PRELIMINARY RESULTS ANNOUNCEMENT

26 FEBRUARY 2013

PFG Provident Financial Group

TODAY'S PRESENTATION

- HIGHLIGHTS AND BUSINESS OVERVIEW — PETER CROOK
- FINANCIAL REVIEW — ANDREW FISHER
- REGULATION AND OUTLOOK — PETER CROOK
- QUESTIONS

HIGHLIGHTS AND BUSINESS OVERVIEW

PETER CROOK – CHIEF EXECUTIVE

HIGHLIGHTS

STRONG PERFORMANCE

- Profit before tax up 11.7% to £181.1m[1] and EPS up 13.8% to 102.0p[1]
- Total dividend per share up 11.9% to 77.2p supported by strong capital generation
- Stable Consumer Credit Division (CCD) performance in challenging market conditions
- Further strong growth and returns at Vanquis Bank from increased investment in customer acquisition programme
- Favourable impairment trends from cautious approach to extending credit
- Polish credit card operation progressing to plan
- Gearing stable at 3.2 times and group fully funded into 2015

[1] *Stated before an exceptional credit of £15.6m comprising a £17.7m curtailment credit on pensions and a £2.1m impairment charge on goodwill*

MARKET CONDITIONS AND BUSINESS POSITIONING

CCD

MARKET CONDITIONS

- Competitive landscape in home credit unchanged
- Modest increase in household average weekly earnings
- Household disposable incomes under pressure from food, fuel and utility price inflation
- Cautious customer behaviour moderating demand for credit, particularly for more discretionary spending

BUSINESS POSITIONING

- Continuing tight credit standards have reinforced credit quality and moderated sales
- Strong focus of field capacity on collections through first half of year
- Programme to drive operational effectiveness supported by new senior management appointments
- Uplift in sales and marketing spend in second half, including One Card launch and TV advertising
- Agenda to promote medium-term growth supported by senior appointment

MARKET CONDITIONS AND BUSINESS POSITIONING
VANQUIS BANK

MARKET CONDITIONS

- Vanquis Bank remains most active participant in underserved non-standard credit card market
- Strong flow of applications from both direct mail and internet channels
- Backdrop of stable UK employment market
- Some modest increase in activity from adjacent non-standard card products

BUSINESS POSITIONING

- No change to tight underwriting and credit line increase criteria which are supporting stable, record low arrears 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

FINANCIAL REVIEW

ANDREW FISHER– FINANCE DIRECTOR

PROFIT BEFORE TAX

GROUP

Year ended 31 December	2012 £m	2011 £m	Change %
CCD	125.1	127.5	(1.9)
Vanquis Bank:			
- UK	71.3	44.2	61.3
- Poland	(3.3)	-	n/a
Total Vanquis Bank	68.0	44.2	53.8
Central:			
- costs	(12.0)	(10.2)	(17.6)
- interest receivable	-	0.6	n/a
Total central	(12.0)	(9.6)	(25.0)
Profit before tax[1]	181.1	162.1	11.7
Tax rate	24.5%	26.1%	
Adjusted earnings per share[1] (pence)	102.0	89.6	13.8
Proposed final dividend per share (pence)	48.4	42.3	14.4

[1] *Stated before an exceptional credit of £15.6m comprising a £17.7m curtailment credit on pensions and a £2.1m impairment charge on goodwill*

