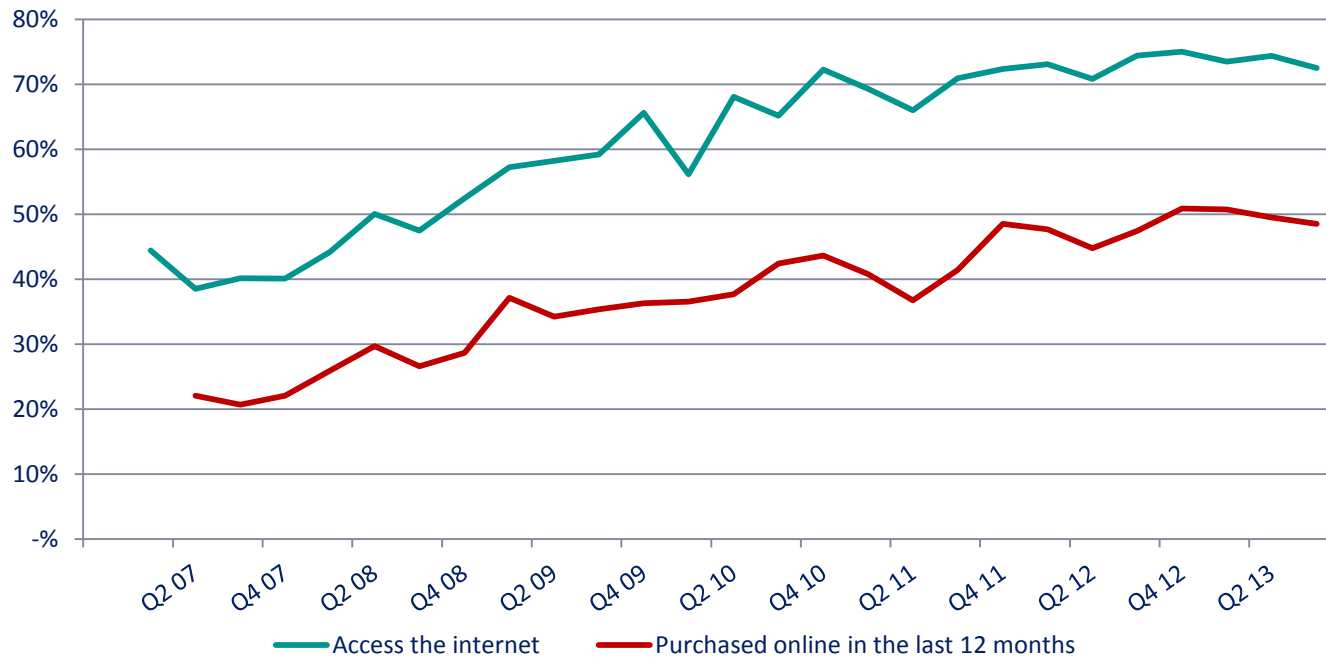
**Our agents live in the same communities and are affected by the same confidence issues and caution**

Source: Provident customer tracker of 3,000 customers

# A DIGITAL ERA

75% of customers are on the internet and half shop online

Internet usage



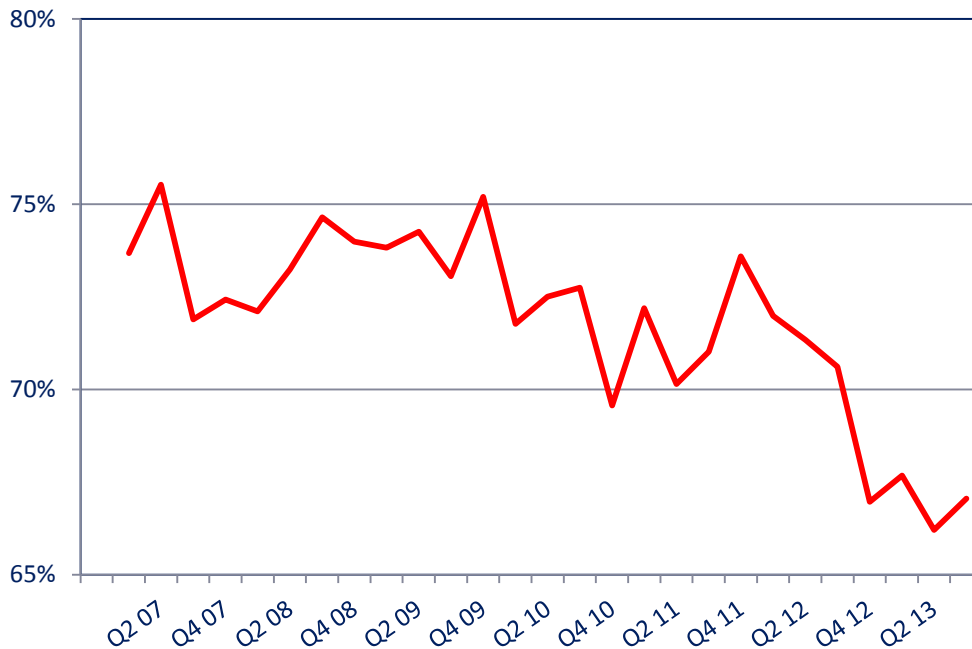
50% of visits to our website are via smartphones, up from 10% two years ago

Source: Provident customer tracker of 3,000 customers

# A DIGITAL ERA

The percentage who agree that we are “modern” is dropping rapidly

% customers who agree Provident is modern



- 97% of customers agree that Provident is “friendly”
- 97% that we are “accessible”
- 96% that we are “trustworthy”
- 96% that we are “straightforward”
- 94% that we are “flexible”

**BUT**

- Only 67% agree that we are “modern”

Source: Provident customer tracker of 3,000 customers

# HOME CREDIT IN THE FUTURE

## An updated business driving better returns

- Home Credit is a sustainable business, currently in a cyclical down-turn:
  - It is the right business model for the target demographic
  - Well-liked by home credit customers
  - High returns and strong capital generation
- The macro-economic recovery for our customers will lag the mainstream, but will happen at some stage
- Our leading market position and scale should enable us to benefit from the expected consolidation arising from the changing regulatory landscape over the next 2 to 3 years
- We are focusing on running a leaner, better-quality, modern, more profitable business:
  - We are updating the model to respond to changing customer needs
  - We have brought in new talent to drive the change



## STRATEGIC BACKGROUND – WIDER NON-STANDARD MARKET

### There are significant opportunities outside Home Credit

- The non-standard market is growing:
  - c.12 million customers not served by mainstream credit
  - Banks continue to tighten risk appetites
  - The macro-environment is leading to more consumers entering the market
- Attractive competitive environment:
  - The non-standard market is the domain of specialists
  - Supply-constrained market as small and medium-size specialists lack funding for growth
  - Consolidation driven by higher and timely regulatory standards
- Changing customer behaviours and preferences:
  - Accelerated by smartphone and affordable tablet proliferation
  - Rapid growth in demand for online lending
- Payday economics are under threat:
  - Provides opportunities for responsible lending businesses
  - We will apply the tried and tested elements of the Home Credit and Vanquis Bank DNA to meet customer needs in this growth market

## ONLINE LENDING

We estimate the online loans market to already be c.4 times the size of the home credit market and growing much faster

	2012 New loans £bn	
Home credit	1.2 - 1.4	4x
Online loans (small-sum), <i>of which:</i>	c.5.4	
Payday	5.0	←
Instalment lending	0.4	

- The transition to the FCA and payday regulation is causing dislocation which provides opportunities for responsible lending businesses

## CCD STRATEGY

**Our new strategy has 2 elements – We become a lending business not just a home credit business**

### 1. Update Home Credit and drive for returns

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- Investing in people and technology is a key enabler...
  - ...of standardising best practice
  - ...of improved collections
  - ...of market-leading compliance
  - ...of material cost reduction
  - ...of better customer service

**Leaner, better-quality, more profitable business relevant in the digital age**

### 2. Win in online loans

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- Applying the proven Home Credit DNA
- Targeting customers in the space between Home Credit and Vanquis Bank
- Using the best capabilities of CCD and Vanquis Bank to get the right model
- Benefitting from payday dislocation and clear, tighter regulation
- Achieving returns as good as Home Credit

**Top 3 market position within 3 to 5 years**

## A NEW CCD TEAM

To deliver this strategy we have assembled a team with a mix of Provident experience and proven external track records

Presenting today

**Mark Stevens**  
Managing Director

**Andy Parkinson**  
Home Credit

**Sarah Dickins**  
People

**Jono Gillespie**  
Technology & Change

**Phillip McLelland**  
Finance

**Tim Anson**  
Commercial/  
New Markets

**Steve Shaw**  
Chief Risk Officer

## AGENDA

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Mark Stevens

### 2. Update Home Credit and drive for returns

- Technology & apps
- 'One Best Way'
- Collections focus
- Cost reduction
- Performance through people

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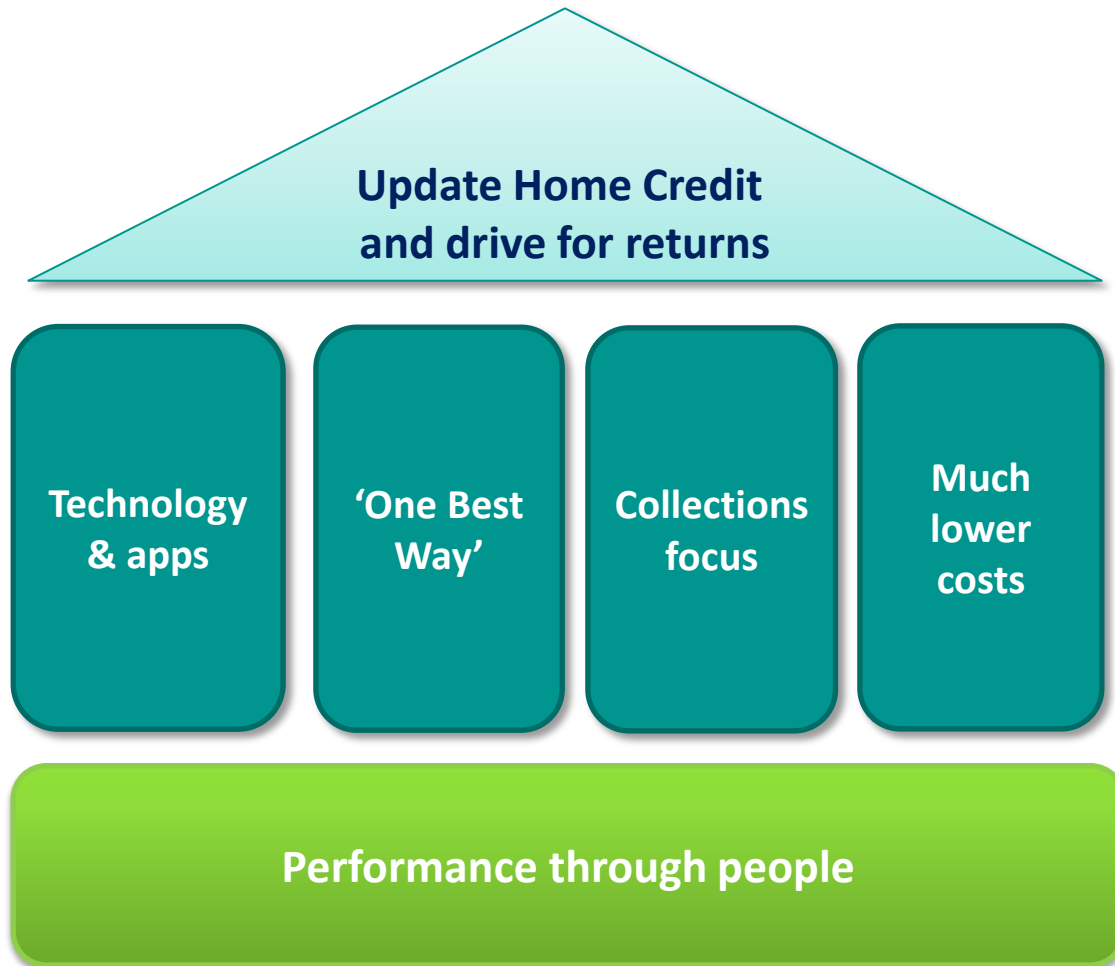
- Market opportunity
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### 4. Concluding comments and Q&A

Mark Stevens

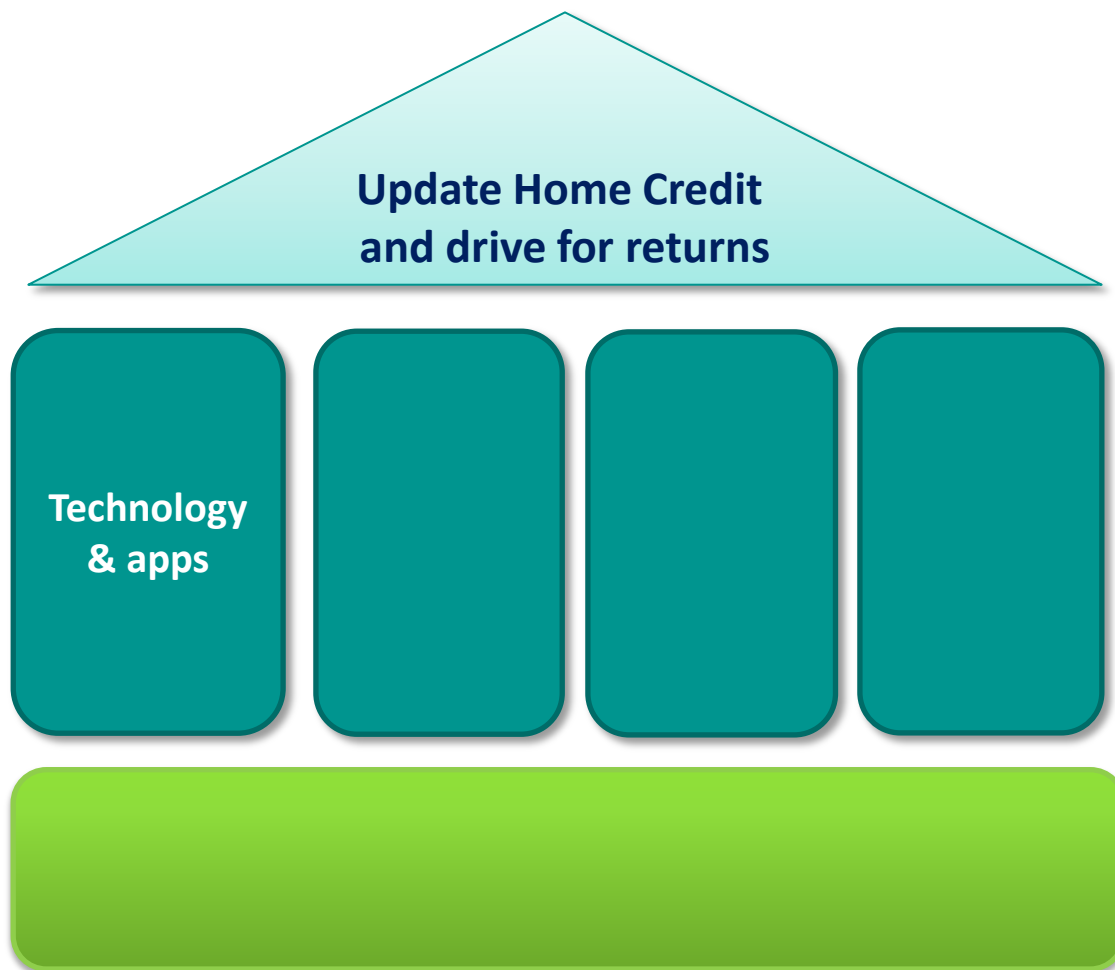
## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

We will create a leaner, better-quality, modern, more profitable Home Credit business



## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

We will create a leaner, better-quality, modern, more profitable Home Credit business



## TECHNOLOGY & APPS

### Why now?

- A lot has changed in recent years:
  - Smartphones and tablets almost ubiquitous (an estimated 75% of agents have a smartphone)
  - Agents and managers comfortable with devices
  - Devices and networks much cheaper
  - Bring your own device (BYOD) widespread
- Huge benefits/low cost:
  - Compliance through apps
  - Improves data and agent security
  - Speed and efficiency of data collection and sharing
  - App development fast and relatively cheap
  - Can make use of 'mobile-ready' back-office system



## TECHNOLOGY & APPS

### We are working on a number of developments

- The rapidly changing cost/benefit equation means we can now deploy technology to benefit:
  - Agents:
    - Collections/CLIP App
    - Chip & PIN payments
    - Lending App
  - Field management:
    - Development Manager (DM) Tablet
  - Customers:
    - 24/7

Leading to significant customer benefits and improved productivity
- In addition, other apps are in development to be launched in late 2014/2015

## TECHNOLOGY & APPS

### The old model is paper based and inefficient



Relies on couriers  
to move paper



Relies on admin teams  
to enter data



- Slow – Data manually entered and received on a weekly cycle
- Expensive – Admin teams, paper, printing, couriers
- Inflexible – All system changes require training
- Manual systems increase the risk of errors and non-compliance

# TECHNOLOGY & APPS

The new model is mobile and paper free



✓ Fast – Data collected, received and processed at source

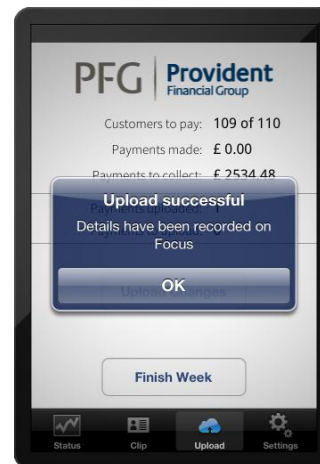
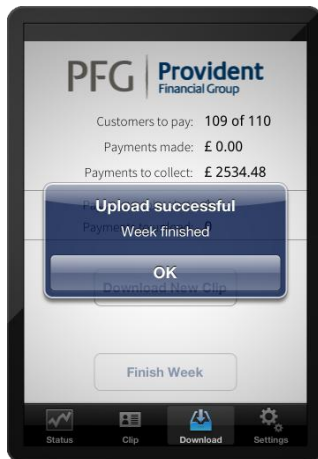
✓ Cheap – Apps relatively inexpensive, no manual intervention, no paper, no couriers

✓ Flexible – System changes are controlled by the device, training needs much lower

✓ Compliant – All activities controlled by apps based on set rules

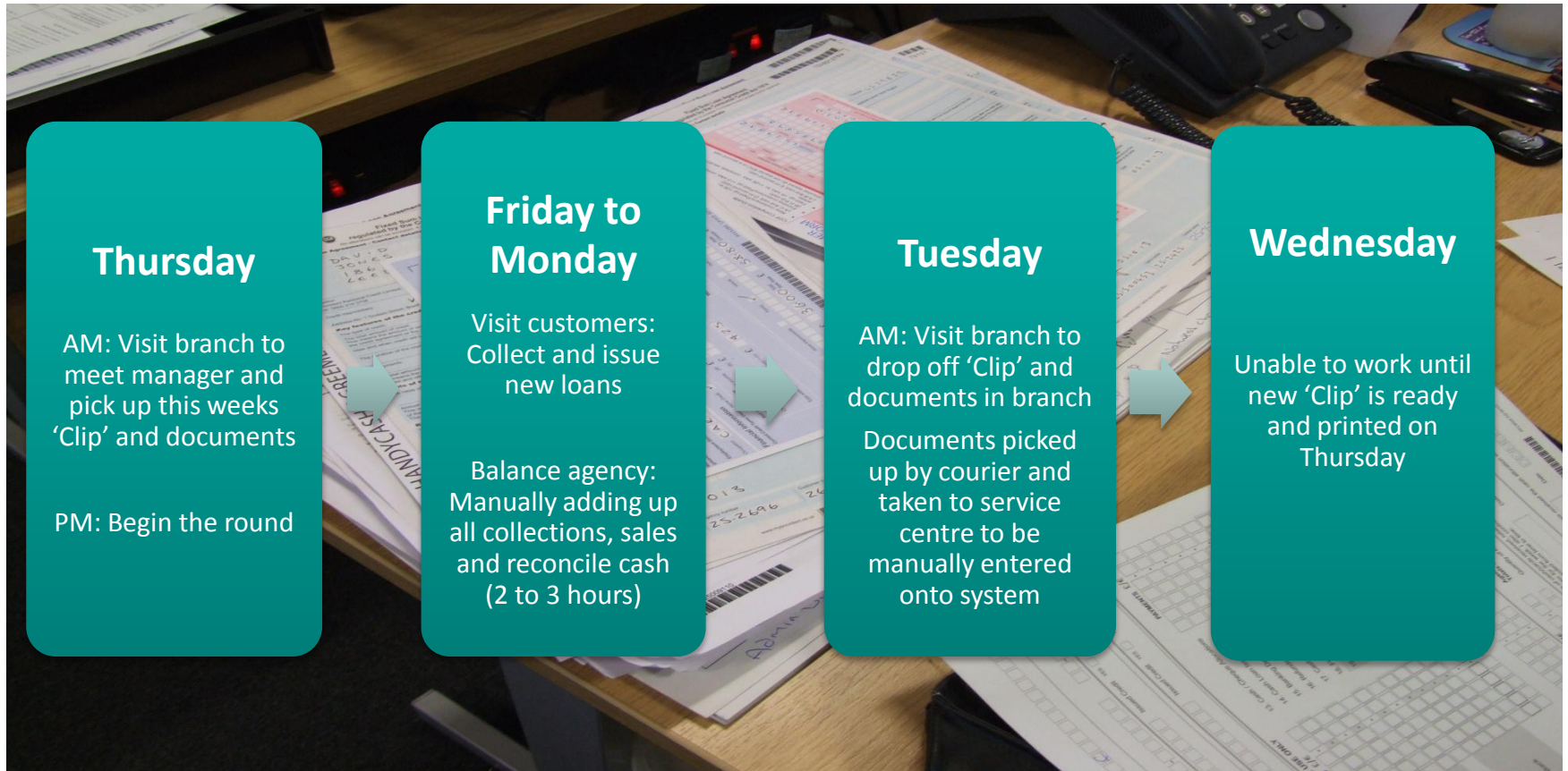
✓ Secure – All data is encrypted

Data is captured electronically....and automatically uploaded



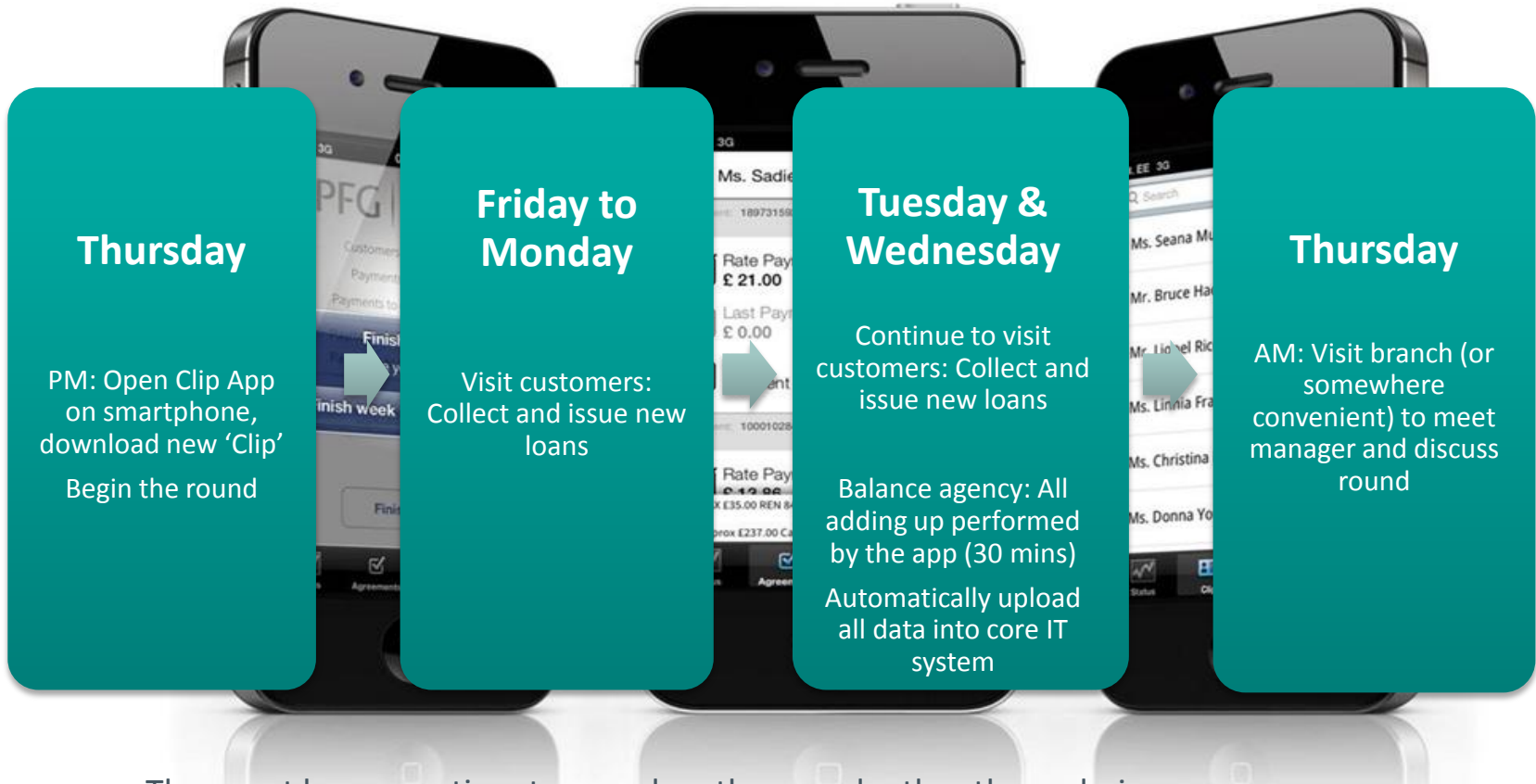
# TECHNOLOGY & APPS – AGENTS

## Old model – Example agent working week



# TECHNOLOGY & APPS – AGENTS

## New model – Example agent working week



- The agent has more time to spend on the round rather than admin
- Data flows are automatic and much faster



# TECHNOLOGY & APPS – AGENTS

## Collections/Clip App

- BYOD model
- All info agent needs to collect the round in an app:
  - Agent records collections/misses in app
  - Saves significant time
- Estimate that c.75% of agents have smartphones
- Smartphone ownership now mandatory for new agents
- iOS version rolled out mid-September:
  - Already have c.1,800 users out of estimated c.2,000 iPhone owners
  - Android version to follow in late Q4
  - Other formats unlikely to have wide take-up



## TECHNOLOGY & APPS – AGENTS

### 'Chip & PIN' payments

- Currently in pilot
- Chip & PIN card reader connects via Bluetooth to smartphone
- Improves collections and payment options for the customer
- Targets customers who do not have cash on them and those who pay by cheque
- Saves time by reducing cheque use
- Initial feedback and results are promising
- Will also be available to field managers



