

Provident Financial

UK home credit



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Peter Crook
Managing Director

UK home credit

Agenda

- Business overview
- Market trends
- Key priorities
- Multi-channel distribution
- Customer segmentation
- Product development
- Credit and arrears management
- Field efficiency initiatives
- Technology enhancements
- Summary



UK home credit

Overview

- Leading provider of home credit
- Unique relationship-based service
- Cash generative business
- Market conditions competitive



UK home credit: management



Peter Crook
Managing Director

UK home credit board of directors

Dave Spiers
Finance Director

Chris Graham
Marketing Director

Mike Palmer
Operations Director

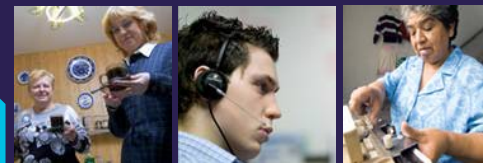
Charles Taylor
Credit Director

Phil Kettle
Business Support Director

Paul Thrustle
IT Director

Steve Shaw
Human Resources Director

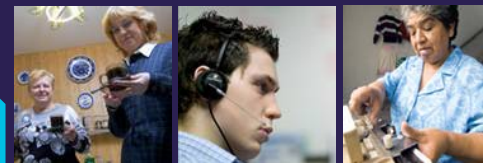
UK home credit: management



Peter Crook Managing Director

- Graduated in economics
- Qualified chartered accountant
- MBA
- Halifax plc - various roles held between 1990 and 1997
- Barclaycard, finance director, 1999
- Barclaycard, managing director, 2000
- Barclaycard, managing director UK consumer finance, 2004
- Provident Financial
 - managing director of UK home credit, September 2005
 - appointed to the board, March 2006

UK home credit: management

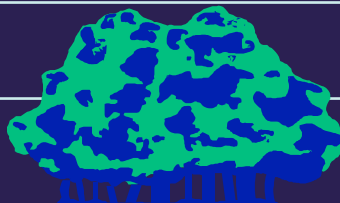
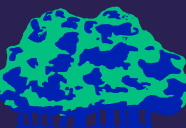
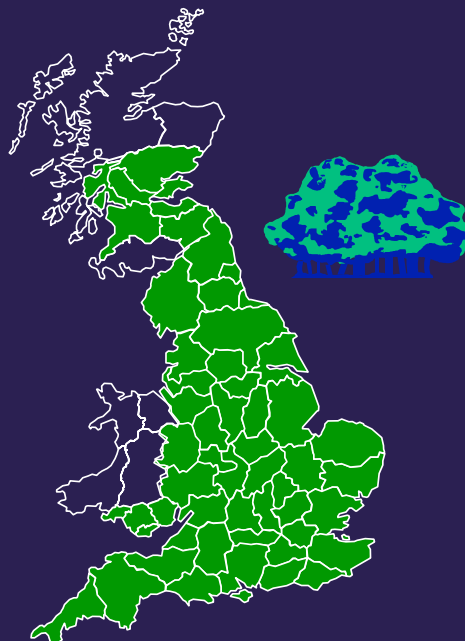


Dave Spiers
Finance Director

- Graduated in finance and economics
- Qualified chartered accountant
- MBA
- Provident Financial, UK home credit:
 - management accountant 1991-1993
 - senior management accountant 1993-1995
 - head of strategic marketing 1995-1997
 - marketing director 1997-2000
 - finance director 2000-2002
 - operations director, product development and credit management 2002-2004
 - finance director 2004-current



