

**Provident Financial plc**  
**Trading and deposit taking update**  
**12 January 2012**

Provident Financial plc, the leading UK non-standard lender, has issued the following update on trading and deposit taking for the financial year ended 31 December 2011, ahead of its preliminary results for the year which will be announced on 28 February 2012.

**Trading**

The Consumer Credit Division (CCD) has continued to concentrate on serving good quality existing customers by maintaining tight underwriting standards throughout the peak fourth quarter trading period. As a result, customer numbers continued to run approximately 2% below the prior year. Customer behaviour also remained cautious due to the persistent pressure on household disposable incomes from rises in food and utility prices. As anticipated in the 21 October 2011 Interim Management Statement, the rate of receivables growth moderated through the fourth quarter reflecting the exceptionally strong growth experienced towards the end of 2010. Consequently, receivables ended the year marginally up on the prior year. Collections performance remained strong through the final quarter of the year underpinned by the quality of the receivables book and the enhancements made to the agents' commission scheme in April. Accordingly, impairment levels continued to track below the prior year.

Vanquis Bank continued to generate strong growth and margins throughout the fourth quarter. Underwriting criteria have remained unchanged and delinquency levels have remained stable at record lows for the business. Accordingly, the risk-adjusted margin of approximately 35% achieved through the first nine months of the year was maintained. Customer numbers ended the year at 691,000, 27% higher than last year, and average receivables growth for the year was approximately 35%.

Both businesses enter 2012 with good quality receivables books.

The group expects to report results for 2011 in line with market expectations\*, with sales and margin outperformance at Vanquis Bank offsetting the impact of slightly slower sales in CCD.

**Deposit taking**

Execution of the retail deposits programme at Vanquis Bank is running ahead of plan. As at 31 December 2011, approximately £140m of 1, 2, 3 and 5 year fixed-rate deposits had been taken at interest rates of between 3.15% and 4.65%. These rates are consistent with an all-in average cost of less than 6% as previously indicated. Vanquis Bank is well on-track to achieve its target of funding 80% of its receivables book with deposits by the end of 2012.

Headroom on the group's committed debt facilities at 31 December 2011 amounted to approximately £290m which, together with the retail deposit programme at Vanquis Bank, is sufficient to fund maturities and projected growth into 2013.

Commenting on the final quarter of the year, Peter Crook, Chief Executive, said:

"I am pleased to report that the group had a good finish to 2011 and expects to report results in line with market expectations. The retail deposits programme at Vanquis Bank is now fully established and, most importantly, the credit quality of both businesses is strong as we enter 2012."

\* Market expectations in this announcement represent a consensus group profit before tax for 2011 of £159.5m based on the average of forecasts published by 18 equity research analysts.

**Enquiries:**

**Media**

David Stevenson, Provident Financial	01274 351351
Gill Ackers/Nick Cosgrove, Brunswick	020 7404 5959

**Investor Relations**

Gary Thompson, Provident Financial	01274 351351
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