INCOME STATEMENT

CCD

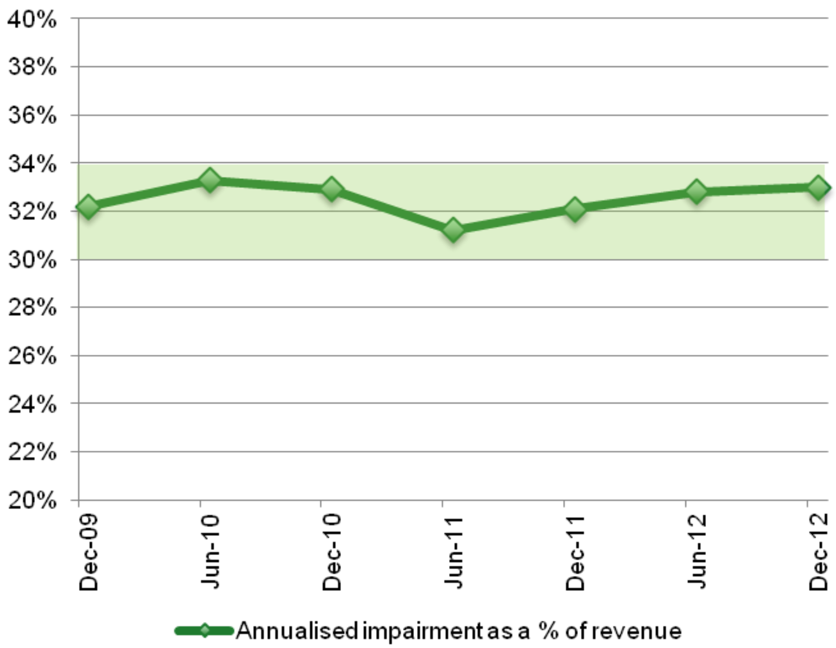
Year ended 31 December	2012 £m	2011 £m	Change %
Customer numbers ('000)	1,827	1,825	0.1
Year-end receivables	869.6	876.7	(0.8)
Average receivables	782.7	783.4	(0.1)
Revenue	696.9	697.1	-
Impairment	(230.2)	(223.8)	(2.9)
Revenue less impairment	466.7	473.3	(1.4)
*Revenue yield**	*89.0%*	*89.0%*	
*Impairment % revenue***	*33.0%*	*32.1%*	
Costs	(295.4)	(298.8)	1.1
Interest	(46.2)	(47.0)	1.7
Profit before tax	125.1	127.5	(1.9)

* Revenue as a percentage of average receivables for the year ended 31 December

** Impairment as a percentage of revenue for the year ended 31 December

IMPAIRMENT % REVENUE

CCD



- Second quarter of 2011 benefited from improvement to arrears following enhancement to agents' commission scheme in April
- Consistent collections performance over past 18 months
- Sound collections performance through early 2013

IMPAIRMENT POLICY

CCD

- 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**

IFRS 7 DISCLOSURES

CCD

At 31 December % receivables	**2012** **%**	**2011** **%**
In order	34.0	35.1
In arrears:		
- past due but not impaired	15.9	15.8
- impaired	50.1	49.1
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

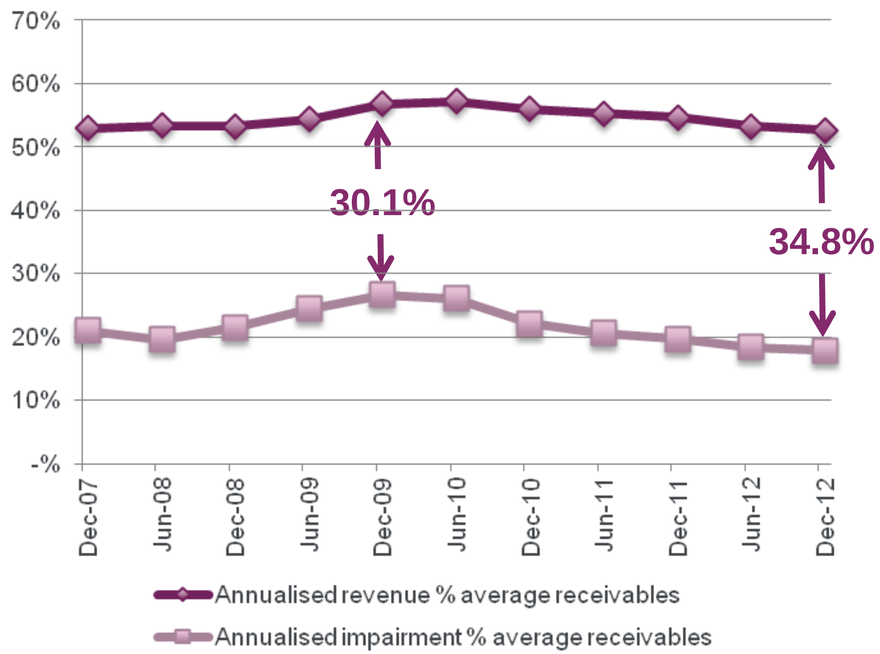
INCOME STATEMENT

VANQUIS BANK - UK

Year ended 31 December	2012 £m	2011 £m	Change %
Customer numbers ('000)	899	691	30.1
Year-end receivables	641.5	453.4	41.5
Average receivables	537.4	391.2	37.4
Revenue	283.0	213.7	32.4
Impairment	(95.9)	(76.9)	(24.7)
Revenue less impairment	187.1	136.8	36.8
*Risk-adjusted margin**	*34.8%*	*35.0%*	
Costs	(87.4)	(69.4)	(25.9)
Interest	(28.4)	(23.2)	(22.4)
Profit before tax	71.3	44.2	61.3

