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International Personal Finance

Citi UK Small & Mid-cap Conference 2012

September 2012

International Personal Finance

- Profitable growth business
- A resilient business model
- Strong trading and financial performance
- Our Strategy for Growth

Profitable growth business

International Personal Finance

- Leading international home credit provider
- Focused on growth markets
- Increasing demand for credit and where consumers relatively underserved
- Long-established, resilient and cash generative business model
- Strong balance sheet and balanced funding offering competitive advantage
- Good track record of growth
- Significant growth opportunities ahead

6 markets

2.5m customers

29,000 agents

£100.5m 2011 PBT

Our markets

Established markets

Poland	
2011 PBT	£66.0m
Customers	847,000

Czech-Slovakia	
2011 PBT	£37.8m
Customers	402,000

Hungary	
2011 PBT	£8.3m
Customers	259,000

Developing markets

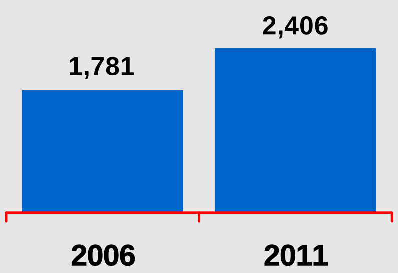
Mexico	
2011 PBT	£1.5m
Customers	682,000

Romania	
2011 PBT	£4.1m
Customers	265,000

Customers at 30 June 2012

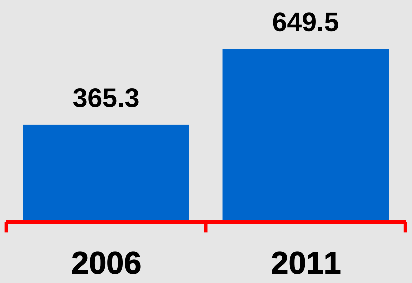
Good growth and strong returns

Customers ('000s)



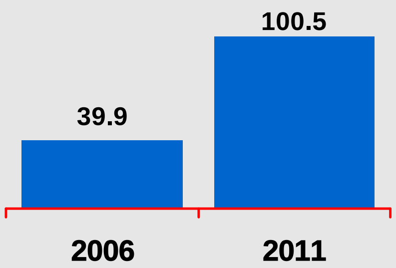
- 35% growth since 2006
- 53% customer retention in 2011

Revenue (£m)



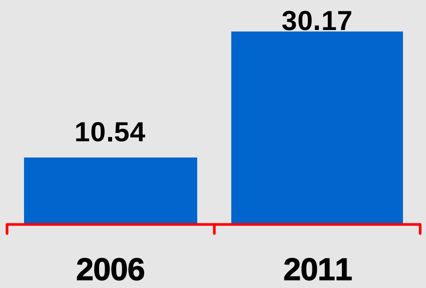
- 78% growth since 2006

Profit before tax (£m)



- 152% growth since 2006
- All markets profitable

EPS (p)



- 186% growth since 2006

Good profit margins at maturity

Revenue	100%
Agents' commission	11 - 12%
Impairment	25 - 30%
Interest	7%
Direct expenses	30 - 35%
Profit margin	c.20 - 25%

A valued and responsible business

- High level of customer loyalty - 72% of active customers are on their second or subsequent loan
- Based on the service received, 76% say they are likely to take another loan or recommend Provident
- Member of the FTSE4Good Index
- Award winning business

