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Schroder Salomon Smith Barney
Diversified Financials Conference
June 2002



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Risks and Rewards in International sub-prime lending

Provident Financial

Group strategy

- ❑ UK home credit: good returns, strong cashflow but relatively mature
- ❑ Great potential from the export of home credit to new markets
- ❑ We target combined pre-tax profit of £75m p.a from our Polish and Czech businesses within 5 years
- ❑ We have recently expanded into Hungary and Slovakia and intend further countries for 2003 and beyond.
- ❑ International expansion is a key element of strategy for future growth.

Provident Financial

Vital statistics

- 2001 PBT: £170 million
- Market Capitalization: £1.7 billion
- Business sectors: Unsecured consumer lending
Motor insurance underwriting
- Customers 3.5m customers

Provident Financial

International business



Provident Financial

What is home credit?

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What is home credit?

- Small unsecured, cash loans
- Delivered and collected in the home
- Service provided by self-employed agents
- Weekly repayment
- Woman to woman
- Fixed charges
- Simple and convenient

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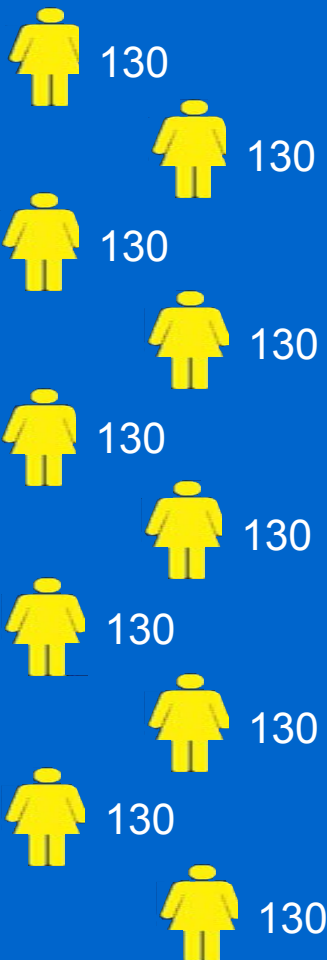
Uses of home credit

- ❑ Balancing the household budget
- ❑ Holiday spending money
- ❑ Christmas presents
- ❑ School uniform for children

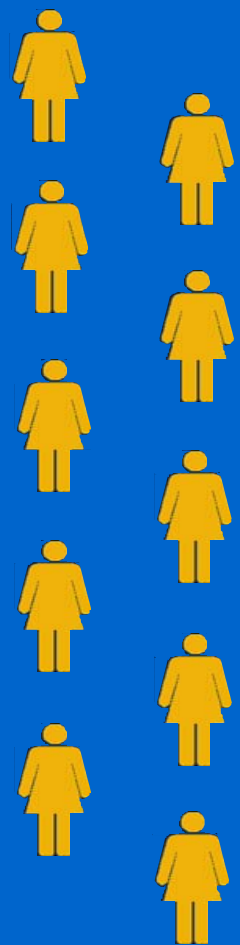
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How we operate

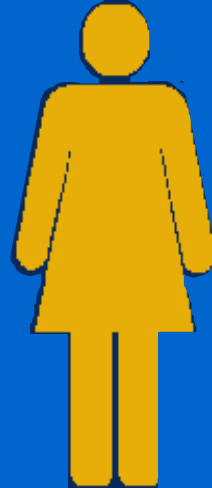
Customers



Agents



Agency development manager



UK home credit

Target market for UK home credit

- ❑ Average to below average income groups: C1, C2, D, E
- ❑ 26 million adults-75% of UK adults
- ❑ 3.3 million home credit users
- ❑ 52% of our lending to 'middle market'
- ❑ 74% of our lending to employed
- ❑ 30% of our loans are to home owners

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International home credit

- Poland
- Czech Republic
- Hungary
- Slovakia

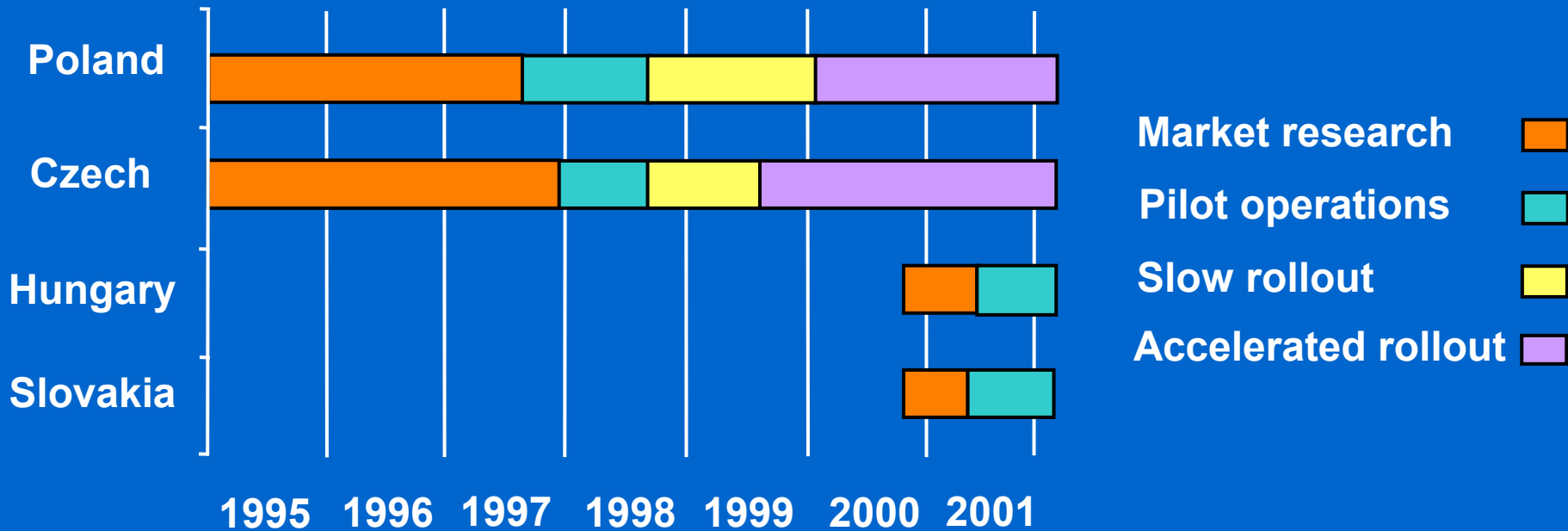
International home credit

How we develop a new market

- Country selection
- Desk research
- Detailed in-country research
- Pilot operation
- Roll-out