* Revenue less impairment as a percentage of average receivables for the year ended 31 December

RISK-ADJUSTED MARGIN
VANQUIS BANK - UK



- Stability of risk-adjusted margin:
  - 'Low and grow' strategy
  - High credit line utilisation minimises volatility of credit losses from undrawn exposures
  - Pricing for risk
- Risk-adjusted margin of 34.8% versus 30% minimum target:
  - Consistently tight credit standards driving up quality of receivables book
  - Stable UK employment market

RISK-ADJUSTED MARGIN
VANQUIS BANK - UK

% average receivables	2010	2011	2012
Revenue	56.0	54.7	52.7
Impairment	(22.1)	(19.7)	(17.9)
Risk-adjusted margin	33.9	35.0	34.8

- Backdrop of benign UK employment market
- Moderation in revenue yield:
  - Less upwards risk-based re-pricing
  - Lower non-interest income from late and overlimit fees
- Benefit to impairment charge from consistent reduction in arrears:
  - Arrears have been stable at record lows since October 2012
  - Reduction in arrears levels added c.1½% to risk-adjusted margin in 2012 (c.2% in 2011)

IMPAIRMENT POLICY
VANQUIS BANK - UK

- 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

IFRS 7 DISCLOSURES

VANQUIS BANK - UK

At 31 December % receivables	**2012** **%**	**2011** **%**	**2010** **%**
In order	90.3	89.0	86.5
In arrears:			
- past due but not impaired	-	-	-
- impaired	9.7	11.0	13.5
Total	100.0	100.0	100.0

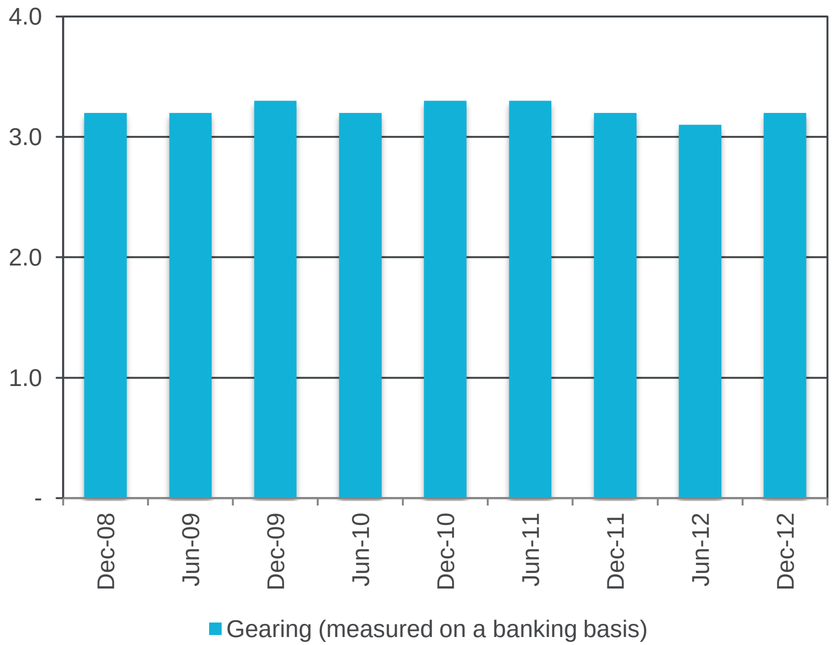
- Favourable change in profile reflects record low arrears

ROBUST BALANCE SHEET

As at 31 December	2012 £m	2011 £m
Receivables:		
- Home credit	869.6	876.7
- Real Personal Finance	0.9	2.6
- Vanquis Bank	643.3	453.4
Total receivables	1,513.8	1,332.7
Pension asset	23.0	13.5
Liquid assets buffer	52.3	17.5
Debt funding	(874.0)	(909.9)
Retail deposits	(327.4)	(139.7)
Other	(12.3)	12.1
Net assets	375.4	326.2
Gearing* (times)	3.2	3.2

* (Total borrowings – liquid assets buffer) / (Net assets – pension asset, net of deferred tax – fair value of derivatives, net of deferred tax)

MODEST GEARING LEVELS



- Gearing at December 2012 of 3.2 times versus banking covenant of 5.0 times
- Strong capital generation has funded dividends and growth as well as maintaining stable gearing

DIVERSIFIED FUNDING BASE

At 31 December	2012 £m
Banks	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
Total bonds and private placements	678
Vanquis Bank retail deposits	327
Total committed facilities	1,388
Headroom on committed borrowing facilities	192
Additional retail deposits capacity*	202
Funding capacity	394

