



**PROVIDENT  
FINANCIAL**

Exporting home collected credit



**Merrill Lynch**

Speciality Finance Conference  
November 2004

# Provident Financial

## Vital statistics

2003 pre-goodwill  
PBT

£206.2 million

2003 turnover

£1.1 billion

Market capitalisation

£1.6 billion

Established

1880

Customers

3.5 million

Employees

8,000

# Provident Financial

## Our business

	Employees	Customers (‘000’s)	Turnover (£m)	PBT (£m)
UK home credit	2,900	1,605	495.6	152.6
International	2,900	1,244	191.4	29.3
Yes Car Credit	1,100	55	269.2	11.2
Vanquis Bank	100	37	1.3	(6.7)
<hr/>				
Total consumer credit	7,000	2,941	957.5	186.4
Motor insurance	500	587	176.7	28.6
Group	60	-	-	(8.8)
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Total	7,560	3,528	1,134.2	206.2

Pre goodwill profit before tax

12 months to 31 December 2003

# 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

## Developing the business

1996

UK consumer credit
UK home credit



2003

UK consumer credit
UK home credit
Yes Car Credit
Vanquis Bank (pilot)



International	
Poland	Czech Republic
Hungary	Slovakia
Mexico (pilot)	



Motor Insurance
Provident Insurance
Colonnade Insurance Brokers

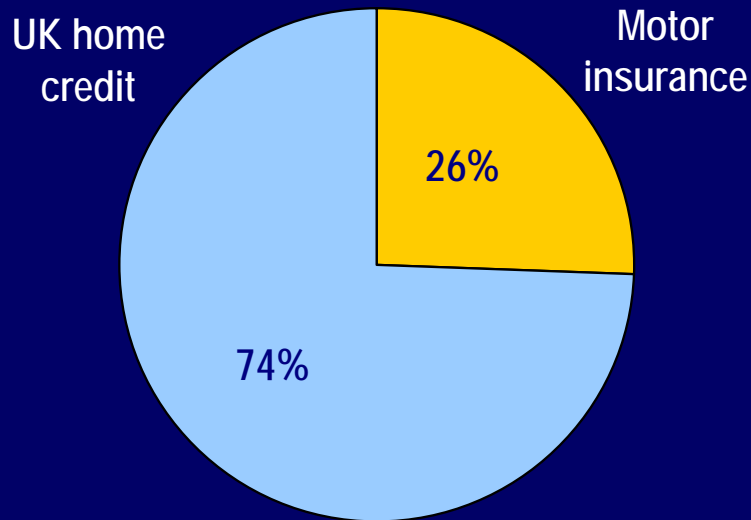
Motor Insurance
Provident Insurance

# Provident Financial

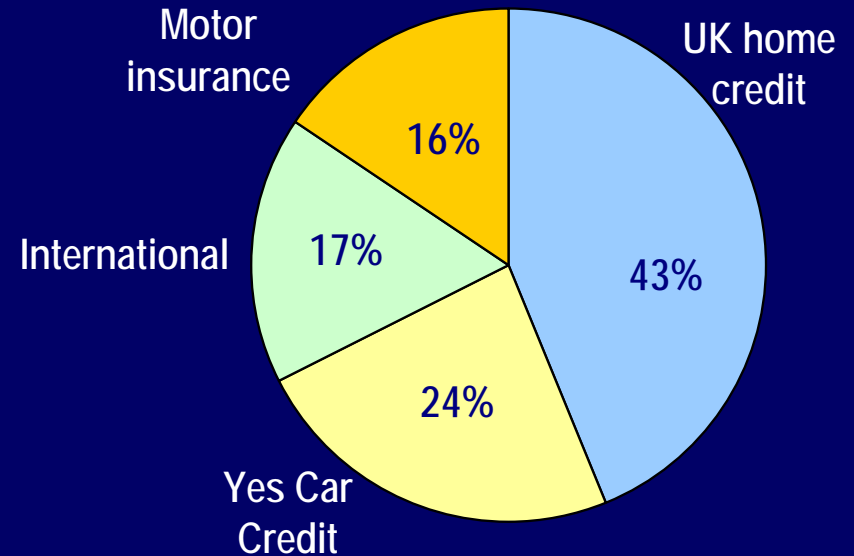
## Developing the business

### Turnover

1996



2003



Year ended 31 December

# 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

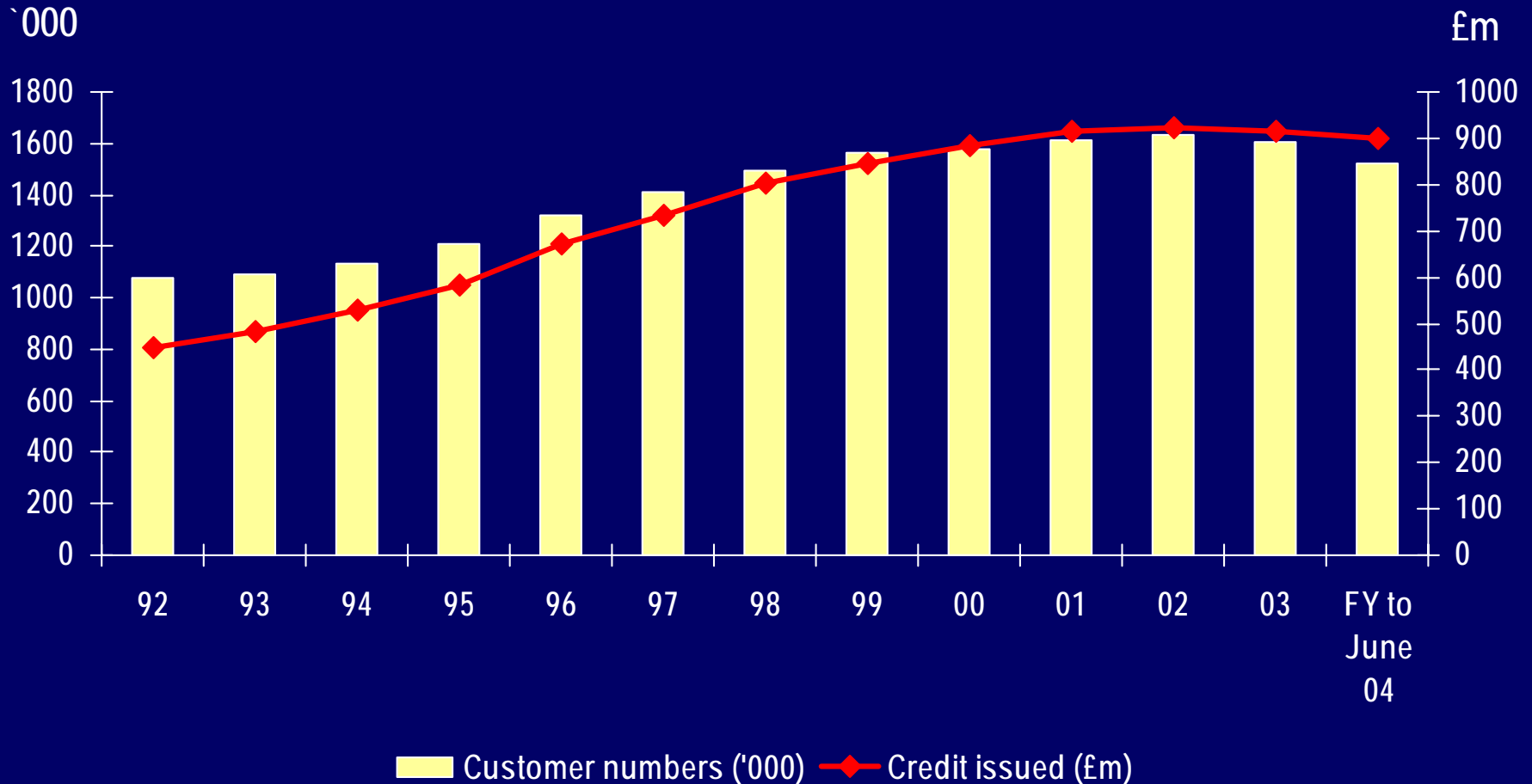
## Why international expansion?

