



**PROVIDENT  
FINANCIAL**

Speciality Finance Conference

November 2003



**Merrill Lynch**



# PROVIDENT FINANCIAL

## Past, Present & Future



# Provident Financial

## Group key statistics

**2002 pre-exceptional  
PBT**

£182.1 million

**2002 Turnover**

£875.0 million

**Market capitalisation**

£1.5 billion

**Employees**

7,500

**Customers**

3.4 million

**Self-employed agents**

27,000

# 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

## Group composition comparison

1996

UK
UK home credit

Motor Insurance
Provident Insurance
Colonnade Insurance Brokers

2003

UK Consumer Credit
UK home credit
Yes Car Credit
Credit cards (pilot)

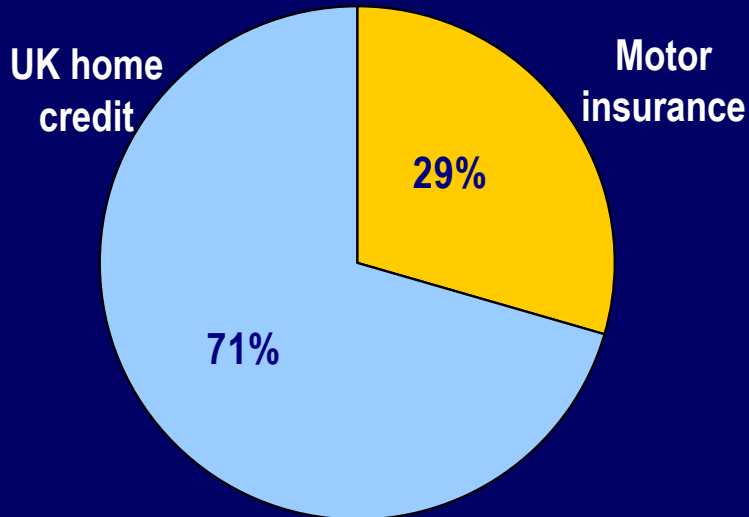
International Home Credit	
Poland	Czech Republic
Hungary	Slovakia
Mexico (pilot)	

Motor Insurance
Provident Insurance

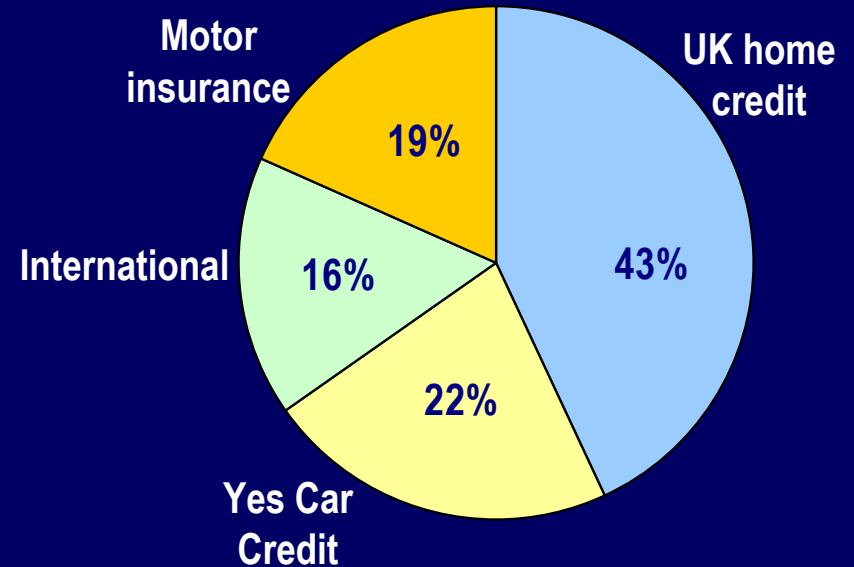
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## Divisional turnover mix comparison

1996



2003



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**Strategy: international home credit**



