



PROVIDENT  
FINANCIAL

Provident Financial

Full year results to 31 December 2001

Provident continues to make good  
progress

## Provident Financial

# Highlights

### Overview

- > UK home credit division - steady growth
- > International division - substantial increase in profitability
- > Motor insurance division - record profits
- > Group - good overall progress

## Provident Financial

# Highlights

### Financial results

- > Group customers up by 9%
- > Turnover up by 14%
- > Pre tax profit up 5.9% to £169.6m
- > Earnings per share up 6.0% to 50.39 pence
- > Dividend per share up 7.5% to 29.35 pence

## Provident Financial Divisional results

Profit before tax (£m)	2001	2000	change
UK home credit	150.4	147.0	2.3%
International home credit	0.8	(5.9)	---
Motor insurance	36.6	32.0	14.2%
Central costs	(13.2)	(10.6)	23.8%
Profit before tax from ongoing operations	174.6	162.5	7.5%
balance <sup>TM</sup>	(1.4)	(1.5)	---
South Africa	(3.6)	(0.8)	---
Profit before tax	169.6	160.2	5.9%

Year ended 31 December

## Provident Financial

# Free cash flow and surplus capital generated (£m)

	2001	2000
UK home credit free cash flow	77.3	84.7
International home credit free cash flow	<u>(62.0)</u>	<u>(52.7)</u>
Home credit free cash flow	15.3	32.0
Add back: debt funding of loan book growth	<u>60.5</u>	<u>54.1</u>
Home credit surplus capital	75.8	86.1
Insurance surplus capital	21.5	8.3
Central free cash flow	<u>(11.1)</u>	<u>(10.5)</u>
Net surplus capital generated	<u>86.2</u>	<u>83.9</u>

Year ended 31 December

## Provident Financial

### Uses of surplus capital (£m)

	2001	2000
Net surplus capital generated	86.2	83.9
Dividends paid	(69.4)	(63.4)
Share buy-backs	(23.2)	(49.1)
Other	0.4	2.7
Net distribution of surplus	<u>(6.0)</u>	<u>(25.9)</u>

## Provident Financial

# Capital structure and gearing

	2001
Receivables	£729m
Borrowings	£484m
Insurance capital	£102m
Home credit capital	£195m
Group capital	<u>£297m</u>
Home credit capital % net receivables	27%
Home credit gearing	248%
Group gearing	163%



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Full year results

UK home credit

## Provident Financial

# UK home credit highlights

- > Steady growth
- > Agents up 1.4% to 12,225
- > Customers up 2.0% to 1.61m
- > New initiatives added 44,000 customers
- > Credit issued up 3.6%
- > Profit before tax up 2.3% to £150.4m

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UK home credit marketing initiatives

