PROVIDENT FINANCIAL PLC

US ROADSHOW PRESENTATION

September 2012

Highlights

STRONG FIRST HALF PERFORMANCE

- Profit before tax up 17.0% to £72.9m and EPS up 19.8% to 41.1p
- Interim dividend per share up 7.9% to 28.8p
- Stable Consumer Credit Division (CCD) performance in challenging market conditions
- Further strong growth and returns at Vanquis Bank from investment in customer acquisition programme
- Modest reduction in gearing to 3.1 times and group fully funded into 2015

Market conditions and business positioning – CCD

MARKET CONDITIONS

- Competitive landscape unchanged
- Modest increase in household average weekly earnings
- Household disposable incomes under pressure from price inflation, particularly winter utility bills
- Relatively cautious agent and customer behaviour is moderating the demand for credit
- Continuing rise in casual, temporary and part-time employment

BUSINESS POSITIONING

- Continuing tight credit standards have reinforced credit quality and moderated growth
- Heavy focus of field capacity on collections through early months of 2012
- Strong emphasis on operational and cost efficiency
- Modest uplift in sales and marketing spend from June
- Further progress in enhancing geographic footprint of the business

Market conditions and business positioning – Vanquis Bank

MARKET CONDITIONS

- Vanquis Bank remains the most active participant in the underserved non-standard credit card market
- Some increased activity from SAV and Capital One in non-standard segment
- Strong flow of applications from both direct mail and internet channels
- Backdrop of stable UK employment market

BUSINESS POSITIONING

- No change to tight underwriting and credit line increase criteria which are supporting record low delinquency and above target returns
- Higher growth from increased investment in direct mail programme
- Credit standards will remain unchanged due to uncertain outlook for employment market

Group – Profit before tax

6 months ended 30 June	**2012 £m**	2011 £m	Change £m
CCD (Home-collected Credit)	**50.4**	50.2	0.2
Vanquis Bank			
- UK	**29.4**	17.6	11.8
- Poland	**(1.2)**	-	(1.2)
Total Vanquis Bank	**28.2**	17.6	10.6
Central:			
- costs	**(5.5)**	(4.9)	(0.6)
- interest payable	**(0.2)**	(0.6)	0.4
Total central	**(5.7)**	(5.5)	(0.2)
Profit before tax	**72.9**	62.3	10.6
Basic earnings per share	**41.1p**	34.3p	+19.8%
Interim dividend per share	**28.8p**	26.7p	+7.9%

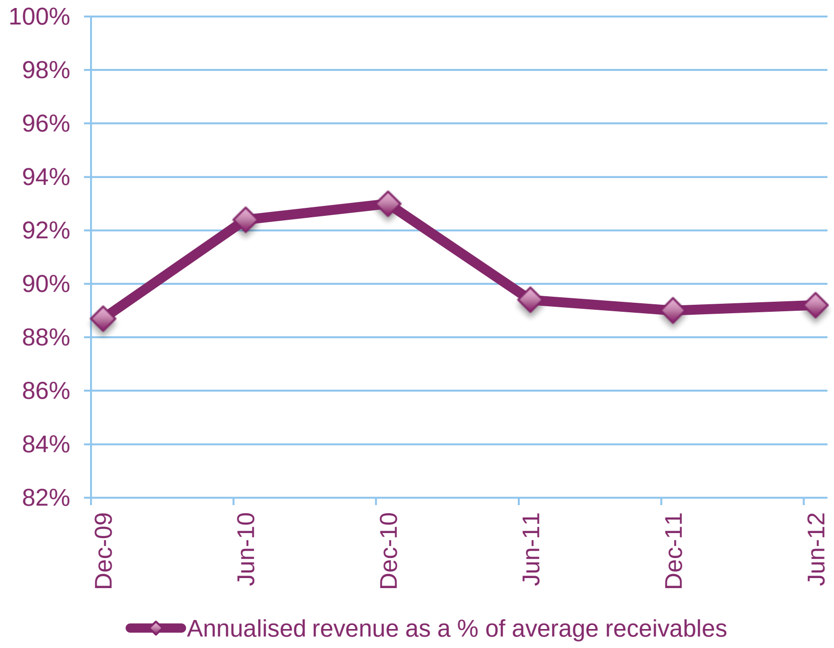
Home-collected Credit – Income statement