Poland



Czech  
Republic



Slovakia



Hungary



Mexico

International home credit

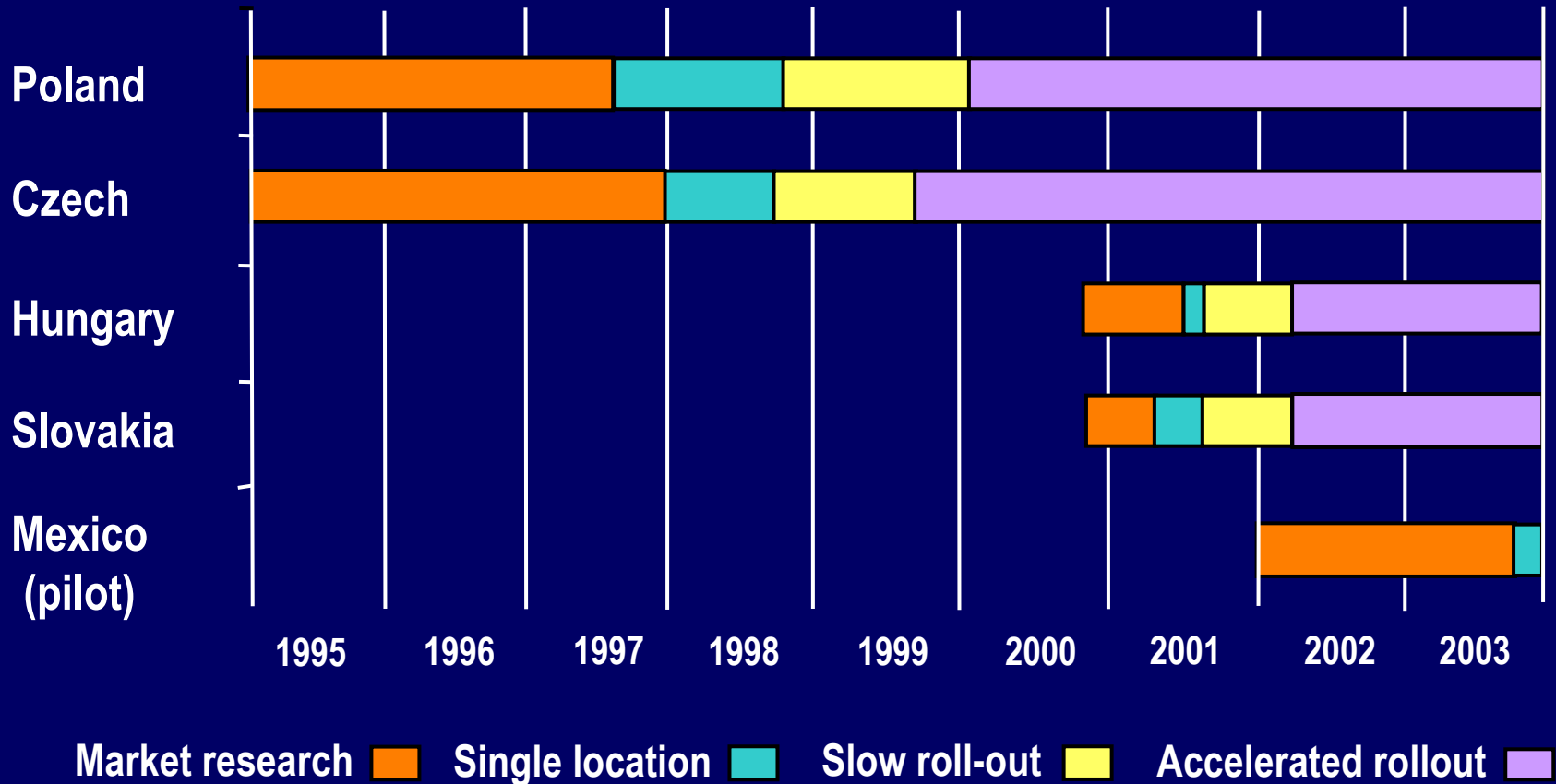
## Why international expansion?

