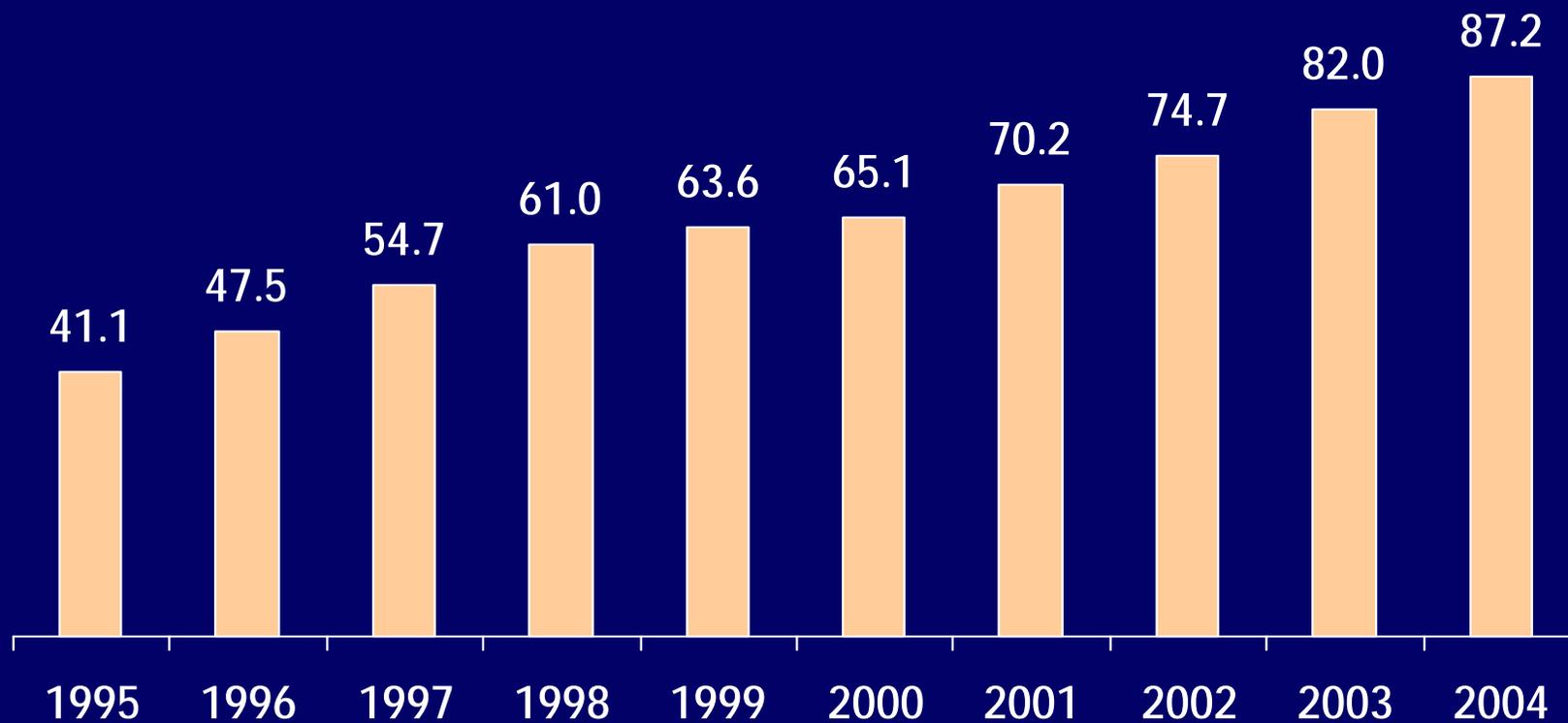




# PROVIDENT FINANCIAL

## Interim results to 30 June 2004



Pre-exceptional, pre-goodwill amortisation profit before tax (£m).

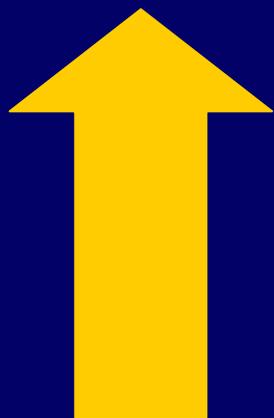
# Provident Financial

## Our presentation today

- > Highlights & divisional results
  - Robin Ashton
- > Operational review
  - > International
    - David Swann
  - > UK consumer credit
    - Chris Johnstone
  - > Motor insurance
    - John Harnett
- > Regulation
  - John Harnett
- > Outlook
  - Robin Ashton
- > Q&A

# Provident Financial Highlights

up 6.3% to  
£87.2 million



PBT\*

up 6.1% to  
24.28p



EPS\*

up 4.2% to  
13.65p



DPS

\*Stated before goodwill amortisation

# Provident Financial

## Highlights

- > Group – good results
- > International – excellent performance
- > UK consumer credit
  - > UK home credit – reducing profits in competitive market
  - > Yes Car Credit – results impacted by Q2 slowdown
  - > Vanquis Bank – progressing as scheduled
- > Motor insurance – profits better than expected