## UK home credit

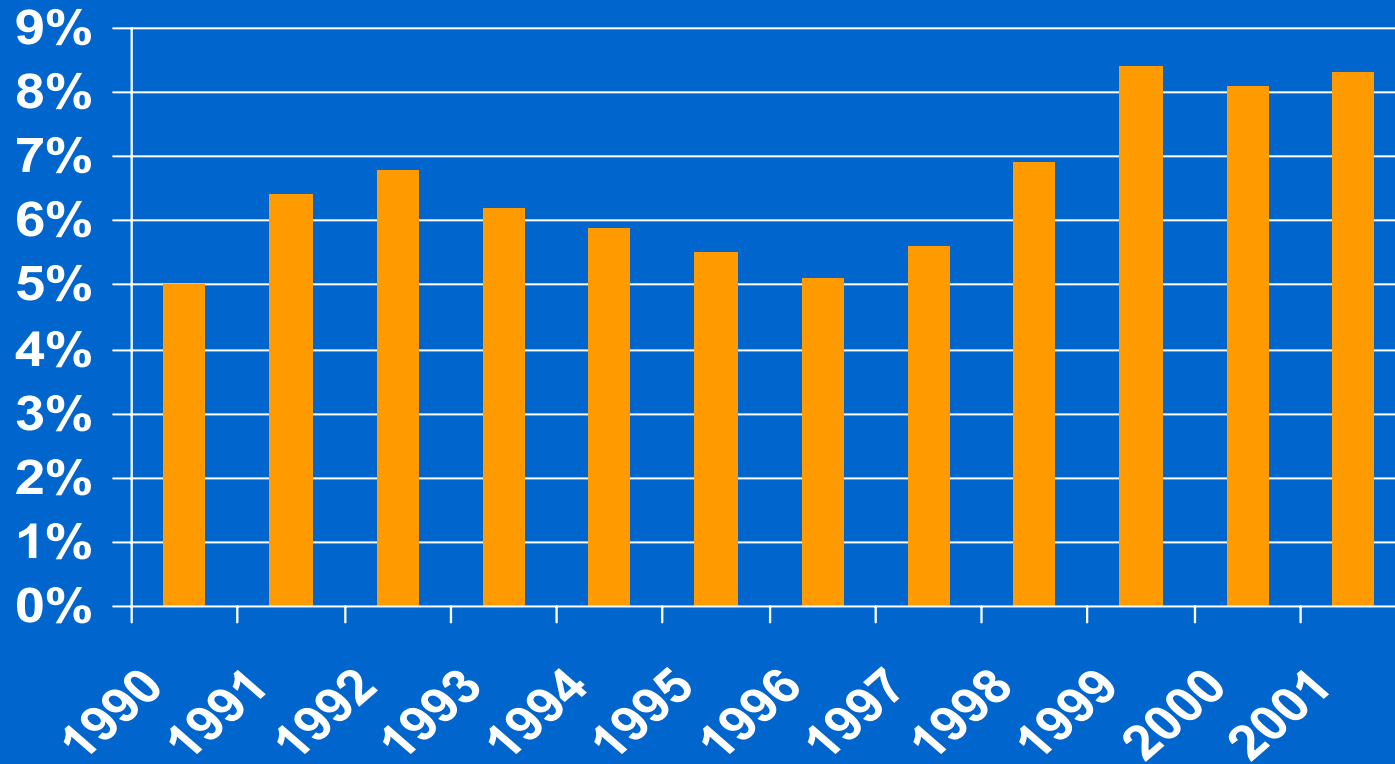
# A year of steady growth

	2001	2000	change
Customers (000s)	1,611	1,580	2.0%
Credit issued	£915.5m	£883.9m	3.6%
Collections	£1,273.1m	£1,239.1m	2.7%
Turnover	£465.5m	£448.4m	3.8%
Bad debt	£76.3m	£71.5m	6.8%
Bad debt % credit issued	8.3%	8.1%	
Operating costs	£218.6m	£210.5m	3.8%
Interest payable	£20.2m	£19.4m	4.2%
Profit before tax	£150.4m	£147.0m	2.3%

Year ended 31 December

## UK home credit

# Bad debt as a percentage of credit issued



Year ended 31 December

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Full year results

Motor insurance

## Provident Financial

# Motor insurance highlights

- > Another record year
- > Market premium rates up 7%, our premium rates up 6%
- > Policyholders up 8.5% to 855,000
- > Gross written premiums up 16% to £255m
- > Claims inflation up an average of 7% over the last 2 years
- > Combined ratio steady at 95%
- > Investment income of £23.2m - up 11% on 2000
- > Profit up 14% to £36.6m

# Motor insurance 2001 results

Profit before tax (£m)

	2001	2000	change
Underwriting profit	12.0	9.4	28%
Investment income	23.1	20.7	12%
<hr/>			
Profit from motor underwriting	35.1	30.1	17%
Broking	1.5	1.9	(24%)
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Total	36.6	32.0	14%
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Year ended 31 December



