



Full year results to 31 December 2004

16 March 2005

Our presentation today

- > Highlights – Robin Ashton
- > UK consumer credit – Chris Johnstone
- > International – David Swann
- > Regulatory review – John Harnett
- > IFRS impact review
- > Motor insurance – Robin Ashton
- > Outlook
- > Questions

PROVIDENT FINANCIAL

Highlights

PBT*

up 7.0% to
£220.7 million



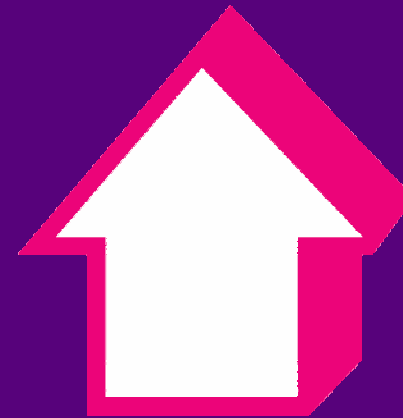
EPS*

up 7.0% to
61.57p



DPS

up 4.2% to
34.40p



*excludes goodwill amortisation

Highlights

- > International
 - excellent results
- > UK consumer credit
 - > UK home credit
 - stable profit
 - > Yes Car Credit
 - disappointing performance
 - > Vanquis Bank
 - successful market test
- > Motor insurance
 - strong performance

International progress

	1998	2004
Countries	3	5
Customers ('000)	18	1,559
Agents	479	19,991
Employees	164	3,440
Credit issued £m	3	437
Turnover £m	1	235
Profit/(loss) before tax £m	(4.7)	49.2

Financial review

Divisional results

	2004 £m	2003 £m	Change %
UK consumer credit	148.0	157.1	(5.8)
International	49.2	29.3	67.8
Motor insurance	34.6	28.6	21.1
Central costs	(11.1)	(8.8)	(26.3)
Profit before tax*	220.7	206.2	7.0
Tax rate	29.3%	29.5%	-
Earnings per share*	61.57p	57.54p	7.0
Dividend per share	34.40p	33.00p	4.2

*excludes goodwill amortisation

Year ended 31 December

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UK consumer credit

2004 results

Home credit

Car finance

Credit cards

UK consumer credit

Profit before tax

	2004 £m	2003 £m	Change %
UK home credit	152.3	152.6	(0.3)
Yes Car Credit	4.4	11.2	(60.4)
Vanquis Bank	(8.7)	(6.7)	(29.4)
	148.0	157.1	(5.8)