# Provident Financial

## Divisional results

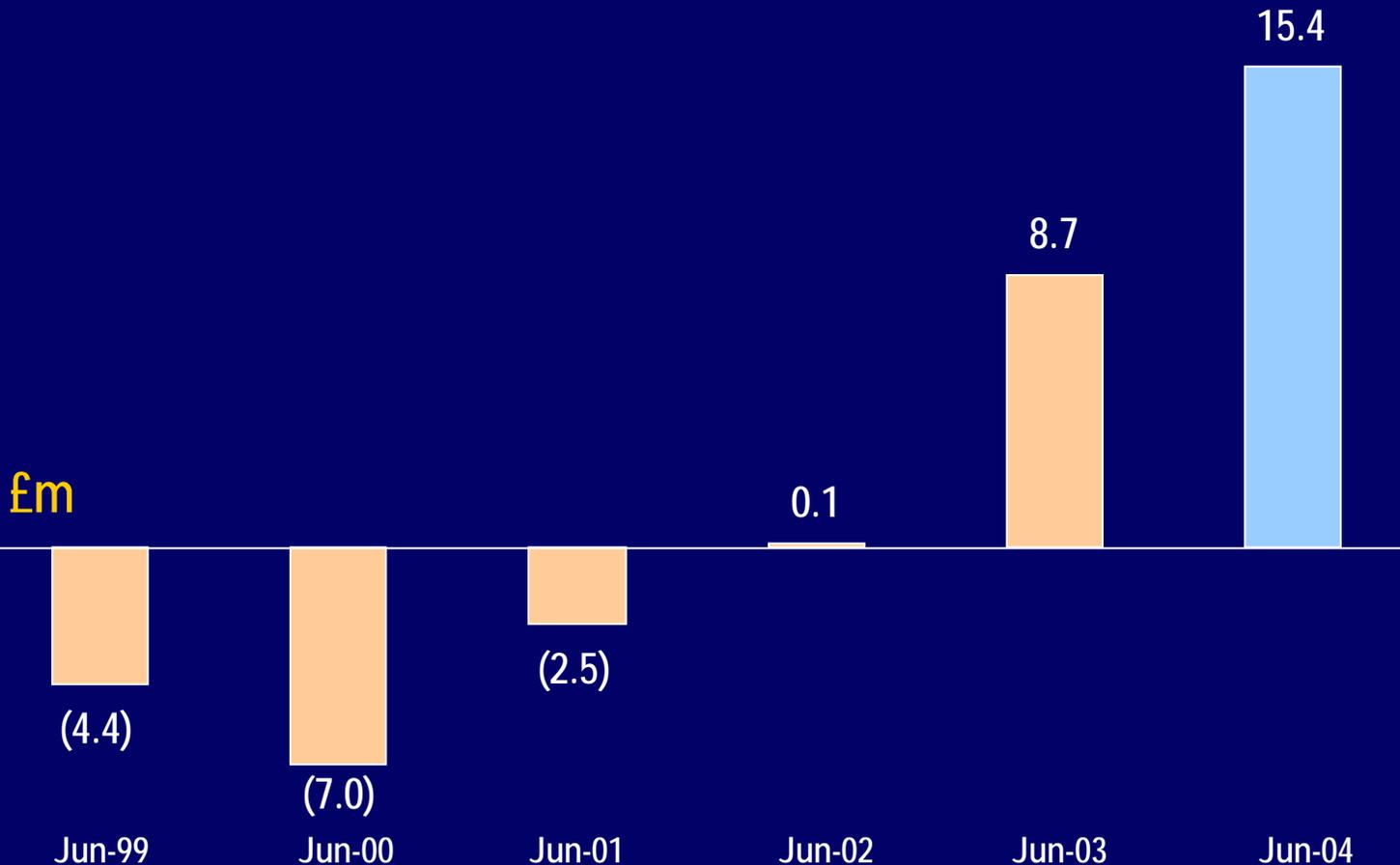
Half-year ended 30 June

	2004	2003	change
	£m	£m	%
International	15.4	8.7	77.1
UK consumer credit	60.5	62.3	(3.1)
Motor insurance	16.6	14.7	13.4
Central costs	(5.3)	(3.7)	(42.5)
Profit before tax*	87.2	82.0	6.3
Tax rate	29.5%	29.5%	-
Earnings per share*	24.28p	22.89p	6.1
Dividend per share	13.65p	13.10p	4.2

\*Excludes goodwill amortisation

# Provident Financial

## International: 2004 interim results



Profit before tax for the six months to June (£m)

# International

## International: 2004 interim results

	2004	2003	2003 FX adjusted	change %*
Customer numbers (m)	1.38	1.08	-	28
Credit issued (£m)	189	162	147	29
Collections (£m)	252	221	201	25
Turnover (£m)	104.2	90.1	81.5	28
Bad debt (£m)	22.0	19.9	18.1	(22)
MAT bad debt as a % of credit issued	10.3%	10.3%	-	-
Operating costs (£m)	66.8	61.5	56.2	(19)
Profit before tax (£m)	15.4	8.7	7.2	115

