

Provident Pénzügyi Rt

Hungary

Agenda for today

- > Provident Pénzügyi Rt presentation
- > Lunch
- > Provident sro presentation
- > Head office tour
- > Return to airport

Hungary

Agenda

- > Introduction
 - Management team
 - Why Hungary?
- > Provident Pénzügyi Rt
 - History of the business
 - Establishing the business
 - Performance
 - Regulation
 - Lessons learned & plans for the future

Hungary

Introduction – Eddie Lawrenson

- > 30 years experience in home collected credit
- > International division, responsible for administration and security working in Poland and Czech Republic – November 1997
- > Vice President of Provident Polska – July 1998
- > Managing Director of Provident Pénzügyi Rt – January 2001

Hungary

Senior management team



EDDIE LAWRENSON
Managing Director



LÁSZLÓ TEMESI
Security Manager



ADAM CHILINSKI
Operations Director



BÉLA SLÁNICZ
Finance Manager



BALÁZS PAP
Operations Manager



GÁBOR MOZGA
Business Support Manager



SZABOLCS TÖRÖK
Communications Manager



ANNAMÁRIA JANKÓ
Personnel Manager



ÉVA SZABÓ
Administration Manager



IGOR MÁTÉ
Legal Manager

BOGDÁN BALOGH
Training Manager



Central European briefing - September 2002

Hungary

Hungary - Central Europe



Central European briefing - September 2002

Hungary

Why Hungary?

- > Central Europe – attractive region
- > Emerging market – independence 1989
- > Aiming for EU entry in 2004
- > Strong, growing economy
- > Underdeveloped consumer credit market
- > Positive market research findings
- > 10 million population

Hungary

Why Hungary?

- > Other British investors
 - Tesco / BAT / Vodafone / Shell / PowerGen
- > Large potential customer base
- > Legal and economic factors
- > Low level of competition
- > Well-educated and inexpensive work force

