

**Pan European small & mid cap conference**

Deutsche Bank



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FINANCIAL**

31 March 2006

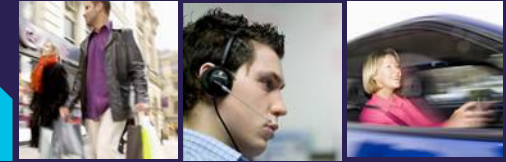
# Our presentation today



## Strategy for growth

- Group overview
- Strategy for growth
- International
- UK
- Questions

# Group overview



2005 PBT

FROM ON-GOING  
OPERATIONS

**£206.0m**

2005 REVENUE

**£1,110m**

MARKET CAPITALISATION

**£1.8bn**

ESTABLISHED

**1880**

CUSTOMERS

**3.9m**

EMPLOYEES

**7,700**

# Developing the business



## **A dynamic business with exciting, new opportunities**

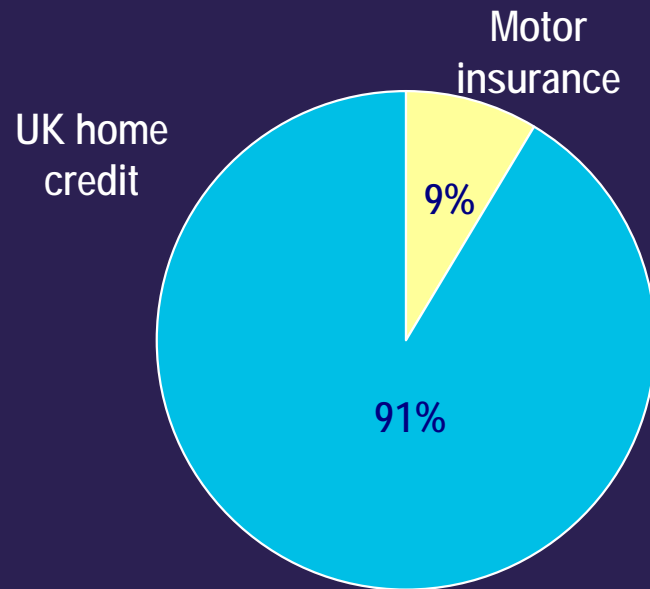
- Simple, affordable financial services
- Long-established home credit in the UK
- Successfully developed businesses in five new countries
- Modernising and improving the UK home credit service
- Developing new credit products

# Developing the business

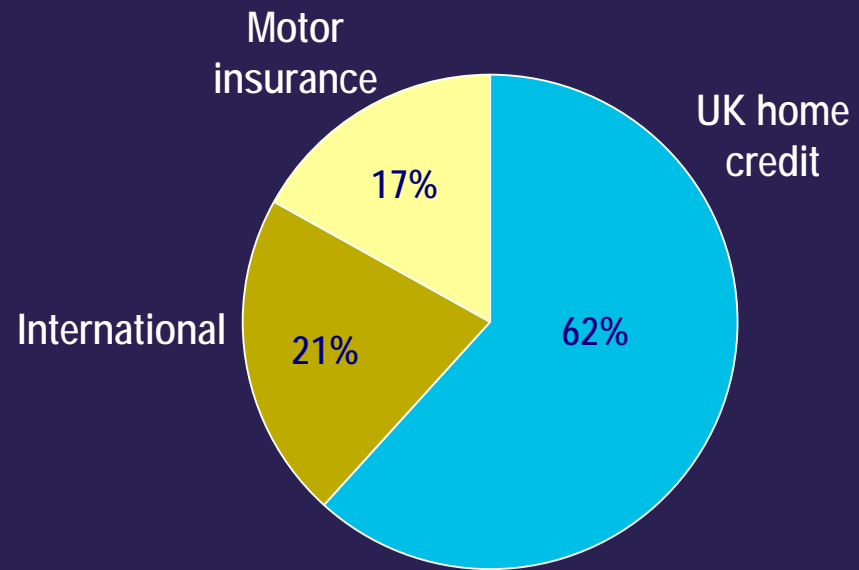


## Profit before tax

1996\*



2005



\*UK GAAP

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**International**

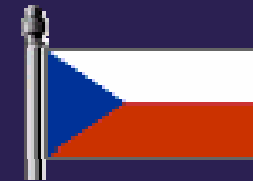
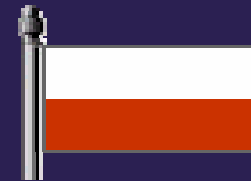


# Market entry



- Initial market entry:

- Poland - 1997
- Czech Republic - 1998



- Second phase:

- Slovakia - 2001
- Hungary - 2001



- Third phase:

- Mexico - 2003



- Fourth phase:

- Romania - 2006 (pilot)

