



PROVIDENT
FINANCIAL

Provident Financial

Full year results to 31 December 2002

Provident Financial

Highlights

- > Strong growth
- > Good results
- > Excellent progress
- > Sound foundations for future growth

Provident Financial Strategy

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

- > Serving customers earning moderate incomes
- > 2 strands:
 - international expansion
 - broader product range
- > Internationalisation - a proven success
- > Broader product range - Yes Car Credit acquisition is a significant step forward

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Developments planned for 2003

- > Market test of a credit card
- > Home credit pilot in Mexico

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Group results for 2002

Highlights

- > Turnover up by 5.0% to £875 million
- > Home credit customers up by 12% to 2.6 million
- > Pre-exceptional profit up 7.4% to £182.1 million
- > Pre-exceptional earnings per share up 5.3% to 53.05 pence
- > Dividend per share up 5.3% to 30.90 pence

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Divisional results

	2002 £m	2001 £m	change %
UK home credit	152.5	150.4	1.4
International	10.6	0.8	1,302.9
Motor insurance	35.8	35.1	2.0
Central costs	(17.8)	(13.2)	(36.3)
Businesses sold or closed*	1.0	(3.5)	128.1
Pre-exceptional profit	182.1	169.6	7.4
Pre-exceptional earnings per share	53.05p	50.39p	5.3
Dividend	30.90p	29.35p	5.3

*includes Colonnade Insurance Brokers, Provident balance and Provident South Africa

Year ended 31 December

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Capital structure

	2002	2001	change
	£m	£m	£m
Receivables	963	729	234
Borrowings	696	484	212
Consumer credit capital	227	192	35
Consumer credit goodwill	85	3	82
Motor insurance capital	91	102	(11)
Group capital	403	297	106
Consumer credit capital % net receivables	24%	26%	
Gearing	173%	163%	

As at 31 December

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Free cash flow and surplus capital generated

	2002	2001
	£m	£m
UK home credit free cash flow	81.5	77.3
International home credit free cash flow	<u>(52.6)</u>	<u>(62.0)</u>
Home credit free cash flow	28.9	15.3
Add back: debt funding of loan book growth	<u>55.7</u>	<u>60.5</u>
Home credit surplus capital	84.6	75.8
Motor insurance surplus capital	30.6	21.5
Central free cash flow	<u>(16.1)</u>	<u>(11.1)</u>
Net surplus capital before dividends	<u>99.1</u>	<u>86.2</u>

Year ended 31 December

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Full year results

> Motor insurance

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Motor insurance: overview

- > Cyclical downturn in 2002
- > Market premiums down, claims costs up
- > Provident Insurance premium rates increased
- > Sharp fall in policyholder numbers and gross written premiums
- > Pre-tax profit up 2% to £35.8 million
- > 29% post-tax ROE

Motor insurance

Full year results

	2002	2001	change
	£m	£m	%
Gross written premium	242.5	255.3	(5.0)
Gross earned premium	258.3	239.1	8.0
Underwriting profit	11.4	12.0	(5.3)
Combined ratio (%)	96%	95%	
Investment income	24.4	23.1	5.8
Profit from motor underwriting	35.8	35.1	2.0
Average investment fund	455	386	

Year ended 31 December

Motor insurance

The insurance cycle



Provident Financial **Regulation**

- > EU Consumer Credit Directive
- > UK Consumer Credit Act review

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Full year results

- > UK consumer credit division
 - UK home credit
 - Yes Car Credit
 - Credit card – Vanquis Bank

UK consumer credit

Home credit: overview

- > Long established, successful business
- > Cash generative
- > 1.6 million customers
- > Personal service and close customer relationships
- > Transparent, flexible and convenient
- > Tailored to suit customers' requirements
- > Customer satisfaction of 90%

UK consumer credit

Home credit: market conditions

- > Mature market
- > Balancing growth, costs and bad debt
- > Customers better off, borrowing less frequently
- > Working harder to recruit more customers
- > Increase in bad debts, but optimum profit outcome

UK consumer credit

Home credit: key statistics

	2002	2001	change %
Customer numbers	1.63m	1.61m	1.4
Credit issued	£922m	£915m	0.7
Average credit issued per customer	£581	£589	(1.3)
Collections	£1,299m	£1,273m	2.0
Net receivables at year end	£636m	£618m	3.0