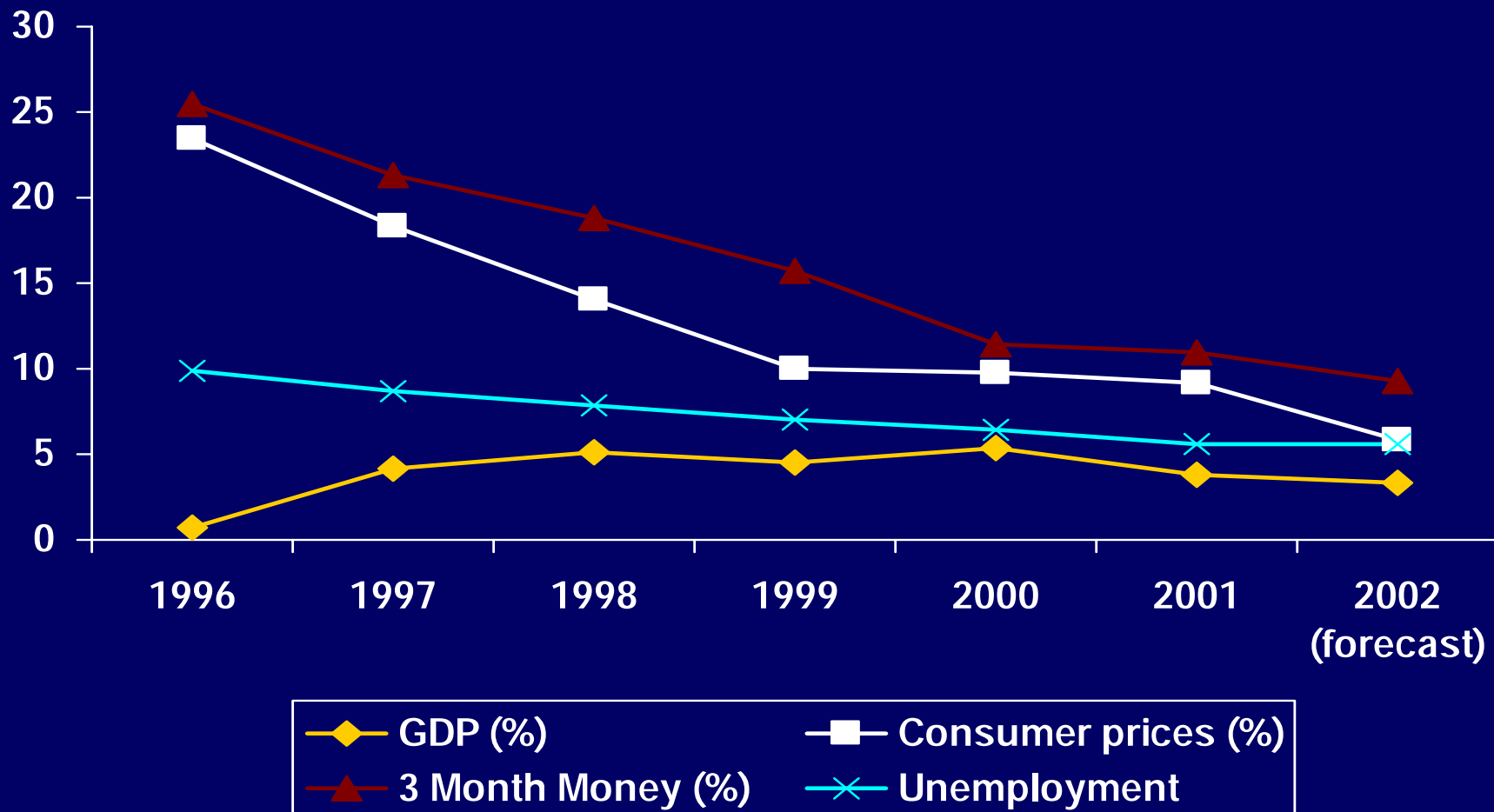
Hungary

Population characteristics

- > Population 10.2 million
- > Over 60% of population in cities of over 10,000
- > 4.1 million are registered as available for work
- > Age structure:
 - 0 – 14 years: 17%
 - 15 – 59 years: 63%
 - Over 60 years: 20%
- > Well educated

Hungary

Economic characteristics



Hungary

Establishing the business: researching the market

- > MEMRB – 2000
- > Quantitative and qualitative studies
- > Focus groups in Budapest and Debrecen
- > 1,000 quantitative interviews

Hungary

Establishing the business: research results

- > Similar potential to Polish and Czech market
- > High demand for service
- > Cash loans attractive
- > Customers would welcome weekly and monthly repayments
- > Job opportunities: representative role

Hungary

Establishing the business: company formation

- > Deed of Foundation – 03/01/2001
- > Proceed PSZÁF for
 - Establishment
 - Licence
- > Approval and licence from PSZÁF – 11/05/2001
- > Registered on the 14/05/2001

Hungary

Establishing the business: pilot operation

- > Licence application
- > UK support team
- > Establish Head Office
- > Set up 2 pilot offices
- > Key recruitment and training
- > Systems and support from UK
- > Development plan created

Hungary

Establishing the business: first
customer

Hungary

Establishing the business: first steps

- > Recruit and train representatives
- > Advertising for customers
- > Issue and collect first loans
- > First steps successful

Hungary

Establishing the business: public relations

- > Proactive PR programme
- > Contact with opinion formers, political leaders etc.
- > VIP branch openings
- > Media briefings
- > Community programme
- > Close links with British Embassy

