



# Interim results to 30 June 2005

14 September 2005

# Our presentation today

- > Overview – Robin Ashton
- > Financial review – John Harnett
- > Regulatory developments – John Harnett
- > UK consumer credit – Chris Johnstone
- > International – David Swann
- > Motor insurance – Robin Ashton
- > Outlook – Robin Ashton
- > Questions

# Overview

Strong profit growth offset by Yes Car Credit

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## PBT

Reduced slightly by 1.3% to £82.9 million

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## EPS

Reduced by 1.1% to 23.07p

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## DPS

Increased by 3% to 14.06p

# Financial review

## Divisional results half-year ended 30 June

	2005 £m	2004 £m	Change %
UK consumer credit	47.1	62.0	(24.0)
International	19.2	10.7	79.4
Motor insurance	23.1	16.6	39.2
Central costs	(6.5)	(5.3)	(22.6)
Profit before tax	82.9	84.0	(1.3)
Tax rate	29.3%	29.7%	-
Earnings per share	23.07p	23.32p	(1.1)
Dividend per share	14.06p	13.65p	3.0

# Financial review

## Balance sheet

	June 2005	June 2004
	£m	£m
<b>Consumer credit receivables</b>	<b>1,134</b>	<b>1,006</b>
<b>Net consumer credit borrowings</b>	<b>829</b>	<b>692</b>
<b>Group net assets</b>	<b>406</b>	<b>371</b>
<b>Comprising:</b>		
<b>Consumer credit capital</b>	<b>209</b>	<b>210</b>
<b>Consumer credit goodwill</b>	<b>94</b>	<b>88</b>
	<b>303</b>	<b>298</b>
<b>Motor insurance capital</b>	<b>103</b>	<b>73</b>
<b>Consumer credit capital as % of receivables</b>	<b>18%</b>	<b>21%</b>

# Financial review

## Consumer credit regulatory capital

	June 2005 £m	Dec 2004 £m
<b>Receivables</b>	<b>1,134</b>	<b>1,200</b>
<b>Other risk weighted assets</b>	<b>220</b>	<b>194</b>
<b>Total risk weighted assets</b>	<b>1,354</b>	<b>1,394</b>
<b>Capital reserves – Tier 1</b>	<b>264</b>	<b>289</b>
<b>Subordinated debt – Tier 2</b>	<b>100</b>	<b>-</b>
<b>Total capital resources</b>	<b>364</b>	<b>289</b>
<b>Capital adequacy ratio</b>	<b>26.9%</b>	<b>20.7%</b>

# Consumer credit regulation

## Consumer Credit Bill

- > Progressing through the parliamentary process
- > Expected to become law towards the end of this year
- > Modernise regulation of consumer credit
- > Enhance consumer protection
- > Easier for consumers to challenge unfair practices and terms
- > Tighter licensing requirements
- > Welcome these proposals

# Consumer credit regulation

## Competition Commission (CC)

- > Inquiry into the supply of home credit in the UK continues
- > Several submissions of evidence provided show:
  - > responsible lender
  - > operating in a highly competitive market
  - > transparent products
  - > home service valued by customers
- > CC due to publish its 'emerging thinking' document in Sept/Oct
- > 'Provisional findings' report from the CC around the end of the year



# Consumer credit regulation

## Polish rate cap

- > New law introduced
- > Maximum interest rate of four times the Lombard rate
- > Lombard rate is currently 6%
- > Result is an interest cap of 24%
- > Effective for loans issued from February 2006
- > Preparations made for this eventuality
- > No material impact on performance

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# UK consumer credit

2005 interim results

**Home credit**

**UKIHC**

**Car finance**

**Yes Car Credit**

**Credit cards**

**Vanquis Bank**

# UK consumer credit

## 2005 interim results profit before tax

	2005 £m	2004 £m	Change £m
UK home credit	60.5	61.1	(0.6)
Yes Car Credit	(6.2)	5.7	(11.9)
Vanquis Bank	(7.2)	(4.8)	(2.4)
	47.1	62.0	(14.9)