UK consumer credit

Home credit: full year results

	2002	2001	change
	£m	£m	%
Turnover	481.9	465.5	3.5
Bad debt	84.9	76.3	(11.3)
Bad debt % credit issued	9.2%	8.3%	(0.9)
Operating costs	225.9	218.6	(3.3)
Interest payable	18.6	20.2	7.8
Profit before tax	152.5	150.4	1.4
Free cash flow	81.5	77.3	5.4

Year ended 31 December

UK consumer credit

Yes Car Credit: overview

- > Impressive growth record
- > Leading position in attractive market
- > Unique integrated, credit-led business model
- > Excellent growth prospects
- > Modestly earnings enhancing in 2003; increasingly thereafter

UK consumer credit

Yes Car Credit: profit and loss

Pro-forma	2002	2001	change %
Cars sold	30,615	24,049	27
Turnover	£207m	£153m	35
Cars financed in-house	22,981	16,035	43
% financed in-house	75%	67%	8
Customer receivables	£163m	£103m	59
Bad debt as % of average net receivables	14.1%	15.3%	
Pro-forma profit before tax	£6.6m	£3.0m	119

UK consumer credit

Vanquis Bank: credit card

- > Market test
- > Experienced team
- > Target market
- > Outsourced infrastructure
- > Market opportunity
- > Differentiated offer
- > International markets