  Customer Friendly Company status 2012 - Poland

  Non-banking lender with most ethical approach to customers 2012 – Czech Republic

  Excellence in Personal Service and Call Centre awards 2012 – Hungary

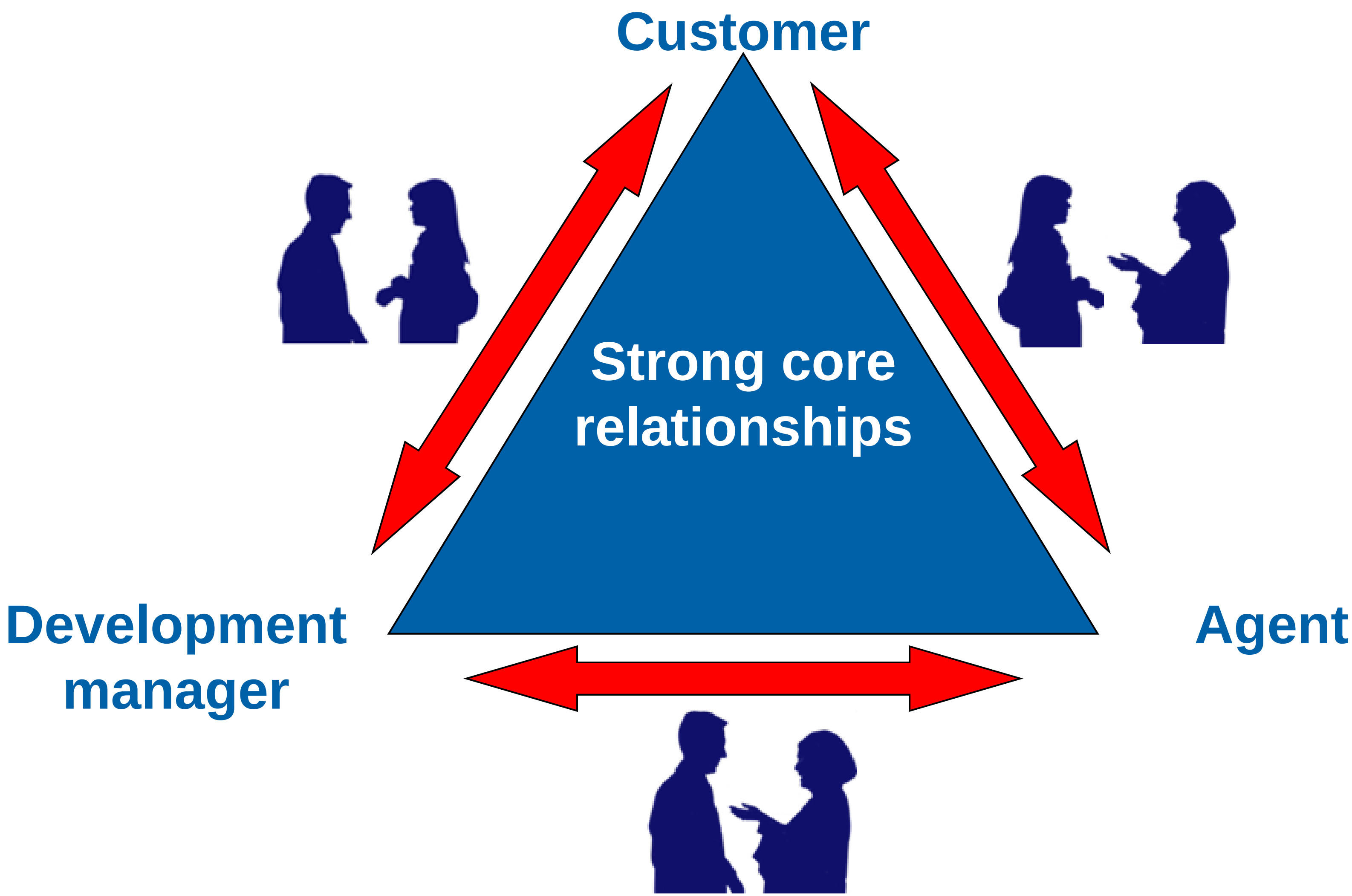
  Awarded for Business Excellence in Mexico 2012

A resilient business model

Home credit

- Simple, transparent, affordable and personal
- Small sum, short-term unsecured cash loans in local currency
- £50 - £1,000 loans repaid over a period of around 12-14 months
- Loans repaid by money transfer or (predominantly) optional home collection service
- Agents provide weekly face-to-face visits to customers in their homes
- Credit vetting in the home by agent, supported by application and behavioural scoring
- No additional charges on home collected loans