As at 30 June

\*At constant exchange rates

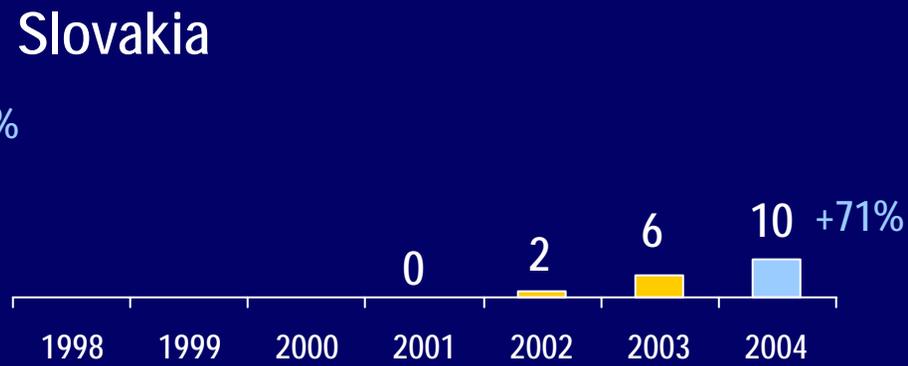
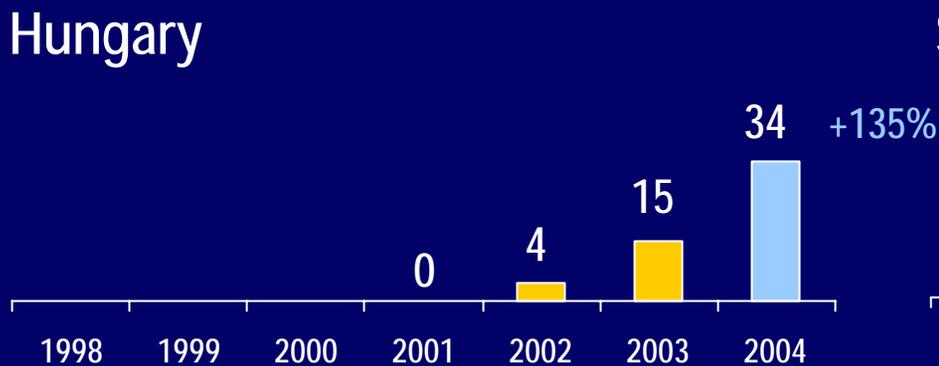
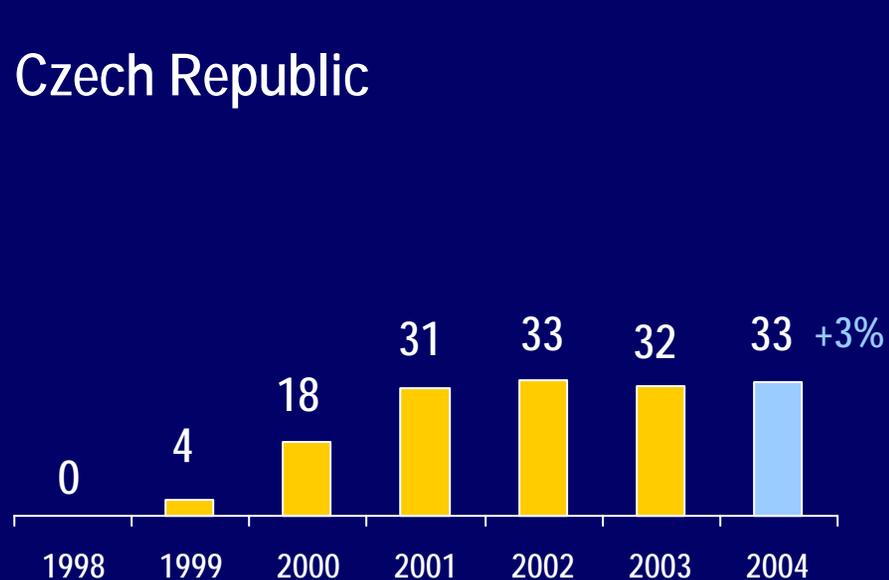
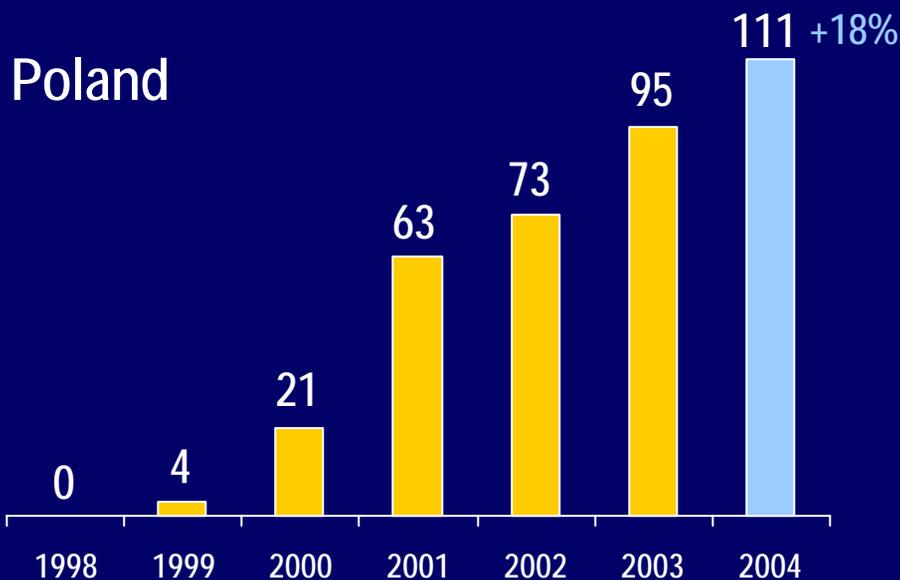
# International

