Pillar 3 Disclosures
for the year ended
31 December 2024

Contents

Abbreviations

ASA – Alternative standardised approach

AT1 – Additional Tier 1

Bank – Vanquis Bank Limited

BCBS – Basel Committee on Banking Supervision

CCR – Counterparty credit risk

CET1 – Common Equity Tier 1

Company – Vanquis Banking Group plc

CRD – Capital Requirements Directive

CRR – Capital Requirements Regulation

C-SREP – Capital supervisory review and evaluation process

CVA – Credit valuation adjustment

EU – European Union

FCA – Financial Conduct Authority

Group – Vanquis Banking Group plc and its subsidiaries

HQLA – High-quality liquid assets

ICAAP – Internal capital adequacy assessment process

ILAAP – Internal liquidity adequacy assessment process

LREQ – Leverage ratio requirements

NSFR – Net stable funding ratio

PRA – Prudential Regulation Authority

RMF – Risk Management and Internal Control Framework

RWEA – Risk-weighted exposure amount

SA – Standardised approach

T2 – Tier 2

VBG – Vanquis Banking Group plc

VBL – Vanquis Bank Limited

1 Introduction

This document sets out the consolidated Vanquis Banking Group plc (the Company) Pillar 3 disclosures (together with its subsidiaries the Group) at 31 December 2024 in accordance with the requirements of the UK Capital Requirements Regulation (CRR).

1.1 The Group

On 31 December 2024, the Group had two principal trading entities – Vanquis Bank Limited (the Bank) and Moneybarn No.1 Limited (Moneybarn).

The core products of the Group comprise:

– Credit Cards – via the Vanquis brand;

– Vehicle Finance – via the Moneybarn brand;

– Second Charge Mortgages – via forward flow agreements with Interbridge Mortgages and Selina Finance;

– savings – fixed-term products, notice accounts, cash ISAs and easy-access accounts; and

– budgeting and money management – via Snoop.

The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). The PRA sets requirements for the Bank relating to capital and liquidity adequacy and large exposures.

The Group, incorporating the Bank and Moneybarn, is the subject of consolidated supervision by the PRA by virtue of Vanquis Banking Group plc being the parent company of the Bank. The PRA sets requirements for the consolidated Group in respect of capital and liquidity adequacy and large exposures. Moneybarn is regulated by the FCA.

1.2 Disclosure framework

The Group is regulated for prudential capital purposes under the Basel 3 regime, the international regime governing capital maintenance in banks, which is supervised by the Basel Committee on Banking Supervision (BCBS). In the UK, this regime is enforced through the PRA Rulebook (the Rulebook), following the implementation of the Financial Services Act 2021 on 1 January 2022. Formerly these rules were applied on a European Union (EU) basis through the fourth Capital Requirements Directive (CRD IV) and the first Capital Requirements Regulation (CRR) (Regulation 575/2013). Certain aspects of this EU legislation remain applicable in the UK.

The framework consists of three 'pillars,' as summarised below:

– **Pillar 1** is the calculation of minimum regulatory capital requirements that firms are required to hold against risk, the most significant elements for the Group being credit risk and operational risk.

– **Pillar 2** aims to enhance the link between an institution's risk profile, its risk management and risk mitigation systems, and its capital planning. The Group performs an internal capital adequacy assessment process (ICAAP) on at least an annual basis to assess the risk management processes in place and whether additional regulatory capital over and above Pillar 1 should be held based on the risks faced by the Group. The amount of any proposed additional capital requirement is also assessed by the PRA during its capital supervisory review and evaluation process (C-SREP), which also aims to ensure that institutions have adequate arrangements, strategies, processes and mechanisms and capital and liquidity to ensure sound management and coverage of their risks.

– **Pillar 3** complements Pillars 1 and 2 and aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess key pieces of information on a firm's capital, risk exposures, risk management processes, leverage and remuneration.

Disclosures were updated for 2022 following the onshoring of the CRR into the PRA Rulebook as a result of the UK's departure from the EU and the updates made in the version of the CRR by the EU before it became UK law. These included an increased level of prescription in the level, structure and format of the disclosures to be provided, including the introduction of a suite of templates covering all Pillar 3 disclosure matters.

The Group has adopted the standardised approach (SA) for credit risk and the alternative standardised approach (ASA) for operational risk.

1.3 Pillar 3 Disclosure Policy

The Group's approved Pillar 3 Disclosure Policy is as follows:

The Company's Pillar 3 disclosures cover the Group as a whole, comprising the Company and all its subsidiary undertakings. They are therefore prepared on the same basis as the Group's consolidated accounts. References to the Group in this document therefore include the Group's banking subsidiary, Vanquis Bank Limited.