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



# International home credit

## Timeline of international development



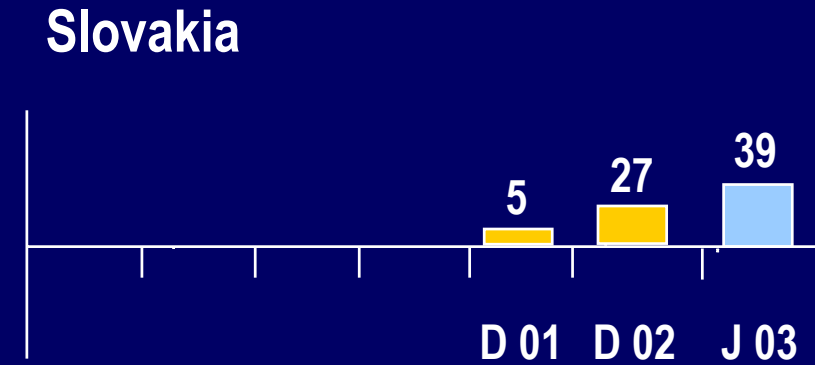
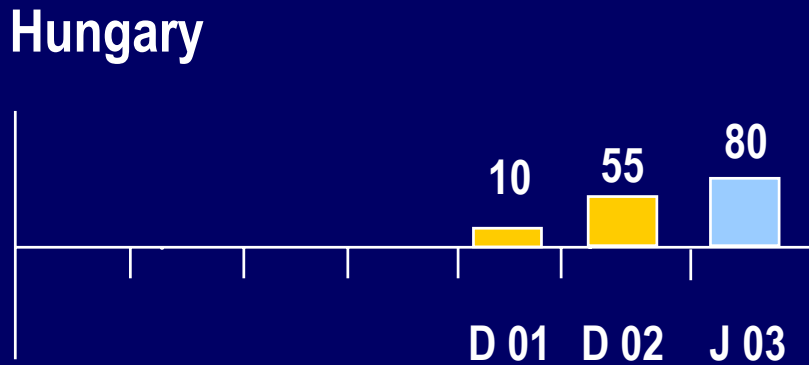
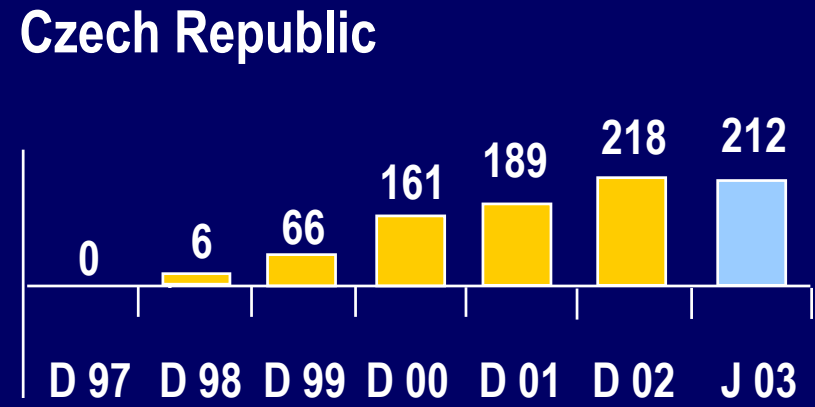
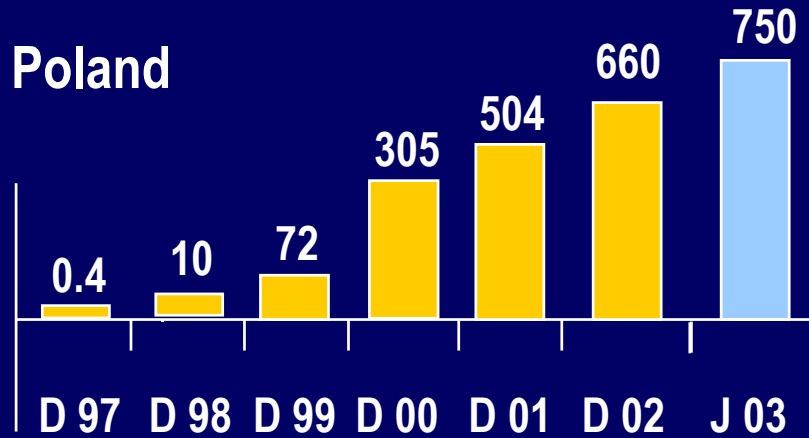
## International home credit