International home credit

Timeline of international development



International home credit

How we develop a new market

Pilot operation

- Introduce core ex-pat team of 2-4 people
- Recruit and train future managers
- Create local training materials
- Design advertising materials
- Build administrative capability
- Recruit and train agents and customers
- Learn to operate in local culture
- Prove or amend business model
- Formal 'go' or 'no-go' decision at conclusion of pilot

International home credit

Developing a market

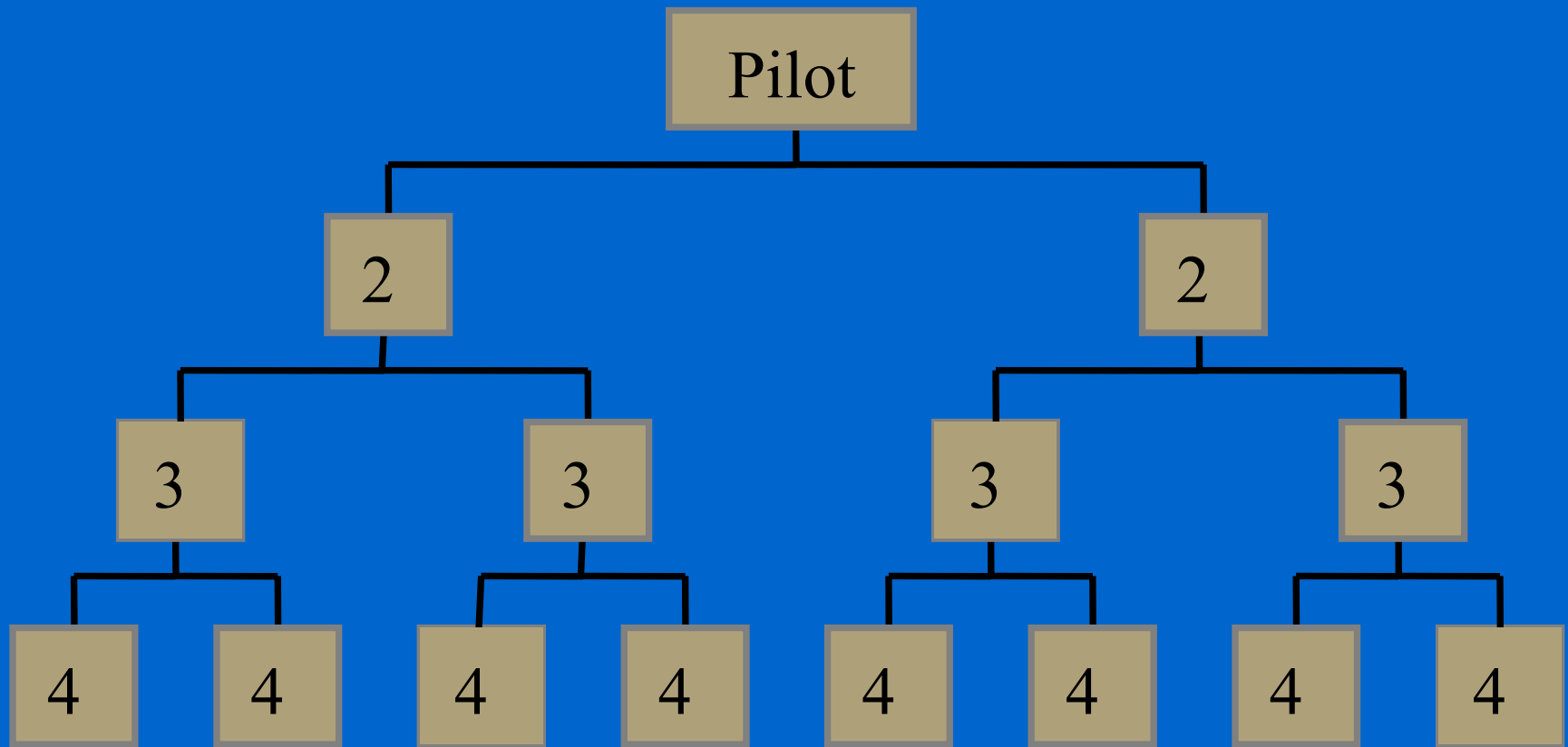
Roll-out

- Pilot offices divided into two. One team open a new location
- Local advertising supports brand awareness and staff and agent recruitment
- Train staff then train agents
- Advertise to recruit customers
- Lend small amounts to customers at first and re-serve with larger loans
- Build customer base
- When ready, split team to open a new office

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Developing a market

Rate of growth determined by ability to train and support new staff and agents



International home credit

Poland



Poland

Why Poland?