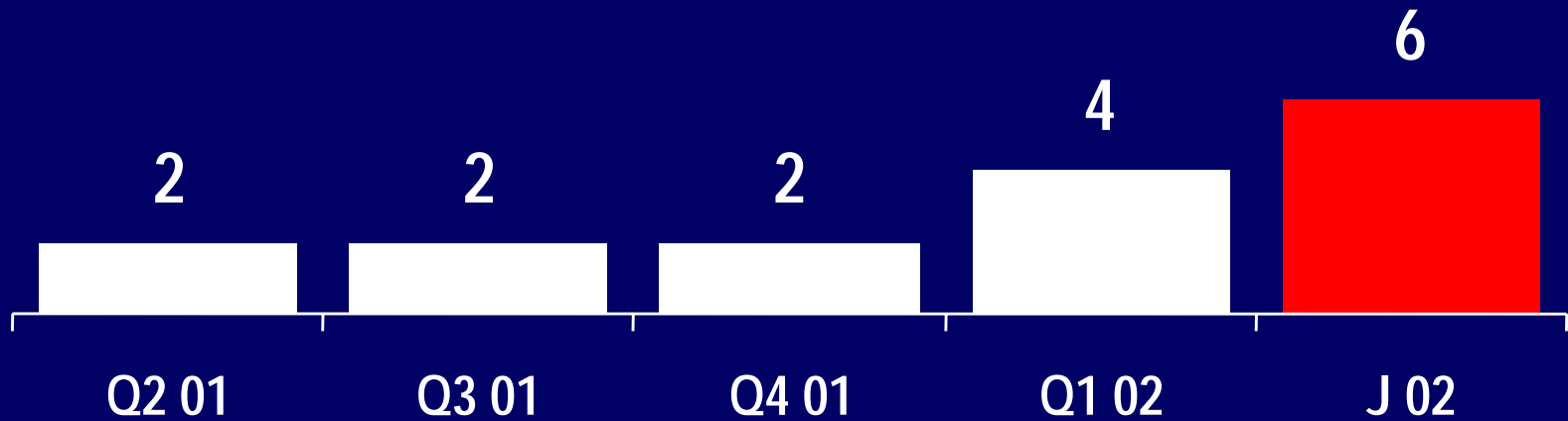
Hungary

Establishing the business: rolling out

- > Language issues
- > Establish local training
- > Recruit and train development managers
- > Recruit and train more representatives
- > Get more customers

