



**PROVIDENT  
FINANCIAL**

Pan European small & mid cap conference

February 2004

Deutsche Bank





# PROVIDENT FINANCIAL

Expanding beyond the traditional UK home collected credit market



# Provident Financial

## Group key statistics

**2002 pre-exceptional  
PBT**

£182.1 million

**2002 turnover**

£875.0 million

**Market capitalisation**

£1.7 billion

**Employees**

7,500

**Customers**

3.4 million

**Self-employed agents**

27,000

# Provident Financial

## Our business

	Employees	Customers (‘000’s)	Turnover (£m)	PBT (£m)
UK home credit	2,940	1,608	491.5	154.2
International	2,831	1,081	167.4	19.4
Yes Car Credit	1,148	44	128.8*	4.7*
Vanquis Bank	78	3	-	(4.5)
<b>Total consumer credit</b>	<b>6,997</b>	<b>2,736</b>	<b>787.7</b>	<b>173.8</b>
Motor insurance	534	679	191.9	32.5
Group	55	-	-	(16.6)
<b>Total</b>	<b>7,586</b>	<b>3,415</b>	<b>979.6</b>	<b>189.7</b>

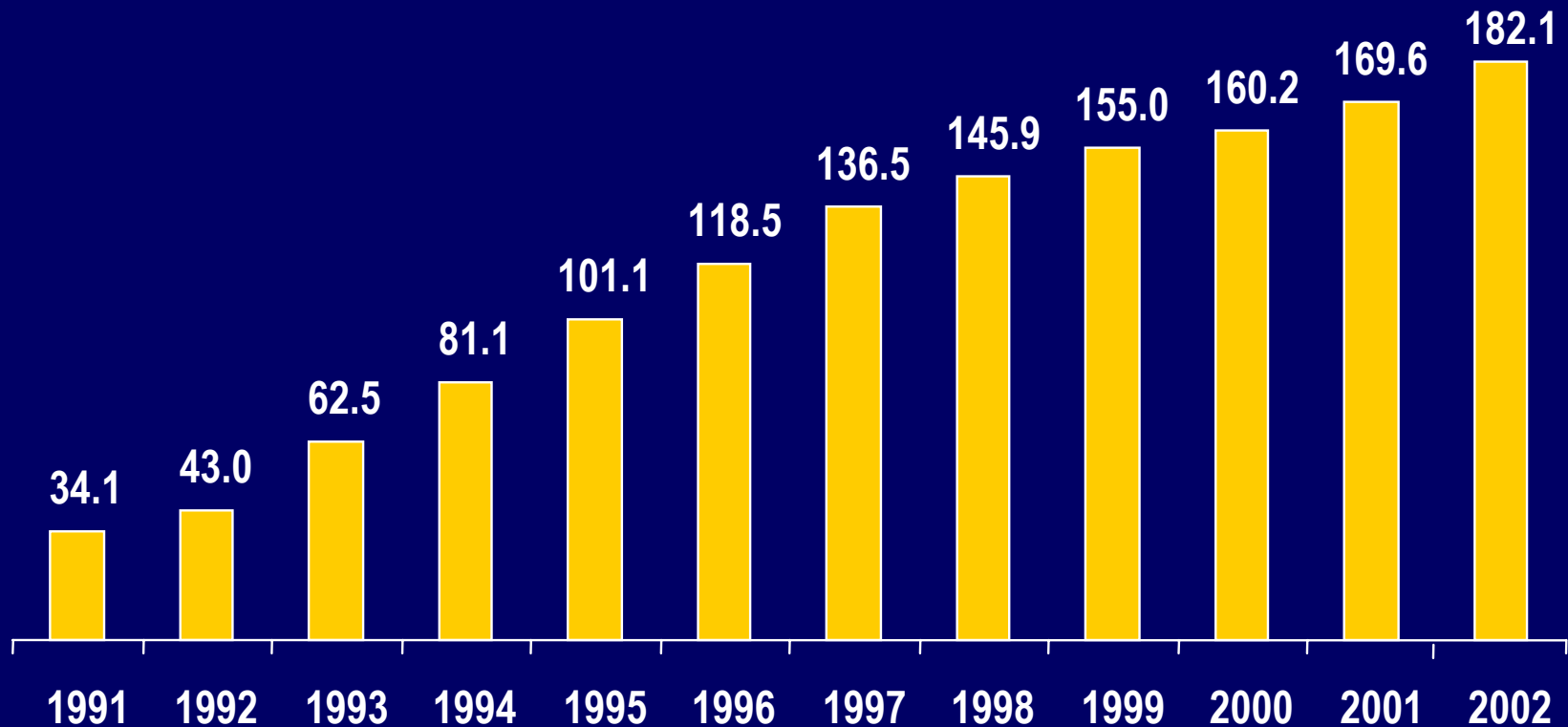
Pre goodwill profit before tax