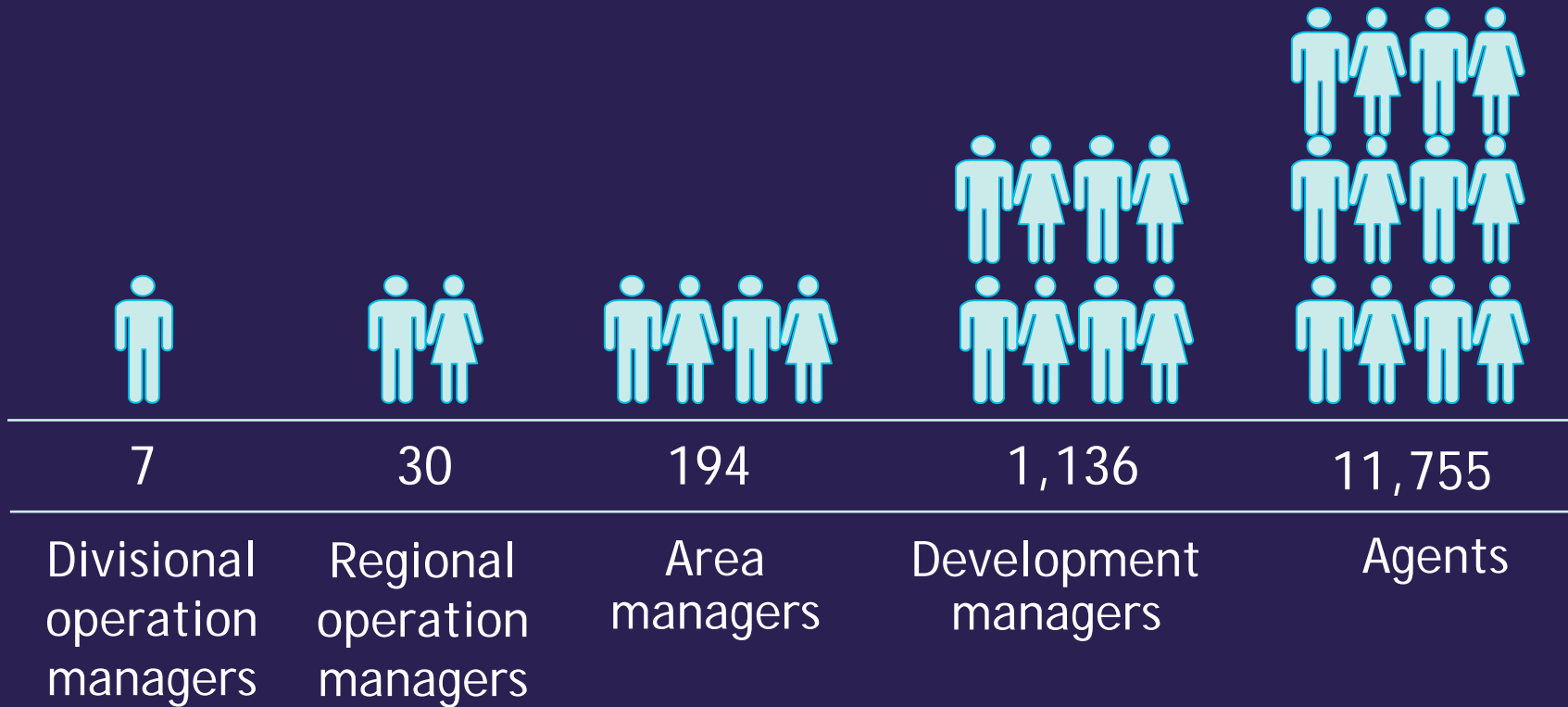
Overview



	Total
customers	1.5m
employees	2,725
agents	11,755



Field organisation





Products

		Borrow	Repay
Cash loan	55 weeks	£100	£165
Vouchers	25 weeks	£100	£125

NO EXTRA CHARGES

NO DEFAULT INTEREST



Customer profile

- Female 70%
- Male 30%
- Socio-demographics C1/C2, D, E
- Age groups all ages well represented
- Tenure rent 77%, own home 23%



Market trends

- Recent macro-economic environment:
 - rising income levels
 - minimum wage and tax credits
 - low interest rates
 - stable unemployment
- Customers' circumstances changed:
 - increased competition from remote lenders
 - greater access to other credit products
 - alternative use of credit products alongside home credit
- Home credit competitors under pressure

