Exporting home collected credit

Speciality Finance Conference
November 2004
<table>
<thead>
<tr>
<th></th>
<th>2003 pre-goodwill PBT</th>
<th>2003 turnover</th>
<th>Market capitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>£206.2 million</td>
<td>£1.1 billion</td>
<td>£1.6 billion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Established</td>
<td>1880</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>3.5 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>8,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Provident Financial

### Our business

<table>
<thead>
<tr>
<th></th>
<th>Employees ('000's)</th>
<th>Customers ('000's)</th>
<th>Turnover (£m)</th>
<th>PBT (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK home credit</strong></td>
<td>2,900</td>
<td>1,605</td>
<td>495.6</td>
<td>152.6</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>2,900</td>
<td>1,244</td>
<td>191.4</td>
<td>29.3</td>
</tr>
<tr>
<td><strong>Yes Car Credit</strong></td>
<td>1,100</td>
<td>55</td>
<td>269.2</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>Vanquis Bank</strong></td>
<td>100</td>
<td>37</td>
<td>1.3</td>
<td>(6.7)</td>
</tr>
<tr>
<td><strong>Total consumer credit</strong></td>
<td>7,000</td>
<td>2,941</td>
<td>957.5</td>
<td>186.4</td>
</tr>
<tr>
<td><strong>Motor insurance</strong></td>
<td>500</td>
<td>587</td>
<td>176.7</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>60</td>
<td>-</td>
<td>-</td>
<td>(8.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,560</td>
<td>3,528</td>
<td>1,134.2</td>
<td>206.2</td>
</tr>
</tbody>
</table>

Pre goodwill profit before tax
12 months to 31 December 2003
Provident Financial

Strategy

We aim to be a leading international provider of simple financial services

- Serving customers earning moderate incomes
- Growing by:
  - international expansion
  - broader range of credit products
Provident Financial

Developing the business

1996

- UK consumer credit
- UK home credit

Motor Insurance

- Provident Insurance
- Colonnade Insurance Brokers

2003

- UK consumer credit
- UK home credit
- Yes Car Credit
- Vanquis Bank (pilot)

International

- Poland
- Czech Republic
- Hungary
- Slovakia
- Mexico (pilot)

Motor Insurance

- Provident Insurance
Provident Financial

Developing the business

Turnover

1996
UK home credit: 74%
Motor insurance: 26%

2003
UK home credit: 43%
Motor insurance: 16%
Yes Car Credit: 24%
International: 17%

Year ended 31 December
What is home credit?

- Small, unsecured cash loans
- Delivered and collected in the home
- Service provided by self-employed agents
- Weekly repayment
- Woman to woman
- Fixed charges
- Simple and convenient
Why international expansion?

> Slowing UK growth
> Opportunity for diversification
> Leverage experience and knowledge
> Research confirmed attractiveness for home credit overseas
> Ability to generate profitable growth
> Create substantial shareholder value
UK consumer credit

Home credit: customers & credit issued

- Customer numbers ('000)
- Credit issued (£m)
International

**Why central Europe?**

- Population size equivalent to the whole of UK
- Customers concentrated in urban centres
- Growth of consumer markets and demand for consumer credit
- Under-served consumer credit market
- Good cultural attitude towards responsible borrowing and repayment
International

Central Europe

- Budapest
- Prague
- Warsaw
- Bratislava
- Poland
- Czech Republic
- Slovakia
- Austria
- Germany
- Vienna
- Bratislava
- Budapest
# International Central European market potential

<table>
<thead>
<tr>
<th></th>
<th>Poland</th>
<th>Czech</th>
<th>Hungary</th>
<th>Slovakia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>39</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>64</td>
</tr>
<tr>
<td>Target customers (‘000)</td>
<td>1,000</td>
<td>250</td>
<td>250</td>
<td>125</td>
<td>1,625</td>
</tr>
<tr>
<td>Current customers (‘000)</td>
<td>885</td>
<td>220</td>
<td>185</td>
<td>75</td>
<td>1,365</td>
</tr>
<tr>
<td>Target annual credit issued per customer (£)</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>270</td>
<td>390</td>
</tr>
<tr>
<td>Target annual profit per customer (£)</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>40</td>
<td>58</td>
</tr>
<tr>
<td>Current profit per customer (£)*</td>
<td>44</td>
<td>41</td>
<td>7</td>
<td>-20</td>
<td>35</td>
</tr>
</tbody>
</table>

*12 months to June ’04
International

Annual profit development

Profit before tax (£m)

1999 2000 2001 2002 2003

(9.0) (7.2) (1.1) 8.6 29.3

Year ended 31 December
International

Customer numbers (~000)

Poland

1998 1999 2000 2001 2002 2003 2004
3 32 164 416 561 750 885

Czech Republic

1998 1999 2000 2001 2002 2003 2004
2 24 98 184 206 212 220

Hungary

1998 1999 2000 2001 2002 2003 2004
1 27 80 185

Slovakia

1998 1999 2000 2001 2002 2003 2004
1 12 39 75

As at 30 June
International

Annual profits (£m)

Poland

- 1997: (0.6)
- 1998: (1.5)
- 1999: (2.6)
- 2000: (2.8)
- 2001: 6.7
- 2002: 16.7
- 2003: 33.1

Czech Republic

- 1997: (0.2)
- 1998: (1.1)
- 1999: (2.7)
- 2000: 0.1
- 2001: 2.5
- 2002: 5.1
- 2003: 8.8

Hungary

- 1997: (2.3)
- 1998: (3.1)
- 1999: (1.9)

Slovakia

- 1997: (1.3)
- 1998: (2.0)
- 1999: (1.6)

Year ended 31 December
Why Poland?

