

Provident

Provident Polska

A successful and sustainable
business

International
Personal
Finance



Country Profile

- Parliamentary republic
- Member of EU since 2004
- Member of NATO since 1999
- Population 38.5m - 5th largest in EU
- 6th largest economy in EU
- 23rd largest economy in the world
- GDP PPP per capita 42k USD
- Unemployment 2.7%
- Inflation 17.2%
- Refugees from Ukraine: c.2.5m



Szczecin

Political system and regulation



Government:

- Conservative-nationalist Law and Justice (PiS) government from 2015
- Main focus on underprivileged and based on national pride and catholic roots
- Supportive towards Polish companies, less so international corporations



We operate in line with local legislation:

- Adapted to changes in price controls in 2006 and 2016
- Active engagement and consistent dialogue with regulators, politicians and journalists
- Member of four local key sector associations
- Open dialogue with local NGOs and consumer organisations
- Monitor legislative proposals and engage with stakeholders in order to respond appropriately

Live regulation - total cost of credit proposal:

- Ongoing legislative process initiated by Ministry of Justice in 2016
- Proposal to tighten existing cap on non-interest charges
- New affordability rules
- Non-bank financial institutions (NBFIs) to be supervised by Polish financial supervision authority, Komisja Nadzoru Finansowego (KNF)

Total cost of credit (TCC) proposal



Current non-interest cost cap:

- Flat cap of 25% of loan value + 30% per annum, max 100%

Proposed non-interest cost cap:

- Flat cap of 10% of loan value + 10% per annum, max 45%

Interest charges

- Interest rate cap limit remains unchanged at 20.5%
- $2 \times (\text{reference rate} + 3.5\%) = 2 \times (6.75\% + 3.5\%) = 20.5\%$

APR

- 14 months loan maximum APR current: 180%
- 14 months loan maximum APR 10+10 : 70%

- We remain confident that our business will continue to be the main source of credit for underbanked and underserved consumers in the Polish market
- We have continued to evolve and innovate our product offering to enable us to carry on serving this consumer segment:
 - Instalment loans to lower risk customers
 - New loan card product
 - Broad range of value-added services

Provident

Building a better world through financial inclusion



- 25 years on the market
- Brand awareness 86%
- 440k active customers
- 4.5m customers served since 1997
- Customer satisfaction: 90%
- 3,400 customer representatives
- Products: Loans, Loan Cards, Value-added services
- Lending terms up to 48 months
- Employer of the year: 9 times
- Average time in company: 8 years
- Female managers: 50%
- Strong CSR presence
- Shelter for Ukrainian mothers



Our purpose



Building a better world through financial inclusion

- Financially included over 4,5 million Poles over 25 years.
- Providing access to regulated, affordable and flexible credit.
- Partnership, trust, safety.

- Delivering fair and sustainable returns.
- Maintaining an open, transparent dialogue.
- Being a force for good in society (ESG), doing business with a meaningful purpose.

- Strong brand reputation.
- Professional, reliable and trustworthy.
- Pay invoices on time.

- Providing funding and support.
- Active membership of key sector associations.
- Open, honest debate to improve the lives of customers.



- Providing careers and an income for almost 5.000 employees and Customer Representatives
- Responsibility, transparency, respect
- Diversity

- Making a positive contribution to our communities and the environment.
- Investing in valuable social initiatives; 1,800 volunteering hours in 2022, 500 volunteers involved and £223k invested.

- Abide by all relevant regulatory standards.
- Working with regulators to help shape regulation whilst providing financial inclusion.
- Transparent and fair practices.

- Well governed business, providing a valuable service to customers less favoured by high-street banks, helping to fulfil a key element of government inclusion strategies.
- £10m of taxes paid in 2021, supporting the wider economy.

ESG at Provident Polska



Include climate change as a principal risk, planting thousands of trees across Poland. We're moving to paperless processes.



