

Provident Financial

Results

For the year ended 31 December 1998



Provident Financial

Key points

- Clear and proven strategy continues to deliver good results
- Home Credit - Continuing UK growth
 - Developing Eastern Europe
- Insurance - Profit benefitting from pricing strategy
 - Growth in broking customers

Provident Financial

Profit growth

	1998	1997	Growth
Pre-tax profit	145.9	136.5	+ 6.9 %
Additional interest	9.1	2.0	
Profit before additional interest	155.0	138.5	+11.9 %

Provident Financial

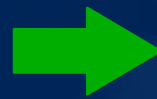
Profit before tax (£m)

	1998	1997
UK home credit	136.9	128.6
International	(4.7)	(1.4)
Insurance	19.6	13.7
Central costs	(5.9)	(4.4)
Total	145.9	136.5

Home credit

Strategy

Revenue growth



Efficiency and quality



International development



Profit growth



UK home credit

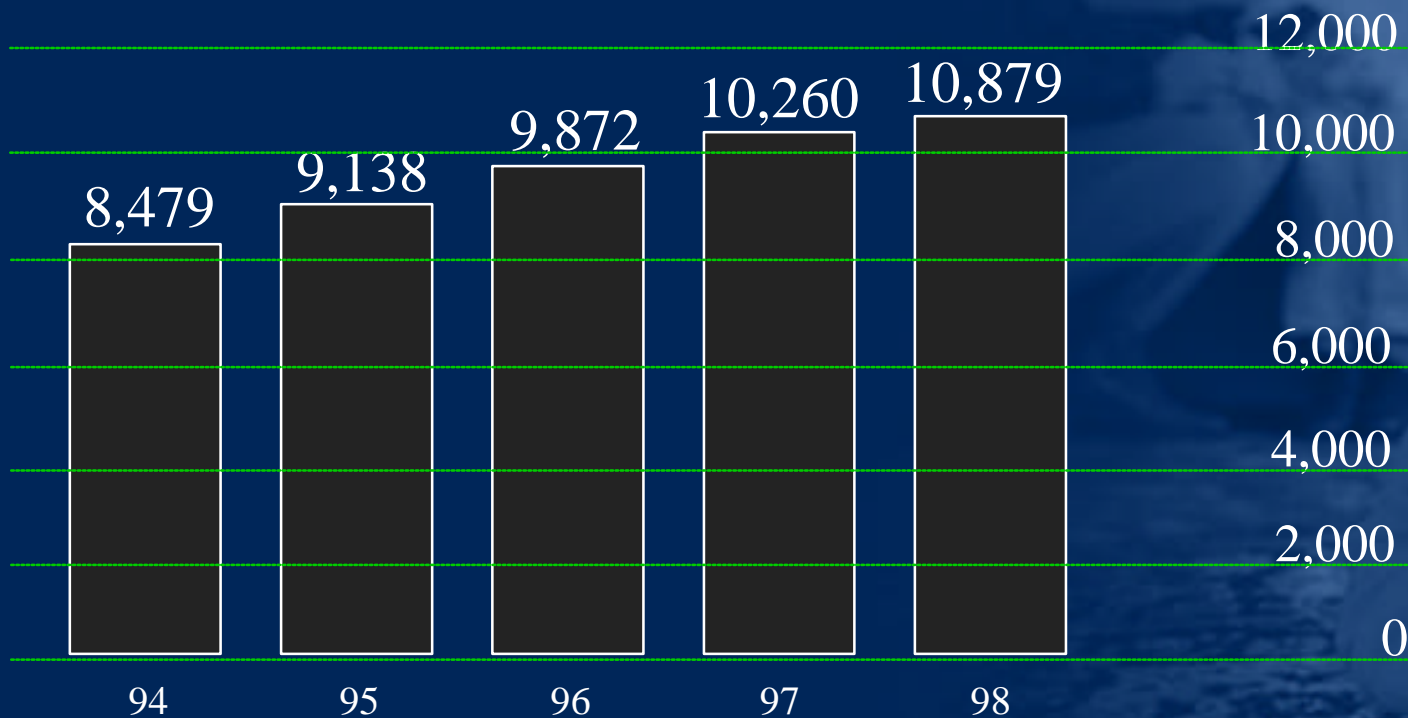
Profit (£m)

	1998	1997	
Profit before interest	158.8	143.9	+ 10.4%
Interest payable	(21.9)	(15.3)	+ 43.1%
Profit before tax	136.9	128.6	+ 6.5%

UK home credit:

Revenue growth

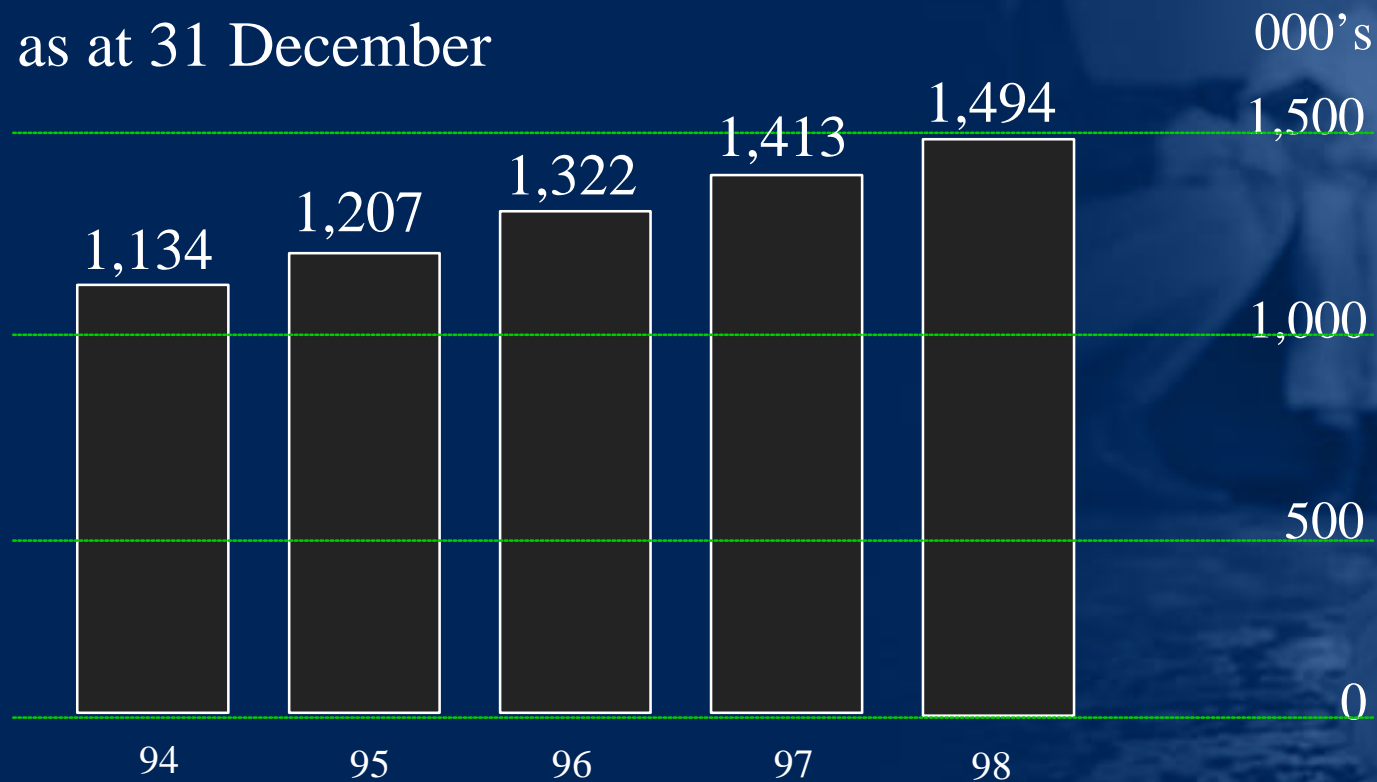
Number of agents
as at 31 December



UK home credit:

Revenue growth

Number of customers
as at 31 December



UK home credit

Why does home credit continue to be popular and successful?

