Provident Financial

Group strategy

- UK home credit: good returns, strong cashflow but relatively mature
- Potential from the export of home credit to new markets
- Target combined pre-tax profit of £75m p.a from our Polish and Czech businesses within 5 years
- Established pilot operations in Hungary and Slovakia in 2001 and announced full roll out in July this year
- Further countries intended for 2003 and beyond
- International expansion is a key element of strategy for future growth
Provident Financial

Vital statistics

- 2001 profit before tax: £170 million
- Market capitalisation: £1.7 billion
- Business sectors: Unsecured consumer lending, Motor insurance underwriting
- Customers: 3.5 million customers
Provident Financial
International business
What is home credit?
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
Uses of home credit

> Balancing the household budget
> Holiday spending money
> Christmas presents
> School expenses for children
Provident Financial
International home credit

> Poland
> Czech Republic
> Hungary
> Slovakia
## Provident Financial
### International home credit

<table>
<thead>
<tr>
<th></th>
<th>Poland</th>
<th>Czech</th>
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<th>Slovakia</th>
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</tr>
</thead>
<tbody>
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<td>60</td>
<td>40</td>
<td>58</td>
</tr>
</tbody>
</table>
Poland Targets

- Population: 39 million
- Estimated market size: 2 million
- Customers: 1 million
- Target annual credit issued per customer: £400
- Target annual profit per customer: £60
<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>June 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated market size</td>
<td>2 million</td>
<td>2 million</td>
</tr>
<tr>
<td>Customers</td>
<td>1 million</td>
<td>561,000</td>
</tr>
<tr>
<td>Annual credit issued per customer</td>
<td>£400</td>
<td>£346</td>
</tr>
<tr>
<td>Annual profit per customer</td>
<td>£60</td>
<td>£21</td>
</tr>
</tbody>
</table>
### Poland

#### 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>400.0</td>
<td>169.1</td>
<td>230.9</td>
</tr>
<tr>
<td>Revenue</td>
<td>220.0</td>
<td>88.7</td>
<td>131.3</td>
</tr>
<tr>
<td>Agent commission</td>
<td>-</td>
<td>(14.2)</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>(12.6)</td>
<td>-</td>
</tr>
<tr>
<td>Bad debt</td>
<td>-</td>
<td>(15.8)</td>
<td>-</td>
</tr>
<tr>
<td>Expenses</td>
<td>-</td>
<td>(35.8)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td>160.0</td>
<td>78.4</td>
<td>81.6</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>60.0</td>
<td>10.3</td>
<td>49.7</td>
</tr>
</tbody>
</table>
### Poland

**Key performance drivers**

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Value</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer growth</td>
<td>561,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Issue per customer</td>
<td>£346</td>
<td>£400</td>
</tr>
<tr>
<td>Gross revenue margin</td>
<td>52%</td>
<td>55%</td>
</tr>
<tr>
<td>Costs as % of revenue</td>
<td>88%</td>
<td>73%</td>
</tr>
</tbody>
</table>
Poland

Customer growth: the market

> The market
> Target segments
> Competition
Poland
Customer growth: customer numbers (000’s)

Dec 97  Jun 98  Dec 98  Jun 99  Dec 99  Jun 00  Dec 00  Jun 01  Dec 01  Jun 02  Aug 02

0.4  3  10  32  72  164  305  416  504  561  576
Poland

**Issue per customer**

- **Target increase**: £346 \(\Rightarrow\) £400
- **Typical first loan issue value**: £164
- **Average re-serve issue value**: £237
- **Target loans per customer**: 2 loans per year
- **Currently**: 1.7 loans per year
- **Introduction of multiple loans**
Poland
Marketing materials

Wiosną profity rosną!

