



Provident Financial plc
Fourth quarter trading, new product launch and Group name change plans
26 January 2023

Provident Financial plc ('the Group'), a leading specialist banking group with a focus on customers in the mid-cost and near-prime credit markets, publishes today a trading update covering the three months to 31 December 2022, unless otherwise stated. The Group is also making a separate announcement today about Malcolm Le May's decision to step down as Chief Executive Officer and the appointment of his successor.

Highlights

- The Group experienced strong momentum across each of its products during the fourth quarter, notwithstanding the challenging macroeconomic backdrop, underpinned by its strong capital position and access to retail deposit funding:
 - Strong receivables growth across credit cards, vehicle finance and personal loans
 - Asset quality remained high and delinquency trends remained stable, consistent with the experience in the first three quarters of the year, driven by the Group's robust underwriting framework and focus on credit quality
 - Investment in the Group's platforms, products and capabilities continued, as previously announced
 - The large exposure waiver application was approved by the Prudential Regulation Authority ('PRA') enabling all future lending to benefit from lower cost funding
- Consistent with its stated strategy to diversify its product offering, and thereby to reduce credit risk over time, the Group has launched a pilot phase for a new secured product of second charge mortgages.
- The Group has decided to change its name to Vanquis Banking Group plc to better reflect the Group's mix of lending products today and its repositioning as a specialist banking group focused on lower risk customers, as illustrated by the Group's current average credit risk more than halving since 2019.

Malcolm Le May, Chief Executive Officer, commented:

"2022 was a transformational year for the Group as we built on the very strong foundations put in place during the previous year. We enter 2023 with a planned new corporate identity as Vanquis Banking Group, a new secured product strategy with the launch of our second charge mortgage pilot phase and new funding optionality with the approval of the large exposure waiver. None of these achievements would be possible without the effort of colleagues across the Group and I would like to thank colleagues for all their hard work and sustained commitment to our collective ambitions. In 2023, we will continue to support our colleagues and customers during the current high inflationary environment. The Group remains well positioned to deliver long-term attractive and sustainable returns to shareholders and the Board remain confident in the outlook for our businesses."

Fourth quarter trading

- The Group continued to trade in-line with management and current market expectations¹ for FY'22 during the fourth quarter of the year. New lending during the period was strong, with credit issued and customer acquisition volumes increasing significantly year-on-year. This performance is supported by the Group's well capitalised balance sheet and access to cheaper retail deposit funding, which remains a key differentiator.
- In the Group's credit card business, receivables grew by approximately 9% during the fourth quarter and by approximately 11% for the year as a whole. Underlying demand for credit in the run up to the festive trading period was stable, with credit card spend increasing by c.2% year-on-year. New customer acquisition volumes were approximately 225k for FY'22 (FY'21: 199k). Customer delinquency also remained stable and consistent with the benign trends reported throughout FY'22.
- The Group's vehicle finance business saw receivables growth of approximately 5% during the fourth quarter and of approximately 10% for FY'22 as a whole. Credit issued increased by 19% year-on-year, reflecting its strong competitive positioning and attractive pricing policy, and the business had approximately 100k customers for the first time as of 31 December. The arrears profile also remains stable and consistent with the trends reported in the first three quarters of the year reflecting the ongoing focus on lower risk customers and near-prime products.
- The Group's personal loans business also had an excellent fourth quarter. It reached an important milestone of lending over £10m to customers in a single month, resulting in strong receivables and customer numbers growth to approximately £75m and approximately 34k respectively as of 31 December. The project to migrate Vanquis Bank branded loans onto the Group's new IT platform, Gateway, is progressing well.
- The Group continued to be underpinned by a strong, well-capitalised balance sheet during the fourth quarter and funding options were improved by the approval of the large exposure waiver by the PRA, as previously disclosed in the fourth quarter. This strong capital position and access to funding continue to be key drivers of competitive advantage for the Group.

Product offering update

Consistent with the Group's strategy of diversifying its range of products, and reducing credit risk over time as a result, the Group has launched a pilot phase for a new secured product offering of second charge mortgages. During the pilot phase, the Group will acquire existing second charge mortgage loans on a forward flow basis and will recognise the loans on its balance sheet as customer receivables. If the pilot phase is successful, the Group intends to start to originate its own flow of new loans directly to new and existing customers. Second charge mortgages have the potential to improve customer outcomes and to promote financial inclusion, consistent with the Group's purpose and mission, whilst enabling the Group to provide attractive and sustainable returns to its shareholders. Further details of the product strategy will be provided with the FY'22 results.

Group name change

In recent years, the Group has evolved how, and to which customers, it provides credit. This has resulted in credit quality across the Group improving significantly, as illustrated by the Group's current average credit risk more than halving since 2019.

During 2021, the Group's evolution continued and involved the closure of its home collected credit business, which carried the 'Provident' brand. The Group chose to focus on its credit cards, vehicle finance and personal loans operations in the mid-cost and near-prime parts of the market. Accordingly, the Group has decided to change its name to Vanquis Banking Group plc in recognition of its new and future mix of lending products and its repositioning as a specialist banking group. The change of name from Provident Financial plc to Vanquis Banking Group plc is expected to be effective in March 2023. A further announcement will be made when the name change becomes effective. The Group's stock ticker on the LSE will change to VANQ.

Outlook

The Group demonstrated strong momentum across its loan books during the fourth quarter of 2022. Notwithstanding the challenging macroeconomic backdrop, including persistently high inflation, the Group remains well positioned with strong capital and funding positions, and aided by its robust credit risk management framework. The Group anticipates publishing its FY'22 results on Friday 31 March.

¹*Current market expectations is defined as a consensus of analyst forecasts.*

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