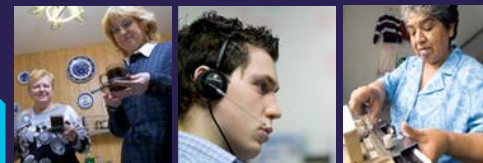
# Benefits of emerging markets



- Fast growing demand for credit
- Underdeveloped supply of consumer credit
- Strong economic growth
- Consumer markets have growth rapidly in recent years
- Home credit well suited to early entry

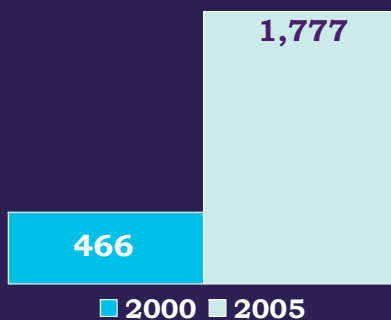


# International success

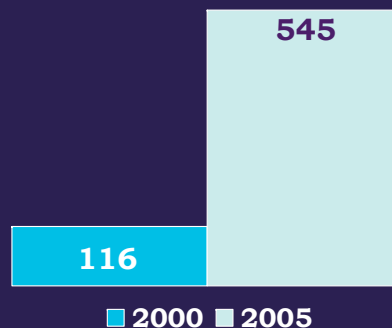


## A significant and profitable business established

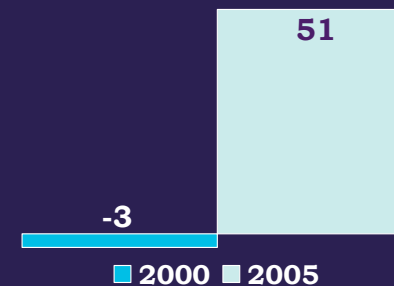
Customer numbers ('000)



Credit issued (£m)



Profit before tax (£m)



# Criteria for overseas expansion

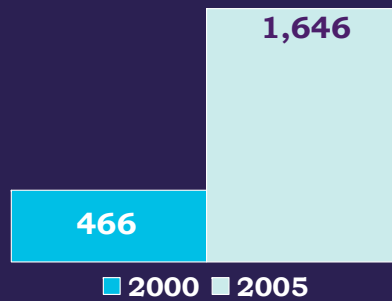


- Large population
- Potential market size
- Economic performance
- Political environment
- Funding
- Desk research
- Detailed in-country research
- Pilot operation
- Roll-out

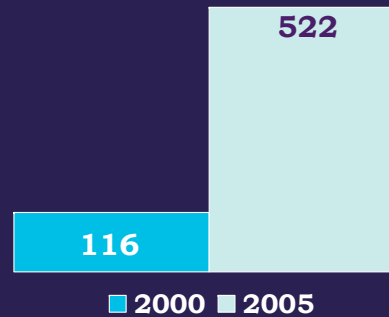
# Central Europe

## Growth

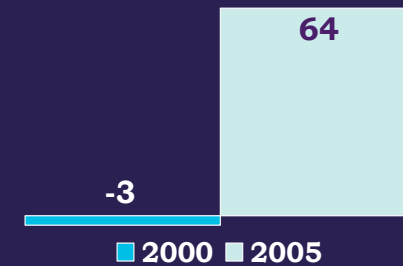
Customer numbers ('000)

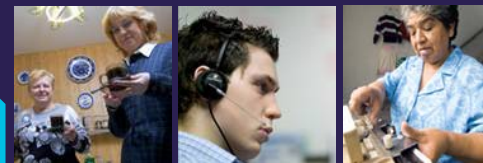


Credit issued (£m)



Profit before tax (£m)





## Growth: targets on course

	12 months to Dec 2005	Target
Customers (000)	1,646	1,625
Annual credit issued per customer (£)	334	390
Annual profit per customer (£)	41	58
Annual profit (£m)	64	95