# TECHNOLOGY & APPS – AGENTS

## Lending App

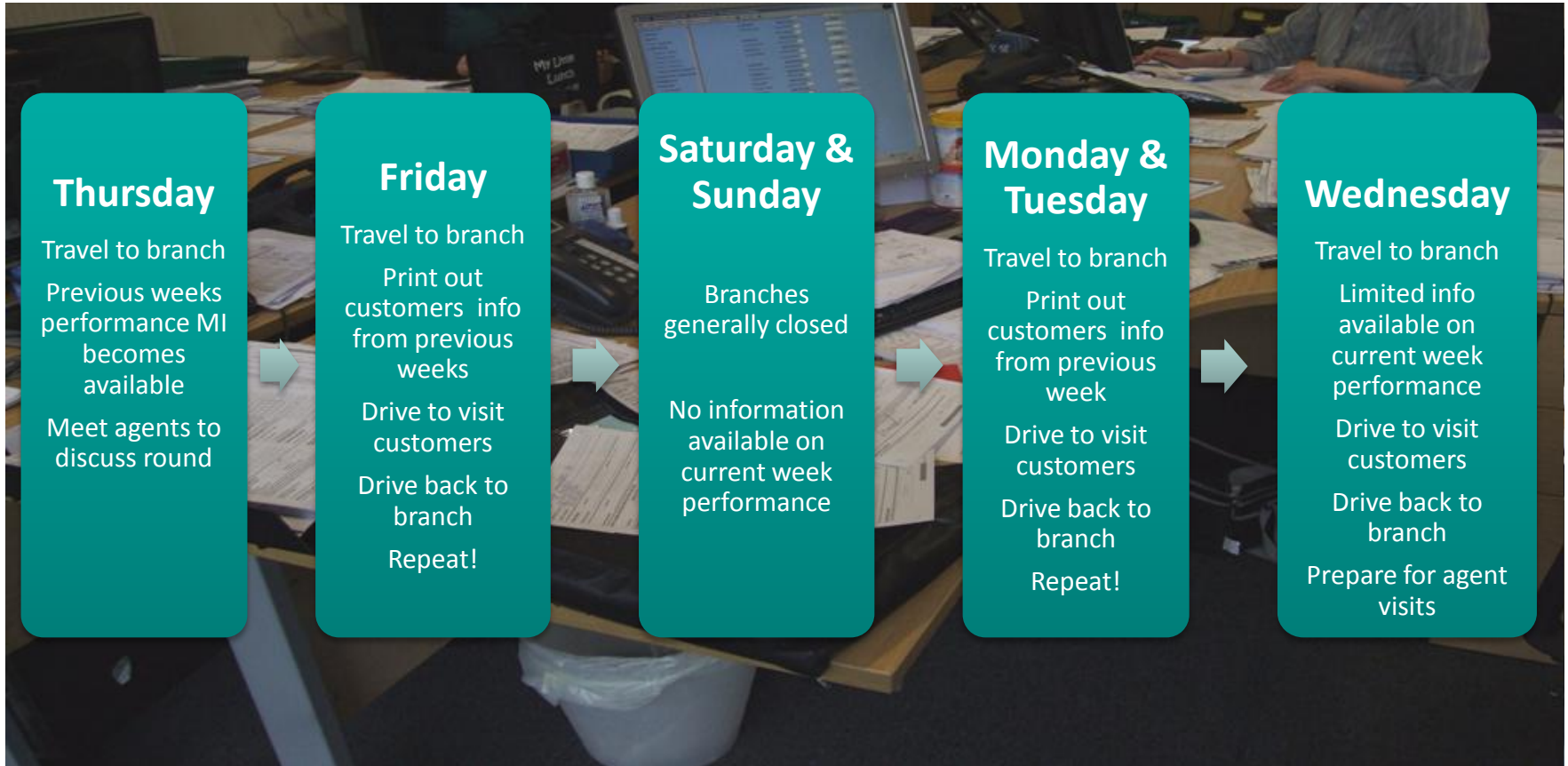
- In prototype and aiming for Q1 2014 pilot (iOS)
- Huge compliance/regulatory benefits
- Only allows compliant loans to be issued (but final decision still rests with the agent)
- Customer 'signs' digitally and receives e-mail agreement:
  - Alternatives possible for non e-mail users
- Significant clerical time saving
- Android version to follow once iOS version established
- Roll-out to 80% of agents by end of 2014





# TECHNOLOGY & APPS – MANAGERS

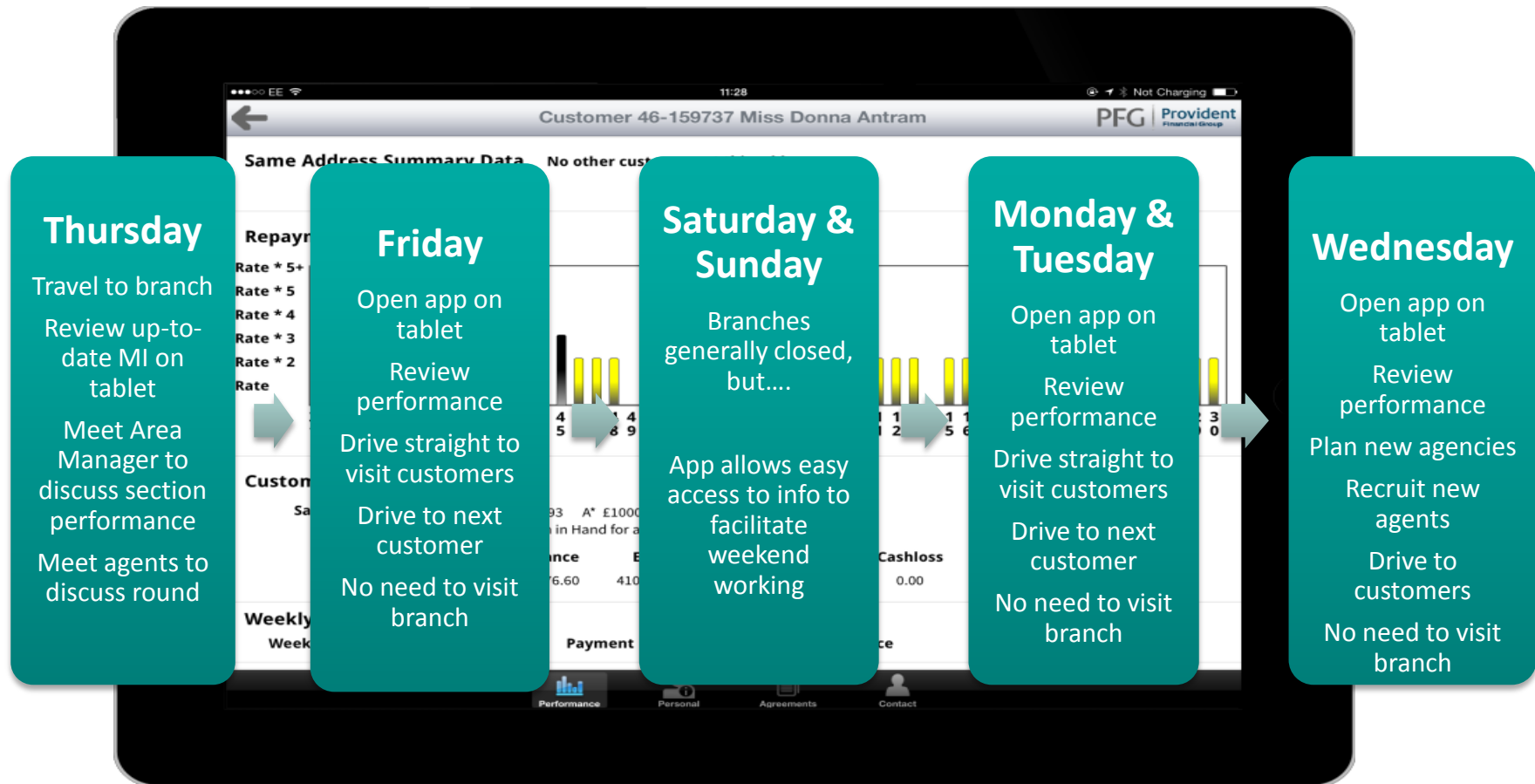
## Old model – Example DM working week



- Spend time travelling to and from branch for customer visit information
- No system-based daily information resulting in many phone calls to agents

# TECHNOLOGY & APPS – MANAGERS

## New model – Example DM working week

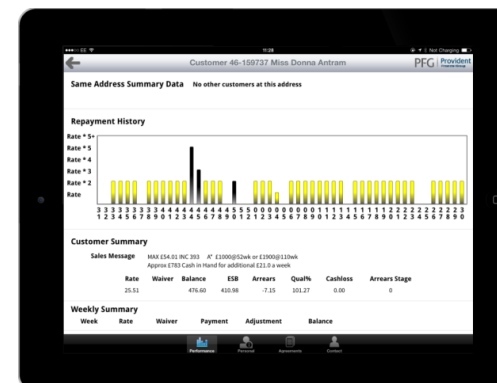


- Manager spends much less time travelling to and from and in branch
- Creates 'mobile office' allowing more time for supporting and encouraging agents in the field

# TECHNOLOGY & APPS – MANAGERS

## DM Tablet

- Currently in pilot
- iPad mini-based app - Gives DM mobile access to all the information they currently have in branch and more
- Saves significant DM downtime (travelling to and from branch)
- Improves agent and customer support as data always at hand
- 60% lower cost than planned DM desktop PC refresh
- Will link to Chip & PIN App for improved arrears calls
- Full roll-out planned for H1 2014



## TECHNOLOGY & APPS – CUSTOMERS

### 24/7 helps keep Home Credit relevant in the digital age

- Half of our customers are buying goods online:
  - Our cash issue plays a limited part in this spending
  - This percentage increases each year
- A cash-only format will limit demand for borrowing
- 24/7 is a prepaid reloadable Mastercard which looks and feels like a credit card and onto which loans can be issued
- Agents approve the loan and collect back repayments weekly in cash
- Gives customers greater spending breadth and power and makes us even easier to do business with
- Launched in September in Wales & West – over 12,000 customers have now requested and received a card



## TECHNOLOGY & APPS – CUSTOMERS

### 24/7 – How it works


- Agents review customers weekly and enter amount willing to lend each customer onto the system
- Customers then able to see via secure portal how much their agent is willing to lend them
- If customer wishes to proceed, loan proceeds added to card rather than having to wait for cash from agent
- Still home-collected model:
  - Agent decides whether to lend and how much
  - Agent visits customers to collect each week
- But more flexible:
  - Customer can always see what credit is available
  - Faster delivery of loan
  - Easier to spend online





# TECHNOLOGY & APPS – CUSTOMERS

Customers load pre-approved loans onto the card via a personalised and secure portal




## 24/7

// Your loan.  
// When you want it.

[Sign out >](#)

Last logged in: Weds 27th March 2013 (10:30am)

My account
My statements
Loan options
Personal details
Messages 1
Retailer offers



### Welcome back Sarah

Here's all the latest information on your Provident 24/7 Card  
No. 1234 5234 6234 7234

Your card balance today is: **£365.98**

**Sarah, your Agent thinks you could have another loan of up to: £800\***

See how much you could borrow.

\*Based on the most current information available. This information will be updated upon completion of the loan application.

View loan options and apply >

#### KNOW YOUR LOAN

Representative example:  
£300 loan over 52 weeks.  
52 payments of £10.50 per week.  
Rate of interest 82.0% p.a. fixed.  
Representative 272.2% APR.  
Total amount payable £546.

#### CARD SERVICES

[Click here](#) to get your pin or block/unblock your card.





View more >





#### RECENT TRANSACTIONS

22/03/13	Tesco	£21.32
21/03/13	Asda Garage	£53.01
15/03/13	Tesco	£27.56

View full statements >

#### GREAT CASHBACK OFFERS WITH YOUR CARD

See all offers >

#### CAN WE HELP?

If there's anything else you need to know about your 24/7 card:

Contact us anytime online >

or call: **0844 6120 014**  
lines are open Mon-Fri: 09.00 - 17:30

## TECHNOLOGY & APPS – SUMMARY OF BENEFITS

Each of the 5 developments outlined brings significant benefits to drive higher returns

### Clip App

- Cost reduction
- Agent productivity

### Chip & Pin

- Better collections
- Customer service

### Lending App

- Compliance
- Customer service

### DM Tablet

- DM productivity
- Better collections

### 24/7

- Customer service
- Customer retention and share of wallet

## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

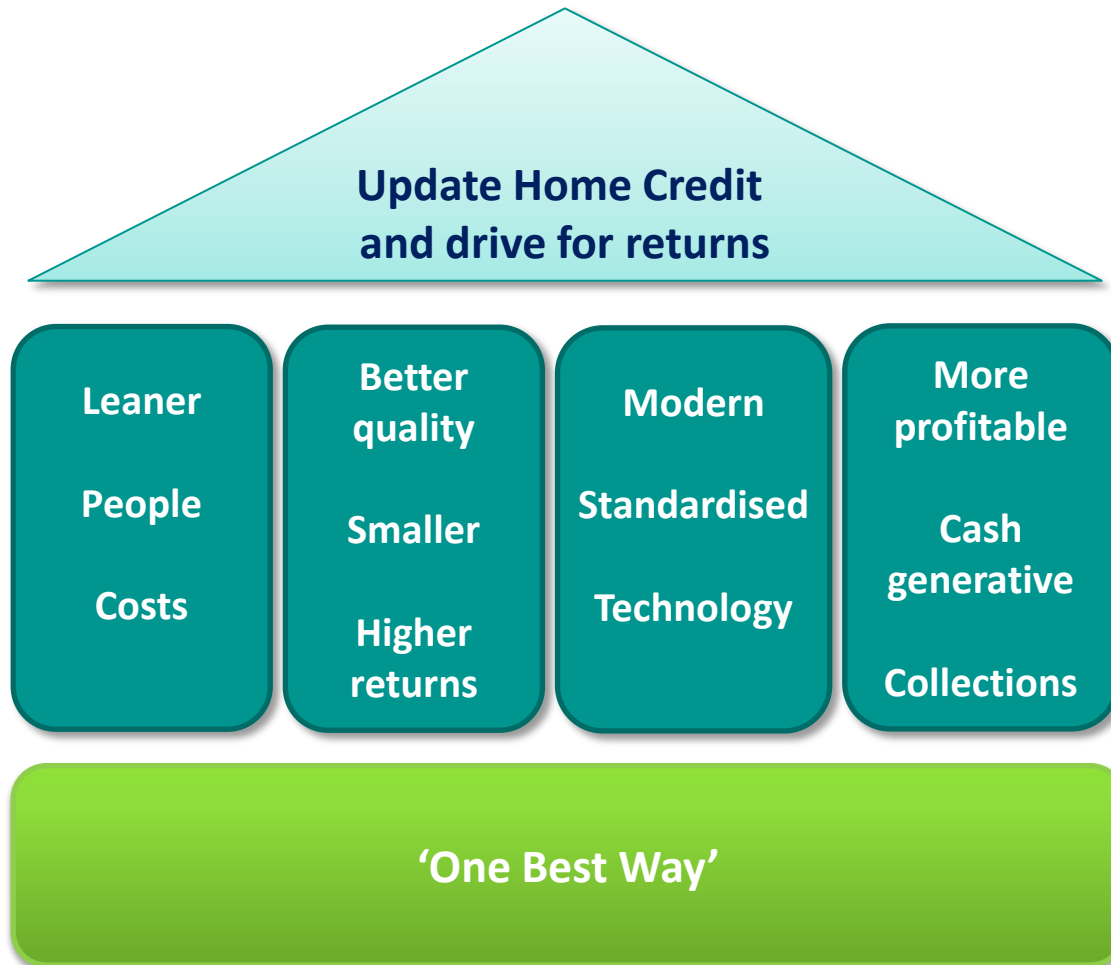
We will create a leaner, better-quality, modern, more profitable Home Credit business





## ‘ONE BEST WAY’

We will create a leaner, better-quality, modern, more profitable Home Credit business



## 'ONE BEST WAY'

### A reminder of the scale of our model



Average  
tenure  
c.15 years

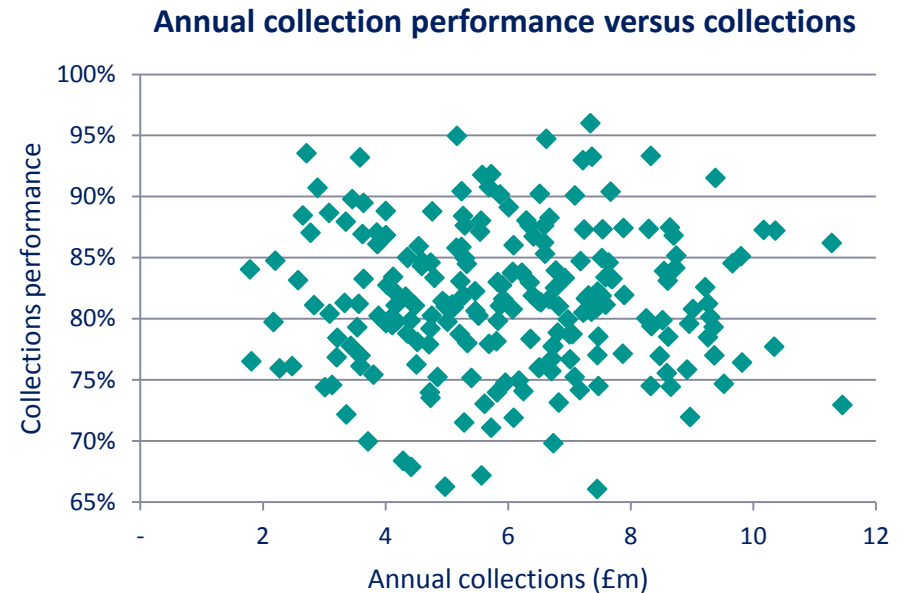
- Narrower focus, bigger impact
- The proposed reductions will return the ratio of Development Managers to customers back to 2007 levels

\* Proposals to reduce numbers are currently under consultation

## ‘ONE BEST WAY’

The current operating model leads to variations in performance

- Differences in working practices
- Too much time spent completing administration duties with less time for collections and sales activities or supporting agents and customers
- Huge benefits can be gained from enforcing standardised processes
- This will be assisted by the deployment of technology and in investing in people



# 'ONE BEST WAY'

We will implement 'tried and tested' best practice across the business

## Solution

- 'One Best Way' of operating
- Process-driven and less personality led
- Standard 'cradle to grave' arrears process
- Improved lending authorisation system
- Blending best practice with technology to ensure full compliance



## Impact

- Freeing up agent and DM time for value-added activities:

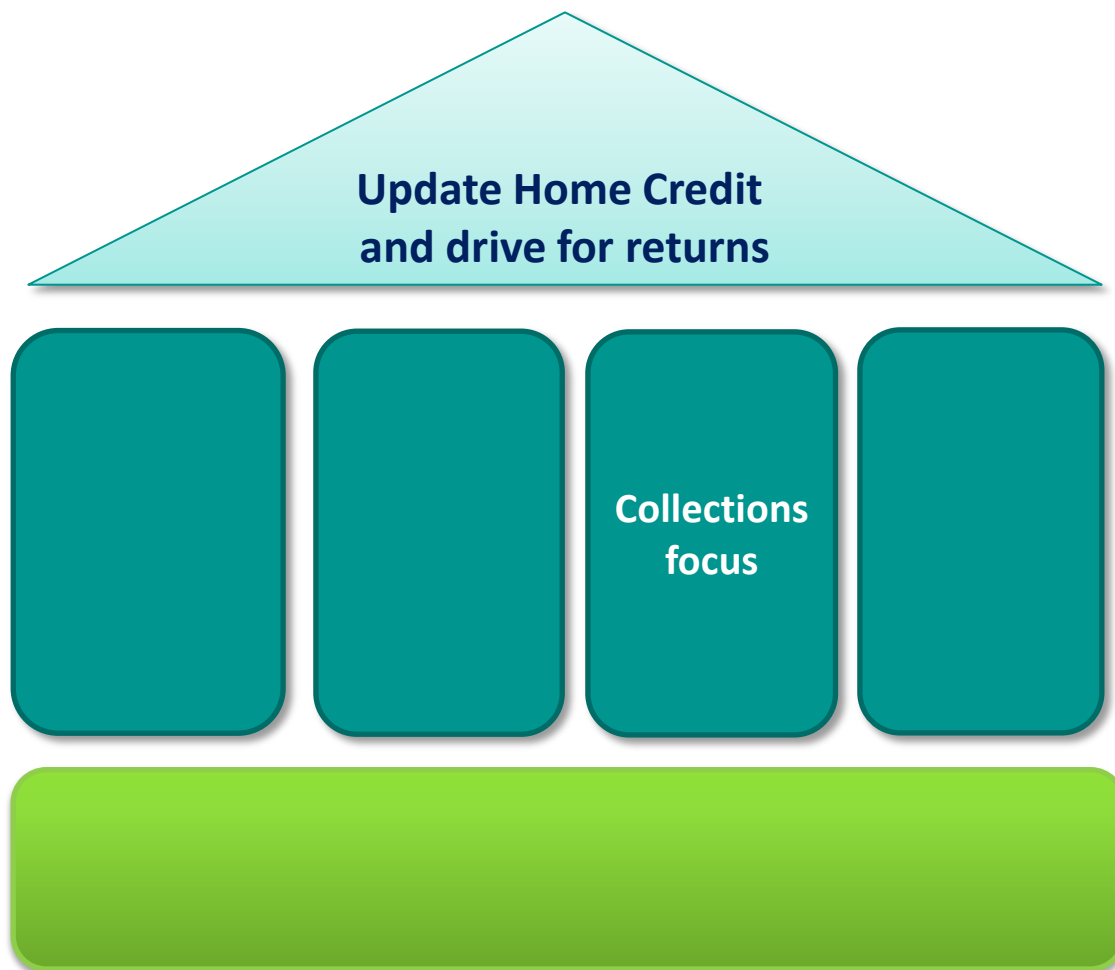


- Compressing the deciles of performance
- Better customer service

Largely embedded by the end of 2014

## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

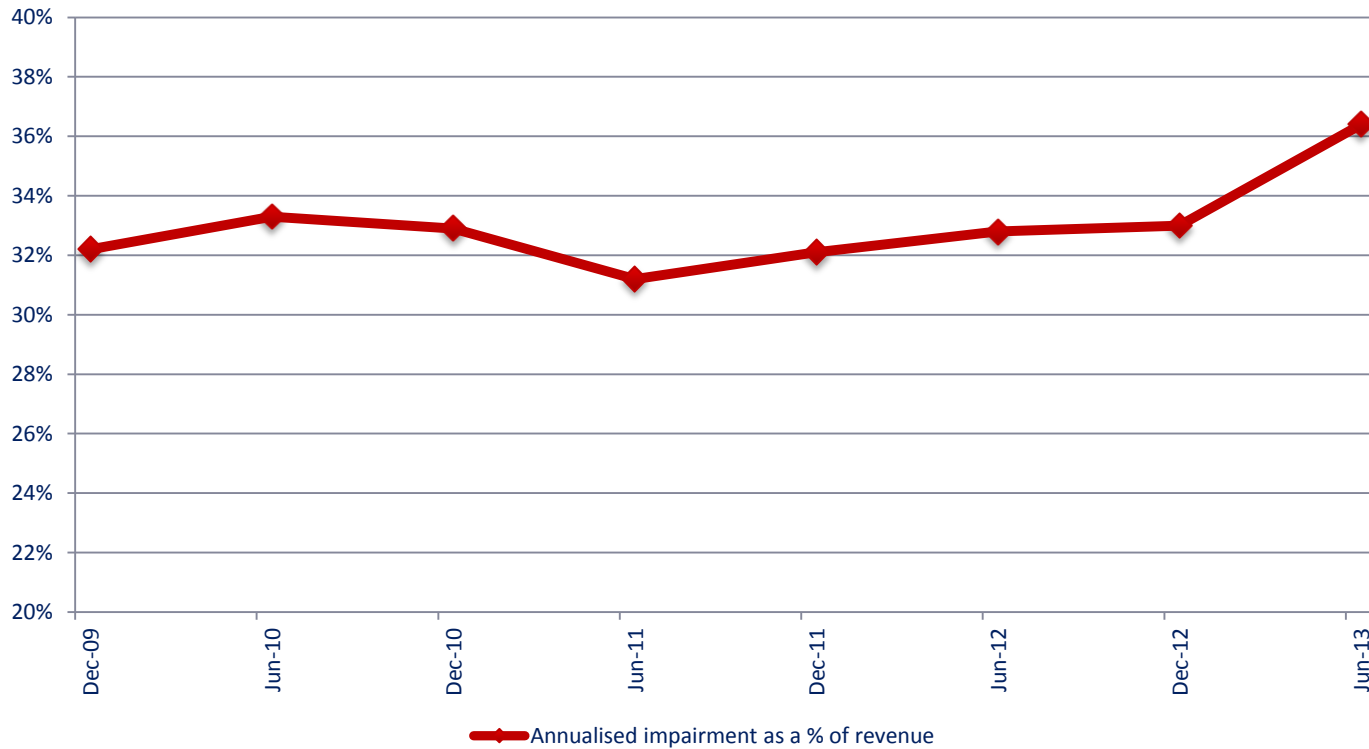
We will create a leaner, better-quality, modern, more profitable Home Credit business



# RETENTION AND COLLECTIONS FOCUS

The opportunity to improve collections performance is significant

Home Credit annualised impairment as a % of revenue



**Return impairment to revenue to historical levels - Collecting better leads to more sales opportunities**

## COLLECTIONS FOCUS

We will drive medium-term improvements in collections performance and retention through a number of activities

### Consistent day-to-day execution

---

- 'One Best Way' in the Field
- Better integration of central and field activities

### Tighter scorecards

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- Profit maximising
- Implemented October 2013
- Fewer new customers but more profit