12 months to 30 June 2003 \*except YCC

Provident Financial

## An impressive record of growth

Pre-exceptional profit before tax (£m)



Year ended 31 December

# Provident Financial

## Strategy

**We aim to be a leading international provider of simple financial services**

- > Serving customers earning moderate incomes
- > Growing by:
  - international expansion
  - broader range of credit products

# Provident Financial

## Strategy implementation

1996

<b>UK consumer credit</b>
UK home credit



2003

<b>UK consumer credit</b>	
UK home credit	
Yes Car Credit	
Vanquis Bank (pilot)	



<b>International</b>	
Poland	Czech Republic
Hungary	Slovakia
Mexico (pilot)	

<b>Motor Insurance</b>
Provident Insurance
Colonnade Insurance Brokers

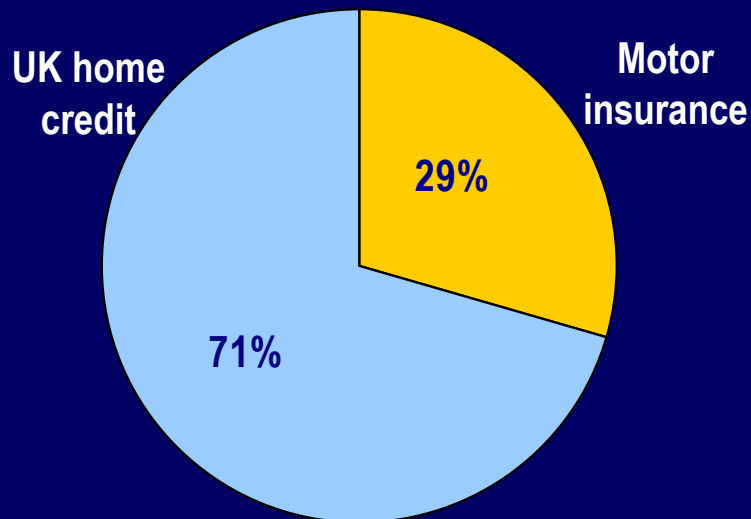


<b>Motor Insurance</b>
Provident Insurance

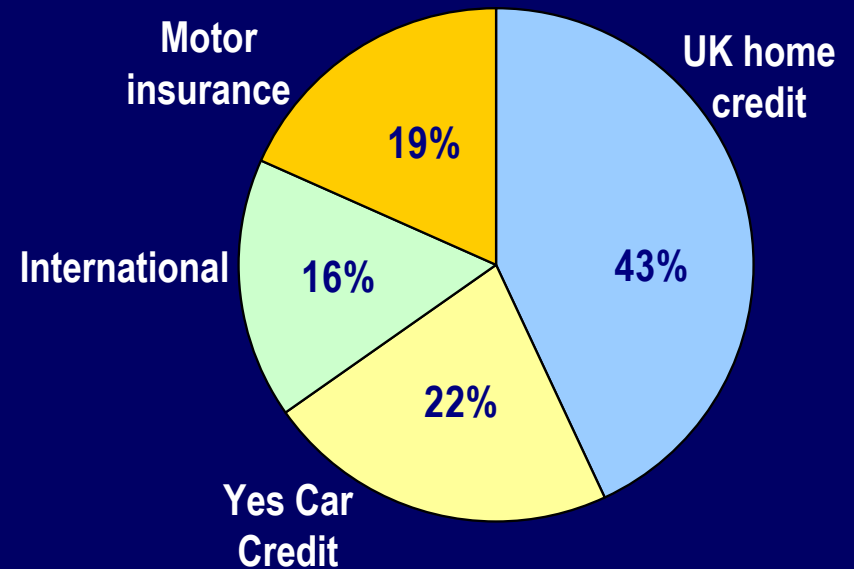
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## Strategy implementation