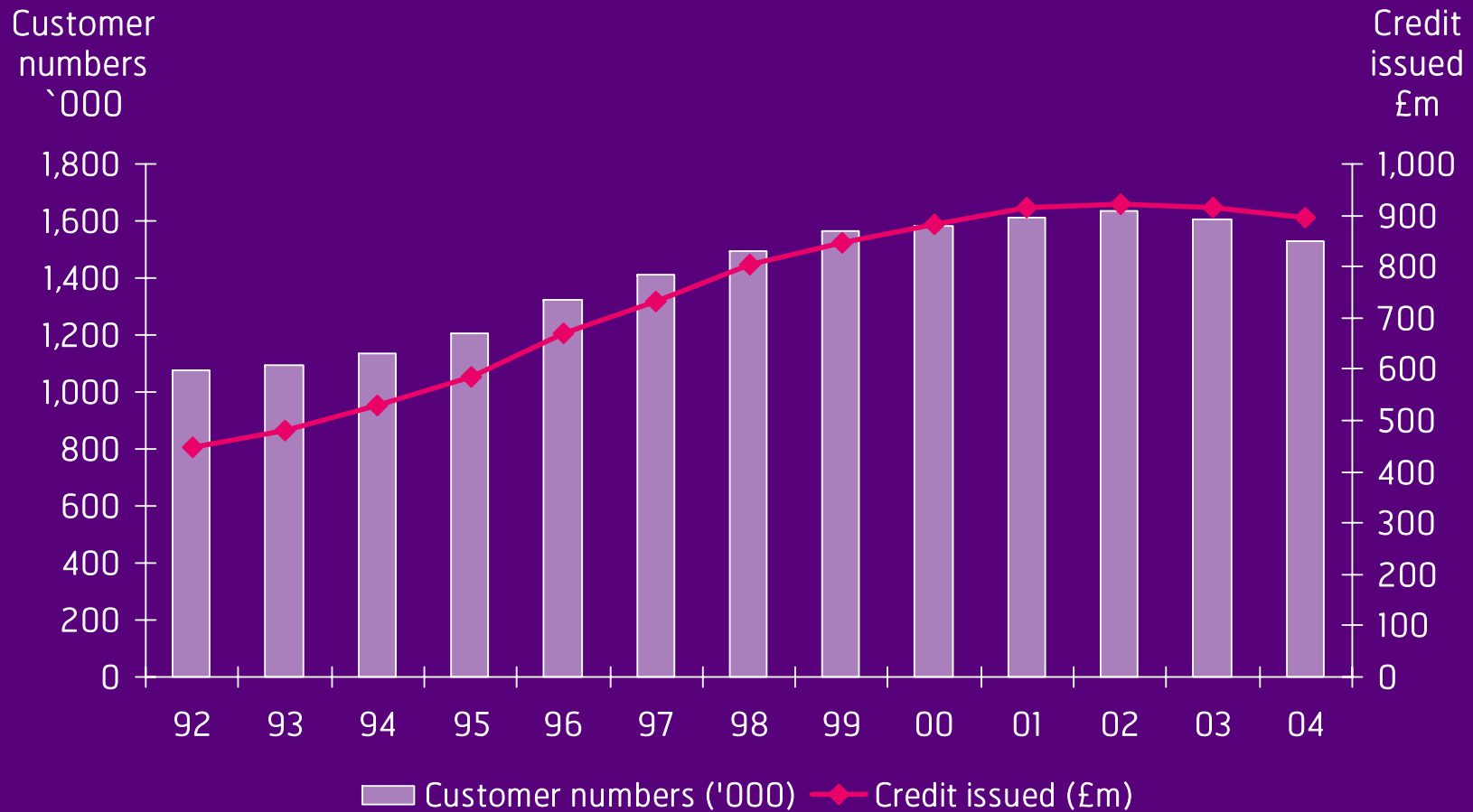
UK home credit

Overview

- > External
 - > customers better off
 - > increased competition
- > Internal
 - > focus on recruiting and retaining profitable customers
 - > identify and withdraw from unprofitable recruitment channels
 - > tight cost control
 - > increase issue to selected customers

UK home credit

Customers and credit issued



UK home credit**2004 results**

	2004 £m	2003 £m	Change %
Customer numbers (m)	1.53	1.61	(4.7)
Credit issued	894	916	(2.4)
Collections	1,300	1,320	(1.5)
Turnover	491	496	(1.0)
Bad debt	86.4	88.0	1.8
Bad debt as % of credit issued	9.7	9.6	-
Operating costs	251.8	255.0	1.2
Profit before tax	152.3	152.6	(0.3)

UK home credit

Prospects for 2005

- > Challenging market conditions to continue
- > Continued reduction in customer numbers
- > Recruit and retain profitable customers
- > Credit issued per customer to rise
- > Manage costs tightly
- > Credit quality stable
- > Profit to fall a little in 2005
- > Profit may reduce further in subsequent years if current market conditions persist

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Yes Car Credit

Overview

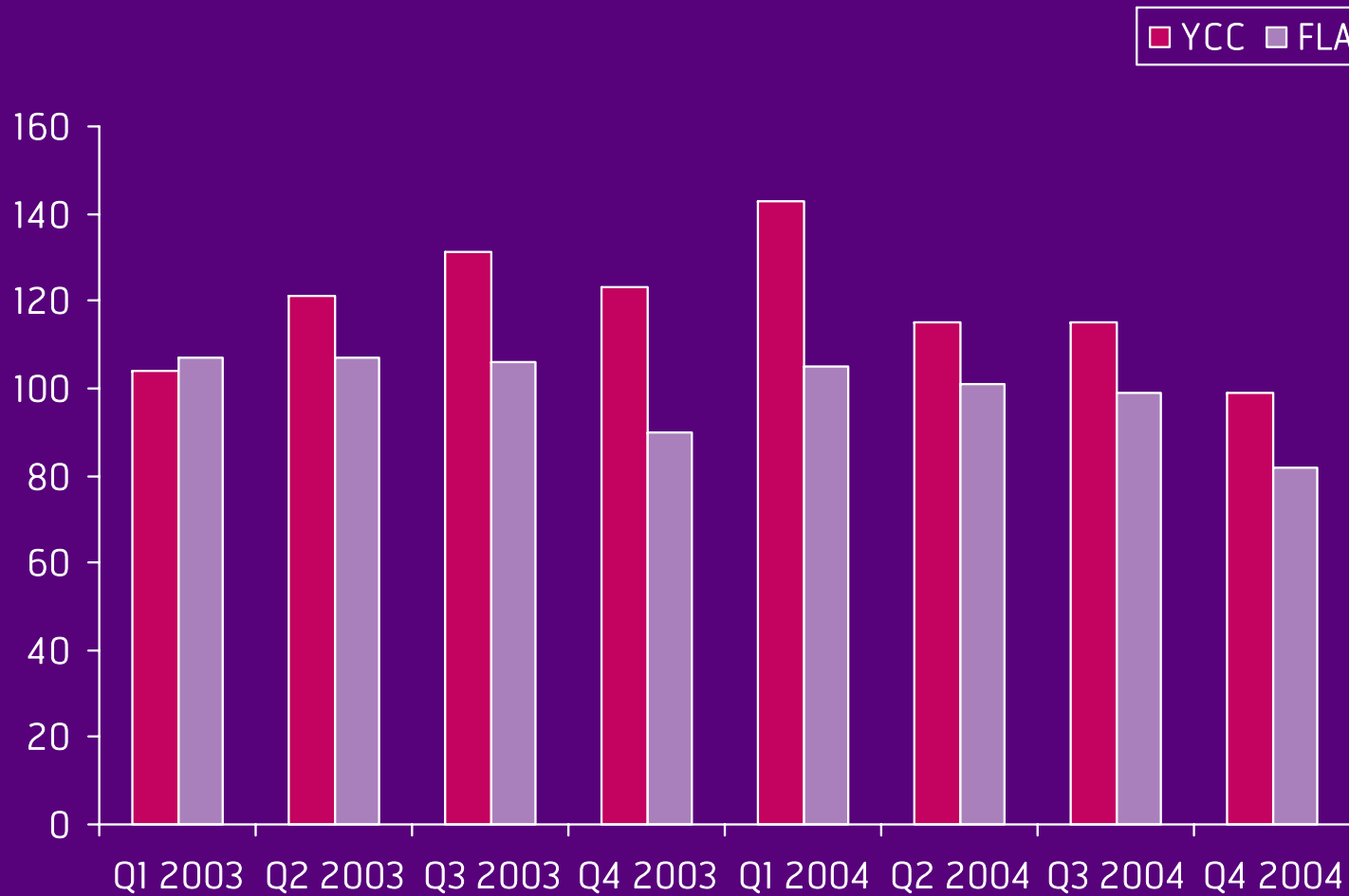
- > Tough year
- > Used car credit market trading conditions difficult
- > Increased competition
- > Performance below expectations