Key operational dynamics



Sales process

- Recognised financial brand: 70%+ awareness in most markets
- 29,000 agents provide powerful engine for effective and cost efficient customer acquisition
- National and regional advertising
- Internet growing in importance in marketing mix
- Strong retention – high proportion of eligible customers renew loans
- Strong focus on lifetime value

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Powerful credit management systems

- Credit risk based around relationship between customer and agent, supported by application and behavioural scoring systems

Business Model
- Agents remunerated based on collections
- Lending based on disposable income not asset value
- No introductory offers

Agents
- Development of customer relationship
- Assessment of customer character, circumstances and capacity to pay

Systems
- Application scoring
- Behavioural scoring
- Centralised arrears management
- Prudent provisioning

Collections process

Field based collections

- Agent collects weekly
- Customers in arrears managed via a combination of:
  - letters
  - Development Manager visits
  - centralised telephone calls
- Process escalates as arrears increase

Write off – 12 weeks non-payment

Debt recovery

- Central arrears management in all markets
- Balances recovered through:
  - letters
  - calls
  - collection agencies
  - court action
- Typically collect 10 - 20% of write off

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Prudent provisioning methodology

- Short-term loans and prudent provisioning means impairment charged to income statement quickly

Assessment	• **Weekly**
Impairment charge	• **In the event of any missed payment or portion of a payment even if agent fails to call** • **No re-ageing of 'poor' payers**
Impairment calculated	• **Using third party developed actuarial models to estimate amount and timing of future cash flows**
Models	• **Systematic, with no management intervention** • **Separate for each product in each country**
Provisions	• **Formally reviewed on a regular basis to ensure reflects current performance**

Regulation

- Quoted UK plc complying with all listing requirements
- Operates as generic legal entity under consumer credit regulation in all markets except Hungary and Romania
- Regulated as a financial enterprise in Hungary by the PSZAF (Hungarian Financial Supervisory Authority)
- Registered in the General Register of Non-banking Financial Institutions of the National Bank of Romania
- Proactive approach to monitoring regulatory change and involvement in policy development
- Operated in rate cap environments since 2006
- EU Consumer Credit Directive now implemented in all European markets

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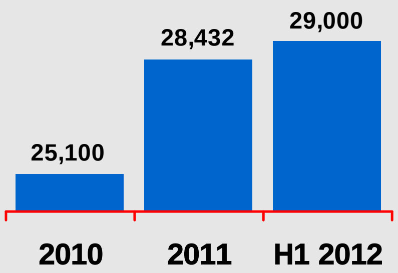
Strong trading and financial performance

Financial highlights H1 2012

- Strong underlying trading performance
- Mexican business making rapid progress, both credit issued and profitability
- Senior management team and UK head office restructured
- Bank refinancing completed successfully
- £25M share buy-back programme
- Interim dividend increased by 7.5%
- Clear strategy for accelerating growth articulated and being embedded

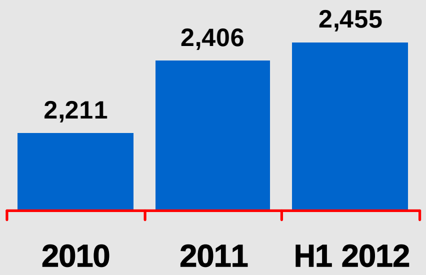
Good growth H1 2012

Agents



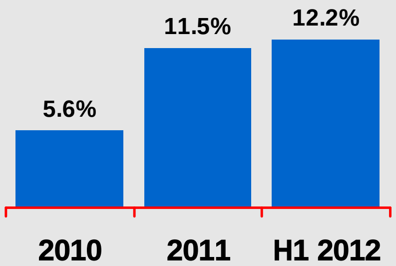
- 7% year-on-year growth
- Agent turnover reduced from 60% to 58%