## Customer numbers ('000)



As at 30 June

# International Credit issued (£m)

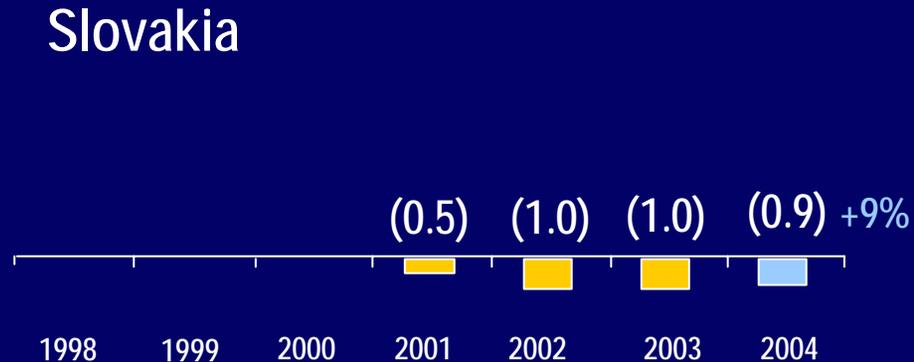
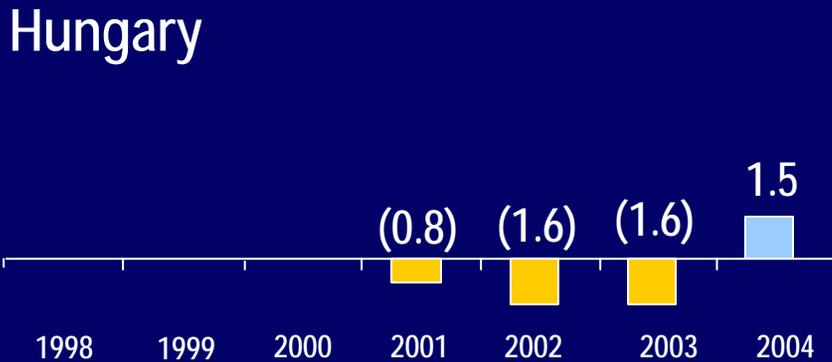
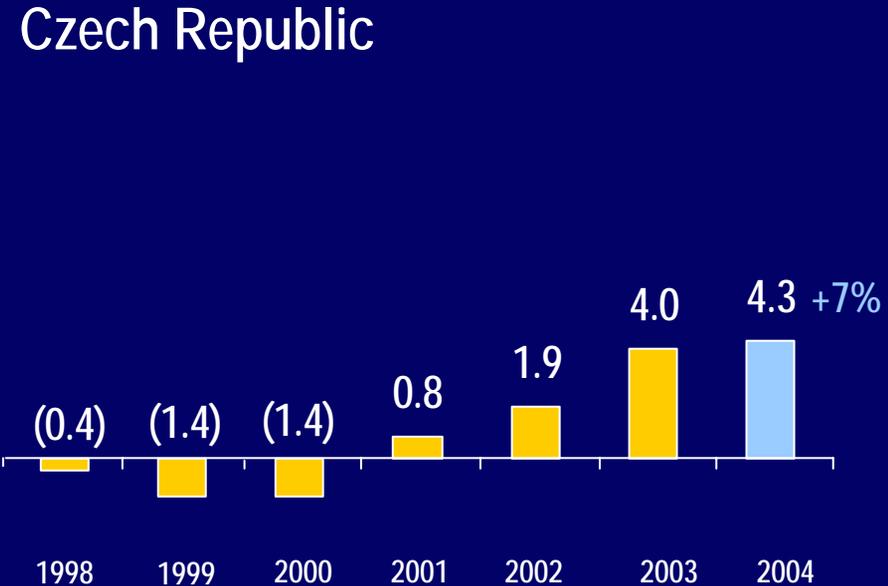
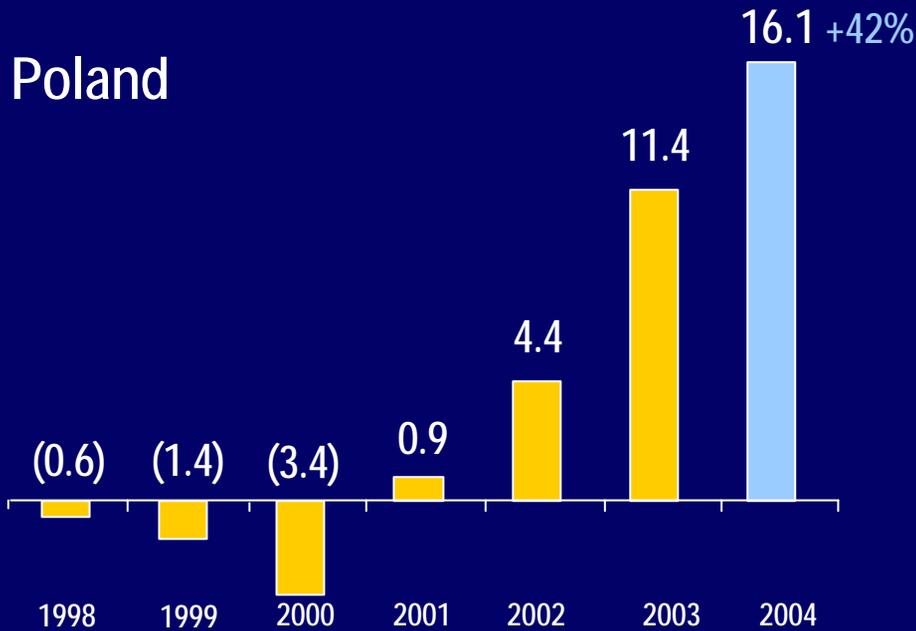


