



**Provident Financial plc
Trading update
17 January 2017**

Provident Financial plc, the leading UK non-standard lender, makes the following update on trading for the financial year ended 31 December 2016, ahead of its preliminary results for the year which will be announced on 28 February 2017.

Group results

The group expects to report results for 2016 in line with market expectations*, with each business meeting its internal forecast.

Vanquis Bank

Vanquis Bank delivered fourth quarter new account bookings ahead of the prior year as it continued to develop the distribution of its expanded credit card proposition. Total new account bookings for 2016 were 406,000 with momentum continuing to build during the fourth quarter as a result of a range of new initiatives put in place during the year. Customer numbers ended the year at 1,545,000, representing year-on-year growth of 9%. The growth in customer numbers and credit line increases to established customers combined to produce receivables growth for the year of approximately 14%.

Underwriting criteria have remained unchanged. Delinquency levels were stable through the fourth quarter having improved modestly, and assisted financial performance, through the first nine months of the year. Accordingly, the annualised risk-adjusted margin for 2016 remained just above 32%, notwithstanding the decline in the revenue yield previously communicated.

Consumer Credit Division (CCD)

Demand and customer confidence in the home credit business through the seasonal peak were robust and, coupled with good credit quality, supported sales some 3% up on the fourth quarter of 2015. CCD customer numbers ended the year at a similar level to June 2016. The continued focus on serving good-quality customers has resulted in year-on-year receivables growth of 7% and a moderation in the revenue yield from an increase in average loan size and duration.

Collections performance remained stable through the fourth quarter of the year. The annualised risk-adjusted margin of around 78% is down from 81% at September 2016 reflecting the reduction in the revenue yield and a stable delinquency performance compared with the strong improvements seen in 2015.

Satsuma's success in establishing sound credit standards, cost efficient product distribution, improvements to the customer journey, together with the launch of a monthly product in late November, have supported increased new business volumes and further lending to established customers during the fourth quarter. The current development trajectory of Satsuma is encouraging and customer numbers and receivables ended the

year at 55,000 and £18m respectively, up from 49,000 and £14m at September 2016. The start-up loss associated with Satsuma has reduced by approximately £12m in 2016 as the business approaches break even.

Moneybarn

The demand for second hand cars in the non-standard credit market moderated during the seasonally quieter fourth quarter which saw new business volumes increase by approximately 7%. Customer numbers and receivables ended the year at 41,000 and £297m, showing year-on-year growth of 32% and 35% respectively. The returns being generated by the business remain unchanged.

Funding

The group's funding position remains strong. The headroom on the group's committed debt facilities at 31 December 2016 amounted to approximately £140m which, together with the retail deposit programme at Vanquis Bank, is sufficient to fund maturities and projected growth until May 2018.

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

"I am pleased to report that each of our businesses continued to trade well through the final quarter of the year and the group is expected to report 2016 results in line with market expectations*."

* Market expectations in this announcement represent a consensus 2016 group profit before tax, amortisation of acquisition intangibles and exceptional items of £333.9m based on the average of forecasts published by 13 equity research analysts.

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