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Merrill Lynch

Speciality Finance Conference

25 November 2002



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International Development

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

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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



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What is home credit?

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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 expenses for children

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International home credit

- > Poland
- > Czech Republic
- > Hungary
- > Slovakia

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International home credit

	Poland	Czech	Hungary	Slovakia	Total
Population (million)	39	10	10	5	64
Estimated market size (000)	2,000	500	500	250	3,250
Target customers (000)	1,000	250	250	125	1,625
Current customers (000)	576	209	33	15	844
Target annual credit issued per customer (£)	400	400	400	270	390
Target annual profit per customer (£)	60	60	60	40	58

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

Poland

Progress towards targets

	Target	June 2002
Estimated market size	2 million	2 million
Customers	1 million	561,000
Annual credit issued per customer	£400	£346
Annual profit per customer	£60	£21

Poland

Progress towards targets

Year to 30 June: £m	Target	2002	Gap
Credit issued	400.0	169.1	230.9
Revenue	220.0	88.7	131.3
Agent commission	-	(14.2)	-
Interest	-	(12.6)	-
Bad debt	-	(15.8)	-
Expenses	-	(35.8)	-
Total costs	160.0	78.4	81.6
Profit	60.0	10.3	49.7

Poland

Key performance drivers

> Customer growth	561,000	⇒	1,000,000
> Issue per customer	£346	⇒	£400
> Gross revenue margin	52%	⇒	55%
> Costs as % of revenue	88%	⇒	73%

Poland

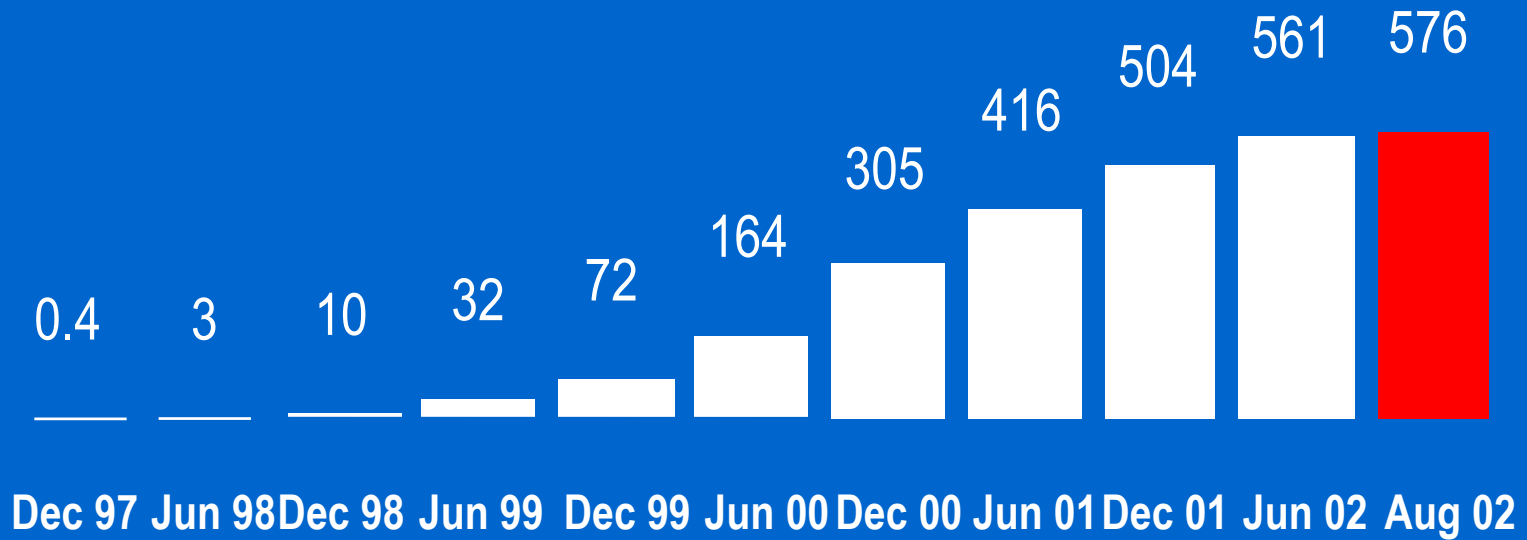
Customer growth: the market

- > The market
- > Target segments
- > Competition



Poland

Customer growth: customer numbers (000's)