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Full year results

International home credit

## Provident Financial

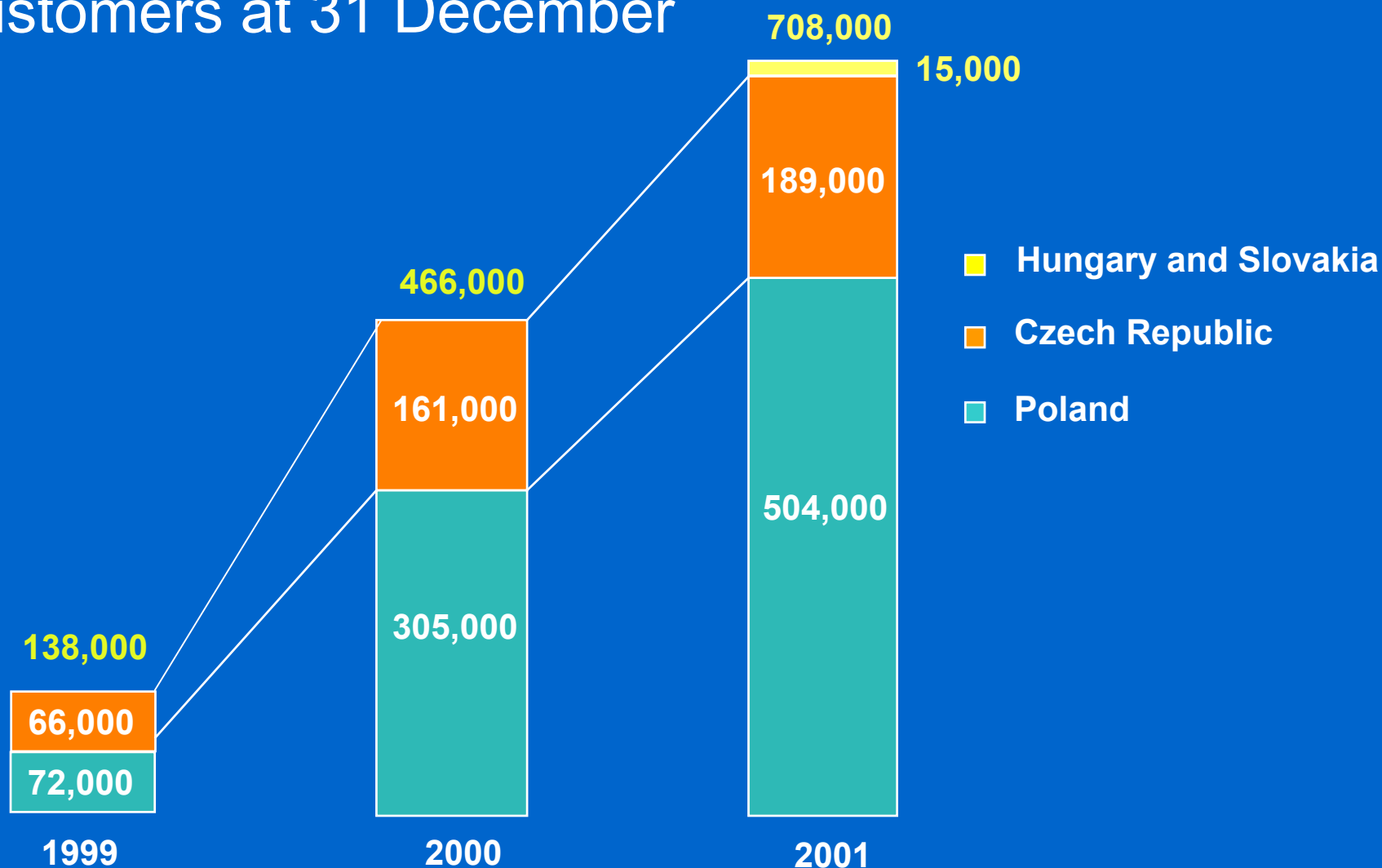
# International home credit highlights

- > Customers up 42% from 500,000 to 708,000
- > Poland - profit £6.7m
- > Czech Republic - profit £2.5m
- > Hungary and Slovakia successfully opened
- > South Africa closed in December - £3.6m loss in 2001
- > Pre South Africa - a divisional profit of £0.8m

## International home credit

# Strong customer growth continues

Customers at 31 December



## International home credit

### Divisional profit/(loss) before tax (£m)

	2001	2000	change (£m)
Poland	6.7	(2.8)	+9.5
Czech Republic	2.5	0.1	+2.4
Hungary	(2.3)	-	-2.3
Slovakia	(1.3)	-	-1.3
Divisional overhead	(4.8)	(3.2)	-1.6
Profit/(loss) from ongoing operations	0.8	(5.9)	+6.7
South Africa	(3.6)	(0.8)	-2.8
Reported loss	(2.8)	(6.7)	+3.9

Year ended 31 December

## International home credit

# Czech Republic: key statistics

	2001	2000	change
Staff numbers	525	493	6%
Agent numbers	2,549	2,548	0%
Customer numbers	188,684	161,284	17%
Net receivables at year end	£27.5m	£21.2m	30%
Credit issued	£53.2m	£42.2m	26%
Average credit issued per customer	£190	£152	25%
Bad debt % credit issued	11.2%	3.9%	

Year ended 31 December

## International home credit

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Year ended 31 December

## International home credit

# Czech Republic : profit and loss account

	2001	2000	change
Credit issued	£53.2m	£42.2m	26%
Collections	£68.0m	£39.8m	71%
Turnover	£24.9m	£14.2m	75%
Operating costs	£14.4m	£11.3m	27%
Bad debt	£6.0m	£1.7m	260%
Interest payable	£2.0m	£1.1m	83%
<hr/> Profit	<hr/> £2.5m	<hr/> £0.1m	