# Central Europe: progress

- > Operations in most central European towns and cities
- > 1.1 million customers
- > Poland and Czech Republic pre-tax profit of £31m in 12 months to June 2003
- > On course for medium term targets
- > Substantial shareholder value created

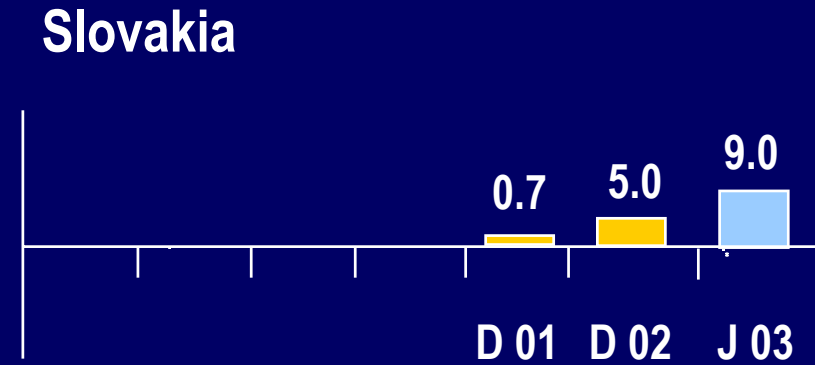
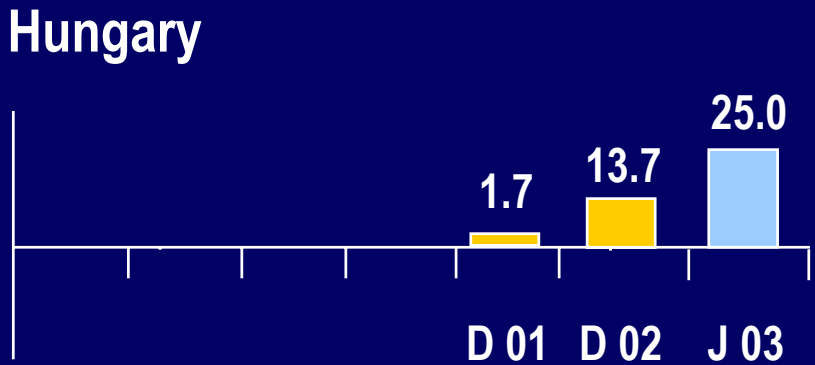
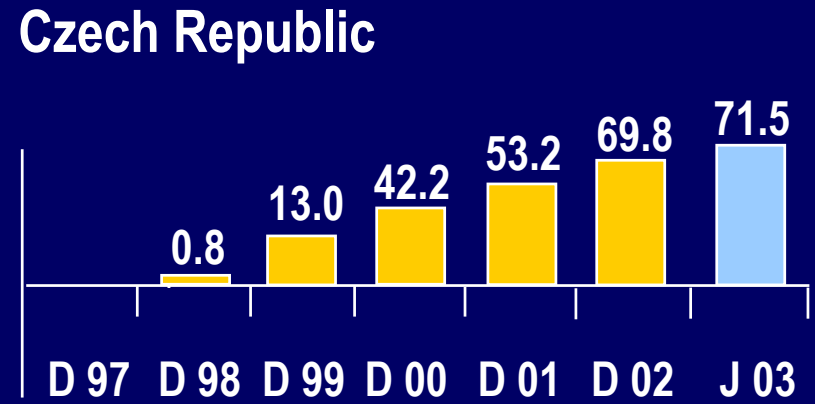
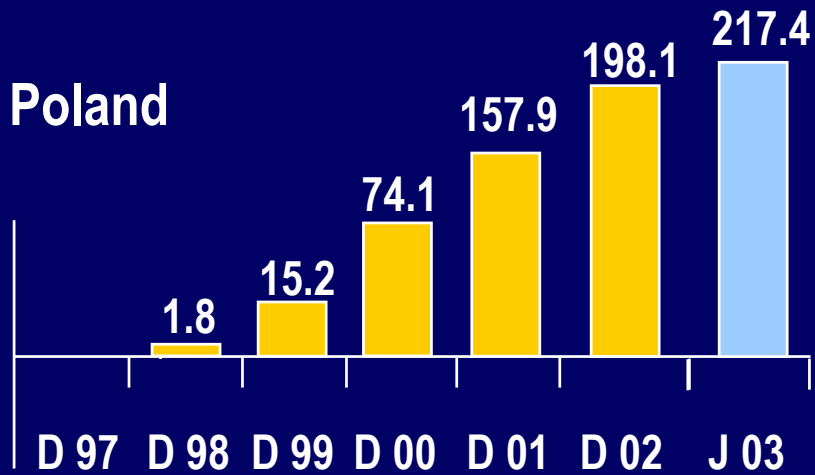
# International home credit