6 months to 30 June

All figures translated at H1 2004 exchange rates

# International

## Half-year profits (£m)



6 months to 30 June

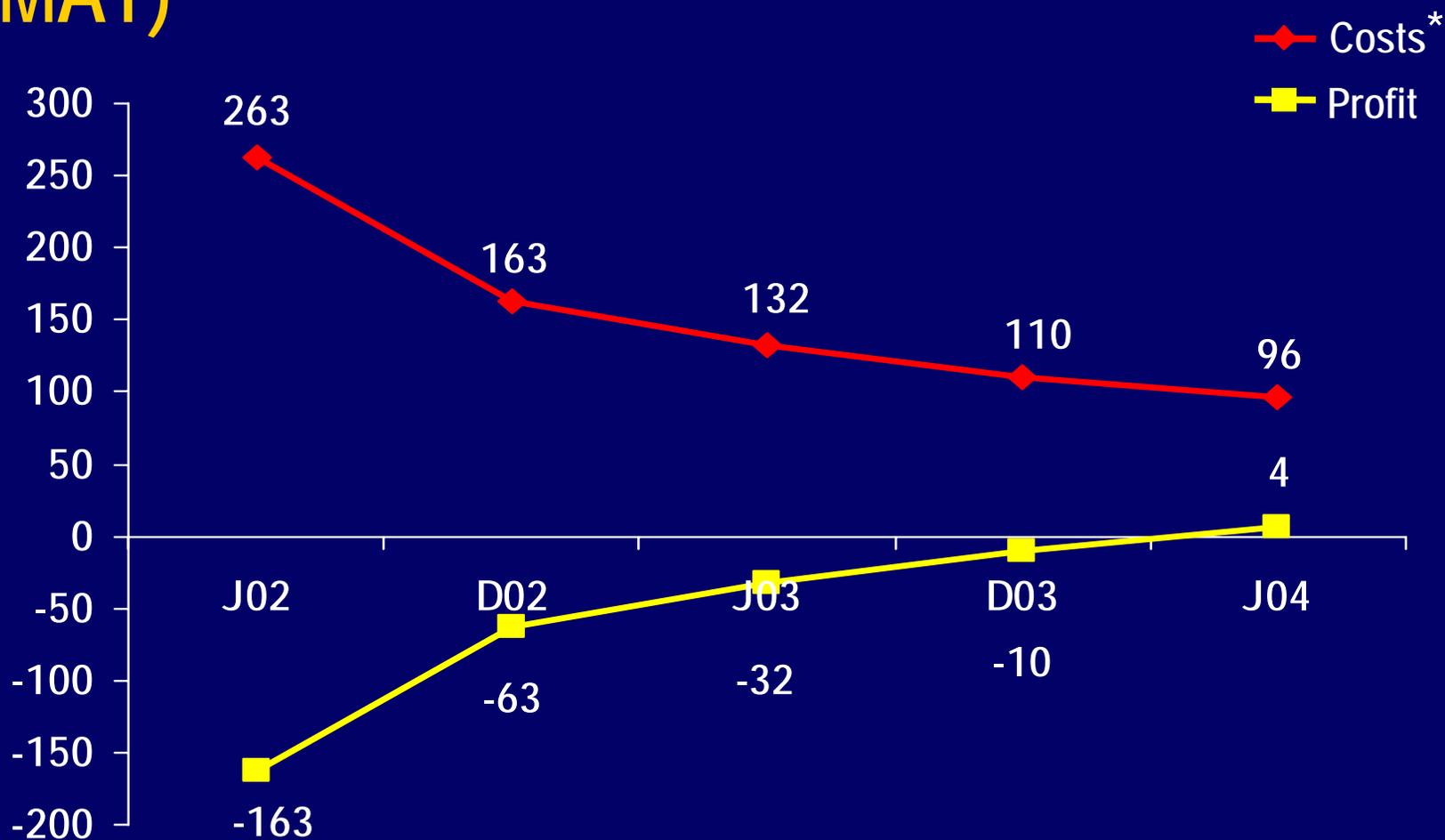
International

# Hungary: locations at June 2004



# International

## Hungary: costs and profit as a % of revenue (MAT)



\* Commission, bad debt, interest, expenses

## International

# Hungary: profit and loss account

	2004 £m	2003 £m	2003 FX adjusted	change %*
Turnover	17.2	6.3	6.0	187
Operating costs	11.4	6.1	5.7	(100)
Bad debt	2.7	1.2	1.2	(135)
Bad debt % of credit issued (MAT)	8.0%	8.0%	-	-
Interest payable	1.6	0.6	0.6	(185)
<hr/> Profit/(loss)	1.5	(1.6)	(1.5)	196
<hr/> Profit margin %	8.4	(25.5)	(25.3)	

International

## Hungary: market potential

- > Fast growing, profitable business
- > Estimated 500,000 customer home credit market at maturity
- > PF target : 250,000 customers
- > PF target : £15 million pre-tax profit per annum at maturity