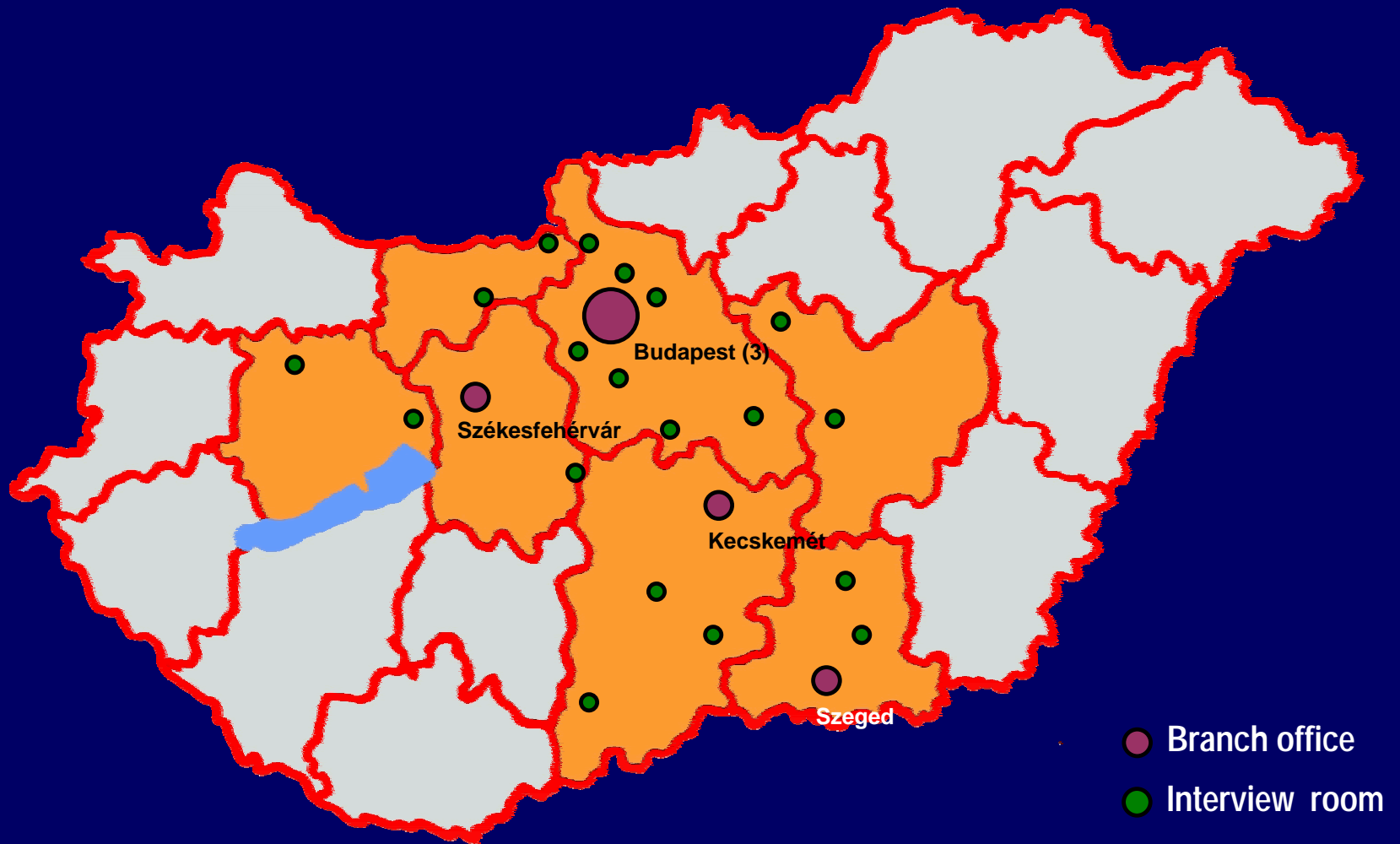
Hungary

Performance: branches



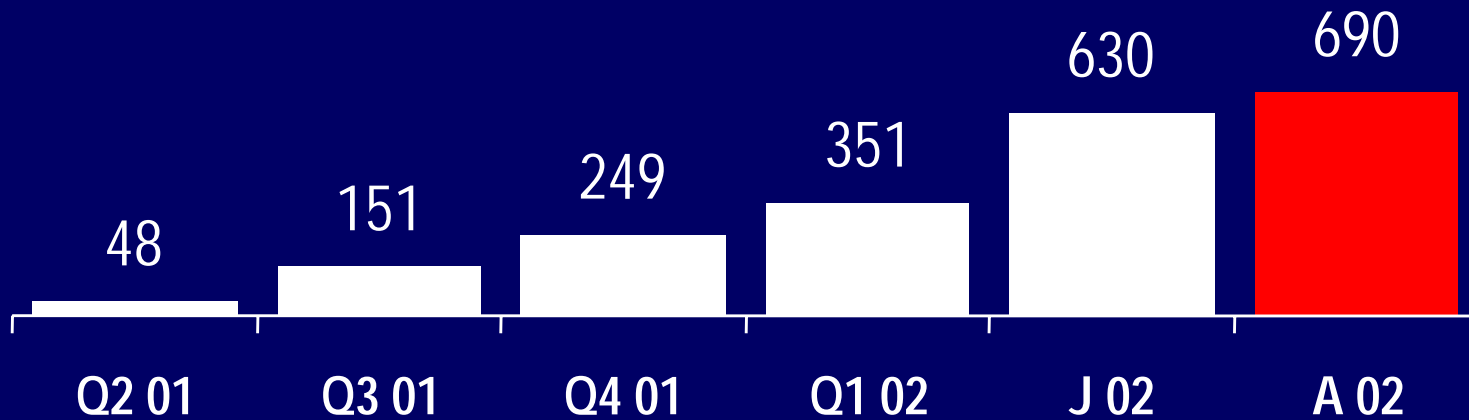
Hungary

Performance: locations



Hungary

Performance: representatives



Hungary

Performance: representative profile

- > Recruitment methods
- > Female 69% : male 31%
- > Average age is 43
- > Commission structure