Poland Marketing materials

**Wiosną
profity
rosną!**

**UMOWY
ZBIÓRKI**

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Specjalne
zestawy telefonów
tak jak w płatności
dla klientów Provident!

**Ta nowa oferta
to gwarancja zadowolenia
Twoich klientów!**

zestaw A
Sony J5
Wielki ekran i duży MP3
zapamiętuje 70 000 numerów
Cena zestawu: **500 zł**

zestaw B
Nokia 3330
Wielki ekran i duży MP3
zapamiętuje 70 000 numerów
Cena zestawu: **500 zł**

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OPERA

tak tak

Dlaczego nasza oferta jest tak wyjątkowa:

- korzystna oferta cenowa
- telefon z bezpłatną dostawą do domu
- więcej darmowych minut na karcie SIM
- minimum formalności

**Różne potrzeby
ten sam Provident**

ZADZWOŃ O 801 124 124

Szybka pożyczka gotówkowa
W ciągu 48 godzin
Bezpośrednio w domu Klienta
Bez zrymunków

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Super Klub Sukcesu

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Polish TV campaign December 2001



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0801 124 124

Poland

Gross revenue margin

	26-week (zloty)	39-week (zloty)	52-week (zloty)
Typical loan amount	750	1,100	1,600
Charges	379	723	1,179
Gross revenue margin	50.5%	65.7%	73.7%
Total amount payable	1,129	1,823	2,779
Weekly rate	43.43	46.75	53.44