### Payment options for customers

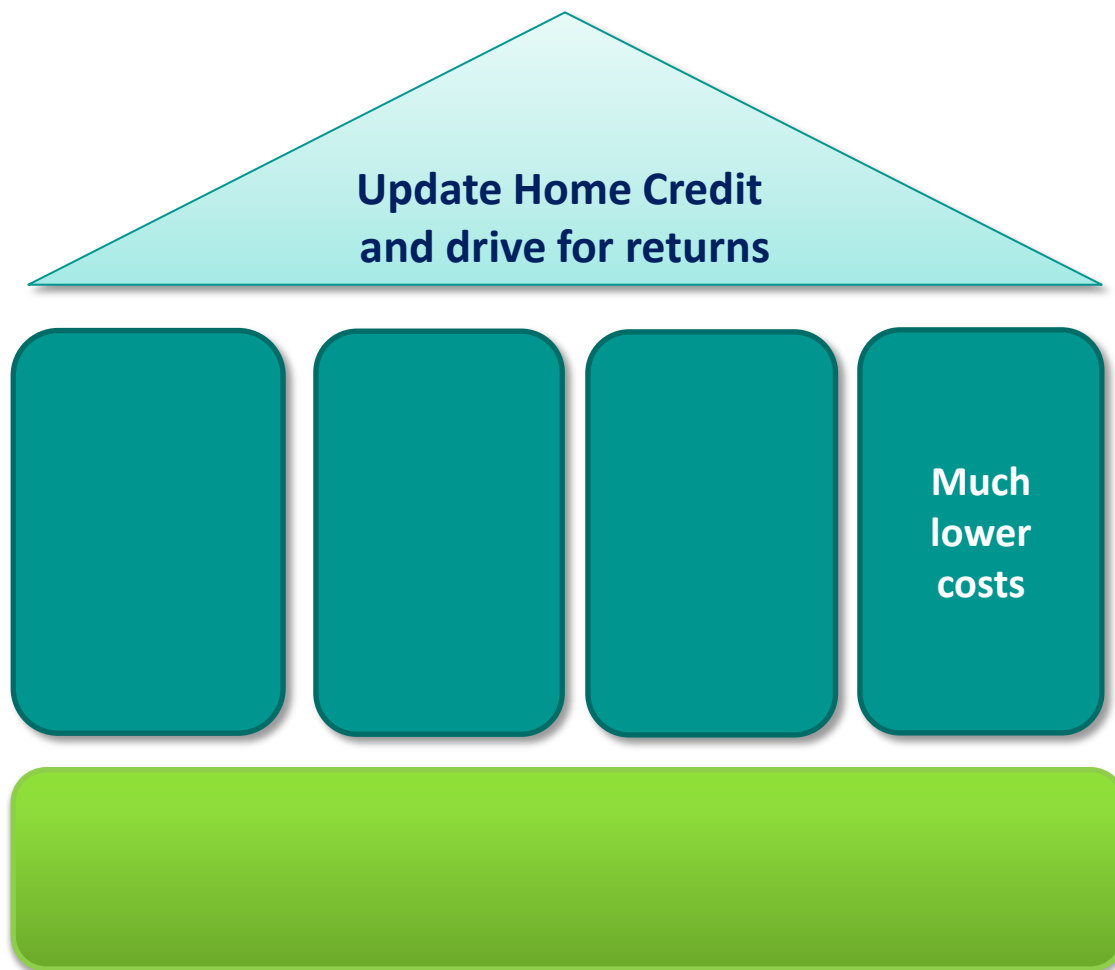
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- Chip & PIN linked to Clip App and DM Tablet
- Direct payments

Collecting better leads to more sales opportunities

## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

We will create a leaner, better-quality, modern, more profitable Home Credit business

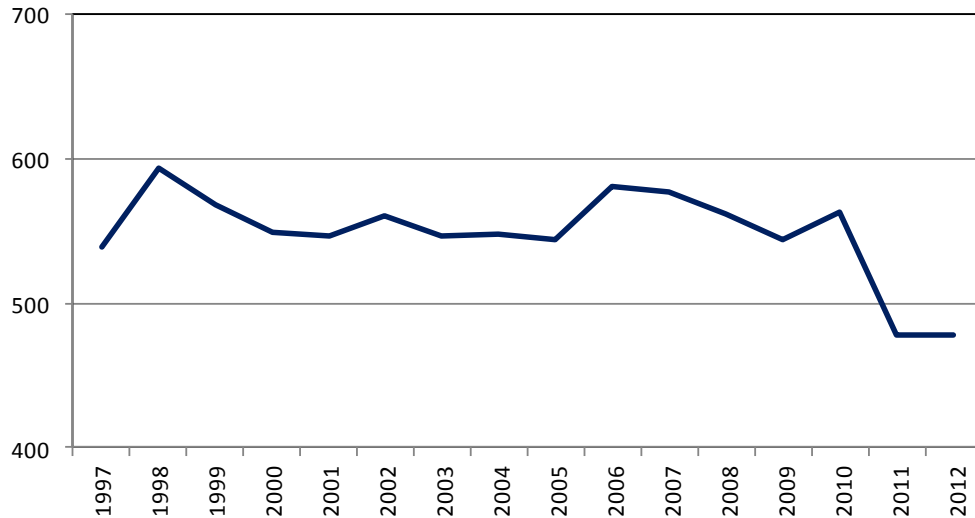




# MUCH LOWER COSTS

Employee numbers have recently become out of sync with customer numbers

Customers per employee



1997 to 2010 average c.570

Now around 480 even after job losses announced at the interim results

We expect to return the number of customers per employee to historical levels

## COST REDUCTION

We are applying a 3 phase process to reduce CCD costs very significantly

### Phase 1 Announced in July

---

- Field headcount reductions
- Other cost saving measures

### Phase 2 Now

---

- Further field headcount reductions
- Head Office headcount reductions
- Other cost saving measures

### Phase 3 Early 2015

---

- Further efficiencies enabled by embedding of technology

## MUCH LOWER COSTS

**CCD annualised costs will reduce by over £40 million in 2 years, net of investing £16 million in new activities**

	£m
<b>2012 total costs</b>	<b>298</b>
2013 H1 savings	(2)
Phase 1 (previously announced) <sup>(1)</sup>	(10)
Volume related <sup>(2)</sup>	(6)
Business development <sup>(3)</sup>	3
<b>2013 estimated total costs<sup>(4)</sup></b>	<b>283</b>

	£m
<b>2013 estimated total costs<sup>(4)</sup></b>	<b>283</b>
Phase 2 (announced today)*	<b>(18)</b>
Phase 1 (previously announced) <sup>(1)</sup>	(8)
Volume related <sup>(2)</sup>	(13)
Business development <sup>(3)</sup>	13
<b>2014 estimated total costs<sup>(4)</sup></b>	<b>257</b>

- Over the 2 years the volume-related cost reduction is consistent with a reduction of up to 20% in receivables
- 2014 performance will reflect the transition to a smaller, higher-quality Home Credit customer and receivables base with corresponding net cost savings
- The 2014 estimated cost position will vary if forecast receivables differ and/or we invest more heavily in business development
- There will be further cost efficiencies in 2015 once technology is deployed

Notes:

- (1) As disclosed in the interim results (£18m on full-year basis)
- (2) Lower variable costs as a result of a smaller business (including agents' commission)
- (3) Investment in Satsuma, 24/7 and other technology
- (4) Pre-exceptional costs

\* Based on proposed headcount reductions, subject to consultation

## EXCEPTIONAL COSTS

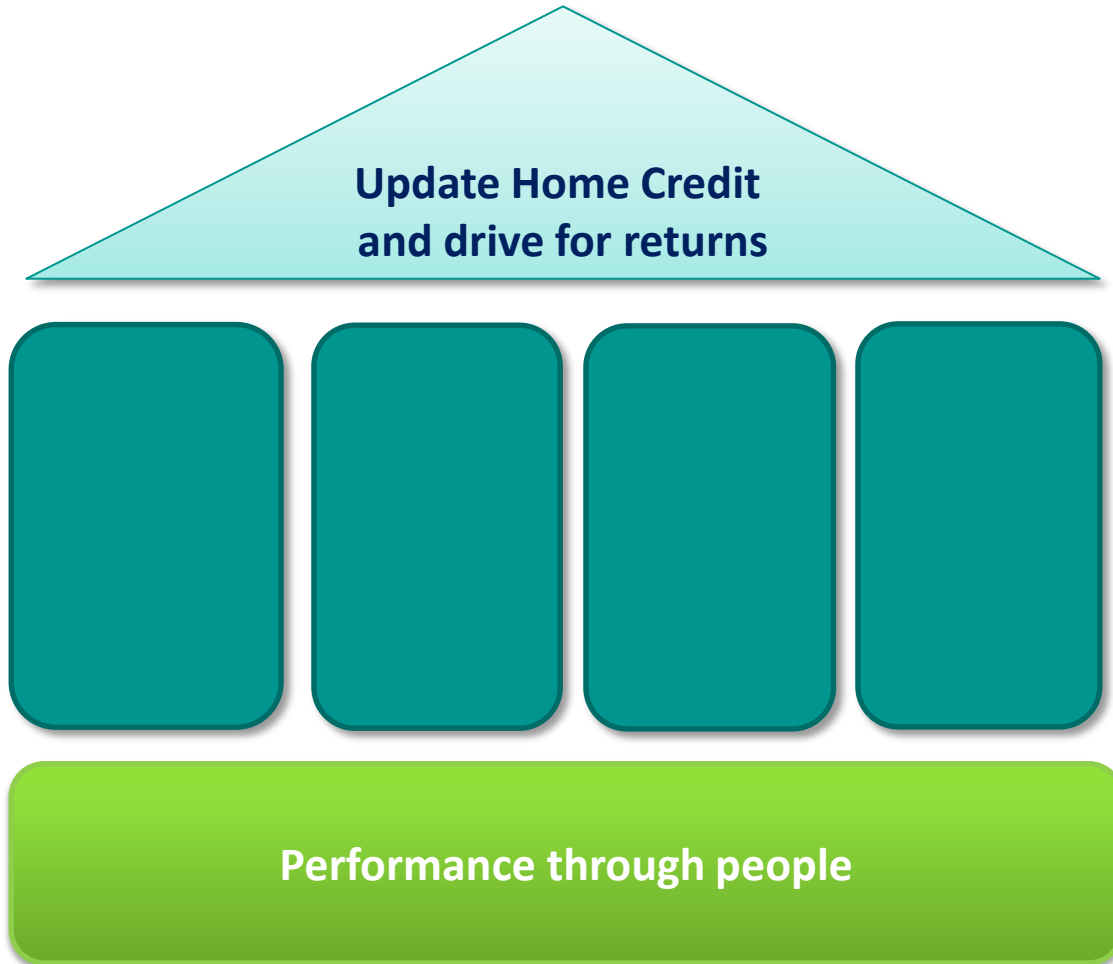
The exceptional one-off restructuring cost associated with the c.520 redundancies is c.£13 million in 2013

	Exceptional costs
Phase 1 (announced at the interims)	£6m
Phase 2 (announced last week)	c.£7m*
2013 total exceptional cost	<hr/> c.£13m <hr/>

\* Based on proposed headcount reductions, subject to consultation

## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

We will create a leaner, better-quality, modern, more profitable Home Credit business



# PERFORMANCE THROUGH PEOPLE

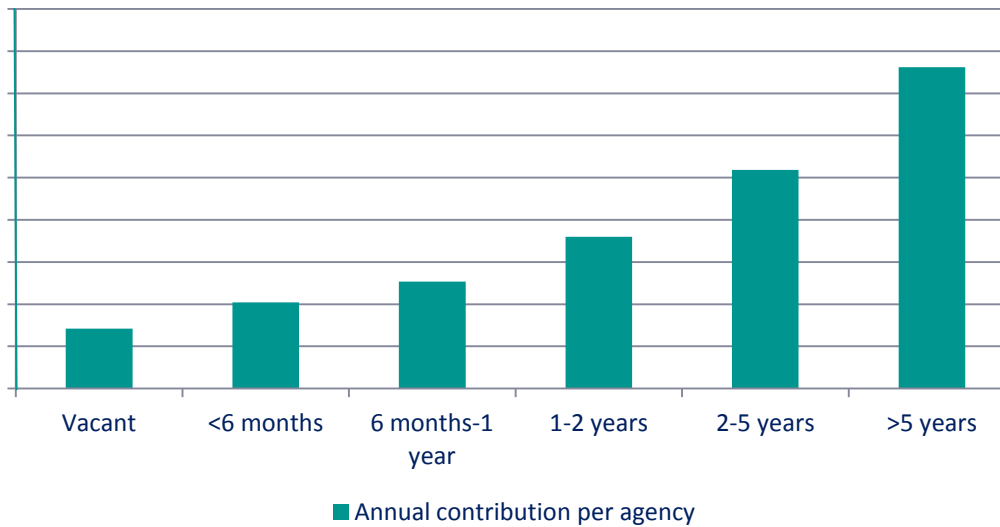
## Our people plan



# PERFORMANCE THROUGH PEOPLE

Agent stability is key to driving better performance

Annual contribution per agency by length of service



- The profitability of an agency increases markedly as the agent gets more experience
- We are improving agent recruitment and induction to drive higher retention and lower turnover
- We are also combining books to remove marginal agencies which are a key driver of turnover as the agent's income is insufficient

# PERFORMANCE THROUGH PEOPLE – BETTER AGENTS

Getting the right people and setting them up for success

‘The right agent’



‘Set up to deliver’



‘Driving agency performance’

‘One Best Way’ of attracting and selecting agents...

‘One Best Way’ of setting agents up for success...

Shapes ‘One Best Way’ of engaging agents in 2014



Executive team listening

Agent quarterly meetings



‘Agent Best Welcome’ has halved turnover in first 12 weeks (Caveat: early days)



# PERFORMANCE THROUGH PEOPLE

## Better leaders

### A simple development agenda



- Developing the top-50 leaders
- 'One Best Way' of attraction and welcome – Field Managers
- 12 Learning Academies for developing field management
- Provident Academy – aligns to 'One Best Way' and deployment of technology
- Simpler performance management framework

# PERFORMANCE THROUGH PEOPLE – 2014 PRIORITIES

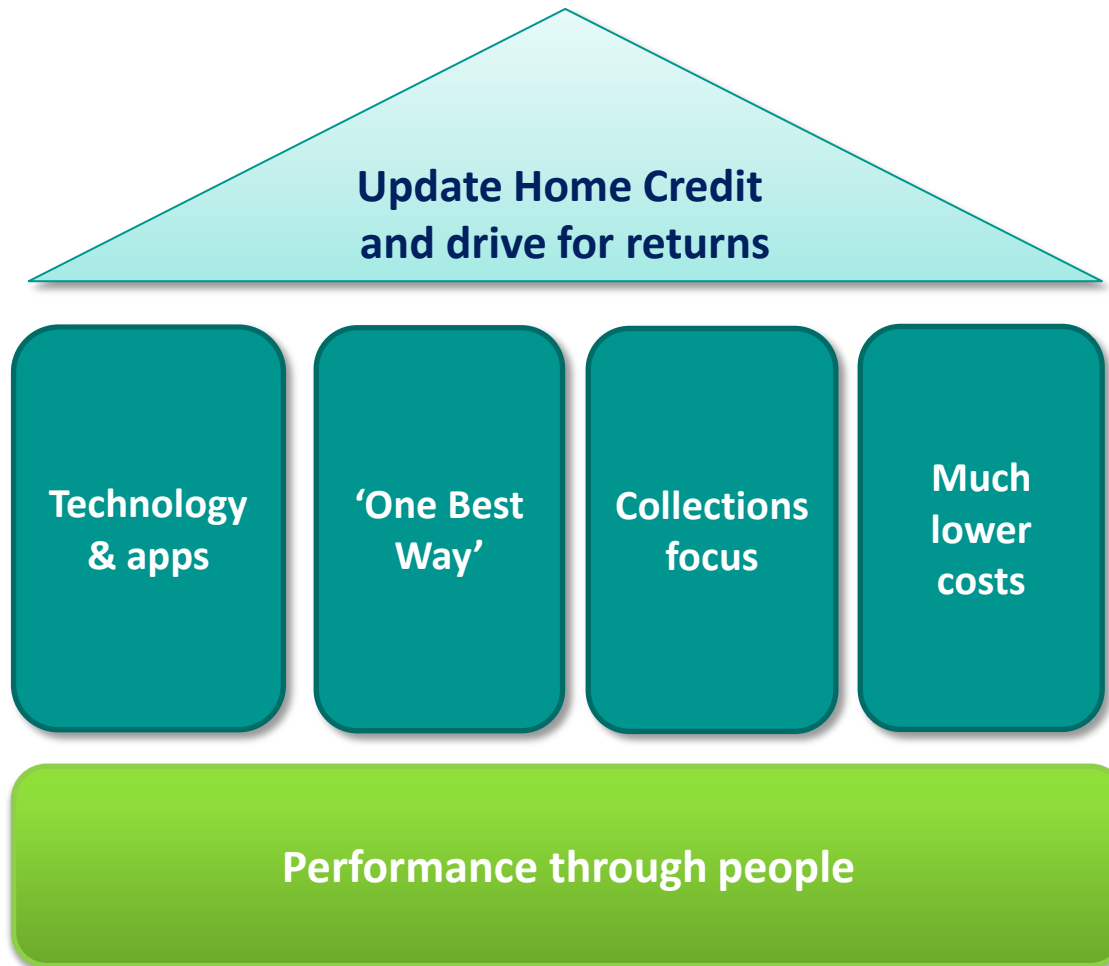
We want to build on 2013



Better agents ... Better leaders ... Better engagement

## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

We will create a leaner, better-quality, modern, more profitable Home Credit business



- Responding to changing customer needs
- Lower cost
- Fewer total customers but stable number of re-servable quality customers
- Fewer, larger agencies
- Better impairment to revenue %

## AGENDA

### 1. A new strategy for CCD

Mark Stevens

### 2. Update Home Credit and drive for returns

- Technology & apps
- 'One Best Way'
- Collections focus
- Cost reduction
- Performance through people

Jono Gillespie  
Andy Parkinson  
Andy Parkinson  
Mark Stevens  
Sarah Dickins

### 3. Win in online lending – Satsuma loans

- **Market opportunity**
- Getting the model right
- Returns

**Mark Stevens**

### 4. Concluding comments and Q&A

Mark Stevens

## MARKET OPPORTUNITY

### Now is the right time to enter the online loans market with a unique customer proposition

- Large (£5+ billion) and growing (20%+ p.a.) market:
  - Payday economics under threat from regulation
  - Provides opportunities for responsible lending businesses
- Backdrop of clearer, tighter regulation
- Shift in customer demand from payday to instalment loans as rollover and CPA restrictions kick-in
- We understand how to underwrite and collect instalment loans:
  - Very different skills to underwriting and collecting payday
- Only 2 to 3 well-funded payday companies have the scale and flexibility to build understanding and succeed in instalment loans
- Satsuma is a unique customer proposition based closely on proven Home Credit DNA
- It will take 3 to 5 years to achieve our goal of a top-3 market position

# MARKET OPPORTUNITY

Satsuma is the antidote to payday and better than instalment loan incumbents –  
Directly meeting core customer needs of certainty and flexibility

<p>Certain total cost from the outset</p>			
<p>Late fees or rollover charges</p>	 <p>Plus dozens of other lenders...</p>		
	<p>Payday one-off bullet repayment</p>	<p>Instalment loan fixed schedule with no flexibility</p>	<p>Flexible and affordable weekly repayments</p>

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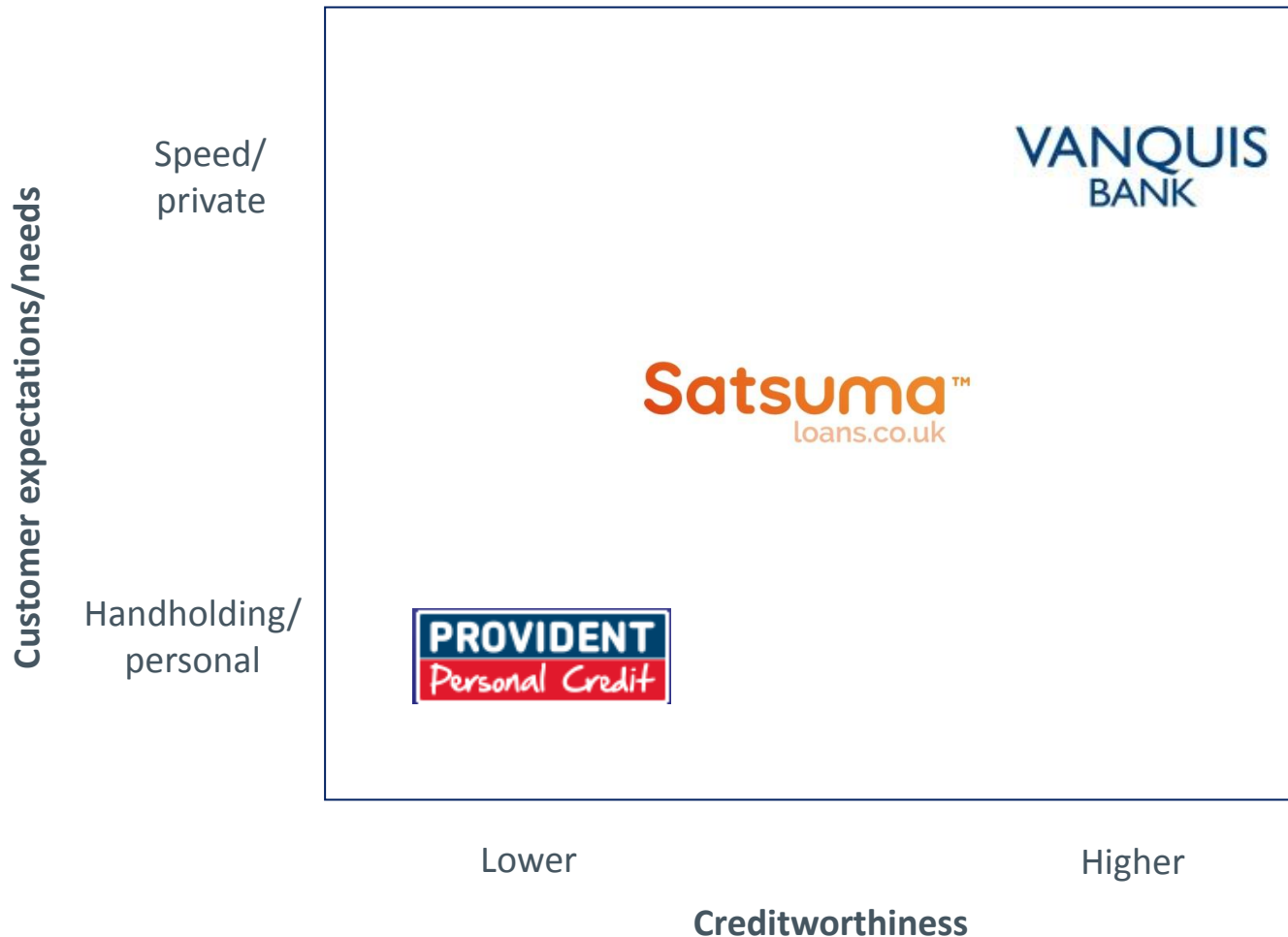
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## GETTING THE MODEL RIGHT – TARGET CUSTOMERS

The Satsuma target customer is incremental to the Home Credit customer base and broadly sits in the wide space between Vanquis Bank and Home Credit





## GETTING THE MODEL RIGHT – RIGHT PRODUCT

Satsuma is the best customer proposition in the market

Customers with little leeway  
in income need....



Payday

Typical instalment  
loan

	PROVIDENT Personal Credit	Satsuma™ loans.co.uk	Payday	Typical instalment loan
<b>Small sums (on first loan)</b>	Up to £300/£500	Up to £300	Up to £1,000	Up to £2,000
<b>Manageable rate</b>	APR in 100s	APR in 100s	APR in 1'000s	APR in 100s
<b>Affordable schedule</b>	Weekly	Weekly	One-off bullet	Monthly
<b>Certainty on costs</b>	Yes – not a penny more	Yes – not a penny more	No (rollover fees)	No (late fees)
<b>Flexibility if things change</b>	No penalties at all	No penalties at all	No (rollover fees)	No (late fees)
<b>Someone to talk to if things change</b>	Weekly agent visit	Welcome call and ongoing 'agent on the phone'	Online relationship	Online relationship
<b>Certainty on when payments taken</b>	Agent calls weekly to collect repayments	CPA on pre-agreed day for pre-agreed amount	Multiple use of CPA	Multiple use of CPA

## GETTING THE MODEL RIGHT – BROAD MARKETING REACH

**We will optimise cost per acquired customer through a very broad marketing reach**

- Tested from May to October as an option on the Provident website:
  - c.5,000 customers
  - Referral to Home Credit where the home-collected method is more appropriate
- Satsuma launched on 6 November:
  - Referral to Home Credit where the home-collected method is more appropriate
- Build lead generation over the next year through:
  - TV direct response
  - Paid 'generic' search activity
  - Targeted campaigns across SMS, email and direct mail
  - Routing via aggregators, affiliates and brokers
  - Targeted internet display advertising
  - Decline referrals including Vanquis Bank
- Significant competitive advantages from our financial firepower, existing lead generation capabilities/relationships and links to Vanquis Bank declines

## GETTING THE MODEL RIGHT – FRONT OF MIND BRAND

### We have created a memorable brand and campaign

- Branded search is key to success
- Memorable and front-of-mind brands and campaigns win out
- Fresh and different approach
- Hence the ‘singing Satsuma’
- Supported by social media amplification
- Very positive initial feedback



# SATSUMA WEBSITE

A distinctive and fresh look and feel

The screenshot shows the Satsuma website homepage. At the top left is the logo 'Satsuma loans.co.uk'. Navigation links include 'How it works', 'Who we are', 'Existing customers', 'Contact us', and a green 'Apply now' button. A secondary link 'About our cookies | Accessibility' is also present. The main banner features the headline 'a fresh approach' and social media icons for Facebook, Twitter, and YouTube. Below this is a loan calculator interface with a slider for loan amount (set to £250) and term (set to 26 weeks). To the right, it displays 'Total to repay £335.92', 'APR 793.8%', and 'Weekly £12.92', with an 'Apply now' button. Below the calculator are four key features, each with an icon and a brief description:

- £** Start off with a small Satsuma loan of up to £300.\*
- 🍊** Pay back in nice little segments over 13 or 26 weeks.
- 🎧** Friendly call centre team to speak to – simple but refreshing.
- 👤** You could borrow more as we get to know you a bit better.\*

\*Subject to affordability

Representative example: £200 loan repayable over 32 weeks. 32 weekly payments of £10.00. Rate of interest 97.5% p.a. fixed; Representative 399.7% APR. Total Amount Payable is £320.

## How refreshing

Get to know us better and discover how we've been making customers' lives easier for the last 130 years.†

[Find out who we are](#)

## Any questions?

We aim to keep things nice and simple. Learn how we do things and check out our handy FAQs.

[Find out how it works](#)

You know you want to see a singing Satsuma just one more time!