- ❑ Developed urban economy
- ❑ Large market - 38.6 million population
- ❑ Emerging market – independence 1989
- ❑ Aiming to join EU in 2004
- ❑ Excellent GDP growth
- ❑ Under-developed consumer credit market
- ❑ Positive market research findings

Poland

Development of the Polish market

- ❑ Poland has proved to be an excellent market
- ❑ Provident Polska has grown organically from a pilot operation in 1997 to become a substantial, profitable business serving over 540,000 customers in 2002

Poland

Employees

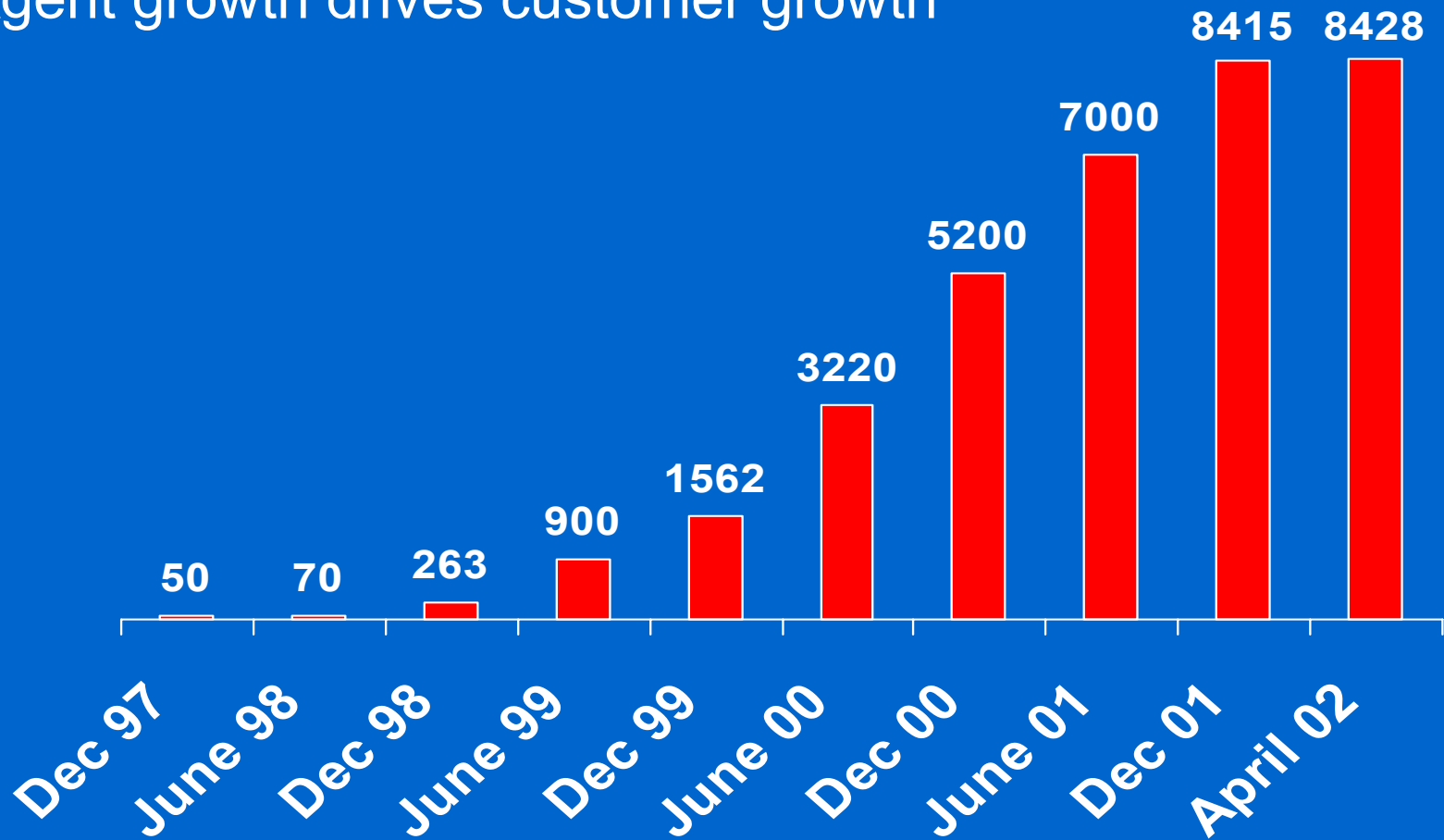
Employee growth supports agent growth



Poland

Agents

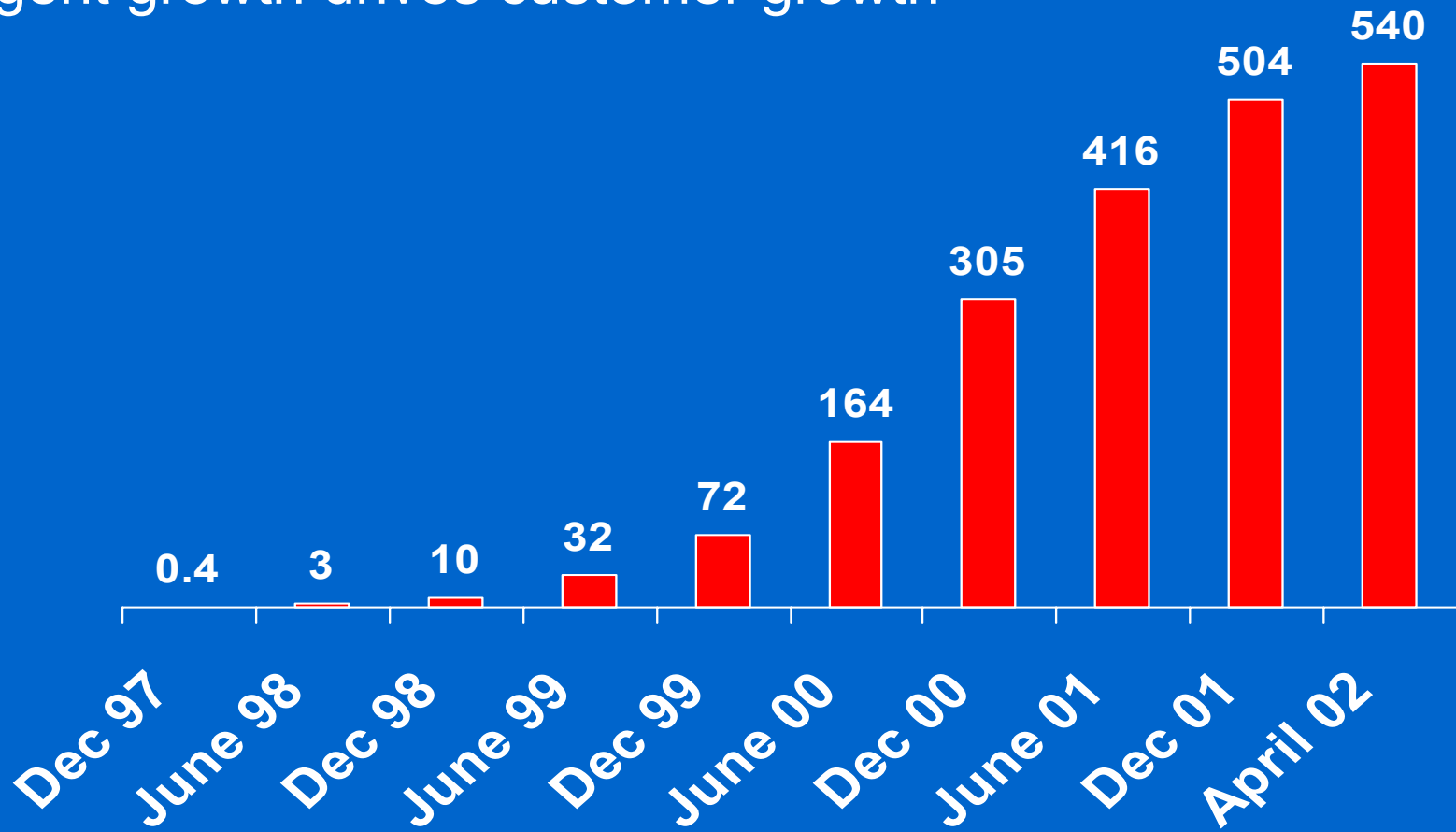
Agent growth drives customer growth



Poland

Customers (000)

Agent growth drives customer growth



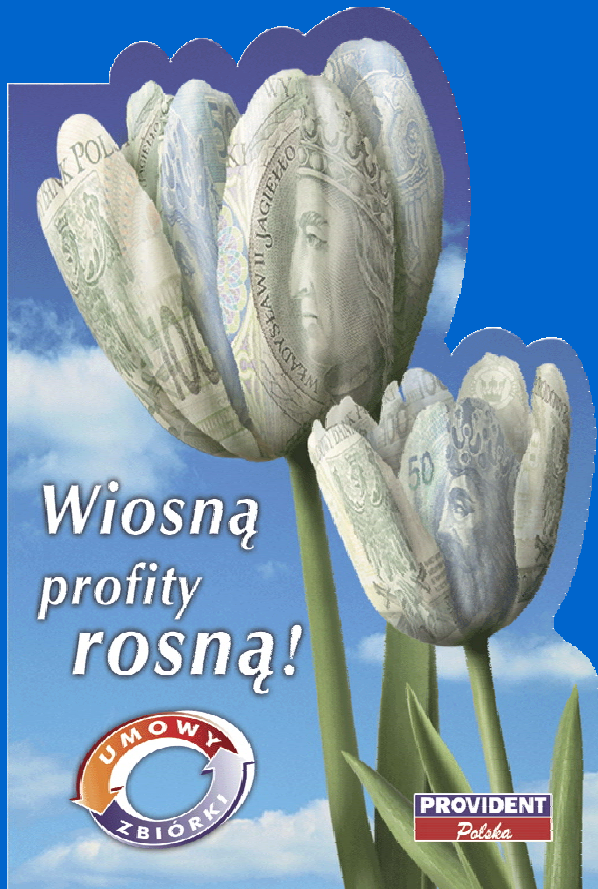
Poland

How we attract customers

- ❑ High quality of service
- ❑ Well trained staff and agents
- ❑ Targeted advertising

Poland

Marketing materials



**Wiosną
profity
rosną!**

**UMOWY
ZBIÓRKI**

**PROVIDENT
Polska**

Specjalne
zestawy telefonów
tak tak wyłącznie
dla klientów Provident!

**Ta nowa oferta
to gwarancja zadowolenia
Twoich klientów!**



zestaw A
telefon Sony J5
z baterią 2000 mAh
i kamerą 2.0 MP
Cena zestawu: **500 zł**

zestaw B
telefon Nokia 3330
z baterią 300
minut i 70 SMS
Cena zestawu: **500 zł**

**PROVIDENT
Polska**

tak tak

**Różne potrzeby
ten sam Provident**



ZADZWOŃ O 801 124 124

Szybka pożyczka gotówkowa
W ciągu 48 godzin
Bezpośrednio w domu Klienta
Bez zryantów

**PROVIDENT
Polska**

Super Klub Sukcesu

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Polish TV campaign December 2001