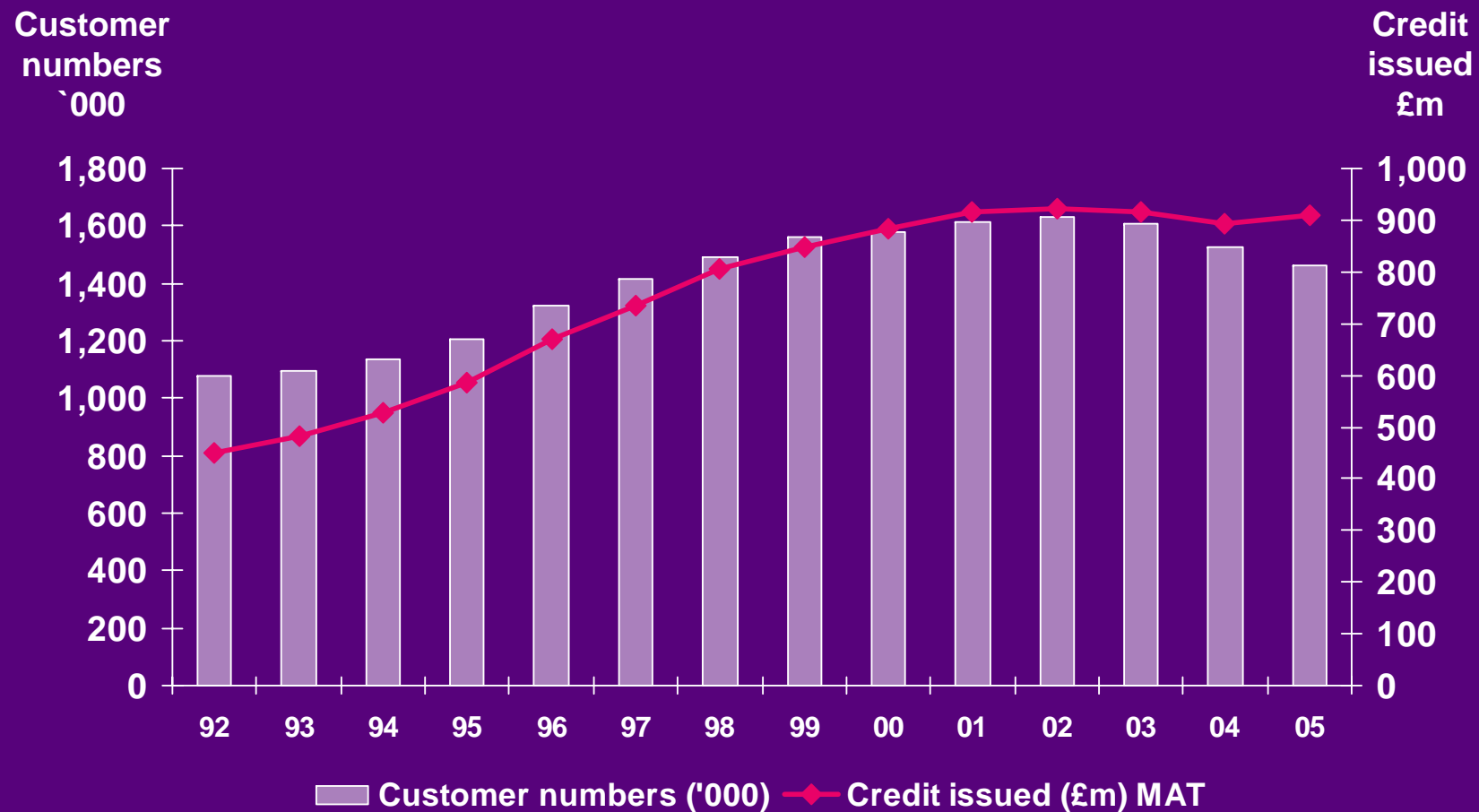
# UK home credit

## Overview H1 2005

- > Continues to produce a solid performance
- > Market conditions remain competitive
- > Customer numbers 4% lower
- > Credit issued increased by 4%
- > Good sales of larger loans product to selected, low risk customers

# UK home credit

## Customers and credit issued (MAT) at June



## UK home credit

## 2005 interim results

	2005 £m	2004 £m	Change %
Customer numbers (m)	1.46	1.53	(4.1)
Credit issued	386.9	372.5	3.9
Average customer receivables	550	537	2.3
Revenue	281.6	280.7	0.3
Impairment	(100.9)	(96.6)	(4.5)
Interest	(5.9)	(7.5)	21.3
Costs	(114.3)	(115.5)	1.1
Profit before tax	60.5	61.1	(1.0)
Bad debt (UK GAAP) MAT % of credit issued	9.8%	9.9%	