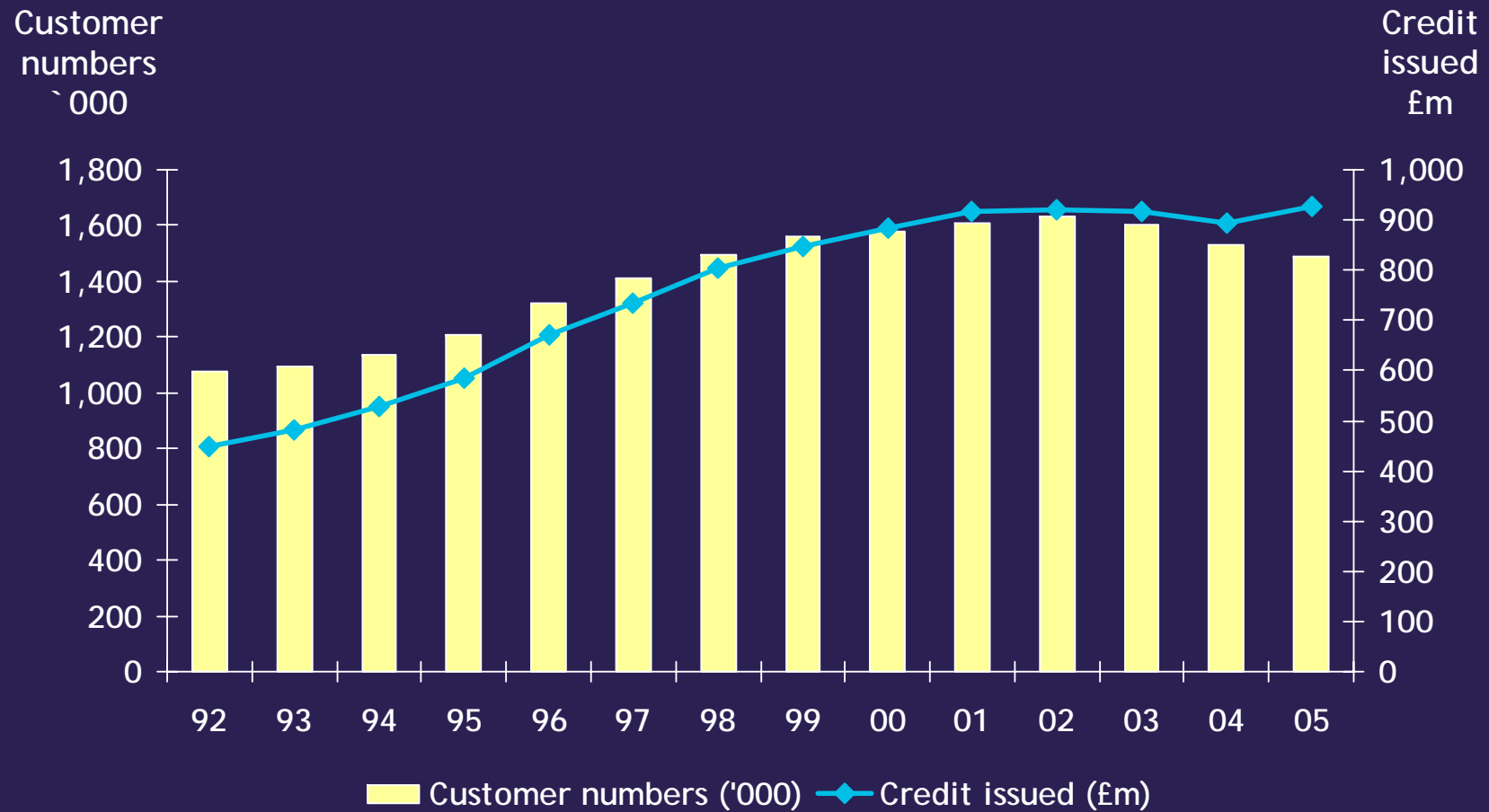


Market trends

- Current macro-economic environment:
 - unemployment and CCJ's increasing
 - mainstream banks lending criteria tightened
- Focus on credit quality
 - affordability is key
 - new and existing customer credit scoring essential
- Home credit provides an advantage to remote credit products
 - agent service and customer relationship
 - flexible product design



Customers and credit issued



UK home credit

Growth is the key priority

- 2003 onwards, decline in customers
- 2005 issue growth from longer, larger loans
- 2006 growth in customers in June
- Growth in issue without growth in customers isn't sustainable



Key priority is to grow by recruiting and retaining profitable customers





Changes to deliver growth

- New distribution channels
- Improved customer segmentation
- Product innovation
- Enhanced credit and arrears management
- Streamlined field organisation
- New ways of working enabled by technology



Evolution of the business model

- Build on key strengths and capabilities:
 - agent force
 - national field coverage
 - flexible, simple, transparent approach
- Evolution via:
 - multi-channel distribution
 - customer segmentation
 - product development
- Supported by:
 - improved lending decisions and arrears management
 - people, process and technology development

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Chris Graham
Marketing Director

UK – Management Team



Chris Graham
Marketing Director

- Graduated in Managerial and Administrative studies
- Chartered Institute of Marketing Diploma
- MBA
- Previous marketing roles at HSBC and First Direct
- Provident Financial, motor insurance:
 - marketing manager 1994-1998
- Provident Financial, UK home credit:
 - head of marketing 1998-2002
 - marketing director 2003-current