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Yes Car Credit

Sales performance of Yes Car Credit versus the FLA



Indexed to 100 in Q1, 2002

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Yes Car Credit

2004 results

	2004 £m	2003 £m	Change %
Cars sold (units)	37,319	37,892	(1.5)
Turnover	281.8	269.2	4.7
Gross profit	126.5	112.1	12.8
Bad debt	42.9	33.4	(28.2)
Operating costs	79.2	67.5	(17.3)
Profit before tax	4.4	11.2	(60.4)
Average customer receivables (ACR)	281.5	213.6	31.8
Bad debt charge as a % of ACR (MAT)	15.2%	15.7%	

Year ended 31 December

Yes Car Credit

Prospects for 2005

- > Tough trading conditions to continue
- > Changes to improve business performance
 - > further strengthen the management team
 - > improve effectiveness of marketing
 - > reduce cost base
 - > close two branches
- > IFRS loss for 2005 to be similar to 2004

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Vanquis Bank

Overview

- > Market test since April 2003
- > Unique and differentiated credit card offer
- > 90,000 customers recruited
- > 76,000 active customers at year end
- > Strong demand, good customer retention, satisfactory credit quality
- > Profitable and shareholder value-adding opportunity
- > Grow to operational scale in 2005

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Vanquis Bank

2004 results

	2004 £m	2003 £m
Cards in issue	76,000	36,800
Net receivables	26.1	7.4
Turnover	6.7	1.3
Net loss	(8.7)	(6.7)

Year ended 31 December

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Vanquis Bank

The product

- > Designed for target market
- > Higher level of customer contact
- > Lower credit limits
 - > interest rates 16% - 40%
- > 'Stay in control' features through three offers
 - > 'no surprises' card
 - > fixed repayment
 - > standard variable card with higher minimum repayment
- > Payment reminders
- > Choice of payment options
- > Guaranteed interest rate reductions

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Vanquis Bank

Customer profile

- > Majority have no other credit card
- > Rejected or not targeted by other credit card providers
- > Past credit problem or no credit history
- > Lower than average income
- > C1, C2 and D demographic
- > Average age of customers: 38
- > Predominantly tenants
- > Average annual income of customers: £17,000
- > Wider target market: some overlap with home credit

Vanquis Bank

Prospects

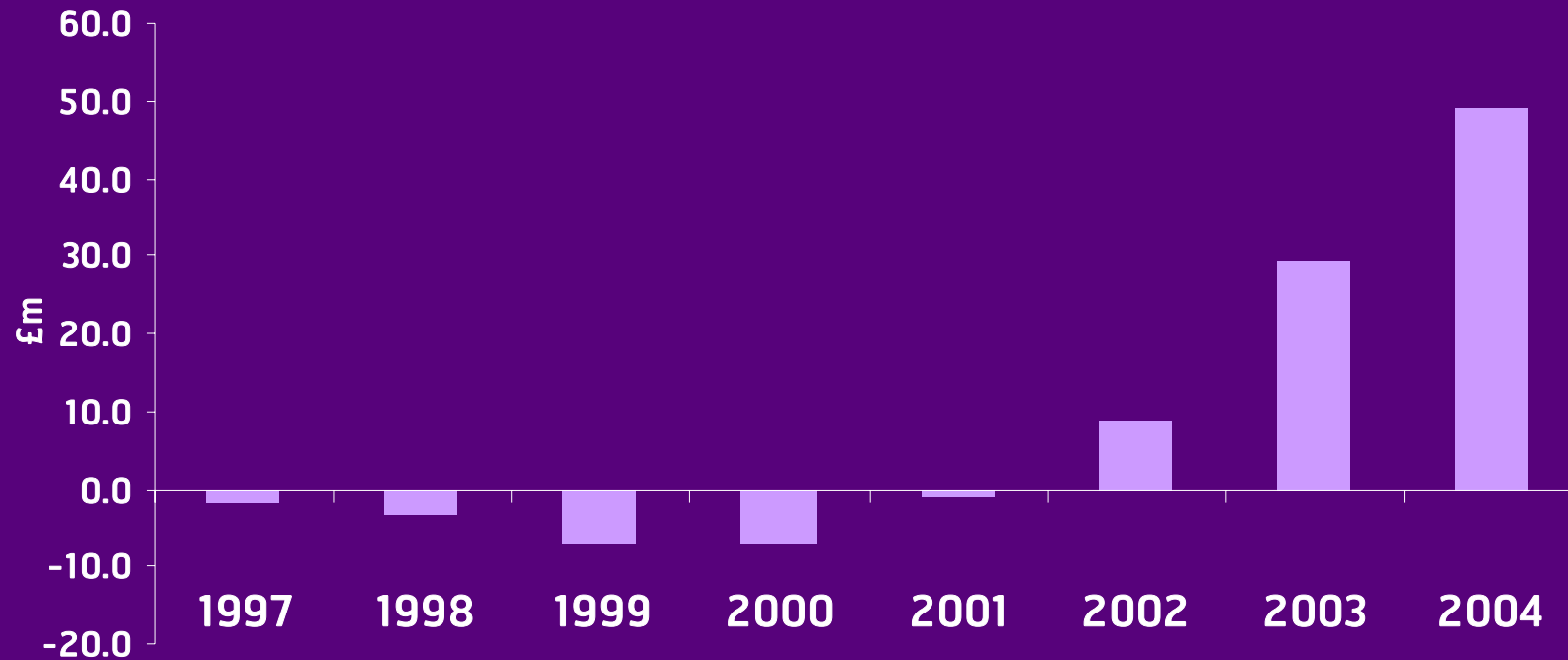
- > Aim to add c.100,000 cardholders in 2005
- > Break-even expected in 2006 at c.250,000 customers
- > Start-up losses of £14 million in 2005
- > Substantially reduced loss in 2006
- > Profit in 2007
- > Mid-single digit pre-tax return on assets