# UK home credit

## Prospects for H2 2005

- > Challenging market conditions will continue
- > Continued reduction in customer numbers
- > Credit issued per customer will continue to rise but at lower rate
- > Early signs of an increase in arrears and impairment charges
- > Manage costs tightly
- > Profit to fall a little in 2005
- > Profit may reduce further in 2006

# Yes Car Credit

## Overview H1 2005

- > Performance below expectations
- > Lower sales (down 25%) are key problem
- > Reduced response rates to advertising and lower conversion
- > External factors
  - > depressed market – down 7%
  - > increased competition
- > Internal factors
  - > advertising effectiveness
  - > inexperienced sales staff



## Yes Car Credit

## 2005 interim results

	2005 £m	2004 £m	Change £m	Change %
Cars sold (units)	15,289	20,406	(5,117)	(25)
Revenue	121.0	143.8	(22.8)	(16)
Gross profit	55.7	66.6	(10.9)	(16)
Impairment	(18.9)	(17.8)	(1.1)	(6)
Interest	(7.0)	(5.5)	(1.5)	(27)
Costs	(36.0)	(37.6)	1.6	4
Profit before tax	(6.2)	5.7	(11.9)	(209)
Average customer receivables	273	256	17	7
Impairment as a % of average receivables	6.9%	7.0%		

6 months to 30 June

# Yes Car Credit

## Improvement plan

- > Determined action to address the issues at Yes Car Credit
- > New senior management team recruited
- > Comprehensive improvement plan
- > Aim to increase sales volumes and profit margins, and reduce impairment costs
- > Objective to break even for 2006 and profit thereafter

# Yes Car Credit

## Improvement plan

> Increase sales

More effective advertising and better conversion of enquiries to sales

> Increase gross margin

Improved risk based pricing and savings on vehicle purchasing and preparation

> Reduce impairment charge

Provide better quality car, and better focused and more rigorous collections approach

# Yes Car Credit

## Prospects for H2 2005

- > Period of re-building
- > Closely monitor improvement plan
- > Trading losses of £15m to £20m expected for 2005
- > Strategic review to conclude in next six months

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# Vanquis Bank

## Overview H1 2005

- > Differentiated offer to non-standard customers
- > Expanded infrastructure
- > Increased rate of customer recruitment
- > Cards in issue 113,000
- > Performed well



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# Vanquis Bank

## 2005 interim results

	2005 £m	2004 £m
<b>Cards in issue (number)</b>	<b>113,000</b>	<b>48,000</b>
<b>Net customer receivables</b>	<b>42.0</b>	<b>12.1</b>
<b>Revenue</b>	<b>7.2</b>	<b>2.0</b>
<b>Net loss</b>	<b>(7.2)</b>	<b>(4.8)</b>

6 months to 30 June

# Vanquis Bank

## Prospects for H2 2005

- > Continue to grow cardholders and customer receivables
- > Tightening underwriting standards
- > Start-up losses of about £15 million in 2005
- > Substantially reduced loss in 2006
- > Profit in 2007

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# International

Central Europe and Mexico





# International

## Overview H1 2005

- > Division continues to grow rapidly
- > Excellent results
- > Central Europe – higher impairment charge in Poland offset by favourable exchange rates
- > Good performance from Hungary and Czech Republic
- > Mexico – expanding quickly and performing well

## International

## 2005 interim results

	2005	2004	FX adjusted 2004	Change
	£m	£m	£m	%*
Customer numbers (000)	1,626	1,380	-	18
Credit issued	246.8	188.5	213.9	15
Average customer receivables	267.5	188.6	211.1	27
Revenue	171.5	122.1	139.0	23
Impairment	(71.7)	(46.3)	(52.9)	(36)
Interest	(10.0)	(8.5)	(9.6)	(4)
Costs	(70.6)	(56.6)	(63.2)	(12)
Profit before tax	19.2	10.7	13.3	44
Bad debt (UK GAAP) MAT % of credit issued	10.3%	10.3%	10.3%	

# Central Europe

## Overview H1 2005

- > Strong growth in customers and credit issued
- > Polish growth slowed to focus on managing collections and impairment charge
- > Hungary and Czech Republic performing well
- > FX benefits
- > Excellent result from the central European business