- > Slowing UK growth
- > Opportunity for diversification
- > Leverage experience and knowledge
- > Research confirmed attractiveness for home credit overseas
- > Ability to generate profitable growth
- > Create substantial shareholder value



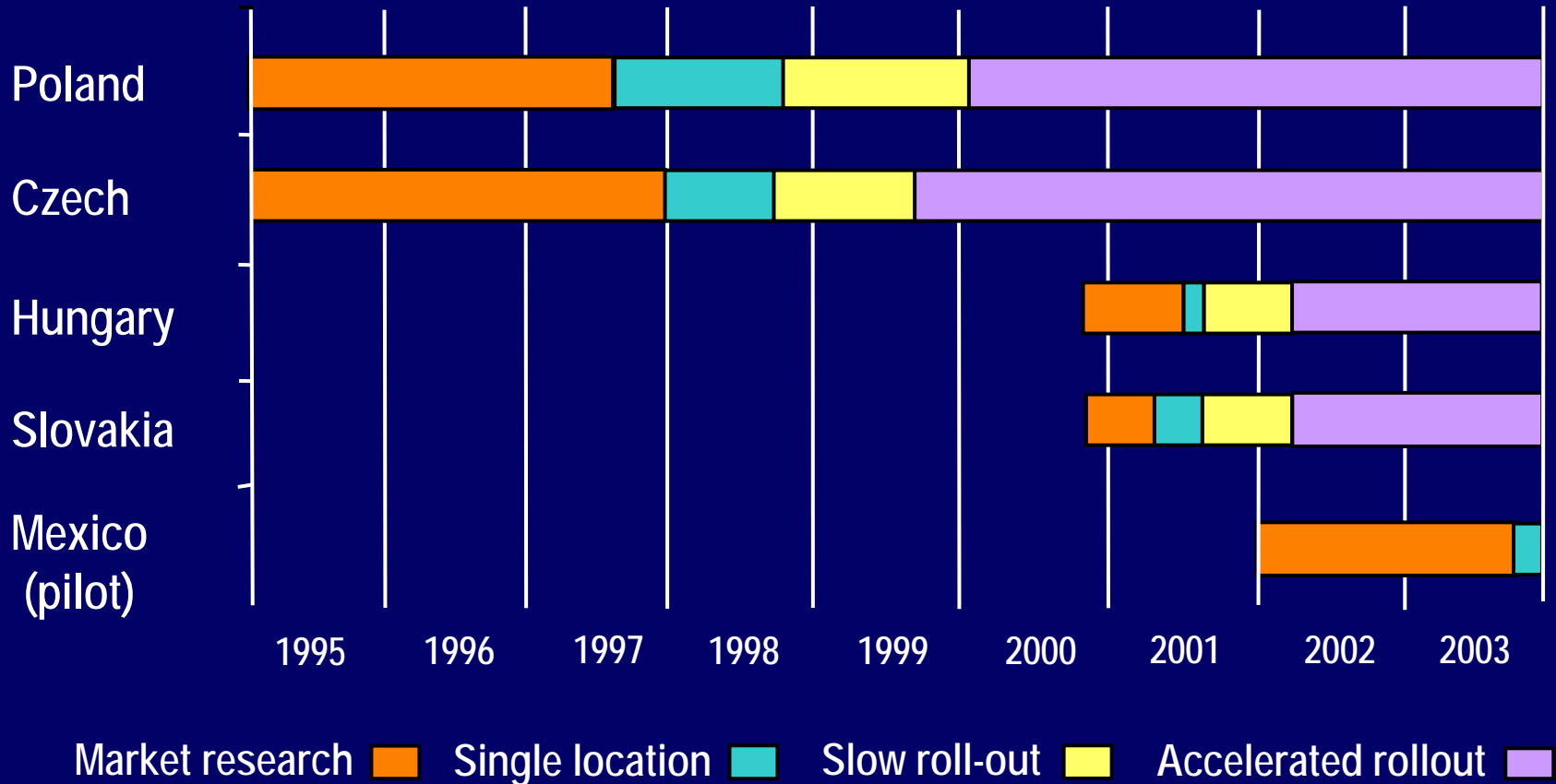
# UK consumer credit

## Home credit: customers & credit issued



# International

## Timeline of international development



## International

# Why central Europe?

- > Population size equivalent to the whole of UK
- > Customers concentrated in urban centres
- > Growth of consumer markets and demand for consumer credit
- > Under-served consumer credit market
- > Good cultural attitude towards responsible borrowing and repayment