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Full year results

> International home credit

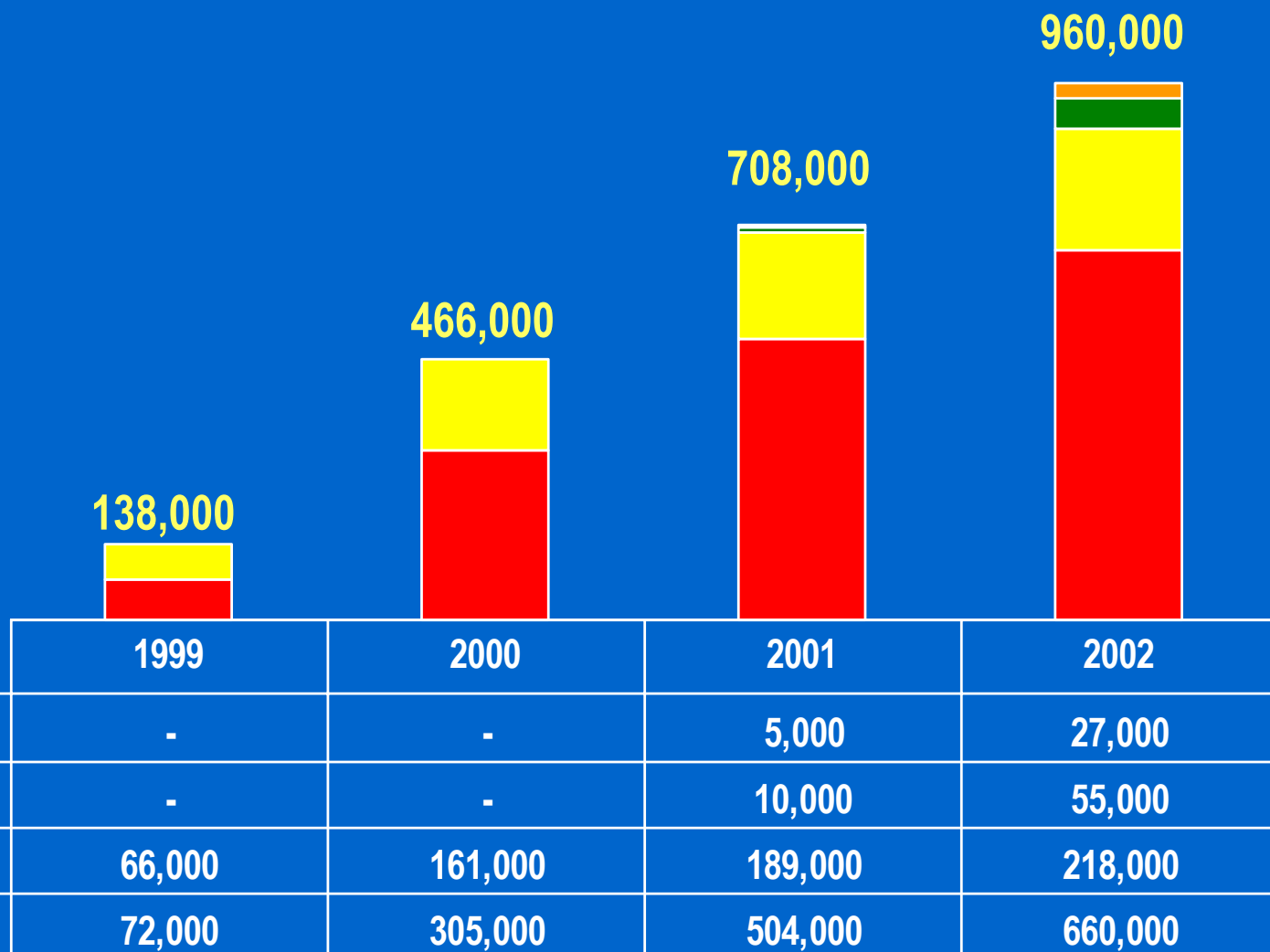
International home credit

International home credit: overview

- > Substantial growth
- > Excellent results from Poland and Czech Republic
- > Businesses successfully established in Hungary and Slovakia
- > Customers up 36% from 708,000 to 960,000
- > Turnover up 43% to £142 million
- > Profit before tax up from £0.8 million to £10.6 million

