

Provident Financial

Interim results 2006



13 September 2006

Our presentation today



- Overview
 - Financial review
 - UK home credit
 - Motor insurance
 - International
 - Vanquis Bank
 - Yes Car Credit
 - Regulation
 - Demerger review
 - Group outlook
 - Questions
- Robin Ashton
 - Andrew Fisher
 - Peter Crook
 - Mark Collier
 - John Harnett

 - Robin Ashton

Financial highlights



Established businesses*

PROFIT BEFORE TAX

- 13% to
£85.6m

Group

PROFIT BEFORE TAX

- 20% to
£66.0m

EARNINGS PER SHARE

- 21% to
18.26p

DIVIDEND PER SHARE

+ 3% to
14.48p

*Established businesses excludes start-up and development costs and Yes Car Credit



A year of investment and development

- UK home credit:
 - improved medium-term prospects
 - customer growth restored
 - changes to improve credit granting and efficiency
 - Competition Commission inquiry reaching conclusion
- Motor insurance:
 - good results and development of new distribution channels
- International:
 - expansion, new country research and new pilot products
 - Polish business successfully adapted to rate cap
 - credit quality in Poland now improving
- Vanquis Bank:
 - credit quality improved, new distribution channels developed
- Yes Car Credit:
 - collect out progressing well

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Financial review



Financial review



Interim 2006: profit before taxation

	H1 2006 £m	H1 2005 £m	Change £m
Established businesses	85.6	98.3	(12.7)
Start-up businesses & development costs	(19.1)	(9.2)	(9.9)
Yes Car Credit	(0.5)	(6.2)	5.7
	66.0	82.9	(16.9)

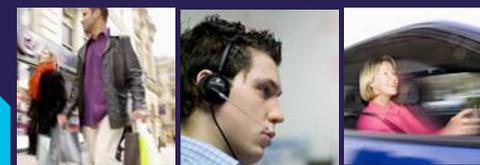
Financial review



Interim 2006: results of established businesses

	H1 2006 £m	H1 2005 £m	Change £m
UK home credit	51.7	60.5	(8.8)
International	22.1	20.9	1.2
Motor insurance	20.3	23.4	(3.1)
Central costs	(8.5)	(6.5)	(2.0)
Profit before tax	85.6	98.3	(12.7)

Financial review



Interim 2006: start-up businesses & development costs

	H1 2006 £m	H1 2005 £m	Change £m
International:			
- new countries	(5.8)	(1.5)	(4.3)
- new products	(1.3)	(0.2)	(1.1)
Vanquis Bank	(10.7)	(7.2)	(3.5)
Yesinsurance.co.uk	(1.3)	(0.3)	(1.0)
	(19.1)	(9.2)	(9.9)

Financial review



Interim 2006: balance sheet

	H1 2006 £m	H1 2005 £m	FY 2005 £m
Consumer credit receivables	1,119	1,134	1,274
Consumer credit borrowings	977	872	983
Group net assets	310	406	317
Comprising:			
Consumer credit capital	223	209	239
Consumer credit goodwill	3	94	3
	226	303	242
Motor insurance capital	84	103	75
Consumer credit capital as % of receivables	19.9%	18.4%	18.8%
Balance sheet gearing	3.2x	2.1x	3.1x

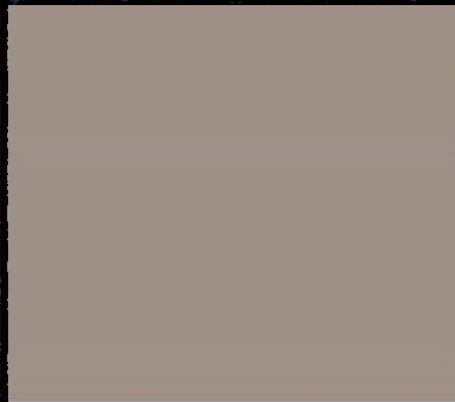


Interim 2006: consumer credit regulatory capital

	H1 2006 £m
Receivables	1,119
Other risk weighted assets	238
Total risk weighted assets	1,357
Capital reserves - Tier 1	222
Subordinated debt - Tier 2	100
Total capital resources	322
Capital adequacy ratio	23.7%
As at 31 December 2005	21.2%