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International

2004 results

Annual profits/(losses) since 1997 (£m)



Profit/(loss) before tax for the twelve months to December (£m)

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International

Overview

- > Excellent results
- > Exceptional performance in Poland
- > Steady progress in Czech Republic
- > Maiden full year profit in Hungary
- > Strong growth in Slovakia
- > Mexico developing well

International**2004 results**

	2004 £m	2003 £m	2003 £m FX adjusted	Change %*
Customer numbers (m)	1.56	1.24	-	25.3
Credit issued	436.8	360.6	350.7	24.6
Collections	562.1	464.3	448.7	25.3
Turnover	235.0	191.4	185.2	26.9
Bad debt	39.2	37.2	35.6	(10.1)
Bad debt as a % of credit issued (MAT)	9.0	10.3	-	-
Operating costs	146.6	124.9	120.7	(21.4)
Profit before tax	49.2	29.3	28.9	70.4

*at constant exchange rates
Year ended 31 December

International**Central European progress versus targets**

	2004	Target
Customer numbers ('000)	1,524	1,625
Poland	941	1,000
Czech Republic	230	250
Hungary	251	250
Slovakia	102	125
Profit per customer	£44	£58
Poland	£51	£60
Czech Republic	£45	£60
Hungary	£34	£60
Slovakia	£(7)	£40

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Mexico

Progress

- > 35,000 customers
- > 600 agents
- > Four branches
- > £2.2 million net receivables
- > Experienced management team
- > Well-educated and hard working employees
- > Credit quality satisfactory
- > Pilot has confirmed attractive market for home credit
- > Decision made to roll-out



Mexico

Potential

- > 103 million population
- > Low level of unemployment
- > Good economic prospects
- > Little direct competition
- > Large potential home credit market: three million customers
- > Annual profit per customer c.£20 at maturity

Prospects for 2005

- > Controlled expansion
- > Phased, regional approach
- > Expansion in Puebla-Veracruz region in 2005
- > Build brand awareness
- > Build experienced management
- > Start-up loss expected to be £5-6 million in 2005

International

Prospects for 2005

- > Excellent prospects
- > Poland and Hungary major contributors to growth
- > Continued steady progress in Czech market
- > Slovakia to move towards break-even
- > Expand business in Mexico
- > Focus on Mexico in 2005, new country in 2006
- > Strong growth, excellent results

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Regulation

- > UK consumer credit law
- > Competition Commission
- > Poland: proposed rate ceiling

Regulation

Consumer Credit Act

- > UK Consumer Credit legislation
 - > update of 1974 Consumer Credit Act
- > New Consumer Credit Bill key changes
 - > unfair relationships
 - > Ombudsman system
 - > licensing and Office of Fair Trading supervision
- > We welcome these proposals

Regulation

Competition Commission (CC)

- > National Consumer Council super-complaint in June 2004
- > 90-day OFT investigation
- > OFT refers to Competition Commission in December 2004
- > Five OFT areas of concerns
 - > home credit customers may be in poor bargaining position
 - > customers may have difficulty comparing loans
 - > step-up and roll-over loans may tie customers to existing lenders
 - > agent relationship may make customers unlikely to switch lenders
 - > structure of market may deter entry on large scale

Regulation

Competition Commission

- > Our initial response to OFT
 - > market is increasingly competitive
 - > customers have a wide choice of credit products
 - > home credit is the most transparent credit product
 - > loan comparability a problem with other types of credit products
 - > customers return to agents because they provide a good service, if not they switch
 - > evidence of low barriers to entry into the home credit sector
 - > strong and compelling arguments

Regulation

Competition Commission

- > Timetable
- > Receipt of off the shelf data Jan 2005
- > Initial submissions Jan 2005
- > Receipt of detailed questionnaires Mar 2005
- > CC publishes issues statement Apr 2005
- > Emerging thinking document published Sept 2005
- > Provisional findings report published Dec 2005
- > Potential remedies document Jan / Feb 2006
- > Final report published Mar / Apr 2006

Regulation

Poland

- > Minority party proposal for an interest rate ceiling
- > Submitted in June 2004
- > Procedural first reading in July 2004
- > Parliamentary sub-committee review
- > Polish government and the central bank oppose the proposal
- > Not in the interests of consumers

