

Provident Financial sro

Czech Republic

Agenda

- > Introduction
 - Management team
- > Provident Financial sro
 - Targets
 - Key business drivers
 - Potential risks/opportunities

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Czech senior management team

MARK BARDSLEY

Managing Director



**David
Vaněk**



HUMAN
RESOURCES
MANAGER

**Jaroslav
Mužík**



ADMINISTRATION & SECURITY
DIRECTOR

**Andrea
Stock**



LEGAL MANAGER

**Stephen
Samways**



FINANCE DIRECTOR

**Pavla
Bučková**



MARKETING
MANAGER

**Ian
Hamilton**



HEAD OF BUSINESS
DEVELOPMENT

**Filip
Duchoň**



OPERATIONS DIRECTOR

**Chris
Wheeler**



DEVELOPMENT
DIRECTOR

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Targets

Population	10 m
Estimated market size	500,000
Target customers	250,000
Target annual credit issued per customer	£400
Target annual profit per customer	£60

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Progress towards targets

	Target	June '02
Estimated market size	500,000	500,000
Customers	250,000	206,000
Annual credit issued per customer	£400	£309
Annual profit per customer	£60	£19

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Progress towards targets

Year to 30 June: £'m	Target	2002	Gap
Credit issued	100.0	58.0	42.0
Revenue	55.0	28.5	26.5
Agent commission	?	(4.5)	?
Interest	?	(2.0)	?
Bad debt	?	(6.5)	?
Expenses	?	(11.9)	?
'Costs' sub-total	40.0	24.9	15.1
Profit	15.0	3.6	11.4

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Key performance drivers

- > Customer growth: 206,000 ⇒ 250,000
- > Issue per customer £309 ⇒ £400
- > Gross revenue margin 49% ⇒ 55%
- > Costs as % of revenue 87% ⇒ 73%

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Customer growth: the market

- > The market
- > Target segments
- > Competition

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Customer growth: agent numbers



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Customer growth: agent round size

Customer band	Czech	UK
0 - 50	33%	3%
51 - 75	24%	12%
76 - 100	17%	22%
101 - 150	18%	39%
150 +	8%	24%
Total	100%	100%
Average	75	124

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Customer growth: marketing

- > Customer acquisition
- > Initial set up
 - branch openings
 - targeted communication:
 - press
 - radio
 - printed materials

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Customer growth: marketing

- > Move to mass communication (TV)
- > TV campaign developed in 2001
- > Brand awareness

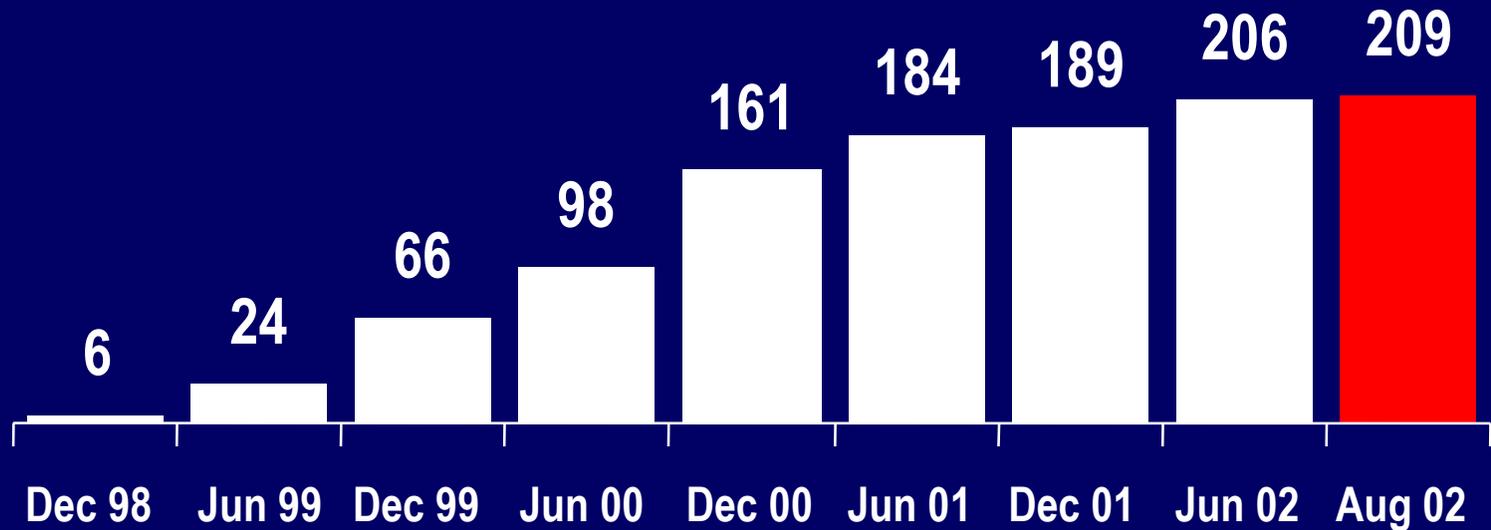
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Customer growth: marketing