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UK home credit



UK home credit strategy

Customer growth is key to profitable growth

- 2003 to 2005, reduction in customers
- 2005 issue growth from longer, larger loans
- Growth in issue without growth in customers isn't sustainable
- Key priority is to grow by recruiting and retaining profitable customers
- Improving trend: customer growth in 2006



UK home credit strategy



Changes to deliver growth

- New distribution channels
- Improved customer segmentation
- Product innovation: prepaid VISA card
- Enhanced credit and arrears management
- Streamlined field organisation
- New ways of working enabled by technology



UK home credit

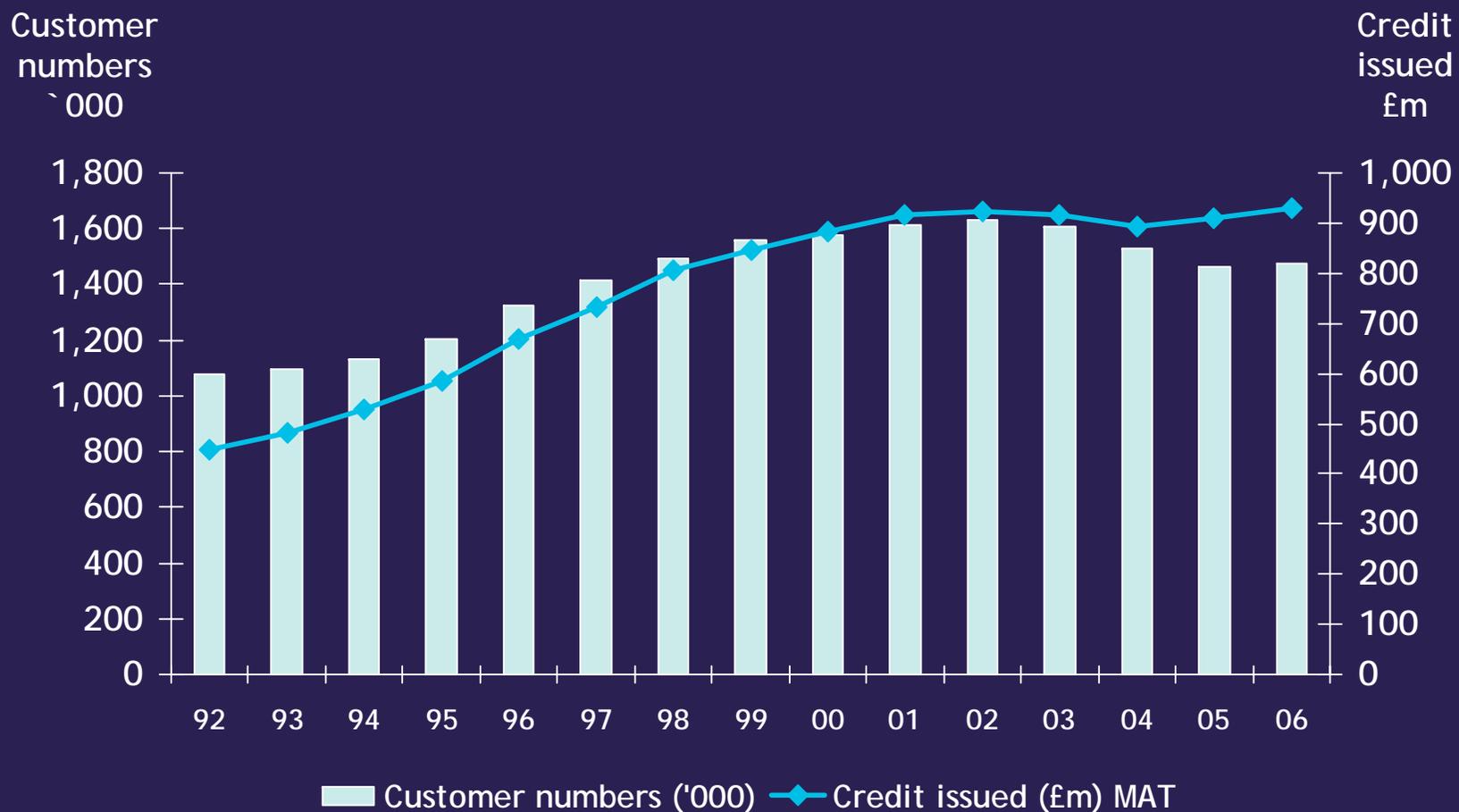
Overview H1 2006

- Customer growth: first time in three years
- Increased marketing investment
- Growth in credit issued and receivables
- Impairment up 5%
- Cost efficiency initiatives
- Increased marketing and IT costs to benefit future years