* Based on the lower of: (i) 90% of Vanquis Bank receivables of £643.3m at 31 December 2012 less retail deposits of £327.4m after setting aside necessary liquid assets buffer of £18.9m; and (ii) the Vanquis Bank intercompany loan from Provident Financial plc of £202.1m at 31 December 2012

RETAIL DEPOSITS PROGRAMME

	2012 £m	2011 £m
At 1 January	139.7	-
New funds	204.8	139.7
Maturities	(33.5)	-
Retentions	16.4	-
At 31 December	327.4	139.7

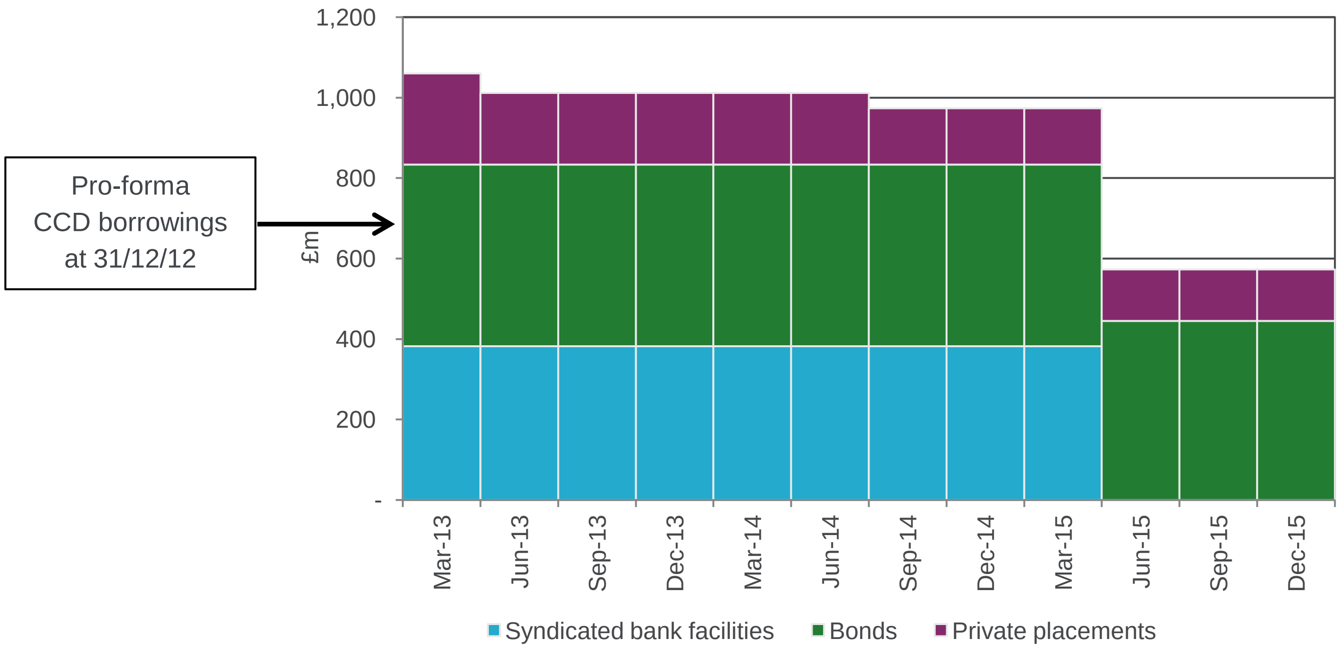
- Retail deposits represent 51% of Vanquis Bank receivables
- Flow of new funds moderated following £120m retail bond issue in March
- FSA permission to increase retail deposits funding from 80% to 90% of receivables → confirms self-funding status
- Not necessary for Vanquis Bank to move to full retail deposits funding until at least 2015

MATURITY PROFILE OF RETAIL DEPOSITS

		Maturing in				
Product	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**
1-year	37.1	37.1	-	-	-	-
2-year	108.8	76.5	32.3	-	-	-
3-year	84.4	-	18.7	65.7	-	-
5-year	97.1	-	-	-	14.5	82.6
Total	327.4	113.6	51.0	65.7	14.5	82.6

- Weighted average period to maturity on deposits of 2.3 years
- Interest rates of between 2.21% and 4.65% paid during 2012
- Blended deposits rate of 4.5%, after cost of holding liquid assets buffer

MATURITY PROFILE OF DEBT



- 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

ALIGNMENT OF DIVIDEND POLICY, GEARING AND GROWTH

High ROE businesses

Dividend policy	Gearing	Growth
Cover ≥ 1.25x	≤ 3.5x versus covenant of 5.0x	Supports c.£150m receivables growth p.a