Equal opportunities, Customer and product responsibility, volunteering, Mother house for Ukrainian refugee mothers with young children

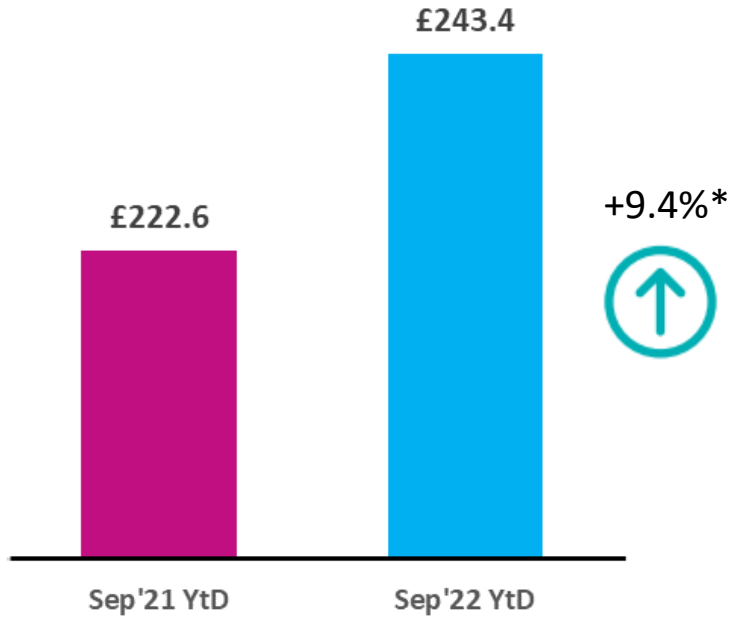


Compliance, Sustainability Report, Company code of ethics

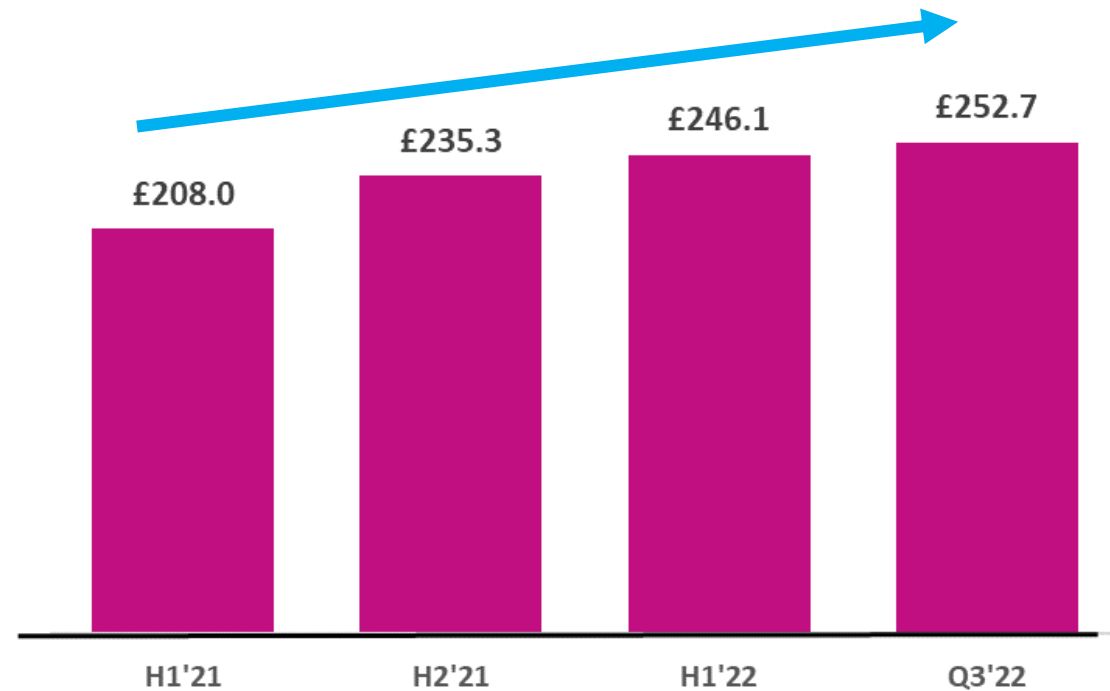
Recent performance



Customer lending

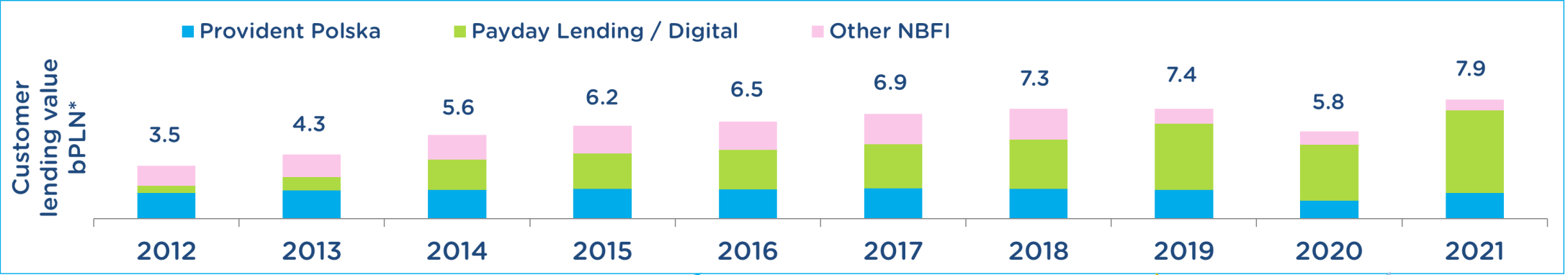


Receivables



- Robust lending growth of 9.4% YoY
- Dynamic portfolio growth (7.5% YTD and 16% YoY), good quality maintained
- Lower demand in Q1 as a result of the war in Ukraine and COVID
- Stronger growth in Q2 supported by changes introduced around operational excellence and products
