



**Provident Financial plc  
Fourth Quarter Trading Update**

Provident Financial plc ('PFG' or 'the Group'), a leading specialist bank with a focus on the financially underserved operating in the mid-cost segment of the market, publishes a trading update covering the three months to the end of December 2021, unless otherwise stated.

**Highlights**

- The Group's trading performance for the fourth quarter of 2021 continued to track ahead of management expectations driven by favourable macroeconomic conditions and demand for credit from customers. As previously indicated, the Board intends to declare an ordinary dividend of approximately 30% of adjusted ongoing earnings<sup>1</sup> in respect of FY'21 and anticipates providing guidance for a longer-term, progressive dividend policy with the FY'21 results.
- The Consumer Credit Division was closed on schedule at the end of December and in accordance with the previously announced closure costs of £100m.
- During the fourth quarter, and in-line with its product strategy, PFG launched the pilot of its new personal loans offering, Sunflower Loans, supported by a newly developed cloud-based digital platform, which has the ability to share customers across product groups. The Vanquis Bank open market loans pilot has started encouragingly, demonstrating strong demand for a loans product in its target customer demographic.
- PFG has also announced today, following regulatory approval, the next phase of its strategy to reinforce its position as a leading specialist bank with a focus on the financially underserved. With effect from today, PFG has restructured the Board of Vanquis Bank to substantially align its membership with the Board of PFG.

**Malcolm Le May, Chief Executive Officer, commented:**

"2021 was a strategically important year for PFG as we successfully focussed the Group on becoming a leading specialist bank with a focus on the financially underserved. The Board and I look forward to 2022 with confidence, as reflected in the Board's dividend policy guidance. I would like to thank all our stakeholders without whom such important achievements would not have been possible. PFG is well positioned to deliver attractive and sustainable returns to shareholders built on a platform of credit cards, vehicle finance and personal loans underpinned by a strong balance sheet."

**Fourth quarter trading**

- In the Group's credit card business, credit standards remained tight and delinquency trends remain benign, consistent with those outlined at the end of Q3'21. Overall, customer credit card spend for Q4'21 was in-line with pre-pandemic levels, although spend levels have been impacted by the spread of Omicron through December and early January, in-line with the wider market.

The Vanquis Bank open market loans pilot has started encouragingly, demonstrating strong demand for a loans product in its target customer demographic.

- The Group's vehicle finance business, under the leadership of David Shrimpton (Managing Director), ended 2021 well with year-on-year growth in its customer numbers, customer feedback scores remaining positive and pricing of used vehicles at all-time highs. Arrears trends remained stable during the fourth quarter overall.
- As a result of the improved trading conditions in H2'21, the Board anticipates being able to release approximately £20m of Covid-19 macroeconomic related provisions as it reappraises the Group's coverage ratios.
- The Group continued to be underpinned by a strong balance sheet during Q4'21, which was further strengthened by a Tier 2 subordinated bond issuance in October 2021 for gross proceeds of £200m.
- The Group anticipates publishing its FY'21 results in early April, with the previously announced Capital Markets Day to follow during H1'22.

### **Product strategy**

As part of the Group's strategy to offer relevant products to its addressable market of approximately £16bn<sup>2</sup> in the UK, and to diversify its product offering, PFG is establishing an unsecured personal loan business under the leadership of Hamish Paton, current Managing Director of CCD. This includes an open market pilot for Vanquis Bank loans and the recently launched pilot for the Sunflower Loans product. The distinct products are designed to serve different customers with different risk profiles in the mid-cost segment. Both are currently in pilot phase and will be assessed at the end of the first quarter of 2022. PFG has invested in a highly scalable, cloud-based digital infrastructure known as 'Gateway' to initially support the new Sunflower Loans product. Gateway will also have the ability in the future to enable customers to access all of their products from a single mobile app. It will also enable PFG to configure and bring prospective products to market rapidly.

### **Governance strategy**

PFG announces the next phase of its strategy to reinforce its position as a leading specialist bank with a focus on the financially underserved. With effect from today, PFG has restructured the Board of Vanquis Bank to substantially align its membership with the Board of PFG. This is an important step in the execution of the Group's specialist bank strategy, which includes the wider use of retail deposit funding across the Group from H2'22. PFG believes that streamlining the Boards of the two legal entities in this way will create a simpler, more efficient Group governance structure, whilst streamlining and enhancing both PFG and Vanquis Bank's handling of corporate governance. Details of the changes are set out in the separate announcement also released today.

### **Enquiries:**

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Notes:

<sup>1</sup> *Adjusted ongoing earnings is defined as profit after tax before any losses incurred relating to CCD, amortisation of acquisition intangibles and any exceptional items including one-off provision releases.*

<sup>2</sup> *Based on PFG analysis of TransUnion data (debt outstanding) as at December 2020 as set out in the PFG H1'21 presentation. The £16bn addressable market comprises £4.6bn in Cards, £8.6bn in Vehicle Finance and £2.9bn in Personal Loans.*