Poland Costs

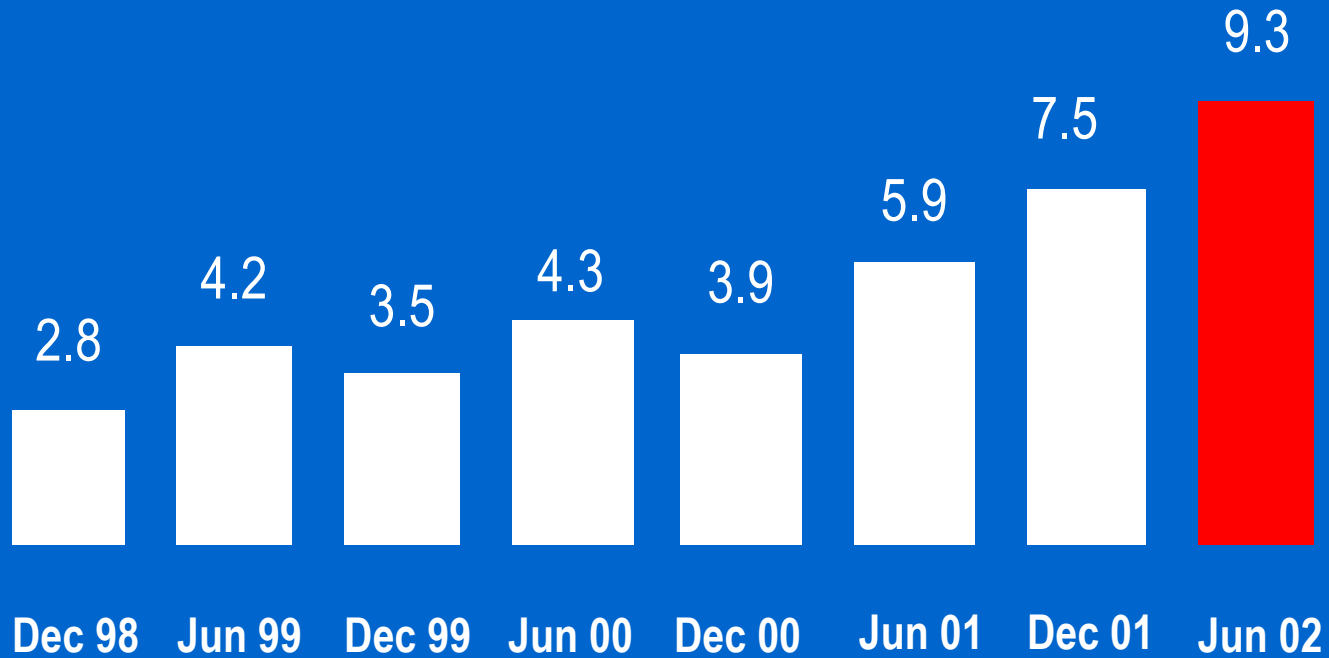
Costs as % of revenue

12 months to June 2002

	UK	Poland	Target
Commission	23	16	-
Bad debt	17	18	-
Expenses	24	40	-
Interest - like for like*	4	11	-
Total	68	85	73
*Interest - reported	4	14	N/A