6 months ended 30 June	**2012 £m**	2011 £m	Change %
Customer numbers ('000)	**1,771**	1,803	(1.8%)
Period-end receivables	**787.8**	785.5	0.3%
Average receivables	**783.5**	784.3	(0.1%)
Revenue	**351.8**	350.2	0.5%
Impairment	**(135.4)**	(130.1)	(4.1%)
Revenue less impairment	**216.4**	220.1	(1.7%)
*Annualised revenue yield**	***89.2%***	*89.4%*	
*Annualised impairment % revenue***	***32.8%***	*31.2%*	
Costs	**(143.3)**	(146.7)	2.3%
Interest	**(22.7)**	(23.2)	2.2%
Profit before tax	**50.4**	50.2	0.4%

* Revenue as a percentage of average receivables for the 12 months ended 30 June

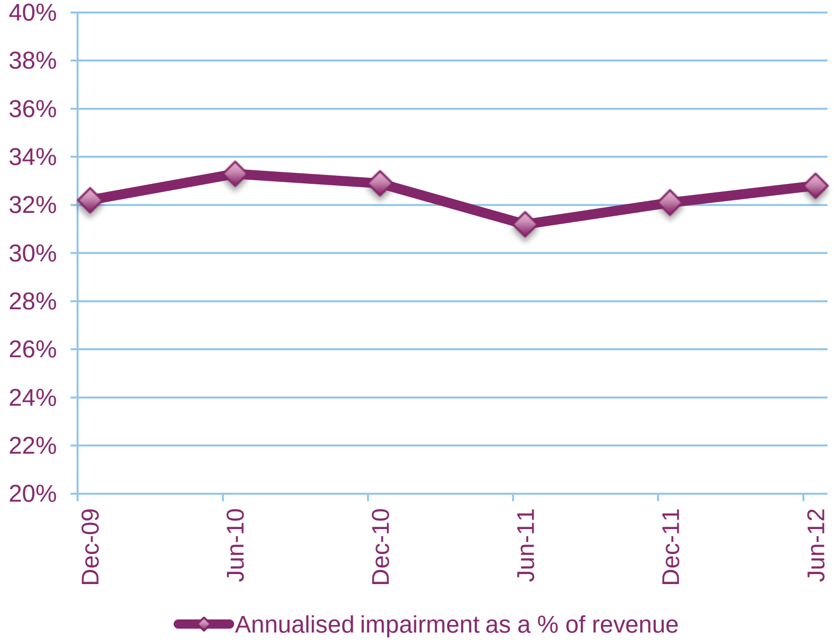
** Impairment as a percentage of revenue for the 12 months ended 30 June

Home-collected Credit – Revenue yield



- Revenue yield moderated during first half of 2011 reflecting increased focus on serving good-quality existing customers who tend to be served with slightly longer term products
- Consistent mix of business over last 18 months has resulted in a stable yield
- Yield not expected to change significantly through second half of 2012

Home-collected Credit – Impairment % revenue



- Second quarter of 2011 benefited from improvement to arrears following enhancement to agent's commission scheme in April
- Consistent collections performance over past 12 months
- Collections performance and impairment rates are expected to remain stable through second half of 2012

Home-collected Credit – Impairment policy

- Based on last 12 weeks payment performance
- Loans deemed impaired if more than 1 contractual weekly payment missed in previous 12 weeks
- 95%+ provision against loans for which no payment received in last 12 weeks
- **Timely, realistic provisioning which has been applied consistently and reinforces the right behaviour amongst agents and employees**

Home-collected Credit – IFRS 7 disclosures

As at 30 June % of receivables	**2012** **%**	2011 %
In order	**31.6**	31.6
In arrears:		
- past due but not impaired	**12.5**	11.8
- impaired	**55.9**	56.6
Total	**100.0**	100.0

- Based on contractual arrears
- Past due but not impaired includes customers who have missed 1 payment in last 12 weeks
- Stable year-on-year profile