# International Central Europe



## International

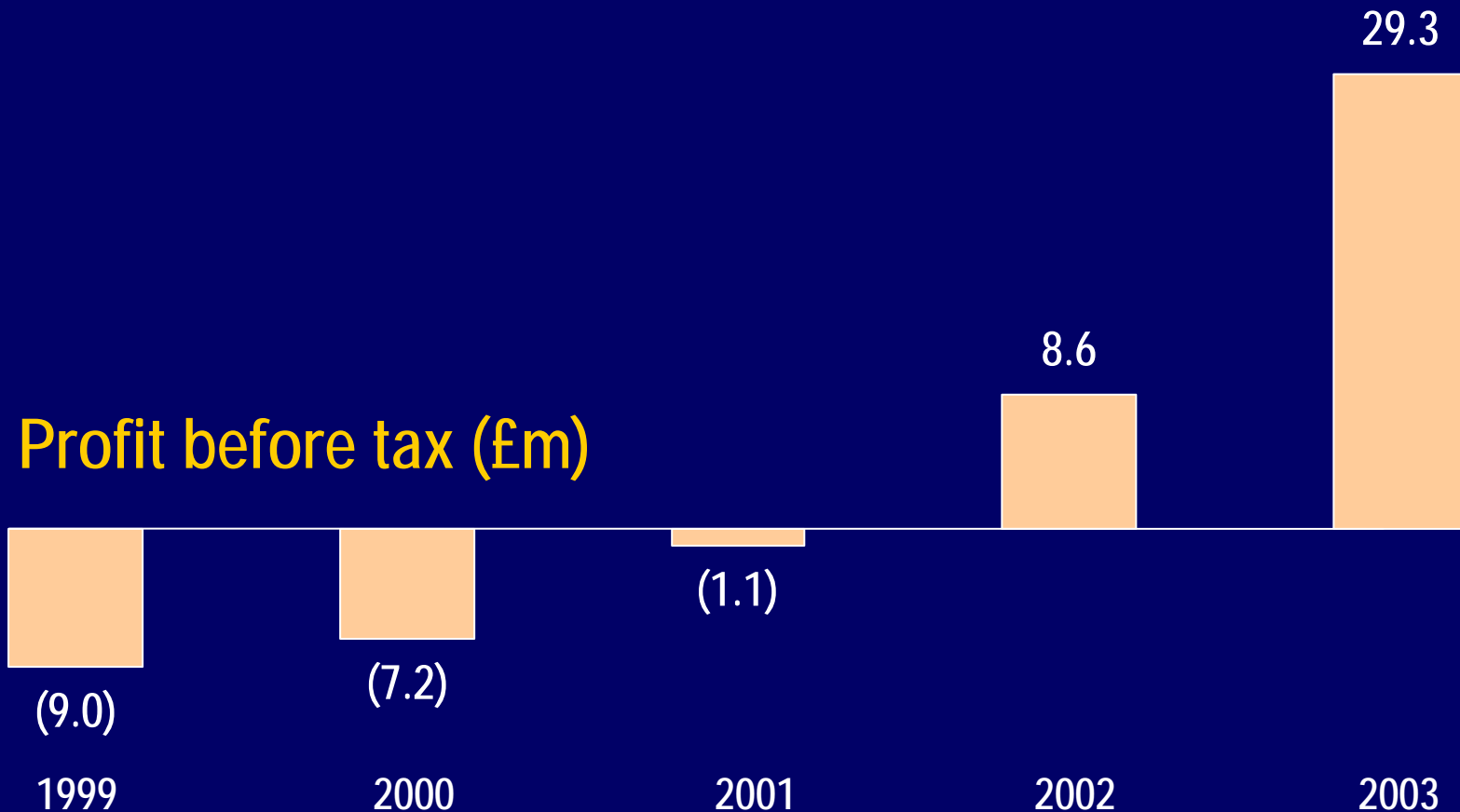
# Central European market potential

	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)	885	220	185	75	1,365
Target annual credit issued per customer (£)	400	400	400	270	390
Target annual profit per customer (£)	60	60	60	40	58
Current profit per customer (£)*	44	41	7	-20	35