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Customer recruitment

- Agents produce majority of new customers

94%
customer satisfaction





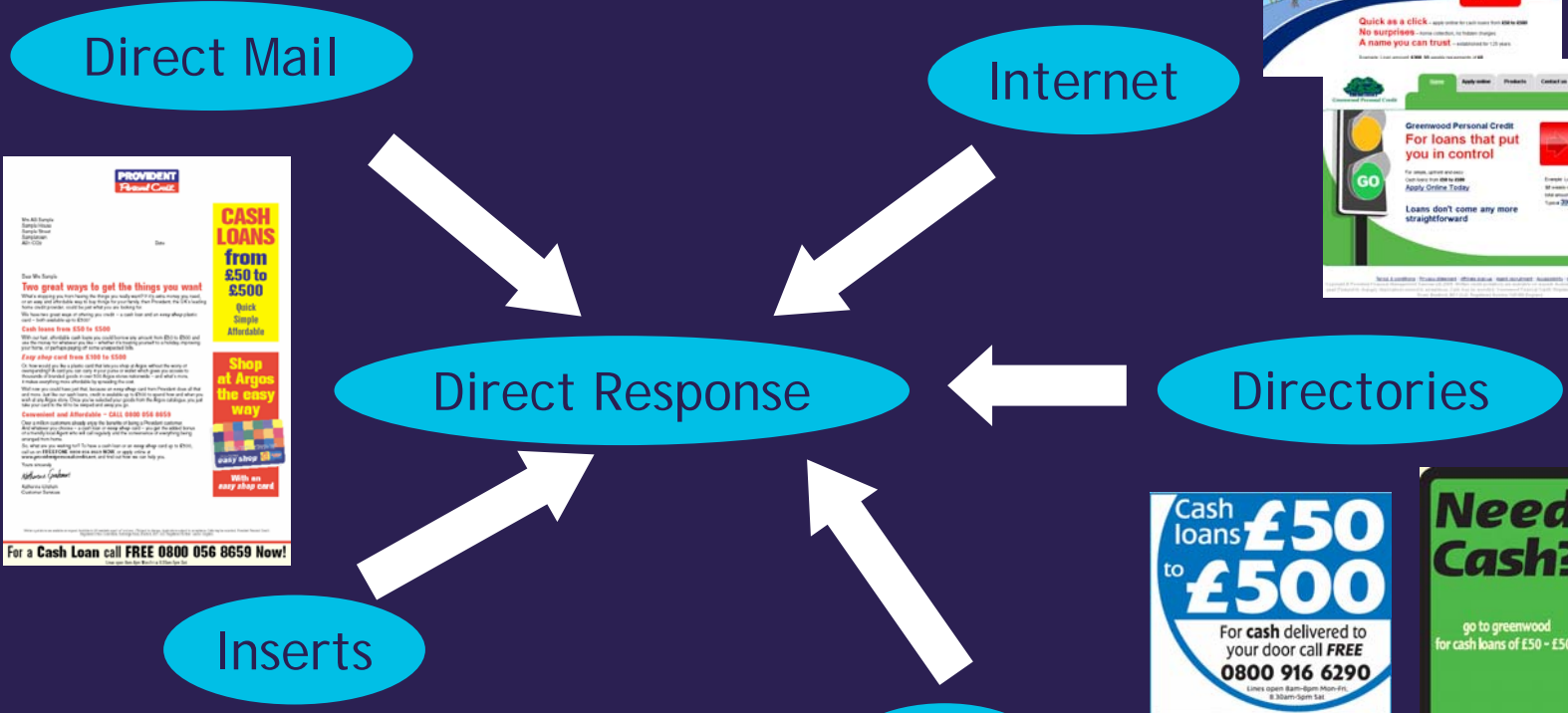
Attracting new customers through marketing

- Supplement valuable source of agent recommendation
- Additional approaches required for growth
 - direct response activity
 - internet
 - partnerships / affinity
 - face-to-face sales
- Success seen through customer growth in June 2006

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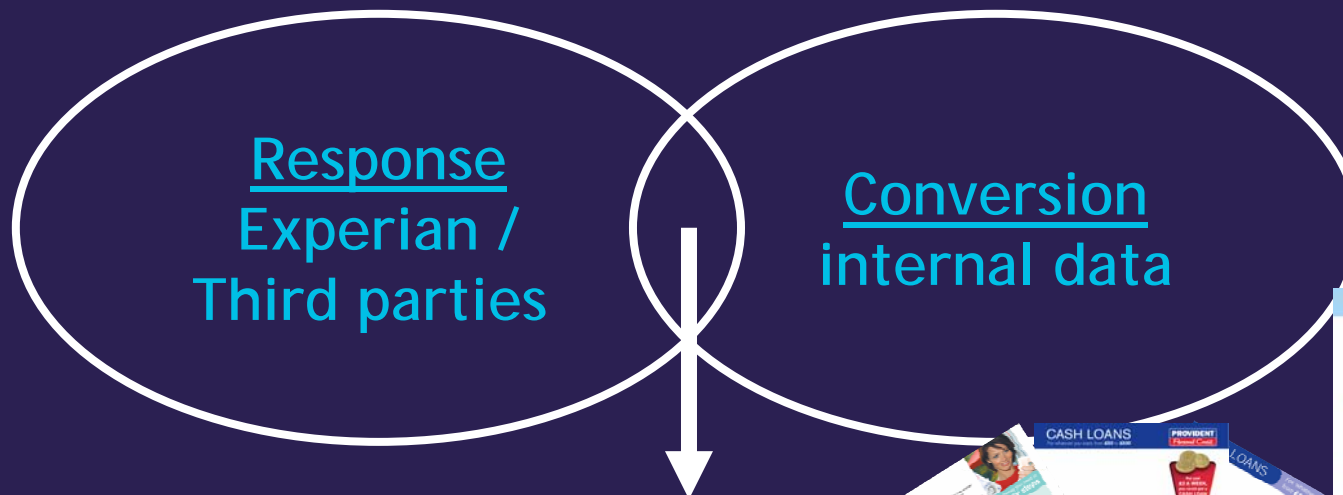
Direct response