# Mexico

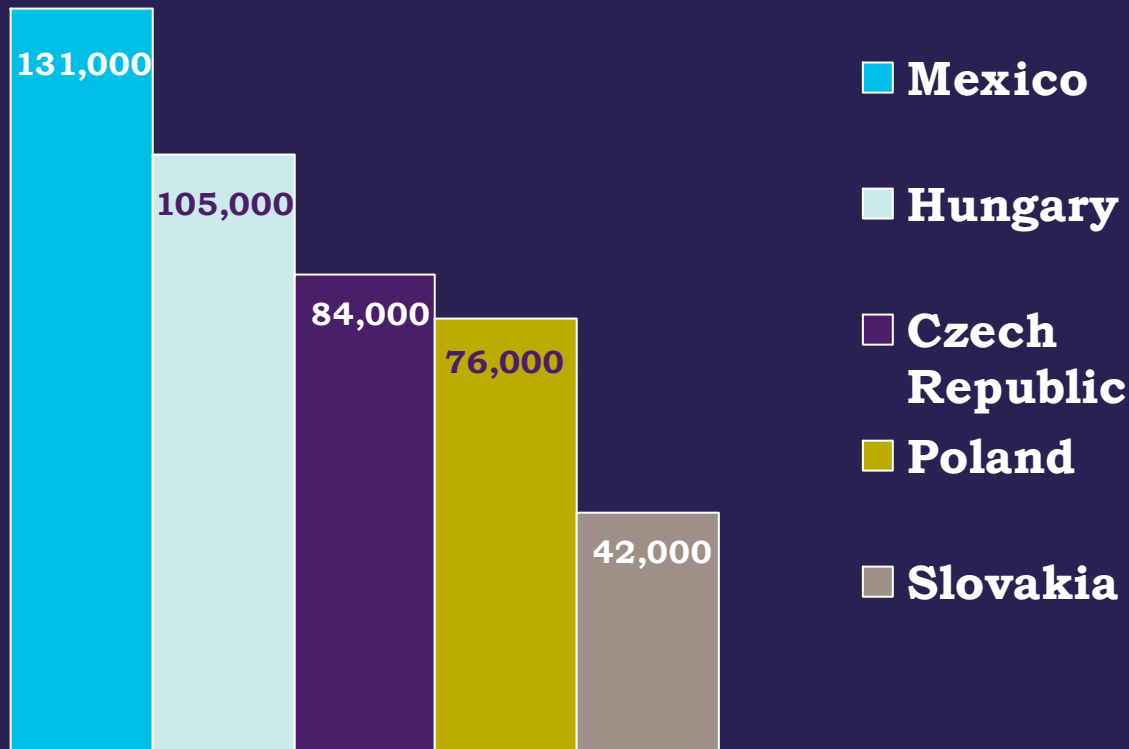
- Potential home credit market: three million customers
- Growing rapidly and performing well
- Fastest new country start-up
- Puebla-Veracruz progressing to plan
- Second region in Guadalajara-Leon
- Customer recruitment, collections and credit quality developing well
- Annual profit target revised up to £90 million



# Mexico

**Our fastest growing business to date**

**Customer numbers at same stage of development**





## Current and future locations





## Prospects for 2006

- Excellent opportunity: three million customer market
- £90 million per annum pre-tax profit target
- Continue to deliver strong growth
- Rapid expansion in two major regions
- Start-up loss of approximately £9 million in 2006
- Profit in 2008



# Eastern Europe

## Romanian potential

- Researched well
- Significant potential
- 22 million population
- Low level of unemployment
- Good economic prospects
- Office established in Bucharest
- Licence to trade obtained



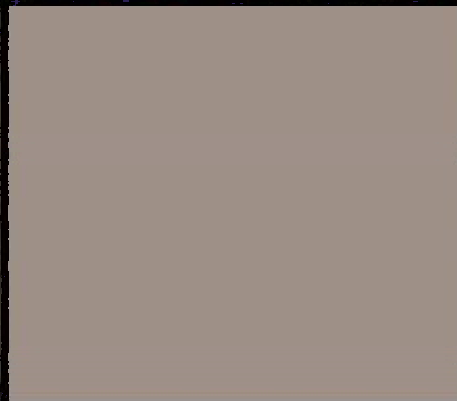
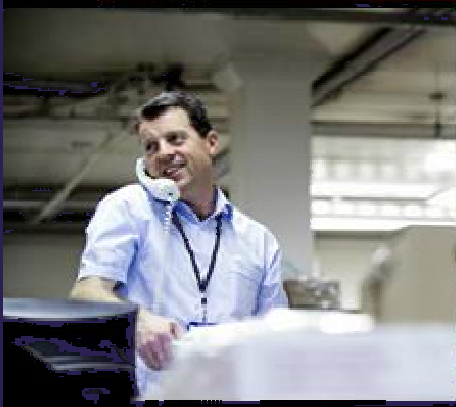


## Prospects

- Faster new country expansion
- Broader range of credit products
- Prospects for sustained, excellent growth