- Prudent credit risk policy amended in anticipation of the upcoming cost of living crisis

Non-banking financial institutions (NBFI) market and customer evolution



Market trends

Digital PDL (Payday Lenders) new market category

TCC price cap led to new players, growth driven by digital innovation

10+10 price cap threat, key players redefining business

Post COVID digital revolution in NBFI & Banks

Customer trends

Shift from emergency needs to more aspirational. Significant long-term demand for affordable credit.

DIGITALISATION

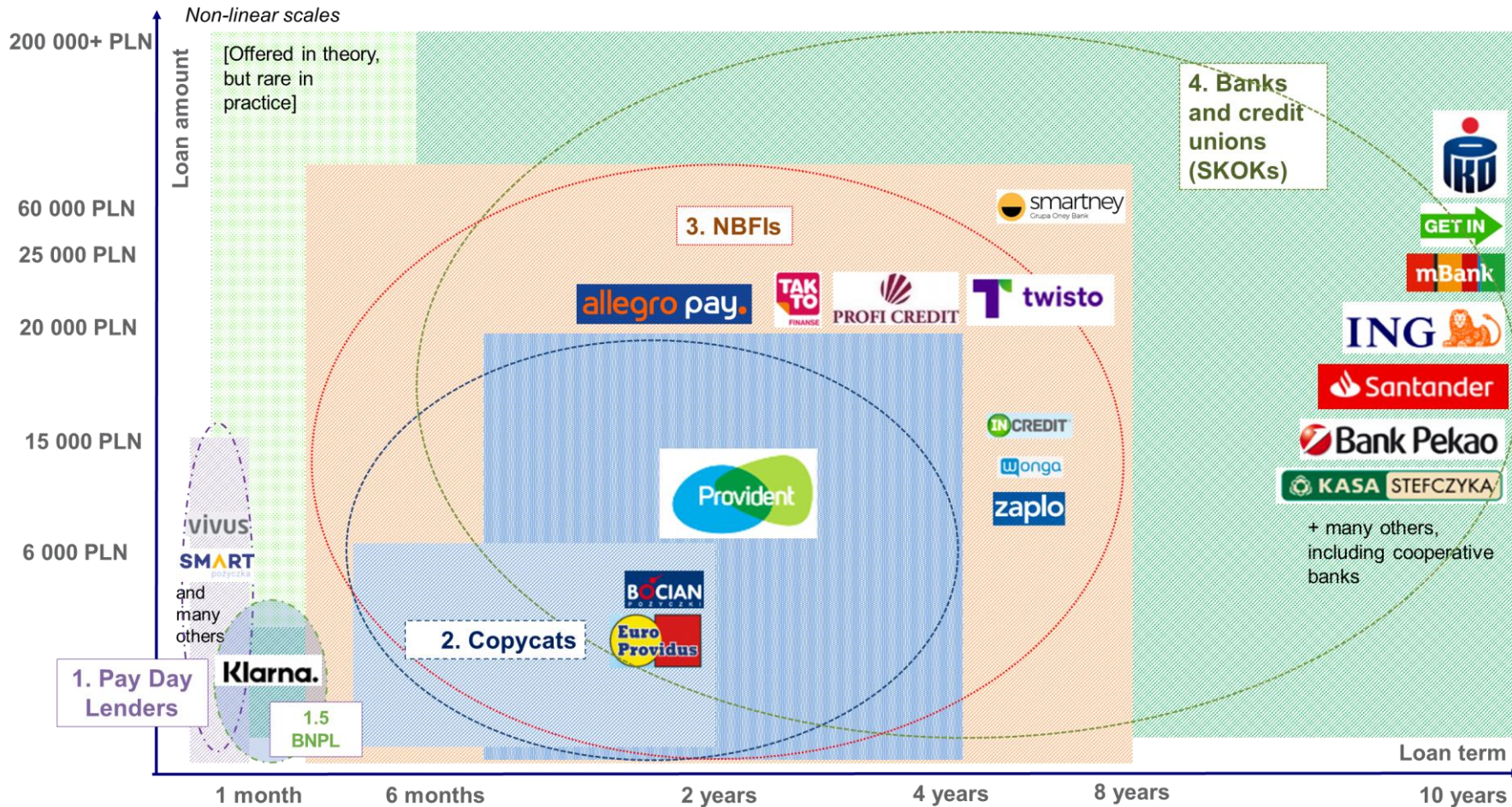
Growing economy and social support - growing pricing pressure