Key differences: 2004

- > Profit before tax and goodwill amortisation down 6.9% (post amortisation down by 4.9%)
- > Net assets down £112 million from £526 million to £414 million
- > Key profit and loss impact
 - > slower revenue recognition
 - > earlier impairment recognition
 - > no change in underlying profitability or credit quality
- > Key net asset impact
 - > pension deficit on balance sheet
 - > larger bad debt / impairment provision
- > 'Grossing up' of turnover and impairment

Impact of adoption of IFRS on profit

	2004 £m
UK GAAP profit before tax*	220.7
Revenue	93.6
Impairment	(107.4)
	(13.8)
Share-based payments	(1.3)
Derivatives	(1.6)
Pensions	1.5
IFRS profit before tax	205.5

*excludes goodwill amortisation

Profit before tax

	IFRS 2004 £m	UK GAAP 2004 £m
UK home credit	154.0	152.3
Yes Car Credit	(2.7)	4.4
Vanquis Bank	(9.0)	(8.7)
UK consumer credit	142.3	148.0
International	39.8	49.2
Motor insurance	34.6	34.6
Total central costs	(11.2)	(11.1)
Group profit before tax*	205.5	220.7

*excludes goodwill amortisation

Impact of adoption of IFRS on net assets

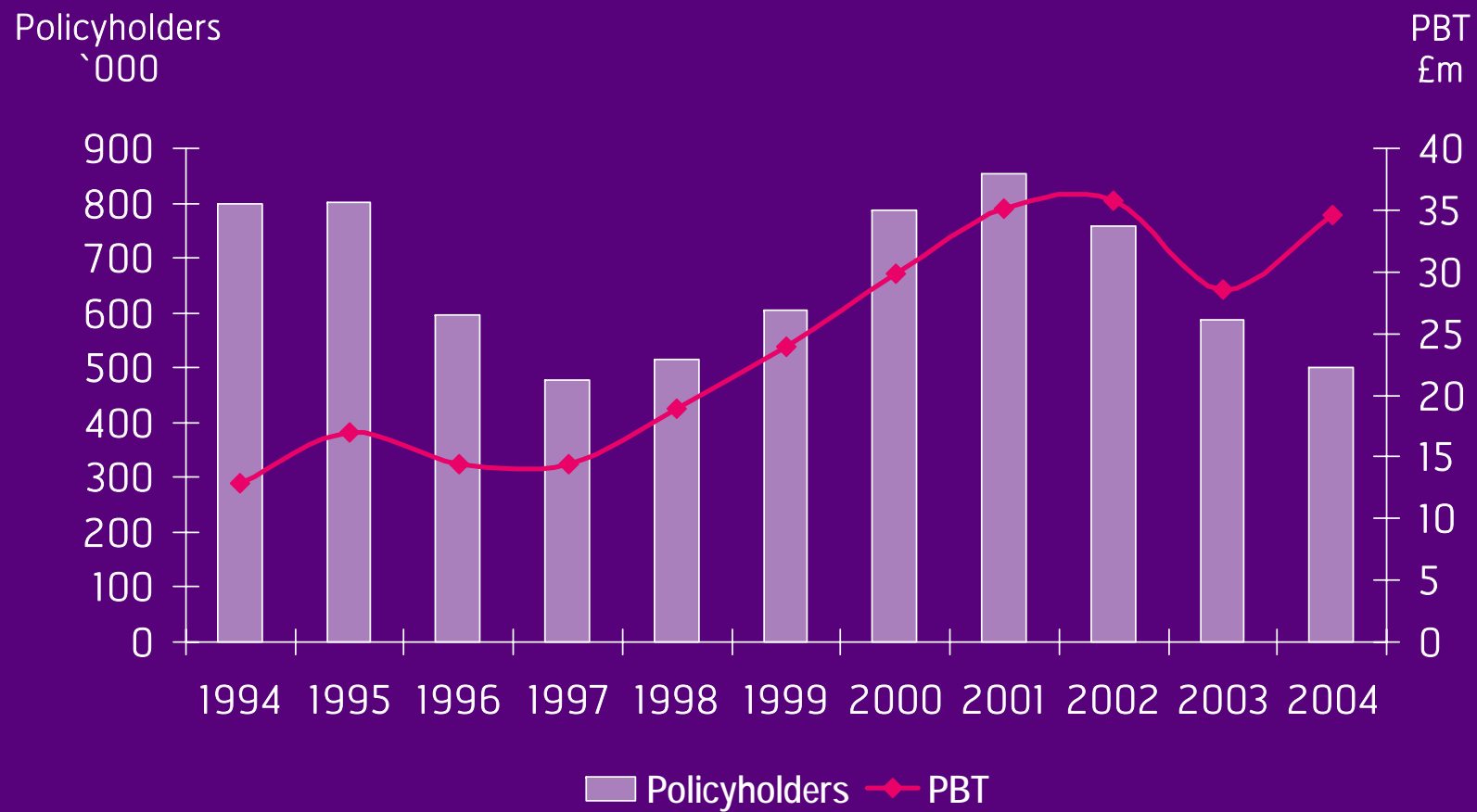
	2004 £m
UK GAAP net assets	525.5
Pensions	(115.8)
Revenue and impairment	(52.0)
Derivatives	(1.0)
Dividends	52.7
Goodwill	4.6
Share-based payments	0.1
IFRS net assets	414.1