Super Klub Sukcesu

Różne potrzeby ten sam Provident

ZADZWOŃ 0 801 124 124
Stylowa polityka gotówkowa
W ciągu 48 godzin
Bezpieczne w domu klienta
Mieszkanieniowo

PROVIDENT Polska

Unowocześnienia NBC

W naszej ofercie jest tak wygodno:
1. Tanie i szybkie elastyczne-
2. Szybkie i bezpieczne dostawa do domu
3. Wysokie elastyczne stacje na terenie SM
4. Mieszkanie świąteczności

PROVIDENT Polska

tak tak
Poland

Polish TV campaign December 2001

0801 124 124
Poland

**Gross revenue margin**

<table>
<thead>
<tr>
<th></th>
<th>26-week (zloty)</th>
<th>39-week (zloty)</th>
<th>52-week (zloty)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical loan amount</td>
<td>750</td>
<td>1,100</td>
<td>1,600</td>
</tr>
<tr>
<td>Charges</td>
<td>379</td>
<td>723</td>
<td>1,179</td>
</tr>
<tr>
<td>Gross revenue margin</td>
<td>50.5%</td>
<td>65.7%</td>
<td>73.7%</td>
</tr>
<tr>
<td>Total amount payable</td>
<td>1,129</td>
<td>1,823</td>
<td>2,779</td>
</tr>
<tr>
<td>Weekly rate</td>
<td>43.43</td>
<td>46.75</td>
<td>53.44</td>
</tr>
</tbody>
</table>
## Poland Costs

### Costs as % of revenue

<table>
<thead>
<tr>
<th>12 months to June 2002</th>
<th>UK</th>
<th>Poland</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission</td>
<td>23</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Bad debt</td>
<td>17</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>Expenses</td>
<td>24</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>Interest - like for like*</td>
<td>4</td>
<td>11</td>
<td>-</td>
</tr>
</tbody>
</table>

Total

| 68  | 85  | 73   |

*Interest - reported

| 4   | 14  | N/A  |
Poland

Bad debt as a percentage of credit issued

Dec 98  |  Jun 99  |  Dec 99  |  Jun 00  |  Dec 00  |  Jun 01  |  Dec 01  |  Jun 02
---     |         |         |         |         |         |         |     
2.8     | 4.2     | 3.5     | 4.3     | 3.9     | 5.9     | 7.5     | 9.3
<table>
<thead>
<tr>
<th>Expense</th>
<th>%</th>
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<tr>
<td>Employee related expenses</td>
<td>61</td>
</tr>
<tr>
<td>Marketing and PR</td>
<td>10</td>
</tr>
<tr>
<td>Infrastructure costs</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
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Poland

Employee-related costs: employee numbers

Dec 97  Jun 98  Dec 98  Jun 99  Dec 99  Jun 00  Dec 00  Jun 01  Dec 01  Jun 02  Aug 02

23  23  78  206  326  800  1,048  1,505  1,594  1,597  1,599
Poland

Marketing and public relations costs

> 10% of overheads

> Similar cost per customer going forward
Poland

Expenses summary

> 40% of gross revenue

> Relatively fixed in nature

> Target of 24% is achievable
Poland

Costs and profit as a % of revenue

Costs*

Profit
Poland
The future

> Build on successes
> Target of 1 million customers
> Target of £400 annual issue per customer
> Controlled growth
> Target of £60 pre-tax profit per customer per annum
Czech Republic

**Targets**

- Population: 10 million
- Estimated market size: 500,000
- Customers: 250,000
- Target annual credit issued per customer: £400
- Target annual profit per customer: £60
Czech Republic

Progress towards targets

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<td>£309</td>
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### International home credit

**Central European market potential**

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International home credit

Central European market potential

> UK home credit model can be successfully introduced overseas
> Customer and agent relationship similar in all countries
> Good quality, well educated workforce essential
> Key early skills: recruitment, training, advertising, brand building
> Simple, distributed IT systems a strength
> As arrears work builds, added support and training needed
> Need to balance growth, costs and bad debt
International home credit

Lessons learned

> New country development draws heavily on central resources

> Staged, low risk approach is best

> Early introduction of a full management team covering all functions aids development

> “In country” research is most valuable

> Pilot operation is best indicator of market dynamics
International home credit

Country selection: where next?

- Rule of law
- Relatively stable economy
- Safe to lend and collect
- Urbanised
- Can be funded in local currency
- Well educated workforce
- Sufficient potential
International home credit

Country selection: the future

- Eastern European countries not yet suitable
- Potential in Western Europe
- Potential further afield
- Low risk entry approach preferred
International home credit
The future

> Entered Hungary and Slovakia during 2001-progressing well
> Outstanding opportunities for further expansion-2003 onwards
> We will maintain our risk controlled approach
> Excellent prospects for generating additional shareholder value