Poland

Bad debt as a percentage of credit issued

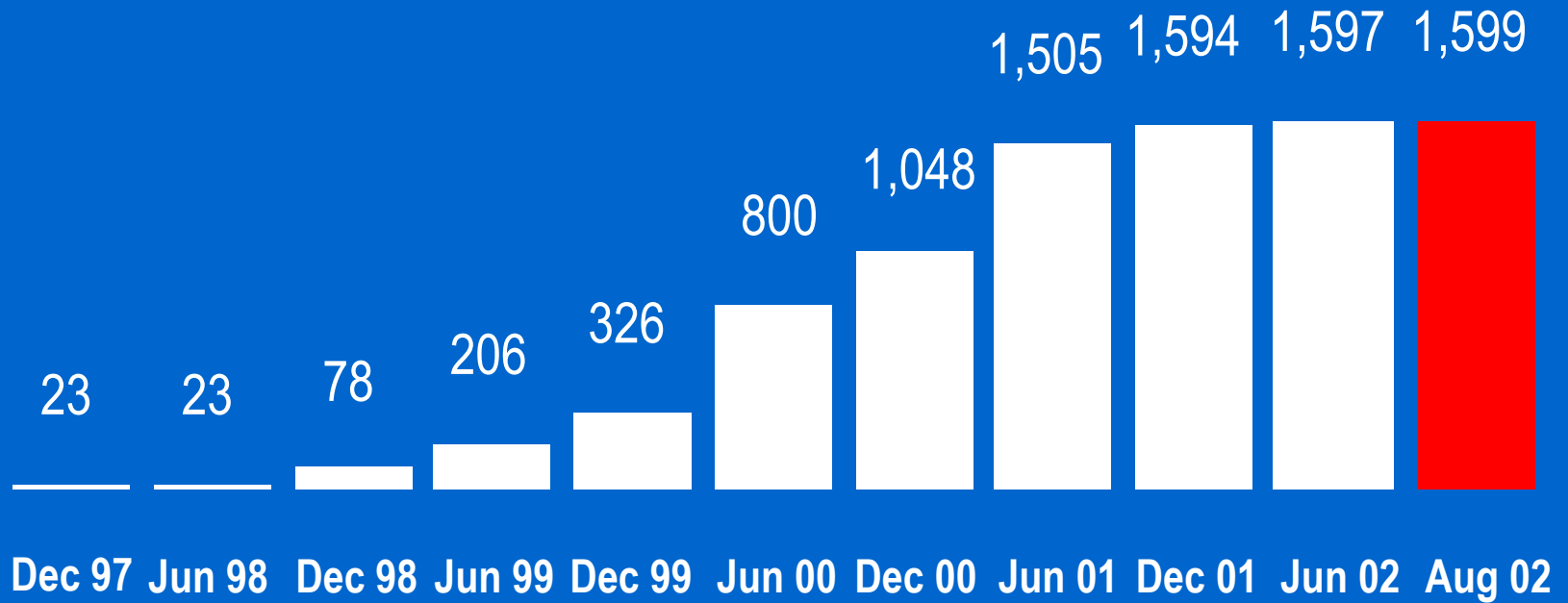


Poland Expenses

	%
Employee related expenses	61
Marketing and PR	10
Infrastructure costs	29
<hr/>	
Total	100
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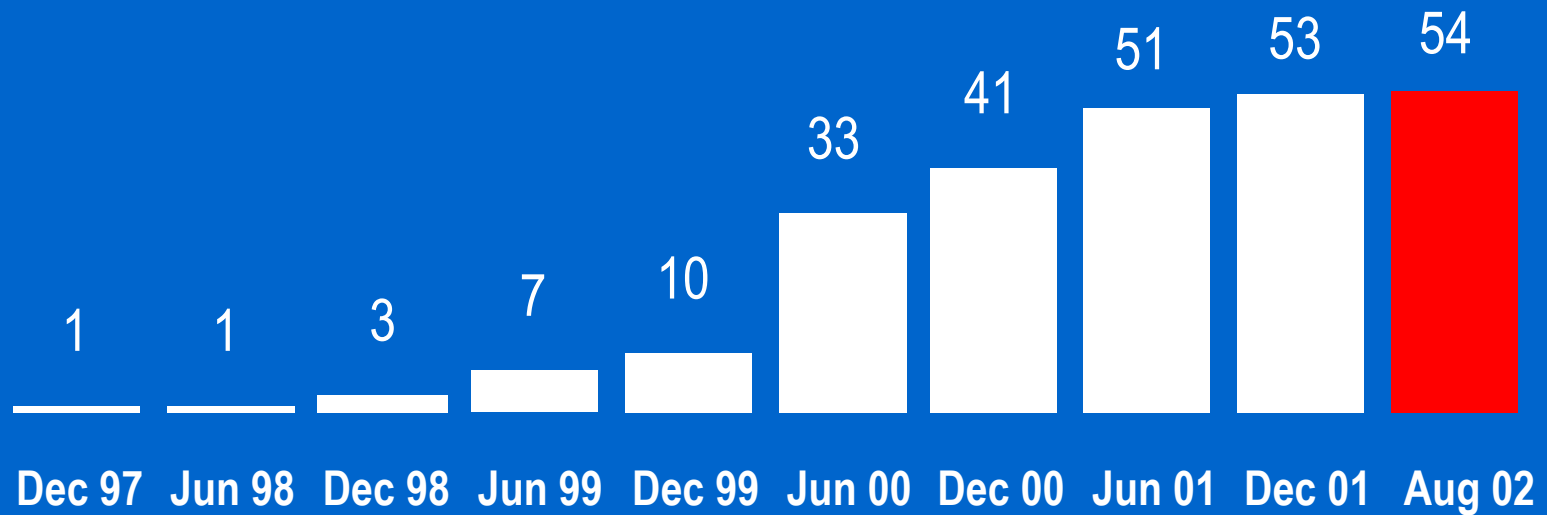
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Employee-related costs: employee numbers



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Infrastructure costs: branches



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Infrastructure costs: current locations



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Marketing and public relations costs