# Central Europe

## 2005 interim results

	2005	2004	FX Adjusted 2004	Change
	£m	£m	£m	%*
<b>Customer numbers (000)</b>	<b>1,563</b>	<b>1,366</b>	<b>-</b>	<b>14</b>
<b>Credit issued</b>	<b>240.6</b>	<b>187.5</b>	<b>212.9</b>	<b>13</b>
<b>Average customer receivables</b>	<b>264.4</b>	<b>188.2</b>	<b>210.6</b>	<b>26</b>
<b>Revenue</b>	<b>168.5</b>	<b>121.6</b>	<b>138.6</b>	<b>22</b>
<b>Impairment</b>	<b>(70.7)</b>	<b>(46.2)</b>	<b>(52.8)</b>	<b>(34)</b>
<b>Interest</b>	<b>(9.4)</b>	<b>(8.2)</b>	<b>(9.3)</b>	<b>(1)</b>
<b>Costs</b>	<b>(63.4)</b>	<b>(50.9)</b>	<b>(57.7)</b>	<b>(10)</b>
<b>Profit before tax</b>	<b>25.0</b>	<b>16.3</b>	<b>18.8</b>	<b>33</b>
<b>Bad debt (UK GAAP) MAT % credit issued</b>	<b>10.4%</b>	<b>10.2%</b>	<b>10.2%</b>	