- > Integrated support materials
- > Call centre activity
- > New campaign scheduled for Christmas 2002

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Customer numbers (000s)



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Issue per customer

- > Target increase - £309 ⇒ £400
- > Average first loan issue value - 6,700 CZK (£134)
- > Average re-serve value - 9,800 CZK (£196)
- > Target loans per customer - 2 per year

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Loans per customer

- > 1.6 loans per customer at end of 2001
- > Target 2
- > Introduction of multiple loans
- > Currently 1.8 loans per customer

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Gross revenue margin: loan products

	20-week (crown)	31-week (crown)	52-week (crown)
Typical loan amount	5,900	6,700	10,800
Charges	2,360	3,685	7,170
Gross revenue margin	40%	55%	66%
Total amount payable	8,260	10,385	17,970
Weekly rate	413	335	346
APR	481	365	199

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Gross revenue margin

- > Gross revenue margin 49% \Rightarrow 55%
- > Current products are:
 - 20 and 31 weeks for new customers
 - 31 and 52 weeks for re-serves
- > Mix of products moving longer term

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Costs

Costs as % of revenue

12 months to June 2002	UK	Czech	Target
Commission	23	16	?
Bad debt	17	23	?
Expenses	24	42	?
Interest - like for like*	4	4	?
Total	68	85	73

*Interest - reported	4	7	N/A
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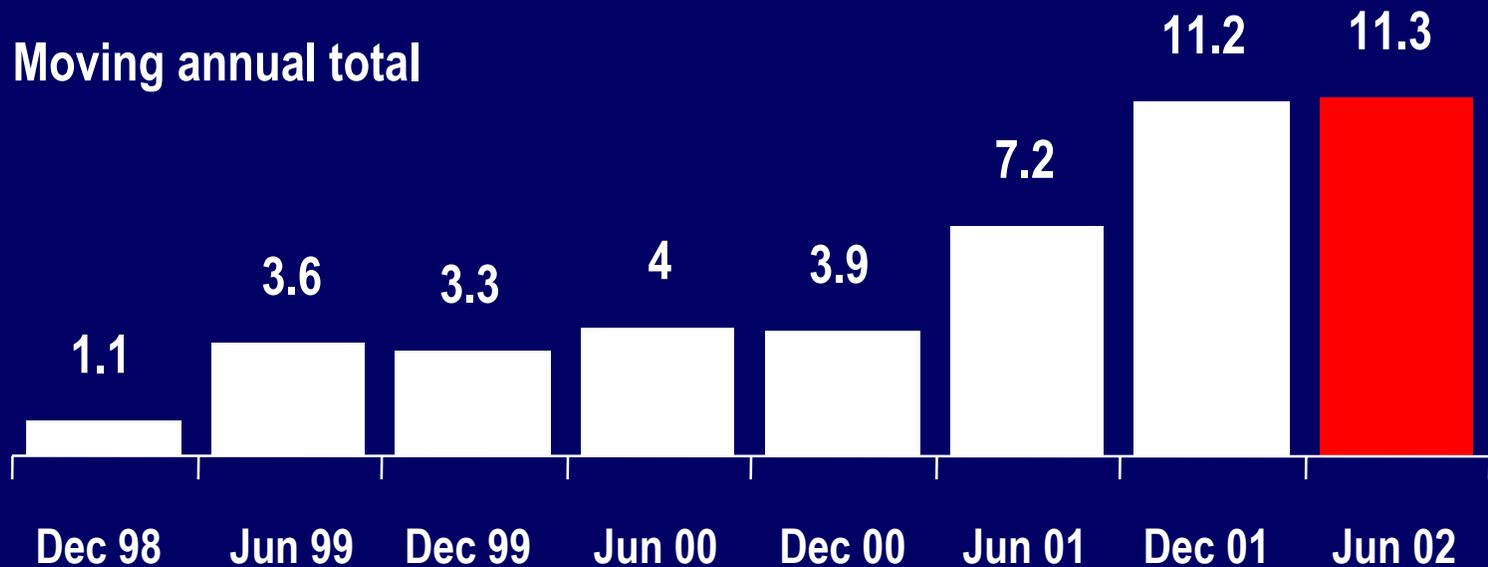
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Commission