## GETTING THE MODEL RIGHT – INITIAL UNDERWRITING

### We build on proprietary knowledge across CCD and Vanquis Bank

- Combining unique proprietary knowledge:
  - Deep understanding of weekly instalment loans in Home Credit
  - Deep understanding of remote non-standard credit in Vanquis Bank
  - Significant advantage from more than 6 million Home Credit customer records
- Bespoke scorecard builds on this proprietary knowledge, adding relevant and additional bureau data:
  - Bad rates in the test better than plan
- Current scorecards will be refined using optimisation techniques, creating different scorecards for different sources
- Welcome call and ongoing personal contact also provides unique customer insight
- Maximum first loan £300 (average in test c.£245)

## GETTING THE MODEL RIGHT – FURTHER LOANS

### We follow the tried and tested ‘low and grow’ model building on the unique personal contact

- The ‘agent on the phone’ positions further lending in the welcome call and any subsequent contact (email, SMS, phone)
- Aiming for long-term relationships (consistent with Home Credit) with two-way loyalty built on flexibility and personal service
- ‘Low and grow’ approach consistent with Home Credit and Vanquis Bank
- Prudent credit policy:
  - Subsequent loans no greater than 13 weeks longer than the last loan
  - And no more than 1.5x the amount of the previous loan
- The subsequent loan decision utilises further bureau data and internal behavioural data

## GETTING THE MODEL RIGHT – BEST IN CLASS COLLECTIONS

### Satsuma will use Vanquis Bank's world class collections and recoveries capabilities

- In the test, collections activity has been handled in Bradford by the CCD welcome call team:
  - Collections performance is above target
  - When contact is made, payment has been received in most cases reflecting the value of a personal link
  - But we can improve the right party contact rates by utilising the skills of Vanquis Bank
- Vanquis Bank has advanced tools and skills to systematically optimise collections performance across:
  - Early cycle arrears – Intensive activity/call technologies/interactive SMS
  - Trace activity
  - Internal debt collection agency
- From H1 2014, the world class Vanquis Bank capabilities in Chatham will be directly engaged at the earliest arrears stage to optimise collections performance

## GETTING THE MODEL RIGHT – SUMMARY

### Strong capabilities at every part of the customer journey

- Target customer is incremental sitting between Vanquis Bank and Home Credit:
  - This demographic is not currently served by the group
- Best product in the market which meets customer needs by applying the Home Credit DNA in an online world
- Broad marketing reach including open market, those who do not want the agent service, paid-up former customers, Vanquis Bank declines and referral to Home Credit to improve the cost per acquired customer
- Memorable front of mind branding with significant marketing spend
- Prudent initial underwriting leveraging proprietary data
- Data-driven 'low-and-grow' approach to further lending
- Collections performed by the world class Vanquis Bank team in Chatham
- All optimised over time using data-led continuous improvement



## AGENDA

### 1. A new strategy for CCD

Mark Stevens

### 2. Update Home Credit and drive for returns

- Technology & apps
- 'One Best Way'
- Collections focus
- Cost reduction
- Performance through people

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Andy Parkinson  
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### 3. Win in online lending – Satsuma loans

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- Getting the model right
- **Returns**

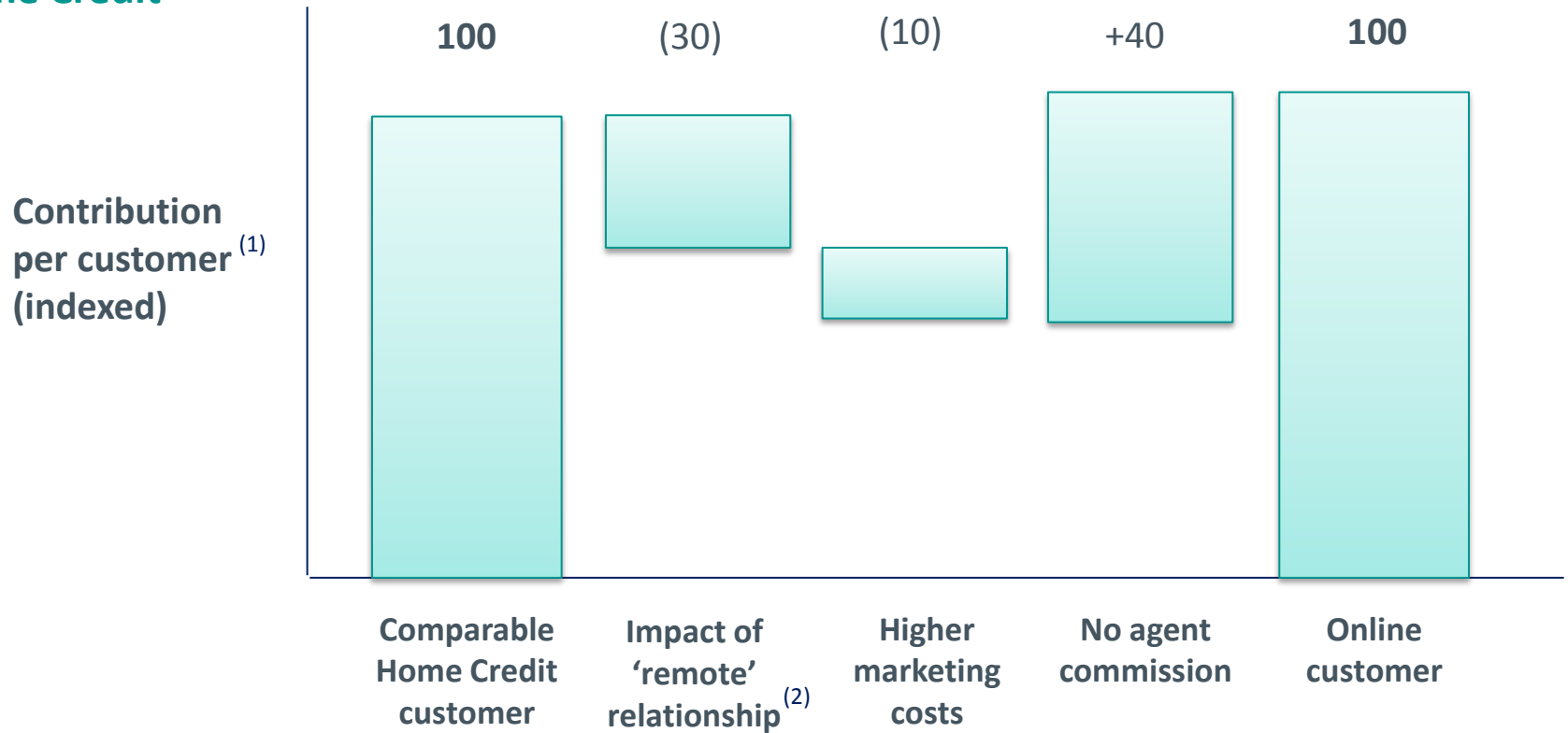
**Mark Stevens**

### 4. Concluding comments and Q&A

Mark Stevens

## PROFORMA RETURNS

Based on the test results we expect Satsuma margins at a steady state to be as good as Home Credit



**Satsuma will be broadly break even in 2014 as we invest and build scale**

- (1) Proforma based on expected steady state profitability (year 3)
- (2) Slightly lower collections performance and slightly lower re-issue rate

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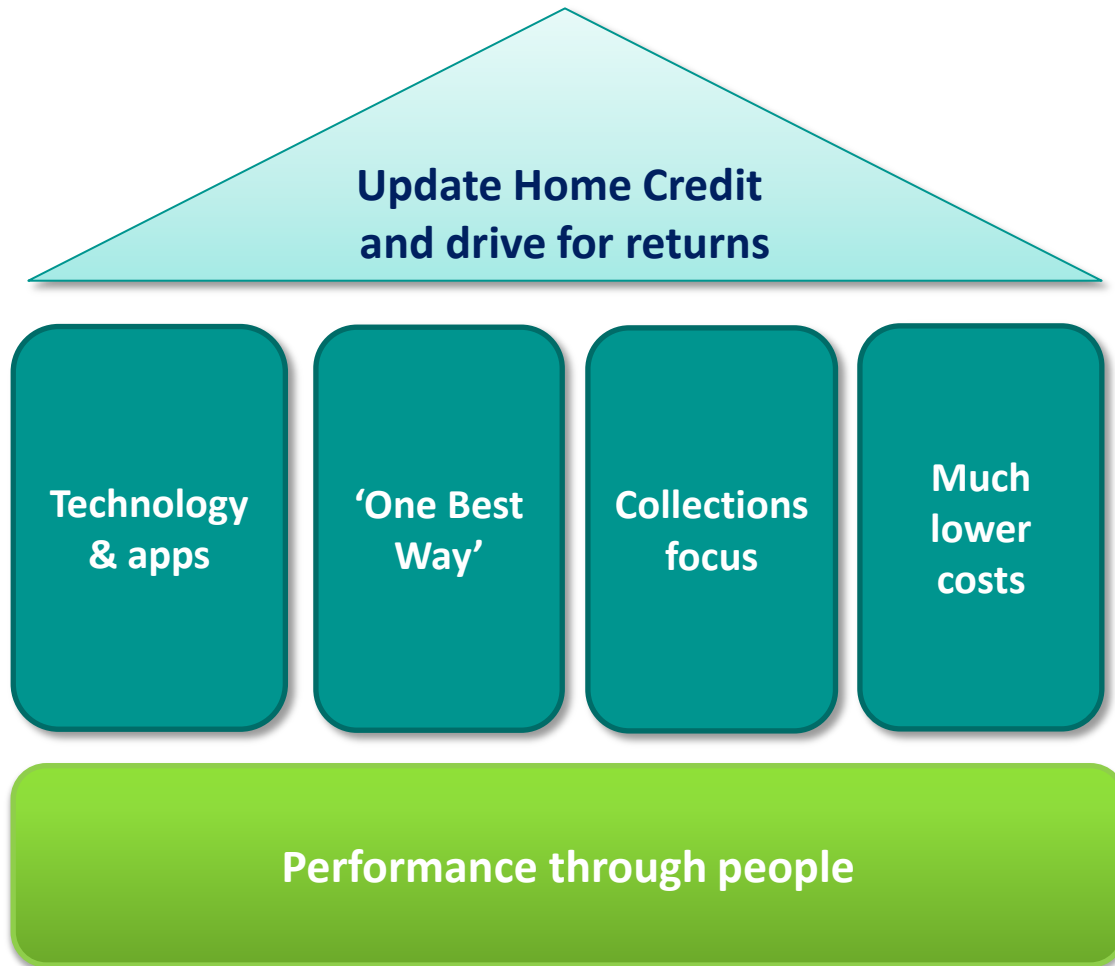
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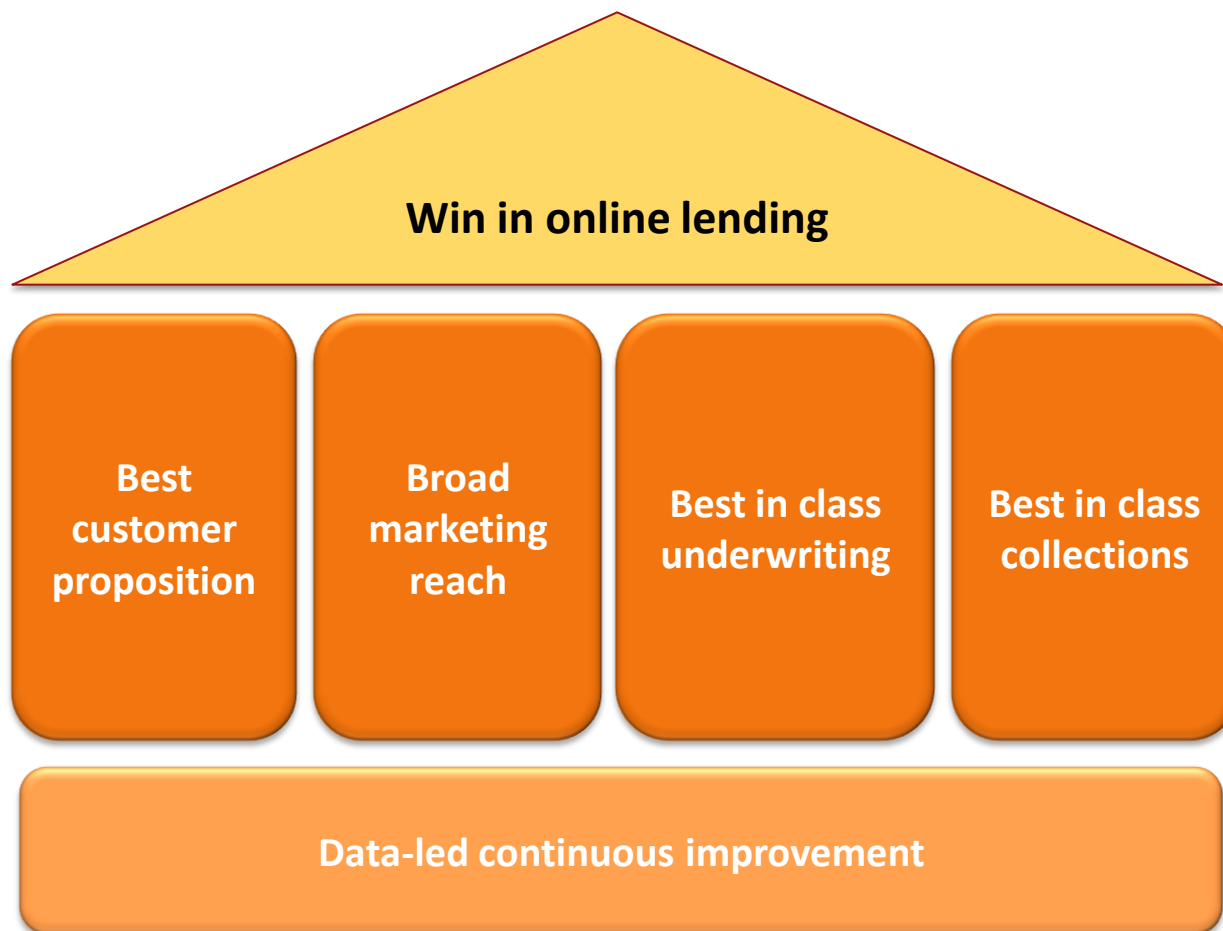
## UPDATE HOME CREDIT AND DRIVE FOR RETURNS

We will create a leaner, better-quality, modern, more profitable Home Credit business



## WIN IN ONLINE LENDING

We will use our competitive advantages to achieve a top-3 market position within 3 to 5 years



## CONCLUDING COMMENTS

### Action

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- Repositioning of CCD
- Clear, focused and deliverable strategy and plan
- Stronger senior management team:
  - Employing tried and tested approaches
- 2 year programme with decent initial momentum but plenty more to do



### Outcome

---

- Substantial Home Credit transformation to be completed by mid-2015
- Financial contribution from Satsuma from 2015 onwards:
  - We will provide further guidance at the 2014 half-year results
- 2013 is the baseline year for CCD profits
- 2014 performance will reflect the transition to a smaller, higher-quality Home Credit customer and receivables base with corresponding net cost savings
- For 2014 and 2015, we will focus on Home Credit profit not on customer numbers, sales or the number of agents

## CCD – QUESTIONS

# Vanquis Bank – Delivering growth in the UK and overseas

Investor & Analyst Event

27 November 2013



## AGENDA

- |   |                       |
|---|-----------------------|
| <b>1. A unique business model</b>       | <b>Michael Lenora</b> |
| 2. Consistently strong UK performance   | Bob van Breda         |
| 3. Poland – Our next growth opportunity | Michael Hutko         |
| 4. Concluding comments and Q&A          | Michael Lenora        |

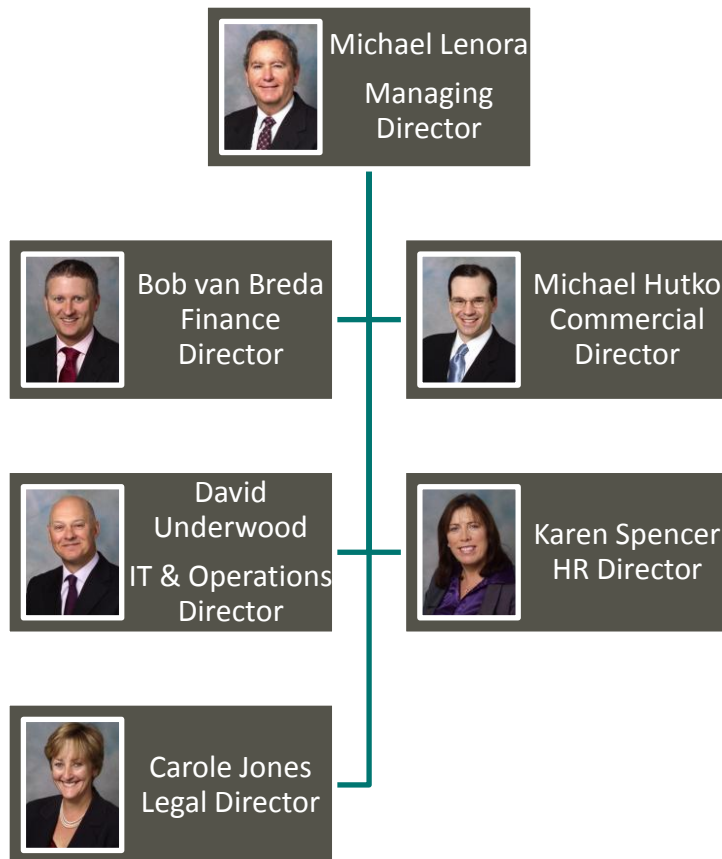
# VANQUIS BANK

## The investment case

- A unique business model for the non-standard market
- State of the art IT and platform
- Strong demand and limited competition
- High returns and strong capital generation

# STAFF

A specialist team with over 90 years of credit card and 170 years of financial services experience



- Expertise has depth throughout the organisation
- Further key cadre of 10 strategic and 40 senior managers
- Strong performance culture

## WHAT IS VANQUIS BANK?

In many ways it looks and acts like any other credit card provider

- Contact centre operations
- Internet sales and servicing
- Visa branded
- Operates like any other card
- Accepted at over 15 million locations
- Standard payment methods and statements



## TARGET MARKET

Our target customers have a materially different profile to standard issuers

- Customer status

	Prime issuer	Vanquis Bank
Employment status	Employed	Employed
Annual income	£25k+ p.a.	£15-30k p.a.
Residential status	House owner/mortgaged	Tenant (75%)
Use of other credit cards	High	Low
Use of other borrowings	Medium	Very low

- Card features

	Prime issuer	Vanquis Bank
Credit line	£5,000+	£1,200
Line utilisation	25%	75%+
Typical APR	15-20%	39.9%
Primary purpose of card	Transactor/revolver	Revolver

# WHY VANQUIS BANK?

## Why do customers take a Vanquis Bank credit card?

- Access to credit for the first time
- Inherent value in card utility:
  - Internet purchases
  - Discounts
- High personal contact model valued by our customer base
- Lack of trust in high street banking
- Rebuilding credit rating
- Accepted worldwide

Top 5 merchants
1. Tesco
2. Asda
3. Sainsbury's
4. Argos
5. Paypal

## OUR BUSINESS MODEL

**Our approach provides the right product and service for our customers whilst delivering strong returns for our shareholders**

### Right product and service applied through the customer lifecycle

- Acquiring customers
- Underwriting
- Customer service
- Collections



### Strong returns

- Cohort profitability development
- Seasoned accounts
- Low impairment volatility



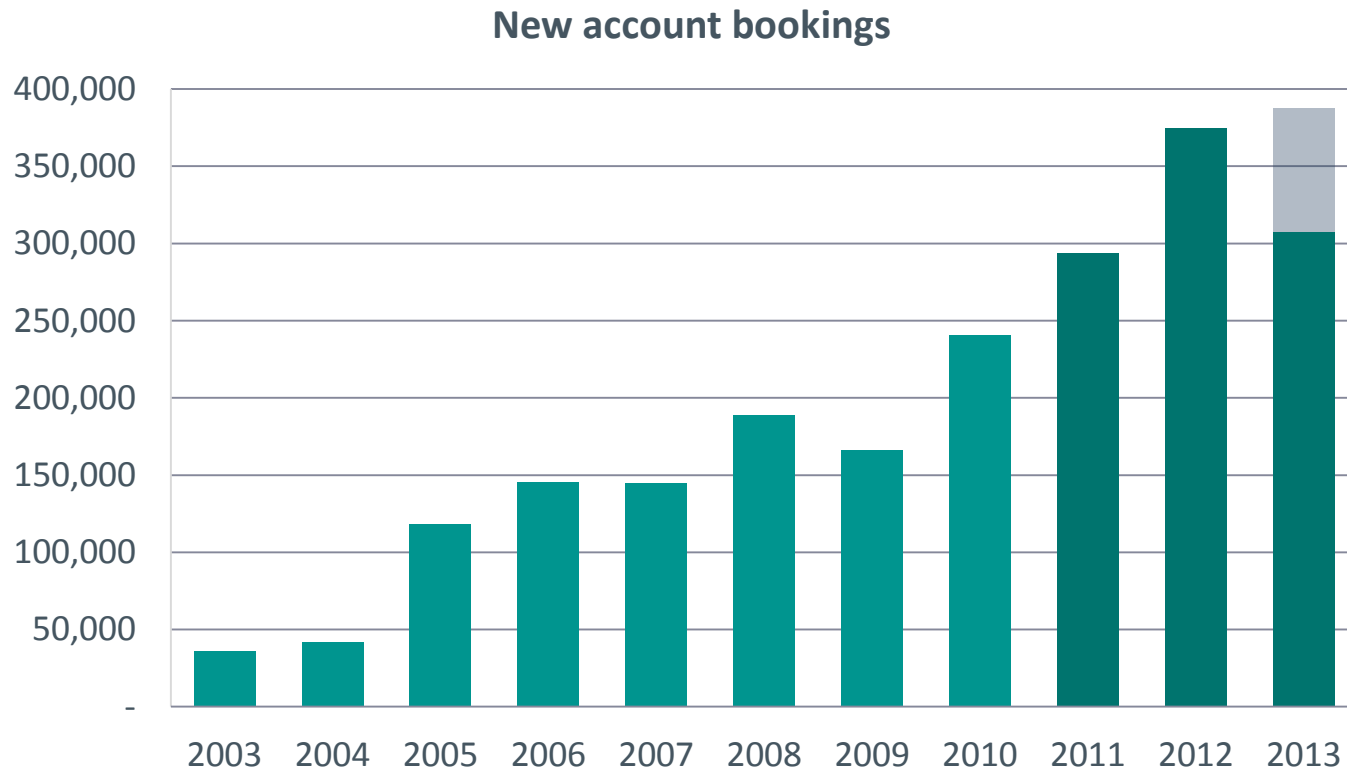
### Growth targets

- Basis for growth targets
- Scaling infrastructure
- Funding growth

**Provides sound base**

## NEW ACCOUNT ACQUISITION

In the face of increasing competition Vanquis Bank has steadily increased its new account booking volumes





# NEW ACCOUNT ACQUISITION

## Internet and direct mail provided the foundations and are still major channels to market

**VANQUIS BANK**

Home Credit Cards About Vanquis Credit Advice My Vanquis [Apply Online](#)

### Build your credit with a Vanquis Credit Card

- ✓ Manageable starting credit limits of between £150 and £1,000
- ✓ Credit Limit increases every 4 months up to £3,000\*
- ✓ Exclusively UK based Customer Service
- ✓ Online account servicing & SMS alerts

**39.9%** Representative (Variable)

[Apply Now](#) [More Info](#)

We've already accepted over **1,700,000** people! We could accept you too!

**About Vanquis**

We know how hard it can be to get a loan if your credit rating isn't great. We've already helped 1.5 million customers get their finances back on track.

[Read More About Us](#)

**Credit Card Services**

We know how hard it can be to get a loan if your credit rating isn't great. We've already helped 1.5 million customers get their finances back on track.

[See How We Compare](#)

**Credit Advice**

We're dedicated to helping you:

- ✓ Advise on the right card for you.
- ✓ How credit is calculated
- ✓ Improve your credit rating

[Increase Your Credit Rating](#)

ENV 97 TNT post

**VISA VANQUIS BANK**

File (2) First Name/Initial (3) Surname (5)  
 Flat (6)  
 House Name (7)  
 House Number (8) Street Name (9)  
 District (10)  
 Post Town (11) Postcode (14)  
 Postcode (12) Mailing (14)  
 CVC Barcode (15)

Credit Limit: Up to £1,000  
 Annual Fee: £0

Choice of Card Design:

**PRIORITY INVITATION: PRE SELECTED STATUS**

First Name/Initial (3) Surname (5),  
 You have been **PRE-SELECTED** to apply for the Vanquis Bank Visa Card with **no annual fee** and **all these great benefits:**

- A manageable starting Credit Limit from **£150 to £1,000.**
- Your **Credit Limit** could be **increased** up to **£3,000** when you stay within your Credit Limit and make your payments on time\*.
- **24/7 Fraud Watch** - We'll monitor your account 24 hours a day, 7 days a week, to give you real peace of mind when you shop.
- **Friendly Customer Service Call Centres** - giving you help and support
- **Accepted in over 26 million outlets and cash machines** worldwide - everywhere you see the Visa sign.

First Name/Initial (3) Surname (5), please accept this Priority Invitation today. The Vanquis Bank Visa Card is a great way to build or rebuild your credit.

Apply online at [www.myvanquisvisa.co.uk](http://www.myvanquisvisa.co.uk) or complete, sign and return the attached Priority Invitation in the pre-paid envelope provided.

I look forward to welcoming you to Vanquis Bank.

Yours sincerely,  
  
 Jane Farmer, Customer Service, Vanquis Bank

**CREDIT CARD PROVIDER OF THE YEAR**

Representative **39.9% APR** (variable)

\*As a responsible lender Vanquis Bank will seek to provide you with a Credit Limit that reflects your needs and your ability to manage your account. To be considered for a Credit Limit increase, you should make sure your credit card account remains in good standing at all times. To get your credit limit increasing your account in order, you should make sure that you can manage your account well and can handle the monthly repayments. Please also keep your other accounts free of credit cards, loans, overdrafts, mobile phone and mortgages in order and don't take on too much debt elsewhere. Please remember that a late payment could mean your credit limit is not granted or is a Credit Limit increase. **Important:** Credit is subject to status, regular contact, confirmation of name and address, not already holding a credit card issued by Vanquis Bank, no reasonable suspicion of fraud, and is only available to UK residents who are at least 18 years of age and are not subject to bankruptcy proceedings. Approval of Priority Invitations is subject to credit checks by Vanquis Bank and Credit Reference to all financial details. Please see our Credit to Vanquis Bank Limited. Vanquis Bank Limited, Registered Office: 1, Clifton Street, Sheffield, S1 2PU. Registered number 02058293 England. Vanquis Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. P014 1/14

# NEW ACCOUNT ACQUISITION

Our strategy has been to supplement core proposition with new brands.....and price points

# NEW ACCOUNT ACQUISITION

We also continue to develop new channels to market

- Point of sale finance
- Face to face
- Door drops



**Argos Credit Card**  
In association with Vanquis Bank

Home Product Summary Apply Now About Us Contact Us

## NEW Argos Credit Card

- Start with a manageable credit limit between £150 and £1000
- You could get a credit limit increase on your 4th statement  
Conditions apply see below\*
- And further increases every 4 months, up to £3,000  
Conditions apply see below\*

Representative 39.9% APR (variable)

**Get the credit card designed with you in mind... Start Application**

**1** If you have any questions about the Argos Credit Card, or its suitability for your needs, then please read our [Essentially Asked Questions](#) page. To find out more about Repayment Option Plan, a feature of your credit card agreement, [click here](#).

**2** Help Us to Help You! Please be truthful and accurate when you complete the application. This will increase your chances of being accepted for an Argos Credit Card.

**3** If you've previously been declined for an Argos, Argus, Vanquis or granite Card, please wait 6 months before re-applying. If you already have an Argos, Argus, Vanquis or granite Card account, please don't apply for another.

