

Financial review



"We delivered another strong financial performance in 2025, building on the momentum achieved in recent years and delivering increased returns to shareholders."

Gary Thompson
Chief Financial Officer

I am pleased to report that the Group delivered another strong financial performance in 2025, building on the momentum achieved in recent years. We continued to drive progress through the disciplined execution of our Next Gen strategy, continued improvement in our products, services and technology, and consistently high credit quality. We also strengthened our funding position, while maintaining a conservatively capitalised balance sheet that will support our future growth ambitions. Pre-exceptional profit before tax increased to £88.6m (2024: £85.2m), up £3.4m (4.0%) year on year. The full-year result includes exceptional one-off costs of £3.3m relating to the potential acquisition of the Group by Basepoint Capital LLC (2024: exceptional costs of £11.9m, comprising £6.1m of restructuring costs in Provident Europe and £5.8m of costs associated with the refinancing of the Group's Eurobond in June 2024). Statutory profit before tax was therefore £85.3m (2024: £73.3m).

Our financial model

We operate our business with clear financial and ethical disciplines, supported by a robust financial model that underpins delivery of our Next Gen strategy. This model ensures we balance the needs of all our stakeholders – customers, colleagues, regulators, shareholders and investors – while staying true to our purpose of building a better world through financial inclusion.

At its core, our model is designed to deliver attractive and sustainable returns, maintain a strong balance sheet, fund future growth and support a progressive dividend policy. It provides the foundation for disciplined, responsible decision-making, ensuring that our loans are affordable for customers while delivering appropriate returns for investors.

The key principle is to achieve a return on required equity (RoRE) of between 15% and 20%. We believe this range strikes the right balance between generating sustainable shareholder value and meeting the needs of our wider stakeholders. Returns materially above this level would indicate we are not sharing value appropriately across those we serve.

Looking ahead, our financial model is designed to support continued growth and investment in innovation, while maintaining robust capital strength. We are committed to a minimum dividend payout of 40% of post-tax earnings and to sustaining an equity-to-receivables ratio of around 40%, ensuring we fund expansion responsibly and deliver long-term value for all stakeholders.

1. Return on required equity (RoRE)

Our objective is to deliver a target RoRE of between 15% and 20%, balancing profitability with the needs of all stakeholders. In practice, 15% is a short-term target with sustainable returns of nearer 20% being the medium to longer-term target. We calculate RoRE as profit after tax divided by the average required equity of 40% of receivables. This allows us to ensure comparability between divisions and is more consistent with the financial model which assumes a 40% equity to receivables ratio. We will also disclose our return on equity (RoE) on a Group basis. We target each of our divisions to deliver a return of at least 20% to ensure that we can deliver the Group RoRE, after taking account of central costs.

The Group continued to deliver attractive returns in 2025. Consistent with our guidance, the pre-exceptional RoRE moderated to 14.9% (2024 pre-exceptional RoRE: 15.7%), reflecting the investment and acceleration in growth. The Group's reported RoE, based on actual equity, reduced to 10.7% (2024: 12.6%).

We believe each of our businesses is capable of delivering a 20% RoRE and the RoRE by division is set out below:

	2025	2024
Provident Europe	19.8%	19.9%
Provident Mexico	24.7%	24.4%
IPF Digital	8.4%	11.4%

Provident Europe and Provident Mexico continue to generate strong returns. Provident Europe delivered a RoRE of 19.8% in 2025, which was a slight year-on-year moderation due to the investment in receivables growth. We expect returns to improve as we continue to invest in rebuilding the receivables book in Poland. Provident Mexico's RoRE of 24.7%, remained above the Group's target minimum rates of 20%. IPF Digital's RoRE moderated year on year by 3.0ppts to 8.4% reflecting continued investment to support the division's very strong growth. We expect returns to moderate in 2026 as we invest to build scale before returning to the Group's target returns of between 15% to 20% in 2027.

Delivery of RoRE is supported by our ongoing focus on revenue yield, impairment rate and the cost-income ratio (see Key performance indicators on page 22).

2. Distribution of earnings

Delivery of a RoRE of around 15% supports a dividend payout of at least 40% of post-tax earnings, consistent with our progressive dividend policy. In 2025, the Board has recommended a dividend payout of 49% of post-tax earnings, providing a balanced return to shareholders while maintaining flexibility to reinvest for growth as we continue to expand the business.

3. Receivables growth

Our financial model enables us to fund receivables growth in the following year of up to 10% while maintaining our capital ratio. If we grow in excess of 10% we will utilise any additional capital resources over our target capital base. In 2025, receivables increased by a strong 13.9% (2024: 6.8%), reflecting continued customer lending growth across all divisions.