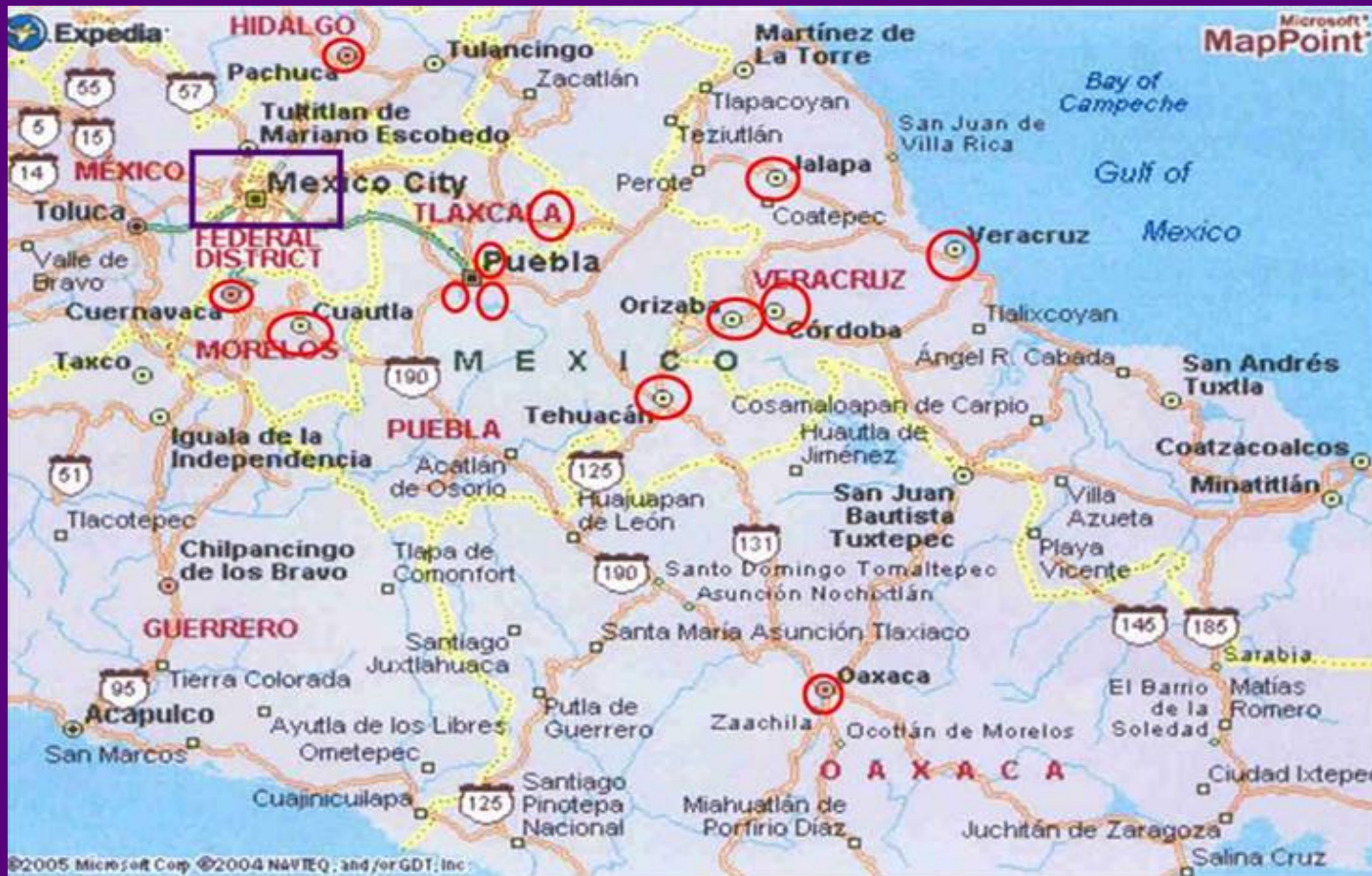
## Overview H1 2005

- > Good progress made
- > Opened nine new branches
- > Agent numbers rose by 568 to 1,192 in H1
- > Customer numbers increased from 35,000 to 63,000 in H1
- > £6.2 million of credit issued
- > Collections and credit quality developed to plan
- > Performing as anticipated
- > Pre-tax start-up losses for 2005 as expected at about £5 million

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# Mexico

## Current locations



# International

## Prospects for H2 2005

- > Strong divisional results for the year
- > Good performance from central Europe
- > Mexico will further expand in the Puebla-Veracruz region
- > Start-up losses of about £5 million in Mexico for 2005
- > Division to continue to deliver strong growth and good results

# Motor insurance

## Overview H1 2005

- > Conditions steady
- > Prices for our risks in the market broadly stable
- > Policyholder numbers steady at 498,000
- > Favourable claims costs
- > Continues to deliver excellent results



# Motor insurance

## 2005 interim results

	2005 £m	2004 £m	Change %
Gross written premium	82.0	83.6	(1.9)
Gross earned premium	80.9	85.6	(5.5)
Costs	(68.6)	(80.9)	15.2
Underwriting profit	12.3	4.7	161.7
Combined ratio (%)	85%	94%	-
Investment income	10.8	11.9	(9.2)
Profit before tax	23.1	16.6	39.2
Average investment fund	435	450	(3.3)
Investment yield	5.0%	5.3%	-

# Motor insurance

## Prospects for H2 2005

- > Pricing conditions are expected to remain stable
- > Policyholder numbers steady
- > Continued favourable trends in claims costs
- > Expected to deliver excellent results for the year

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Group

## Prospects for 2005

“We expect good performances for the majority of the group in 2005 with growth offset by the trading losses at Yes Car Credit”

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# Questions

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# Appendices

## Sterling exchange rates: 2004 &amp; 2005

## Appendix

	Polish zloty	Czech crown	Hungarian forint	Slovak crown	euro	Mexican peso
<b>Average exchange rate during 6 months to 30 June 2005</b>	<b>5.96</b>	<b>43.80</b>	<b>360.06</b>	<b>56.24</b>	<b>1.46</b>	<b>20.73</b>
<b>Exchange rate as at 30 June 2005</b>	<b>6.05</b>	<b>45.09</b>	<b>371.83</b>	<b>57.63</b>	<b>1.51</b>	<b>19.60</b>
<b>Average exchange rate during 6 months to 30 June 2004</b>	<b>7.03</b>	<b>48.11</b>	<b>378.84</b>	<b>59.80</b>	<b>1.48</b>	<b>20.36</b>
<b>Exchange rate as at 30 June 2004</b>	<b>6.94</b>	<b>47.58</b>	<b>382.53</b>	<b>60.20</b>	<b>1.51</b>	<b>20.65</b>

## Appendix

	2005	2004	FX Adjusted 2004	Change
	£m	£m	£m	%*
<b>Customer numbers (000)</b>	950	886	-	7
<b>Credit issued</b>	138.0	111.2	131.1	5
<b>Revenue</b>	100.4	75.2	88.7	13
<b>Impairment</b>	(47.6)	(30.1)	(35.3)	(35)
<b>Interest</b>	(5.3)	(5.0)	(5.8)	9
<b>Costs</b>	(33.2)	(27.6)	(32.6)	(2)
<b>Profit before tax</b>	14.3	12.5	15.0	(5)
<b>Bad debt (UK GAAP) MAT % credit issued</b>	12.1%	10.6%	10.6%	