1996



2003



6 months to 30 June 2003



# Provident Financial

## 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

# Provident Financial

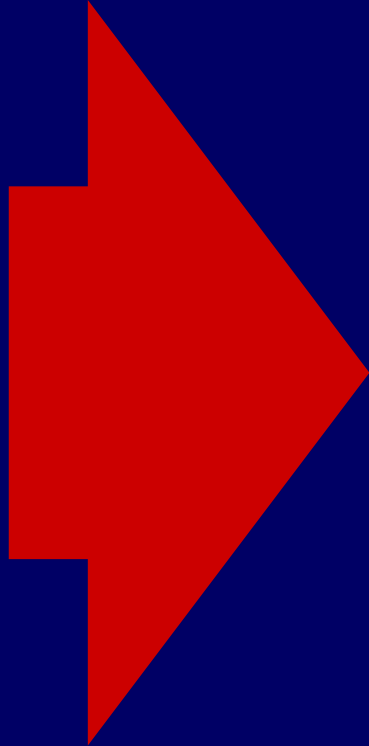
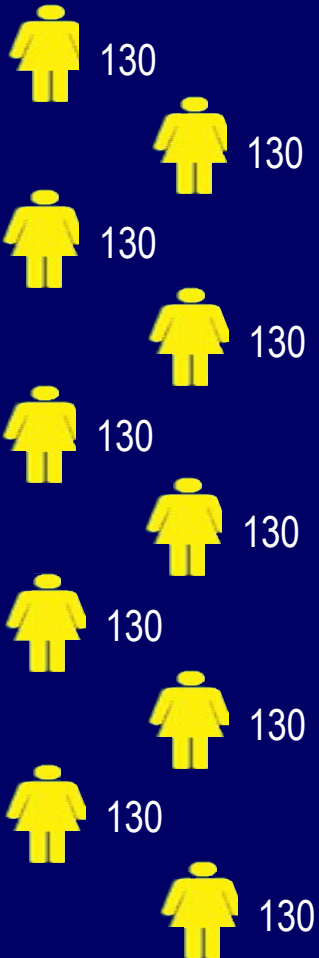
## Uses of home credit

- Balancing the household budget
- Holiday spending money
- Christmas presents
- School uniform for children

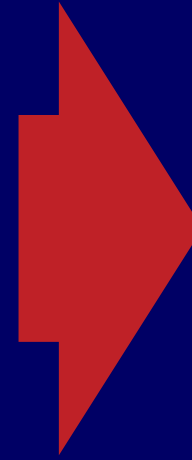
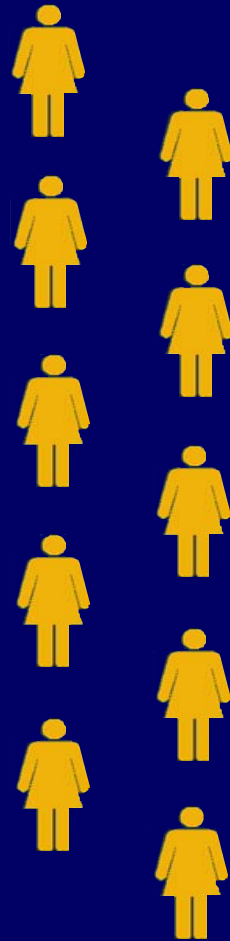
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## How do we operate?