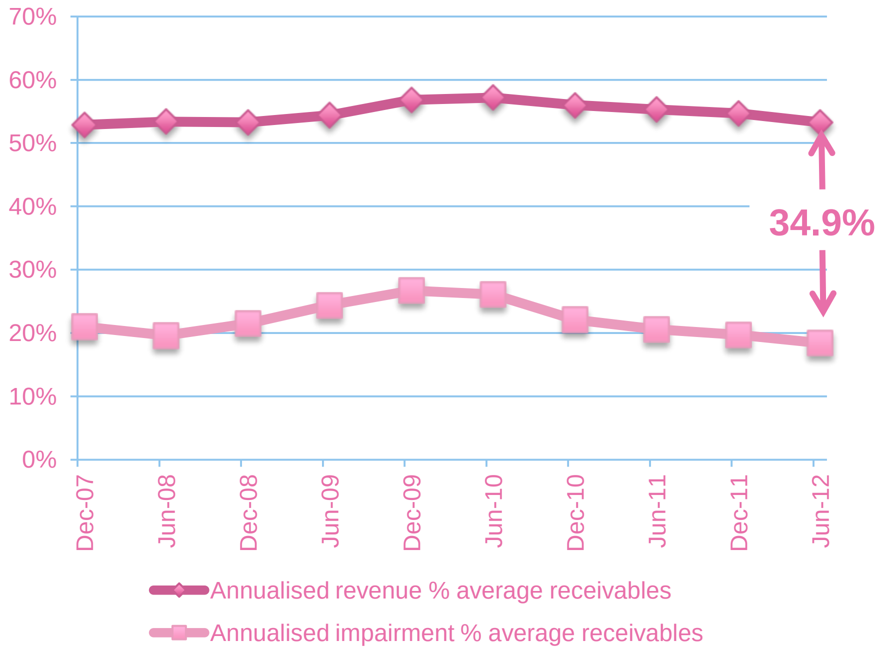
Vanquis Bank (UK) – Income statement

6 months ended 30 June	**2012 £m**	2011 £m	Change %
Customer numbers ('000)	**777**	610	27.4%
Period-end receivables	**525.1**	380.1	38.1%
Average receivables	**487.5**	361.6	34.8%
Revenue	**127.7**	99.3	28.6%
Impairment	**(45.6)**	(38.9)	(17.2%)
Revenue less impairment	**82.1**	60.4	35.9%
*Annualised risk-adjusted margin**	***34.9%***	*34.7%*	
*Annualised impairment % revenue***	***34.5%***	*37.2%*	
Costs	**(40.5)**	(31.7)	(27.8%)
Interest	**(12.2)**	(11.1)	(9.9%)
Profit before tax	**29.4**	17.6	67.0%

* Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June

** Impairment as a percentage of revenue for the 12 months ended 30 June

Vanquis Bank (UK) – Above target risk-adjusted margin



- Risk-adjusted margin inherently stable due to active management of:
  - Credit line utilisation to minimise contingent undrawn exposure (‘low and grow’)
  - Revenue yield through appropriate pricing for risk
- Risk-adjusted margin of 34.9% significantly above 30% minimum target due to:
  - Consistent application of tight credit standards which has driven up quality of receivables book
  - Stable UK employment market
- Underlying risk-adjusted margin approximately 33%

Vanquis Bank – Impairment policy

- Loans deemed to be impaired as soon as 1 contractual monthly payment is missed
- Provision of over 80% made against accounts that are 90 days in arrears*
- **Realistic accounting policy applied consistently which is prudent when benchmarked against other card issuers**

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

Vanquis Bank – IFRS 7 disclosures

As at 30 June % of receivables	**2012** **%**	2011 %
In order	**88.6**	87.9
In arrears:		
- past due but not impaired	**-**	-
- impaired	**11.4**	12.1
Total	**100.0**	100.0