## Czech Republic

## Appendix

	2005	2004	FX Adjusted 2004	Change
	£m	£m	£m	%*
<b>Customer numbers (000)</b>	<b>229</b>	<b>220</b>	<b>-</b>	<b>4</b>
<b>Credit issued</b>	<b>37.7</b>	<b>32.6</b>	<b>35.8</b>	<b>5</b>
<b>Revenue</b>	<b>26.1</b>	<b>22.2</b>	<b>24.4</b>	<b>7</b>
<b>Impairment</b>	<b>(7.3)</b>	<b>(7.9)</b>	<b>(8.7)</b>	<b>16</b>
<b>Interest</b>	<b>(1.0)</b>	<b>(1.2)</b>	<b>(1.3)</b>	<b>23</b>
<b>Costs</b>	<b>(11.1)</b>	<b>(9.1)</b>	<b>(10.2)</b>	<b>(9)</b>
<b>Profit before tax</b>	<b>6.7</b>	<b>4.0</b>	<b>4.2</b>	<b>60</b>
<b>Bad debt (UK GAAP) MAT % credit issued</b>	<b>8.3%</b>	<b>10.9%</b>	<b>10.9%</b>	



## Appendix

	2005	2004	FX Adjusted 2004	Change
	£m	£m	£m	%*
<b>Customer numbers (000)</b>	<b>274</b>	<b>185</b>	<b>-</b>	<b>48</b>
<b>Credit issued</b>	<b>49.3</b>	<b>34.2</b>	<b>35.9</b>	<b>37</b>
<b>Revenue</b>	<b>33.0</b>	<b>19.5</b>	<b>20.5</b>	<b>61</b>
<b>Impairment</b>	<b>(10.8)</b>	<b>(5.7)</b>	<b>(6.1)</b>	<b>(77)</b>
<b>Interest</b>	<b>(2.4)</b>	<b>(1.6)</b>	<b>(1.7)</b>	<b>(41)</b>
<b>Costs</b>	<b>(14.7)</b>	<b>(11.0)</b>	<b>(11.6)</b>	<b>(27)</b>
<b>Profit before tax</b>	<b>5.1</b>	<b>1.2</b>	<b>1.1</b>	<b>364</b>
<b>Bad debt (UK GAAP) MAT % credit issued</b>	<b>7.1%</b>	<b>8.0%</b>	<b>8.0%</b>	

## Appendix

	2005	2004	FX Adjusted 2004	Change
	£m	£m	£m	%*
<b>Customer numbers (000)</b>	110	75	-	47
<b>Credit issued</b>	15.6	9.5	10.1	54
<b>Revenue</b>	9.0	4.7	5.0	80
<b>Impairment</b>	(5.0)	(2.5)	(2.7)	(85)
<b>Interest</b>	(0.7)	(0.4)	(0.5)	(40)
<b>Costs</b>	(4.4)	(3.2)	(3.3)	(33)
<b>Profit before tax</b>	(1.1)	(1.4)	(1.5)	27
<b>Bad debt (UK GAAP) MAT % credit issued</b>	12.3%	10.7%	10.7%	

## Appendix

	2005	2004	FX Adjusted 2004	Change
	£m	£m	£m	%*
<b>Customer numbers (000)</b>	<b>63</b>	<b>14</b>	<b>-</b>	<b>350</b>
<b>Credit issued</b>	<b>6.2</b>	<b>1.0</b>	<b>1.0</b>	<b>520</b>
<b>Revenue</b>	<b>3.0</b>	<b>0.5</b>	<b>0.4</b>	<b>650</b>
<b>Impairment</b>	<b>(1.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(900)</b>
<b>Interest</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(200)</b>
<b>Costs</b>	<b>(3.2)</b>	<b>(1.4)</b>	<b>(1.2)</b>	<b>(167)</b>
<b>Profit before tax</b>	<b>(1.5)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(50)</b>
<b>Bad debt (UK GAAP) MAT % credit issued</b>	<b>4.5%</b>	<b>8.0%</b>	<b>8.0%</b>	

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