Pillar 3 disclosures will be made on an annual basis using the Group's financial year-end date of 31 December. The disclosures will be published in line with the publication of the Group's Annual Report and financial statements (the Annual Report). More frequent disclosures will be made if there is a material change in the nature of the Group's risk profile during any particular year.

These Pillar 3 disclosures will be published on the Group's corporate website, www.vanquisbankinggroup.com, alongside other disclosures made in the Annual Report, which is published in the same location. Both documents are published on the website at approximately the same time, in accordance with the requirement in Article 433 of the Rulebook.

The Company's Disclosure Policy for Pillar 3 is based on the interpretation of the requirements of the Disclosure (CRR) part of the Rulebook.

1.3 Pillar 3 Disclosure Policy continued

In Consultation Paper (CP) 4/23 "The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms" (subsequently known as Small Domestic Deposit Takers (SDDTs)), the PRA proposed new Pillar 3 disclosure requirements for SDDTs. the CP proposed to introduce a Pillar 3 requirement to disclose the UK OV1 and UK KM1 templates – the Group's disclosures prior to 31 December 2024 already complied with this requirement. PS15/23 – The Strong and Simple Framework: Scope Criteria, Liquidity and Disclosure Requirements confirmed the disclosure requirements applicable to SDDTs.

Having assessed that the Group and the Bank qualified for SDDT status, the Group and Bank applied for SDDT classification in early 2024, which was confirmed by the PRA in March 2024. The Group's disclosure requirements are therefore set out in Article 433b of the Rulebook. This requires that the Group produces an annual Pillar 3 Report and discloses key metrics on a half yearly basis.

There are certain disclosures that are only required by the Rulebook where an institution is large or an LREQ firm, as defined by the PRA Rulebook. The Group's balance sheet size is too small to be classified as large or to fall within the LREQ rules on leverage. Therefore, these have not been presented for the Group.

The level of disclosure on remuneration matters is subject to proportionality rules set out in PRA SS2/17 'Remuneration' (updated December 2023). Institutions are divided between level one, level two or level three based on their total assets, which determines the amount of detail required in these disclosures. The Group is a proportionality level three bank as its average total assets do not exceed £20bn. A number of templates in the PRA Rulebook apply only to proportionality level one or two banks and therefore are not applicable to the Group.

1.4 Basis and scope of disclosures

This document has been prepared and should be read in conjunction with the Annual Report for the year ended 31 December 2024. The results of Vanquis Banking Group plc and all subsidiary undertakings have been included in the Pillar 3 disclosures and there are no differences between the basis of consolidation for accounting and prudential purposes. These disclosures have been subject to internal verification and have been reviewed by the Risk Committee. These disclosures have not been externally audited and do not constitute any part of the Group's financial statements; however, some of the information within the disclosures also appears in the Annual Report.

Article 432 of the CRR states that institutions may omit one or more of the Pillar 3 disclosures if the information is not regarded as material. Information in disclosures shall be regarded as not material if the Group does not expect that its omission or misstatement would change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. No disclosures required by Article 433b have been omitted on the grounds of materiality from this document.

These disclosures have been compiled on the most appropriate basis for this purpose and following the instructions on calculation and classification given in the Rulebook and therefore may not agree directly with disclosures addressing similar matters presented in the Annual Report.

1.5 Approval of disclosures

The Group's Pillar 3 disclosures have been reviewed and approved by the Group Risk Committee on behalf of the Board. Separately, the remuneration disclosures detailed in this document have been reviewed and approved by the Group Remuneration Committee on behalf of the Board.

The Risk Committee considered the disclosures document in light of (i) the Annual Report; (ii) the ICAAP and its input; (iii) the internal liquidity adequacy assessment process (ILAAP) and its input; and (iv) its overall understanding of the Group's risk profile.

The Annual Report includes audited and unaudited disclosures addressing the Group's risk exposure, mitigation and appetites referred to in this document. In approving the Annual Report, the directors consider the appropriateness of those disclosures and the overall adequacy of the Risk Management and Internal Control Framework.

The Group went through its annual ICAAP during the year. The ICAAP was prepared under the direction of executive management, with appropriate input and challenge from other areas of the business. The ICAAP was reviewed and challenged by the Group's Risk Committee and was formally approved by the Board in June 2024. The Group completes an updated ICAAP on at least an annual basis.

The PRA periodically conducts reviews of the Group's capital requirements (based on the annual ICAAP) through the capital supervisory review and evaluation process (C-SREP). The last C-SREP concluded in early 2023, after which the Group's total SREP own funds requirement as reported in the UK KM1 table was set at 11.9%. Including the current regulatory combined buffers of 4.5% (capital conservation buffer of 2.5% and countercyclical buffer of 2.0%), the Group's overall capital requirement is 16.4%.

2 Key metrics and overview of risk-weighted exposure amounts

This section sets out the Group's total risk-weighted exposure amount (RWEA) and its key capital and liquidity metrics.