Year ended 31 December

## International home credit

# Poland: key statistics

	2001	2000	change
Staff numbers	1,594	1,048	52%
Agent numbers	8,415	5,200	62%
Customer numbers	503,920	304,874	65%
Net receivables at year end	£82.4m	£38.5m	114%
Credit issued	£157.9m	£74.1m	113%
Average credit issued per customer	£213	£152	40%
Bad debt % credit issued	7.5%	3.9%	

Year ended 31 December



## International home credit

# Poland : profit and loss account

	2001	2000	change
Credit issued	£157.9m	£74.1m	113%
Collections	£179.9m	£67.9m	165%
Turnover	£74.1m	£26.0m	185%
Operating costs	£45.0m	£22.2m	103%
Bad debt	£11.8m	£2.9m	311%
Interest payable	£10.6m	£3.7m	185%
Profit/(loss)	£6.7m	(£2.8m)	

Year ended 31 December

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## Full year results

How does the profitability of Poland and the Czech Republic compare to that of the UK home credit division?

## International home credit

# Relative profit performance

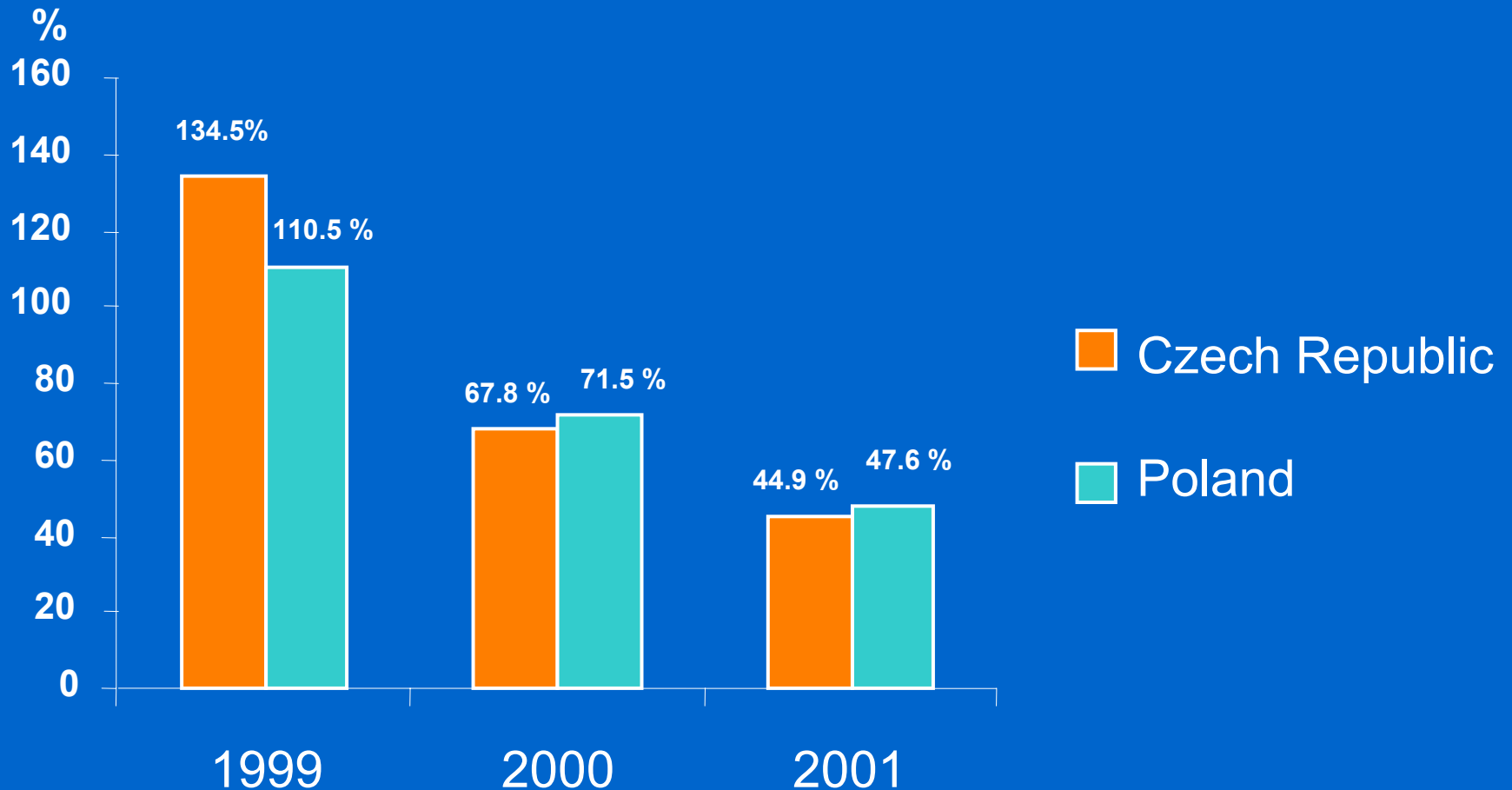
<u>% of turnover</u>	Poland	Czech	UK
Commission	13.2	13.0	23.2
Expenses	47.6	45.0	23.8
Bad debt charge	15.9	24.0	16.4
Interest payable	14.2	8.1	4.3
Pre tax profit	9.1	9.9	32.3
Adjusted pre tax profit	14.2	13.9	30.4
<u>Post tax return on average receivables</u>	<u>12.5%</u>	<u>10.6%</u>	<u>19.2%</u>