## 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

# UK consumer credit: 2004 interim results



# Provident Financial

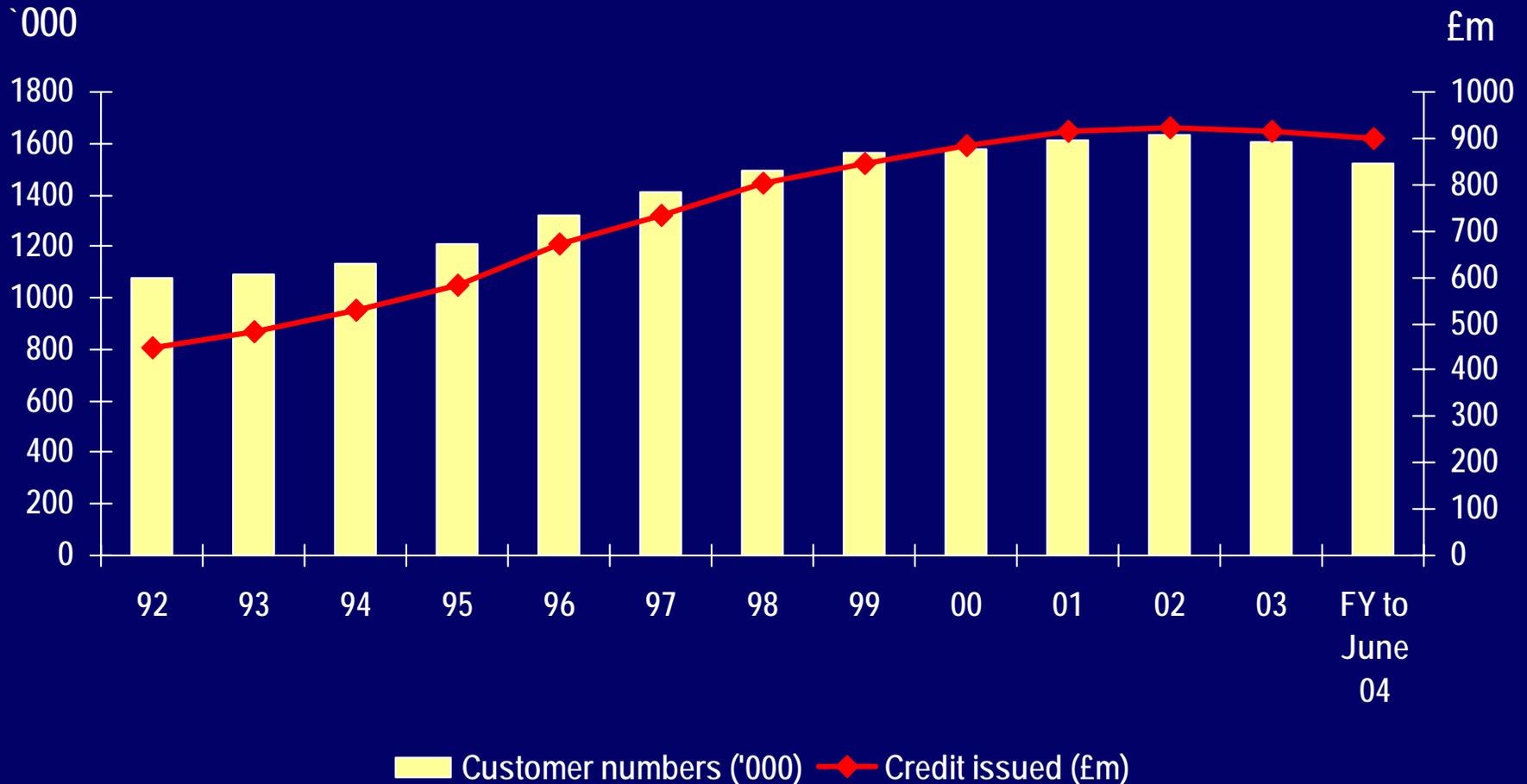
## UK consumer credit: 2004 interim results

### Profit before tax

	2004	2003	change
	£m	£m	%
UK home credit	60.1	61.2	(1.7)
Yes Car Credit	5.0	4.5	9.4
Vanquis Bank – credit card	(4.6)	(3.4)	(38.9)
	<u>60.5</u>	<u>62.3</u>	<u>(3.1)</u>

# UK consumer credit

## Home credit: customers & credit issued



## UK consumer credit

# Home credit: market conditions in H1 2004

> Factors influencing reduction in credit issued & customers:

### External

- customers better off
- wider choice of credit products
- credit card offers targeted at lower income customers

### Internal

- certain recruitment channels scaled back
- > Focus on retaining and recruiting good quality customers
- > Balancing volumes, costs and bad debt

## UK consumer credit

# Home credit: 2004 interim results

	2004	2003	change %
Customer numbers (m)	1,525	1,608	(5.2)
Credit issued (£m)	373	390	(4.5)
Collections (£m)	647	660	(1.9)
Turnover (£m)	235.6	239.2	(1.5)
Bad debt (£m)	52.4	51.2	(2.4)
Bad debt % of credit issued (MAT)	9.9%	9.7%	
Operating costs (£m)	123.1	126.8	3.0
Profit before tax (£m)	60.1	61.2	(1.7)

