Provident Financial sro
Czech Republic

Agenda

> Introduction
  - Management team

> Provident Financial sro
  - Targets
  - Key business drivers
  - Potential risks/opportunities
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Czech Republic

Czech senior management team

MARK BARDSLEY
Managing Director

David Vaněk
HUMAN RESOURCES MANAGER

Jaroslav Mužík
ADMINISTRATION & SECURITY DIRECTOR

Andrea Stock
LEGAL MANAGER

Stephen Samways
FINANCE DIRECTOR

Filip Duchoň
OPERATIONS DIRECTOR

Pavla Bučková
MARKETING MANAGER

Chris Wheeler
DEVELOPMENT DIRECTOR

Ian Hamilton
HEAD OF BUSINESS DEVELOPMENT

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Targets

Population 10 m
Estimated market size 500,000
Target customers 250,000
Target annual credit issued per customer £400
Target annual profit per customer £60
<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>June ‘02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated market size</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Customers</td>
<td>250,000</td>
<td>206,000</td>
</tr>
<tr>
<td>Annual credit issued per customer</td>
<td>£400</td>
<td>£309</td>
</tr>
<tr>
<td>Annual profit per customer</td>
<td>£60</td>
<td>£19</td>
</tr>
</tbody>
</table>
## Czech Republic

### Progress towards targets

<table>
<thead>
<tr>
<th>Year to 30 June: £’m</th>
<th>Target</th>
<th>2002</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit issued</td>
<td>100.0</td>
<td>58.0</td>
<td>42.0</td>
</tr>
<tr>
<td>Revenue</td>
<td>55.0</td>
<td>28.5</td>
<td>26.5</td>
</tr>
<tr>
<td>Agent commission</td>
<td>?</td>
<td>(4.5)</td>
<td>?</td>
</tr>
<tr>
<td>Interest</td>
<td>?</td>
<td>(2.0)</td>
<td>?</td>
</tr>
<tr>
<td>Bad debt</td>
<td>?</td>
<td>(6.5)</td>
<td>?</td>
</tr>
<tr>
<td>Expenses</td>
<td>?</td>
<td>(11.9)</td>
<td>?</td>
</tr>
<tr>
<td>‘Costs’ sub-total</td>
<td>40.0</td>
<td>24.9</td>
<td>15.1</td>
</tr>
<tr>
<td>Profit</td>
<td>15.0</td>
<td>3.6</td>
<td>11.4</td>
</tr>
</tbody>
</table>

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Key performance drivers

- Customer growth: 206,000 ➞ 250,000
- Issue per customer: £309 ➞ £400
- Gross revenue margin: 49% ➞ 55%
- Costs as % of revenue: 87% ➞ 73%
Czech Republic

Customer growth: the market

> The market
> Target segments
> Competition
Czech Republic

Customer growth: agent numbers

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 98</td>
<td>156</td>
</tr>
<tr>
<td>Jun 99</td>
<td>830</td>
</tr>
<tr>
<td>Dec 99</td>
<td>1,855</td>
</tr>
<tr>
<td>Jun 00</td>
<td>2,325</td>
</tr>
<tr>
<td>Dec 00</td>
<td>2,548</td>
</tr>
<tr>
<td>Jun 01</td>
<td>2,520</td>
</tr>
<tr>
<td>Dec 01</td>
<td>2,549</td>
</tr>
<tr>
<td>Jun 02</td>
<td>2,735</td>
</tr>
<tr>
<td>Aug 02</td>
<td>2,739</td>
</tr>
</tbody>
</table>

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## Customer growth: agent round size

<table>
<thead>
<tr>
<th>Customer band</th>
<th>Czech</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 50</td>
<td>33%</td>
<td>3%</td>
</tr>
<tr>
<td>51 - 75</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>76 - 100</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>101 - 150</td>
<td>18%</td>
<td>39%</td>
</tr>
<tr>
<td>150 +</td>
<td>8%</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Average</td>
<td>75</td>
<td>124</td>
</tr>
</tbody>
</table>
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Customer growth: marketing

> Customer acquisition
> Initial set up
  – branch openings
  – targeted communication:
    - press
    - radio
    - printed materials
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Customer growth: marketing

> Move to mass communication (TV)
> TV campaign developed in 2001
> Brand awareness
Czech Republic

Customer growth: marketing

> Integrated support materials
> Call centre activity
> New campaign scheduled for Christmas 2002
Czech Republic

Customer numbers (000s)