## Customer numbers ('000)



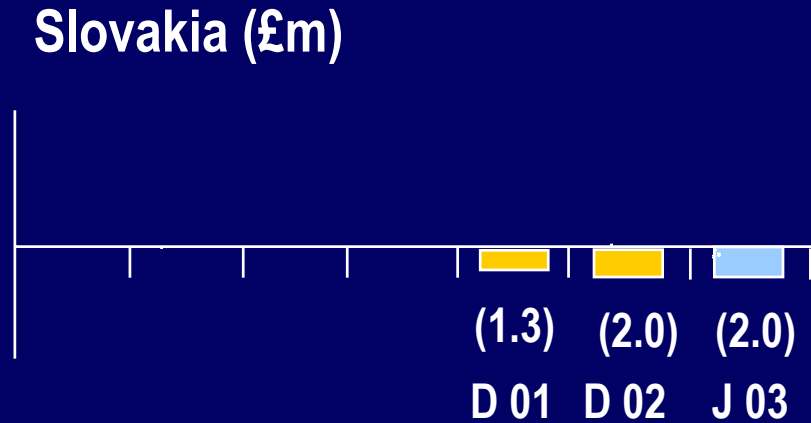
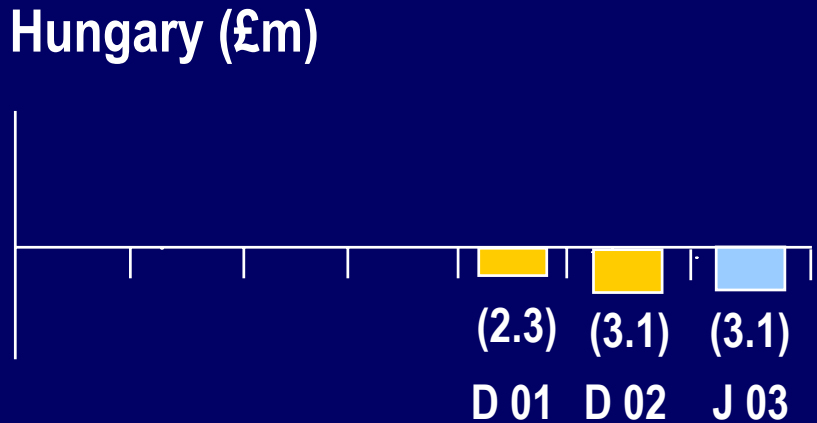