4. Equity-to-receivables ratio

We continue to target a 40% equity-to-receivables ratio, which we believe represents an appropriate balance between efficient use of capital to innovate and grow, while offering security for more challenging periods. At the 2025 year end, the Group's equity-to-receivables ratio was 51% (2024: 54%). Our strong capital position supports the Group's ambitious growth plans and progressive dividend policy through to the point at which we are delivering our target returns and operating in line with our financial model which we expect to be in 2028.

Taxation

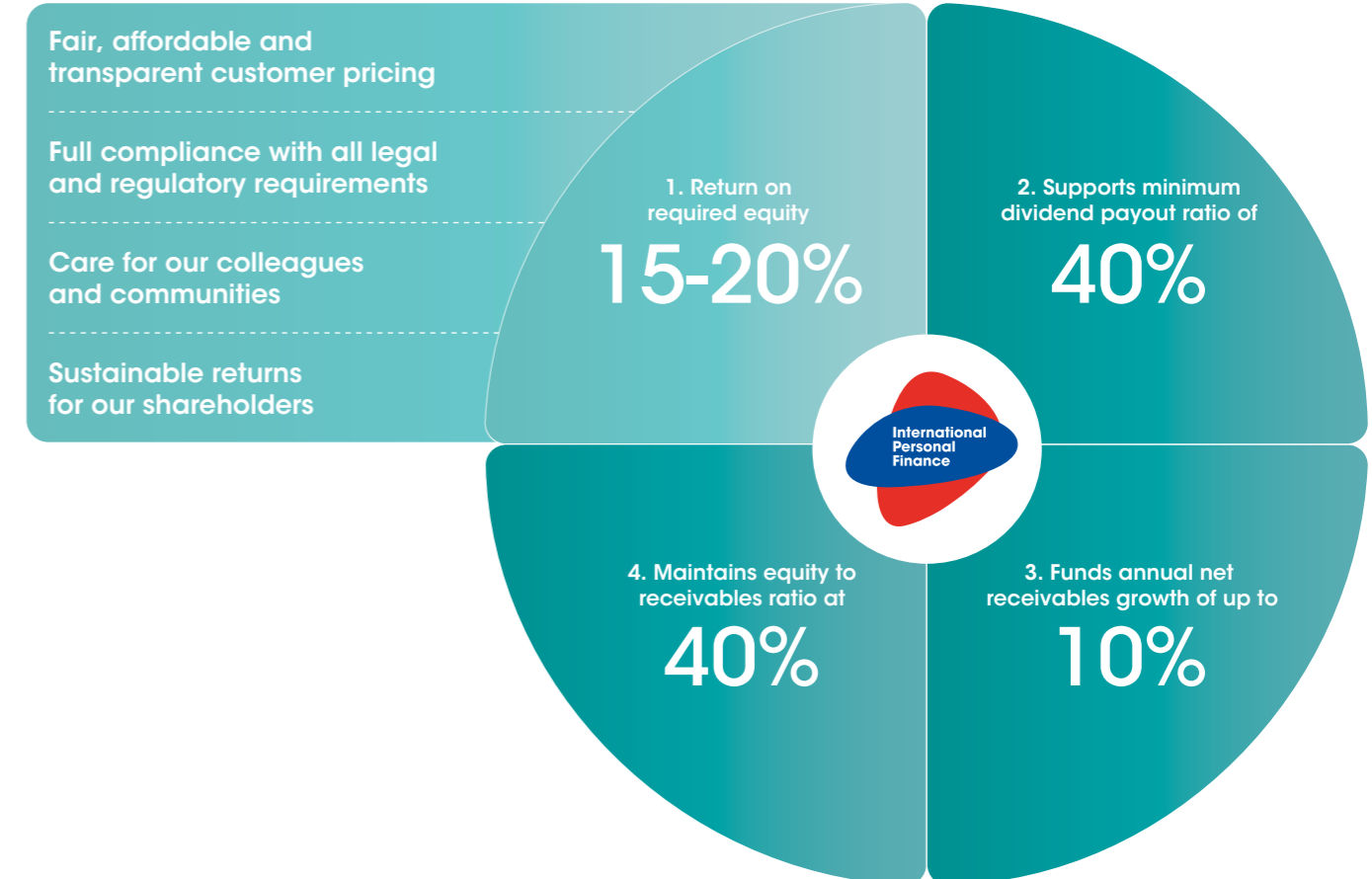
The pre-exceptional tax charge on the profit for 2025 is £31.1m, which represents an effective tax rate of approximately 35% (2024: 35%).

There was no tax credit in respect of the exceptional costs of £3.3m in 2025. The 2024 results reflected an exceptional tax credit of £17.4m comprising: (i) a £15.2m tax credit following reinstatement of amounts previously paid to HMRC in respect of the Group's financing company arrangements following a favourable judgement by the European Court of Justice – the monies in respect of this matter were repaid to the Group by HMRC during 2025; and (ii) a tax credit of £2.2m in respect of the costs incurred on the refinancing of the Group's Eurobond and restructuring of the Provident Poland business in 2024.