6 months to 30 June

## UK consumer credit

# Home credit: improving performance

- > Retain position as best value, lowest cost home credit provider
- > Focus on recruiting and retaining quality customers
- > Eliminate unprofitable customer recruitment channels
- > Product innovation – plastic card
- > Tight cost control
- > Extract best outcome from increasingly competitive market

## UK consumer credit

# Yes Car Credit: overview

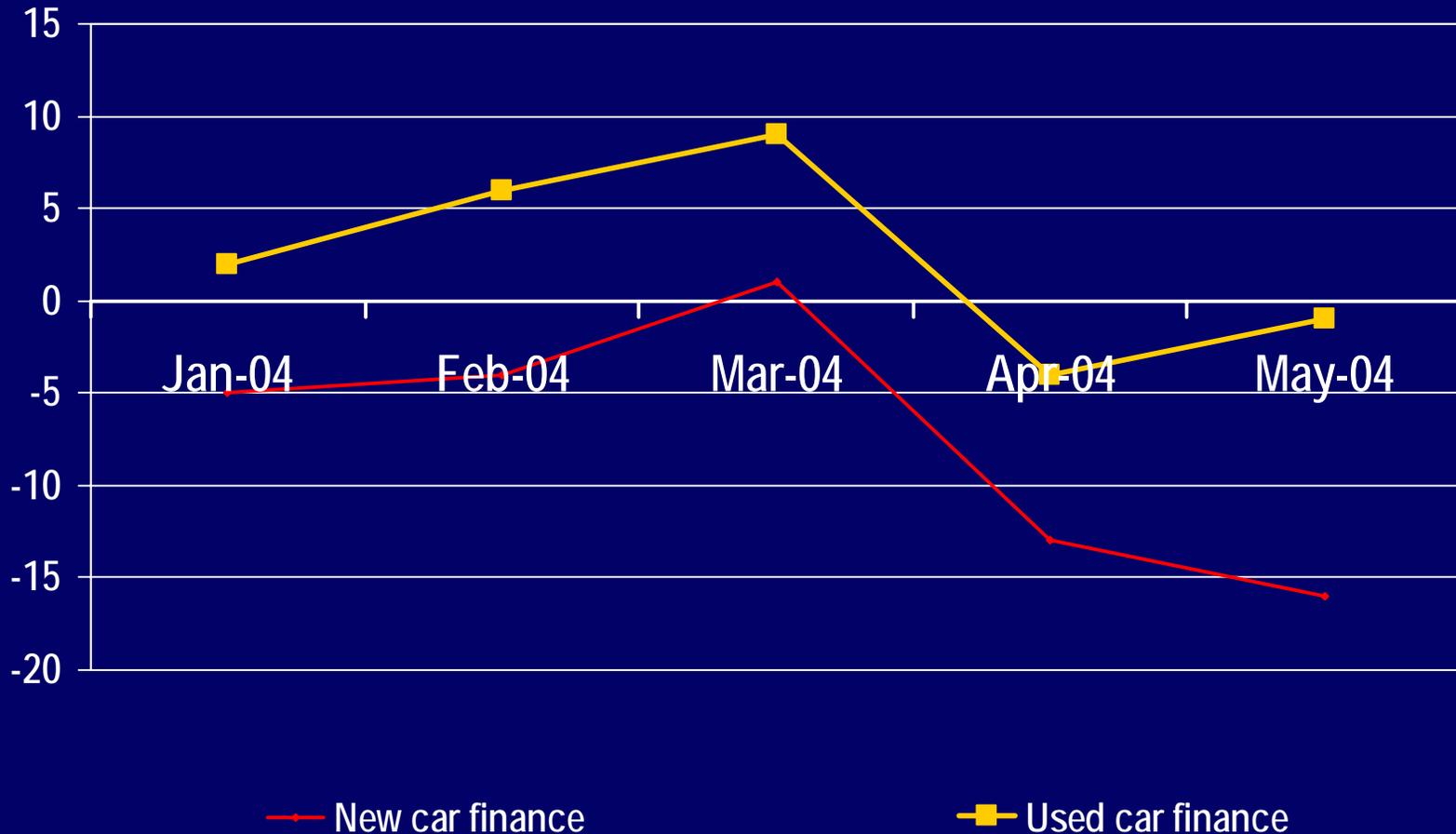
- > 2 new branches opened
- > Sales growth in the first half of the year but reduction in the second quarter
- > Lower levels of customer enquiries in Q2, 2004
- > Sales pattern mirrors statistics for the used car credit market



# UK consumer credit

## Yes Car Credit: industry sales trends

Value of credit issued: % year-on-year growth



## UK consumer credit

# Yes Car Credit: 2004 interim results

	2004	2003	change %
Cars sold	20,400	17,600	16
Cars financed in-house	20,400	15,800	29
% financed in-house	100	90	-
Customer receivables (£m)	282	204	38
Turnover (£m)	148	123	20
Bad debt charge as % of average customer receivables (MAT)	17.1%	14.3%	-
Profit before tax (£m)	5.0	4.5	9.4

6 months to 30 June

UK consumer credit

## Vanquis Bank: overview

- > Market opportunity
- > Differentiated offer
- > Testing a variety of products
- > Collecting data on attractiveness and financial characteristics

# UK consumer credit

## Vanquis Bank: progress

- > Progressing as scheduled
- > Cards in issue 48,000
- > Net receivables £12.2m
- > Turnover £2.3m
- > Net loss £4.6m