Customers and credit issued (MAT) at June





Interim 2006: results

	H1 2006 £m	H1 2005 £m	Change %
Customer numbers ('000)	1,472	1,462	1
Credit issued	390.8	386.9	1
Average net customer receivables	591.7	549.5	8
Revenue	289.6	281.6	3
Impairment	(106.4)	(100.9)	(5)
Costs <i>(incremental marketing & IT costs £5.7m (2005 £1.0m))</i>	(121.2)	(114.3)	(6)
Interest	(10.3)	(5.9)	(75)
Profit before tax	51.7	60.5	(15)



Prospects for 2006

- Improved medium-term outlook
- Further investment to support customer growth
- Growth in customer numbers and credit issued expected for 2006
- Initiatives to deliver benefits in future years
- Reduction in profit in 2006, in line with expectations
- An attractive mix of strong cash generation and growth potential

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Motor insurance



Motor insurance

Overview H1 2006

- Good performance in a competitive market
- 27% RoE for 12 months to June 2006
- As market prices drift downwards we continue to price for adequate return
- Premiums and policyholder numbers reduced
- Favourable development of claims costs
- Market prices need to rise, some early signs
- New systems improve risk selection
- Launched yesinsurance.co.uk



Motor insurance



Interim 2006: results

	H1 2006 £m	H1 2005 £m	Change %
Gross written premium	77.0	82.0	(6)
Gross earned premium	75.5	80.9	(7)
Costs	(64.1)	(68.3)	6
Underwriting profit	11.4	12.6	(10)
Combined ratio (%)	85%	85%	-
Investment income	8.9	10.8	(18)
Profit before tax and development costs	20.3	23.4	(13)
Yesinsurance.co.uk costs	(1.3)	(0.3)	(333)
Reported profit before tax	19.0	23.1	(18)
Average investment fund	372	435	(14)
Investment yield	4.9%	5.0%	-

6 months to 30 June

Motor insurance



The screenshot shows a web browser window with the address <http://www.yesinsurance.co.uk/>. The website has a colorful, cartoonish theme with a sun, clouds, and rolling hills. At the top left is the logo for 'yes insurance.co.uk' with the tagline 'say yes to cheaper insurance'. A search bar is located at the top right with the text 'Enter search terms' and a 'Go' button. On the left side, there is a navigation menu with the following items: [Homepage](#), [Car insurance](#), [Van insurance](#), [Home insurance](#), [Contact us](#), and [About us](#). The main content area features three large cards. The top card is for 'Car Insurance' and includes an illustration of a family in a car, the text 'See how much you could save on your car insurance (please read the important information)', a 'Retrieve your Quote' button, and a 'Get a Quote' button. Below this are two smaller cards: 'Van Insurance' with a 'Get a Quote' button and 'Home Insurance' with a 'Get a Quote' button. Each card also features a small illustration related to the insurance type.

Motor insurance



yesinsurance.co.uk

- Why develop yesinsurance.co.uk?
 - customers are moving online
 - emergence of online aggregators
 - value of direct customer relationships
- What is yesinsurance.co.uk?
 - a new internet-focused insurance provider
 - offers motor, home and van insurance
 - online, direct, via aggregators, call-centre support
 - a panel of underwriters, including Provident Insurance
 - customer fulfilment outsourced, so low fixed costs

Motor insurance



yesinsurance.co.uk

- What value will yesinsurance.co.uk add?
 - participation in growing online market
 - low cost of entry
 - greater reach: offers PI prices to more customers
- What investment is required?
 - outsourced model limits investment in infrastructure
 - invest to acquire customers
 - investment of £3 million in 2006, rising to £5 million in 2007
 - profitable by 2009