MOBILE FIRST

Consumers expecting a frictionless customer experience. Reasonable borrowing. Purchase Finance.

*Sources: BIK, KRS, stock market, own reports, PP estimations

Competitive landscape



- £13.6 billion lending value
- Dominated by banks, NBFIs have 12% market share
- Provident has c.20% NBFIs market share and 86% brand awareness
- NBFIs sector has changed dynamically in last decade
- Digitalised and innovative

Customer segmentation

We understand our customer segments and have evolved our offer to meet their needs



Young Expanding

% share*
PP 16.4
PL 17.5



Young Dependent

% share
PP 11.5
PL 11.7



Mature Reasonable

% share
PP 21.2
PL 17.3



Struggling Families

% share
PP 13.3
PL 14.2



Resourceful Seniors

% share
PP 9.3
PL 10.0



Senior Traditional

% share
PP 22.4
PL 18.5



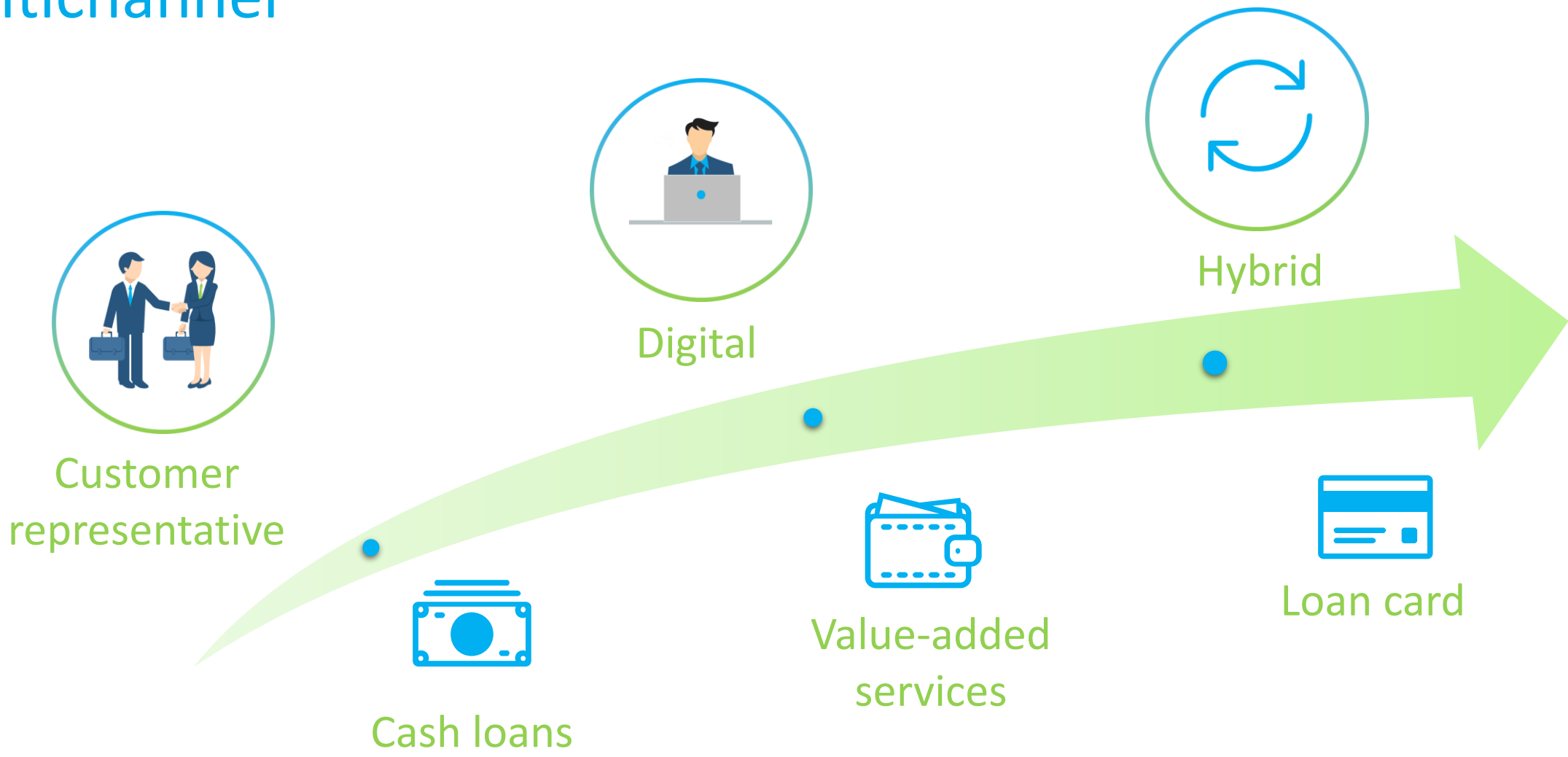
Well-off with Prospects

% share
PP 6.0
PL 10.8

- Flexible product options fitted to individual customer needs
- Pricing strategy to address different price sensitivity
- Unique business model - remote processes with human touch approach

*PP – Provident Polska; PL – Poland population

Evolution from mono to multiproduct and multichannel



At Provident we serve the entire spectrum of society

Evolution of the customer proposition – offering greater choice

BEFORE



PRESENT

- HOME CREDIT LOANS
- GROUP INSURANCE since 2005



- CASH LOANS
- LOAN CARDS
- INDIVIDUAL INSURANCE
- GROUP INSURANCE
- MEDICAL SUBSCRIPTIONS
- ONLINE ENGLISH LESSONS
- MOTOR INSURANCE
- CUSTOMER DIRECT WEBSITE
- PAYMENT HOLIDAY
- MOBILE APP

