Provident Financial plc
Interim Management Statement
14 October 2016

Provident Financial plc, the leading UK non-standard lender, makes the following Interim Management Statement today covering the period from 1 July 2016 to 13 October 2016.

Group

The group has continued to perform well and produced a third quarter profit performance in line with its internal plans.

Vanquis Bank

Vanquis Bank has delivered good growth and margins through the third quarter of the year. New account bookings through the third quarter were in line with the prior year, benefiting from increased direct mail activity, and the credit line increase programme to good quality established customers remains strong. As a result, customer numbers and receivables at the end of September showed year-on-year growth of 7% and 13% compared with 6.5% and 11.7% at June.

Delinquency levels have remained favourable through the third quarter of 2016, reflecting the sound quality of the receivables book and the stable UK employment market, and the annualised risk-adjusted margin remained above 32% to the end of September.

Good progress continues to be made on developing the pipeline of opportunities to augment the medium-term growth of the business. These include extending the reach of the business through partnerships with other lending institutions, brokers or providers of retail finance. One important new relationship has been established in recent weeks which is expected to deliver a good flow of new business in 2017. Vanquis Bank is close to completing the platform to support a wider loans proposition, which will also support the development of guarantor lending through 2017.

CCD

Demand and customer confidence in home credit have remained robust. As a result, CCD customer numbers ended the third quarter at a similar level to June. The continued focus on serving good quality existing customers has resulted in year-on-year receivables growth of 5% at the end of September, up from 2.6% at June.

Collections performance and revenue yield both remain stable and CCD's annualised risk-adjusted margin of around 81% is broadly unchanged from June 2016. The sound quality of the receivables book leaves the business well positioned for the important fourth quarter trading period.

Satsuma has continued to make good progress during the third quarter and its performance continues to benefit from the significant tightening of credit standards implemented towards the end of last year, the development of cost effective distribution channels and ongoing improvements to the customer journey. Customer login functionality has recently been implemented, a mobile app is currently in testing prior to full roll-out and a monthly product will be launched during the fourth quarter.

The credit quality of Satsuma's 2016 lending is developing satisfactorily and the business is generating a strong flow of further lending to established, good quality customers which is fundamental to building business profitability. Satsuma's customer numbers and receivables ended the seasonally quiet third quarter at 49,000

(June 2016: 48,000) and £14m (June 2016: £12.6m) and the business is expected to make a small loss for the year as a whole.

Moneybarn

Moneybarn has enjoyed a strong flow of new business volumes during the third quarter of the year. Customer numbers and receivables ended September at 39,000 (June 2016: 36,000) and £286m (June 2016: £264.4m) respectively, representing year-on-year growth of approximately 36%. The returns being generated by the business are consistent with 2015.

Funding and capital

The group's funding and liquidity positions remain strong with balance sheet gearing at the end of September of 2.1 times (September 2015: 2.2 times) compared with a covenant limit of 5.0 times.

Headroom on the group's committed debt facilities at September 2016 amounted to £131m, which together with the retail deposits programme at Vanquis Bank, is sufficient to fund maturities and projected growth in the business until May 2018.

Regulation

The uncertainties and risks most relevant to the group's performance continue to be in respect of UK regulation.

CCD continues to operate under an interim permission awaiting full authorisation, consistent with the other sizeable firms operating in the home credit market. CCD continues to have a constructive dialogue with the FCA and the process is approaching its conclusion.

In July 2016, the FCA published its final report following its market-wide study of the UK credit card industry. The FCA and UK credit card industry have agreed in principle to three informational remedies which are not expected to have a significant impact on Vanquis Bank. As part of its market-wide study, the FCA is continuing its review of persistent debt and how the industry applies credit limit increases to cardholder accounts.

Outlook

The group performed well through the third quarter of the year. Credit quality in all three businesses is very sound and reinforces confidence in delivering good results for 2016 as a whole.

Commenting on the group's performance, Peter Crook, Chief Executive, said:

"I am pleased to report that the group has continued to perform in line with its internal plans through the third quarter and is in good shape to deliver further good quality growth as it enters the important fourth quarter trading period."

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