\*12 months to June '04

International

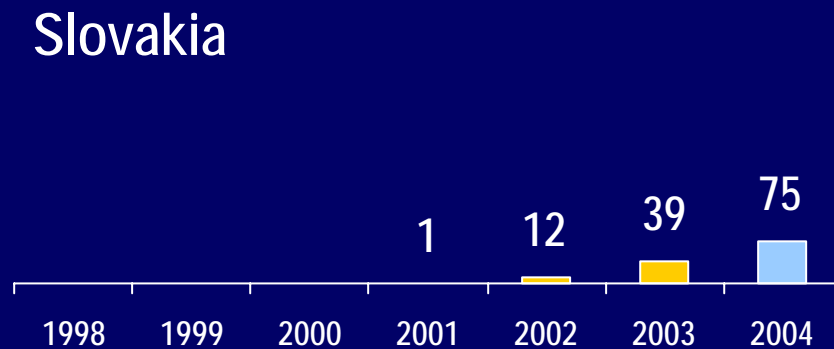
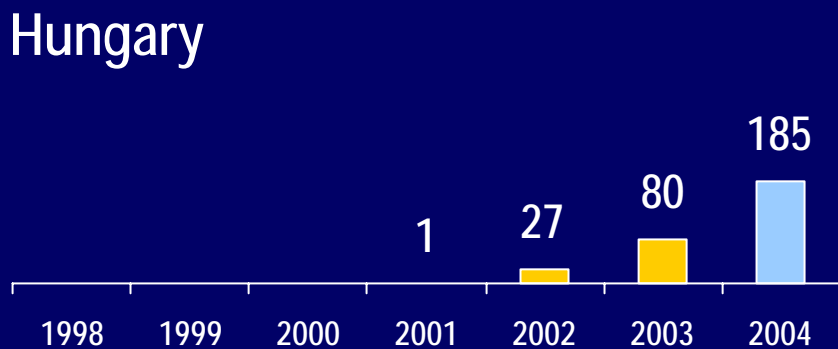
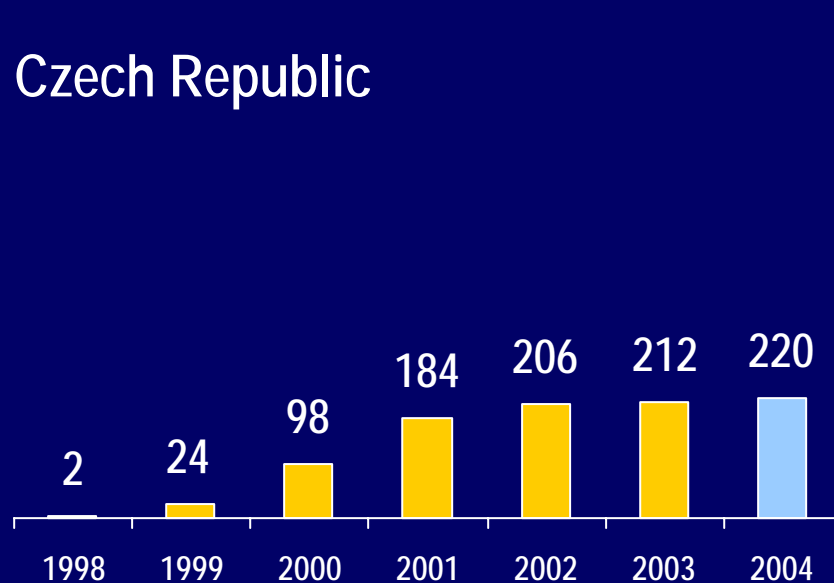
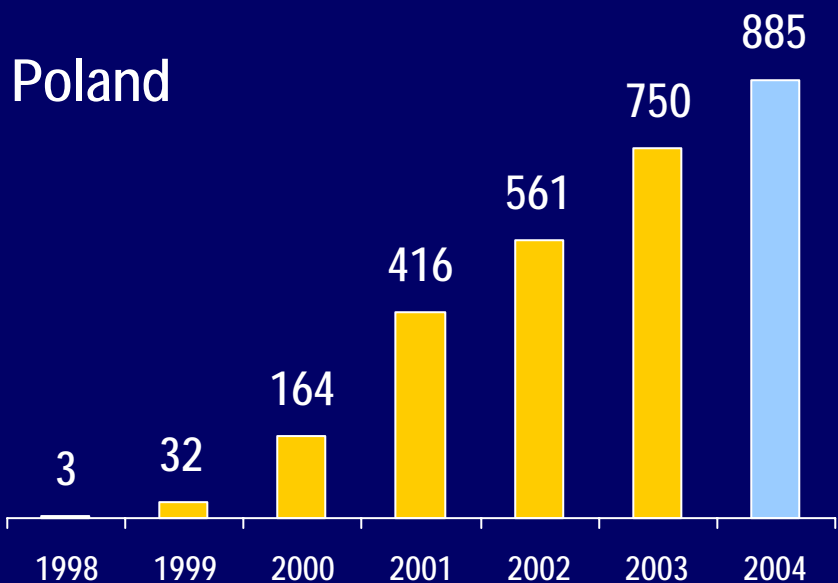
# Annual profit development