Prospects for 2006

- Similar market conditions to H1, although early signs of competitor price increases
- Favourable trends in claims provisions set to continue but with a smaller benefit
- yesinsurance.co.uk investment of £3 million in 2006
- Good profit again in 2006, but lower than 2005 record level

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International



International strategy



1) Maximise returns from established Central European home credit through:

Customer growth

Issue per customer growth

Cost efficiencies / economies

Profit per customer growth

2) Mexico to reach its potential via additional regions beyond Puebla and Guadalajara-Leon

Monterrey

Northern territories

Mexico City

3) Extend the product range beyond home credit

Personal loans

Credit cards

4) Build profile from new countries:

2006 focus on Romanian market

Countries in research are Russia

India

Brazil

Ukraine

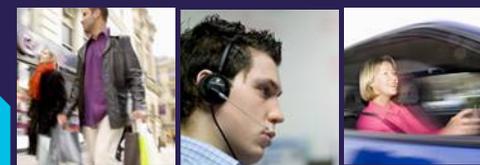
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International

Overview H1 2006

- 1.8 million customers
- Investment to support expansion
- New country research
- Product development



**Interim 2006: profit before tax**

	H1 2006 £m	H1 2005 £m	Change £m
Established countries	28.0	25.2	2.8
Central divisional costs	(5.9)	(4.3)	(1.6)
	22.1	20.9	1.2
New countries			
- Mexico	(4.7)	(1.5)	(3.2)
- Romania	(1.1)	-	(1.1)
New products	(1.3)	(0.2)	(1.1)
	(7.1)	(1.7)	(5.4)
Reported profit before tax	15.0	19.2	(4.2)

