Provident Financial plc
Interim Management Statement
5 May 2010

Provident Financial plc, the leading UK non-standard lender, will make the following Interim Management Statement covering the period from 1 January to 4 May 2010 at its 50th Annual General Meeting to be held at 12.30pm (BST) today.

Commenting on the group's performance for the year to date, its Chairman, John van Kuffeler said,

"I am pleased with the start to 2010 and, in particular, the sound collections performance through the first four months of the year. Management's strong control of asset quality and careful attention to margins and costs is proving to be the correct approach in the context of an employment market that is unlikely to improve materially this year."

Market conditions

As previously highlighted, household incomes in the home credit market remain under pressure from the impact of unemployment and, more importantly, under-employment resulting from restrictions on working hours and wage rates. These conditions translate into cautious customer behaviour which is continuing to temper demand for new credit from some customers.

Market conditions have remained unchanged. This is consistent with management's planning assumptions and guidance for 2010 and is reflected in the continued application of tight underwriting standards and a strong emphasis on collections, margins and costs.

Business performance

The year-on-year rate of new customer growth in the Consumer Credit Division has remained at around 5% during the first quarter of 2010, reflecting the success of the customer acquisition programme in Autumn 2009. Receivables growth slowed in the first quarter, consistent with the group's planning assumption and guidance of low single-digit growth in receivables for 2010. This results from a combination of tight lending criteria and a more cautious stance on requesting new credit by some existing customers concerned about their future prospects against the backdrop of pressure on household incomes from unemployment and under-employment. Nonetheless, it is encouraging to report that April has seen a lift in the volume of credit issued.

The core 50-week home credit product is producing the anticipated uplift in revenue yield and a good collections performance throughout the very important first quarter has produced impairment charges in line with plan. There is no significant lasting impact from the adverse weather conditions which disrupted collections around the turn of the year.

Measures to reduce costs, including the elimination of 90 positions in the home credit head office support functions and 95 positions in Real Personal Finance's field and support functions, were completed by the end of February.

Overall, the Consumer Credit Division is trading in line with plan.

Vanquis Bank experienced continued strong growth in the volume of card applications during the first quarter. Underwriting standards have remained consistent with the second half of 2009, resulting in an unchanged application acceptance rate of 17%. Customer numbers stood at 454,000 at the end of March, up from 426,000 at the start of the year. The growth in customer numbers, together with the credit line increase programme to existing customers, has generated year-on-year receivables growth of over 20% in the first quarter.

It is encouraging that delinquency rates remained stable through the second half of 2009 and the early part of 2010 and in recent weeks have shown some reduction. This performance reflects the consistent tightening of credit standards since 2007, which has improved the quality of the book. However, it is too early to call a change in trend given the significant uncertainties facing the employment market. Overall, the receivables book has continued to generate a risk adjusted margin, after credit losses, in excess of its target of 30% and the performance of the business is in line with plan.

Funding and capital

The group's funding position is strong with sufficient committed debt facilities to fund planned growth until the end of 2011.

The group has recently raised £25.2m through a bond issue to retail investors. These retail bonds, which carry a 7% coupon and a 10-year maturity, are quoted on the ORB platform established on the London Stock Exchange and represent further diversification of the group's funding base.

The group's surplus equity capital amounted to £55m at the end of March and the group had headroom on bank facilities of £340m.

Regulation

The conclusions from the Office of Fair Trading's review of the £35bn high-cost consumer credit market, which published its interim findings in December 2009, are expected to be released in the near future. The review covers a broad range of lending activities, of which home credit represents less than 5%.

The OFT's Irresponsible Lending Guidance to Creditors was published on 31 March. In conjunction with the rest of the credit industry, the group is working towards implementation of the guidelines by February 2011 in line with the EU Directive on Consumer Credit.

The Department for Business Innovation and Skills published the results of its consultation on credit and store card regulation on 15 March. The group is working with the UK Cards Association to implement the findings of the consultation by the end of the year.

Outlook

As anticipated, the demand for home credit continues to reflect cautious behaviour from some customers in the context of an employment market which is unlikely to improve in the near future. Accordingly, the strong focus on asset quality and careful management of margins and costs is proving to be the right approach.

Vanquis Bank is generating growth and returns which are consistent with achieving its target of a 30% post-tax return on equity by the end of 2010.

The group's balance sheet and liquidity are strong and its plans to deliver good quality growth in 2010 are on track.

Enquiries:

Media

Annette Stewart, Provident Financial	01274 731111
Eilis Murphy, Brunswick	020 7404 5959

Investor Relations

Stuart Caldwell, Provident Financial	01274 731111