International home credit

Strong customer growth continues – up 36%

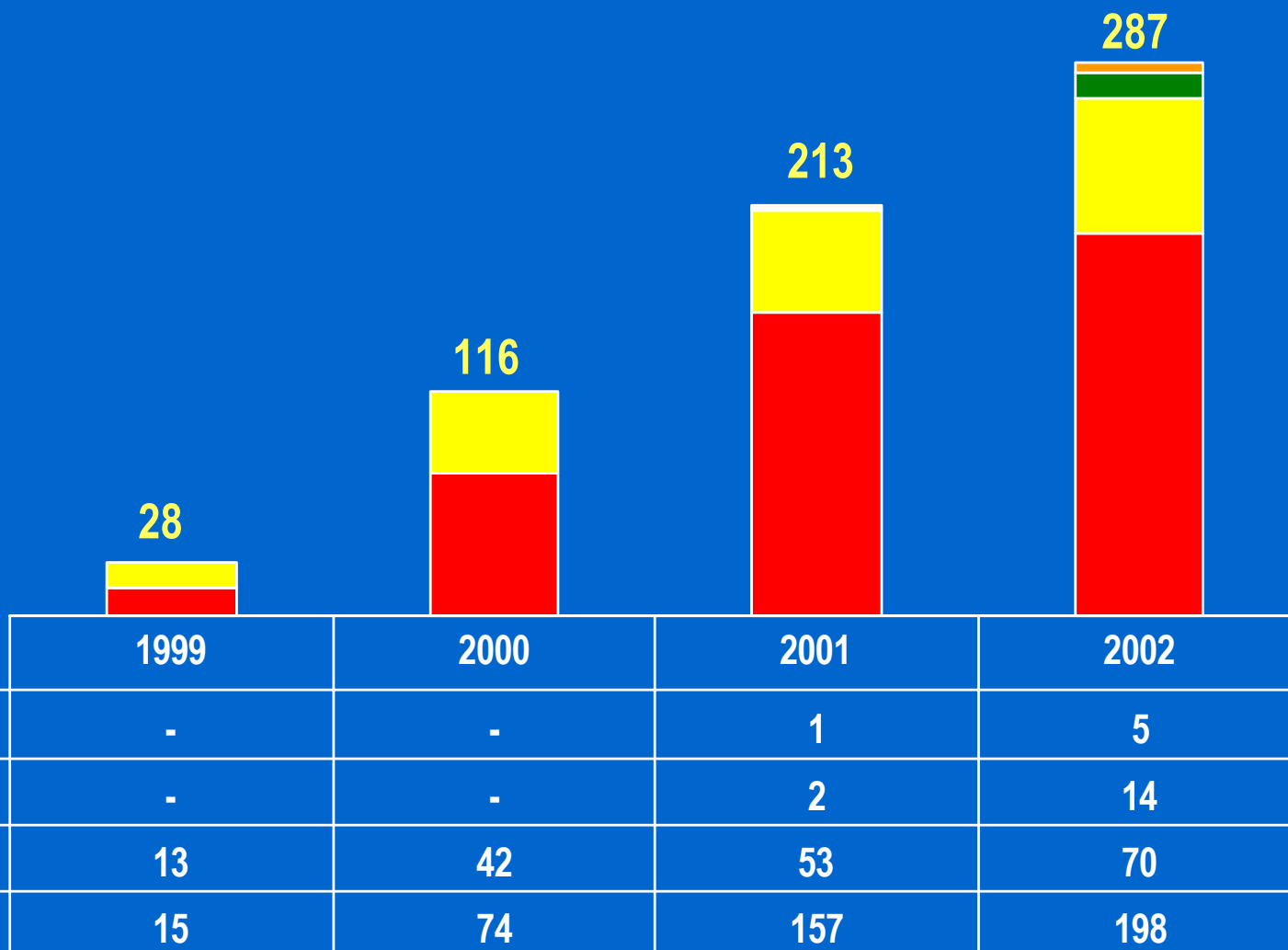


As at 31 December

International home credit

Strong growth in credit issued – up 34%

(£m)



Year ended 31 December

International home credit

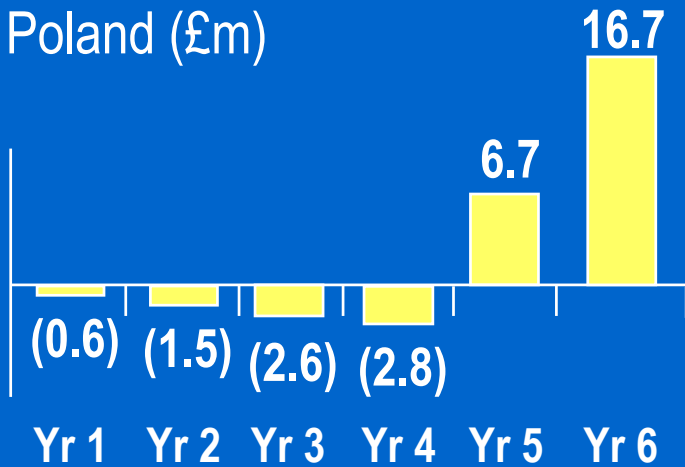
Country profit/(loss) before tax

	2002	2001	change
	£m	£m	£m
Poland	16.7	6.7	10.0
Czech Republic	5.1	2.5	2.6
Hungary	(3.1)	(2.3)	(0.8)
Slovakia	(2.0)	(1.3)	(0.7)
Divisional overhead	(6.1)	(4.8)	(1.3)
Profit from ongoing operations	10.6	0.8	9.8

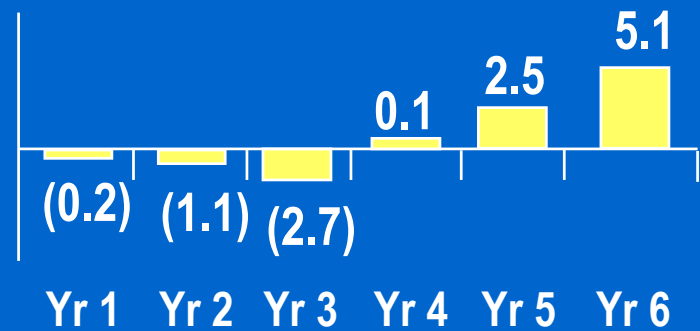
International home credit

Annual profits

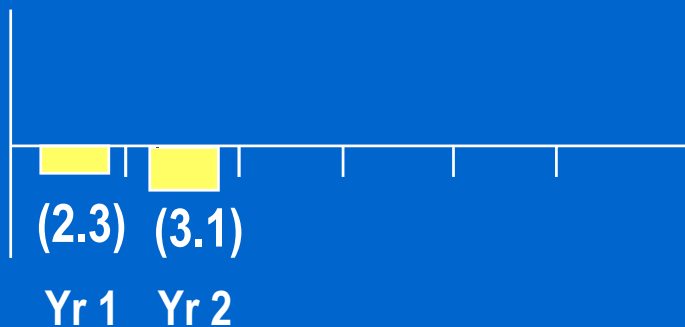
Poland (£m)