6 months to 30 June



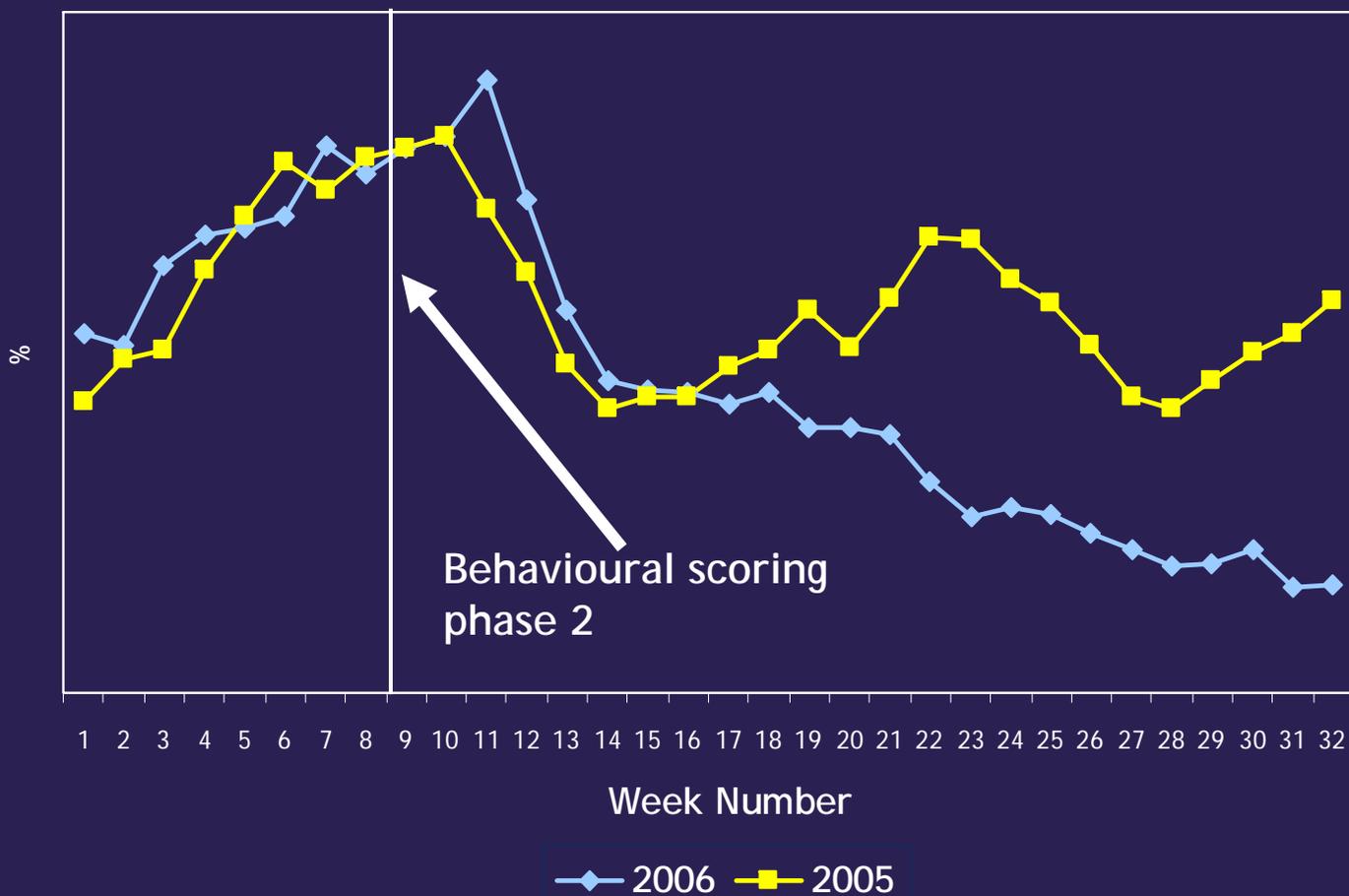
Overview H1 2006

- Hungary, Czech Republic and Slovakia performed well
- Difficult trading period in Poland
 - successful roll-out of rate cap compliant product
 - response to rising impairment
 - shift in focus to collections and arrears activity
 - tightening of credit
 - introduction of application & behavioural scoring systems
 - clear improvement in arrears levels and quality of lending



Poland: behavioural scoring

Reserve customers in arrears





Overview H1 2006

- Hungary, Czech Republic and Slovakia performed well
- Difficult trading period in Poland
 - successful roll-out of rate cap compliant product
 - response to rising impairment
 - shift in focus to collections and arrears activity
 - tightening of credit
 - introduction of application & behavioural scoring systems
 - clear improvement in arrears levels and quality of lending
- Greater than expected impact on business volumes from tightening of credit and necessary focus on collections and arrears activity
- Medium and longer-term opportunities for profitable growth remain unchanged



Poland growth plan

- Build on improving quality resulting from enhanced credit management
- Re-focus on growth
- Increase marketing to drive new business volumes
- Support the field through establishing central collections operation



Interim 2006: results

	H1 2006	H1 2005	FX adjusted 2005	Change
	£m	£m	£m	%*
Customer numbers ('000)	1,578	1,563	-	1
Credit issued	231.7	240.3	242.3	(4)
Average customer receivables	290.5	264.4	273.2	6
Revenue	175.4	168.5	173.9	1
Impairment	(64.1)	(70.7)	(73.1)	12
Costs	(75.5)	(64.4)	(66.1)	(14)
Interest	(7.8)	(8.2)	(8.4)	7
Profit before tax	28.0	25.2	26.3	7

6 months to 30 June: excludes new products

*at constant exchange rates

Mexico

Overview H1 2006

- Expansion continued
- Agent knowledge and experience developing
- Collecting data to develop credit management
- Establishing foundations for future growth
- Start-up loss £9 million in 2006





Interim 2006: results

	H1 2006	H1 2005	FX adjusted 2005	Change
	£m	£m	£m	£m*
Customer numbers ('000)	184	63	-	121
Credit issued	20.9	6.2	6.4	14.5
Average customer receivables	11.4	3.1	3.2	8.2
Revenue	11.4	3.0	3.1	8.3
Impairment	(5.1)	(1.0)	(1.1)	(4.0)
Costs	(10.0)	(3.2)	(3.4)	(6.6)
Interest	(1.0)	(0.3)	(0.3)	(0.7)
Loss before tax	(4.7)	(1.5)	(1.7)	(3.0)