Direct mail

- Strong growth
- Targeting models developed
- Test and learn: creative



Targeting





Internet

- Important source and response handling vehicle
- Growth area
- Specialised internet marketing resource

PROVIDENT
Personal Credit

Home | Apply online | Products | Contact us | Existing customers

Up your street
Cash Loans

Apply Online Now

Quick as a click – apply online for cash loans from **£50 to £500**
No surprises – home collection, no hidden charges
A name you can trust – established for 125 years

Example: Loan amount: **£300**, 55 weekly repayments of **£9**
Total amount payable **£495**. Typical **177% APR**

Home | Apply online | Products | Contact us | Existing customers

Greenwood Personal Credit

For loans that put you in control

Apply Online Today

For simple, upfront and easy
Cash loans from **£50 to £500**
Apply Online Today

Loans don't come any more straightforward

Example: Loan amount **£200**,
32 weekly repayments of **£10**,
total amount payable **£320**,
Typical **399.7% APR**

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Copyright © Provident Financial Management Services Ltd 2009. Written credit qualifications are available on request. Available to UK residents aged 18+ to 69 years (*subject to change). Applications subject to acceptance. Calls may be recorded. Greenwood Personal Credit, Registered Office: Colonnade, Sunbridge Road, Bradford, BD1 2LQ. Registered Number 125150 England.



Partnerships

- Retailers
- Mail order
- Finance & loan companies
- Credit card providers
- Brokers



Sources of declined applications

Coverage combined with high density is key competitive advantage



Face-to-Face

- Shopping malls
- High footfall areas
- Specialist 3rd parties



Customer opportunities





Sales & retention activity

- Strong sales & retention via direct customer contact
- Core activity: mailings to customers

Targeting
modelling &
seasonality

Control
behavioural scoring

Frequency
continual test

Creative
approach
continual test



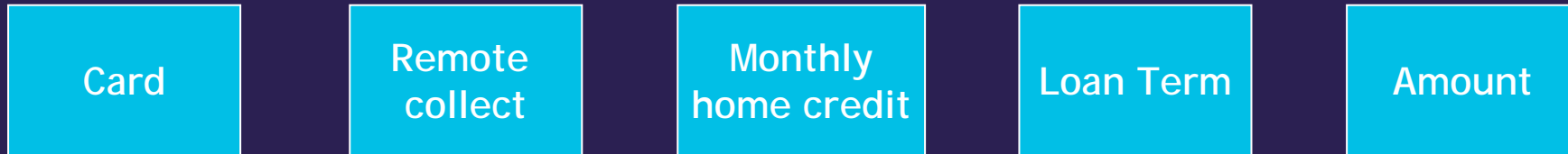
Customer segmentation

- Creation of customer insight team
- Drive customer relationship management via data modelling
- Customer proposition development to:
 - maximise profitable sales
 - maximise customer retention



Segmentation strategy

Products TYPE



Models WHO & WHEN

Propensity

Reducer

Attrition

New customer

Life time value



Optimised targeting



Channel HOW

Direct mail

SMS

Phone

Agent/DM h/held

Email

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Example programmes

New customers

£10 in a credit line
£10 in a credit line

What are we doing?

It's a lucky holiday!

You know where you are with Greenwood
 Your experts in home credit

PLUS **PLUS** **PLUS**

You know where you are with Provident
 The UK's N°1 in home credit

PLUS **PLUS** **PLUS**

£10 in a credit line
£10 in a credit line

What are we doing?

It's a lucky holiday!

Loyalty

PROVIDENT Financial Credit
 For our very best customers

Mrs B. Stringer 01294587988

YOUR £150 HOLIDAY VOUCHER
 Where will you spend yours?

PROVIDENT Financial Credit

PLUS **PLUS** **PLUS**

PROVIDENT Financial Credit
 customers

Smile, here's £150 towards your next holiday!

Get ready for your holiday with a cash loan of up to £2,000. Mrs Sample!

Plus - check if you are our lucky \$1,000 winner!

Typical APR 177%

Retention

Don't pay these charges!

You know where you are with Provident
 The UK's N°1 in home credit

"Banks snatch £553m in penalty fees!"

"Third of credit card customers hit with late payment charge!"

"Overdraft charges leap by a third!"

PROVIDENT Financial Credit
 0800 218 2717

STOP DON'T MISS OUT! ACT NOW!

YOUR ORIGINAL COUPON

Hand this coupon to your Agent

You know where you are with Provident
 The UK's N°1 in home credit

Choose from 6 great holiday destinations!