- > 10% of overheads
- > Similar cost per customer going forward

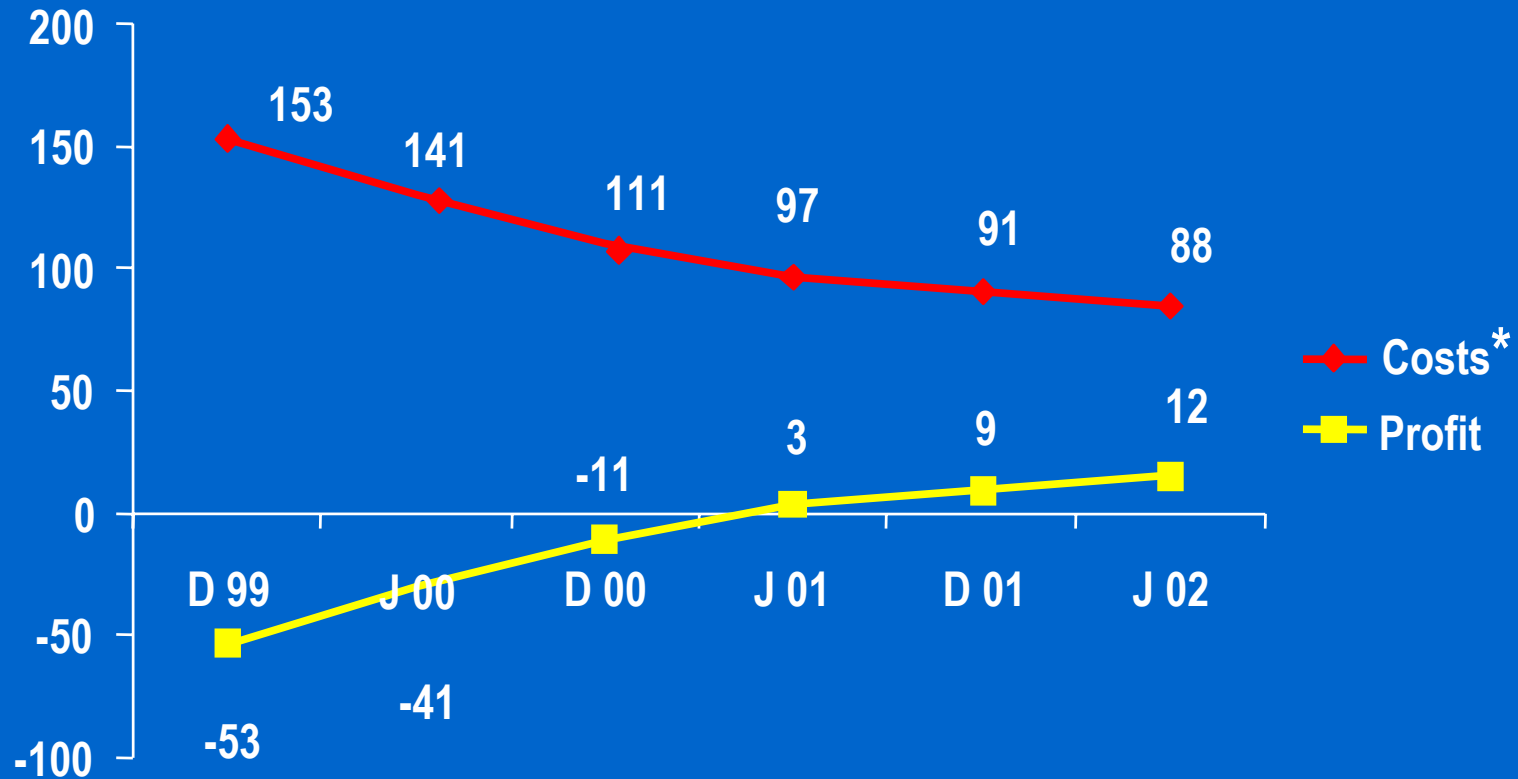
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Expenses summary

- > 40% of gross revenue
- > Relatively fixed in nature
- > Target of 24% is achievable

Poland

Costs and profit as a % of revenue



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

	Target	June 2002
Estimated market size	500,000	500,000
Customers	250,000	206,000
Annual credit issued per customer	£400	£309
Annual profit per customer	£60	£19

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



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