Provident Financial plc
Third quarter 2022 trading update

Provident Financial plc ('PFG' or 'the Group'), a leading specialist banking group focused on customers in the underserved near-prime and mid-cost parts of the credit market, publishes a trading update covering the three months to the end of September 2022, unless otherwise stated.

Malcolm Le May, Chief Executive Officer, commented:

"I am pleased to report that the Group continued to perform in-line with management's expectations throughout the third quarter of 2022 and into October. Notwithstanding the macroeconomic backdrop, the Group remains on track to meet market expectations for the full year. This performance continues to reflect our move to lower risk customers following the repositioning of the Group over the last two years towards the mid-cost and near-prime parts of the market.

The prevailing macroeconomic conditions during the period were challenging, with the effects of high inflation and an increased cost of living being experienced by everyone, but the Group's asset quality remained high across all products. PFG's strong focus on risk management, its rigorous underwriting processes and its strategic repositioning, leaves it well placed to navigate market conditions, whilst supporting our customers by providing them with a valuable source of credit. Underpinning this is the Group's strong balance sheet, which remains well-capitalised to support our medium-term growth and diversification ambitions."

Highlights

- The Group continued to perform in-line with management's expectations during the third quarter of 2022 and into October and, as a result, remains on track to meet market expectations for FY'22.

- The Group continues to see attractive opportunities for growth, as demonstrated by its performance year to date, but will balance these opportunities by continuing a prudent approach to credit risk management given the prevailing macroeconomic conditions. Indeed, during the third quarter of 2022, the Group continued to experience a stable and consistent trend in the asset quality in all of its products. As the macroeconomic environment evolves, the Group will continue to assess its options to deploy its capital for growth and sustainable returns.

- The Group continues to focus on cost control and delivering financial and customer experience benefits from the investment it is making in its platforms and operations.

- In the Group's credit card business, delinquency trends remained stable and consistent with the experience seen in the year to date. Customer spend trends for the period were stable and, in aggregate, spend per active customer for the period was higher versus the previous quarter. As a result, and together with the prudent focus on underwriting and maintaining strong asset quality, the receivables book grew by approximately 5% during the third quarter. Furthermore, since September, Vanquis and thimbl. customers have been able to add their credit card to their Google Wallet, an important milestone for the credit card business and its customers. The early results from this development are encouraging.

- The Group's vehicle finance business also continued to see an improving arrears trend during the period and the arrears rate at the end of September was lower year-on-year. In July, the vehicle finance business signed a new agreement with a retail distribution partner which has the potential to add meaningful new business opportunities going forwards. At 30 September, receivables were approximately 3% higher than H1'22.

- The Group's personal loans business continues to establish itself in the large and growing personal loans market. For the first time, the personal loans business reported receivables of over £50m at the end of September illustrating the strong progress it has made to date. The personal loans business has added new price points during the quarter and now offers loans of between 18 and 44.9 percent APR. During the remainder of H2'22, work will continue to transition the Vanquis branded loans business on to the new Gateway IT platform, which is a key enabler of expanding the product and service offering to customers in the future.

Funding and balance sheet update

The Group's balance sheet position at the end of September remained robust, with regulatory capital of c.£660m, a CET1 ratio of 26.3% and a total capital ratio of 37.7% which includes the Group's Tier 2 bond. Headroom on committed facilities and surplus cash and liquid resources available to the non-bank Group amounted to approximately £145m (£80m of which has been placed on deposit with Vanquis Bank). Inclusive of the £80m deposit, Vanquis Bank is holding approximately £240m of liquid resources above Group Liquidity Coverage Ratio requirements and has ongoing access to the retail deposits market.

In addition, the Group has submitted its latest Internal Capital Adequacy Assessment Process (ICAAP) to the Prudential Regulation Authority. This latest submission reflects the closure of our Consumer Credit Division and PFG's strategic move towards the near-prime, mid-cost parts of the market and towards lower risk customers.

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