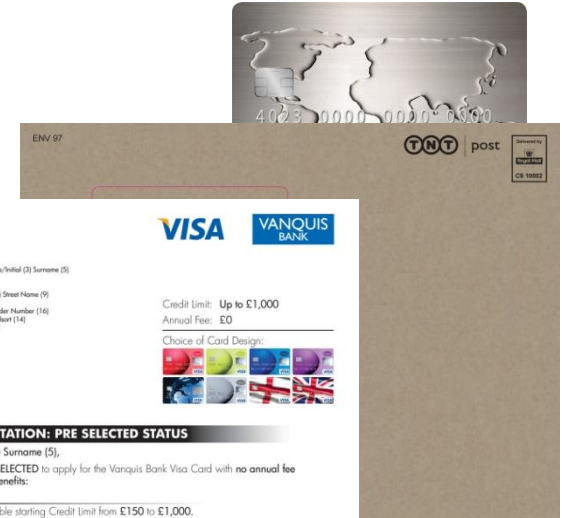
**4** Carefully read the [summary box](#), full terms and conditions and privacy statement before applying.

**Safe and Secure**

Any information you provide us will remain safe, secure and confidential. When you submit your application it will be encrypted and sent to us on a secure connection.

**Representative example**

Purchase annual interest rate: **39.94%** (var)  
Amount of credit: **£500**  
Representative **39.9%** APR (variable)



**PRIORITY INVITATION: PRE SELECTED STATUS**

First Name/Initial (3) Surname (5),  
You have been **PRE-SELECTED** to apply for the Vanquis Bank Visa Card with **no annual fee** and **all these great benefits:**

- A manageable starting Credit Limit from **£150 to £1,000**.
- Your **Credit Limit** could be **increased** up to **£3,000** when you stay within your 'Credit Limit and make your payments on time'.
- **24/7 Fraud Watch** - We'll monitor your account 24 hours a day, 7 days a week, to give you real peace of mind when you shop.
- **Friendly Customer Service Call Centres** - giving you help and support
- **Accepted in over 26 million outlets and cash machines** worldwide - everywhere you see the Visa sign.

First Name/Initial (3) Surname (5), please accept this Priority Invitation today. The Vanquis Bank Visa Card is a great way to build or rebuild your credit.

Apply online at [www.myvanquisvisa.co.uk](http://www.myvanquisvisa.co.uk) or complete, sign and return the attached Priority Invitation in the pre-paid envelope provided.

I look forward to welcoming you to Vanquis Bank.

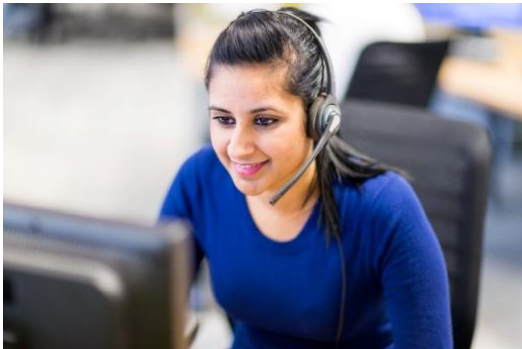
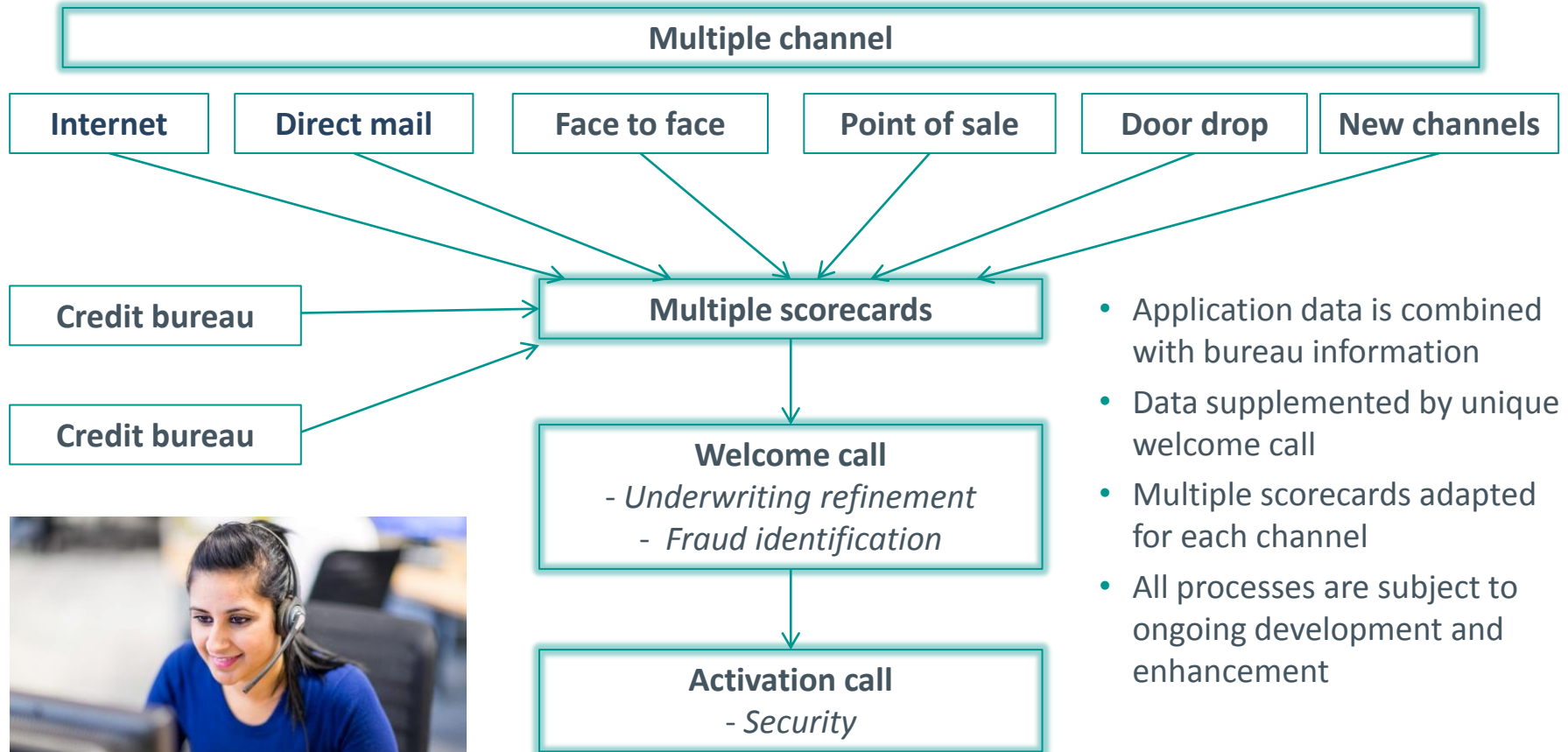
Yours sincerely,  
*Jane Farmer*  
Jane Farmer, Customer Service, Vanquis Bank  
Representative **39.9%** APR (variable)

**CREDIT CARD PROVIDER OF THE YEAR**

\*As a responsible lender, Vanquis Bank will seek to provide you with a Credit Limit that reflects your needs and your ability to manage your account. To be considered for a Credit Limit increase, you should make sure that your credit card is used responsibly. Please also keep your other accounts up to date, such as credit cards, loans, mortgages, mobile phone and mortgages in order not to let our credit management system flag you for a credit limit review. **Important:** Credit is subject to status, regular contact, creditworthiness of name and address, not already holding a credit card issued by Vanquis Bank, no reasonable suspicion of fraud, and is only available to UK residents who are at least 18 years of age and are not subject to bankruptcy proceedings. **Important:** Please read the attached Summary Box and Terms and Conditions for full financial details. Vanquis Bank is a member of the Vanquis Bank Limited, Vanquis Bank Limited, Registered Office: No. 100 Station Road, Buntingford, Cambs CB11 3JL. Registered number 02002091 England. Vanquis Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. PFI 14 1/16

# UNDERWRITING

Our bespoke underwriting processes have been developed over the last 10 years



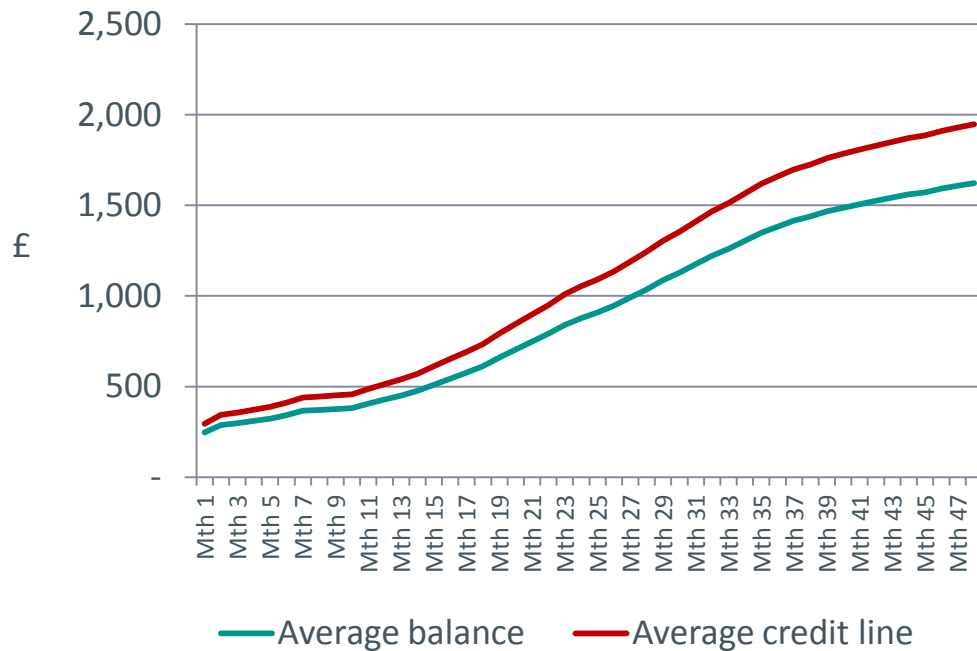
## UNDERWRITING

**At the heart of our underwriting strategy is ‘low and grow’ and marginal decision making based on first-class analytics**

- We consider projected returns over an account’s lifetime and for each specific year.
- Accounts must:
  - Pass risk and value hurdles; and
  - Provide average returns in excess of the hurdles over a 5-year outcome period (‘lifetime’ value)
- Returns derived on a net present value basis (discounted at the bank’s cost of funds)

# UNDERWRITING – LOW AND GROW

Line increase decisions are crucial, representing two thirds of underwriting



- Further bureau data
- Additional internal behavioural scorecards

**Post line increase behaviour and characteristics are key to profitable outcome and low contingent liability**



# CUSTOMER SERVICE

We have a high contact customer service model

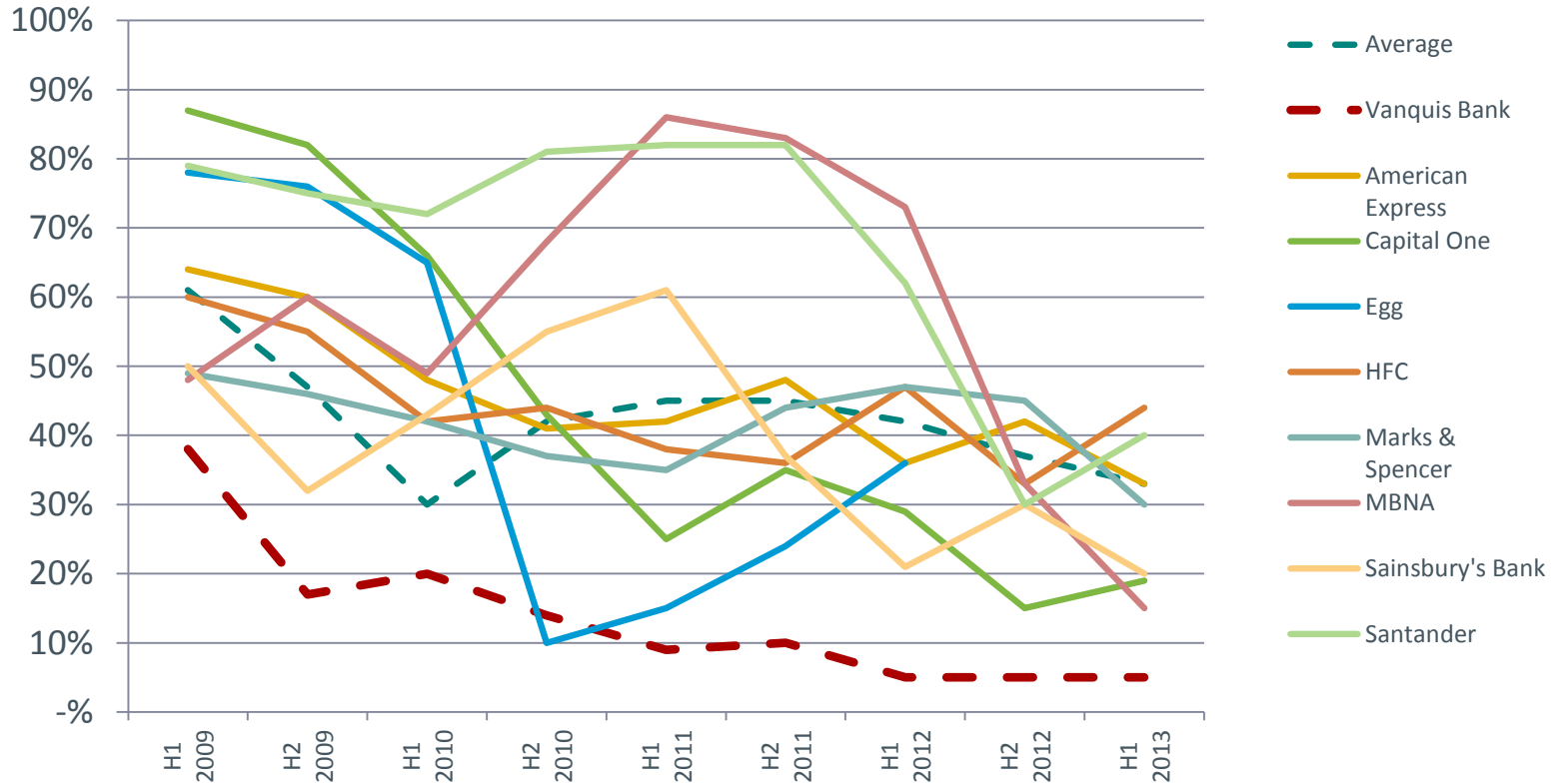
- Customer segmentation
- Higher service standards for Gold customers £1,500+ (e.g. <1% abandonment)
- High quality complaints handling



# CUSTOMER FOCUS

We are proud of our customer service record

% of complaints resolved by FOS in favour of the customer






# COLLECTIONS

## Our collections has developed into a world class function

- Data intensive:
  - Pre collections
  - Immediate/overnight contact
  - Segmentation key to maximise efficiency
  - High quality of contact data is maintained
- Multi channel high tech approach:
  - Letter
  - SMS
  - Telephone
  - Internet
  - Tracing
- Forbearance reviewed at each stage:
  - Multiple products meet differing customer requirements
  - Industry best practice
- Metrics:
  - High contact rates
  - High promise to pay

# COLLECTIONS

We have a well-established process which ensures accounts are quickly cycled through each stage to maximise value

	Day <0	30 Days	60 Days +	130 Days+	210 Days +	300 Days +
Pre-delinquency	Vanquis					
Early cycle		Vanquis				
Internal recovery			Vanquis			
Prime placement				DCA		
2nd placement					DCA	
Debt sale						
Trace						
Forbearance						

**Focus on realistic and appropriate forbearance throughout the process**

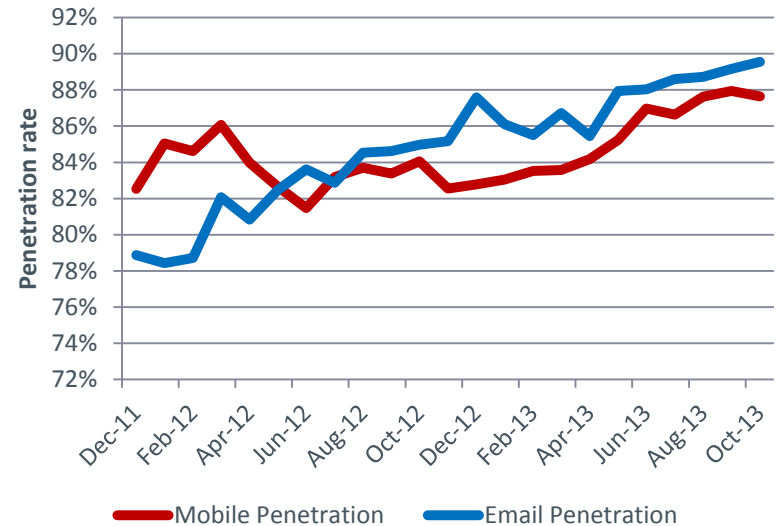
# COLLECTIONS

Recent enterprise-wide data management development maintains high quality contact information

**Null contact rates**



**Penetration late stage arrears**

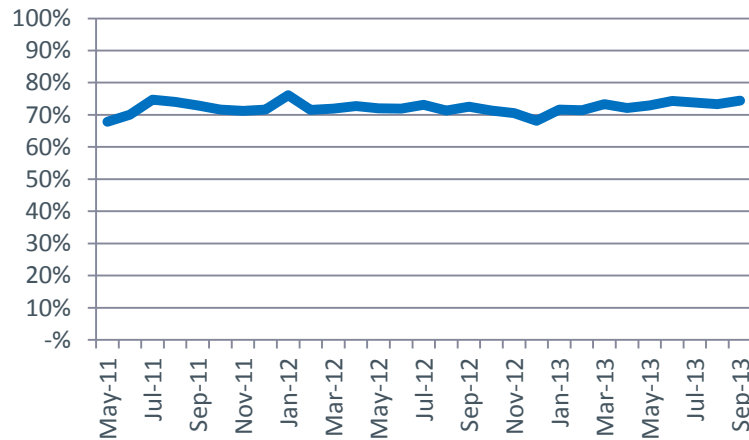


- Data is updated at all customer touch points in acquisitions, customer service, collections and sales for future reference

# COLLECTIONS

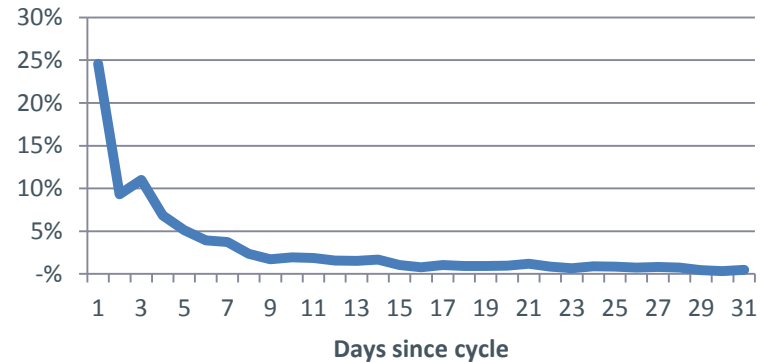
There is significant emphasis to ensure every customer engagement is appropriate based on the individual circumstances of the customer

**Promise kept rate**



- Tracked at portfolio and agent level
- Long term performance is also tracked
- Kept rate of 70%+ benchmarks very well against the rest of the card industry

**First positive outcome rate on one-down accounts to days since cycle**



- Day 1 - A promise is received from 25% of one-down accounts
- End of the month - Positive outcomes from more than 90% of one-down accounts
- Collections calls are independently monitored for compliance and data protection

## KEY PRINCIPLES – WHAT MAKES US DIFFERENT AND UNIQUE?

Our principles remain the same....and we will apply them in all geographies

- Right people, right culture
- Logical approach, analytical and decision expertise
- Robust 'low and grow' strategy
- Solely focused on the non-standard customer segment
- High level of customer contact
- Granular and timely data
- High sustainable financial returns



## AGENDA

- |  |                      |
|--|----------------------|
| 1. A unique business model                   | Michael Lenora       |
| <b>2. Consistently strong UK performance</b> | <b>Bob van Breda</b> |
| 3. Poland – Our next growth opportunity      | Michael Hutko        |
| 4. Concluding comments and Q&A               | Michael Lenora       |

# FINANCIAL PERFORMANCE

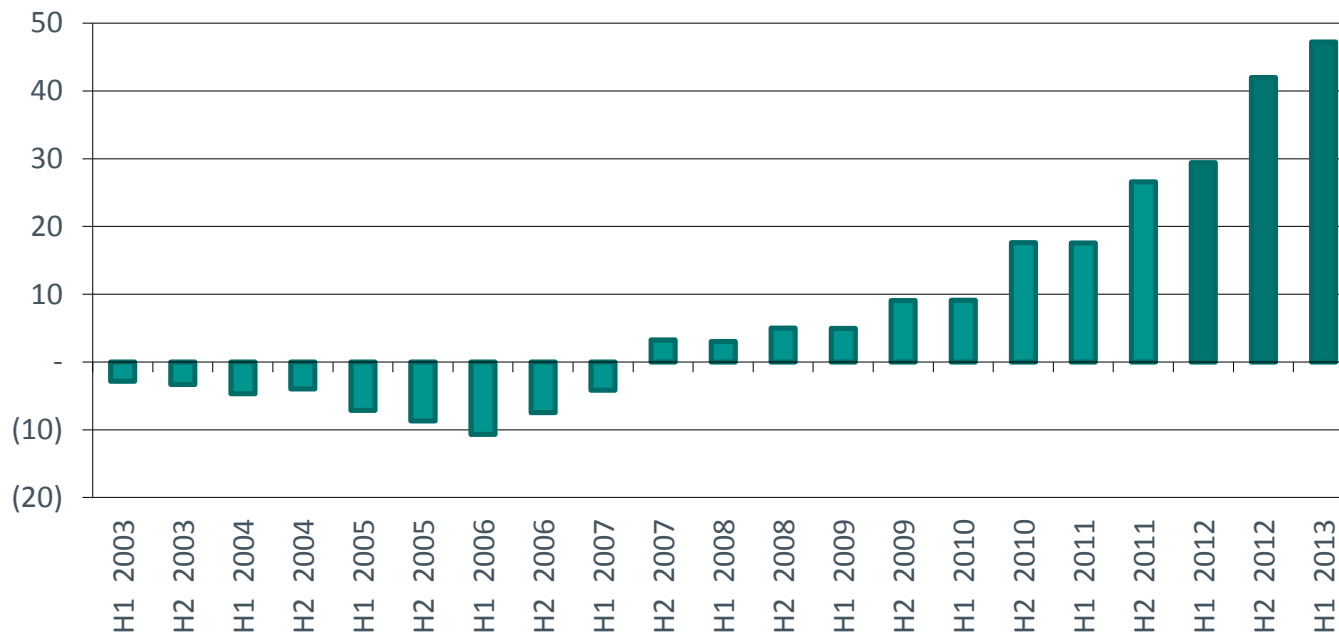
## Consistently strong UK performance – Agenda

- Profit and volume growth
- Impairment performance
- Cohort returns
- Growth targets
- Capital generation

# FINANCIALS

Strong financial performance through the economic cycle

Profit before tax (£m)

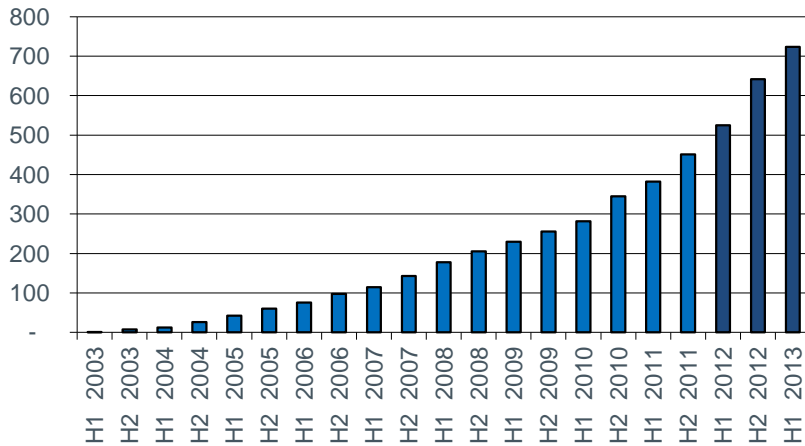




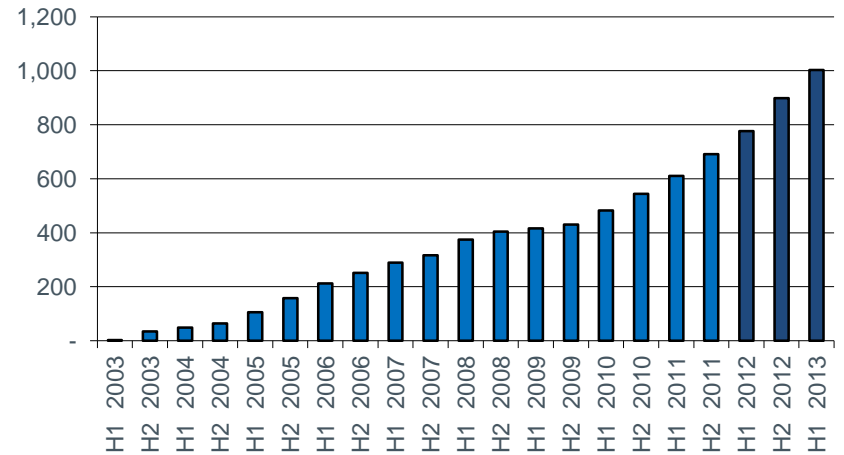
# GROWTH

Expansion has been steady and prudent

Reported receivables (£m)



Open accounts ('000)



## STABILITY OF IMPAIRMENT – WHY UTILISATION MATTERS

A prime portfolio requires a much larger number of good customers to cover the losses incurred from a single bad customer