> Large, urbanised population
> $73 billion invested by international businesses since 1990’s
> Ranked first in Europe for foreign direct investment
> Young, ambitious and well-educated workforce
> Projected GDP growth of 5.6% in 2004 & 4.7% in 2005
> Under-developed consumer credit market
Poland: country information

- Population: 38.1 million
- % of population in cities over 20,000 people: 49%
- GDP per capita: $6,108
- S&P country rating: A-
- Economic growth rate (GDP): 3.7%
- Inflation: 0.7%
- Interest rate: 5.25%
- Retail lending % GDP: 8%
International

Why Czech Republic?

> Stable and prosperous country post-Communism
> Largest recipient of foreign direct investment in central Europe on a per capita basis
> Transparent and safe investment environment
> Projected GDP growth of 3.8% in 2004 and 4.0% in 2005
> Two thirds of population live in urban areas
> Under-developed consumer credit market
## Czech Republic: country information

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10.2 million</td>
</tr>
<tr>
<td>% of population in cities over 20,000 people</td>
<td>44%</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>$9,280</td>
</tr>
<tr>
<td>S&amp;P country rating</td>
<td>A+</td>
</tr>
<tr>
<td>Economic growth rate (GDP)</td>
<td>2.9%</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.1%</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.0%</td>
</tr>
<tr>
<td>Retail lending % GDP</td>
<td>7%</td>
</tr>
</tbody>
</table>
Why Hungary?

- Strong, economic growth
- Growth driven by a dynamic export sector
- Considerable inflows of foreign direct investment
- Competitive and dynamic economy
- Projected GDP growth of 3.5% in 2004 and 3.8% in 2005
- Under-developed consumer credit market
Hungary: country information

- Population: 10.1 million
- % of population in cities over 20,000 people: 49%
- GDP per capita: $9,381
- S&P country rating: A
- Economic growth rate (GDP): 2.9%
- Inflation: 4.7%
- Interest rate: 12.5%
- Retail lending % GDP: 6%
Why Slovakia?

- Geographical proximity to Czech Republic
- Slovak economy is on a high growth path
- Projected GDP growth rates of 5.2% in both 2004 and 2005
- Exports expanding steadily
- Robust private domestic demand
- Foreign investment increased in recent years
- Reform and EU membership has potential to enhance growth
- Under-developed consumer credit market
Slovakia: country information

- Population: 5.4 million
- % of population in cities over 20,000 people: 41%
- GDP per capita: $7,403
- S&P country rating: A-
- Economic growth rate (GDP): 4.2%
- Inflation: 8.5%
- Interest rate: 6%
- Retail lending % GDP: 6%
## Mexico: country information

<table>
<thead>
<tr>
<th>Metric</th>
<th>Mexico</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>103 million</td>
<td>38 million</td>
</tr>
<tr>
<td>% of cities with over 10,000 people</td>
<td>82%</td>
<td>62%</td>
</tr>
<tr>
<td>Per capita annual income</td>
<td>$8,800</td>
<td>$9,000</td>
</tr>
<tr>
<td>S&amp;P country rating</td>
<td>A-</td>
<td>A-</td>
</tr>
<tr>
<td>Economic growth rate</td>
<td>1.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Inflation</td>
<td>4.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Interest rate</td>
<td>5.15%</td>
<td>5.25%</td>
</tr>
</tbody>
</table>
International

Mexico: pilot progress

> Progressing well - performing as expected
> 4 branches open in Puebla area
> 117 employees
> 367 agents
> 14,000 customers
> Credit issued for half-year £1 million
> Start-up loss for half-year £1.2 million
<table>
<thead>
<tr>
<th>Country</th>
<th>Base Rate</th>
<th>Current Inflation</th>
<th>Industrial Production Growth</th>
<th>Retail Sales Growth</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>6.5%</td>
<td>4.4%</td>
<td>9.3%</td>
<td>8.8%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Czech</td>
<td>2.5%</td>
<td>3.0%</td>
<td>8.7%</td>
<td>3.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Hungary</td>
<td>11.0%</td>
<td>6.6%</td>
<td>6.2%</td>
<td>4.7%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.5%</td>
<td>6.7%</td>
<td>5.4%</td>
<td>8.1%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Mexico</td>
<td>8.0%</td>
<td>5.1%</td>
<td>5.2%</td>
<td>3.6%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>
Country selection: where next?

- Criteria for potential markets:
  - Relatively stable economy
  - Rule of law
  - Safe to lend and collect
  - Urbanised
  - Can be funded in local currency
  - Well educated workforce
  - Sufficient potential
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Summary

> Successfully internationalised and broadened product range
> Excellent growth prospects in central Europe and Mexico
> Further internationalisation planned
> Good progress in executing our strategy
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