*Net asset impacts are stated after taking account of deferred tax

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Motor insurance

2004 results



Motor insurance

Overview

- > Competitive market conditions continued
- > Market premiums down by approximately 3.5%
- > Price for an adequate return on equity
- > Lower claims cost inflation
- > Policyholder numbers down by 14.7% to 501,000, but stable in H2
- > Costs reduced sharply
- > Profit up 21% to £34.6 million

Motor insurance**2004 results**

	2004 £m	2003 £m	Change %
Gross written premium	164.8	188.2	(12.5)
Gross earned premium	168.9	216.4	(22.0)
Costs	157.6	212.4	25.8
Underwriting profit	11.3	4.0	183.8
Combined ratio (%)	93	98	5.0
Investment income	23.3	24.6	(5.3)
Profit before tax	34.6	28.6	21.1
Average investment fund	442	461	(4.1)
Investment yield	5.3%	5.3%	-

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Motor insurance

Prospects

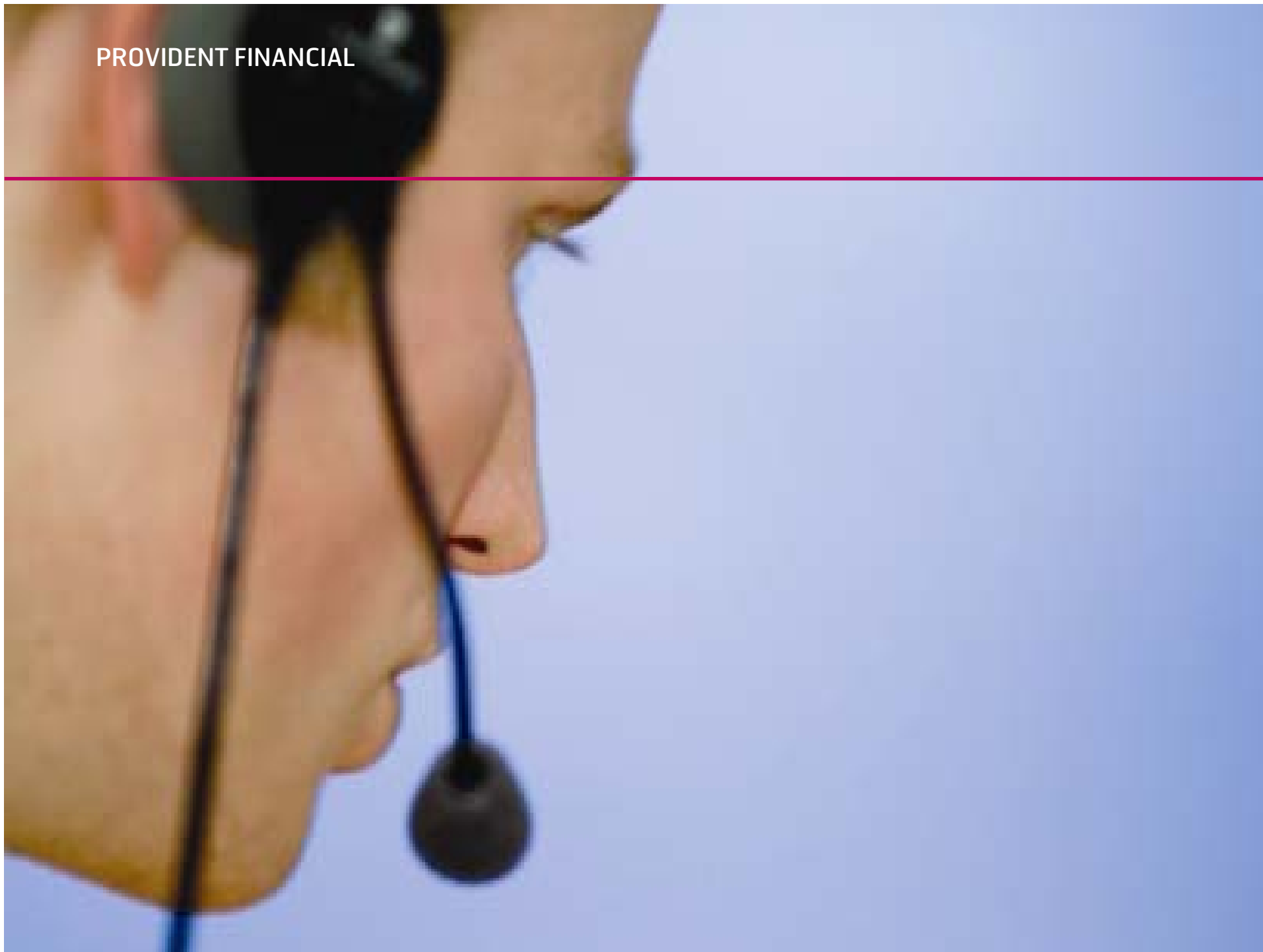
- > Policyholder numbers to remain stable
- > Favourable trends in claims costs
- > Expect 2005 to be another good year

Prospects for 2005

- > Guidance based on IFRS and relative to 2004 IFRS results
- > Continue strategy to expand internationally and broaden the product range
- > A year of substantial (£20 million) investment
 - > full launch of Vanquis Bank
 - > regional roll-out of home credit in Mexico

“We expect that 2005 will be a year of further progress both in implementing our strategy and improving group performance”