Customers



Agents

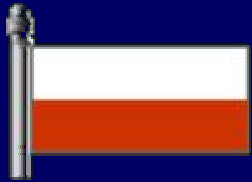


Agency  
Development  
Manager



# Provident Financial

## Strategy: international home credit



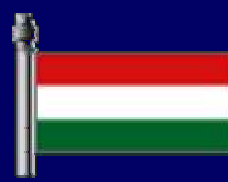
Poland



Czech  
Republic



Slovakia



Hungary



Mexico

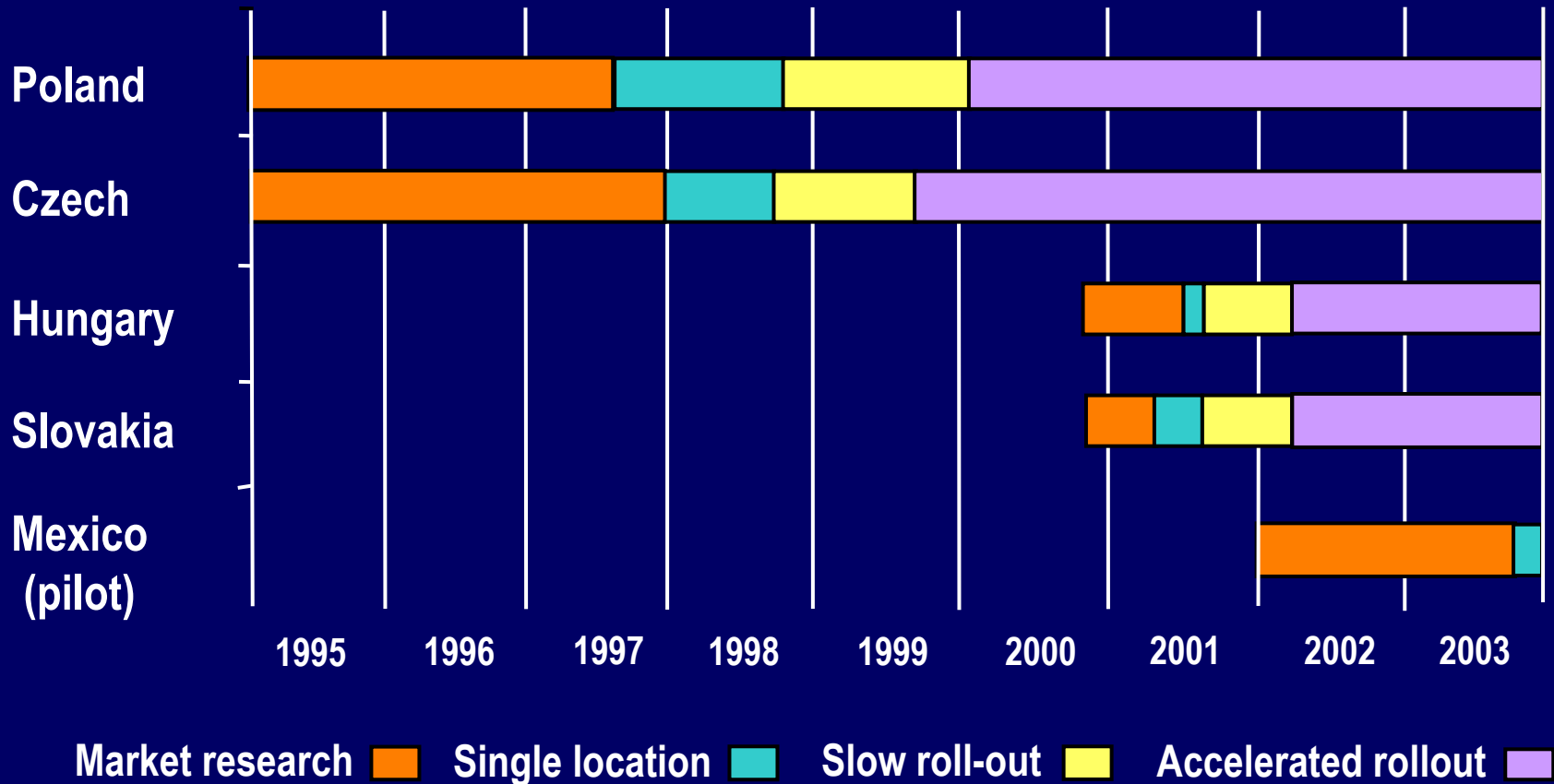
International home credit

## Why international expansion?

- > Slowing UK growth
- > Opportunity for diversification and profitable growth
- > Create shareholder value