Czech Republic (£m)



Hungary (£m)



Slovakia (£m)



International home credit

Mexico



International home credit

Mexico: country information

	Mexico	Poland
> Population	103 million	38 million
> % of cities with over 10,000 people	82%	62%
> Per capita annual income	\$8,800	\$9,000
> S&P country rating	A-	A-
> Economic growth rate (2003 est.)	3.5%	3.1%
> Inflation	5.1%	3.2%
> Interest rate	10.2%	6.5%

International home credit

Mexico



Modern glass architecture of buildings along the Paseo de la Reforma, Mexico City.

International home credit

Mexico

The Monument
of the Angel of
Independence



The Cathedral of Mexico



The Palace of Fine Arts

International home credit

Mexico: target market



C Demographic

26% of Population

Household income between US \$1,000 and US \$3,000 per month.

- Houses or apartments with two bedrooms and one bathroom.
- Few houses with telephone lines. Most houses have televisions with videos, and in some cases a personal computer.



D+/D Demographic

52% of Population

Household income between US \$200 and US \$1,000 per month.

- Houses or apartments with one or two bedrooms and one bathroom.
- No telephone lines or computer; one television. One-third of households have a video.

International home credit

Mexico: results of research

- > Large and attractive market
- > Strong customer appeal
- > Under-served market

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Group prospects for 2003

- > Modest growth for UK home credit
- > Yes Car Credit expected to grow significantly
- > Investment in credit card circa £7 million
- > Lower profits from motor insurance
- > Further substantial growth from international

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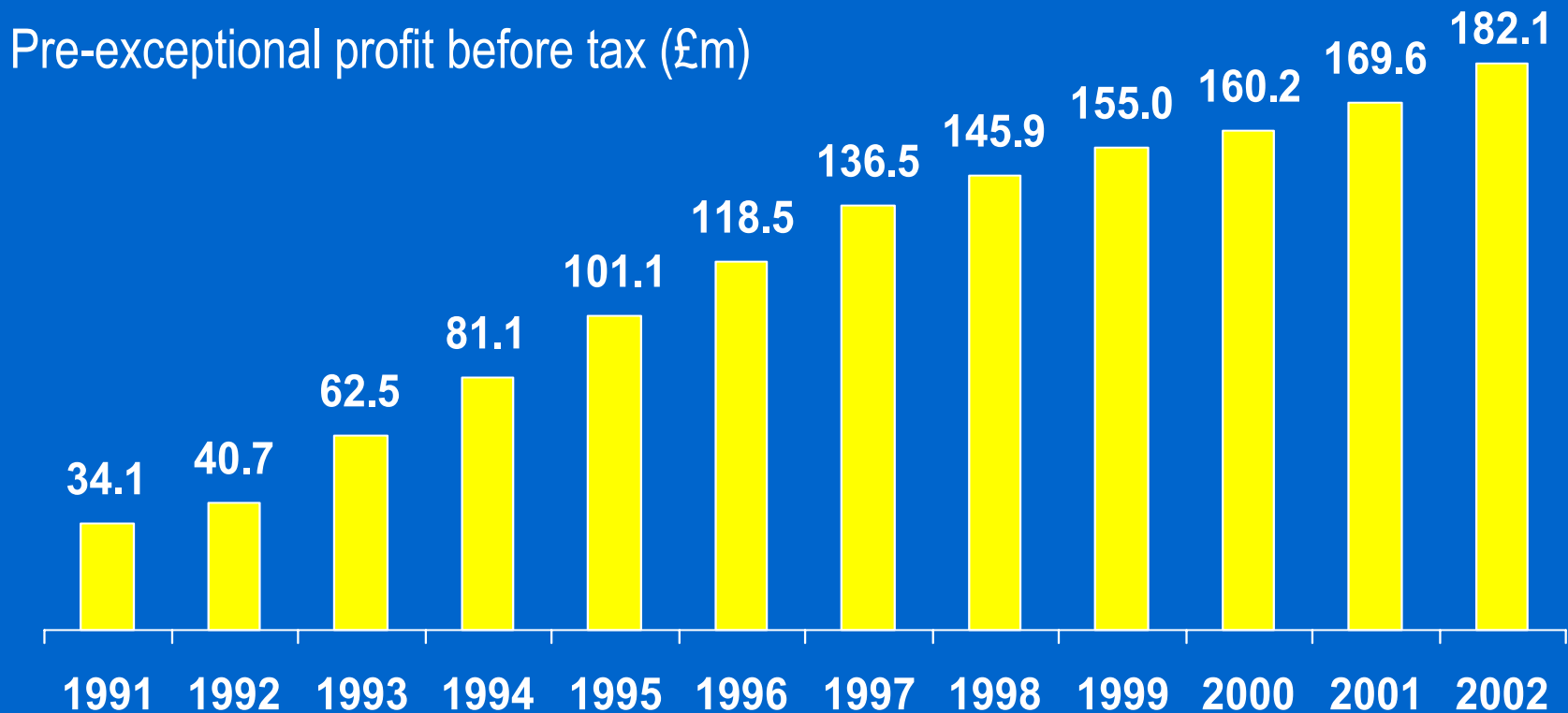
Group prospects for 2003