- Good for customers
- Good value for money
- Good for communities



UK home credit:

Revenue growth

Credit issued
year to 31 December

£m

1000

800

600

400

200

0

529

585

670

733

805

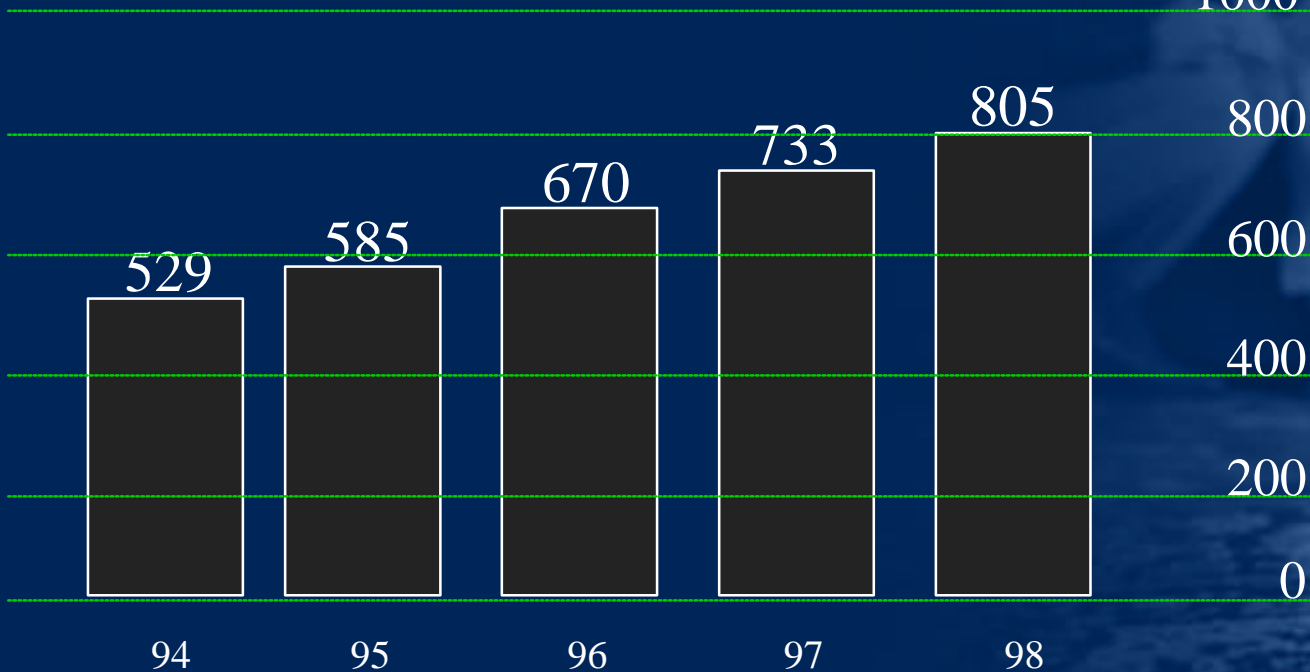
94

95

96

97

98

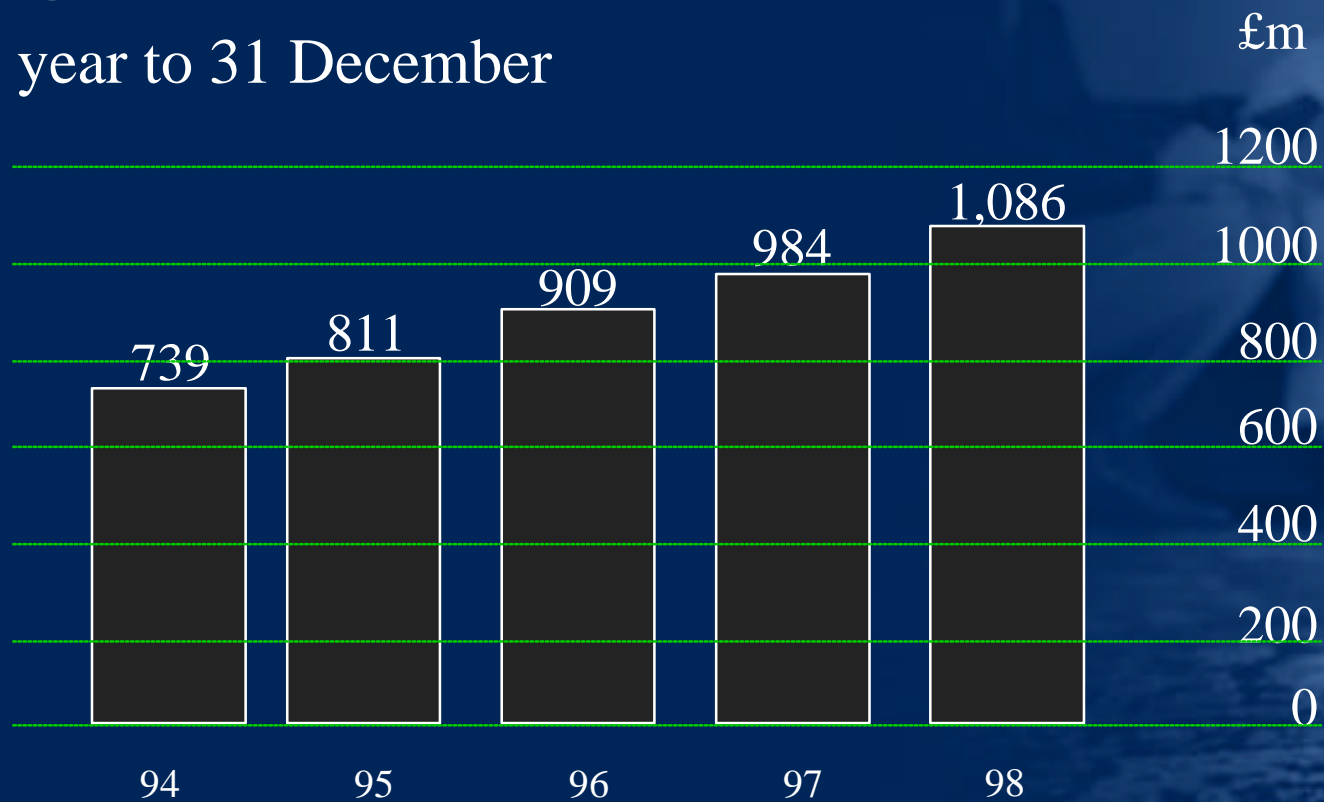


UK home credit:

