Provident Financial

Group strategy

To be a leading international provider of simple financial services
Provident Financial

Vital statistics

- 2001 PBT: £170 million
- Market Capitalization: £1.6 billion
- Business sectors: Unsecured consumer lending, Motor insurance: underwriting and broking
- Customers: 3.5m customers
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International business

- UK
- Irish Republic
- Poland
- Czech Republic
- Slovakia - pilot scale
- Hungary - pilot scale
Provident Financial
International business
## Provident Financial

### Group composition (end 2001)

<table>
<thead>
<tr>
<th>Division</th>
<th>% of sales</th>
<th>% of profit before tax</th>
<th>Competitive position</th>
<th>Primary activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK home credit</td>
<td>56%</td>
<td>79%</td>
<td>50% market share</td>
<td>Serves 1.61 million customers in the UK and the Republic of Ireland with small unsecured cash loans</td>
</tr>
<tr>
<td>International home credit</td>
<td>12%</td>
<td>n/a</td>
<td>100% market share. Provident has created new markets, with no direct competitor</td>
<td>Commenced in 1997 and now serves 0.70 million customers in central Europe with small unsecured cash loans. The division moved into profitability in the second half of 2000</td>
</tr>
<tr>
<td>Motor insurance</td>
<td>32%</td>
<td>21%</td>
<td>Top 3 underwriter in the third party market</td>
<td>Operates only in the UK and underwrites or brokers motor insurance policies for 1.2 million customers</td>
</tr>
</tbody>
</table>
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A good track record

Profit Before Tax (£m)

- 1991: 34.1
- 1992: 40.7
- 1993: 62.5
- 1994: 81.1
- 1995: 101.1
- 1996: 118.5
- 1997: 136.5
- 1998: 145.9
- 1999: 155.0
- 2000: 160.2
- 2001: 169.6
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A good track record

Return on equity (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on Equity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>29.5</td>
</tr>
<tr>
<td>1997</td>
<td>32.2</td>
</tr>
<tr>
<td>1998</td>
<td>42.4</td>
</tr>
<tr>
<td>1999</td>
<td>43.1</td>
</tr>
<tr>
<td>2000</td>
<td>44.1</td>
</tr>
<tr>
<td>2001</td>
<td>41.8</td>
</tr>
</tbody>
</table>
Excellent cash flow generation

Free cash flow (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>UK home credit</th>
<th>International</th>
<th>Motor insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>£35.9m</td>
<td></td>
<td></td>
<td>£35.9m</td>
</tr>
<tr>
<td>1997</td>
<td>£19.8m</td>
<td></td>
<td></td>
<td>£19.8m</td>
</tr>
<tr>
<td>1998</td>
<td>£31.4m</td>
<td></td>
<td></td>
<td>£31.4m</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td>£77.2m</td>
<td></td>
<td>£102.0m</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td>£95.1m</td>
<td>£95.1m</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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UK home credit division
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
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Uses of home credit

• Balancing the household budget
• Holiday spending money
• Christmas presents
• School uniform for children
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How do we operate?

Customers

Agents

Agency development manager
UK home credit

Target market for UK home collected credit

- C1, C2, D, E
- 26 million adults
- 3.3 million home credit users
- Modest growth potential
Provident UK customer demographic profile

UK home credit

Customers


E D C1/C2 AB
Customers access a range of other credit products

UK home credit

- Mail order: 59%
- Credit card: 22%
- HP (home): 13%
- Bank loan: 13%
- HP (car): 10%
- Store cards: 10%
- Bank overdraft: 34%
UK home credit

Market share

3.3m UK home credit customers

Provident: 50%

Small providers: 33%

Cattles: 17%
UK home credit

Costs and profit of UK home credit

% of turnover

- Bad debt: 17%
- Interest cost: 4%
- Overheads: 24%
- Agents' Commission: 23%
- Profit: 32%
UK home credit profit record

PBIT (£m)

1996: £123.3m, +17.7%
1997: £143.9m, +16.7%
1998: £158.8m, +10.4%
1999: £163.6m, +3.0%
2000: £166.4m, +1.7%
2001: £170.6m, +2.5%
UK home credit

Resilient to economic cycles

Bad debt and pre-tax profit as a percentage of credit issued
Provident Financial
International home credit

Poland
Czech Republic
Hungary
Slovakia
Timeline of international development

International home credit

Market research
Single location
Slow rollout
Accelerated rollout

Poland
Czech
Hungary
Slovakia

International home credit

Strong customer growth continues

Customers at 31 December

- Hungary and Slovakia
- Czech Republic
- Poland

1999
- 138,000
- 66,000
- 72,000

2000
- 466,000
- 161,000
- 305,000

2001
- 708,000
- 189,000
- 504,000

2001
- 15,000

Strong customer growth continues.
International home credit
Polish coverage

[Map of Poland showing cities with coverage]
International home credit

Poland

Market potential

- Assume market segments as UK
- Home credit market c.2m customers
- Provident to have leading market position
- Issue per customer about 2/3rds of UK
- Underlying level of bad debt at 9% - 10%
- Profit per customer c. £60
International home credit

Czech coverage
Czech Republic

Market potential

- Assume market segments as UK
- Home credit market c. 0.5m customers
- Issue per customer about 2/3rds of UK
- Underlying level of bad debt in range 11% - 12%
- Profit per customer expected to be c. £60
Motor insurance
The business

• Underwriting and broking
• Underwriting - a niche market:
  • Women drivers
  • Second cars
  • Low average premium
  • Non comprehensive
• Competitive advantage from cost efficiency and underwriting focus
Motor insurance

Market profit trends

Motor insurance industry profit as % of earned premiums
Motor insurance division profit trends (£m)

1996: 10.6
1997: 13.7
1998: 19.6
1999: 25.8
2000: 32.0
2001: 36.6