Year ended 31 December

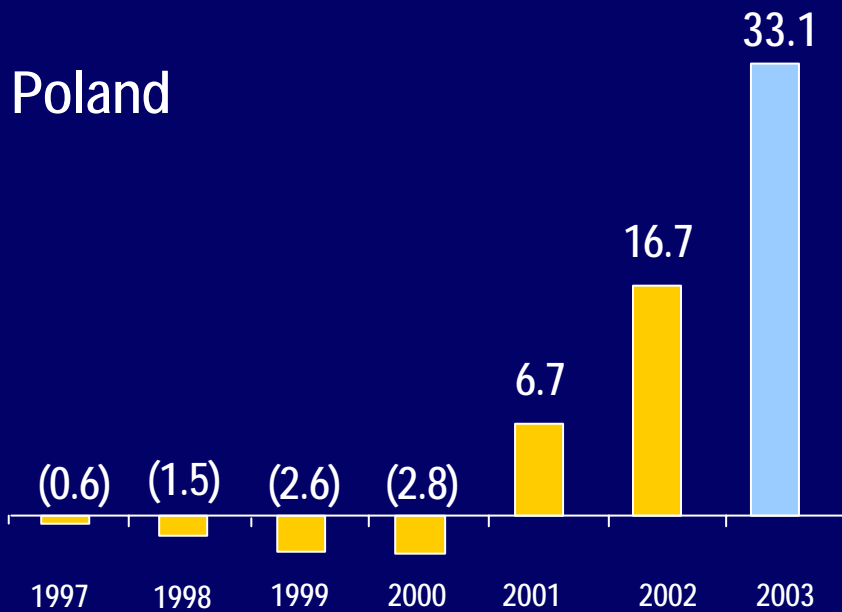
# International

## Customer numbers ('000)

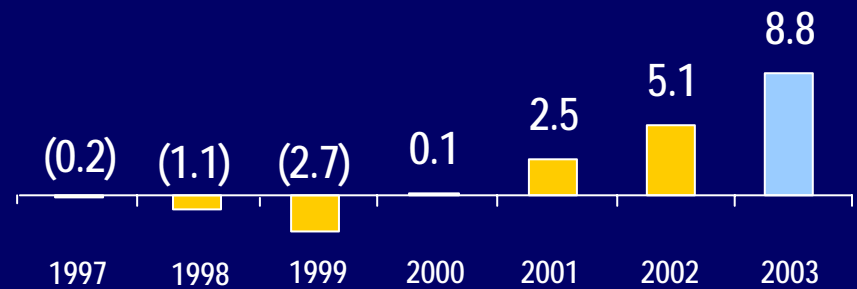


As at 30 June

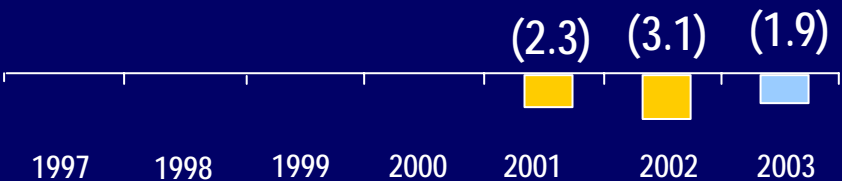
# International Annual profits (£m)