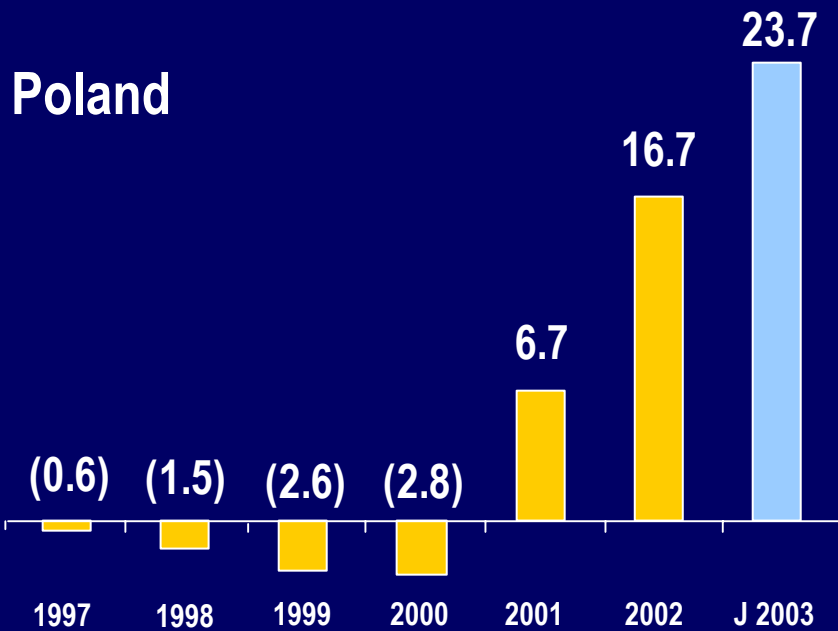
# International home credit

## Timeline of international development

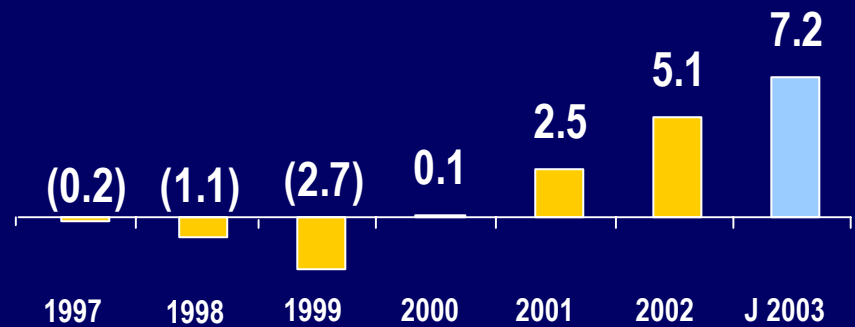


# International home credit

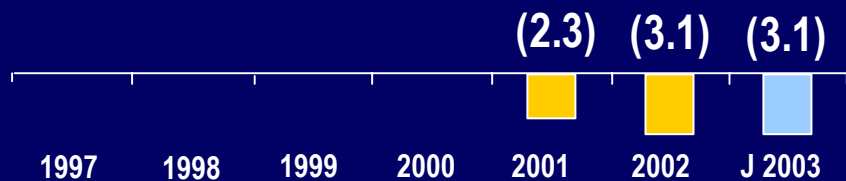
## Annual profits



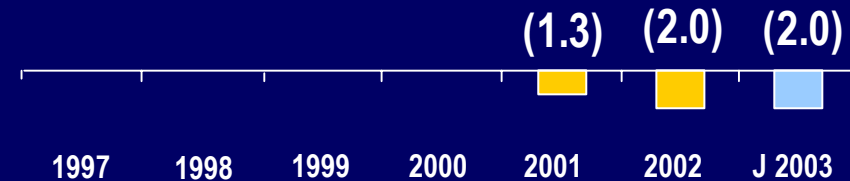