Revenue growth

Collections

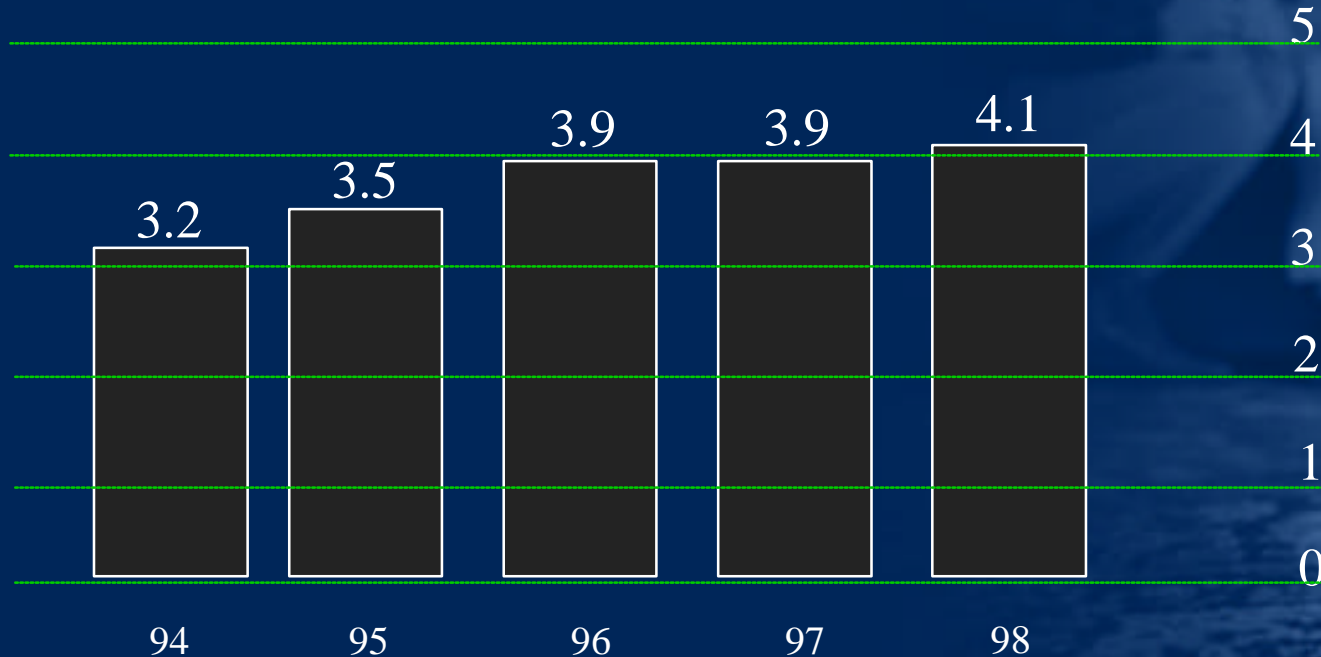
year to 31 December



UK home credit:

Efficiency and quality

Ratio of agents : employed staff
as at 31 December

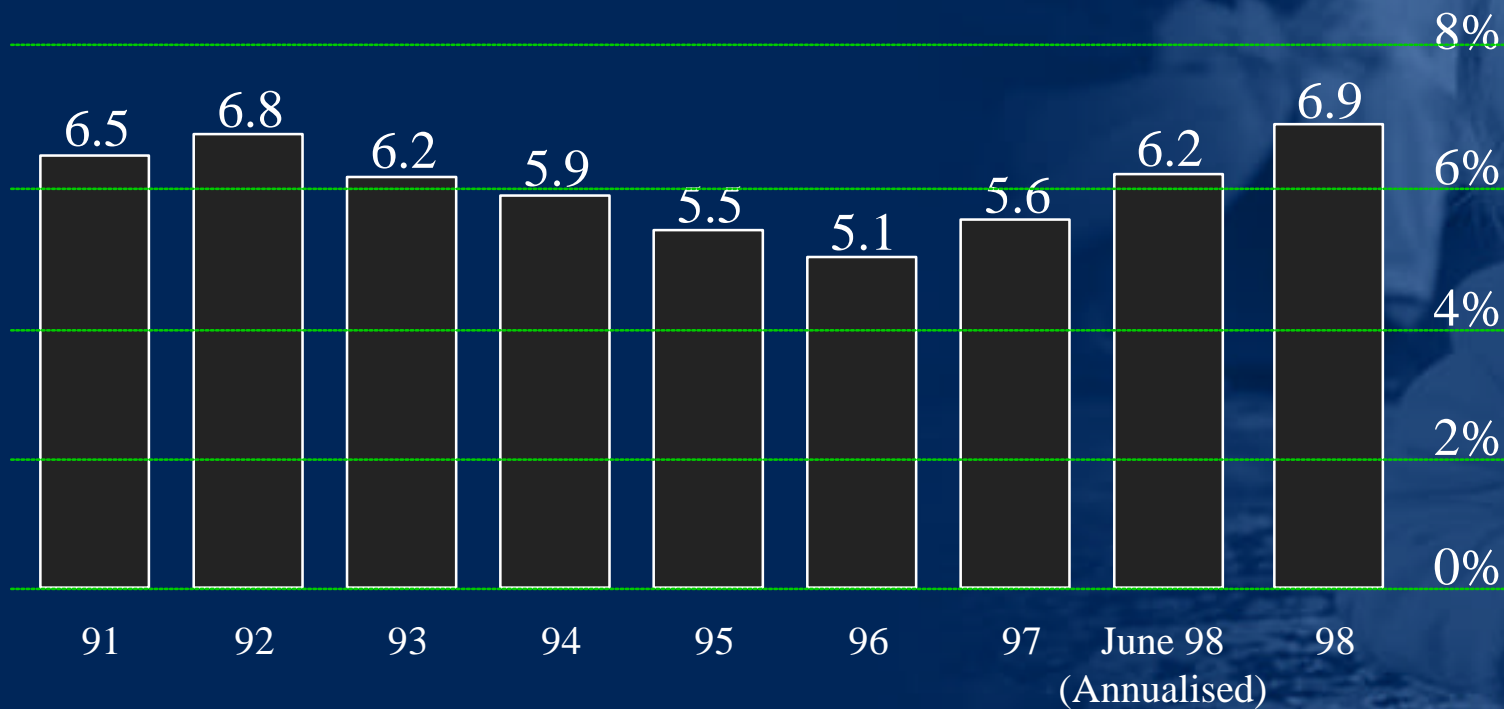


UK home credit:

Efficiency and quality

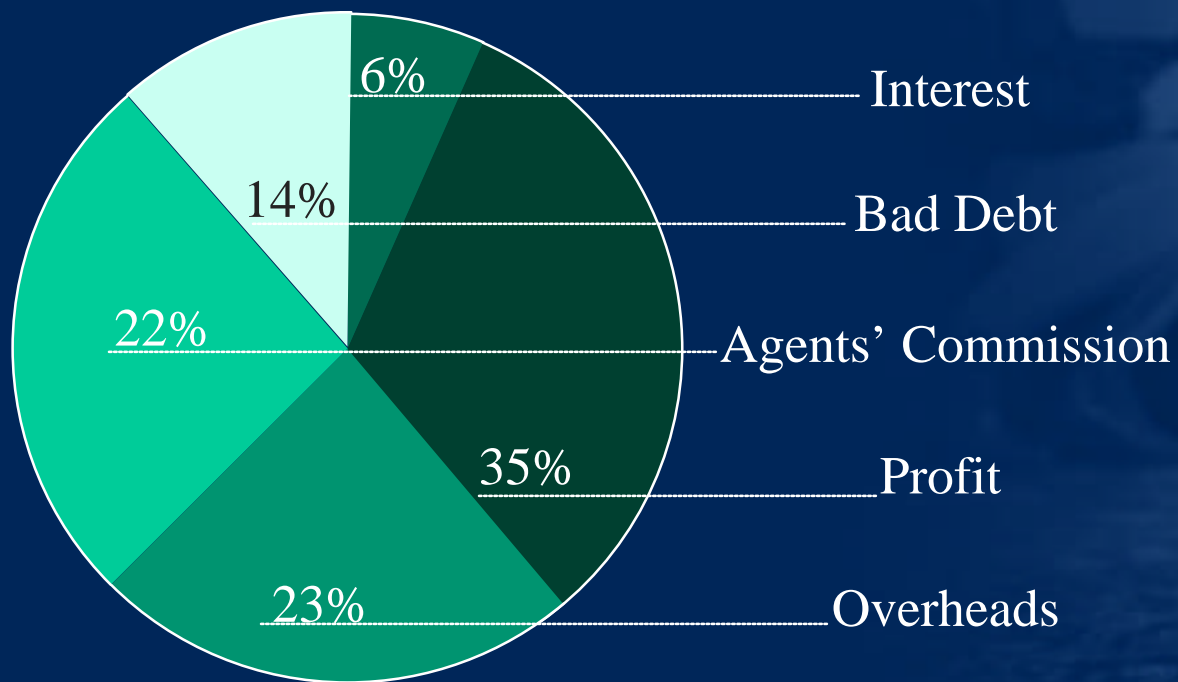
Bad debt charge

% of credit issued



UK home credit

Costs and profit as a % of turnover



1998

UK home credit

Costs and profit as a % of turnover



International home credit

International development

A blue-tinted photograph of a young child in the foreground, looking towards the camera, with other people blurred in the background.