PLUS **PLUS** **PLUS**

STOP DON'T MISS OUT! ACT NOW!

YOUR ORIGINAL COUPON

Hand this coupon to your Agent

You always know what's ahead with Provident

PLUS **PLUS** **PLUS**

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Genuine relationship management

Centrally data driven

One to one relationship



SALES, LOYALTY, SATISFACTION





Longer, larger loans

- Rationale:
 - customers using other credit sources for larger amounts
 - desire for larger amounts from UK home credit

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Personal Credit

GO LARGE



Longer, larger loans

- Progress:
 - launched in 2005
 - significant sales generated
 - credit quality maintained





Plastic card developments

Rationale

- Plastic has significant kudos appeal in sub prime market
- Practical value:
 - easy purchase transaction
 - access to other means of purchase: telephone, internet
- Combine with core home credit benefits:
 - simplicity
 - transparency
 - certainty
- Powerful proposition





Store-specific plastic

- Key retailer partnerships:
 - Argos
 - Woolworths
- Key seasonal sales times:
 - Christmas/January sales
 - Easter
 - back to School
- Customer benefits:
 - flexible offer
 - controlled, fixed value so can't overspend





Visa

- Developed in conjunction with Vanquis Bank
- Debit card, *not* a credit card
- Fixed value loaded onto non-personalised Visa card
- Customer can use until value spent
- Recruitment and retention potential



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Charles Taylor
Credit Director

UK – Management Team



Charles Taylor
Credit Director

- Graduated in Theoretical Physics
- Certificate of Advanced Mathematics
- MSc in Operational Research
- CCN (became Experian), various roles 1984-1995
- Consultancy, own business, managing director 1996-1999
- Experian, director of strategic consultancy 2000-2002
- Consultancy, own business, managing director 2003-2004
- Provident Financial, UK home credit:
 - credit director 2005-current



Enhanced credit management

- Historically, new customer decisions driven by agents
 - multi-channel scoring for new customers recently introduced
 - lend more to lower risk and less to higher risk customers
- Behavioural scoring system introduced in 2002
 - credit granting decisions for existing customers
 - assists less experienced agents
 - recently improved the tool
 - optimises profitability
- Historically, arrears process driven by the field
 - segmented, structured approach introduced
 - support using telephone and letters



Credit Management Enablers

- Credit scoring for new customers
- Behavioural scoring
- Structured arrears process



Credit Management Enablers

- Credit scoring for new customers



Credit scoring for new customers

- Phase 1 has just been rolled-out across all channels
 - agent
 - internet
 - contact centre
- Uses internal data only
- Accessed through a free phone number
- Agents like it



Credit scoring for new customers

- Phase 2 will be rolled-out in H2 2006
- Considers much more data
- Applies to all new customers
- Powerful tool to identify new customer behaviour:
 - top 10% have less than 5% chance of going bad
 - bottom 10% have more than 60% chance of going bad



Credit scoring for new customers

- Introduces segmented lending strategy
- Agents can lend more generously to lower risk customers
- Ability to grant small sum credit remotely e.g. for loans < £300
- Greater control over credit policy



Credit Management Enablers

- Behavioural scoring



Behavioural scoring

- Categorises existing customers into five risk grades (A to E)
- Avoid lending to grade E, cautious with grade D
- Recently improved using new data:
 - 17% of risk grade C will be treated as risk grade D
 - 25% of risk grade D will be treated as risk grade C
 - 20% of risk grade D will be treated as risk grade E
- Move lending away from riskier customers
- Due to be implemented in H2 2006



Credit Management Enablers

- Structured arrears process



Structured arrears process

- Arrears management historically locally driven
- Major field process
- Structured arrears process introduced to target visits intelligently
- Segmented strategies based on nature of arrears
- Central telephony and improved letters to support manager visits



Structured arrears process

- Workflow system identifies appropriate action
- Use low cost methods where possible
- Low risk customers receive friendly reminders
- Actions escalate as a customer fails to respond
- Phase 1 rolled-out, May 2006



Structured arrears process

- Phase 2 currently being developed
 - scorecard to identify riskier customers
 - remote payment ability
- Use champion/challenger to target the use of:
 - visits
 - telephone calls
- Ongoing refinements



Credit Management Enablers

- Credit scoring for new customers
- Behavioural scoring
- Structured arrears process

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Peter Crook
Managing Director



Streamlined field organisation

- Combine field management and administration of two brands:
 - Provident Personal Credit (PPC)
 - Greenwood Personal Credit (GPC)
- Improved efficiency, reduced costs
- Supports growth through a single management and cost structure
- Integration of management structure completed ahead of plan
- Now operating with:
 - 82 home credit areas
 - 14 GPC locations
 - 98 PPC locations
- Effectively doubled the number of GPC locations

