Central European Briefing
May 2002
International home credit

**Itinerary**

> 15 May – Warsaw
  - Provident Polska sa head office
  - Warsaw “Blue Point” branch office
> 15 May travel to Prague at 14.00 hrs
  - Provident Financial sro head office
  - Dinner with Czech and Slovakian teams
> 16 May travel to Budapest at 08.00 hrs
  - Provident Financial rt head office
> 16 May depart Budapest 15.30 hrs: arrive Stansted 16.55 hrs
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**Personnel**

- Robin Ashton, Chief Executive
- John Harnett, Finance Director
- David Swann, MD International Home Credit Division
- Nick Illingworth, MD International Investments Ltd
- Simon Shaw, Treasurer
- David Stevenson, Communications Manager
- Rachel Brown, PR Manager
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Structure of Provident Financial plc

- Executive directors and central team
  - UK home credit
  - International home credit
  - Motor insurance
  - Group central services
International home credit

Structure of International home credit

Managing Director
David Swann

- Provident Polska sa
  Poland
  Steve Ford

- Provident Financial sro
  Czech Republic
  Mark Bardsley

- Provident Financial rt
  Hungary
  Eddie Lawrenson

- Provident Financial sro
  Slovakian Republic
  Kenny McPartland

Central team

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Central team

> Overall development of the international businesses (67 people)
> Functional support
> All functions except Development matched by strong in-country resource
> Intellectual property retained at centre
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Finance

> Biggest team - 36 people (13 qualified)
> Financial reconciliation, control and compliance
> Management accounting
  – modelling
  – budgeting
> Management information

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**Human resources**

> Human resources policies and planning (including ex-pats)
> Recruitment and development of staff and agents
> Training programmes
  – translation
  – adapt to local culture
  – train trainers
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Security and administration

> Based on UK model
> Standard working practices
> UK fraud detection package tailored to individual countries experience
> Guides and monitors in-country anti-fraud activity
> Security directly controlled from UK
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**Information technology**

> Use same systems as developed for UK (limited tailoring for language and currency)
> Pay for resources within UK home credit IT team
> Dedicated management information computer system (separate computer) in UK
> New field system being developed for UKHC and IHC - roll out commences in late 2003
Marketing

> Co-ordinate and support in-country activity
  – public affairs and public relations
  – communications
  – advertising
  – community relations
> Market research
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Research and development

> New country selection model
> Desk and in-country research
  – financial
  – legal
  – culture
  – market
> Use own resources plus professional advisers and researchers
> Next new country - 2003

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## International home credit

### Divisional profit/(loss) before tax (£m)

<table>
<thead>
<tr>
<th>Division</th>
<th>2001</th>
<th>2000</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>6.7</td>
<td>(2.8)</td>
<td>+9.5</td>
</tr>
<tr>
<td>Czech</td>
<td>2.5</td>
<td>0.1</td>
<td>+2.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>(2.3)</td>
<td>-</td>
<td>-2.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>(1.3)</td>
<td>-</td>
<td>-1.3</td>
</tr>
<tr>
<td>Central costs</td>
<td>(4.8)</td>
<td>(3.2)</td>
<td>-1.6</td>
</tr>
<tr>
<td>Profit / (loss) from ongoing ops.</td>
<td>0.8</td>
<td>(5.9)</td>
<td>+6.7</td>
</tr>
<tr>
<td>South Africa</td>
<td>(3.6)</td>
<td>(0.8)</td>
<td>-2.8</td>
</tr>
<tr>
<td>Reported loss</td>
<td>(2.8)</td>
<td>(6.7)</td>
<td>+3.9</td>
</tr>
</tbody>
</table>

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### International home credit

**(Investment) / returns by country (£m)**

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>(0.6)</td>
<td>(1.5)</td>
<td>(2.6)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Czech</td>
<td>(0.2)</td>
<td>(1.1)</td>
<td>(2.7)</td>
<td>0.1</td>
</tr>
<tr>
<td>RSA</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>(0.8)</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Hungary</td>
<td>(2.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>(1.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Poland and Czech Republic move strongly into profit in 2001

Poland (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/Loss</td>
<td>(0.6)</td>
<td>(1.5)</td>
<td>(2.6)</td>
<td>(2.8)</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Czech Republic (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/Loss</td>
<td>(0.2)</td>
<td>(1.1)</td>
<td>(2.7)</td>
<td>0.1</td>
<td>2.5</td>
</tr>
</tbody>
</table>

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Full year results

How does the profitability of Poland and the Czech Republic compare to that of the UK home credit division?
### Relative profit performance

<table>
<thead>
<tr>
<th>% of turnover</th>
<th>Poland</th>
<th>Czech</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission</td>
<td>13.2</td>
<td>13.0</td>
<td>23.2</td>
</tr>
<tr>
<td>Expenses</td>
<td>47.6</td>
<td>45.0</td>
<td>23.8</td>
</tr>
<tr>
<td>Bad debt charge</td>
<td>15.9</td>
<td>24.0</td>
<td>16.4</td>
</tr>
<tr>
<td>Interest payable</td>
<td>14.2</td>
<td>8.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Pre tax profit</td>
<td>9.1</td>
<td>9.9</td>
<td>32.3</td>
</tr>
<tr>
<td>Adj. Pre tax profit</td>
<td>14.2</td>
<td>13.9</td>
<td>30.4</td>
</tr>
<tr>
<td>Post tax return on av.</td>
<td>12.5%</td>
<td>10.6%</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

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Strong customer growth continues

'000's

<table>
<thead>
<tr>
<th>Year</th>
<th>Slovakia</th>
<th>Hungary</th>
<th>Czech</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>100</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>2000</td>
<td>200</td>
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<tr>
<td>2001</td>
<td>300</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Apr-02</td>
<td>400</td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
</tbody>
</table>

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New country selection

> Ongoing research
> Criteria
  – politically and economically stable
  – secure local currency funding
  – urbanised economy
  – safe to operate
  – financially attractive