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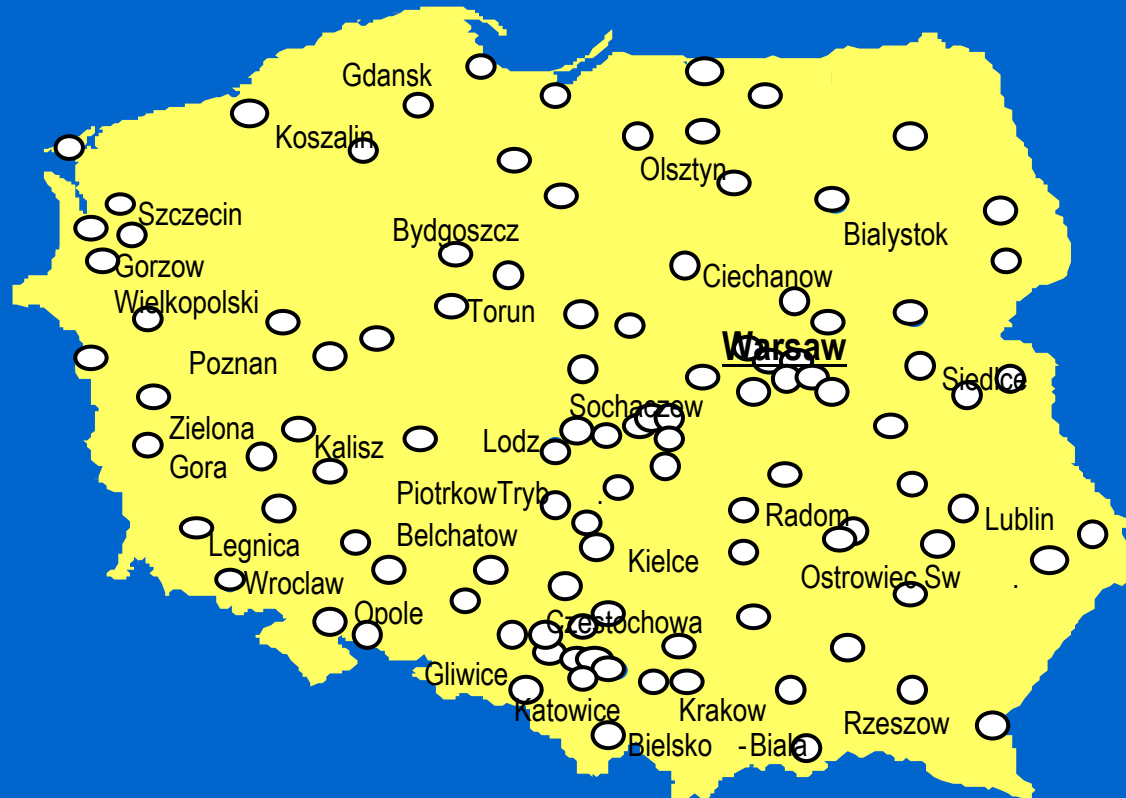


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Poland

Polish coverage

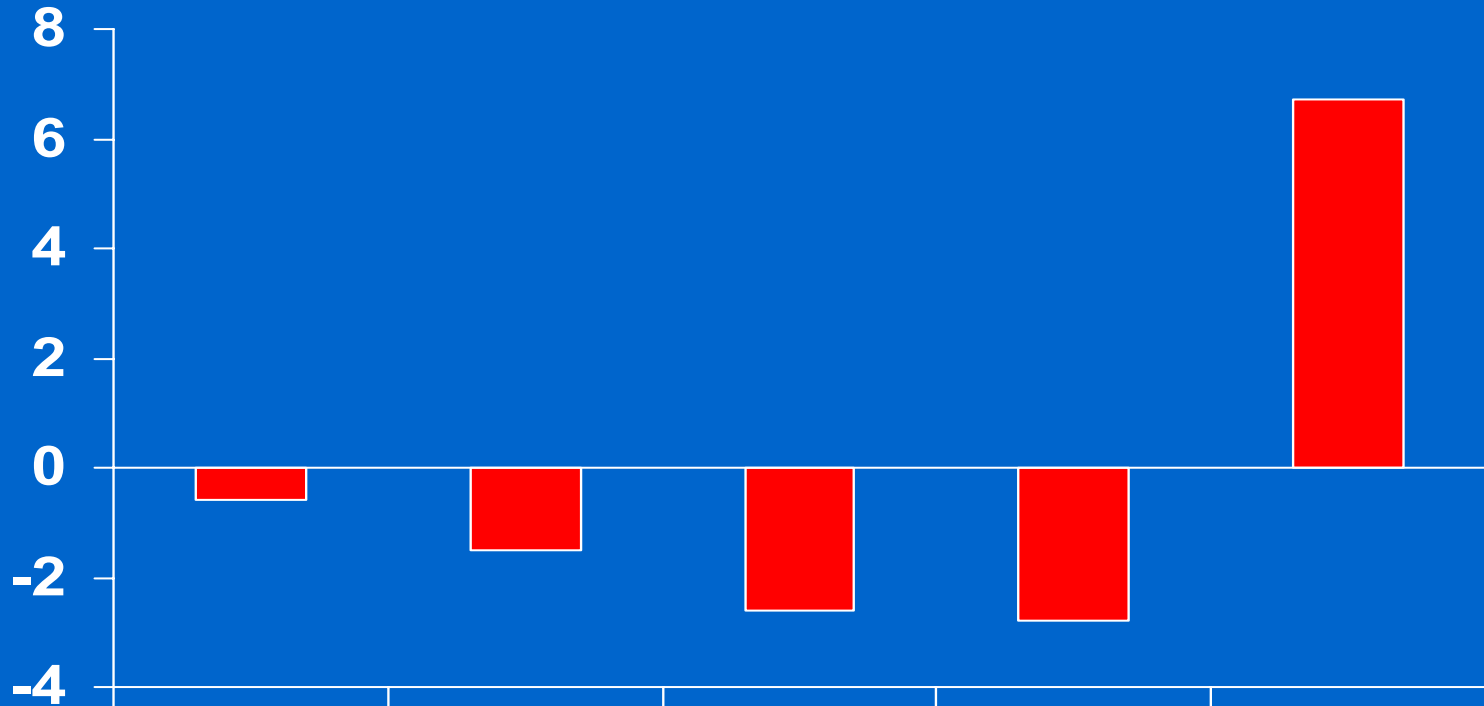
All major cities and towns are served



Poland

Development of profit

£m



	1997	1998	1999	2000	2001
■ PBT	-0.6	-1.5	-2.6	-2.8	6.7

Poland

The potential of the Polish market

- ❑ Assume market segments as UK
- ❑ Home credit market c.2m customers
- ❑ Provident to have leading market position
- ❑ Issue per customer about 2/3rds of UK
- ❑ Underlying level of bad debt at 9% - 10%
- ❑ Profit per customer c. £60