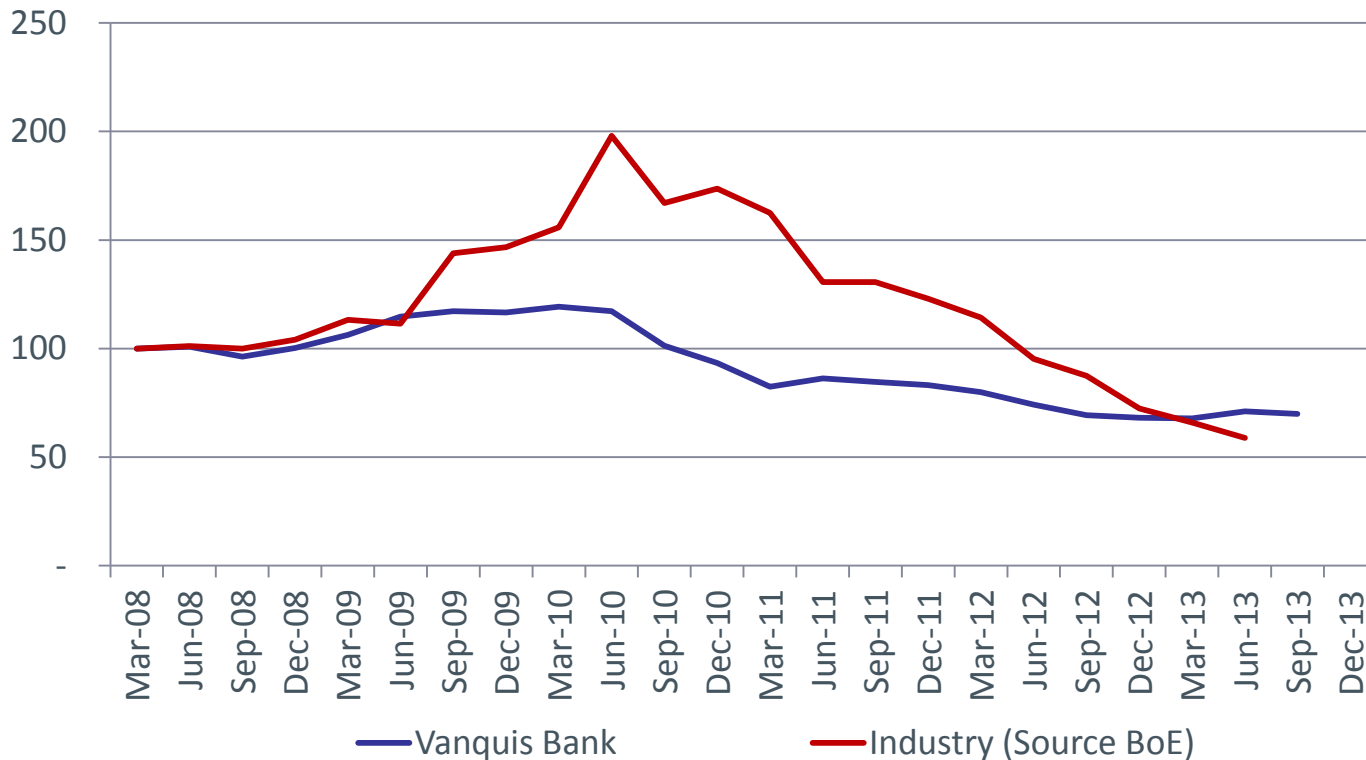
	Typical prime card customer	Typical Vanquis Bank customer
Average credit limit	£10,000	£1,000
Average utilisation	25%	75%
'Good' account balance	£2,500	£750
"Bad" account balance <sup>1</sup>	£9,000	£900
Revenue yield	20%	50%
Revenue per 'Good' customer	£500	£375
# of 'Good' customers to offset one "Bad"	18	2.4

<sup>1</sup> Typically, the average bad balance is 90% of the credit limit

## STABILITY OF IMPAIRMENT

Our bespoke underwriting, robust collections processes and approach of lending to customers with limited indebtedness results in low impairment volatility compared to prime/standard files

Credit card write offs % outstanding balances indexed to 100 to 1 January 2008



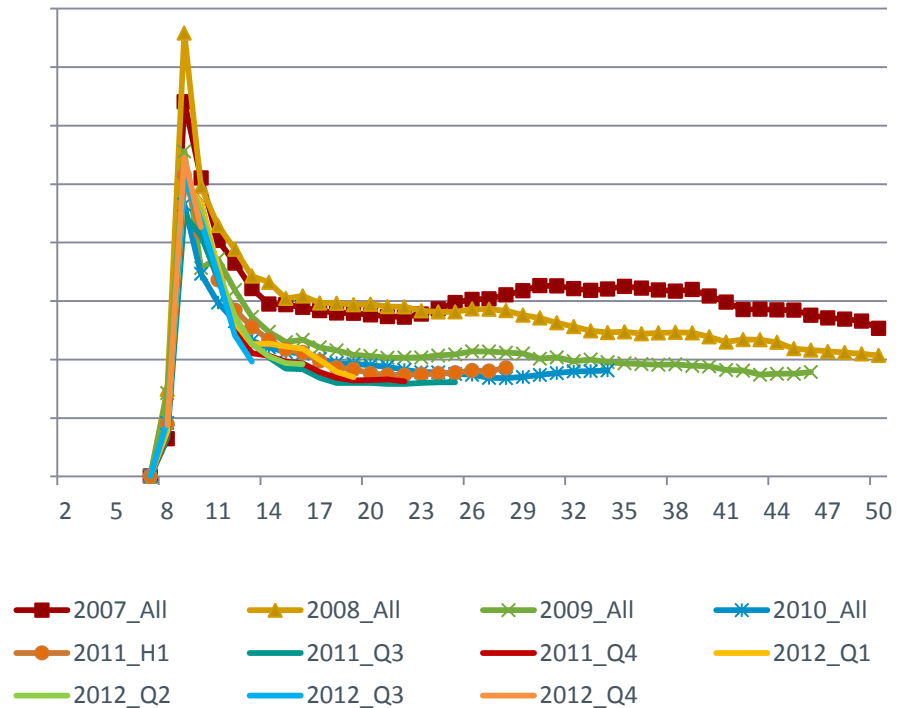
# CONSISTENT PERFORMANCE OF SEASONED ACCOUNTS

Seasoned accounts are monitored closely to ensure performance is sustained after the line increase programme has stopped

### Observations:

- Loss rates are stable and better than our portfolio as a whole
- High payment rates
- Voluntary attrition is low (<5% per annum)
- Customers make substantial payments and use the card on a regular basis
- Utilisation remains strong at 70%+ for the population throughout time, this provides low contingent liability

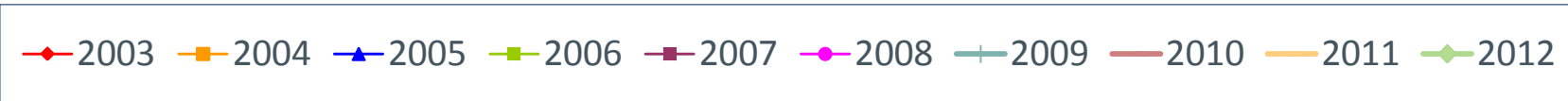
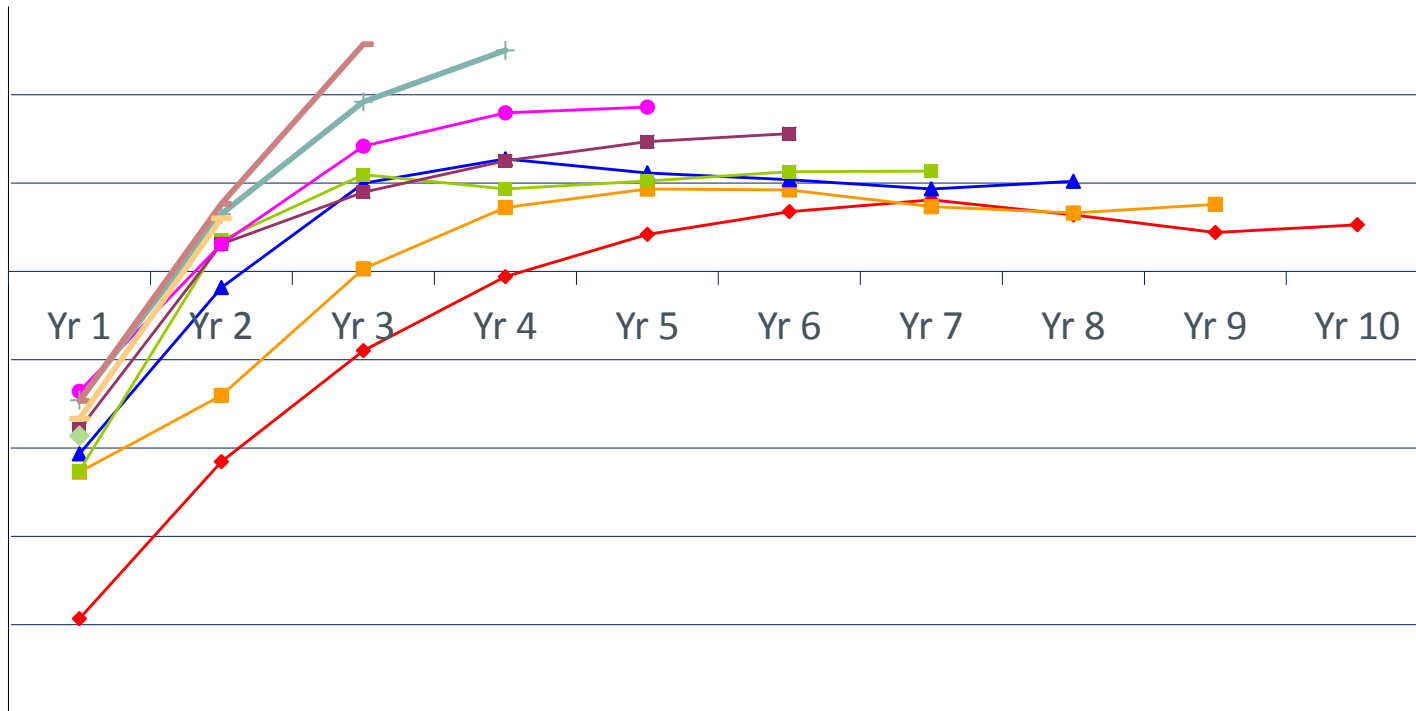
Vintage charge-off rates  
(annualised 3 month average)



# COHORT PROFITABILITY PER ORIGINAL ACCOUNT

There has been a continuous improvement in returns due to the development of credit techniques, pricing decisions and from leveraging the fixed cost base

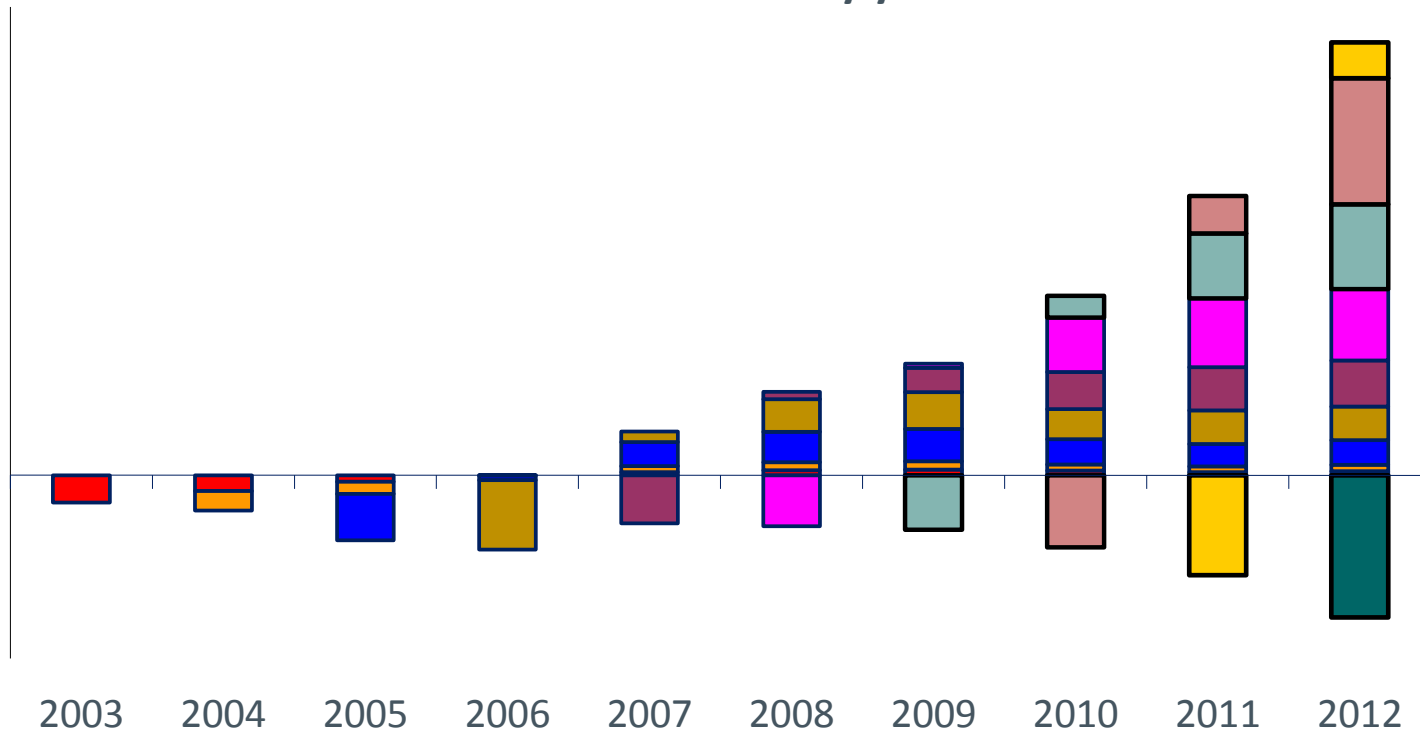
Profit per original booked account £



# OVERALL COHORT PROFITABILITY

Our business model drives stable cohort profitability and underlines the potential for sustainable future growth

Profit of accounts booked by year £m



## UK GROWTH TARGETS

### To deliver sustainable growth with a minimum post-tax ROE of 30%

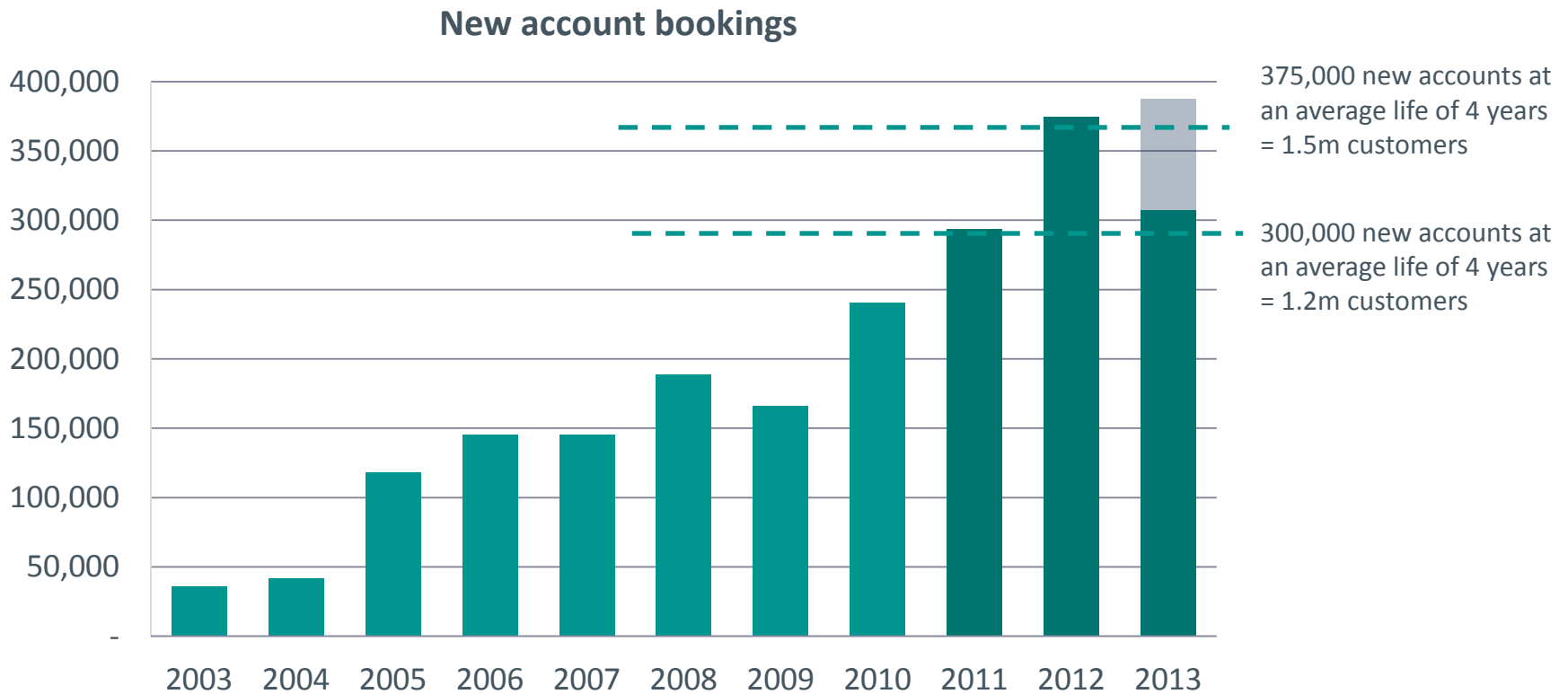
- We believe that Vanquis Bank has the potential for:
  - 1.3 to 1.5 million customers
  - With an average balance of between £800 to £1,000
- Progress will be dictated by:
  - Economic conditions
  - Emergence of competition
  - Maintaining a targeted return on equity of at least 30%
- Growing beyond these targets will require further product and channel innovation





## BASIS FOR GROWTH TARGETS – ACCOUNT NUMBERS

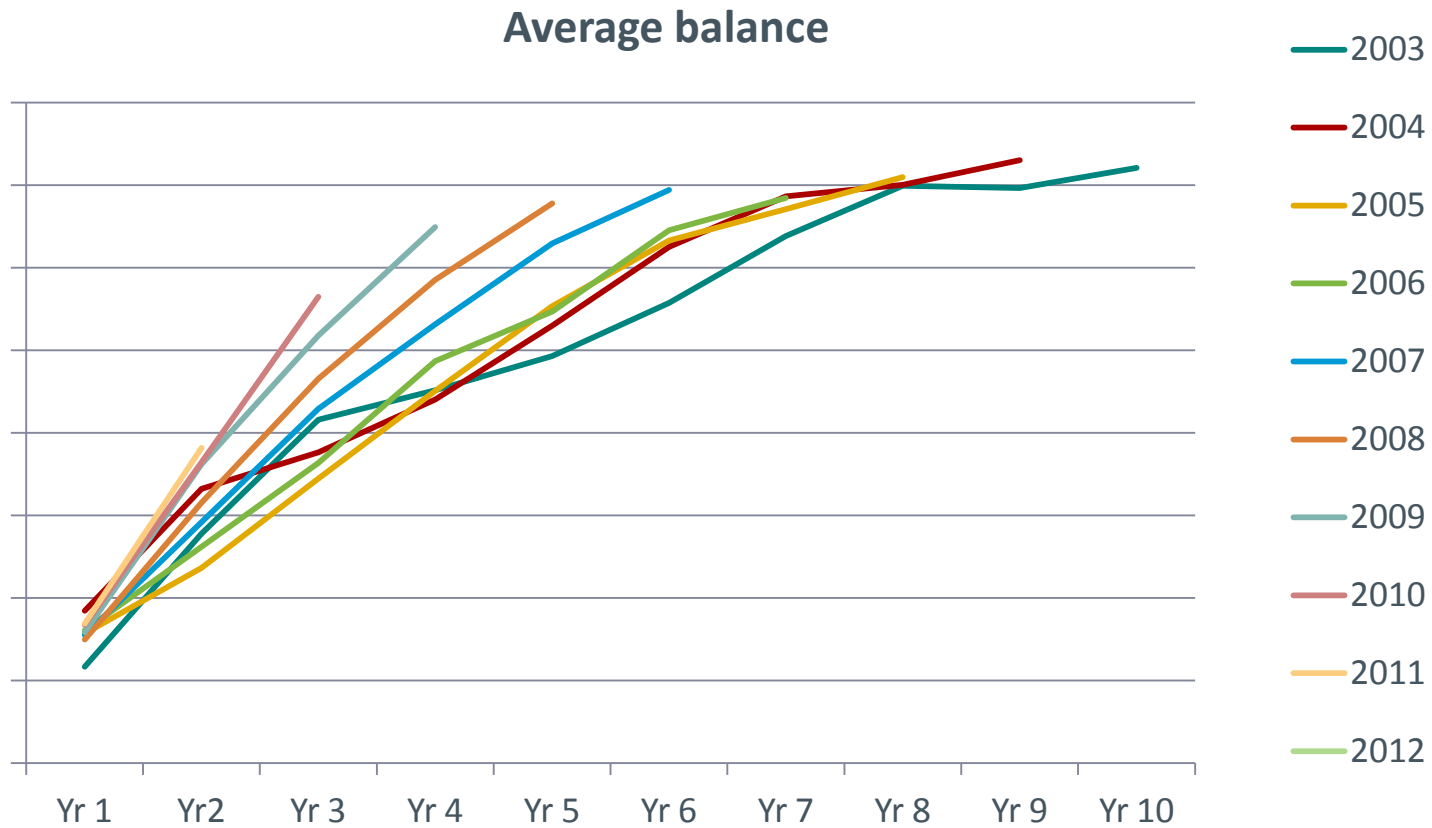
Our long-term steady state growth target was recently revised upwards following front-end marketing success



- At steady state, credit loss and voluntary attrition rate of c.25% is in equilibrium with new bookings

# BASIS FOR GROWTH TARGETS – AVERAGE BALANCES

The typical average balance curve is also predictable and improving



# GROWTH TARGETS – INFRASTRUCTURE

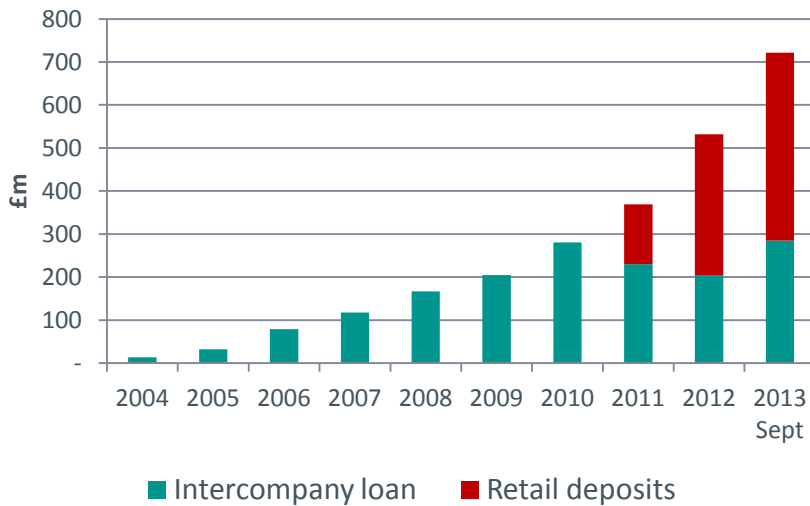
Our infrastructure is new, scalable and without legacy



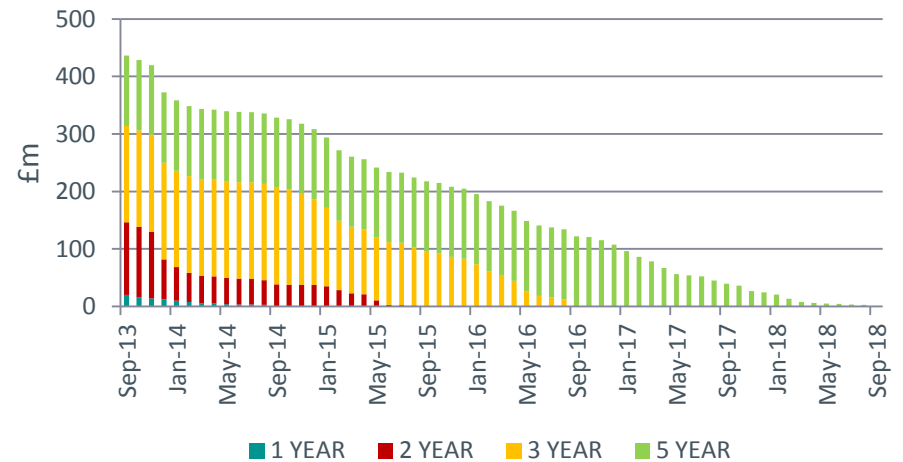
# GROWTH TARGETS – FUNDING

Funding is increasingly from deposit taking, backed by a strong group position and funding strategy

Funding sources



Retail deposits mix



- The ability to fund with retail deposits up to 90% of receivables allows Vanquis Bank to be self-funded in due course
- Retail deposits amount to £437m at the end of September, representing c.56% of receivables
- Deposits programme has been moderated since April 2013 due to group’s high level of headroom on committed facilities

- Deposits are weighted towards 3 and 5 year bonds
- Average portfolio period to maturity of 2+ years

# GROWTH TARGETS – FUNDING

Our retail deposits products are simple fixed-term retail bonds between 1 and 5 years

The screenshot shows the Vanquis Bank High Yield website. At the top, there is a navigation bar with 'Home', 'Products', 'FAQs', 'About', and 'Contact us'. A 'Log into my account' button is visible in the top right. The main content area features a 'Fixed Rate Bonds' section with a list of bullet points: 'Choose to invest for 1, 2, 3, 4 or 5 years', 'Choose to invest from £1,000 to £250,000', 'Choose to have interest paid either monthly or annually', 'Manage your accounts online', 'Make your deposit with one simple payment', and 'Supported by a dedicated UK based Customer Service team'. To the right of this section are five product cards for 1, 2, 3, 4, and 5-year bonds, each showing the interest rate (e.g., 1.66% for 1 year, 3.10% for 5 years) and a 'View Product' button. Below the bond cards is a 'Questions?' section with a 'View our FAQs' button. At the bottom left, there is an 'About us' section and a 'Protecting your money' section with the FSCS logo.

- Maximum deposit of £250,000
- Average balance of around £37,000
- 95% <£85,000 insured FSCS limit
- 66% annual/34% monthly interest
- Typical term deposit customer:
  - Affluent
  - Age 50 year+
- Stable maturity with no withdrawals unless due to death or bankruptcy

**These bonds are a limited offer and may be withdrawn at any time.**

\*AER stands for annual equivalent rate and illustrates the interest rate if interest was paid and compounded once each year.

[Terms of Use](#) | [Privacy Statement](#) | [Accessibility](#) | [Terms & Conditions](#) | [Complaints](#) | [FSA Remuneration Data](#) | [Site Map](#)

**Important:** Acceptance of bond applications is subject to: confirmation of name and address; valid identification; UK residence; minimum 18 years of age. Please read our Terms and Conditions.

Vanquis Bank High Yield is issued by Vanquis Bank Limited registered in England & Wales with company number 02558509, with its registered office at No. 1 Godwin Street, Bradford, West Yorkshire, United Kingdom, BD1 2SU.

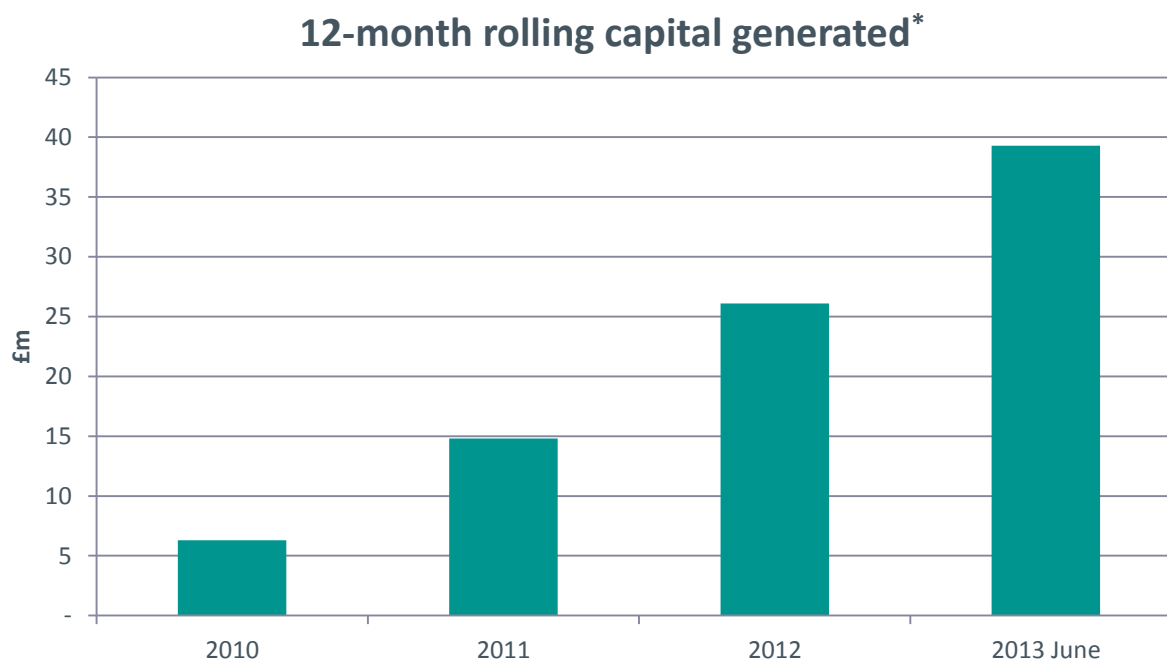
Vanquis Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is entered in the Financial Services Register under number 221156.