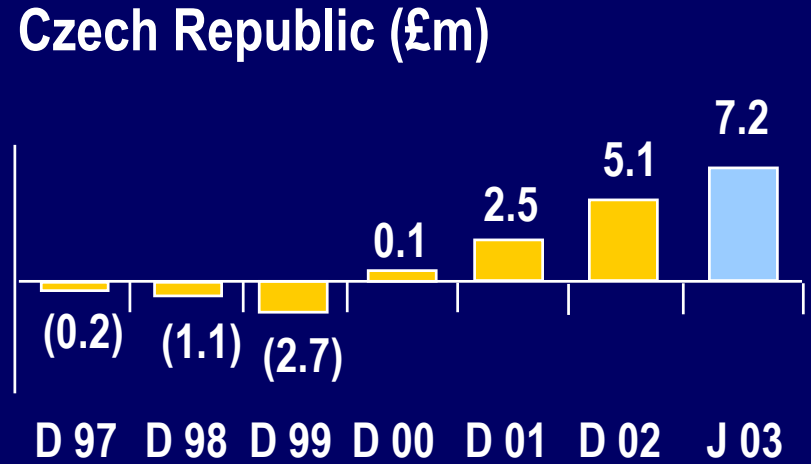
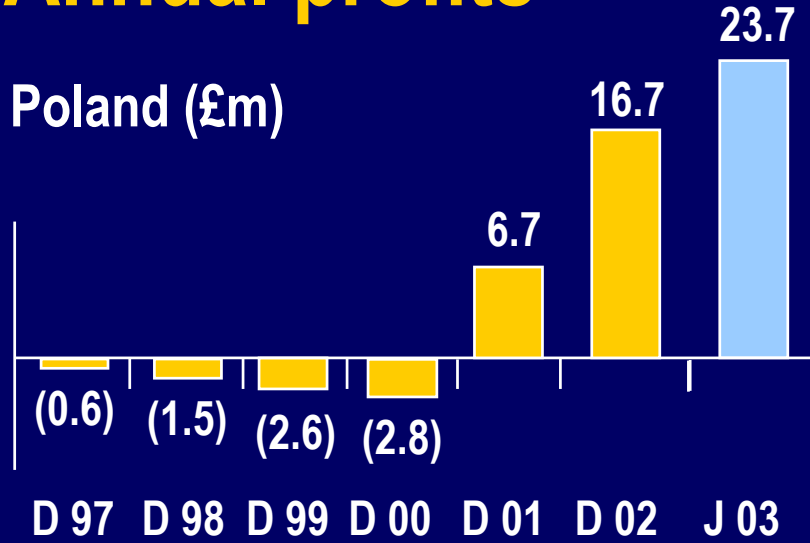
# International home credit