- > Commission structure
 - collecting commission of up to 5%
 - new door commission of 300 crowns (£6)
- > Agents' commission at 16% of revenue compared with 23% for the UK
- > Reflects lower level of earnings

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Bad debt as a percentage of credit issued



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Why did bad debt increase?

- > Bad debt increased due to:
 - Business expansion
 - Inexperience of staff
 - Proportion of monthly payers
 - Proportion of new customers

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How was the rise in bad debt stabilised?

- > Stabilised in the range 11% - 12%
- > This has been achieved by
 - increased staff awareness and experience
 - better targeting of customers in arrears
- > Focus is now on more issue, not reduced bad debt - current level acceptable given growth and margins

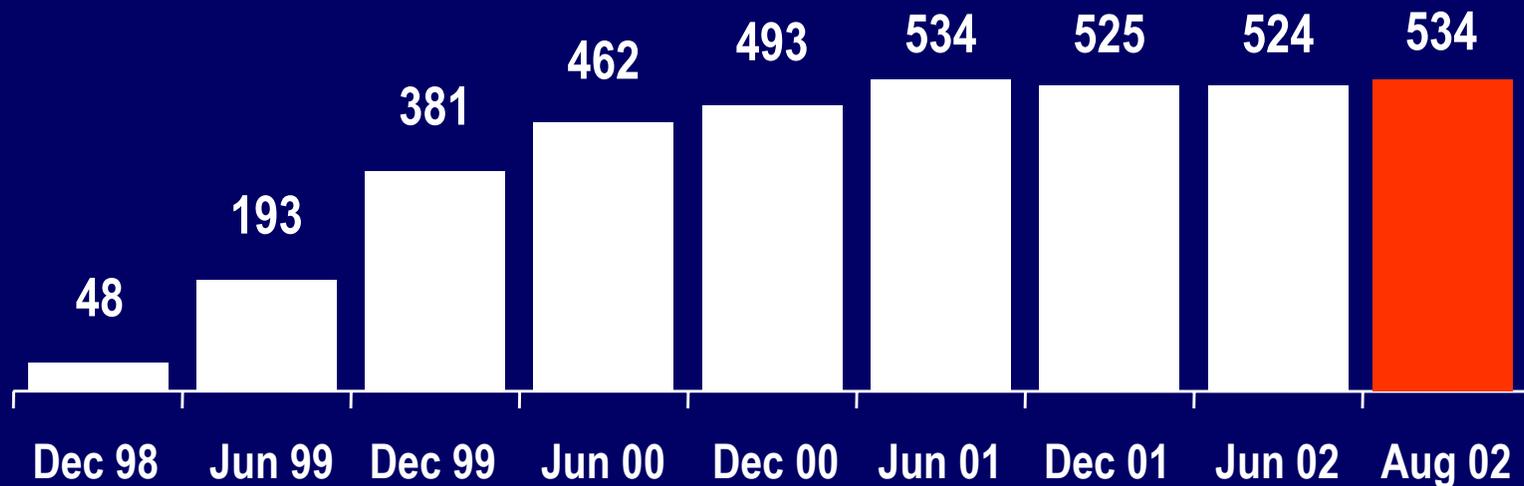
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Expenses