Should you wish to contact Vanquis Bank Limited please refer to the Contact Us tab which can be found on each page of this site.

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## CAPITAL GENERATION

Increasingly strong capital generation to fund growth in the UK and overseas and fund the group's progressive dividend policy



- Vanquis Bank has currently paid cumulative dividends to Provident Financial of £40m

\* Capital generated represents cash generated from operating activities, after assuming that 80% of the growth in receivables is funded by borrowings, less net capital expenditure

# CONSISTENTLY STRONG UK PERFORMANCE

## Conclusion

- Strong profit and volume growth since demerger
- Stable impairment performance
- Improving cohort returns
- Growth targets achievable
- Infrastructure and funding well-placed
- Increasingly strong capital generation to pay dividends to Provident Financial and fund growth in Poland

## AGENDA

- |  |                      |
|--|----------------------|
| 1. A unique business model                     | Michael Lenora       |
| 2. Consistently strong UK performance          | Bob van Breda        |
| <b>3. Poland – Our next growth opportunity</b> | <b>Michael Hutko</b> |
| 4. Concluding comments and Q&A                 | Michael Lenora       |



## MARKET OVERVIEW – DEMOGRAPHIC INDICATORS

A relatively new EU entrant (2004) with 38 million people making a great sized non-standard market opportunity



### Background statistics

	Poland	UK
Population (m)	38.2	63.7
Currency	Zloty (PLN)	Pound
Exchange rate £	4.89	1.00
GDP per capita (PPS) \$	20,900	37,500
GDP growth % 2012	1.9	0.1
Unemployment %	10.4	7.6
Central government debt % GDP	55.6	88.7
Long term government bond yields %	4.49	2.44
Inflation rate (CPI)	3.7	2.8
Land size sq KM	312,000	243,610
Population growth % last 5 yrs	1.1	3.5
% households with internet	70	87

Population	38.2m	Capital	Warsaw
EU Entry	1 May 2004	Language	Polish

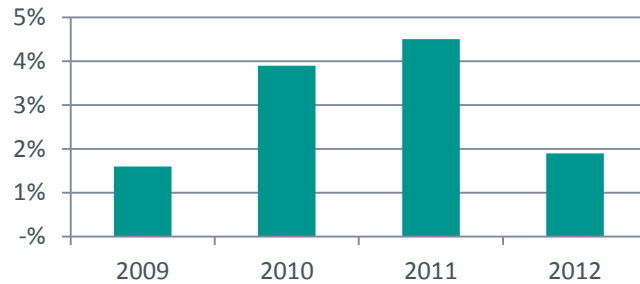
Data source: Eurostat, CIA world book

# MARKET OVERVIEW – MACROECONOMIC INDICATORS

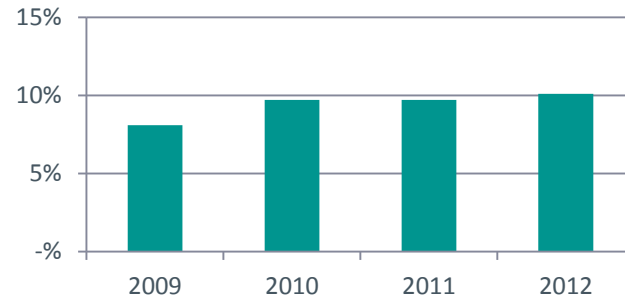
## A stable economy with modest growth rates

- GDP growth remains positive
- Unemployment rose in 2010 but has been relatively stable since
- Government deficit under control

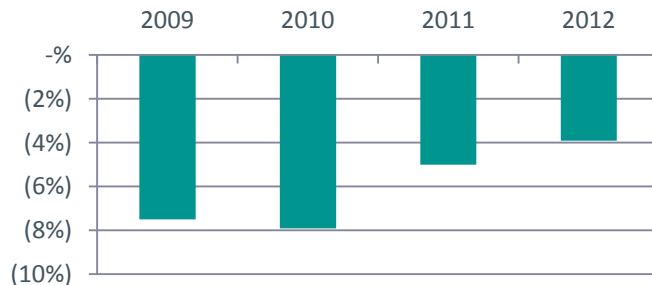
**GDP growth**



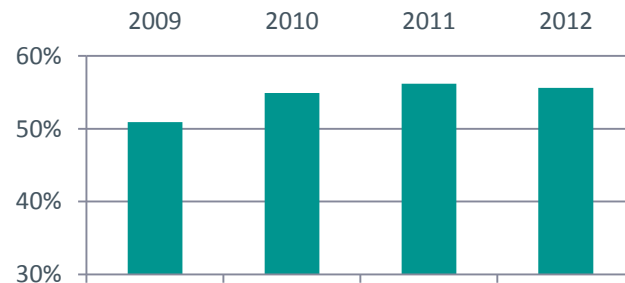
**Unemployment %**



**Deficit % GDP**

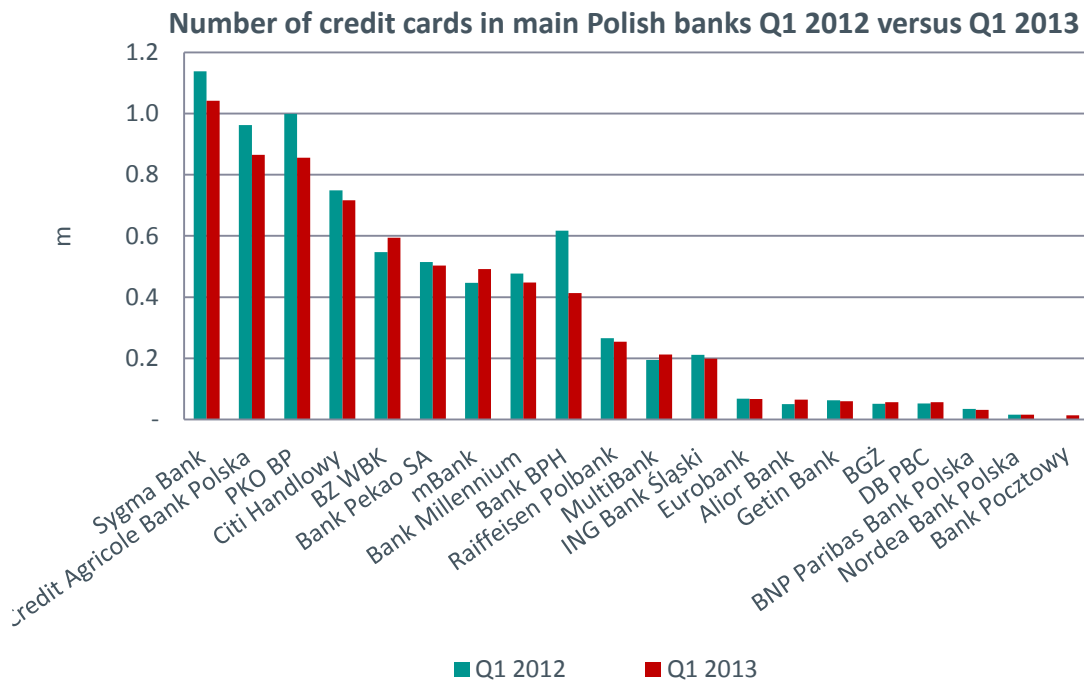


**Deficit % GDP total**



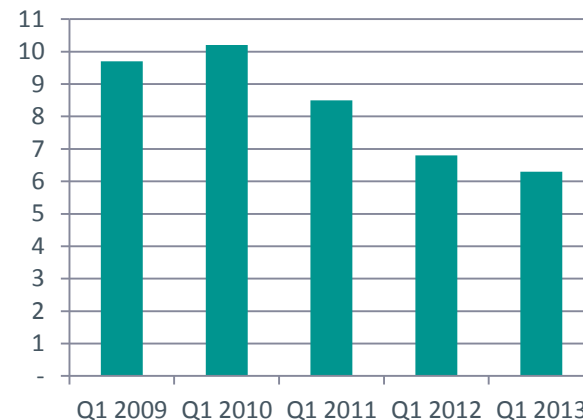
# MARKET OVERVIEW – CREDIT CARD PRESENCE

## Active credit card market present in Poland

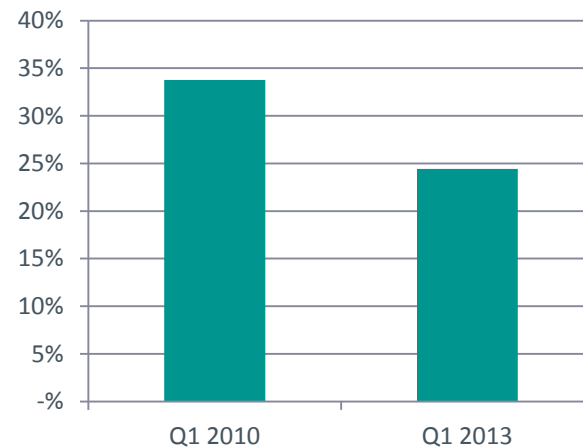


- Banks have been closing inactive accounts in recent years, to limit liability
- Most banks foreign owned with capital constraints

Number of credit cards in Poland (million)



% credit cards/population 18-75



## MARKET OVERVIEW – SUMMARY

### Some economic pressures but excellent opportunity

#### Macroeconomic landscape:

- GDP growth steady with 0.8% annualised growth at the end of Q2 2013
- Domestic demand stimulated by reduced Central Bank base rate
- Prime bank yields challenged by frequent adjustment in retail bank lending rate ('Lombard rate') which is currently 4%

#### Market conditions:

- Prime lenders still in 'steady state' and not actively competing
- Majority owned by European banks with capital constraints

# ENTRY DECISION

## Poland – the country of choice

### Country economics – European growth story

- Strong GDP growth
- Insulated from volatile Eurozone

### Market size

- 5m to 10m Vanquis Bank profile population

### Card and bank activity

- Established market for loans and cards

### Regulatory environment

- Ability to passport banking licence
- Manageable regulatory differences from UK

### Product

- Able to construct product to meet Vanquis Bank levels of returns



## CREDIT MARKET OVERVIEW

### Vanquis Bank product offers a unique benefit of cash availability alongside those of a traditional credit card

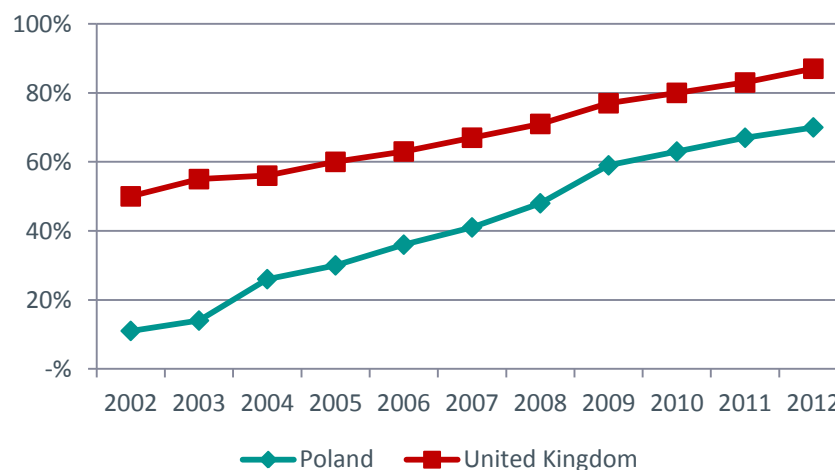
- Reliance on simplistic credit vehicles with strong demand:
  - Basic current accounts (with overdraft)
  - Instalment loans for consumer goods
  - Short term/payday cash loans
- Credit card market contracting since 2009 as prime lenders focused on exposure management following aggressive product expansion
- Merchant acceptance and availability of ATMs continues to grow (Visa have grown the number of merchants by 115,000 in last 3 years)
- Typical total interchange will fall from 2.5% to 1.5% in July 2014
- Many new entrants in short term/payday lending
- Cash is still the preferred means of settlement by Polish consumers

## INTERNET USAGE

Poland is the fastest growing e-commerce market in the EU – simplicity and protection of a credit card could be a compelling proposition

- Mobile and tablet usage continues to grow, increasing the importance of easy payment methods
- Many new entrants (retail and lending) are offering online access to immediately available simple financial products
- 2012 e-commerce grew by 23% to 21.5bn PLN and 2013 estimated to grow by a further 20% to 26bn PLN

Level of Internet access - households



## RELATIONSHIP OF POLISH BRANCH TO VANQUIS BANK (UK)

- Vanquis Bank Poland operates as a branch of Vanquis Bank (UK)
- Operating as a branch allowed the UK banking licence to be passported to Poland, rather than applying for a local licence from scratch, which shortened entry time
- The UK is the lead regulator with some local Polish regulator oversight, including liquidity and conduct
- Existing Vanquis Bank committees provide oversight and governance augmented by some specific Polish committees
- The passporting route allows local deposit taking as and when ready



## REGULATORY LANDSCAPE

### Regulatory environment not prohibitive

#### Environment : rules based and very particular on detail

- Contract clauses, Data Protection rights, Anti-Money Laundering
- Customers are aware of the regulations

#### Very detail orientated compliance

- The guidance issued is clear and precise
- It is expected that guidance is acted upon quickly
- Full and proper documentation is essential

#### Commercially, the main constraint is the rate cap

- Interest rate set to four times the Lombard rate (tied to the base rate)
- Consultation paper, from Ministry of Finance, for capping total cost of lending, in discussion
- Yield strengthened through surround services and fees



***Komisja Nadzoru Finansowego (KNF)*** is the financial regulatory authority for Poland

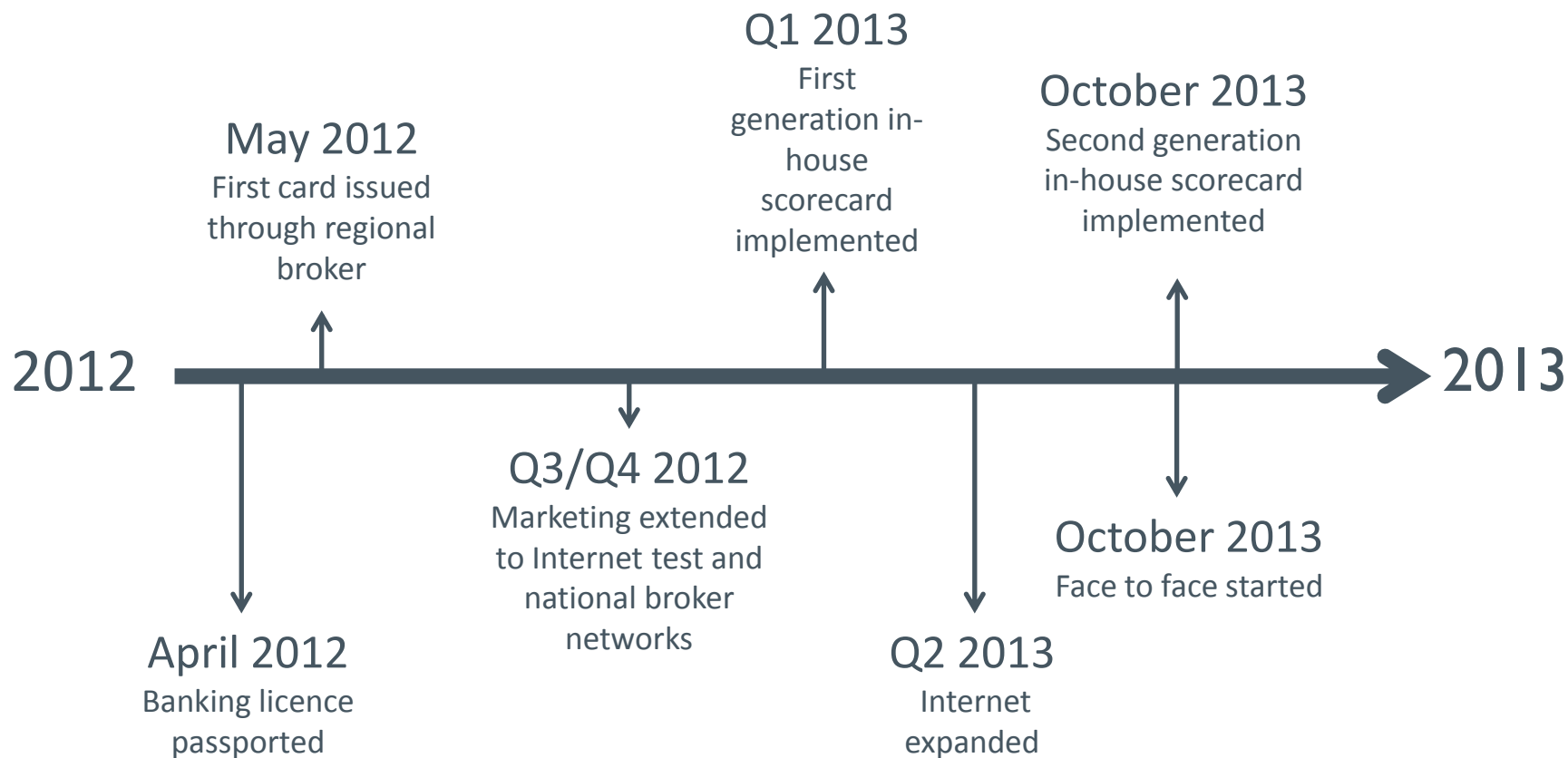


***GIODO*** - Inspector General for Personal Data Protection



***UOKIK*** – Office of Competition and Consumer Protection

# TIMELINE



## CORE PRODUCT

- Polish consumers more familiar with loans than credit cards
- Interest rate capped, revenue enhanced by surround services and fees
- Fees are not capped and fee tiers will be tested to support revenues



### Credit card from Vanquis Bank

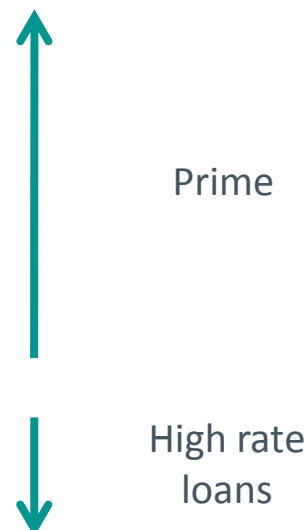
	Credit card from Vanquis Bank
<b>Credit line</b>	1,100 PLN - 10,000 PLN
<b>Interest rate</b>	4x Lombard rate (currently 4%)
<b>Monthly fees</b>	Various
<b>APR</b>	17% - 52%
<b>Over limit fee</b>	39 PLN charged as per UK
<b>Late fees</b>	Transaction based: fee per call, voice mail, letter, SMS, email
<b>Minimum payment due</b>	6% (amortisation of interest and fees)
<b>Other fees and services</b>	Similar to UK

# MARKET POSITIONING

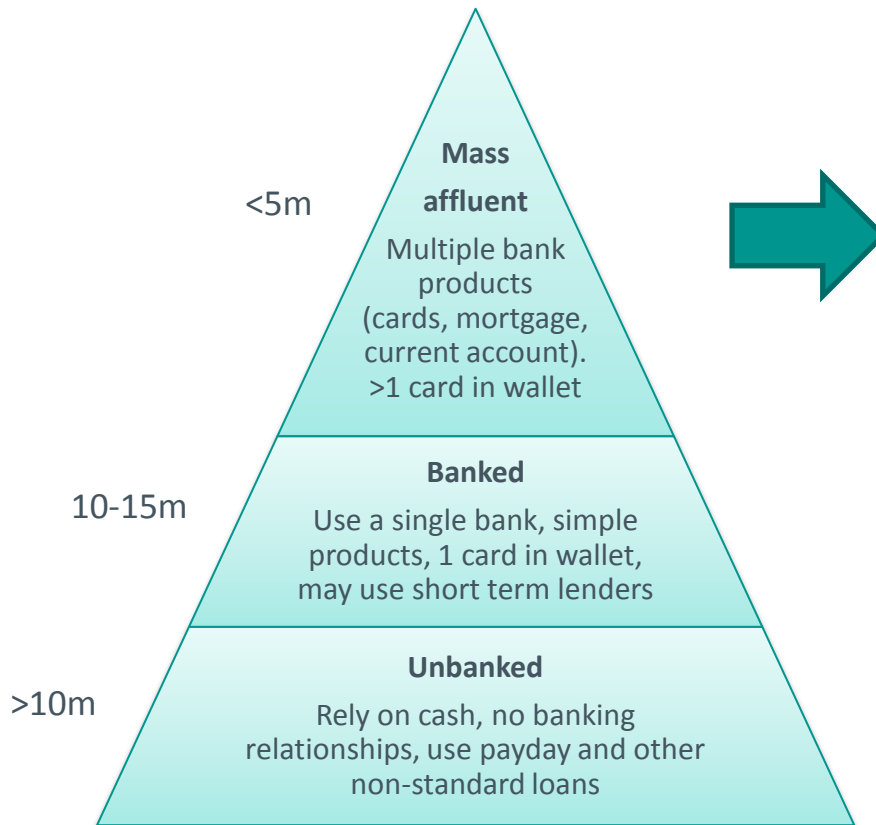
Our product is specifically positioned between high street retail banks and high rate lenders

- We challenge high street banks : leading on acceptance
- We challenge high rate lenders : leading on value and integrity (we are a bank)
- New competitive activity currently from payday entrants
- European banks control 90% of the prime banking market

Prime	APR
mBank, ING, Deutsche Bank, Millenium	~ 18%
Meritum Bank, Bank Pocztowy, Citi Handlowy	~ 21%
BPH, Pekaso S.A., Eurobank, Alior Bank	~ 23%
Santander	~ 25%
SKOK	~ 35%
<b>Vanquis Bank</b>	<b>17% - 52%</b>
Provident Polska	~ 137%
Payday loans (Vivus, Wonga etc)	~ 400%



# TARGET DEMOGRAPHIC



## Core target market = 5m – 10m people

- Employed or self employed
- Have bank accounts and use debit cards
- Low/medium income with 'grey' money top up
- Live in urban areas, internet aware
- Younger-middle generation
- Independence, adverse to borrowing from family
- Consumer generation

## Who we are not targeting...

- Unbanked 'cash only' segment
- Older generation brought up under communism who do not trust/have bank accounts
- Adverse to borrowing money other than very small amounts from 'friends and family'
- Retired, unemployed or a benefits-only income

## SALES CHANNELS – BROKER NETWORKS

### Brokers are a traditional and important sales channel in Poland

- Operate out of small offices:
  - <10 large national brokers (~300 - 1,000 sales outlets each)
  - 10 - 15 regional brokers (~50 - 100 outlets)
  - In addition, many small operators working at a local level
- Sell multiple products:
  - Banking, insurance and loan products
  - Interface with lenders' systems for application processing
  - Undertake all ID checks and paperwork 'like a bank branch'
  - Often have intimate knowledge of their customers

# SALES CHANNELS – BROKER NETWORKS



## **SALES CHANNELS – INTERNET**

### **Internet sourcing is a growing market in Poland**

- Channel operates similar to UK
- Internet penetration is growing in Poland
- Paid search click-through brings applicant to Vanquis Bank website landing page
- Extensive affiliate networks are present
- Data capture via short application form
- Underwriting process completed during welcome call
- Real-time decision during phone call (similar to UK)



# INTERNET VISUAL

We've helped 1.8m people in UK already

'Card for all'

Credit Limit of 1,100 to 5,000 PLN  
Accepted worldwide  
No formal income certificate required

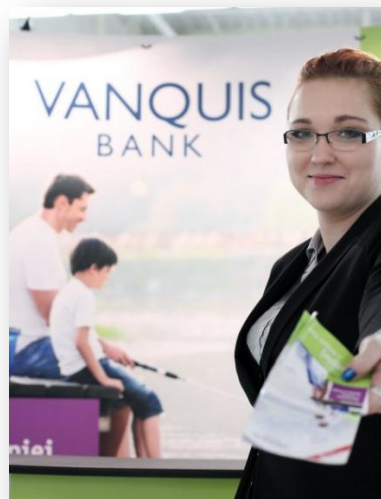
Short app form with welcome call-back

## **SALES CHANNELS – FACE TO FACE**

### **Face to face proposition based on UK success**

- High footfall shopping centres in mid-market locations
- Testing multiple geographic locations and three separate agencies
- ‘Prime Bank’ branding approach used in visuals
- Intensive management of process
- Immediate feedback to agents regarding an application
- Intimate contact allows for consumer education

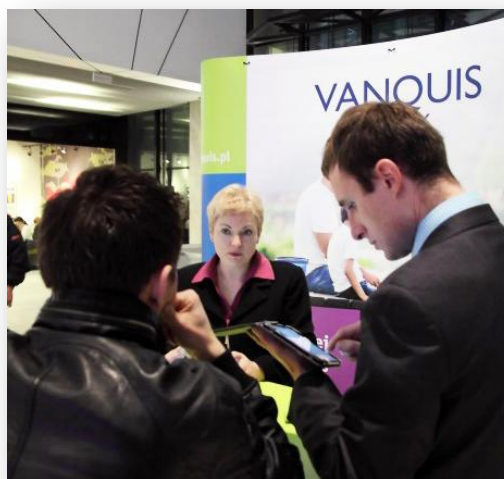
# SALES CHANNELS – FACE TO FACE

A large promotional graphic for Vanquis Bank. It features a family (a man and a child) sitting on a pier fishing by a lake. The Vanquis Bank logo is in the top right corner. A Visa credit card is shown in the bottom right corner. The slogan "Żyj lepiej z Vanquis Bank" is written in white on a green background at the bottom. A purple box on the left contains the text "Korzystaj z limitu kredytowego".