## Credit issued (£m)



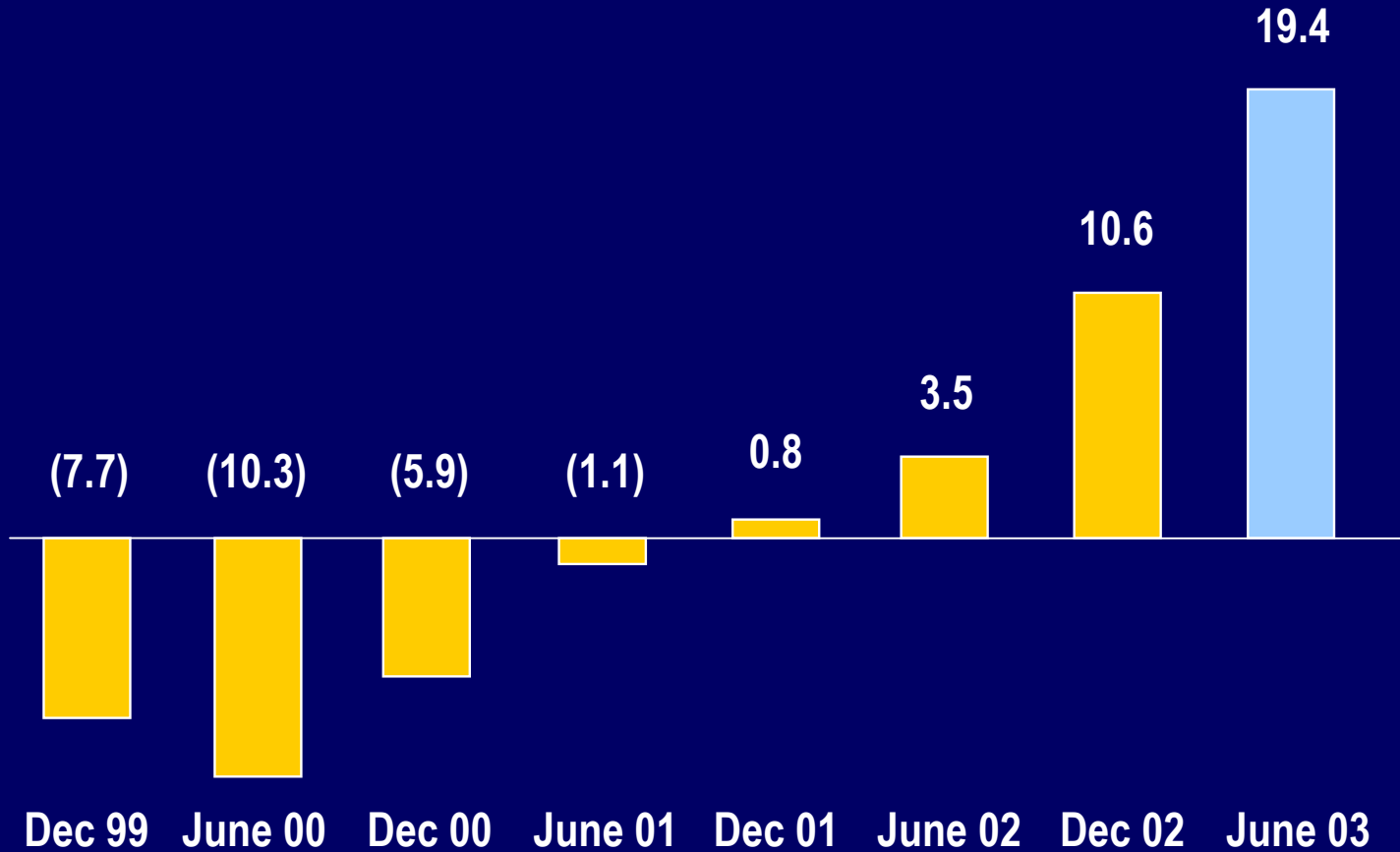
# International home credit

## Annual profits



## 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

## International home credit

# EU enlargement: impact on existing markets

- > All candidate countries preparing for at least a decade
- > Accession will be positive
- > Financial benefits
- > GDP growth
- > Trading will be simplified
- > Legislation will be harmonised
- > Beneficial but no major impact expected



International home credit

## Mexico: pilot commenced

> First loan made in August 2003



## International home credit

### Mexico: country information

	Mexico	Poland
> Population	103 million	39 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

# Country selection: where next?

- > No new countries before 2005
- > Rule of law
- > Relatively stable economy
- > Safe to lend and collect
- > Urbanised
- > Can be funded in local currency
- > Well educated workforce
- > Sufficient potential

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**Strategy: broader range of credit products**



UK consumer credit

## Yes Car Credit: an excellent 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 in the center. The footer contains the text "FREEPHONE 0800 083 3817 NOW OR APPLY ONLINE".