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Appendices

Capital structure

Appendix

	2004 £m	2003* £m	Change £m
Receivables	1,272	1,109	163
Borrowings	862	789	73
Consumer credit capital	346	280	66
Consumer credit goodwill	83	88	(5)
Motor insurance capital	97	81	16
Group capital	526	449	77
Consumer credit capital % net receivables	27	25	
Gearing (%)	164	176	

As at 31 December *restated for the adoption of UITF38

Free cash flow and surplus capital

Appendix

	2004 £m	2003 £m
UK home credit free cash flow	101.3	102.0
Yes Car Credit free cash flow	(43.8)	(77.4)
Vanquis Bank free cash flow	(25.6)	(14.0)
International home credit free cash flow	(41.7)	(20.5)
Consumer credit free cash flow	(9.8)	(9.9)
Add back: debt funding of loan book growth	122.1	109.5
Consumer credit surplus capital	112.3	99.6
Motor insurance surplus capital	30.7	14.6
Central free cash flow	(14.8)	(11.5)
Net surplus capital before dividends	128.2	102.7
Dividends paid	(84.9)	(79.7)
Surplus capital generated	43.3	23.0

Year ended 31 December

Sterling exchange rates: 2003 and 2004

Appendix

	Polish zloty	Czech crown	Hungarian forint	Slovak crown	euro	Mexican peso
Average exchange rate during 2004	6.68	47.00	370.21	58.99	1.47	20.66
Exchange rate as at 31 December 2004	5.77	42.87	346.36	54.70	1.41	21.34
Average exchange rate during 2003	6.33	45.96	365.12	59.90	1.44	17.61
Exchange rate as at 31 December 2003	6.66	45.83	372.65	58.33	1.42	20.04

Country profit/(loss) before tax

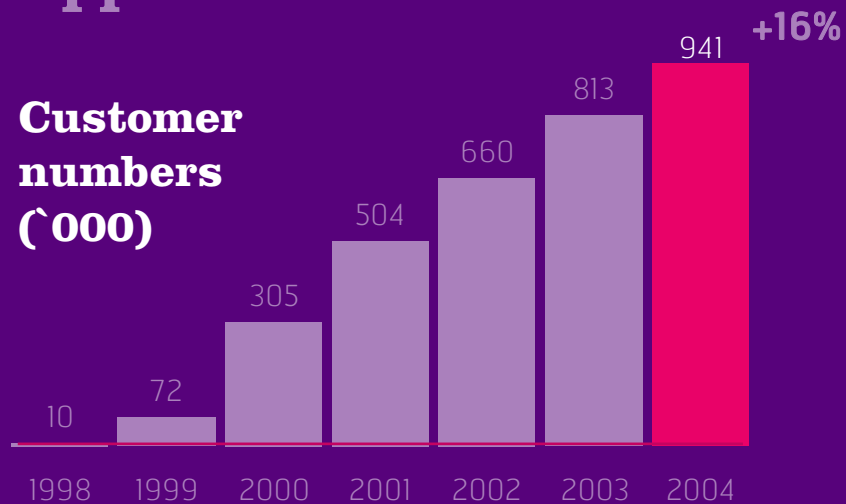
Appendix

	2004 £m	2003 £m	Change £m
Poland	44.4	33.1	11.3
Czech Republic	10.0	8.8	1.2
Hungary	6.4	(1.9)	8.3
Slovakia	(0.5)	(1.6)	1.1
Mexico	(2.2)	(1.2)	(1.0)
Divisional overhead	(8.9)	(7.9)	(1.0)
UK GAAP profit before tax	49.2	29.3	19.9

Poland

Appendix

Customer numbers ('000)



Credit issued (£m)



Annual profits (£m)



Credit issued figures are retranslated at 2004 exchange rates

Poland: profit and loss account

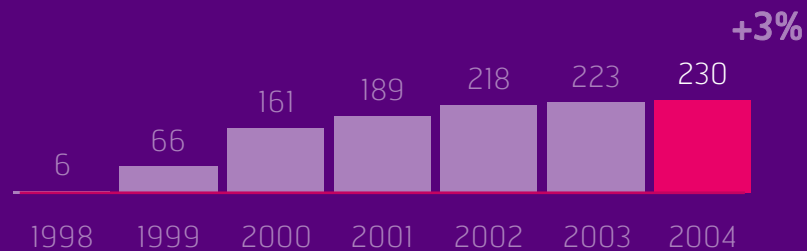
Appendix

	2004 £m	2003 £m	2003 £m FX adjusted	Change %*
Turnover	138.6	127.9	122.3	13.3
Operating costs	58.6	57.2	54.4	(7.6)
Bad debt	25.3	24.3	22.8	(11.0)
Bad debt % of credit issued (MAT)	10.5	10.8	-	-
Interest payable	10.3	13.3	12.5	17.9
Profit	44.4	33.1	32.6	36.5
Profit margin (%)	32.1	25.8	26.6	-