	%
Salaries and related costs	51
Travel and telephony	12
Employee-related expenses	63
Marketing and PR	11
Property costs	8
Depreciation	8
Administration/other costs	10
Infrastructure costs	26
Total	100

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Employee related costs : employee numbers



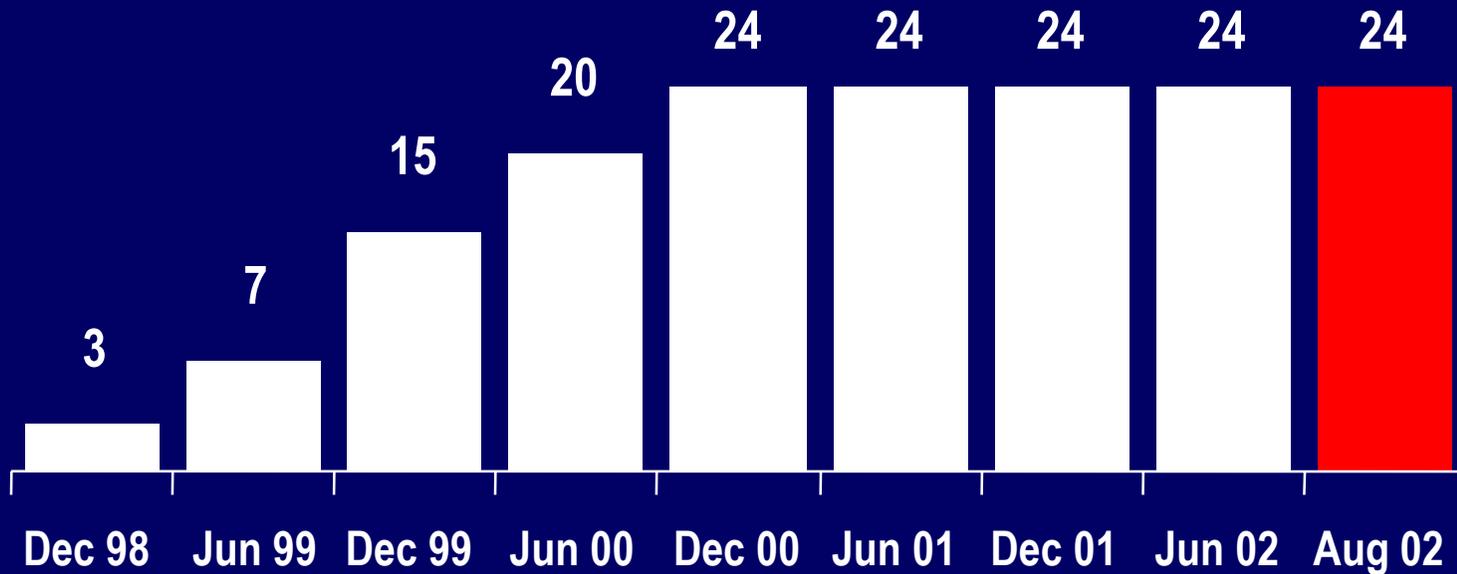
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Marketing and PR

- > 11% of overheads
- > Similar cost per customer going forward
- > Customer referrals

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Infrastructure costs : branches



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Infrastructure costs : branches



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Expenses

- > Currently 42% of gross revenue
- > Target 28% of gross revenue
- > Costs mainly fixed
- > Target achievable

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Potential risks

- > Economic
- > Market estimates
- > Competition
- > Credit quality
- > Regulatory

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The future

- > Build on successes
- > 250,000 customers by 2004
- > Target of £400 annual issue per customer
- > Target of £60 pre tax profit per customer per annum
- > Strong management team

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