- Favourable change in profile reflects record low delinquency for the business

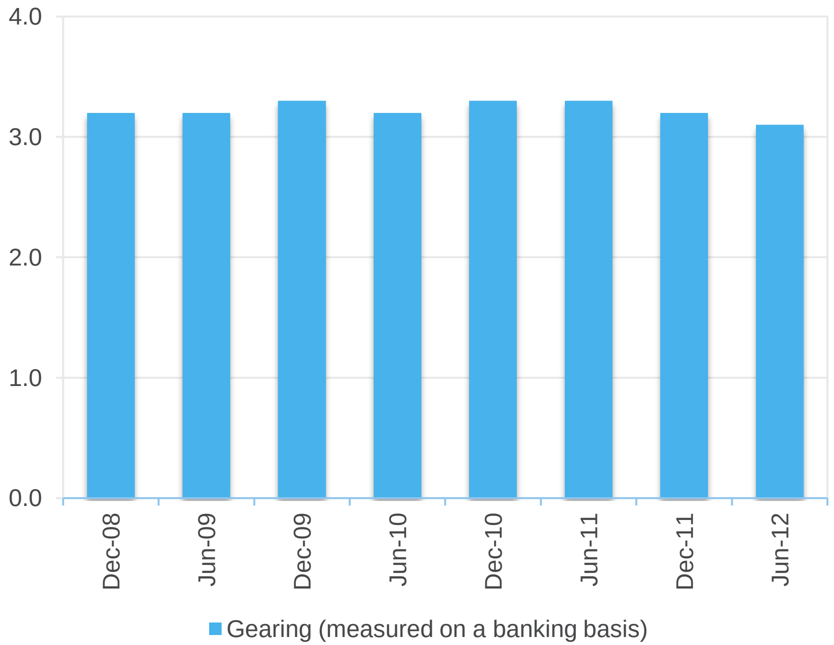
Strong balance sheet

As at 30 June	**2012 £m**	2011 £m
Receivables:		
- Home-collected Credit	**787.8**	785.5
- Real Personal Finance	**1.7**	3.9
- Vanquis Bank	**525.1**	380.1
Total receivables	**1,314.6**	1,169.5
Pension asset	**24.6**	58.9
Liquid assets buffer	**45.5**	10.8
Debt funding*	**(771.5)**	(930.6)
Retail deposits	**(275.2)**	-
Other	**(5.8)**	9.9
Net assets	**332.2**	318.5
Gearing** (times)	**3.1**	3.3

* Excludes deferred fees and the fair value of derivatives

** On a banking basis – Debt funding plus retail deposits, net of the liquid assets buffer divided by adjusted equity (excluding the pension asset and the fair value of derivatives both net of deferred tax)

Modest gearing levels



- Gearing at June 2012 of 3.1 times versus a banking covenant of 5.0 times
- Strong capital generation has funded dividends and growth as well as producing a modest reduction in gearing

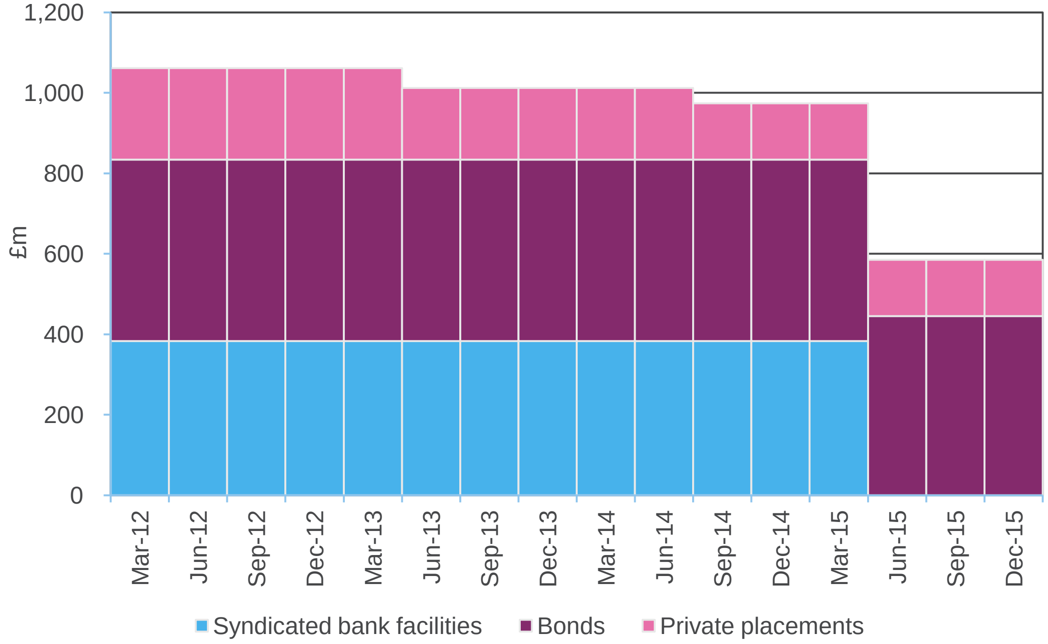
Diversified funding base

As at 30 June 2012	Facilities £m
Banks	
Core bank group	**383**
Bonds and private placements	
Senior public bond	250
M&G term loan	100
Other sterling/euro medium term notes	40
Retail bonds	195
US private placements/residual subordinated loan notes	93
	678
Vanquis Bank retail deposits	**275**
Total committed facilities	**1,336**
Headroom on committed facilities	**308**
Additional retail deposits capacity*	**145**
Total funding capacity	**1,481**
Headroom plus retail deposits capacity**	**442**