### Czech Republic



### Hungary

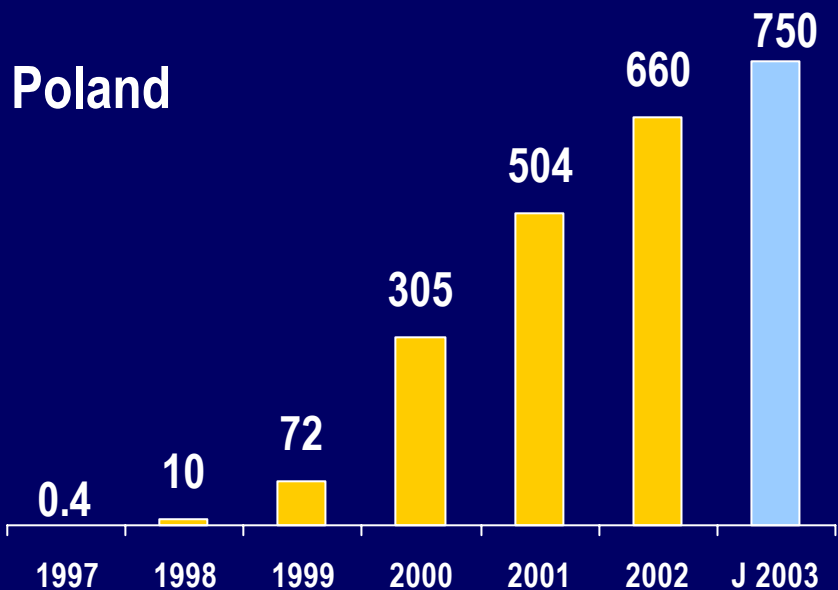


### Slovakia

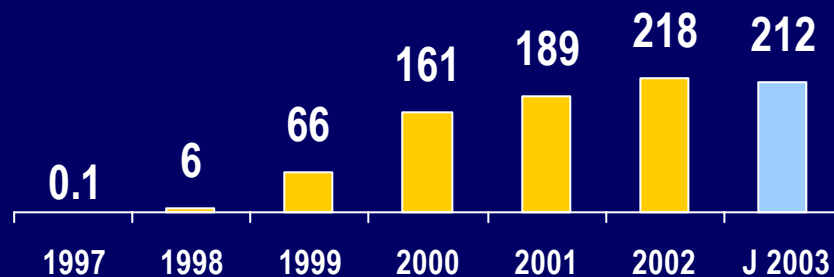


# International home credit

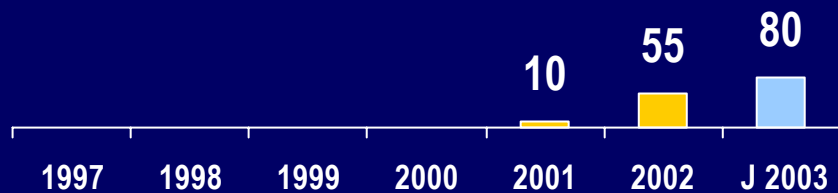
## Customer numbers ('000)