International home credit:

Development

Locations

- Poland August 1997
- Czech Republic December 1997
- South Africa April 1998



International home credit:

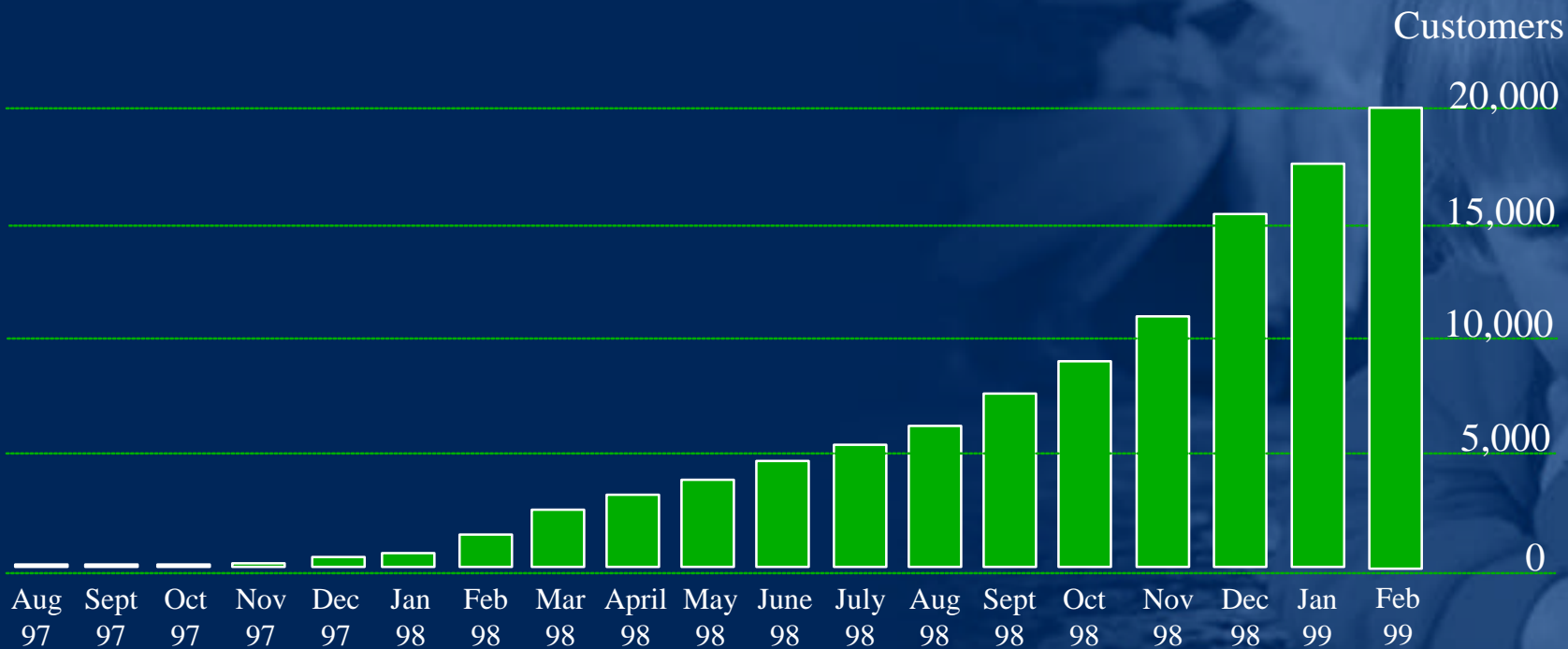
Development

Eastern Europe

	Agents	Customers	Receivables (£000's equivalent)
Poland	350	12,500	X
Czech Republic	250	7,500	Y
<hr/> Total	600	20,000	

International home credit: Development

Eastern Europe



International home credit:

Development

Some comparisons

	<u>UK</u>	<u>Poland</u>	<u>Czech Republic</u>
Women customers	70%	53%	YY%
Women agents	81%	50%	YY%
Average loan size	£200	£103	£90
Average age (customer)	38	40	YY
Overall satisfaction level (customer)	95%	92%	YY%

International home credit:

Development

Summary

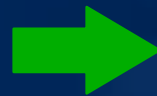
- Encouraging progress
- Investment to double in 1999
- Profit in 2002



Home credit

Strategy

Revenue growth



Efficiency and quality



International development



Profit growth



Insurance

Provident Insurance Colonnade Insurance Brokers

	1998	1997	
Profit before tax (£m)	19.6	13.7	+43%

Insurance

Strategy

Specialist markets



Margins



Flexible distribution



Profit growth



Insurance:

Specialist markets

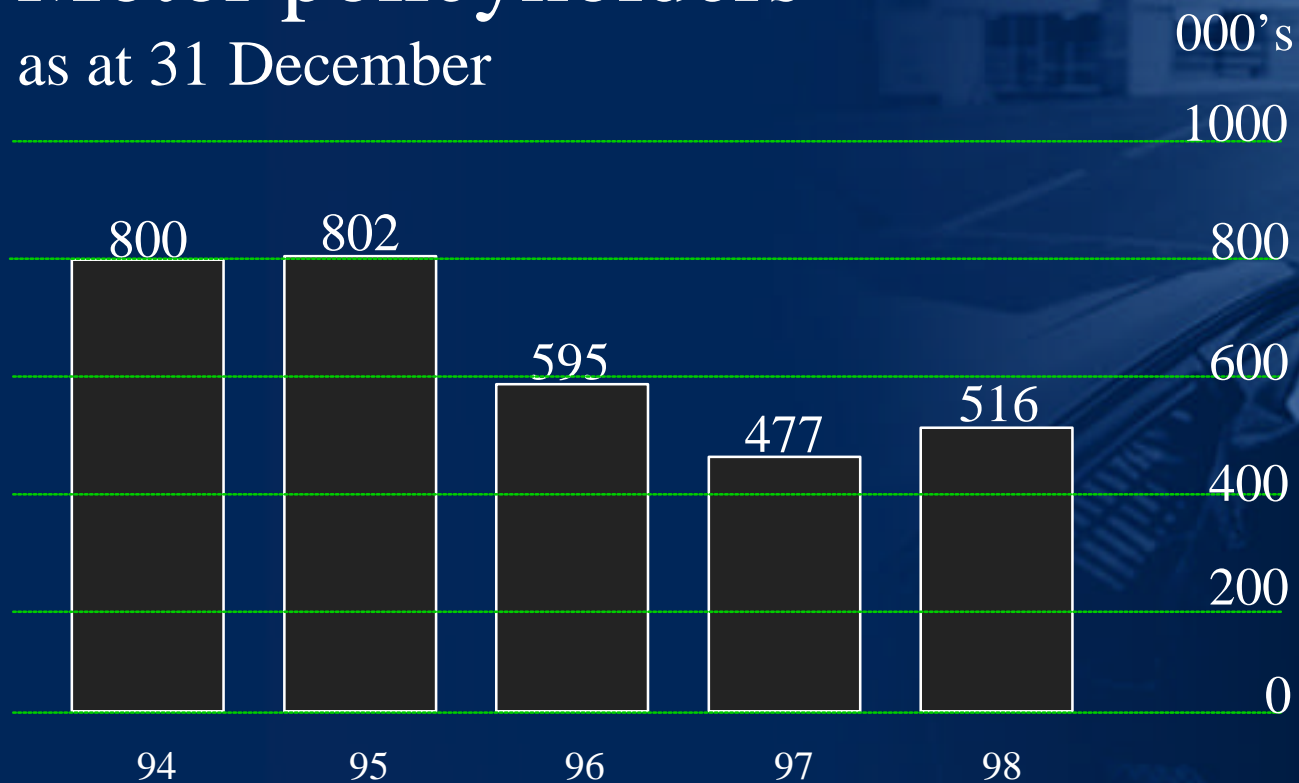
Areas of strength

- Non-comprehensive
- Women drivers
- Second cars
- Older cars



Insurance: Margins

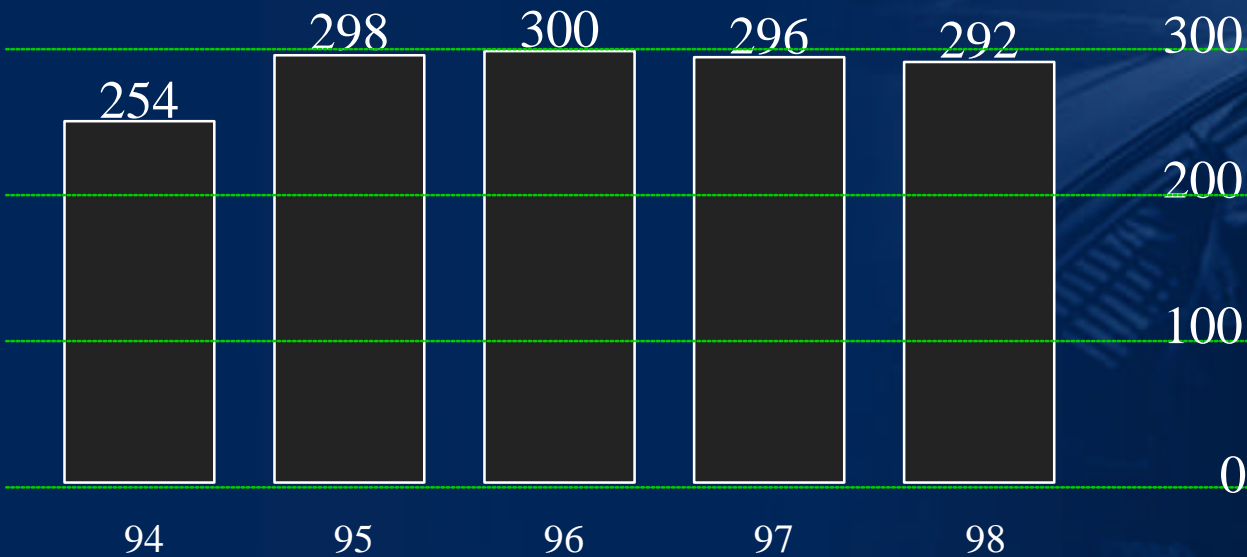
Motor policyholders as at 31 December



Insurance: Margins

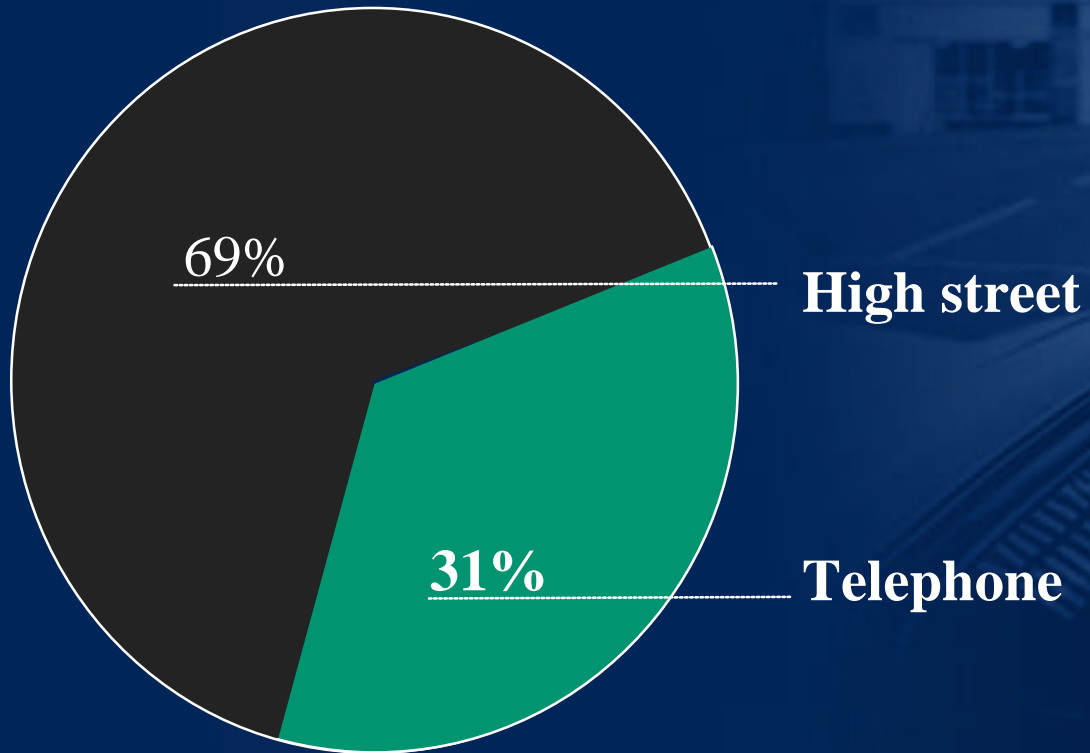
Large investment fund
as at 31 December

£m
400



Insurance:

Flexible distribution



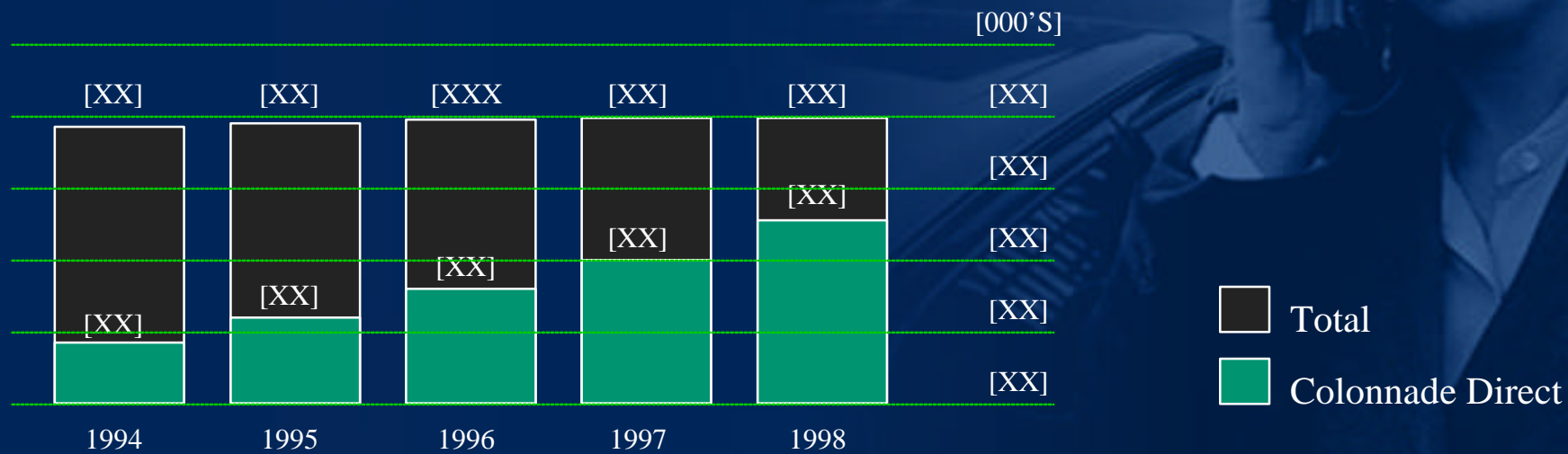
High street

Telephone



Insurance

CIB policyholders



Insurance

Outlook

- Volumes stabilised
- Premium increases feeding through
- Large investment fund
- Low costs