* Additional capacity to take retail deposits based on 80% of Vanquis Bank receivables of £525.1m at 30 June 2012

** After setting aside the liquid asset buffer - calculated as 15% of the additional deposits capacity multiplied by the current FSA transitional rate of 50%

Maturity profile of debt



- No further maturities in 2012
- 2013 and 2014 maturities restricted to £87m of private placements
- Headroom on committed facilities together with Vanquis Bank retail deposits programme provides funding into 2015

Profile and maturity of retail deposits

	Cumulative Dec-11 £m	Jan-12 £m	Feb-12 £m	Mar-12 £m	Apr-12 £m	May-12 £m	Jun-12 £m	Total £m	Annual rates %
Product									
1 year	32.6	5.3	4.1	5.8	0.8	0.6	0.4	49.6	3.20-3.55
2 year	74.5	11.6	6.9	2.9	0.4	1.9	0.7	98.9	3.51-4.05
3 year	18.3	12.8	15.9	6.5	3.2	3.0	0.2	59.9	3.61-4.15
5 year	14.3	11.1	9.8	6.8	12.1	10.7	2.0	66.8	4.06-4.65
Total	139.7	40.8	36.7	22.0	16.5	16.2	3.3	275.2	
Cumulative	139.7	180.5	217.2	239.2	255.7	271.9	275.2	275.2	

- Flow of deposits curtailed from April following £120m retail bond in March
- Weighted average period to maturity of 27 months at June 2012
- Average interest rate payable on deposits of 4.0% producing cost of 4.15% after including drag from holding liquid assets buffer
- Target of £300m deposits by December 2012
- No requirement to fund up to permitted 80% of receivables until latter part of 2013

Alignment of dividend policy, gearing and growth

High ROE businesses

Dividend Policy
Cover ≥ 1.25x

Gearing
3.5x versus covenant of 5.0x

Growth
Supports c.£140m receivables growth p.a

Strong capital generation

12 months ended	30 June 2012 £m	31 December 2011 £m
CCD	**115.4**	107.3
Vanquis Bank	**28.1**	14.8
Central	**(20.0)**	(12.0)
Capital generated	**123.5**	110.1
Dividends payable	**(96.9)**	(93.0)
Capital retained	**26.6**	17.1
Gearing (times)	**3.1**	3.3

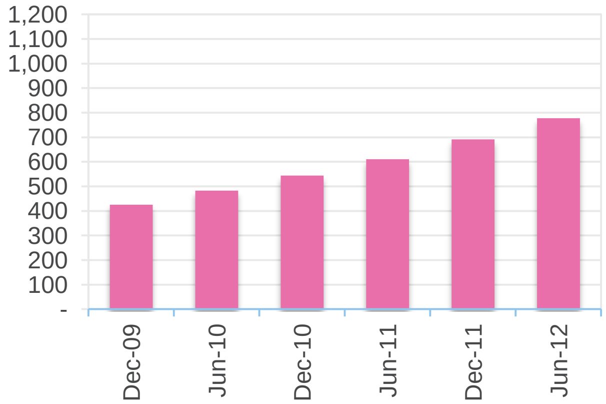
- Strength of capital generation reflects:
  - Increase in return on capital at Vanquis Bank
  - Stable, high return on capital in CCD
- Capital generation comfortably funds the cost of the dividend
  - Modest reduction in gearing