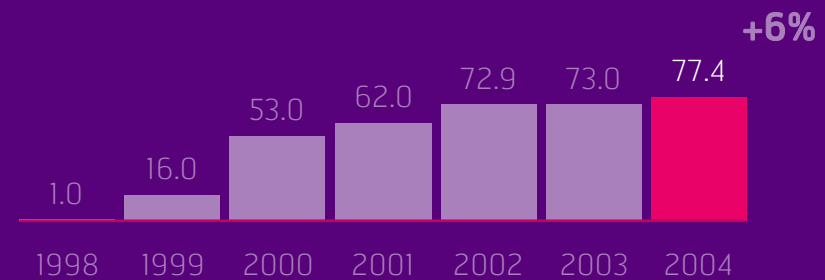
Czech Republic

Appendix

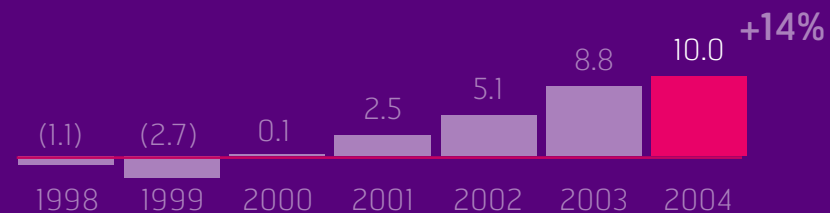
Customer numbers (^000)



Credit issued (£m)



Annual profits (£m)



Credit issued figures are retranslated at 2004 exchange rates

Czech Republic: profit and loss account

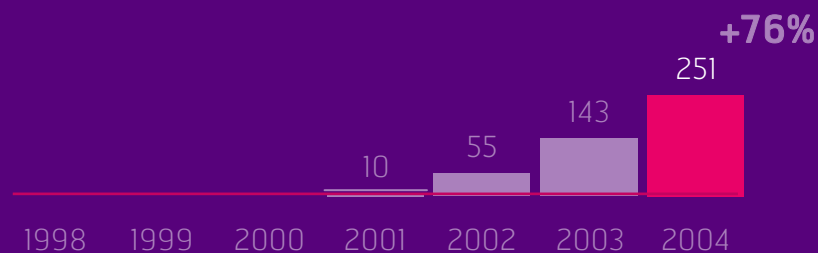
Appendix

	2004 £m	2003 £m	2003 £m FX adjusted	Change %*
Turnover	41.2	39.4	38.6	6.7
Operating costs	21.5	19.9	19.5	(9.9)
Bad debt	7.5	8.2	8.0	6.1
Bad debt % of credit issued (MAT)	9.7	11.0	-	-
Interest payable	2.2	2.5	2.5	10.0
Profit	10.0	8.8	8.6	16.1
Profit margin (%)	24.4	22.4	22.4	-

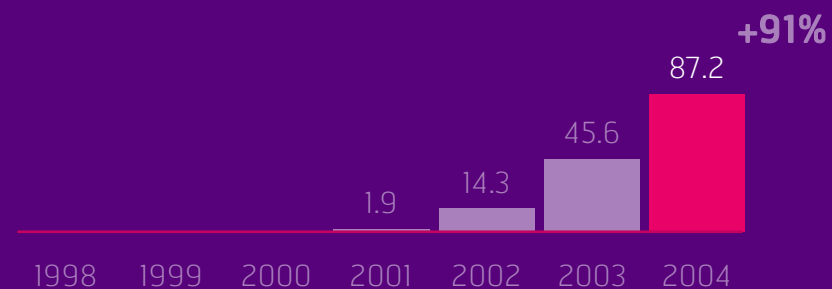
Year ended 31 December *At constant exchange rates

Appendix

Customer numbers (^000)



Credit issued (£m)



Annual profits (£m)



Credit issued figures are retranslated at 2004 exchange rates

Hungary: profit and loss account

Appendix

	2004 £m	2003 £m	2003 £m FX adjusted	Change %*
Turnover	42.7	18.3	18.3	133.0
Operating costs	28.7	15.0	14.9	(93.2)
Bad debt	3.9	3.6	3.6	(6.5)
Bad debt % of credit issued (MAT)	4.5	8.0	-	-
Interest payable	3.7	1.6	1.6	(136.2)
Profit/(loss)	6.4	(1.9)	(1.8)	462.9
Profit margin (%)	14.9	(10.3)	(9.6)	-

Slovakia

Appendix

Customer numbers (^000)



Credit issued (£m)



Annual profits (£m)



Credit issued figures are retranslated at 2004 exchange rates

Slovakia: profit and loss account

Appendix

	2004 £m	2003 £m	2003 £m FX adjusted	Change %*
Turnover	11.0	5.8	5.9	85.9
Operating costs	8.1	5.6	5.7	(41.9)
Bad debt	2.4	1.2	1.2	(102.1)
Bad debt % of credit issued (MAT)	8.8	8.0	-	-
Interest payable	1.0	0.6	0.6	(63.3)
Loss	(0.5)	(1.6)	(1.6)	66.2

Profit and loss account

	2004 £m	2003 £m	Change £m
Customer numbers ('000)	35	3	32
Issue	3.9	0.2	3.7
Collections	3.5	0.1	3.4
Turnover	1.5	0.1	1.4
Operating costs	3.4	1.3	(2.1)
Bad debt	0.1	-	(0.1)
Interest payable	0.2	-	(0.2)
Loss	(2.2)	(1.2)	(1.0)

Country profit/(loss) before tax: IFRS

Appendix

	IFRS 2004 £m	UK GAAP 2004 £m	Change 2004 £m
Poland	39.5	44.4	(4.9)
Czech Republic	9.3	10.0	(0.7)
Hungary	5.5	6.4	(0.9)
Slovakia	(1.7)	(0.5)	(1.2)
Mexico	(2.2)	(2.2)	-
Divisional overhead	(10.6)	(8.9)	(1.7)
IFRS profit before tax	39.8	49.2	(9.4)

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