Customers



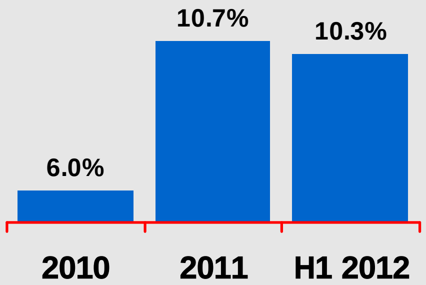
- Growth in all markets
- 7% year-on-year growth

Credit issued (at CER)



- 12% growth alongside stable credit quality
- Strong performance by Mexico

Average receivables (at CER)



- Receivables up 10%
- Higher receivables drives revenue growth of 8%

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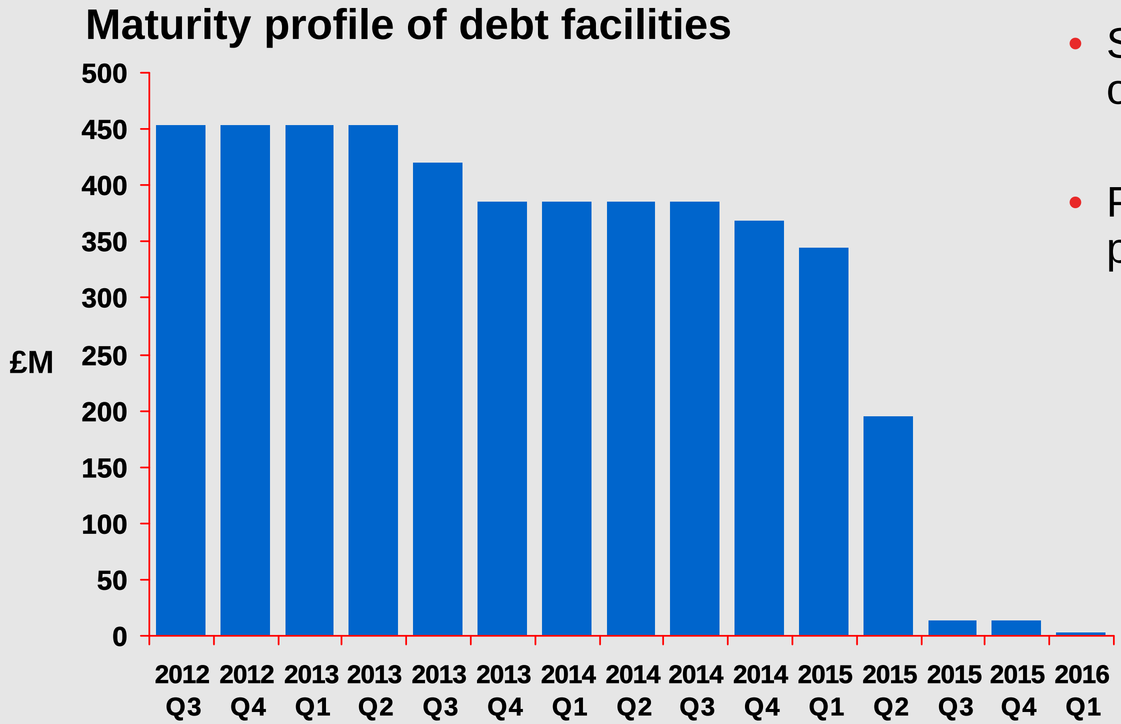
Strong financial fundamentals

- Strong cash flow and capital generation

	2009	2010	2011	June 12
Equity to receivables	49.4%	54.5%	58.5%	59.2%
Return on equity	17.6%	22.2%	22.7%	21.9%*
Gearing	1.3x	1.0x	0.8x	0.7x
Interest cover	3.2x	3.8x	3.4x	3.4x*

** Annualised*

Business plan fully funded to 2015



- Successful bank refinancing - £130M of bank facilities extended to 2015
- Progressively lengthening funding profile through bond issuance