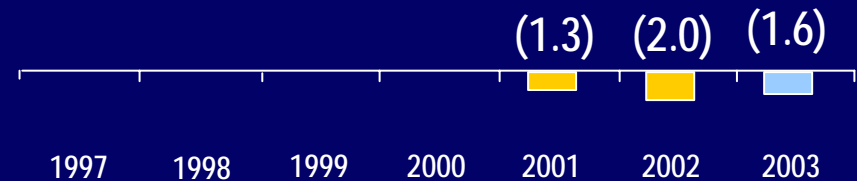
## Czech Republic



## Hungary



## Slovakia



Year ended 31 December



## International

# Why Poland?

- > Large, urbanised population
- > \$73 billion invested by international businesses since 1990's
- > Ranked first in Europe for foreign direct investment
- > Young, ambitious and well-educated workforce
- > Projected GDP growth of 5.6% in 2004 & 4.7% in 2005
- > Under-developed consumer credit market

# International

## Poland: country information

> Population	38.1 million
> % of population in cities over 20,000 people	49%
> GDP per capita	\$6,108
> S&P country rating	A-
> Economic growth rate (GDP)	3.7%
> Inflation	0.7%
> Interest rate	5.25%
> Retail lending % GDP	8%

## International

# Why Czech Republic?

- > Stable and prosperous country post-Communism
- > Largest recipient of foreign direct investment in central Europe on a per capita basis
- > Transparent and safe investment environment
- > Projected GDP growth of 3.8% in 2004 and 4.0% in 2005
- > Two thirds of population live in urban areas
- > Under-developed consumer credit market

## International

# Czech Republic: country information

> Population	10.2 million
> % of population in cities over 20,000 people	44%
> GDP per capita	\$9,280
> S&P country rating	A+
> Economic growth rate (GDP)	2.9%
> Inflation	0.1%
> Interest rate	2.0%
> Retail lending % GDP	7%

## International

# Why Hungary?

- > Strong, economic growth
- > Growth driven by a dynamic export sector
- > Considerable inflows of foreign direct investment
- > Competitive and dynamic economy
- > Projected GDP growth of 3.5% in 2004 and 3.8% in 2005
- > Under-developed consumer credit market

# International

## Hungary: country information

> Population	10.1 million
> % of population in cities over 20,000 people	49%
> GDP per capita	\$9,381
> S&P country rating	A
> Economic growth rate (GDP)	2.9%
> Inflation	4.7%
> Interest rate	12.5%
> Retail lending % GDP	6%

## International

# Why Slovakia?

- > Geographical proximity to Czech Republic
- > Slovak economy is on a high growth path
- > Projected GDP growth rates of 5.2% in both 2004 and 2005
- > Exports expanding steadily
- > Robust private domestic demand
- > Foreign investment increased in recent years
- > Reform and EU membership has potential to enhance growth
- > Under-developed consumer credit market

## International

# Slovakia: country information

> Population	5.4 million
> % of population in cities over 20,000 people	41%
> GDP per capita	\$7,403
> S&P country rating	A-
> Economic growth rate (GDP)	4.2%
> Inflation	8.5%
> Interest rate	6%
> Retail lending % GDP	6%



## International

# 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	1.3%	3.7%
> Inflation	4.5%	0.7%
> Interest rate	5.15%	5.25%

## International

# Mexico: pilot progress

- > Progressing well - performing as expected
- > 4 branches open in Puebla area
- > 117 employees
- > 367 agents
- > 14,000 customers
- > Credit issued for half-year £1 million
- > Start-up loss for half-year £1.2 million



# Provident Financial

## Current economic performance

	Base Rate	Current Inflation	Industrial Production Growth	Retail Sales Growth	Unemployment
Poland	6.5%	4.4%	9.3%	8.8%	18.9%
Czech	2.5%	3.0%	8.7%	3.7%	10.1%
Hungary	11.0%	6.6%	6.2%	4.7%	5.9%
Slovakia	4.5%	6.7%	5.4%	8.1%	13.1%
Mexico	8.0%	5.1%	5.2%	3.6%	4.0%

# International

## Country selection: where next?

- > Criteria for potential markets:
  - > Relatively stable economy
  - > Rule of law
  - > Safe to lend and collect
  - > Urbanised
  - > Can be funded in local currency
  - > Well educated workforce
  - > Sufficient potential

# Provident Financial

## Summary

- > Successfully internationalised and broadened product range
- > Excellent growth prospects in central Europe and Mexico
- > Further internationalisation planned
- > Good progress in executing our strategy



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