<u>Provident Financial plc</u>
<u>Trading update</u>
<u>15 January 2014</u>

Provident Financial plc, the leading UK non-standard lender, has issued the following update on trading for the financial year ended 31 December 2013, ahead of its preliminary results for the year which will be announced on 25 February 2014.

Group results

The group expects to report results for 2013 in line with market expectations*. Vanquis Bank has continued to trade strongly whilst there has been no change to the weak demand for credit being experienced by the Consumer Credit Division (CCD).

Vanquis Bank

Vanquis Bank continued to generate strong growth and margins through the fourth quarter of the year. Demand remains strong and the consistent investment in the customer acquisition programme generated bookings of 411,000 for 2013, up from 375,000 in 2012, notwithstanding a modest increase in marketing activity by competitors. UK customer numbers ended the year at 1,099,000, 22.2% higher than last year, and average receivables growth for the year was approximately 37%.

The combination of a benign UK employment market together with the consistent application of tight underwriting criteria has meant that delinquency levels have remained stable at record lows for the business and, as a result, the annualised risk-adjusted margin of around 34% as at September 2013 was maintained through the final quarter.

The cost of the pilot credit card operation in Poland of between £7m and £8m for 2013 is in line with previous guidance.

CCD

The plans to reposition CCD over the next two years by focusing on returns within the core Home Credit business whilst broadening the customer and product proposition primarily through the roll-out of Satsuma are progressing well.

Trading conditions for the Home Credit business remained challenging during the fourth quarter with customer confidence remaining very low and continued pressure on disposable incomes from the persistent rises in food and utility prices. As a result, customer behaviour has remained cautious and demand for credit weak. In addition, as part of the focus on driving returns in the Home Credit business, significantly tighter credit standards are being applied to the recruitment of new customers. Accordingly, customer numbers ended the year 17.3% down on 2012 and year-end receivables were approximately 15% lower than in 2012.

Collections performance and the arrears profile both remained stable during the fourth quarter. The implementation of standardised arrears and collections processes has begun to gain traction and will benefit performance in 2014.

The cost reduction measures taken in July 2013 successfully delivered second-half cost savings of approximately £10m. The actions to deliver further planned cost savings in 2014, including conclusion of the consultation to reduce the headcount in the business by a further 340, were completed in December.

As indicated at the Investor & Analyst Event in November, there will be an exceptional cost of approximately £13m in 2013 relating to the restructuring of CCD, including redundancy costs associated with 520 individuals who left the business in 2013.

Funding

The group's funding position remains strong. Headroom on the group's committed debt facilities at 31 December 2013 amounted to approximately £235m which, together with the retail deposit programme at Vanquis Bank, is sufficient to fund maturities and projected growth until the seasonal peak in 2016.

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

"I am pleased that the group expects to report 2013 results in line with market expectations.

Vanquis Bank's trading performance remains excellent, there is good momentum behind the programme of work to reposition CCD and the group's funding position is strong."

* *Market expectations in this announcement represent a consensus group profit before tax and exceptional costs for 2013 of £197m based on the average of forecasts published by 13 equity research analysts.*

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