

Provident Financial plc
Trading update
15 January 2013

Provident Financial plc, the leading UK non-standard lender, has issued the following update on trading for the financial year ended 31 December 2012, ahead of its preliminary results for the year which will be announced on 26 February 2013.

Group results

The group expects to report results for 2012 in line with market expectations*, with continued outperformance at Vanquis Bank compensating for relatively subdued demand for credit in the Consumer Credit Division (CCD).

CCD

Weekly customer recruitment during the fourth quarter has continued to benefit from a number of initiatives running through the field organisation. Accordingly, home credit customer numbers ended the year at 1,827,000, level with 2011, having been down 2% at the half year.

The pressure on disposable incomes from continued increases in food and utility prices reported in the 19 October 2012 Interim Management Statement did not abate during the fourth quarter of the year. Agents and customers have continued to be cautious and tight credit standards have remained in place. As a result, sales through the peak trading weeks of the fourth quarter were approximately 2.5% lower than last year and receivables ended the year approximately 1% lower than last year.

Collections performance remains sound and the annualised ratio of impairment to revenue has continued to run at a similar level to that reported at the half year.

Vanquis Bank

Vanquis Bank generated strong growth and margins throughout the fourth quarter. Demand remains strong with no discernible impact from competition and the business has continued to invest heavily in its customer acquisition programme. As a result, UK customer numbers ended the year at 899,000, 30% higher than last year, and average receivables growth for the year was approximately 37%. Underwriting criteria have remained unchanged and delinquency levels have remained stable at record lows for the business. Accordingly, the risk-adjusted margin of close to 35% achieved through the first nine months of the year was maintained through the final quarter.

The pilot credit card operation in Poland is progressing to plan and the cost of approximately £3m for 2012 is in line with previous guidance.

Funding

The group's funding position remains strong. Headroom on the group's committed debt facilities at 31 December 2012 amounted to approximately £190m which, together with the retail deposit programme at Vanquis Bank, is sufficient to fund maturities and projected growth into 2015.

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

"I am pleased to report that the group has traded well through the fourth quarter of 2012 and expects to report results in line with market expectations.

Both businesses enter 2013 with sound credit quality and the group's funding position remains very strong."

* *Market expectations in this announcement represent a consensus group profit before tax for 2012 of £180m based on the average of forecasts published by 14 equity research analysts.*

Enquiries:

Media

David Stevenson, Provident Financial	01274 351351
Gill Ackers/Nick Cosgrove, Brunswick	020 7404 5959

Investor Relations

Gary Thompson, Provident Financial	01274 351351
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