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# UK home credit



## UK home credit

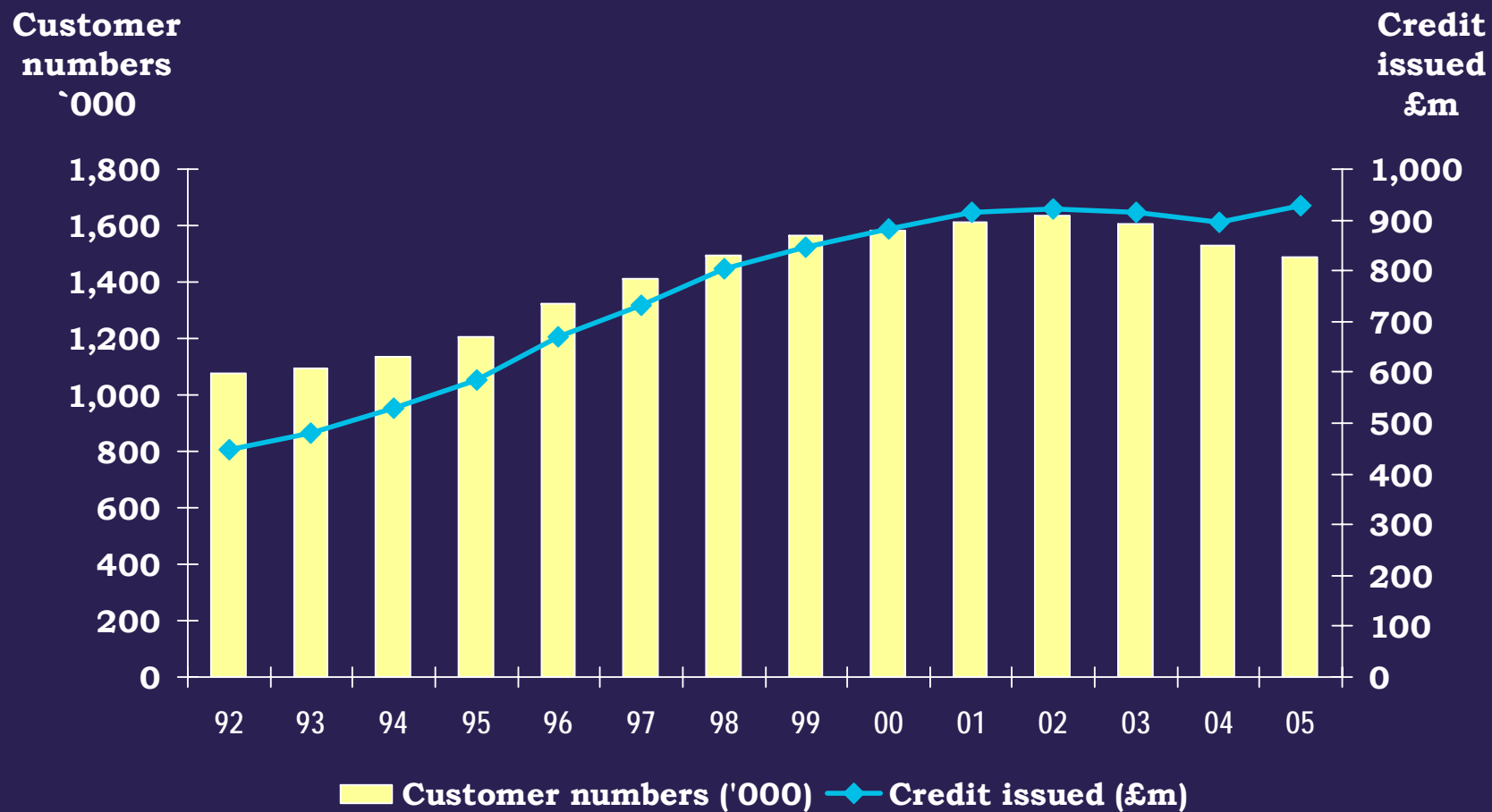
### Overview

- Leading provider of home credit
- Excellent, cash generative business
- Produced a solid performance
- Market conditions remain competitive
- Pressure on customers' disposable incomes
- Success of longer, larger loans





## Customers and credit issued





## New initiatives

- Enhanced credit management
- Multi-channel marketing
- Merger of 'back office' of PPC and GPC brands
- Hand-held computers for agents



## Enhanced credit management

- Improve the quality of lending decisions
- Assists less experienced agents
- Behavioural scoring system in the UK since 2002
- Recently developed application scoring systems
- Lend more to lower risk and less to higher risk customers
- Optimising profitability





## Multi-channel marketing

- Supplement valuable source of agent recommendation
- New marketing channels:
  - direct mail
  - direct response advertising
  - internet
- Success in Q4 2005
- Confident that these initiatives will be beneficial







## Merger of PPC and GPC 'back office'

- Combine field management and administration of two brands:
  - Provident Personal Credit
  - Greenwood Personal Credit
- Improve efficiency
- Reduce costs



### Hand-held computers for agents

- Successfully trialled a hand-held computer
- Develop software and systems in 2006
- Roll-out in 2007
- Reduced administration costs
- Increased agent effectiveness
- Improve customer service



## Prospects

- Initiatives to improve performance
- Competitive market - signs of growth
- Focus on profitable growth

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**Questions**