Eastern Europe

Romania

- Researched well, significant potential
- 22 million population
- Positive key metrics:
 - low level of unemployment
 - good economic prospects
 - EU accession expected in 2007
- Growing demand for credit
- Controlled pilot to assess prospects
- £3 million start-up loss in 2006



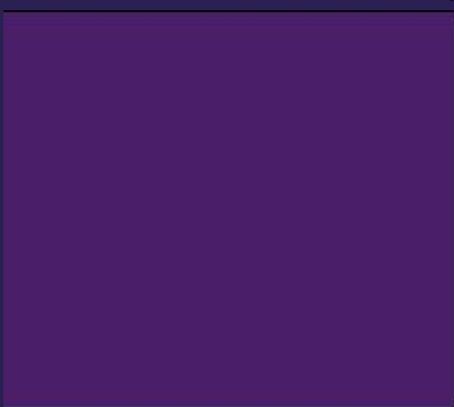
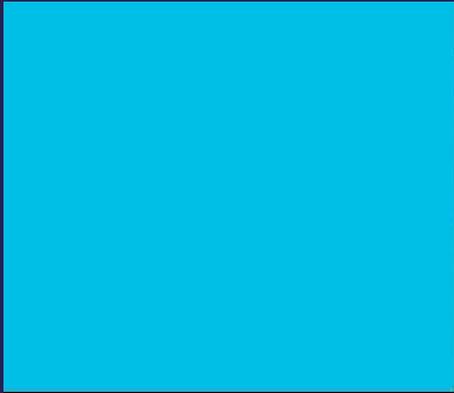


Prospects for 2006

- Substantial investment for the future:
 - developing new markets (£12 million)
 - new product pilot in Poland (£3 million)
- Polish actions to improve credit quality and resume growth
- Growth from Central Europe overall
- Stronger H2 than H1, small reduction in profit in 2006

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Vanquis Bank



Vanquis Bank

Overview H1 2006

- Credit card tailored to customers' needs
- Underwriting criteria improved
- Successfully controlled impairment charges
- Slower growth in revenue
- Established wider distribution of its products
- Increased customer reach





Interim 2006: results

	H1 2006 £m	H1 2005 £m	Change %
Customers numbers ('000)	212	113	88
Net customer receivables	75.9	42.0	81
Revenue	13.9	7.2	93
Loss before tax	(10.7)	(7.2)	(49)



Prospects for 2006

- Customer numbers to pass 250,000
- Substantial reduction in rate of start-up losses in H2
- Expect the business to move into profit in 2007



Overview H1 2006

- Collect-out progressing well
- Total collections of £83m ahead of plan
- Disposal of vehicle stock complete
- Surrender of branch lease obligations nearly complete
- Loss of £0.5 million

Consumer credit regulation



Competition Commission (CC)

- Inquiry nearing conclusion
- CC published its Provisional Findings and Possible Remedies
 - confirmed high levels of customer satisfaction
 - home credit products well-suited to customers needs
 - relationship between customers and agents is appropriate
 - customers value the service they receive
- Proposed Remedies issued in August centred on data sharing
- Final report expected in October 2006



- Good progress with separation plans
 - IT separation
 - new international H.Q. in UK
 - bank refinancing
 - tax clearances
 - legal and accounting due diligence
 - regulatory clearances
 - demerger agreement
- Full details in March 2007, with preliminary announcement
- Full demerger currently expected in Spring 2007

Group summary



- 2006 a year of significant investment to enhance future growth
- Medium-term outlook for UK home credit improved
- Slower growth in Central Europe whilst Polish business is improved
- Excellent potential for profitable growth in existing and new international markets
- Group remains strongly cash and capital generative

Provident Financial Questions



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Appendices





Sterling exchange rates 2005 & 2006

	Polish zloty	Czech crown	Hungarian forint	Slovak crown	euro	Romanian Rai	Mexican peso
Average exchange rate during H1 2006	5.65	41.41	378.47	54.61	1.46	5.15	19.49
Exchange rate as at 30 June 2006	5.87	41.12	408.30	55.50	1.44	5.17	20.93
Average exchange rate during H1 2005	5.96	43.80	360.06	56.24	1.46	-	20.73
Exchange rate as at 30 June 2005	6.05	45.09	371.83	57.63	1.51	-	19.60