30 June 2012

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Our Strategy for Growth

Good growth prospects

Our Strategy for Growth

Expand footprint
- Existing Countries Organic / Acquisition
- New Country Greenfield / Acquisition

Improve customer engagement
- Customer Acquisition
- Customer Experience
- Customer Retention
- Customer Profitability

Develop sales culture
- Recruitment & Development
- Reward & Recognition
- Marketing Expertise

Execution
- Clear Strategy Aligned Goals
- CM Functional Leader Partnership
- Smart Central Functions
- IT Enabling & Strong Credit Control

Significant opportunities to accelerate growth

Appendices

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Group

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers (‘000)	2,455	2,288	7.3
Credit issued	409.3	406.4	12.2
Average net receivables	568.9	574.3	10.3
Revenue (net of ESRs)	316.0	326.7	7.7
Impairment	(98.3)	(98.5)	(10.7)
Finance costs	(20.4)	(21.8)	(4.6)
Agents’ commission	(35.9)	(36.2)	(10.8)
Other costs	(130.0)	(134.5)	(5.5)
Profit before taxation*	31.4	35.7	

** Excluding an exceptional restructuring charge of £4.8M (2011: £nil)* and an *accounting loss on the fair value of derivatives of £0.8M (2011: loss of £4.7M).*

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Poland

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	847	806	5.1
Credit issued	152.4	157.8	9.3
Average net receivables	227.4	240.7	7.0
Revenue	132.2	138.2	8.3
Impairment	(45.3)	(47.9)	(6.8)
Finance costs	(5.2)	(8.1)	26.8
Agents' commission	(13.5)	(13.2)	(15.4)
Other costs	(43.7)	(44.2)	(8.4)
Profit before taxation	24.5	24.8	

Czech-Slovakia

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	402	387	3.9
Credit issued	94.8	97.0	5.5
Average net receivables	146.1	146.3	7.7
Revenue	66.8	73.9	(2.5)
Impairment	(19.3)	(18.1)	(14.2)
Finance costs	(3.1)	(3.3)	3.1
Agents' commission	(7.1)	(8.0)	2.7
Other costs	(24.9)	(27.2)	0.8
Profit before taxation	12.4	17.3	

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Hungary

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	259	248	4.4
Credit issued	50.3	50.8	14.8
Average net receivables	72.0	72.2	15.6
Revenue	36.4	38.0	11.0
Impairment	(7.7)	(6.9)	(28.3)
Finance costs	(4.4)	(4.4)	(15.8)
Agents' commission	(6.1)	(6.7)	(5.2)
Other costs	(16.3)	(18.3)	(1.2)
Profit before taxation	1.9	1.7	

Romania

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	265	226	17.3
Credit issued	40.9	40.8	11.4
Average net receivables	51.3	48.6	16.9
Revenue	27.8	26.1	18.3
Impairment	(10.8)	(8.3)	(42.1)
Finance costs	(3.1)	(3.0)	(14.8)
Agents' commission	(2.6)	(2.7)	(8.3)
Other costs	(12.9)	(11.6)	(22.9)
(Loss) / profit before taxation	(1.6)	0.5	

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Mexico

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	682	621	9.8
Credit issued	70.9	60.0	28.7
Average net receivables	72.1	66.5	17.8
Revenue	52.8	50.5	13.5
Impairment	(15.2)	(17.3)	4.4
Finance costs	(4.3)	(3.7)	(26.5)
Agents' commission	(6.6)	(5.6)	(26.9)
Other costs	(26.2)	(26.0)	(9.2)
Profit / (loss) before taxation	0.5	(2.1)	

Balance sheet

	June 2012 £M	Dec 2011 £M	Change at CER %	June 2011 £M	Change at CER %
Fixed assets	32.1	34.2	(5.9)	40.1	(12.8)
Receivables	564.4	560.4	1.3	597.2	9.7
Cash	19.5	17.9	9.6	26.1	(12.9)
Borrowings	(246.3)	(276.5)	10.6	(287.4)	1.6
Other net liabilities	(35.8)	(8.3)	(347.5)	(40.5)	12.9
Equity	333.9	327.7	2.6	335.5	18.2