Czech Republic

Czech Republic



Czech Republic

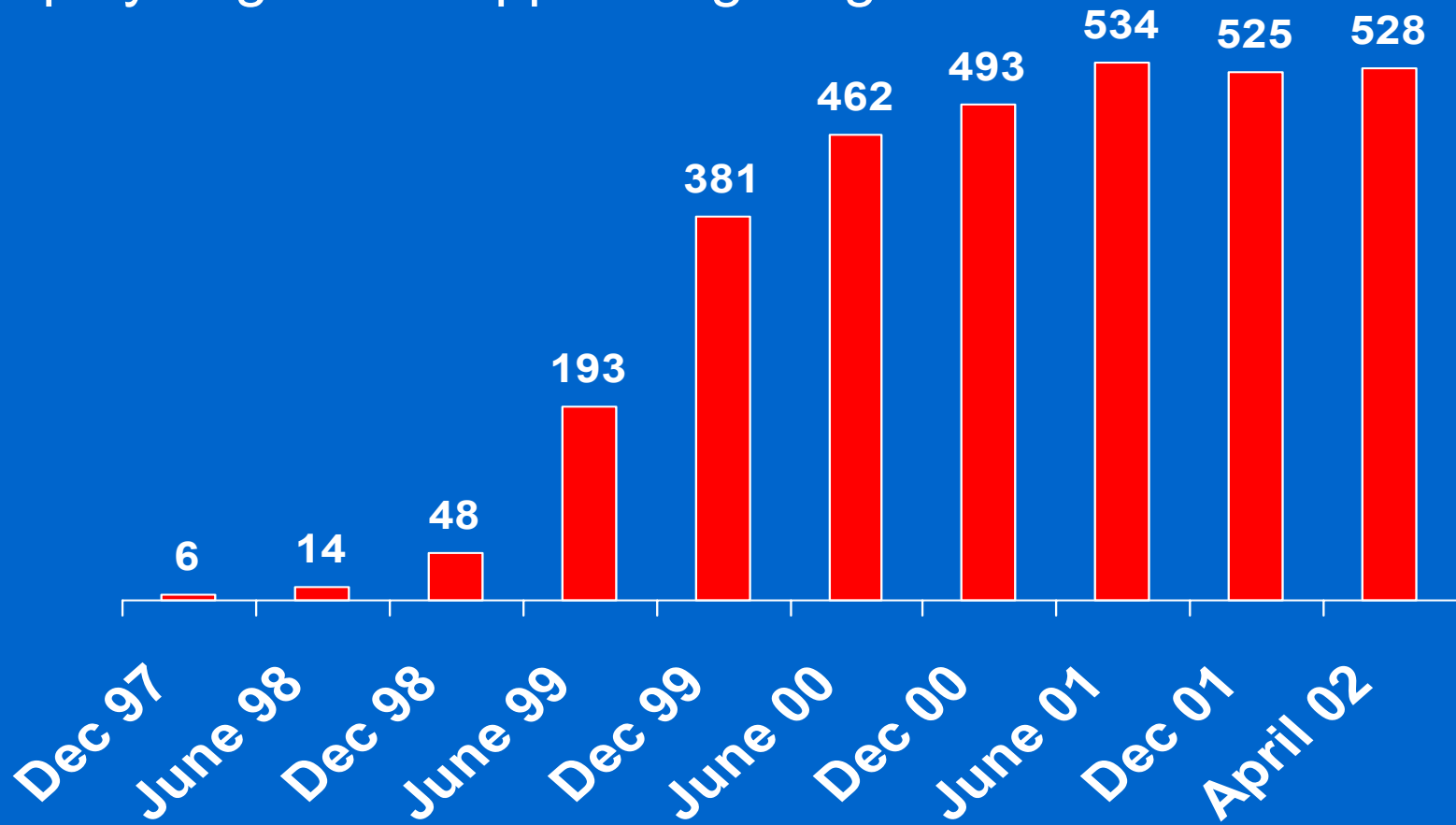
Czech Republic

- ❑ Development of the Czech Republic has been similar to that of Poland.
- ❑ From a cautious start up in 1997, we now have a business with national coverage and almost 200,000 customers