STRONG CAPITAL GENERATION

Year ended 31 December	2012 £m	2011 £m
CCD	102.4	103.9
Vanquis Bank	26.1	14.8
Central	(20.8)	(8.6)
Capital generated	107.7	110.1
Dividends payable	(104.3)	(93.0)
Capital retained	3.4	17.1
Gearing (times)	3.2	3.2
Dividend cover, prior to exceptional credit (times)	1.32	1.30

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

REGULATION AND OUTLOOK

PETER CROOK – CHIEF EXECUTIVE

REGULATORY UPDATE

- Transfer of responsibility for consumer credit regulation from OFT to FCA is expected to be confirmed in 2013 and take place in 2014:
  - Number of important issues to be resolved, including how CCA regime will be transformed to a rules-based environment
  - Government amended Financial Services Bill to make explicit the power of FCA to limit loan charges although this does not augment regulator's existing powers
- Delayed final report from Bristol University Personal Finance Research Centre study into a variable cap on total cost of credit is due to be published shortly
- Final guidance on joint consultation between FSA/OFT on payment protection products was published in January 2013:
  - Broadly consistent with previous guidance
  - Applies to insurance and non-insurance products, including Vanquis Bank's ROP product
  - Clarifies disclosure around cost of payment protection products
  - Vanquis Bank's practice is to comply fully with all legislation and related guidance
  - May result in some modest reduction in customer take-up of ROP

CCD

BUSINESS DEVELOPMENT

- Stepping up agenda designed to bolster medium-term growth
  - Expansion of geographic footprint
  - Developing product proposition
  - TV advertising
  - Increasing effectiveness of field organisation
  - Investment in IT
- Supported by three important senior management appointments:
  - Mark Stevens (ex-Leeds Building Society, Apax) – Commercial Director
  - Sarah Dickins (ex-Asda) – HR Director
  - Andy Parkinson (ex-BrightHouse) – Director of Field Operations

VANQUIS BANK
UK MEDIUM-TERM POTENTIAL

- Growth in Vanquis Bank over last two years has exceeded plan
- Greater penetration of target market due to enhanced marketing
- Demand for non-standard credit cards expected to remain strong
- Revised assessment of medium-term potential:
  - Serving between 1.3m and 1.5m customers
  - Up from previous assessment of between 1.0m and 1.2m
  - No change to assessment of average balance of between £800 and £1,000
- Medium-term rate of growth will be dictated by:
  - Economic conditions
  - Emergence of competition
  - Continued strict financial objective of maintaining a post-tax ROE of 30%
- Vanquis Bank also continues to explore product extension in the UK

VANQUIS BANK
POLAND

- Progress to date:
  - First cards issued in June through a single, regional broker
  - Product proposition well received by customers
  - Polish website went live for applications in September
  - Further distribution added through national broker in December
  - Business platform operating successfully
  - Sufficient business now being written to develop bespoke credit tools which are a prerequisite for moving business to scale
- 9,000 customers with a receivables book of £1.8m at end of 2012
- Pilot is progressing in line with management’s plans
- Costs in 2012 amounted to £3.3m in line with previous guidance
- Firm conclusions on the pilot are expected to be reached by the half year
- Expecting further costs of c.£3m in first half of 2013

GROUP INVESTMENT CASE

- Non-standard credit market will remain domain of specialists
- Attractive business model:
  - Home credit business has opportunities for sustainable growth
  - Strong, profitable and capital generative growth in Vanquis Bank
- Resilient to current market conditions and regulatory environment
- Excellent UK credit card platform, channels to market and credit expertise capable of being exported into other territories
- Highly skilled and experienced management teams
- High ROE businesses which are very capital generative
  - Supports a high and sustainable distribution policy
- Robust balance sheet and prudent funding

OUTLOOK

- Group's funding and liquidity position is strong, allowing it to meet contractual debt maturities and accommodate in full its growth plans into 2015
- Focus in 2013:
  - CCD will execute against agenda to bolster medium-term growth prospects and business effectiveness, even if near-term market conditions remain unhelpful
  - Vanquis Bank UK will continue to invest in its customer acquisition programme whilst delivering strong margins.
- Strict credit standards will be maintained
- Pilot credit card operation in Poland progressing to plan and expected to reach a conclusion by the half year
- First two months of 2013 have seen a sound collections performance in CCD and a strong start to the year by Vanquis Bank
- Group expects to make further good progress in 2013

QUESTIONS?

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