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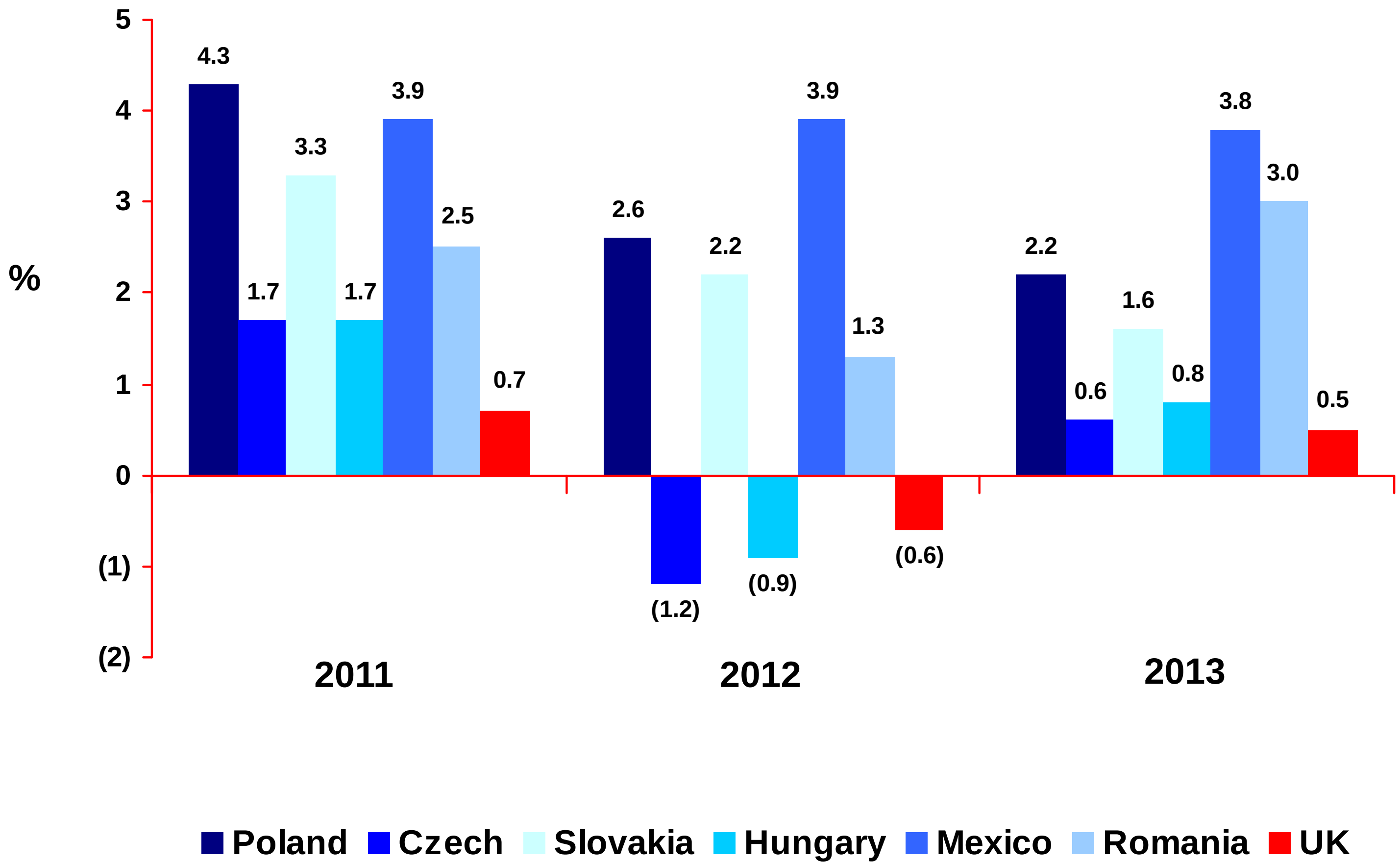
GDP growth