Earnings per share (EPS)

Pre-exceptional earnings per share increased by 5.6% year on year to 26.3p (2024: 24.9p), higher than the 4.0% growth in profit before tax, reflecting the reduction in shares in issue following the share buyback in the second half of 2024. Reported earnings per share reduced by 9.2% to 24.8p (2024: 27.3p), as 2024 included an exceptional tax credit of £17.4m.

Our financial model



Dividend

Based on the Group's capital strength and the Board's confidence in our outlook, we are pleased to declare a 12.5% increase in the proposed final dividend to 9.0 pence per share (2024: 8.0p), in line with the Group's progressive dividend policy. Together with the 2025 interim dividend of 3.8 pence per share (2024: 3.4p), the total dividend for 2025 has increased by 12.3%. The final dividend will be paid on 8 May 2026 to shareholders on the register at the close of business on 27 March 2026. The shares will be marked ex-dividend on 26 March 2026.

Balance sheet, treasury risk management and funding

We maintained a conservatively capitalised balance sheet and a strong funding position throughout 2025.

At the end of December, the Group's equity-to-receivables ratio was 51% (2024: 54%), compared with our target of 40%. The reduction in the ratio reflects the growth in receivables during 2025 partly offset by a foreign exchange gain of £47m taken to reserves as the majority of our currencies strengthened against sterling.

The Group's gearing ratio was 1.2 times (2024: 1.2 times) at the end of December 2025 and is comfortably within our covenant limit of 3.75 times. Our interest cover covenant was 2.6 times (2024: 2.6 times) and, again, is well within our covenant limit of 2.0 times.

Group net receivables increased by 14% at CER to £1,061.3m, with growth delivered by all three divisions. The average period of receivables outstanding at the end of 2025 was 13.1 months (2024: 13.5 months) with 73% of year-end receivables due within one year (2024: 72%). The gross contractual cashflows supporting the receivables valuation amounted to £1.9bn at the end of 2025 (2024: £1.7bn).

The business has a strong track record of cash generation, even during adverse market and regulatory conditions. During the outbreak of Covid-19 in 2020, the business restricted lending to customers and had a strong focus on customer repayments. Due to the short-term nature of the receivables book, this action generated cash from operating activities of £330m, which enabled the Group to reduce borrowings by £184m and increase cash by £80m. In addition, when a decision has been taken to withdraw from a territory due to inadequate returns being available (e.g. Slovakia in Provident Europe in 2015 and Finland in IPF Digital in 2020), we have demonstrated that the collect-out takes around two to three years and the cash recoveries (net of any costs) have typically been close to the value of the net receivables from the time of the decision to cease the operations. This represents 1.7 times to 2.0 times the value of the debt funding supporting those receivables.

The strong cash generation of the Group has again been highlighted in 2025. With receivables growth of 14% in 2025, the Group generated cash from operating activities of £70m (2024: £114m).

Treasury risk management

The Group has Board-approved policies to address the key treasury risks that the business faces – funding and liquidity risk, financial market risk (currency and interest rate risk) and counterparty risk. The policies are designed to provide robust risk management, even in more volatile financial markets and economic conditions within our planning horizon.

Compliance with these policies is monitored monthly by the Treasury Committee chaired by the Chief Financial Officer, and the Board receives a comprehensive funding and liquidity overview through monthly reporting. Funding and liquidity of the Group are managed centrally by the Group Treasurer and experienced treasury personnel.

The Group sets cash management controls for operating markets that are subject to independent annual testing. Our funding policy requires us to maintain a resilient funding position for our existing business and for future growth.

We aim to maintain a prudent level of headroom on undrawn bank facilities. Our currency policy addresses economic currency exposures and requires us to fund our receivables portfolios with local currency borrowings (directly or indirectly) to achieve a high level of balance sheet hedging. We do not hedge the translational risk of foreign currency movements on accounting profits and losses. Our interest rate policy requires us to hedge interest rate risk in each currency to a relatively high level. Our counterparty policy requires exposures to financial counterparties to be limited to BBB-rated entities as a minimum except as approved, or delegated for approval, by the Board. In addition to these policies, our operational procedures and controls ensure that funds are available in the right currency at the right time to serve our customers throughout the Group.

The currency structure of our debt facilities broadly matches the asset and cash flow profile of our business. We have multiple local currency bank facilities, and our main €341m Eurobond provides direct funding to our markets using the euro currency and to markets using other currencies via foreign exchange transactions. For this reason, we do not expect fluctuations in the value of sterling to have a major impact on our funding position.