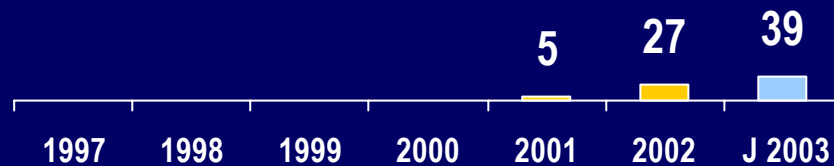
### Czech Republic



### Hungary



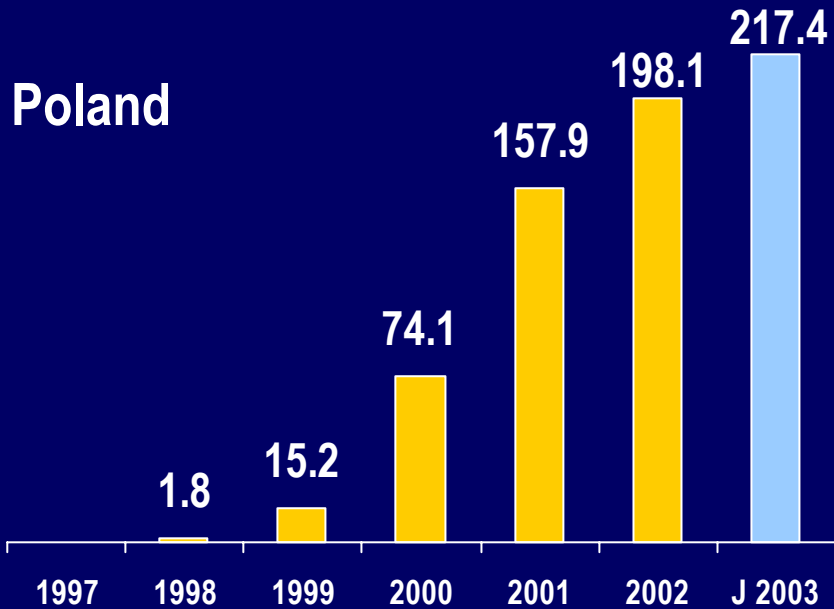
### Slovakia



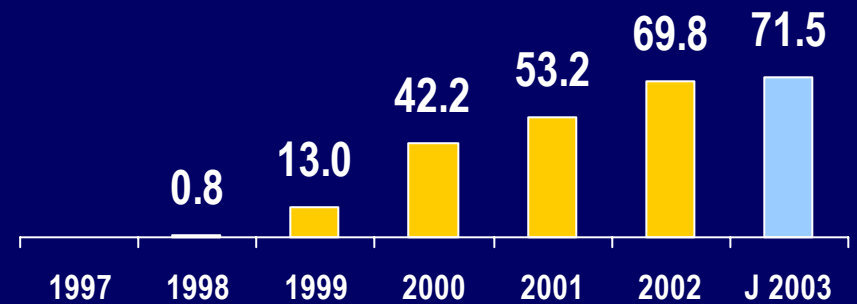


# International home credit

## Credit issued (£m)



### Czech Republic



### Hungary

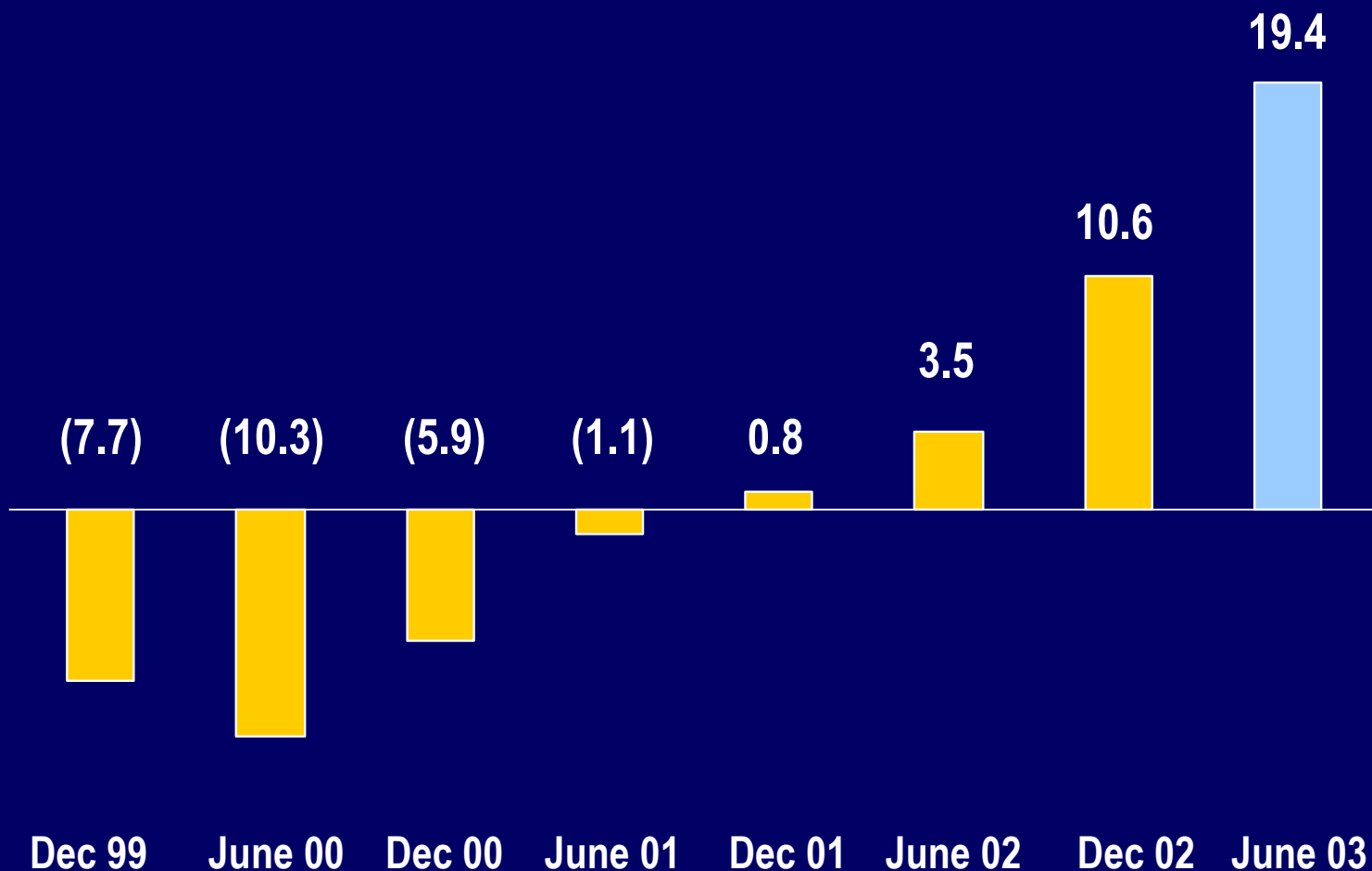


### Slovakia



## International home credit

# Annual profits/(losses) since 1999 (£m)



## International home credit

# Central European market potential

	Poland	Czech	Hungary	Slovakia	Total
Population (million)	39	10	10	5	64
Target customers (000)	1,000	250	250	125	1,625
Current customers* (000)	750	212	80	39	1,081
Target annual credit issued per customer (£)	400	400	400	270	390
Target annual profit per customer (£)	60	60	60	40	58

\*As at 30 June 2003

## International home credit

# Poland: targets and progress to date

	12 months to 30 June 2003		Target
> Customers	750,000	⇒	1,000,000
> Issue per customer	£338	⇒	£400
> Gross revenue margin	54%	⇒	55%
> Costs as % of revenue	80%	⇒	73%
> Annual profit per customer	£37	⇒	£60
> Annual profit	£23.7m	⇒	£60m

## International home credit

# Czech Republic : targets and progress to date

	12 months to 30 June 2003		Target
> Customers	212,000	⇒	250,000
> Issue per customer	£337	⇒	£400
> Gross revenue margin	52%	⇒	55%
> Costs as % of revenue	81%	⇒	73%
> Annual profit per customer	£34	⇒	£60
> Annual profit	£7.2m	⇒	£15m

International home credit

## Mexico: pilot commenced

> First loan made in August 2003



## International home credit

# Mexico: reasons for entry

- > Large and attractive market
- > Strong customer appeal
- > Under-served target market
  - > C demographic: 26% of population
  - > D+/D demographic: 52% of population
- > Pilot for 12-18 months
- > No other new countries until 2005

Provident Financial

**Strategy: broader range of credit products**





UK consumer credit

## Yes Car Credit: a strategic acquisition

- > Important broadening of product range
- > Good strategic fit
- > Opportunity for leading position in attractive market
- > Excellent growth prospects