At Provident we serve the entire spectrum of society

Evolution of the customer representative environment - digitised work processes

BEFORE



PRESENT

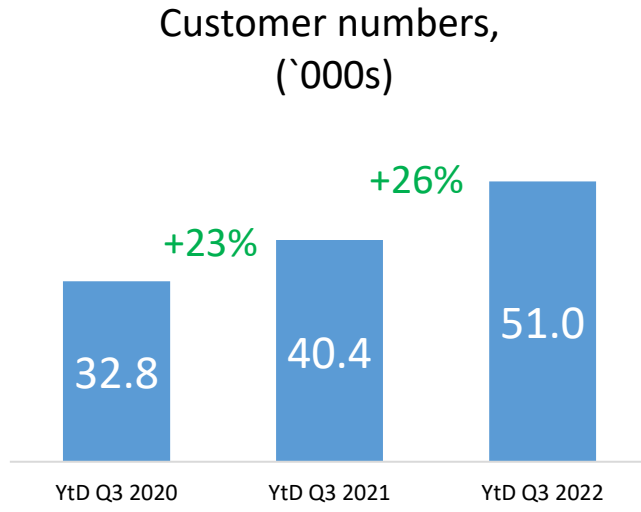
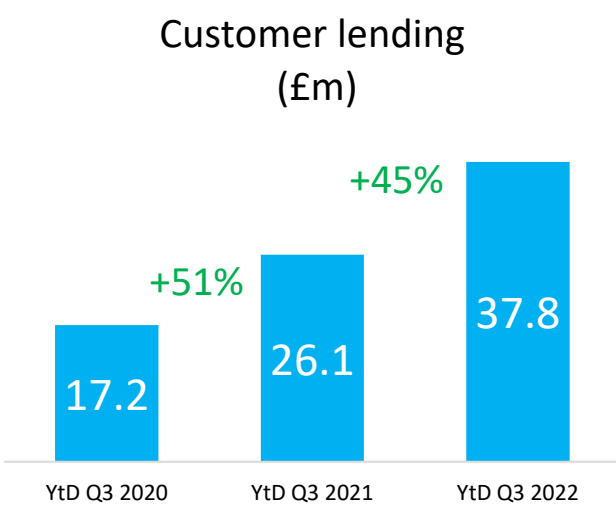


MY PROVI APP

- MYNEWS**
news, knowledge base, surveys
- ASK**
customers lists and reporting contacts
- SONDA**
business cash management, information form for the Customer
- MYSALES**
registration of the sale of a loan with insurance
- MYCAMERA**
register photos of ID card
- MYCOLLECTIONS**
direct registration of collection
- MYBALANCING**
weekly reconciliation of sales and collections
- PANIC BUTTON**
personal security