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Group prospects for 2003

Provident has an impressive record of growth and we are confident about prospects for 2003



Year ended 31 December



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International home credit

Poland: key statistics

	2002	2001	change %
Customer numbers	660,000	504,000	31
Credit issued	£198.1m	£157.9m	26
Average credit issued per customer	£348	£381	(9)
Collections	£244.5m	£179.9m	36
Net receivables at year end	£115.4m	£82.4m	40

International home credit

Poland: profit and loss account

	2002 £m	2001 £m	change %
Turnover	102.2	74.1	38
Operating costs	53.5	45.0	(19)
Bad debt	18.1	11.8	(53)
Bad debt % credit issued	9.1%	7.5%	
Interest payable	13.9	10.6	(31)
Profit	16.7	6.7	147
Profit margin	16.3%	9.1%	

International home credit

Czech Republic: key statistics

	2002	2001	change %
Customer numbers	218,000	189,000	16
Credit issued	£69.8m	£53.2m	31
Average credit issued per customer	£345	£300	15
Collections	£86.3m	£68.0m	27
Net receivables at year end	£38.9m	£27.5m	41

International home credit

Czech Republic: profit and loss account

	2002 £m	2001 £m	change %
Turnover	33.6	24.9	35
Operating costs	18.5	14.4	(29)
Bad debt	7.7	6.0	(28)
Bad debt % credit issued	11.0%	11.2%	
Interest payable	2.3	2.0	(15)
Profit	5.1	2.5	109
Profit margin	15.2%	9.9%	

International home credit

Hungary: key statistics

	2002	2001	change %
Customer numbers	55,000	10,000	411
Credit issued	£13.7m	£1.7m	711
Average credit issued per customer	£464	£371	25
Collections	£12.1m	£1.0m	1,077
Net receivables at year end	£6.9m	£1.0m	590

International home credit

Hungary: profit and loss account

	2002 £m	2001 £m	change %
Turnover	4.9	0.4	1,000
Operating costs	6.4	2.5	(155)
Bad debt	1.1	0.1	(710)
Bad debt % credit issued	8.0%	8.0%	
Interest payable	0.5	0.1	(563)
Profit/(loss)	(3.1)	(2.3)	(35)

International home credit

Slovakia: key statistics

	2002	2001	change %
Customer numbers	27,000	5,000	434
Credit issued	£5.0m	£0.7m	609
Average credit issued per customer	£354	£383	(8)
Collections	£4.6m	£0.5m	818
Net receivables at year end	£2.2m	£0.3m	633

International home credit

Slovakia: profit and loss account

	2002 £m	2001 £m	change %
Turnover	1.7	0.2	827
Operating costs	3.0	1.4	(118)
Bad debt	0.4	0.1	(613)
Bad debt % credit issued	8.0%	8.0%	
Interest payable	0.3	-	(636)
Profit/(loss)	(2.0)	(1.3)	(53)