Pan European small & mid cap conference

PROVIDENT FINANCIAL

31 March 2006
Strategy for growth

- Group overview
- Strategy for growth
- International
- UK
- Questions
Provident Financial
Group overview

2005 PBT:
FROM ON-GOING OPERATIONS
£206.0m

2005 REVENUE:
£1,110m

MARKET CAPITALISATION:
£1.8bn

ESTABLISHED:
1880

CUSTOMERS:
3.9m

EMPLOYEES:
7,700
A dynamic business with exciting, new opportunities

- Simple, affordable financial services
- Long-established home credit in the UK
- Successfully developed businesses in five new countries
- Modernising and improving the UK home credit service
- Developing new credit products
Developing the business

Profit before tax

1996*
- UK home credit: 91%
- Motor insurance: 9%

2005
- UK home credit: 62%
- Motor insurance: 17%
- International: 21%

*UK GAAP
Provident Financial International
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Market entry

- Initial market entry:
  - Poland - 1997
  - Czech Republic - 1998

- Second phase:
  - Slovakia - 2001
  - Hungary - 2001

- Third phase:
  - Mexico - 2003

- Fourth phase:
  - Romania - 2006 (pilot)
Benefits of emerging markets

- Fast growing demand for credit
- Underdeveloped supply of consumer credit
- Strong economic growth
- Consumer markets have growth rapidly in recent years
- Home credit well suited to early entry
**International success**

A significant and profitable business established

<table>
<thead>
<tr>
<th>Customer numbers ('000)</th>
<th>Credit issued (£m)</th>
<th>Profit before tax (£m)</th>
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Criteria for overseas expansion

- Large population
- Potential market size
- Economic performance
- Political environment
- Funding
- Desk research
- Detailed in-country research
- Pilot operation
- Roll-out
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Central Europe

Growth

Customer numbers ('000)
- 2000: 466
- 2005: 1,646

Credit issued (£m)
- 2000: 116
- 2005: 522

Profit before tax (£m)
- 2000: -3
- 2005: 64
Growth: targets on course

<table>
<thead>
<tr>
<th></th>
<th>12 months to Dec 2005</th>
<th>Target</th>
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<tbody>
<tr>
<td>Customers (000)</td>
<td>1,646</td>
<td>1,625</td>
</tr>
<tr>
<td>Annual credit issued per customer (£)</td>
<td>334</td>
<td>390</td>
</tr>
<tr>
<td>Annual profit per customer (£)</td>
<td>41</td>
<td>58</td>
</tr>
<tr>
<td>Annual profit (£m)</td>
<td>64</td>
<td>95</td>
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</tbody>
</table>
• Potential home credit market: three million customers
• Growing rapidly and performing well
• Fastest new country start-up
• Puebla-Veracruz progressing to plan
• Second region in Guadalajara-Leon
• Customer recruitment, collections and credit quality developing well
• Annual profit target revised up to £90 million
Our fastest growing business to date

Customer numbers at same stage of development

- **Mexico**: 131,000
- **Hungary**: 105,000
- **Czech Republic**: 84,000
- **Poland**: 76,000
- **Slovakia**: 42,000

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Mexico
Current and future locations
Prospects for 2006

- Excellent opportunity: three million customer market
- £90 million per annum pre-tax profit target
- Continue to deliver strong growth
- Rapid expansion in two major regions
- Start-up loss of approximately £9 million in 2006
- Profit in 2008
Romanian potential

- Researched well
- Significant potential
- 22 million population
- Low level of unemployment
- Good economic prospects
- Office established in Bucharest
- Licence to trade obtained
Prospects

- Faster new country expansion
- Broader range of credit products
- Prospects for sustained, excellent growth
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UK home credit

Overview

- Leading provider of home credit
- Excellent, cash generative business
- Produced a solid performance
- Market conditions remain competitive
- Pressure on customers’ disposable incomes
- Success of longer, larger loans
Customers and credit issued

Customer numbers ('000)

Credit issued (£m)

0 100 200 300 400 500 600 700 800 900 1,000

0 200 400 600 800 1,000 1,200 1,400 1,600 1,800

92 93 94 95 96 97 98 99 00 01 02 03 04 05

Customer numbers ('000) Credit issued (£m)
New initiatives

- Enhanced credit management
- Multi-channel marketing
- Merger of ‘back office’ of PPC and GPC brands
- Hand-held computers for agents
**Enhanced credit management**

- Improve the quality of lending decisions
- Assists less experienced agents
- Behavioural scoring system in the UK since 2002
- Recently developed application scoring systems
- Lend more to lower risk and less to higher risk customers
- Optimising profitability
Multi-channel marketing

- Supplement valuable source of agent recommendation
- New marketing channels:
  - direct mail
  - direct response advertising
  - internet
- Success in Q4 2005
- Confident that these initiatives will be beneficial
Merger of PPC and GPC ‘back office’

- Combine field management and administration of two brands:
  - Provident Personal Credit
  - Greenwood Personal Credit
- Improve efficiency
- Reduce costs
Hand-held computers for agents

- Successfully trialled a hand-held computer
- Develop software and systems in 2006
- Roll-out in 2007
- Reduced administration costs
- Increased agent effectiveness
- Improve customer service
Prospects

- Initiatives to improve performance
- Competitive market - signs of growth
- Focus on profitable growth