Regulatory update

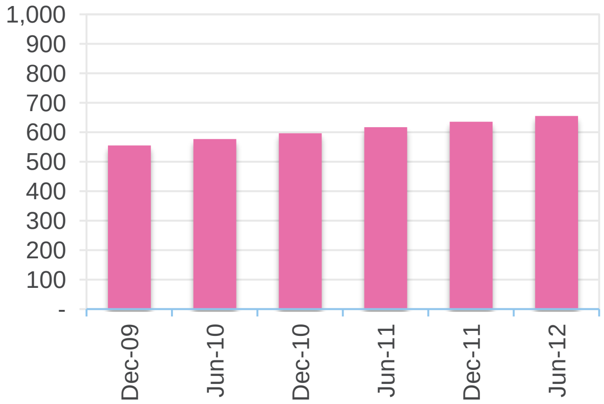
- Draft Financial Services Bill published in January 2012
  - Bill framed to enable a ‘lift and shift’ approach to credit regulation
  - Consumer Credit Act regime retained but OFT replaced with Financial Conduct Authority
  - Government committed to securing passage by end of 2012 with change to credit regulation implemented by 2014
- Bristol University Personal Finance Research Centre study into a variable cap on the total cost of credit is continuing
  - Progress update published on 24 May dealt largely with methodology and approach adopted
  - Final report due at end of summer
- Final guidance on joint consultation document published by FSA and OFT in relation to payment protection products is expected to be published by end of summer
- Received maximum rating score of 100 and ranked joint first globally amongst financial services companies in the FTSE4Good Index Series for second consecutive year

Vanquis Bank – UK

Customer numbers ('000)



Average balance (£)



- Vanquis Bank has the potential for:
  - 1.0 to 1.2 million customers with
  - An average balance of between £800-£1,000
  - Generating approximately £1bn of receivables
  - Maintaining a minimum return on equity of at least 30%

Vanquis Bank – Poland

- Market opportunity:
  - 38 million population with under-served non-standard market of up to 15 million
  - Stable economy and regulatory environment
  - Very good feedback from customer forums on card proposition
  - Strong leverage off UK systems platform, processes and intellectual property
  - Passporting of UK banking licence would allow funding through local currency deposit taking in due course
- Progress to date:
  - UK and Polish regulatory approvals in place
  - Infrastructure established and successfully tested
  - Dedicated resource in place including experienced Polish marketing team and call centre staff (Chatham)
  - First cards issued in June
  - Polish website development close to completion
  - Quality of Polish credit bureau (BIK) data appears fit for purpose
- Pilot will run for 12 months and comprise c.10,000-15,000 accounts, £2m-£3m of receivables and an investment in 2012 of c.£3m

Consumer Credit Division

- The business is continuing its programme of initiatives to deliver sustainable growth, including:
  - Expanding the geographic footprint through the creation of more branches
  - Ongoing product innovation, including the imminent launch of the One Card
  - Upgrading the profile and improving the retention of agents
  - Enhancing processes across the branch and agent network whilst accommodating increased regulatory requirements
  - A modest increase in sales and marketing activity from June

Outlook

- Stable performance of CCD and strong growth and returns being delivered by Vanquis Bank provide sound basis for delivering good quality growth for 2012 as a whole
- Strong, diversified funding base that allows the group to meet contractual debt maturities and execute in full on growth plans into 2015
- No change to the group’s cautious stance on extending credit in current economic environment