VANQUIS BANK

Korzystaj z limitu kredytowego

Żyj lepiej z Vanquis Bank



## **ADDITIONAL CHANNEL INITIATIVES**

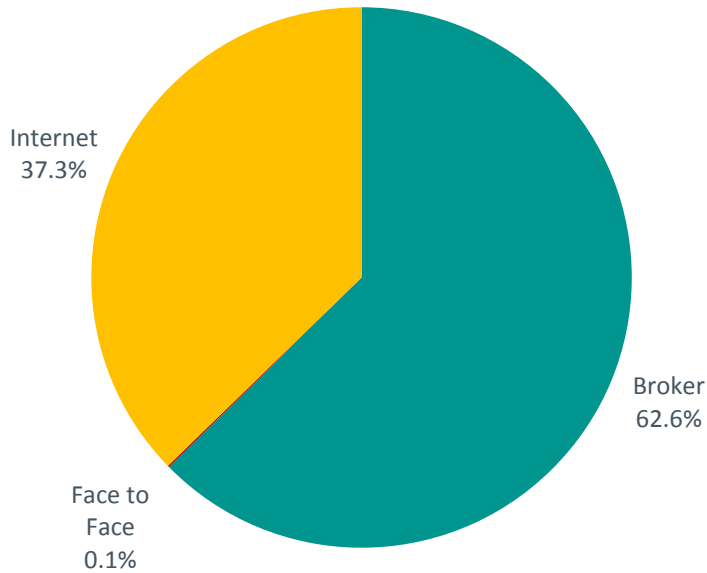
### **Intensive effort to deliver new channels to supplement existing activity**

- Telesales
- Door drops
- Direct mail
- Bank declines
- Above-the-line (TV, radio, billboards) in a very limited geographic prototype area

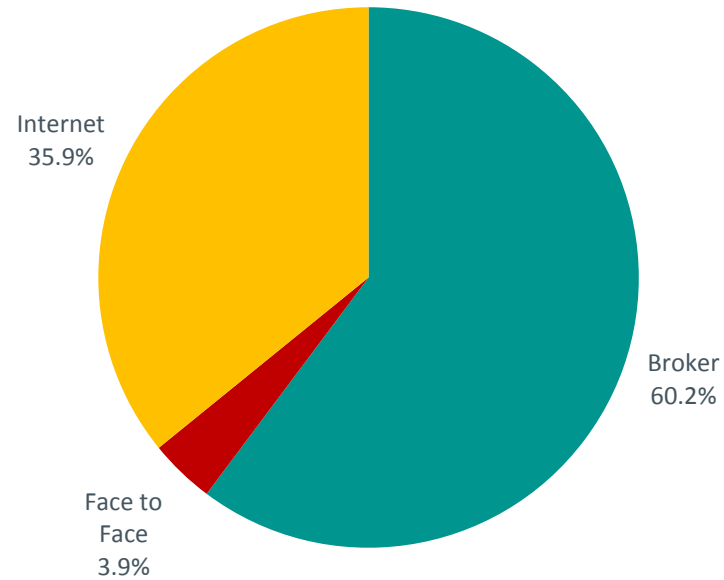
# CHANNEL MIX

Majority of portfolio sourced through the broker network but the internet is growing and the face to face channel is starting to emerge

Aggregate portfolio – Booked account volumes by channel



Recent booking mix – Booked account volumes by channel



## PORTFOLIO MANAGEMENT – RISK AND VALUE PRINCIPLES

**Underwriting principles....at the heart of our strategy is ‘low and grow’ and marginal decision making based on first-class analytics**

- We consider projected returns over an account’s lifetime and for each specific year
- Accounts must:
  - Pass risk and value hurdles
  - Provide average returns in excess of the hurdles over a 5-year outcome period (‘lifetime’ value)
- Returns derived on a net present value basis (discounted at the bank’s cost of funds)
- Polish model embeds the UK ‘low and grow’ credit line increase principles

## CREDIT – DATA SOURCES

### Multiple data sources used in underwriting process – contributing to second generation scorecard

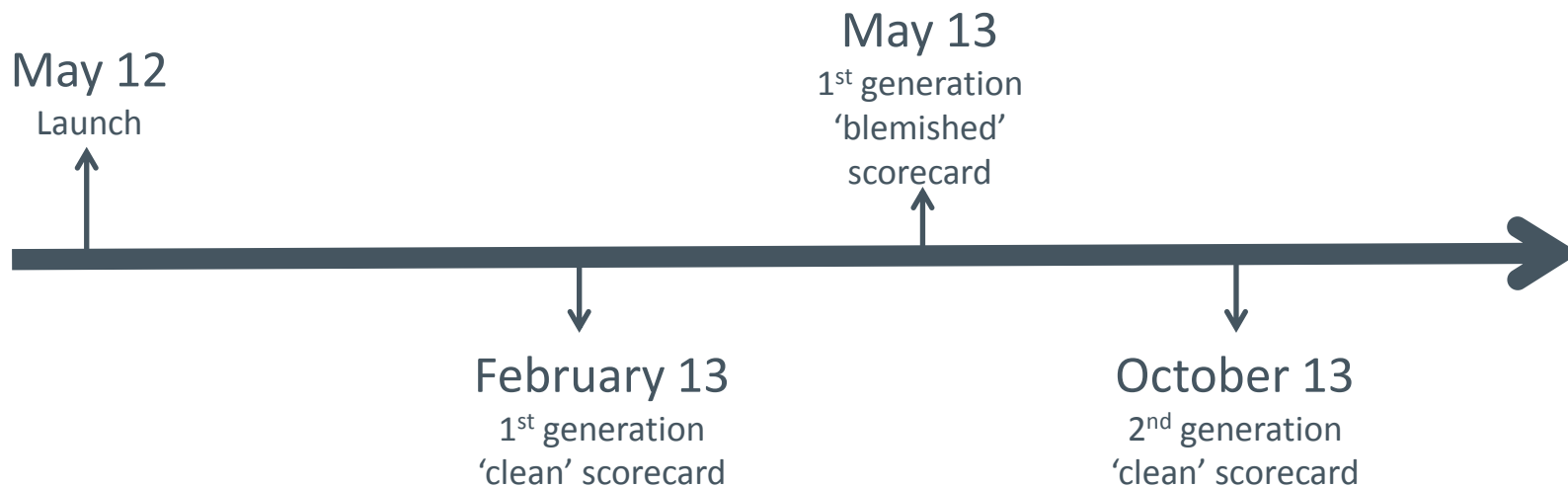
- The biggest credit bureau (BIK) is the primary data source – black and white data from all banks
- Supplemented by non-bank data from KRD, ERIF, InfoMonitor
- A welcome call is used to complete the underwriting process
- Data from all sources is far more sparse than in the UK – more ingenuity is needed to optimise the underwriting decisions
- Testing of additional application questions is ongoing
- Also testing a neural application to augment data for marginal applications

## CREDIT – SCORECARD EVOLUTION TO DATE

**Steep and rapid credit policy learning curve; second generation scorecard already deployed**

### Two underwriting segments:

- Clean – Rich bureau data with a mostly good payment history
- Blemished – Rich bureau data but with some bad payment history





## PORTFOLIO MEASURES – CURRENT SCALE

- 26,000 accounts booked since launch in 2012
- 22,000 accounts sourced to date in 2013
- £4.8m of net receivables at the end of October 2013
- Currently booking c.2,500 accounts per month

## CUSTOMER PROFILE

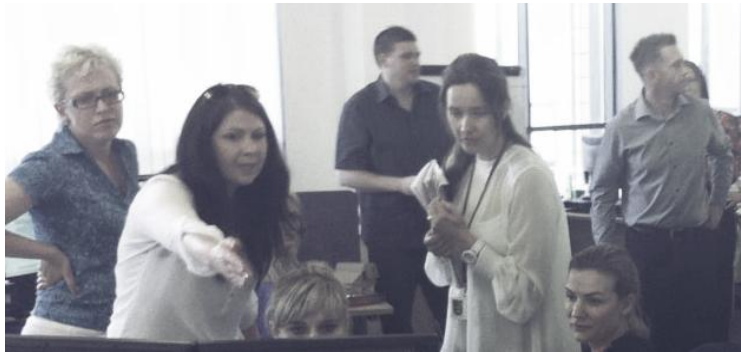
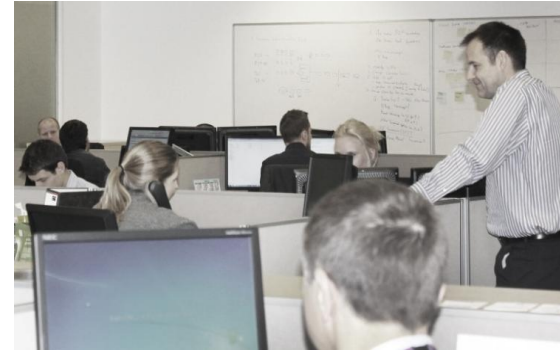
- Middle-aged, with regular source of income
- Generally a home owner
- Typically earning between the equivalent of £7,500 - £10,000
- Living in urban areas
- Has a bank account and has had credit in the past
- Has a reasonable credit history with some blemishes in the past

## OPERATING MODEL

### A full local operation will be established once sufficient scale is realised

- Currently leveraging UK sites, supplemented by local branch head office
  - Management team in London
  - Operational team in Chatham, staffed by Polish nationals
  - Small head office established in Warsaw
- On achieving a run rate of 5,000 accounts per month, additional operational resource will be recruited at a Vanquis Bank facility in Poland (location to be determined)

# THE POLAND TEAM



## FUNDING

- Branch fully funded through loans from Vanquis Bank and Provident Financial
- Additional liquidity is held locally with Bank Zachodni to satisfy regulatory requirements
- Current funding structure is expected to continue until scale justifies a local deposits programme
- At the end of 2011, the deposit market was c.500bn PLN (£95bn), approximately a tenth of the size of the UK market of £900bn

## LEARNINGS TO DATE

### **Market**

- Extensive demand for credit within our target market
- The distribution network is not as sophisticated as in the UK

### **Customers**

- Ongoing product education required
- High customer service expectations

### **Regulatory environment**

- Full and proper documentation is essential
- Regulator guidance is clear and precise
- It is expected that guidance is acted upon quickly

### **Underwriting**

- Disparate data sources mean greater ingenuity required

## TARGETS

### We always prioritise returns over volume

- We are building an effective and scalable model that can be repeated:
  - Importing our UK experience
- Our aim is to build a portfolio generating a steady state post-tax ROE of at least 30%
- We are targeting to acquire 5,000 accounts per month in the near-term
- We are adopting a prudent, measured approach before committing to significant volume
- We continue to see a real growth opportunity in Poland

## AGENDA

- |   |                       |
|---|-----------------------|
| 1. A unique business model                | Michael Lenora        |
| 2. Consistently strong UK performance     | Bob van Breda         |
| 3. Poland – Our next growth opportunity   | Michael Hutko         |
| <b>4. Concluding comments and Q&amp;A</b> | <b>Michael Lenora</b> |



# REGULATORY ENVIRONMENT

## Vanquis Bank is well placed to respond to regulatory environment and change

- A significant number of regulatory initiatives have already been managed:
  - Default fee capped at £12
  - BIS mitigations:
    - Minimum payment due and payment hierarchy
    - Credit line increase notification and process
    - Re-pricing constraints
  - Card Protection Guidance:
    - Repayment Option Plan (ROP) has been reviewed
    - Refresh of product and new features
    - Sales call moved from welcome to activation call
  - New liquidity and capital regimes

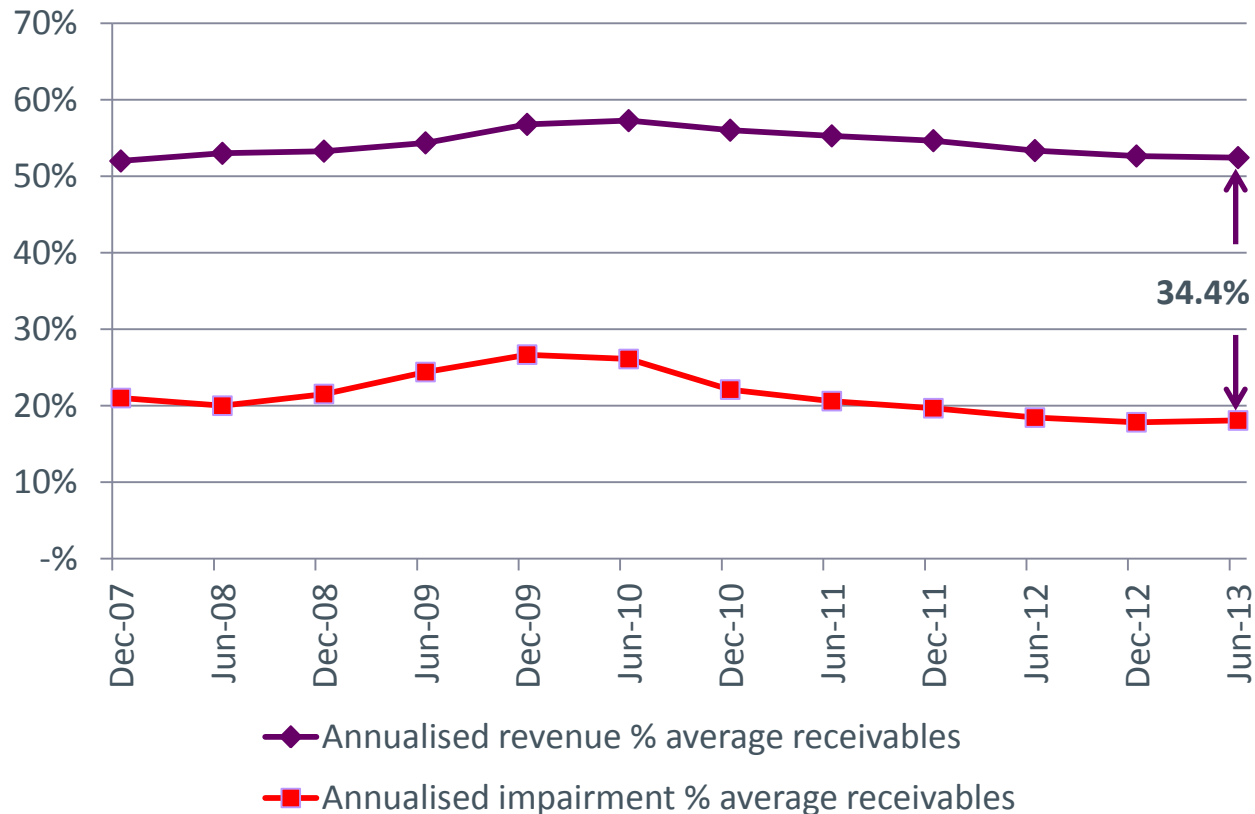
## REGULATORY ENVIRONMENT

### Vanquis Bank is well placed to respond to regulatory environment and change

- Forthcoming potential interchange changes have limited impact:
  - <3% of Vanquis Bank revenue, but significant on prime players
- Vanquis Bank is well placed, with well established governance, to manage the transition to the FCA which will be harder for smaller players
- Vanquis Bank benchmarks well on key leverage and liquidity ratios under CRD IV

## STABILITY OF RETURNS – UK RISK ADJUSTED MARGIN

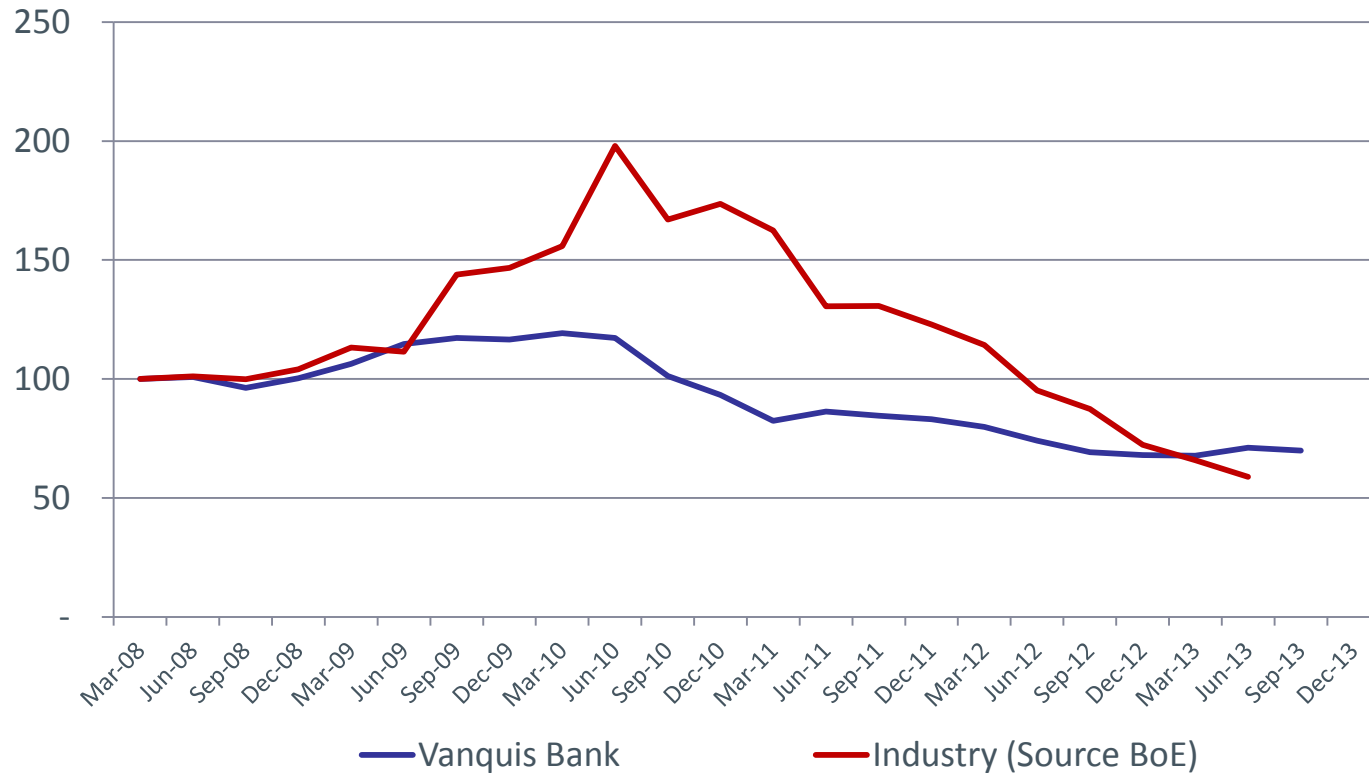
Some continued moderation to 32-33% is expected partly as a result of ROP process and product feature changes



## STABILITY OF RETURNS – LOW IMPAIRMENT VOLATILITY

Our bespoke underwriting, robust collections processes and approach of lending to customers with limited indebtedness results in low impairment volatility compared to prime/standard files

Credit card write offs % outstanding balances indexed to 100 as at Jan 2008



# CONCLUSION

## Delivering growth in the UK and Poland

- Our business model and expertise gives us confidence for future growth and competitive advantage:
  - Marketing/targeting expertise
  - 10 years of underwriting expertise which provides us with extensive historic data
  - Unique high contact customer model
  - Bespoke ‘best in class’ collections techniques
  - High calibre of staff
  - Quality of MI and no IT legacy
- UK growth targets are achievable:
  - 1.3 to 1.5m customers at £800 to £1,000 average customer balance
- Poland will develop using UK experience and key disciplines adapted for local market conditions
- Consolidated post-tax ROE and risk-adjusted margin will be maintained above 30%

## VANQUIS BANK – QUESTIONS

# Concluding remarks

Investor & Analyst Event  
27 November 2013

## OUR INVESTMENT CASE

- Winners in non-standard credit will be larger well funded specialist lenders with sustainable business models
- We have an attractive business model:
  - Cash generative home-collected credit business with a focus on returns
  - Strong, profitable and capital generative growth in Vanquis Bank
  - Opportunities for growth in online instalment market with Satsuma in the segment of the market between Home Credit and Vanquis Bank
  - Excellent UK credit card platform, channels to market and credit expertise capable of being exported into other territories (e.g. Poland)
  - Potential for growth into other forms of non-standard lending
- The transition to the FCA and payday regulation is causing dislocation which provides new opportunities for responsible lending businesses
- Our management teams are highly skilled and experienced
- We have a robust balance sheet and prudent funding
- We generate sufficient capital to support planned growth and business development without compromising our progressive dividend policy



# Biographies

Investor & Analyst Event  
27 November 2013

## BIOGRAPHIES – CCD



### **Mark Stevens, Managing Director:**

Mark graduated with an MA in Economics from Cambridge and an MBA from Stanford University, CA. From 1990 and 2003, Mark worked in strategy consulting with SPA in London and San Francisco and then in private equity with Apax Partners, advising financial services' businesses on their strategy and engaged in transactions in the sector.

From 2003 to 2008 Mark was part of the executive team which transformed Bradford & Bingley from a building society to a FTSE-100 business latterly on the group board as the Group Sales Director.

Recently, Mark has been Chief Executive of Yorkshire Cancer Research and Director of Strategy at Leeds Building Society, before joining CCD in September 2012 as Commercial Director. Mark became Managing Director of CCD in September 2013 and is responsible for delivery of CCD's new strategy to become a broader-based lending business.



### **Andy Parkinson, Home Credit Director:**

Andy worked at BrightHouse, the leading rent-to-own company in the UK for a total of 17 years, the last 6 years of which were as Retail Director. He was heavily involved in the transformation of the performance of that business and the expansion of its store network.

Andy joined CCD in April 2013 as Home Credit Director taking responsibility for all field managers and more recently field administration, the Home Credit contact centre and the central debt recovery team. He is responsible for driving 'One Best Way' of working throughout the whole business.

## BIOGRAPHIES – CCD



### **Sarah Dickins, People Director:**

Sarah had an successful career in HR at Asda for 16 years. She was an operating board director for 5 of those years and her experience spans a broad range of HR roles as well as customer service.

Her track record includes leading Asda back to number one in the market on customer service perception as People and Service Director for 170,000 colleagues; leading people strategy & policy for the business and leading some significant change programmes including the integration of 3,000 colleagues from Netto with the launch of the supermarket proposition.

Sarah Dickins joined CCD as People Director in November 2012 and her primary role is to drive the 'Performance Through People' agenda throughout the business.



### **Jono Gillespie, Technology & Change Director:**

Jono graduated from Newcastle University with a BA in Economics and Accounting and qualified as a Chartered Management Accountant.

Jono joined Provident in 1997 as a Management Accountant supporting the Operations Director with financial analysis and operational MI. He was promoted to Head of Financial Planning & Analysis in 2000 and then became Financial Controller in 2005, guiding the business through IFRS transition. He became Finance Director in 2007.

In 2011, Jono was given the additional responsibility of IT. From 2 December, when Phillip McLelland joins the business, Jono will focus solely on delivering the significant IT and change agenda.

## BIOGRAPHIES – CCD



**Phillip McLelland, Finance Director:**

Phillip is a graduate of Loughborough University with a BSc in Economics.

He worked from 1988 to 1996 at National & Provincial Building Society and during this period he qualified as a Chartered Management Accountant.

Phillip moved into an advisory roles with the corporate finance division of Coopers & Lybrand and the consulting practice of KPMG.

In 2000, Phillip joined Bradford & Bingley, becoming Group Financial Controller in 2003 and Finance Director in 2009. Phillip has played a central role in the establishment of UK Asset Resolution (UKAR), the government owed company responsible for resolving the assets of Bradford & Bingley and Northern Rock Asset Management after appointment as Finance Director of UKAR on its formation in 2010.

Phillip will join CCD as Finance Director on 2 December.



**Tim Anson, Commercial Director:**

Tim has a BA in Economics & Geography and an MBA from Bradford University.

For the last 19 years, Tim has worked in financial services. Between 1995 and 2006 he worked for HBOS plc in a number of disciplines including operations management, strategic projects and product management. Tim's final role in HBOS was Head of New Business for Halifax Mortgages.

From 2006 to 2009 Tim was part of the management team at Bradford and Bingley plc. Initially he was Head of Standard mortgages before becoming Head of Savings. Tim joined Provident Financial in 2009 as Head of Business Strategy and Products. Tim became Commercial Director for CCD in September 2013 and is responsible for the online loans proposition and new business ventures.

## BIOGRAPHIES – CCD



**Steve Shaw, Chief Risk Officer:**

Steve is a Member of the Chartered Institute of Personnel and Development and has a MBA from Sheffield University.

Steve joined Provident Personal Credit in 1977. He held various Field Management roles before transferring to HR in a training capacity in 1986. Steve had a broad range of responsibilities within HR, becoming HR Director and joining the CCD Board in 2003. In 2007, Steve was appointed Business Risk Director in the newly formed risk function. He became Chief Risk Officer in October 2013.

## BIOGRAPHIES – VANQUIS BANK



**Michael Lenora, Managing Director:**

Michael graduated with a degree in Finance, MA in Applied Economics and an MBA in Economics. He held a number of senior positions from 1980 to 2004, including Vice President, Credit Card Operations and later Senior Executive Vice President at Associates First Capital Corporation.

Michael joined Barclaycard International in 2004 as Commercial Director, Rest of World and Auriemma Consulting Group as Managing Director in 2006.

Michael joined Vanquis Bank in June 2007 as Managing Director.



**Bob van Breda, Finance Director:**

Bob graduated in Economics and is a Chartered Banker and Management Accountant.

Between 1990 and 1998 he held a number of positions in NatWest including corporate banking and group finance roles. He joined Provident in 2001 becoming Head of Finance.

In 2002, Bob joined Vanquis Bank as Head of Finance before becoming Finance Director and a member of the Vanquis Bank Board in 2004. During his time at Vanquis Bank he has also been responsible for the IT and Audit functions.

## BIOGRAPHIES – VANQUIS BANK



**Michael Hutko, Commercial Director:**

Michael graduated with a Mechanical Engineering degree from Cornell University. Between 1993 and 2001, Michael held a number of positions in the financial services industry in America including with the First USA Bank and Associates First Capital Corporation where he became Senior Vice President of Decision Science.

Michael joined Barclaycard UK in 2001, running credit risk for the UK before becoming Customer Value Management Director in 2004.

Michael joined Vanquis Bank in 2007 as the Marketing Director and a member of the Board and now holds the position of Commercial Director, responsible for both Credit and Marketing



**Carole Jones, Legal Director:**

Carole graduated with an Honours Degree in Legal Studies and qualified as a solicitor in 1984.

Carole has over 20 years experience within the retail banking sector and has held a number of senior legal management positions in companies including Abbey plc and Kensington Mortgages.

Carole re-joined Vanquis Bank as Legal Director and Company Secretary in June 2010 having previously held the position in 2008.



## BIOGRAPHIES – VANQUIS BANK



**David Underwood, IT and Operations Director:**

David originally qualified and worked for a number of years as a mechanical engineer before moving into Financial Services.

David now has more than 30 years of experience in the financial services industry, most of it gained with the Lloyds Banking Group, including 8 years as Operations Director for their card business and 3 years as Credit Operations Director for their retail bank. In this role he was responsible for the collection and recovery of credit card, personal loan, mortgage and current account delinquency.

David joined Vanquis Bank in 2006, became Operations Director in 2007 and has since gained responsibility for IT.



**Karen Spencer, HR Director:**

As a Fellow of the Chartered Institute of Personnel Directors, Karen has held a number of senior Human Resources positions across the financial sector since 1982.

In 1999, Karen joined Providian National Bank as the Human Resources Director and was part of the UK start-up team, remaining with the business until it was ultimately sold to Barclaycard.

On leaving Providian in 2002, Karen joined Vanquis Bank as part of the start-up team.



## CONTACT DETAILS

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