Agenda for today

> Provident Pénzügyi Rt presentation
> Lunch
> Provident sro presentation
> Head office tour
> Return to airport
Hungary

Agenda

> Introduction
  - Management team
  - Why Hungary?
> Provident Pénzügyi Rt
  - History of the business
  - Establishing the business
  - Performance
  - Regulation
  - Lessons learned & plans for the future

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Introduction – Eddie Lawrenson

> 30 years experience in home collected credit
> International division, responsible for administration and security working in Poland and Czech Republic – November 1997
> Vice President of Provident Polska – July 1998
> Managing Director of Provident Pénzügyi Rt – January 2001

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Why Hungary?

> Central Europe – attractive region
> Emerging market – independence 1989
> Aiming for EU entry in 2004
> Strong, growing economy
> Underdeveloped consumer credit market
> Positive market research findings
> 10 million population
Why Hungary?

> Other British investors
  - Tesco / BAT / Vodafone / Shell / PowerGen
> Large potential customer base
> Legal and economic factors
> Low level of competition
> Well-educated and inexpensive work force
Population characteristics

- Population 10.2 million
- Over 60% of population in cities of over 10,000
- 4.1 million are registered as available for work
- Age structure:
  - 0 – 14 years: 17%
  - 15 – 59 years: 63%
  - Over 60 years: 20%
- Well educated
Hungary

Establishing the business: researching the market

> MEMRB – 2000
> Quantitative and qualitative studies
> Focus groups in Budapest and Debrecen
> 1,000 quantitative interviews
Establishing the business: research results

- Similar potential to Polish and Czech market
- High demand for service
- Cash loans attractive
- Customers would welcome weekly and monthly repayments
- Job opportunities: representative role
Establishing the business: company formation

- Deed of Foundation – 03/01/2001
- Proceed PSZÁF for
  - Establishment
  - Licence
- Approval and licence from PSZÁF – 11/05/2001
- Registered on the 14/05/2001

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Establishing the business: pilot operation

- Licence application
- UK support team
- Establish Head Office
- Set up 2 pilot offices
- Key recruitment and training
- Systems and support from UK
- Development plan created
Hungary

Establishing the business: first customer
Hungary

Establishing the business: first steps

> Recruit and train representatives
> Advertising for customers
> Issue and collect first loans
> First steps successful
Hungary

Establishing the business: public relations

> Proactive PR programme
> Contact with opinion formers, political leaders etc.
> VIP branch openings
> Media briefings
> Community programme
> Close links with British Embassy
Establishing the business: rolling out

- Language issues
- Establish local training
- Recruit and train development managers
- Recruit and train more representatives
- Get more customers
Hungary

Performance: branches

Q2 01 | Q3 01 | Q4 01 | Q1 02 | J 02
---|---|---|---|---
2 | 2 | 2 | 4 | 6

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Performance: locations

- Székesfehérvár
- Budapest (3)
- Kecskemét
- Szeged
Hungary
Performance: representatives

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Performance: representative profile

> Recruitment methods
> Female 69% : male 31%
> Average age is 43
> Commission structure
Hungary

Performance: loan products

> Current products are
  – 26 weeks for new customers
  – 39 weeks for re-serves
> Typical first loan issue value £140
> Average re-serve issue value £200
<table>
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<tr>
<th></th>
<th>26-week forint</th>
<th>39-week forint</th>
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<tbody>
<tr>
<td>Typical loan amount</td>
<td>55,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Charges</td>
<td>26,224</td>
<td>53,848</td>
</tr>
<tr>
<td>Total amount payable</td>
<td>81,224</td>
<td>133,848</td>
</tr>
<tr>
<td>Weekly rate</td>
<td>3,124</td>
<td>3,432</td>
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<tr>
<td>APR</td>
<td>397%</td>
<td>334%</td>
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Performance: Marketing materials

Weekly press advertisements
Leaflets dropped by representatives
Outdoor advertising

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Performance: customer profile

> Average age is 40
> 56% female : 44% male
> 89% pay weekly, 8% fortnightly and 3% monthly
<table>
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<tr>
<th></th>
<th>£m</th>
<th>2002</th>
<th>2001</th>
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<tr>
<td>Credit issued</td>
<td>4.1</td>
<td>0.1</td>
<td></td>
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<tr>
<td>Collections</td>
<td>3.5</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>1.5</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>1.5</td>
<td>-</td>
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<tr>
<td>Operating costs</td>
<td>2.6</td>
<td>0.8</td>
<td></td>
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<tr>
<td>Bad debt</td>
<td>0.3</td>
<td>-</td>
<td></td>
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<tr>
<td>Bad debt % credit issued (MAT)</td>
<td>8.0%</td>
<td>-</td>
<td></td>
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<tr>
<td>Interest</td>
<td>0.2</td>
<td>-</td>
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<tr>
<td>Loss</td>
<td>(1.6)</td>
<td>(0.8)</td>
<td></td>
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</tbody>
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Regulation: PSZÁF

- State Supervisor of Financial Institutions
- Regulator for
  - Banks and other financial institutions;
  - Insurance companies
  - Stock Exchange and securities brokers
  - Pension funds
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PSZÁF tasks

> Legal
> Financial
> Representatives
> PR and advertising
> Audit and supervision

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Regulation: working in a regulated environment means…

> Operating standards are defined by law
> Standards for all market players
> Protection for current market participants
> A structure for influencing legislation and practise
The lessons we have learned

> Organisation development model
   – Senior management
   – Experienced management infrastructure
   – Effective trading

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The lessons we have learned

> Operations
  – Field manager recruitment
  – Quicker recruitment of representatives
  – Extensive customer recruitment
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The lessons we have learned

> Security
  – Security management
  – Agent banking
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Expansion

> Pilot evaluated and further expansion approved
> Controlled growth in 2003 - 2005
> 8 new branches next year
> Introduction of 52-week product
> Introduction of multiple loans
Hungary

Plans 2002

> Controlled growth
> Reach the 50,000 customer count
> Preparations for 2003
Hungary

Plans 2003

> Operate home-collected credit service where 80% of population live
> Grow to 14 branches and 53 satellite offices
> Over 2,000 representatives
> Substantially grow customer numbers
Hungary

The future

> Build on pilot successes to date
> People development
> National coverage
> Target of average annual issue per customer of £400
> Target profit per customer of £60
Provident Pénzügyi Rt.