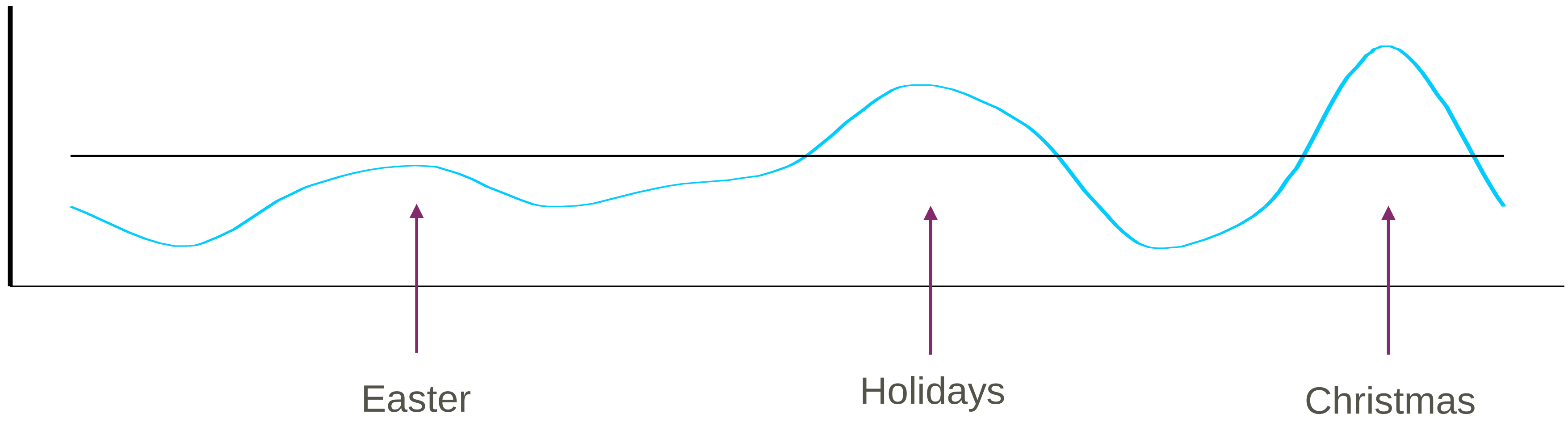
APPENDIX

Home-collected Credit – Providing a valued community service

- Community based model – business conducted face-to-face by agents who typically live in the communities they serve
- Provides access to credit for those who might otherwise be financially excluded
- Endorsement from key regulatory bodies
- Over 90% of customers are satisfied or very satisfied with Provident's Home-collected Credit service
- Member of the Dow Jones Sustainability World Index, the Dow Jones STOXX Sustainability Index and the FTSE4Good Index
- Received maximum rating score of 100 and ranked joint first globally amongst financial services companies in the FTSE4Good Index Series for two consecutive years

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

Home-collected Credit – Providing a valued community service



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

- Seasonal expenditure ✓
- One-off purchases ✓
  (e.g. major appliances or unexpected car repairs)
- Day-to-day living expenses ✘

Home-collected Credit – Business dynamics

Simple, transparent financial products	• Small (typically £500), short-term (typically 1 year) and affordable (typically £17 per week) unsecured loans • Fixed weekly repayments that do not change, even if payments are missed. No hidden charges, arrangement fees or penalties • Products are priced appropriately to reflect in particular the size of the loans, the method of collection and the risk of default
Strong customer relationships	• Weekly face-to-face visits between agent and customer (90 million visits each year) build strong and trusted relationships, which drives robust underwriting, customer satisfaction and collections performance
Market-leading position	• c.60% market share allows our 10,000 agents to have enormous knowledge of the local environment, but also with a national support and credit systems framework
Operational structure	• Hierarchical field structure provides a robust framework to control and manage the network of agents with weekly review meetings • Important to ensure sufficient operational resource to manage collections, through the cycle, for lending made • Extremely responsive to changes in local economic environment
Strong control environment	• Agent commission almost entirely based on collections and not lending • Managed and operated as a cash-based business • Extensive independent audit checks on agents and field network

Vanquis Bank – Revolving, VISA-branded credit card

- Developed organically, rolled-out in 2005
- Holds a banking licence and regulated by the FSA
- Broke even in 2007
- Strong profits growth through the economic downturn
- Around 800,000 UK customers
- Small credit lines focussed upon customers with limited over indebtedness
- High levels of credit utilisation
- Typical APR 39.9%
- Yield on receivables book >50%
- Commenced retail deposit taking in July 2011
- Potential to grow to 1m – 1.2m customers with a receivables book of £1bn

Vanquis Bank – Business dynamics

Low and Grow strategy	• Customers are introduced with a small credit limit (typically £250) • Growth in balance, dependent upon performance, to average credit line of circa £950
Targeted customer profile	• Typical customers are non homeowners with an annual income of £15k to £30k with low levels of other indebtedness • Customer segment is well understood and the risk is priced accordingly (typical APR 39.9%)
Sophisticated underwriting techniques and high quality MI	• Balanced scorecard with credit reference information for all applications • Low and grow strategy means that behavioural scorecard is used for large portion of the exposure
Conservative approach to risk	• 80% decline rate reflects the desire to maintain quality and specific target market • Relatively low average balances (c.£650) and minimum monthly repayment (c.£30) • Proactive management of card utilisation (75-80%) and undrawn line exposure
Competitive position	• Mainstream competitors have exited the market and, therefore, customers typically have limited other sources of credit available • Potential to grow to 1m – 1.2m customers with a receivables book of £1bn

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