# Provident Financial

## Motor insurance: 2004 interim results



## Motor insurance

### Motor insurance: 2004 interim results

	2004	2003	change
	£m	£m	%
Gross written premiums	82.2	106.6	(22.9)
Gross earned premiums	85.6	115.5	(25.9)
Costs	80.9	113.1	28.5
Underwriting profit	4.7	2.4	98.7
Combined ratio	94%	98%	-
Investment income	11.9	12.3	(3.2)
Profit before tax	16.6	14.7	13.4
Average investment fund	450	468	(3.8)
Investment yield	5.3%	5.2%	

6 months to 30 June

# Provident Financial

## Regulation

- > Revision of EU Consumer Credit Directive:
  - first reading complete
  - long, slow process
  - no material issues
- > UK White Paper on Consumer Credit:
  - expected to be included in November Queen's speech
  - bill in 2005

# Provident Financial

## Super-complaint

- > NCC super-complaint received 14 June 2004
  - captive customers
  - no choice
  - uncompetitive market
  - lending practices unfair
- > Our response
  - market competitive
  - customers not vulnerable – cross section of average & below average income families
  - customers have wide choice of small sum credit products
  - home credit: responsible, fair, transparent
- > OFT report due in early September

# Provident Financial

## Group prospects for 2004

- > International – excellent prospects
- > UK consumer credit
  - > UK home credit – reduction in volume & profits
  - > Yes Car Credit – 3 new branches in H2, but sales outlook harder to predict
  - > Vanquis Bank – decision at preliminary announcement
- > Motor insurance – favourable claims – profit growth for full year

“We remain confident the group will deliver good results in 2004.”

# Questions & answers



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Appendices

## Country profit/(loss) before tax

	2004	2003	change
	£m	£m	£m
Poland	16.1	11.4	4.7
Czech Republic	4.3	4.0	0.3
Hungary	1.5	(1.6)	3.1
Slovakia	(0.9)	(1.0)	0.1
Mexico	(1.2)	-	(1.2)
Divisional overhead	(4.4)	(4.1)	(0.3)
Profit	15.4	8.7	6.7

## Poland: key statistics

	2004	2003	2003 FX adjusted	change %*
Customer numbers ('000)	885	750	-	17.9
Credit issued	£111.3m	£107.2m	£94.7m	17.5
Average credit issued per customer (MAT)	£286	£336	£319	(10.3)
Collections	£149.3m	£150.0m	£132.5m	12.6
Net receivables at June	£138.2m	£119.5m	£107.8m	28.2

## Poland: profit and loss account

	2004 £m	2003 £m	2003 FX adjusted £m	change %*
Turnover	63.3	62.5	55.2	14.8
Operating costs	28.4	30.0	26.6	(7.3)
Bad debt	13.8	13.8	12.2	(12.8)
Bad debt % of credit issued (MAT)	10.6%	10.2%	-	-
Interest payable	5.0	7.3	6.4	23.1
Profit	16.1	11.4	10.0	61.3
Profit margin %	25.4%	18.2%	18.1%	

## Czech Republic: key statistics

	2004	2003	2003 FX adjusted	change %*
Customer numbers ('000)	220	212	-	3.9
Credit issued	£32.6m	£33.5m	£31.8m	2.5
Average credit issued per customer (MAT)	£337	£339	£338	(0.3)
Collections	£50.4m	£50.4m	£48.0m	5.1
Net receivables at June	£40.4m	£40.2m	£37.5m	7.8

## Czech Republic: profit and loss account

	2004 £m	2003 £m	2003 FX adjusted £m	change %*
Turnover	19.1	19.1	18.2	4.8
Operating costs	9.5	9.4	8.8	(6.4)
Bad debt	4.1	4.4	4.3	2.6
Bad debt % of credit issued (MAT)	10.9%	12.4%	-	-
Interest payable	1.2	1.3	1.3	7.6
Profit	4.3	4.0	3.8	13.5
Profit margin %	22.5%	21.0%	20.8%	

## Hungary: key statistics

	2004	2003	2003 FX adjusted	change %*
Customer numbers ('000)	185	80	-	131.8
Credit issued	£34.2m	£15.4m	£14.6m	134.8
Average credit issued per customer (MAT)	£476	£481	£468	1.7
Collections	£40.4m	£15.5m	£14.6m	176.5
Net receivables at June	£31.2m	£11.6m	£11.2m	178.6

## Slovakia: key statistics

	2004	2003	2003 FX adjusted	change %*
Customer numbers ('000)	75	39	-	93.5
Credit issued	£9.5m	£5.5m	£5.5m	70.7
Average credit issued per customer (MAT)	£318	£356	£373	(14.7%)
Collections	£10.8m	£5.5m	£5.5m	95.9%
Net receivables at June	£8.7m	£4.3m	£4.1m	112.2%

## Slovakia: profit and loss account

	2004 £m	2003 £m	2003 FX adjusted £m	change %*
Turnover	4.2	2.2	2.2	93.6
Operating costs	3.4	2.5	2.6	(35.5)
Bad debt	1.3	0.4	0.4	(188.3)
Bad debt % of credit issued (MAT)	10.7	8.0	-	-
Interest payable	0.4	0.3	0.3	(76.4)
Profit/(loss)	(0.9)	(1.0)	(1.1)	10.6

# 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



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