## UK consumer credit

# Yes Car Credit: interim results

	H1 2003	H1 2002 Pro-forma	change %
Cars sold	17,600	15,716	12
Cars financed in-house	15,819	11,327	40
% financed in-house	90%	72%	18
Customer receivables (£m)	204	149	37
Turnover (£m)	123	101	23
Bad debt charge as % of average net receivables (MAT)	14.3%	15.3%	(1)
Profit before tax (£m)	4.5	3.4	35

6 months to 30 June

## 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

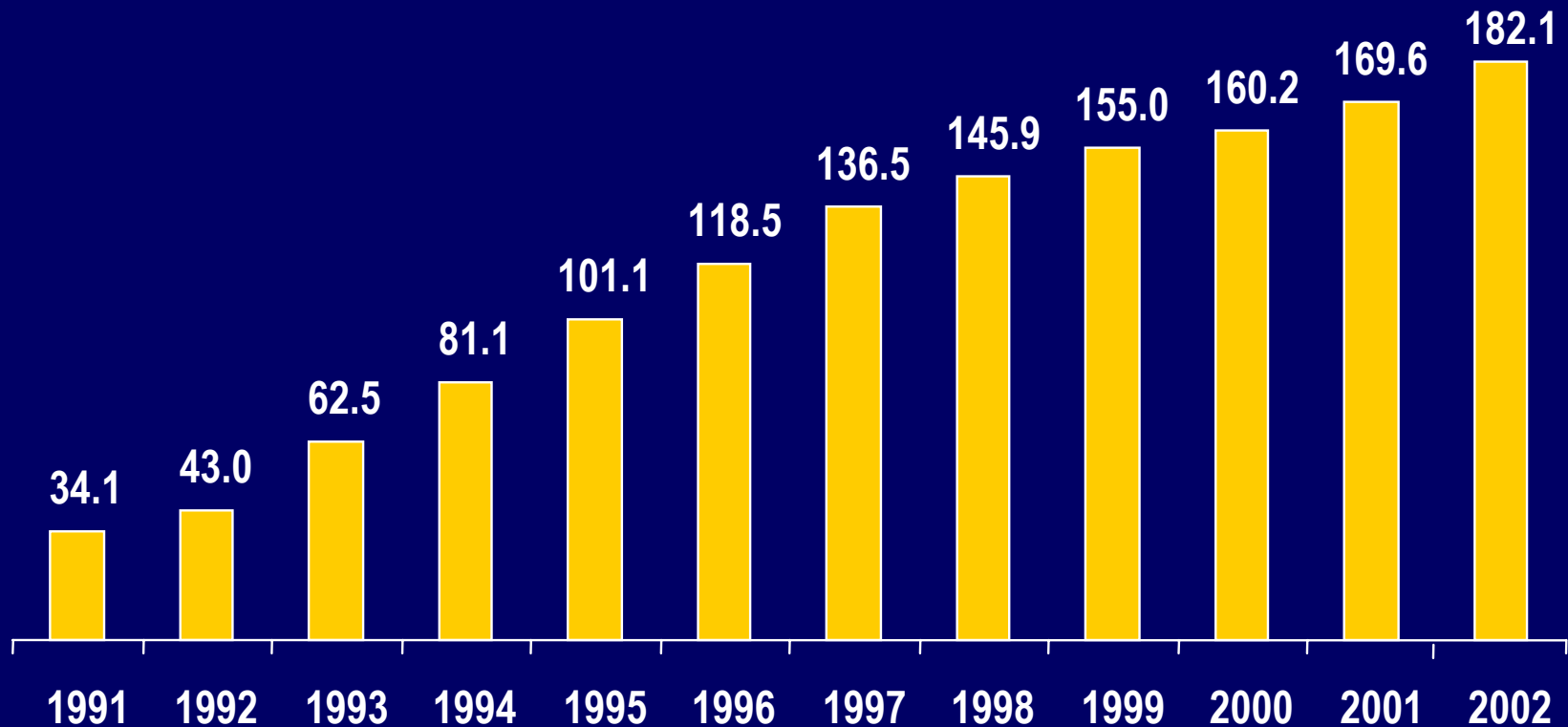
## Summary

- > 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
- > Good progress in executing our strategy

Provident Financial

## An impressive record of growth

Pre-exceptional profit before tax (£m)



Year ended 31 December



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