Hungary

Performance: loan products

- > Current products are
 - 26 weeks for new customers
 - 39 weeks for re-serves
- > Typical first loan issue value £140
- > Average re-serve issue value £200

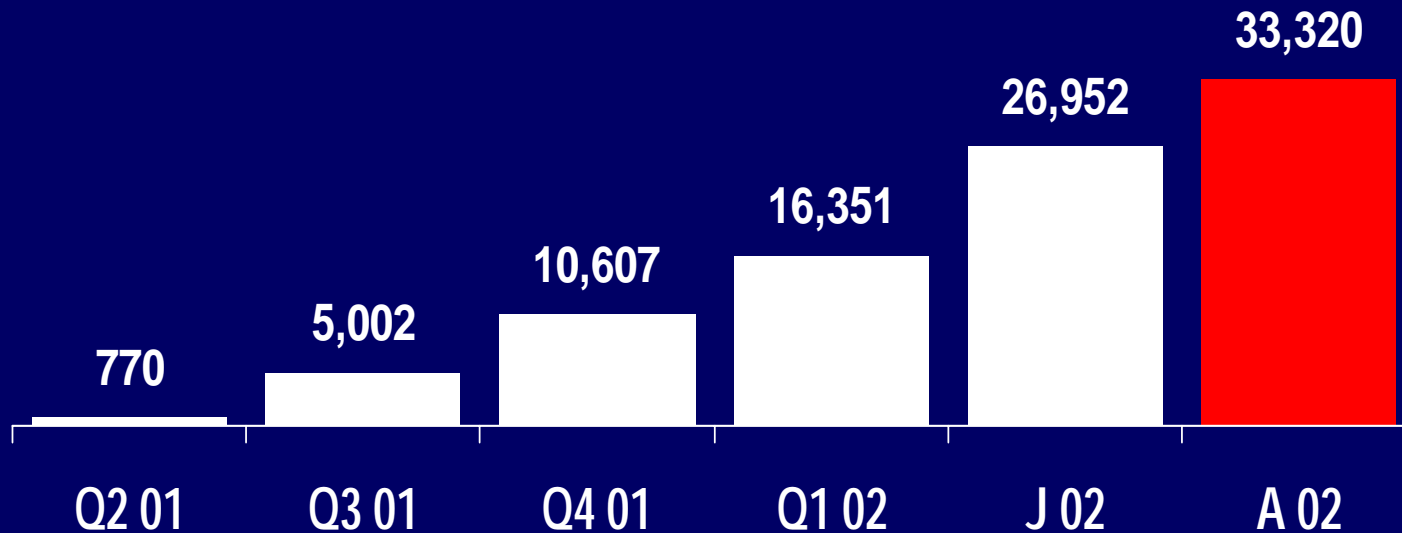
Hungary

Performance: loan products

| | 26-week forint | 39-week forint |
|----------------------|-------------------|-------------------|
| Typical loan amount | 55,000 | 80,000 |
| Charges | 26,224 | 53,848 |
| Total amount payable | 81,224 | 133,848 |
| Weekly rate | 3,124 | 3,432 |
| APR | 397% | 334% |