Source: Citibank. 2011 – actual. 2012 and 2013 - forecast

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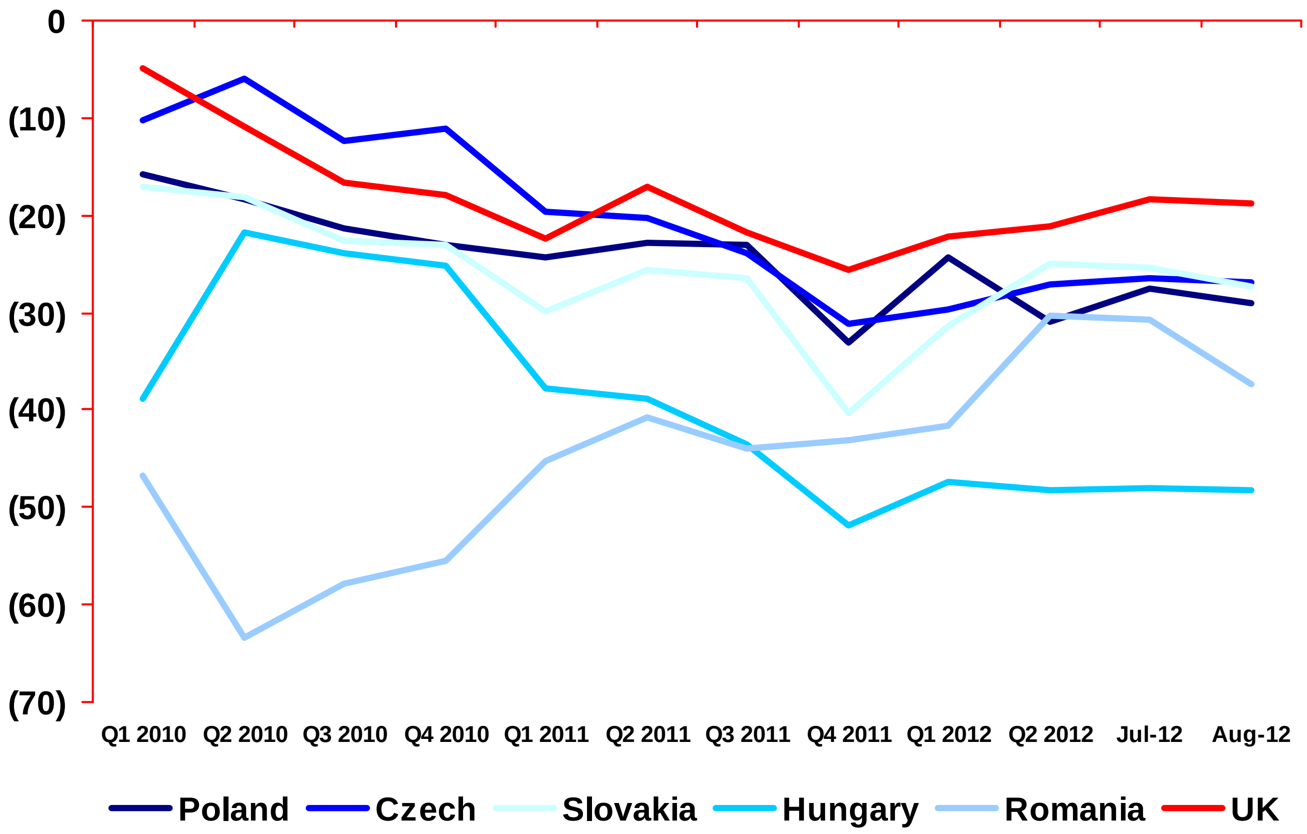
Consumer confidence



Source: EU Consumer confidence Indicator

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