1997

1998
JUNE

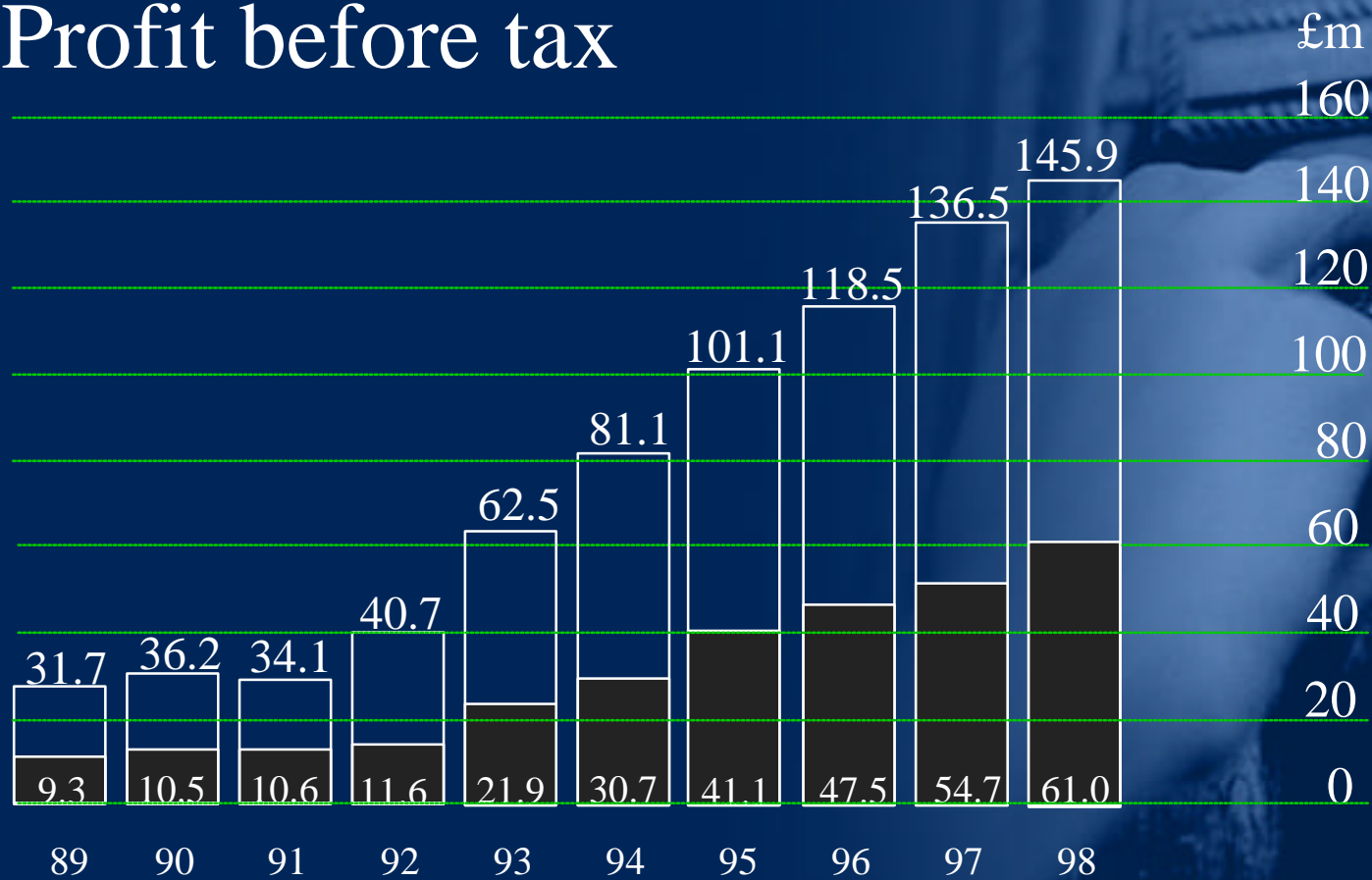
Provident Financial

Another good year

- Profit before tax up to £145.9m + 6.9%
- Earnings per share up to 40.12p +15.4%
- Dividend per share up to 22.50p +15.4%

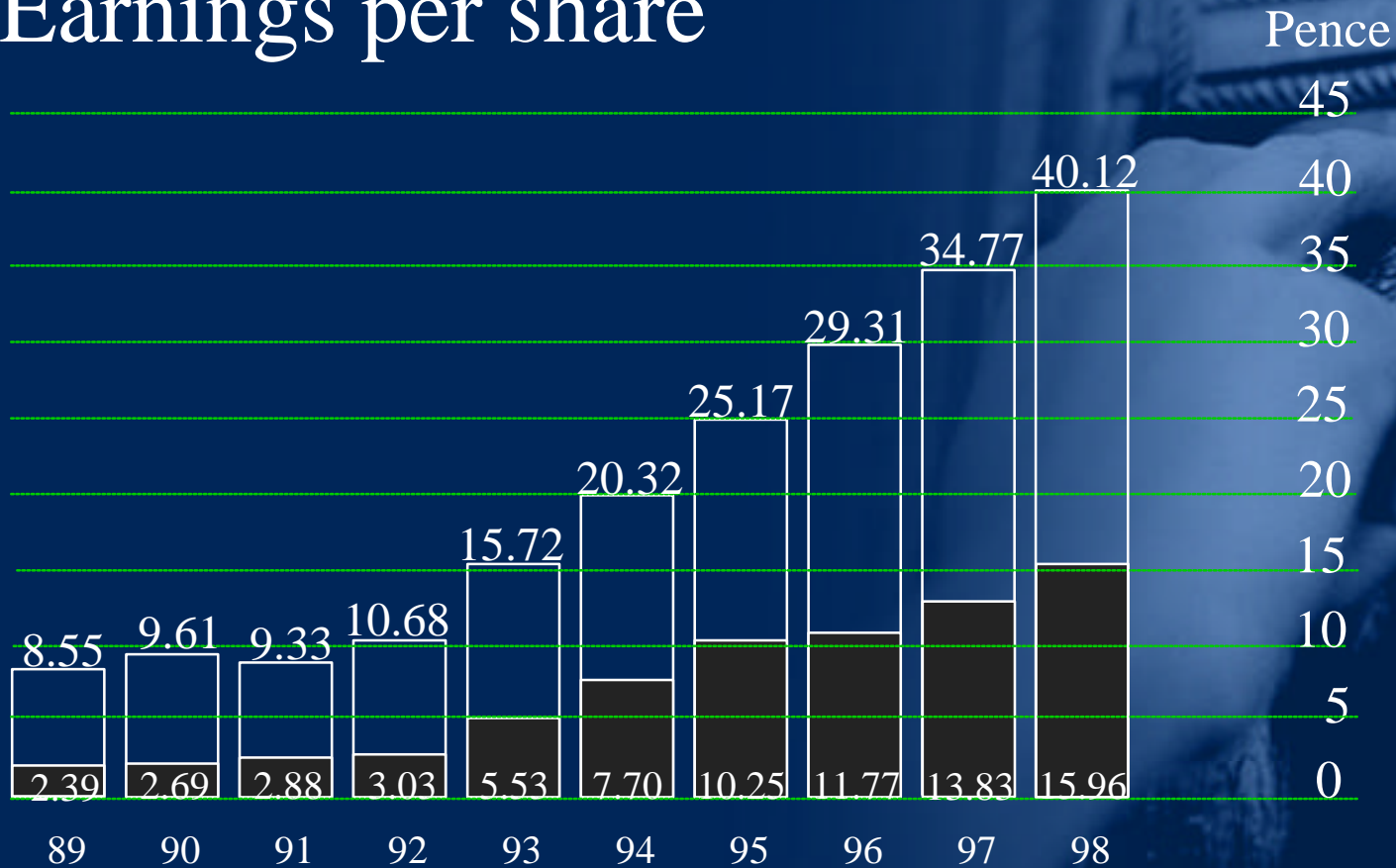
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Profit before tax