Hungary

Performance: customer numbers



Hungary

Performance: Marketing materials

Weekly press
advertisements

Leaflets dropped
by representatives

Outdoor
advertising

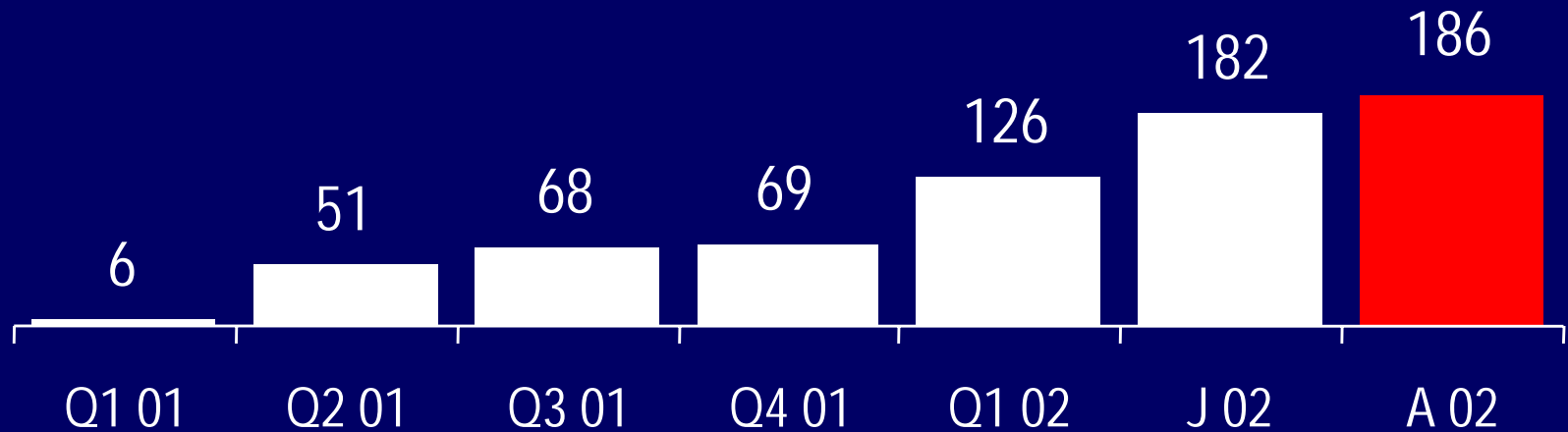
Hungary

Performance: customer profile

- > Average age is 40
- > 56% female : 44% male
- > 89% pay weekly, 8% fortnightly and 3% monthly

Hungary

Performance: employee numbers



Hungary

Performance: results 6 months to June

| £m | 2002 | 2001 |
|--------------------------------|-------------|-------------|
| Credit issued | 4.1 | 0.1 |
| Collections | 3.5 | - |
| Turnover | 1.5 | - |
| Operating costs | 2.6 | 0.8 |
| Bad debt | 0.3 | - |
| Bad debt % credit issued (MAT) | 8.0% | - |
| Interest | 0.2 | - |
| <hr/> Loss | <hr/> (1.6) | <hr/> (0.8) |

Hungary

Regulation: PSZÁF

- > State Supervisor of Financial Institutions
- > Regulator for
 - Banks and other financial institutions;
 - Insurance companies
 - Stock Exchange and securities brokers
 - Pension funds

Hungary

PSZÁF tasks

- > Legal
- > Financial
- > Representatives
- > PR and advertising
- > Audit and supervision

Hungary

Regulation: working in a regulated environment means...

- > Operating standards are defined by law
- > Standards for all market players
- > Protection for current market participants
- > A structure for influencing legislation and practise

Hungary

The lessons we have learned

- > Organisation development model
 - Senior management
 - Experienced management infrastructure
 - Effective trading

Hungary

The lessons we have learned

> Operations

- Field manager recruitment
- Quicker recruitment of representatives
- Extensive customer recruitment

Hungary

The lessons we have learned

- > Security
 - Security management
 - Agent banking

Hungary

Expansion

- > Pilot evaluated and further expansion approved
- > Controlled growth in 2003 - 2005
- > 8 new branches next year
- > Introduction of 52-week product
- > Introduction of multiple loans

Hungary

Plans 2002

- > Controlled growth
- > Reach the 50,000 customer count
- > Preparations for 2003

Hungary

Plans 2003

- > Operate home-collected credit service where 80% of population live
- > Grow to 14 branches and 53 satellite offices
- > Over 2,000 representatives
- > Substantially grow customer numbers

Hungary

Plans 2003



Hungary

The future

- > Build on pilot successes to date
- > People development
- > National coverage
- > Target of average annual issue per customer of £400
- > Target profit per customer of £60

Provident Pénzügyi Rt.