Czech Republic

Employees

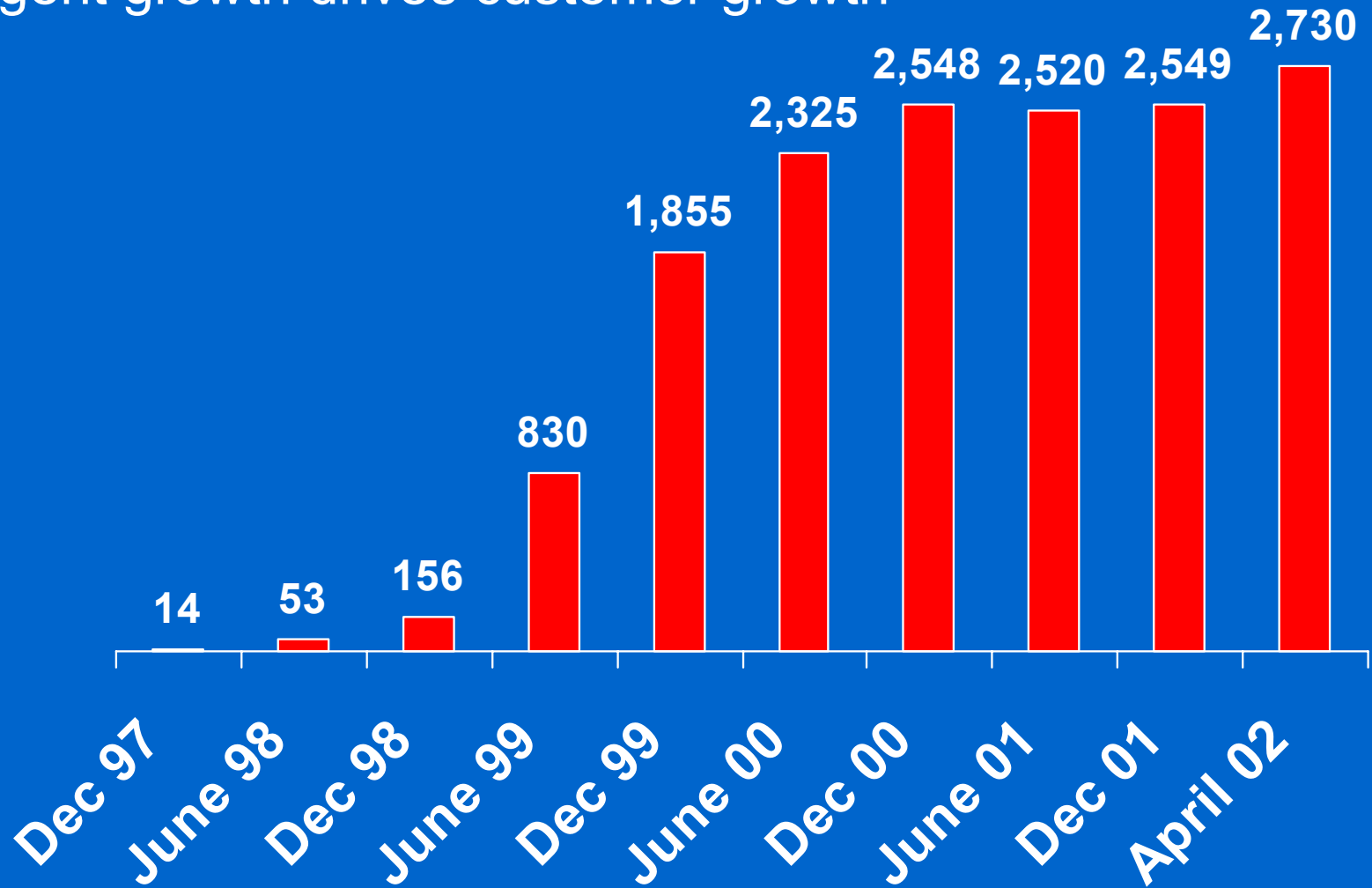
Employee growth supports agent growth



Czech Republic

Agents

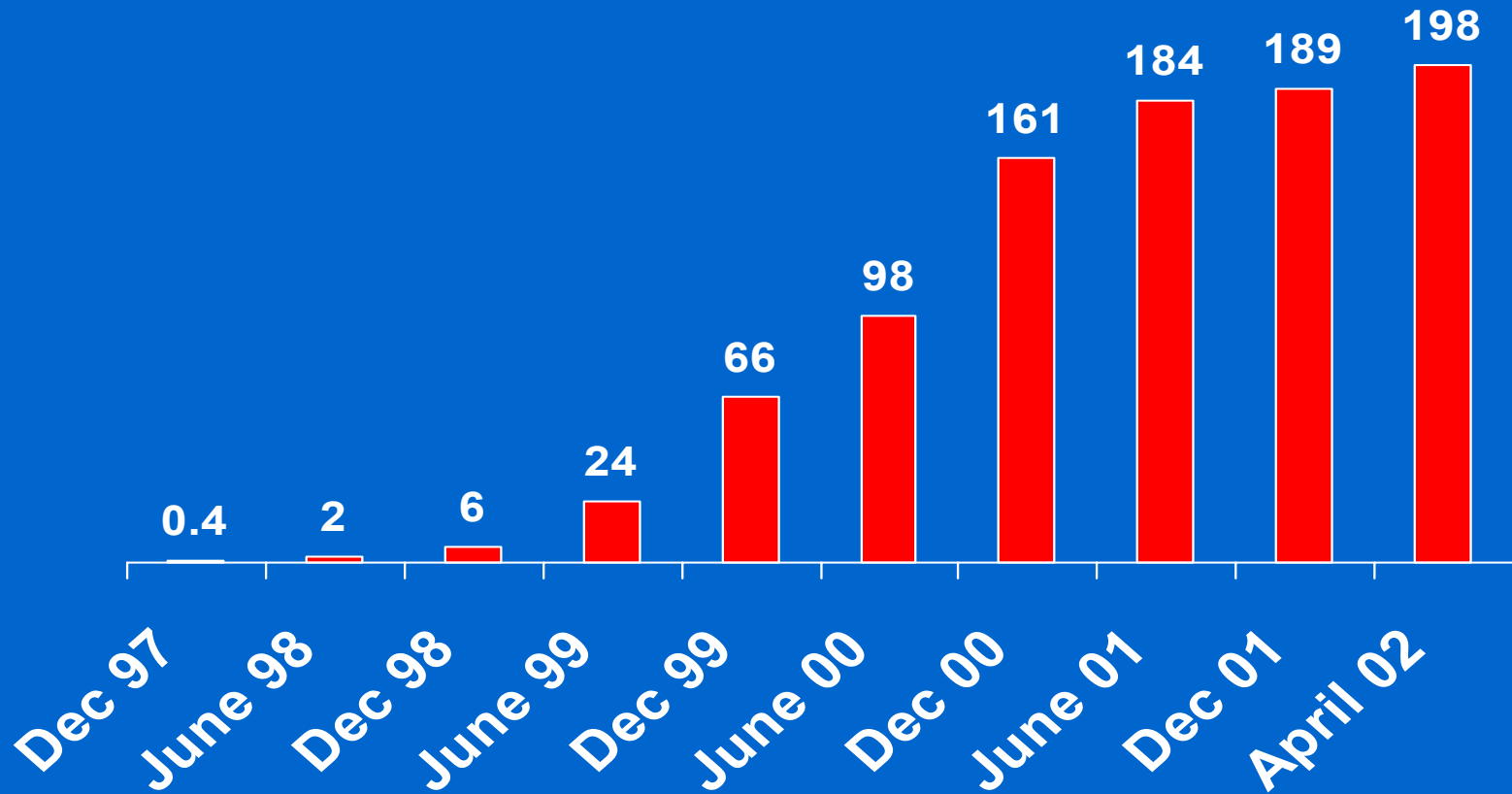
Agent growth drives customer growth



Czech Republic

Customers (000)

