Provident Financial plc
Third Quarter Trading Update
4 November, 2020

Provident Financial plc ('the Group') is the leading provider of credit products to consumers who are underserved by mainstream lenders. Today's statement covers the Group's trading from July to the end of September.

Malcom Le May, Chief Executive Officer, commented:

"The Group continued to trade in-line with internal plans during the third quarter and remains on-track to meet market expectations for 2020.

Our capital and liquidity are a source of competitive advantage and we remain vigilant for possible economic shocks, including those caused by further local and national lockdowns. Such measures will inevitably have an impact on customer expenditure patterns and loan origination. As I have expressed previously, I am immensely proud of how the Group has responded to the challenges of the Covid-19 pandemic and supported the financial needs of our customers throughout. The innovations each of our businesses introduced, and the collective effort of my colleagues across the Group, leaves us in a strong position operationally but considerable uncertainty remains."

Highlights

- The Group continued to trade in-line with management's expectations during the third quarter and remains on-track to meet market expectations for its financial year to December 2020.

- At the end of September, the Group's balance sheet position remained robust. Regulatory capital of c.£700m equates to headroom of c.£200m above minimum regulatory requirements and a CET1 ratio of c.36%. Total liquidity at the end of September was c.£1.1bn. Headroom on committed facilities at the Group was c.£180m and c.£700m at Vanquis Bank.

- Vanquis Bank delinquency trends were stable during the quarter and payment holiday take-up continued to reduce to less than 1% of customers at the end of September. As expected, customer booking volumes for the quarter were lower year-on-year, in-line with the tighter underwriting standards enacted earlier in the year. Customer spend increased by c.31% on the previous quarter but remains c.15% lower year-on-year, in-line with trends seen across the credit card market.

- Moneybarn continues to see strong levels of demand for used vehicles across its markets and new business volumes during the period increased significantly on the previous quarter. Payment holiday take-up at the end of September was c.1.5% of customers with a vastly reduced take-up trend.

- In Home Credit, collections performance remained strong and has now aligned to pre-Covid levels, with the proportion of collections being done via remote methods being over 80%.

Home Credit lending to existing customers was over 70% of normalised third quarter levels and new customer lending was c.60% of normalised levels, reflecting the impact of tighter lending criteria. The consultation to reduce headcount within the home credit business is complete and will result in annualised cost savings of c.£13m with exceptional costs to achieve of c.£2m in 2020. As seen across the sector, home credit experienced an anticipated increase in customer complaints during the period, which are expected to remain within 2020 forecast levels.

- The Group continues to adapt to a changing regulatory environment. Vanquis Bank has responded to the Financial Conduct Authority's (FCA) paper on persistent debt and Moneybarn is working towards appropriate customer outcomes following FCA guidance post-Covid-19. CCD is working with all stakeholders following the FCA's review of relending practices in the high-cost credit market and following heightened customer complaints activity, in common with the sub-prime sector. The Group will continue to engage with its customers, and provide support where necessary, following the recently announced six month extension to payment holidays by the FCA.

Malcom Le May, Chief Executive Officer, continued:

"Turning now to the performance of the Group during the quarter, delinquency trends across the businesses were stable and the take-up of payment holidays continued to be lower than our initial expectations. New business volumes increased during the period and, importantly, we are well positioned for the traditionally busier fourth quarter.

In the context of the trends seen in the sub-prime market, including the impact of Covid-19, the FCA's industry-wide relending practices review and heightened customer complaint activity across the sector, I have asked the new Managing Director of CCD, Hamish Paton, to undertake an operational review of the division. This will ensure that the business is best positioned, in the context of these industry dynamics, to return to delivering long-term sustainable profitability, whilst continuing to focus on good customer outcomes.

Brexit has taken a back seat in many people's minds during the Covid-19 pandemic. However, we continue to work on the structure of the businesses within the Group and, as part of that, to ensure the most efficient corporate structure for our Republic of Ireland business post-Brexit.

Finally, I have resumed my position as CEO this week and I would like to thank my colleagues across the Group for their hard work, and kind messages of support, during my absence. In particular, I would like to thank Patrick Snowball, our Chairman, for kindly agreeing to take the reins and ensuring the continuous support for our customers. We are working towards our financial and operational objectives, as well as helping to put our customers on a path to a better everyday life. I look forward to updating the market on our progress in due course, which will come in the form of our preliminary results next year."

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