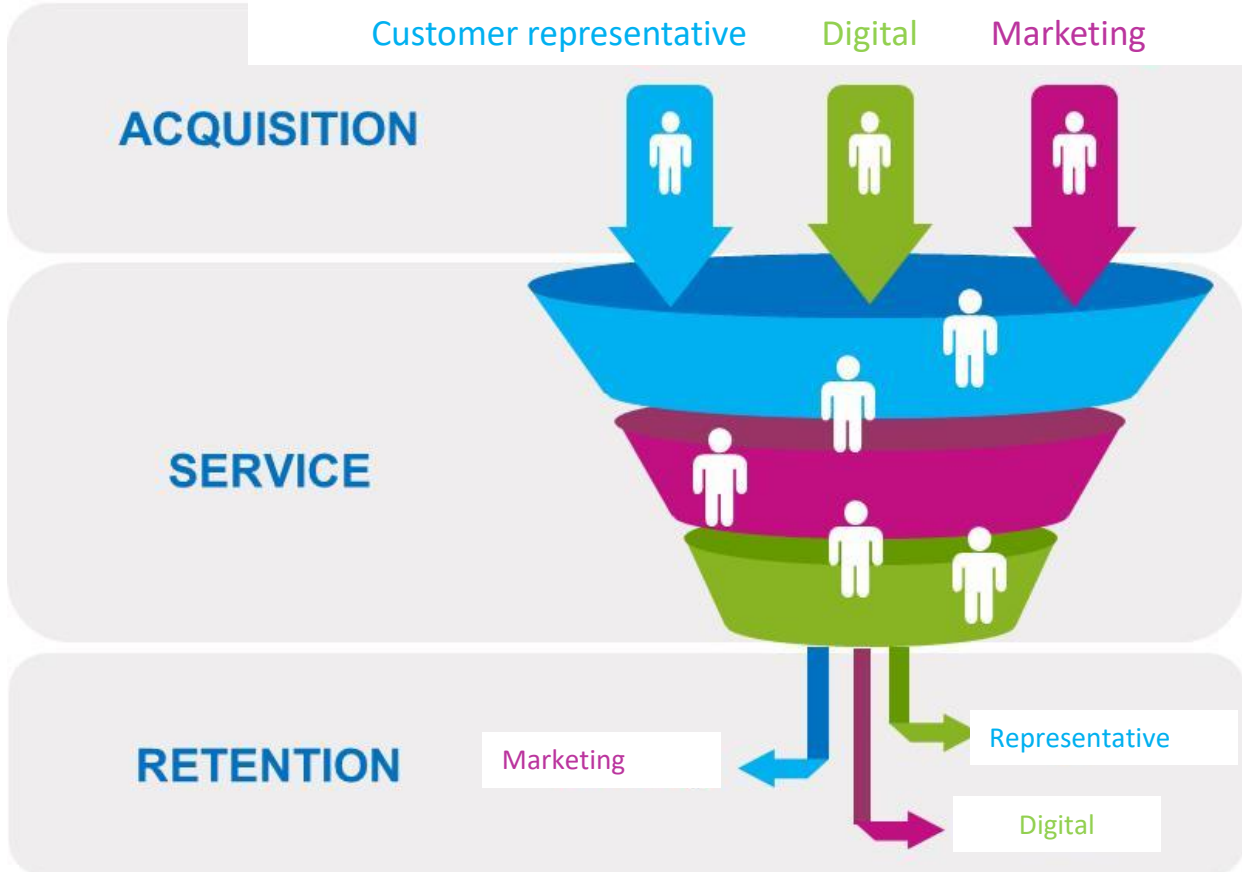


Meeting customer needs with digital is delivering growth



- Digital channel launched in 2018 has more than 50,000 customers in its portfolio today
- More than 20% of new Provident customers come from digital channel
- Digital attracts a different profile of customers
- We will share this expertise to develop digital channels in other European home credit markets

Maximising business value thanks to hybrid channel



Unique web site optimisation now delivers 23% of applications to customer representatives

Field repayment service offers flexibility to the customer and helps to maintain affordable repayment discipline

We work on opening cross-channel offers for all customers regardless of the source of acquisition, to further encompass the evolving interdependencies between channels

Evolution from mono to multiproduct customer offering



Cash
loans



Value-added
services



Loan
card

Flexible product options designed to meet individual customer needs



Cash loans

Flexible terms and frequencies:

- Monthly (6-48 months)
- Weekly (21-130 weeks)

Wide range of loan amounts:

- From PLN 300 – PLN 30k

Customer service channel:

- Customer representative service
- On-line

Product construction:

- Flat instalments (capital + interest)

Disbursement & repayments methods:

- Home service (cash)
- Bank transfers

Additional supporting services:

- Payment holidays
- Debt waiver in the event of a customer passing away

Value-added services

Well-balanced product portfolio driven by Customer needs

- **Customer inclusion:** we use our buying power to offer peace of mind to customers who couldn't get these services elsewhere