Year ended 31 December 2001

## International home credit

# Impact of operational gearing

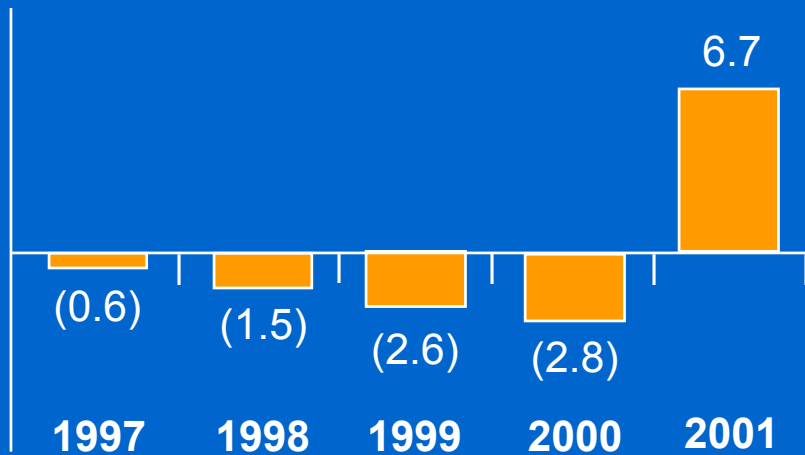
Overhead expenses as a % of turnover



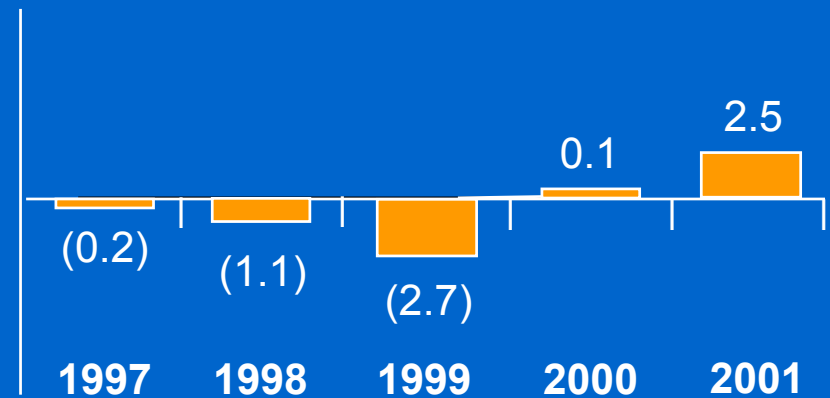
## International home credit

# Poland and Czech Republic move strongly into profit in 2001

Poland (£m)



Czech Republic (£m)



**International home credit**

**National TV campaigns in Poland and Czech Republic**

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**Group prospects for 2002**

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## Group prospects for 2002

UK home credit

- > steady progress in relatively mature market
- > excellent returns and cash generation
- > growth similar to 2001



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# Group prospects for 2002

### Motor insurance

- > outlook for market premiums uncertain
- > reinsurance costs fixed until mid 2003
- > claims inflation may exceed premium increases
- > lower investment yield
- > reduced margins likely in 2002

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## **Group prospects for 2002**

International home credit

- > excellent prospects
- > focus on further building profitability in Poland and Czech Republic
- > develop businesses in Hungary and Slovakia

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## Group prospects for 2002

Provident has an excellent record of growth and we expect this to continue in 2002



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