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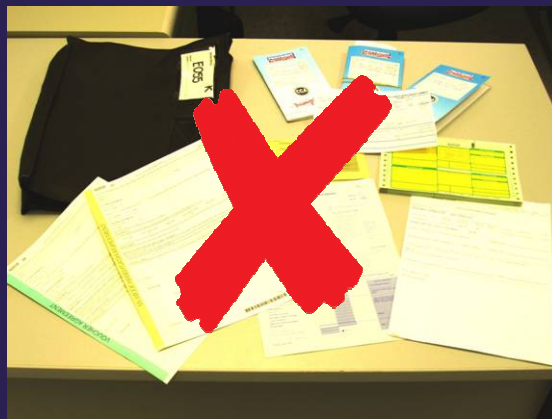
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What is Insight?

- Replaces old paper administration processes
- Technology for agents and managers using 'Focus' platform
- Improved customer service
- Reduction of costs
- Platform to improve agent effectiveness





Summary

Now

Collect Thursday to Tuesday

Two hours of paperwork

No round order

Limited information

Old-fashioned

Customer and sale risks

Future

24/7

Easier balancing

Record of date / time

More information

Professional image

Reduces risks



Day 1 agent benefits





Insight



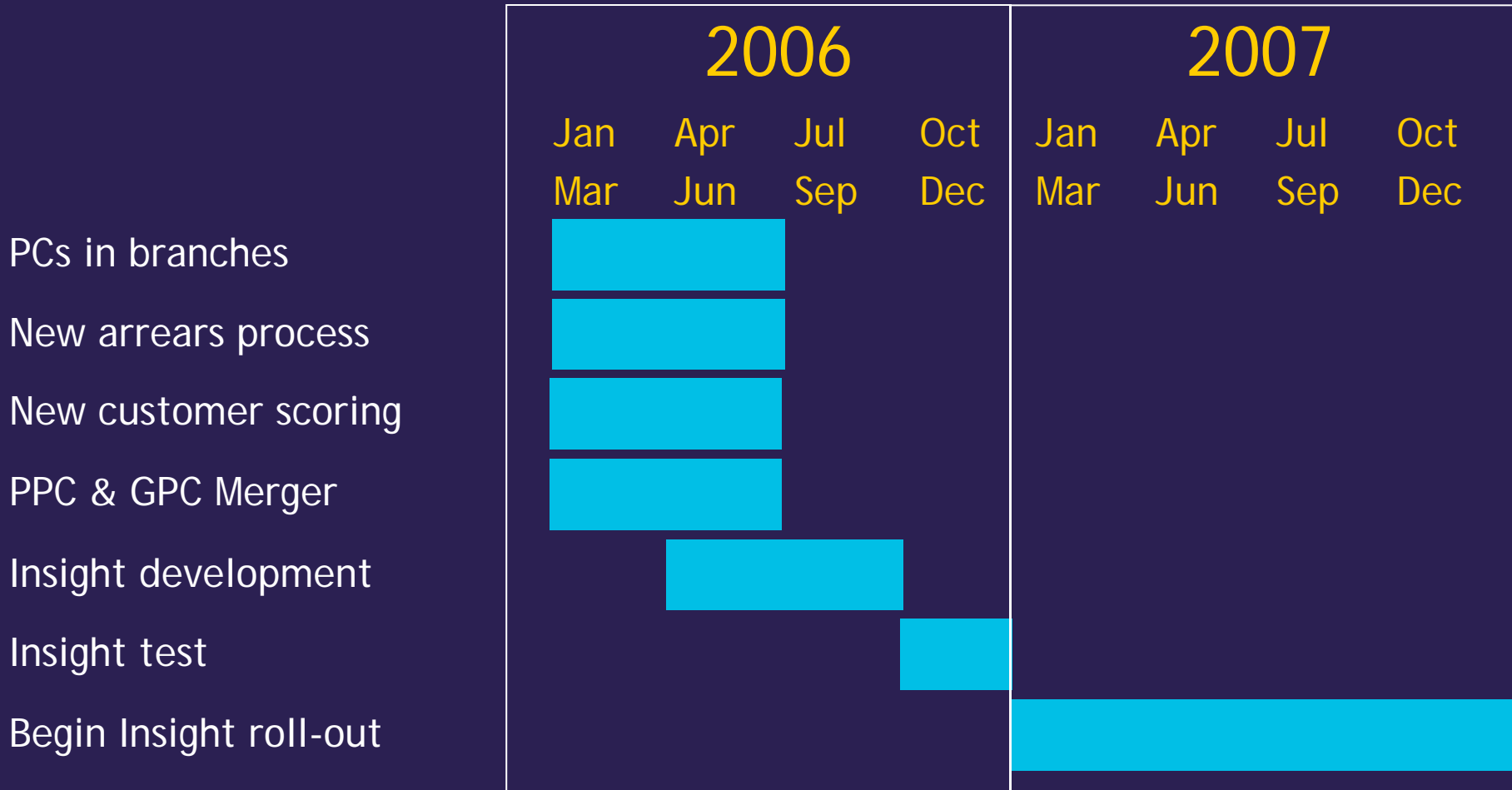


Insight: the benefits

- Better technology
 - wider use
 - resilient
 - cost effective
- Detailed work on processes
- Importance of managing change