- **Individual and group insurance:** more than 300,000 policies, almost 140,000 claims paid.
- **Medical subscriptions:** provided access to medical services to 85,000 of Customers and they have utilized already 70,000 of services
- **Dedicated sales support technology** for customer representatives

Health	
• Life, medical and health insurance	✓
• Access to doctors and examinations	✓
• Complementary health insurance (access to therapies outside the NHS basket)	
Securing the future for me and my family	
• On-line learning (foreign languages)	✓
• Accidental insurance	
Support in dealing with daily life hassles	
• Motor insurance (TPL and Casco)	✓
• Home assistance and home appliances' breakdowns	
• Extended car assistance	

Loan card - An exciting new proposition with great growth potential



- A credit card proposition tailored for our customers (both new and existing)
- Provides increased utility for customers whilst retaining many of the attributes of our instalment loan offering
- Technology developed in-house to combine revolving credit offering with the importance of maintaining a customer representative relationship
- First cards recently issued to our customers
- We are adopting a phased approach to the roll-out, adding new functionality over the next 2 years
- Economics of the loan card are similar to our instalment loan offering
- Great potential for our countries within the Group

Loan card – How it currently works



Customer can acquire credit card from Agent. Instant cash disbursements during the same visit

Card and PIN delivered to Customer by mail/courier within 1-2 weeks

Customer can use card for ATM, POS and e-commerce transactions up to available credit limit