Dec 98 | Jun 99 | Dec 99 | Jun 00 | Dec 00 | Jun 01 | Dec 01 | Jun 02 | Aug 02
---|---|---|---|---|---|---|---|---
6 | 24 | 66 | 98 | 161 | 184 | 189 | 206 | 209

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Issue per customer

> Target increase - £309 ⇔ £400
> Average first loan issue value - 6,700 CZK (£134)
> Average re-serve value - 9,800 CZK (£196)
> Target loans per customer - 2 per year
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Loans per customer

> 1.6 loans per customer at end of 2001
> Target 2
> Introduction of multiple loans
> Currently 1.8 loans per customer
### Czech Republic

#### Gross revenue margin: loan products

<table>
<thead>
<tr>
<th></th>
<th>20-week (crown)</th>
<th>31-week (crown)</th>
<th>52-week (crown)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical loan amount</td>
<td>5,900</td>
<td>6,700</td>
<td>10,800</td>
</tr>
<tr>
<td>Charges</td>
<td>2,360</td>
<td>3,685</td>
<td>7,170</td>
</tr>
<tr>
<td>Gross revenue margin</td>
<td>40%</td>
<td>55%</td>
<td>66%</td>
</tr>
<tr>
<td>Total amount payable</td>
<td>8,260</td>
<td>10,385</td>
<td>17,970</td>
</tr>
<tr>
<td>Weekly rate</td>
<td>413</td>
<td>335</td>
<td>346</td>
</tr>
<tr>
<td>APR</td>
<td>481</td>
<td>365</td>
<td>199</td>
</tr>
</tbody>
</table>
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Gross revenue margin

> Gross revenue margin 49% ⇒ 55%
> Current products are:
  – 20 and 31 weeks for new customers
  – 31 and 52 weeks for re-serves
> Mix of products moving longer term
Czech Republic

Costs

Costs as % of revenue

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th>Czech</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 months to June 2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>23</td>
<td>16</td>
<td>?</td>
</tr>
<tr>
<td>Bad debt</td>
<td>17</td>
<td>23</td>
<td>?</td>
</tr>
<tr>
<td>Expenses</td>
<td>24</td>
<td>42</td>
<td>?</td>
</tr>
<tr>
<td>Interest - like for like*</td>
<td>4</td>
<td>4</td>
<td>?</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>85</td>
<td>73</td>
</tr>
</tbody>
</table>

*Interest - reported

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Commission

> Commission structure
  – collecting commission of up to 5%
  – new door commission of 300 crowns (£6)

> Agents’ commission at 16% of revenue compared with 23% for the UK

> Reflects lower level of earnings
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Bad debt as a percentage of credit issued

Moving annual total

Dec 98 1.1  Jun 99 3.6  Dec 99 3.3  Jun 00 4  Dec 00 3.9  Jun 01 7.2  Dec 01 11.2  Jun 02 11.3
Why did bad debt increase?

> Bad debt increased due to:
  – Business expansion
  – Inexperience of staff
  – Proportion of monthly payers
  – Proportion of new customers
How was the rise in bad debt stabilised?

> Stabilised in the range 11% - 12%
> This has been achieved by
  – increased staff awareness and experience
  – better targeting of customers in arrears
> Focus is now on more issue, not reduced bad debt - current level acceptable given growth and margins

Czech Republic
## Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related costs</td>
<td>51%</td>
</tr>
<tr>
<td>Travel and telephony</td>
<td>12%</td>
</tr>
<tr>
<td>Employee-related expenses</td>
<td>63%</td>
</tr>
<tr>
<td>Marketing and PR</td>
<td>11%</td>
</tr>
<tr>
<td>Property costs</td>
<td>8%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>8%</td>
</tr>
<tr>
<td>Administration/other costs</td>
<td>10%</td>
</tr>
<tr>
<td>Infrastructure costs</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

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Employee related costs: employee numbers

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Marketing and PR

> 11% of overheads
> Similar cost per customer going forward
> Customer referrals
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Infrastructure costs: branches

- Dec 98: 3
- Jun 99: 7
- Dec 99: 15
- Jun 00: 20
- Dec 00: 24
- Jun 01: 24
- Dec 01: 24
- Jun 02: 24
- Aug 02: 24

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Expenses

> Currently 42% of gross revenue
> Target 28% of gross revenue
> Costs mainly fixed
> Target achievable
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Potential risks

- Economic
- Market estimates
- Competition
- Credit quality
- Regulatory
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The future

> Build on successes
> 250,000 customers by 2004
> Target of £400 annual issue per customer
> Target of £60 pre tax profit per customer per annum
> Strong management team
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