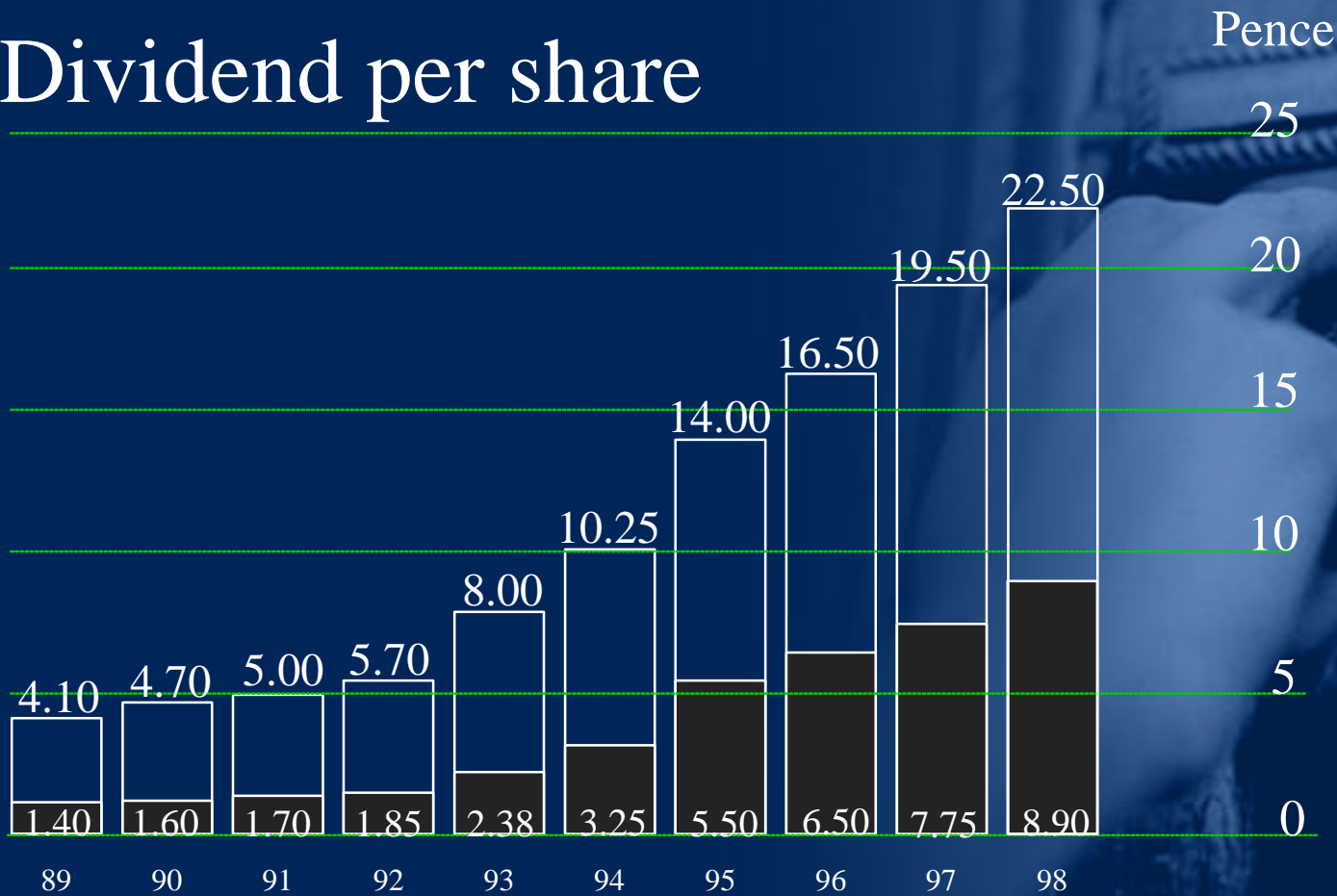
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Earnings per share



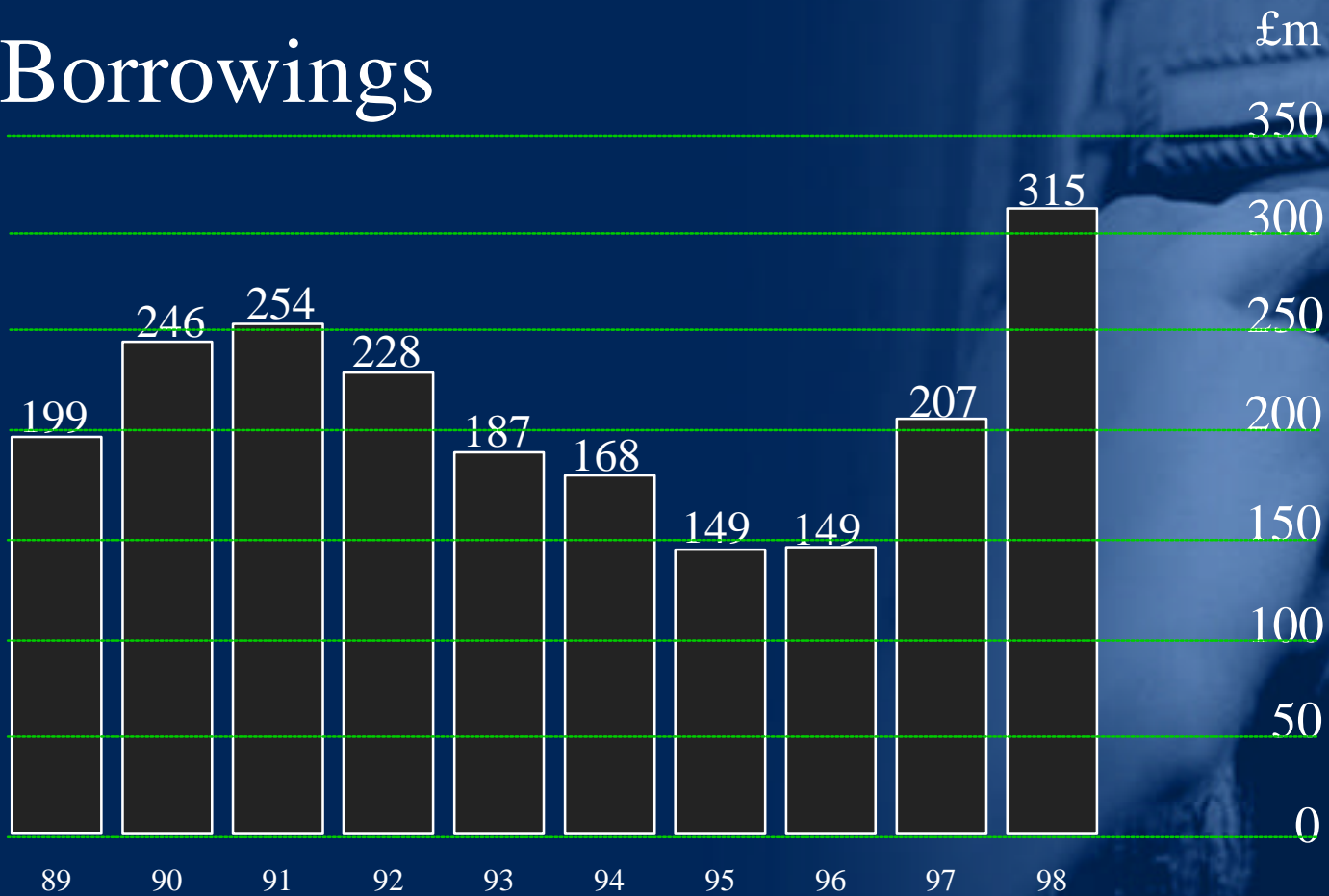
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Dividend per share