## UK consumer credit

# Yes Car Credit: proposition & business model

- > Credit-led business model
- > Integrated sub-prime car finance, car sales and insurance
  - > Contact with call centre
  - > Finance first, then select car
  - > Related insurances arranged
  - > High ratio of sales to appointments
- > Sells & provides 4-year finance for cars, normally 3 - 5 years old
- > Average vehicle sales price around £5,000
- > Repayment by direct debit

UK consumer credit

## **Yes Car Credit: competitive advantages**

- > Control of customer acquisition
- > Ownership of the customer relationship
- > Captures all of the profit
- > Direct control of quality of cars

## UK consumer credit

# Yes Car Credit: customer benefits

- > Confidence of acceptance
- > No complicated forms
- > Quality car
- > Insurance products to reduce risk
- > Competitive APRs

# UK consumer credit

## Yes Car Credit: progress

- > Successfully integrated into the group
- > Increase in % of car sales financed in-house
- > Increased branch network
- > Substantial growth in turnover
- > Substantial growth in profit



A screenshot of the Yes Car Credit website. The header features the "Yes" logo and the slogan "We're waiting to say Yes". The main content area is titled "Getting approved for credit" and includes a "SPECIAL OFFER" and "OUR BROCHURE" section. A woman in a green uniform is featured on the right side of the page. The footer contains the contact information: "FREEPHONE 0800 083 3817 NOW OR APPLY ONLINE".

## UK consumer credit

# Vanquis Bank: market test of credit card

- > Market opportunity for differentiated product
- > Experienced team
- > Outsourced card processing infrastructure
- > Several thousand cards in issue
- > Data is being collected to assess whether to roll-out



# Provident Financial

## Summary

- > In recent years the group has successfully internationalised and broadened its product range
- > UK home credit market is mature
- > Excellent growth prospects in international markets and Yes Car Credit
- > Market test of credit card offer
- > Good progress in executing our strategy



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