Timeline





Points of differentiation

- v home credit lenders

e.g. Cattles, LSB, S&U

- Product range
- Multi-channel distribution
- Leading edge technology
- Coverage with density

- v mainstream lenders

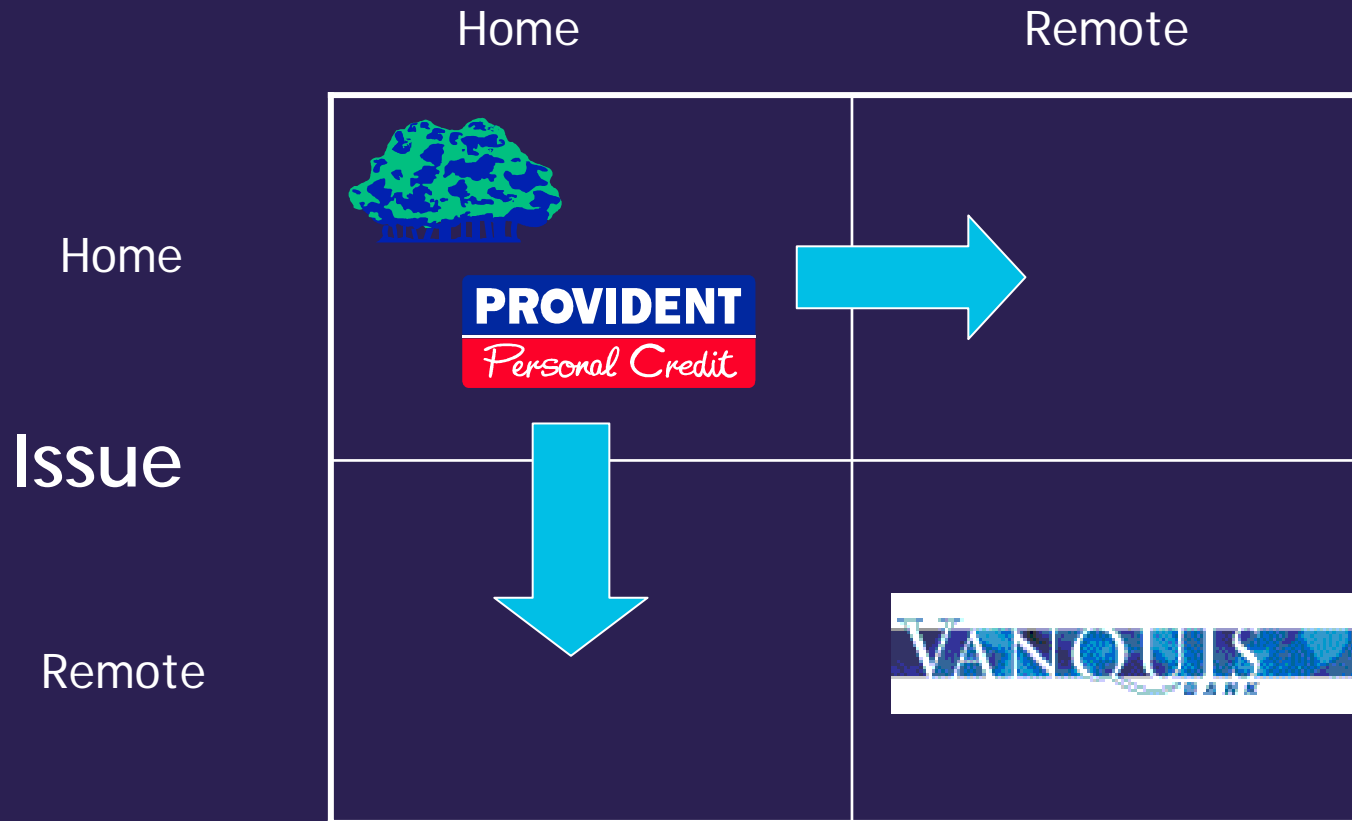
e.g. Capital One, Barclays

- Sub-prime experience
- Community based
- Superior customer service
- Simplicity & transparency



Future developments

Collections





Summary

- Long established business with good competitive position
- Proven business model now evolving via innovation of:
 - distribution channels
 - customer segmentation
 - product development
 - credit and arrears management
 - ways of working enabled by technology
- An attractive mix of strong cash generation and growth potential