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Borrowings



Provident Financial

Change in borrowings

	1995	1996	1997	1998
	£m	£m	£m	£m
Trading cashflow after tax	65	71	83	95
Receivables growth	(28)	(40)	(53)	(53)
Insurance division dividends	14	7	-	12
Ordinary dividends paid	(32)	(38)	(47)	(54)
Capital restructuring (inc ACT)	-	-	(41)	(108)
<u>Movement in borrowings</u>	<u>19</u>	<u>-</u>	<u>(58)</u>	<u>(108)</u>

Provident Financial

Outlook

- Continuing growth in home credit
- International expansion
- Insurance profit benefiting from premium increases
- Board expects another good result in 1999



Home credit

Typical loan product

Amount customer borrows	£100
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All-in service charge includes: interest, administration, weekly home service charges	£59
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Total fixed amount repayable	£159
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Contractual repayment terms - 53 weekly instalments of
£3, for which the APR is 164.0

Home credit

Cost comparison

Provident

£100 HOME CREDIT LOAN
OVER 53 WEEKS

A high street bank

£100 BANK OVERDRAFT
OVER 52 WEEKS

Administration costs
included

£8 per month account fee
£96 pa

Interest charges
included

Interest charges at 18.8% pa
£9.40

Total charge: £59

Total charge: £105.40

Home credit

Cost comparison

Provident

A high street bank

No charges for late repayment

Unauthorised borrowing charges of £7 per day plus higher rate of interest

No charges for arrears letters

Cost of £25 per returned cheque

53 weekly home visits included in price

Costs of repayment - transport, stamps, telephone, etc

APR 164.0

EAR 18.8%

Home credit

Adults aged 18-64 (GB)

	Millions	%
AB	7.1	21
C1	10.1	29
C2	8.1	23
D	6.3	18
E	3.1	9
Total	34.7	100

Home credit

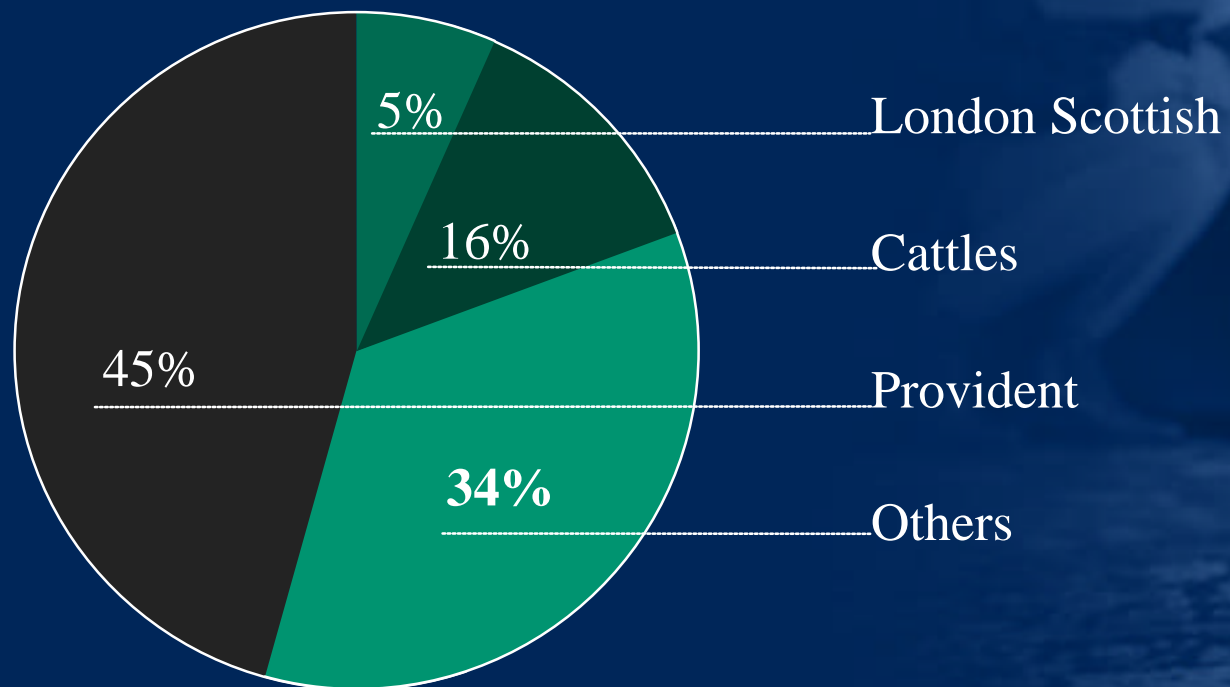
Current users

- 3 million customers
- 11% of C1, C2, D, E adults



Home credit

Estimated market shares



Home credit



Products



90%



10%



Home credit

Customers

Number	1.418m
Women	74%
Average weekly repayment	£14
Average weekly earnings	£128
Unemployed	27%
Owner occupiers	25%

Home credit

Usage profile

	Provident customers %	National average %
Mail order	55	73
Current account	54	82
Savings account	38	65
Credit cards	16	49
High street store cards	18	34
Mortgage	17	42
Hire-purchase	11	8

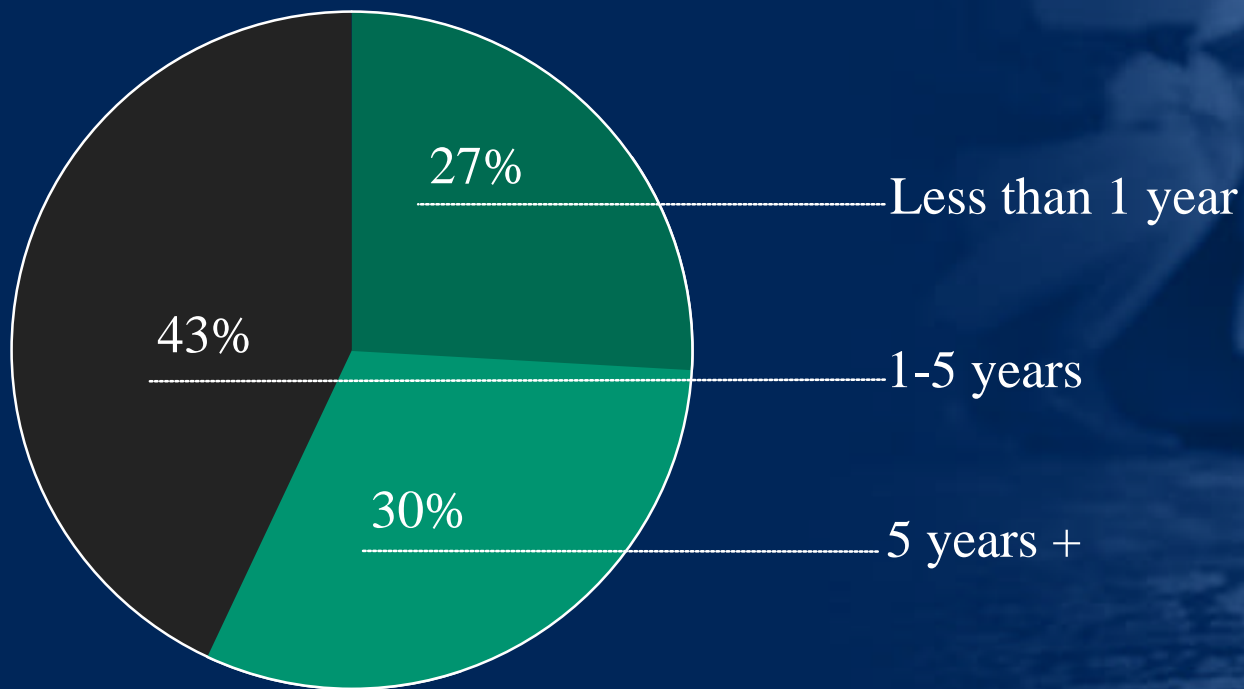
Home credit

10,756 self employed agents

Women	91%
Average number of years service	7
Average number of customers	131
Average weekly collection	£1,895
Average weekly earnings	£152

Home credit

Long-term customer relationships



Home credit

Sources of new customers