Agent growth drives customer growth



Czech Republic

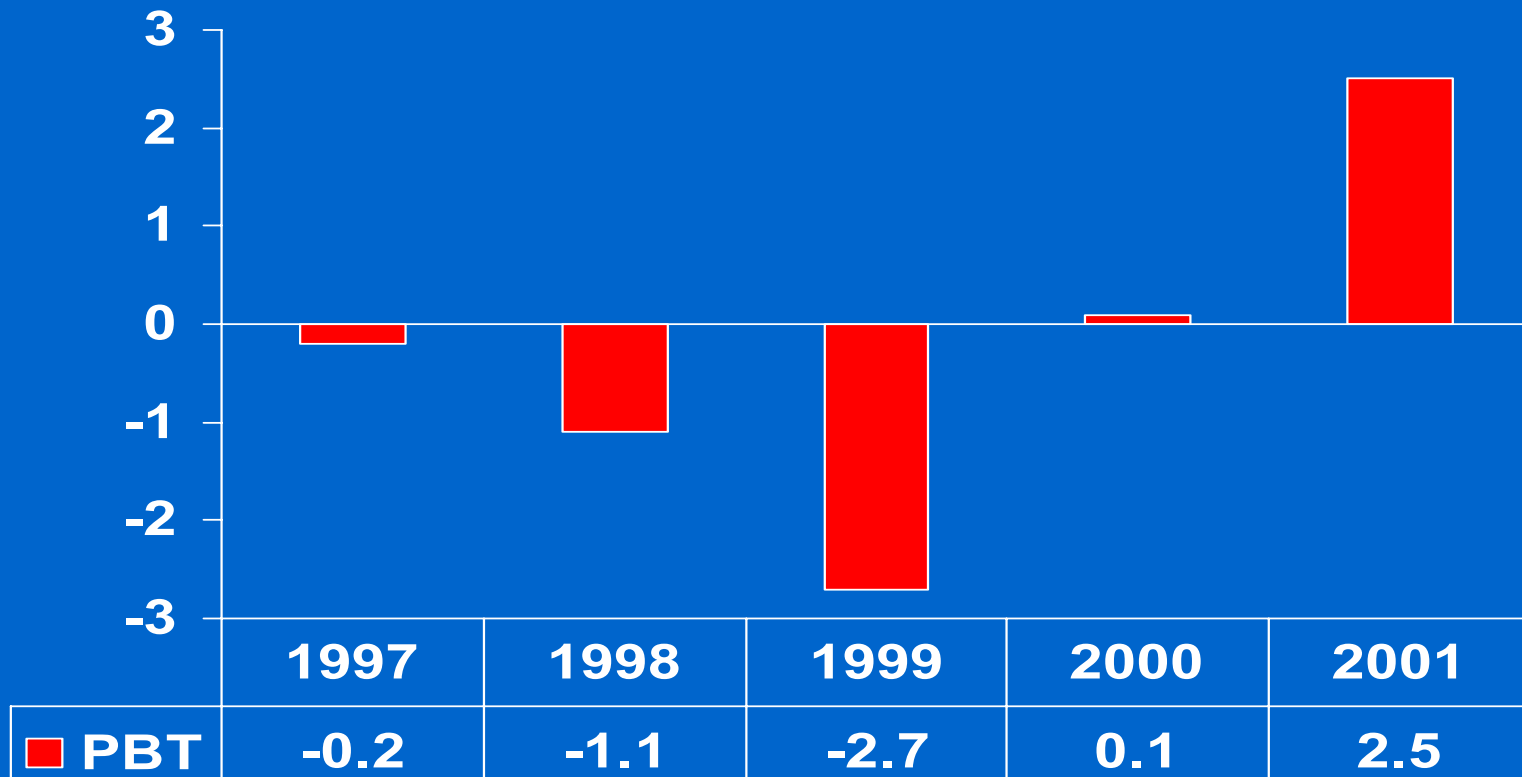
National coverage



Czech Republic

Development of profit

£m



Czech Republic

Market potential

- ❑ Assume market segments as UK
- ❑ Home credit market c.0.5m customers
- ❑ Issue per customer about 2/3rds of UK
- ❑ Underlying level of bad debt in range 11% - 12%
- ❑ Profit per customer expected to be c. £60

International home credit

Relative profit performance

year ended 31.12. 2001

<u>% of turnover</u>	<u>Poland</u>	<u>Czech</u>	<u>UK</u>
Commission	13.2	13.0	23.2
Expenses	47.6	45.0	23.8
Bad debt charge	15.9	24.0	16.4
Interest payable	14.2	8.1	4.3
Pre tax profit	9.1	9.9	32.3
Interest adjustment	5.1	4.0	-1.9
Adjusted pre tax profit	14.2	13.9	30.4
Post tax return on receivables	12.5%	10.6%	19.2%

International home credit

Lessons learned

- ❑ UK home credit model can be successfully introduced overseas
- ❑ Customer and agent relationship similar in all countries
- ❑ Good quality, well educated workforce essential
- ❑ Key early skills: recruitment, training, advertising, brand building
- ❑ Simple, distributed IT systems a strength
- ❑ As arrears work builds, added support and training needed
- ❑ Need to balance growth, costs and bad debt

International home credit

Lessons learned

- ❑ New country development draws heavily on central resources
- ❑ Staged, low risk approach is best
- ❑ Early introduction of a full management team covering all functions aids development
- ❑ “In country” research is most valuable
- ❑ Pilot operation is best indicator of market dynamics

International home credit

Country selection - where next?

- Rule of law
- Relatively stable economy
- Safe to lend and collect
- Urbanised
- Can be funded in local currency
- Well educated workforce
- Sufficient potential

International home credit

Country selection - the future

- ❑ Eastern European countries not yet suitable
- ❑ Potential in Western Europe
- ❑ Potential further afield
- ❑ Low risk entry approach preferred

International home credit

The future

- ❑ Entered Hungary and Slovakia during 2001-progressing well.
- ❑ Outstanding opportunities for further expansion-2003 onwards
- ❑ We will maintain our risk controlled approach
- ❑ Excellent prospects for generating additional shareholder value



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