Debt funding is provided through a diversified debt portfolio with acceptable terms and conditions. We have wholesale and retail bonds denominated in euro, sterling, Polish zloty and Swedish krona, with varying maturities, together with facilities from a group of 17 banks that have a good strategic and geographic fit with our business. The Group's debt is senior unsecured debt, with all lenders substantially in the same structural position. We maintain our Euro Medium Term Note programme as the platform for bond issuance across a range of currencies.

Funding

As at 31 December 2025, the Group held total debt facilities of £750m, comprising £483m in bonds and £267m in bank funding, including £55m of new bank facilities arranged during the year. Net borrowings at the end of 2025 totalled £621m and headroom, consisting of undrawn facilities and non-operational cash balances, amounted to £129m.

In March 2025, we repaid at par and subsequently delisted the remaining €66.7m of our 2020 Eurobond. The strong secondary market performance of our €341m 2029 Eurobond and 2027 retail sterling bond reflected continued investor confidence in our business and, as such, we took the opportunity in the second half of the year to successfully secure SEK 1bn (c.£80m) senior unsecured floating rate notes due 2028 at an issue price of 100 per cent. The notes carry a floating interest rate of three-month STIBOR plus 5.75% and have been admitted to trading on the Frankfurt Open Market (Freiverkehr).

Maturity profile of debt facilities

	Maturity	£m
Polish bond	November 2026	15.0
Hungarian bond	December 2026	10.1
Sterling bond	December 2027	80.0
SEK bond	November 2028	80.7
Eurobond	December 2029	297.3
Total bonds		483.1
Bank facilities	2026 to 2029	266.7
Total debt facilities		749.8
Total borrowings		624.6
Headroom against debt facilities		125.2
Non-operational cash balances		3.5
Headroom and non-operational cash balances		128.7

Our blended cost of funding reduced steadily and was 12.2% at the end of December 2025 (2024: 13.3%) due to the reduction in interest rates across our markets as well as lower costs of hedging as interest differentials narrowed.

	2025 £m	2024 £m
Bond costs	46.4	47.5
Bank funding cost	12.6	6.3
Hedging costs	7.2	11.0
Other	5.1	5.6
Total interest	71.3	70.4
Average gross borrowings	586.0	529.3
Cost of funding %	12.2%	13.3%

Both Fitch Ratings and Moody's Ratings reviewed the Group's long-term credit ratings in the first half of the year and reaffirmed their previous assessments. Fitch maintained its rating at BB with a Stable outlook, while Moody's confirmed its Ba3 rating, also with a Stable outlook.

As a result of maintaining a strong financial profile, we operate with adequate headroom on the key financial covenants in our debt facilities, as set out in the table below:

	Covenant	2025	2024
Gearing ¹	Max 3.75 x	1.2x	1.2x
Interest cover	Min 2x	2.6x	2.6x

1. Borrowings adjusted for lease liabilities, unamortised arrangement fees and issue discount. Net assets adjusted for pension assets and derivative financial instruments, in accordance with the debt funding covenant definitions.

Foreign exchange on reserves

The majority of the Group's net assets are denominated in our operating currencies, therefore the sterling value fluctuates with changes in currency exchange rates.

In accordance with accounting standards, we have restated the opening foreign currency net assets at the year-end exchange rate and this resulted in a £47m (2024: £57m) foreign exchange movement, which has been credited (2024: debited) to the foreign exchange reserve.

Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's financial forecasts and its principal risks (with particular reference to funding, liquidity and regulatory risks). The forecasts have been prepared for the two years to 31 December 2027 and include projected profit and loss, balance sheet, cashflows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the Group's performance, and in particular the evolution of customer lending and repayments cash flows as well as management's best assumption regarding the renewal/extension of maturing financing facilities.

The financial forecasts have been stress tested in a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to funding, liquidity and regulatory risks). Consideration has also been given to multiple risks crystallising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, we examined a reverse stress test on the financial forecasts to assess the extent to which a recession would need to impact our operational performance in order to breach a covenant. This showed that net revenue would need to deteriorate significantly from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent.

At 31 December 2025, the Group had £129m of non-operational cash and headroom against its debt facilities (comprising a range of bonds and bank facilities), which have a weighted average maturity of 2.6 years. Total debt facilities as at 31 December 2025 amounted to £750m of which £97m (excluding £47m of uncommitted loans, which do not require extension) is due for renewal over the following 12 months. A combination of these debt facilities, the embedded business flexibility in respect of cash generation and a successful track record of accessing funding from debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are expected to meet the Group's funding requirements for the foreseeable future (12 months from the date of approval of this report). Taking these factors into account, together with regulatory risk set out on page 37 of the 2025 Annual Report and Financial Statements, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing the 2025 Annual Report and Financial Statements.

Gary Thompson
Chief Financial Officer

25 February 2026