All transactions from a given period are to be repaid in 11 monthly instalments

Cost: 4,5 zł for each utilized 100 zł per month + interest

Card validity 4 years; credit limit renewal every 12 months

Repaid amounts increase available credit limit

Statements delivered via e-mail after each cycle



We expect our customers to use the loan card in a similar manner to instalment loans – they will only access credit when they need it

Loan card – Key customer benefits



- Credit is available at all times based on the granted credit limit
- Grace period and cost-free financing for short-term needs, loan for longer-term needs
- Customers can use card to pay for online shopping and make card payments in stores (and still use Customer Representatives)
- Benefit of Mastercard® protections for chargebacks
- Repayment period of up to 12 months for every transaction (avoids problem of “persistent debt”)
- Transparent pay-as-you-go pricing - no fixed fees, no penalty fees, free ATM withdrawals
- Yearly limit renewal process with possibility to stop new transactions and repay existing debt as planned
- Customers are more financially included in society

Loan card – Key business benefits

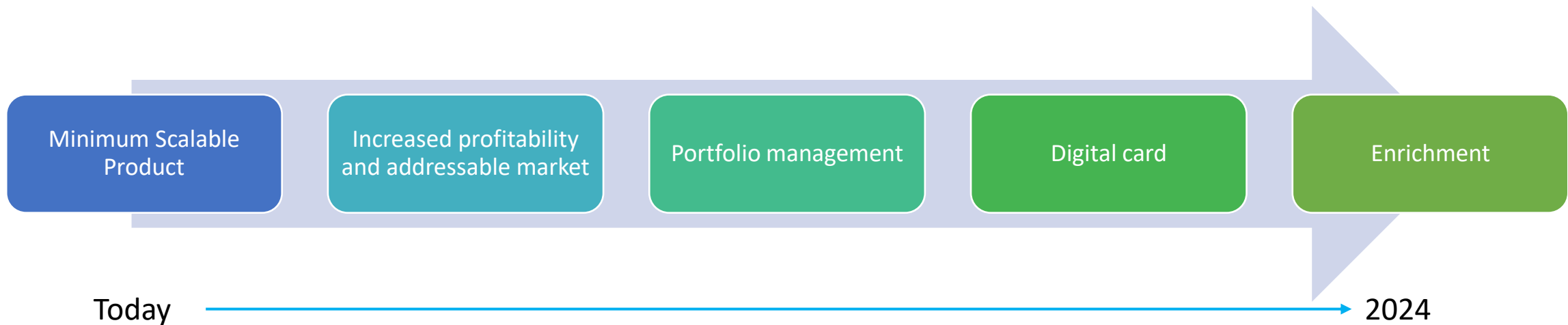


- Expands our product set and revenue streams
- Longer and deeper customer relationships through revolving credit
- Enabler to gain new customers and execute broader win-back strategy
- Increased data insight into our customers
- Product, technology and learnings will be transferrable to other countries

...all while retaining the best of the proven successful IPF model – Customer Representative personal service delivery, disbursements and collections



Transition from 100% instalment loan portfolio by offering loan card to customers when they want more credit



- Current loan book portfolio is c.£280m, delivering 15%-20% ROE
- Estimate loss of c.30% of customers due to tighter rate cap and new affordability regulations
- Receivables book expected to be c.75% of today's portfolio by the end of 2023
- £20m PBT impact on 2023 and 2024 as we transition the business from predominantly instalment loans to loan cards
- We expect the receivables portfolio to be broadly 50% loan card and 50% instalment loans following transition
- Expected to meet threshold 15%-20% ROE in 2025 on a receivables book similar to today:
 - lower revenue yield due to better quality
 - lower impairment due to better quality
 - more cost-efficient business.

Delivering
15%-20% ROE

25 years serving loans to 4.5 millions Poles and the best is still to come



- Successful, well-established consumer credit provider
- Included 4.5m people in the financial mainstream since 1997
- Trusted brands
- Strengthened product proposition to meet changing customer needs
- Good recovery from the pandemic
- Exciting new loan card proposition
- Product proposition and operational excellence will support delivery of ROE of 15%-20%



Provident

Questions



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