2.1 UK OV1 – Overview of risk-weighted exposure amounts

31 December £m		Risk-weighted exposure amounts (RWEAs) a 2024	b 2023[1]	Total own funds requirements c 2024
1	**Credit risk (excluding CCR)**	**1,696.8**	1,833.0	**135.7**
2	Of which the standardised approach	**1,696.8**	1,833.0	**135.7**
3	Of which the foundation IRB (FIRB) approach	–	–	–
4	Of which the slotting approach	–	–	–
UK 4a	Of which equities under the simple risk-weighted approach	–	–	–
5	Of which the advanced IRB (AIRB) approach	–	–	–
6	**Counterparty credit risk (CCR)**	**3.8**	10.6	**0.3**
7	Of which the standardised approach	**2.4**	5.3	**0.2**
8	Of which internal model method (IMM)	–	–	–
UK 8a	Of which exposures to a CCP	–	–	–
UK 8b	Of which credit valuation adjustment (CVA)	**1.4**	5.3	**0.1**
9	Of which other CCR	–	–	–
10	Empty set in the UK	–	–	–
11	Empty set in the UK	–	–	–
12	Empty set in the UK	–	–	–
13	Empty set in the UK	–	–	–
14	Empty set in the UK	–	–	–
15	**Settlement risk**	–	–	–
16	**Securitisation exposures in the non-trading book (after the cap)**	–	–	–
17	Of which the SEC-IRBA approach	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which the SEC-SA approach	–	–	–
UK 19a	Of which 1,250%/deduction	–	–	–
20	**Position, foreign exchange and commodities risks (market risk)**	–	–	–
21	Of which the standardised approach	–	–	–
22	Of which IMA	–	–	–
UK 22a	**Large exposures**	–	–	–
23	**Operational risk**	**134.2**	132.0	**10.7**
UK 23a	Of which the basic indicator approach	–	–	–
UK 23b	Of which the standardised approach	**134.2**	132.0	**10.7**
UK 23c	Of which the advanced measurement approach	–	–	–
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)**	**46.5**	50.6	**3.7**
25	Empty set in the UK	–	–	–
26	Empty set in the UK	–	–	–
27	Empty set in the UK	–	–	–
28	Empty set in the UK	–	–	–
29	**Total**	1,834.8	1,975.6	146.7

1 In 2024, as part of the Group's review into Vehicle Finance Stage 3 assets, it was identified that cash flows expected to be received from contracts projected to be received from customers identified for debt sale were being included beyond the expected sale date in addition to the cash flows from the debt sale. This led to a lower ECL provision being recognised. As a result, management considered that a prior period restatement was appropriate and has retrospectively restated its results as set out in the Group's Annual Report. The 31 December 2023 comparative has been restated to show the RWEA on the same basis. There is no change to the liquidity metrics as a result of the restatement.

2.2 UK KM1 – Key metrics template

		a	c	e
£m		**31 Dec 24**	30 Jun 24	31 Dec 23[4]
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	**344.3**	359.2	393.4
2	Tier 1 capital	**344.3**	359.2	393.4
3	Total capital	**544.3**	359.2	393.4
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	**1,834.8**	1,813.4	1,975.6
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	**18.8**	19.8	19.9
6	Tier 1 ratio (%)	**18.8**	19.8	19.9
7	Total capital ratio (%)	**29.7**	30.8	30.0
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	**2.2**	2.2	5.8
UK 7b	Additional AT1 SREP requirements (%)	**0.7**	0.7	1.9
UK 7c	Additional T2 SREP requirements (%)	**1.0**	1.0	2.6
UK 7d	Total SREP own funds requirements (%)	**11.9**	11.9	18.3
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	**2.5**	2.5	2.5
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a member state (%)	**–**	–	–
9	Institution specific countercyclical capital buffer (%)	**2.0**	2.0	2.0
UK 9a	Systemic risk buffer (%)	**–**	–	–
10	Global systemically important Institution buffer (%)	**–**	–	–
UK 10a	Other systemically important Institution buffer	**–**	–	–
11	Combined buffer requirement (%)	**4.5**	4.5	4.5
UK 11a	Overall capital requirements (%)	**16.4**	16.4	16.4
12	CET1 available after meeting the total SREP own funds requirements (%)	**12.1**	13.1	13.2
	Leverage ratio			
13	Total exposure measure excluding claims on central banks	**2,482.6**	2,338.9	2,474.2
14	Leverage ratio excluding claims on central banks (%)	**13.9**	15.4	15.9
	Additional leverage ratio disclosure requirements[1]			
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**n/a**	n/a	n/a
14b	Leverage ratio including claims on central banks (%)	**n/a**	n/a	n/a
14c	Average leverage ratio excluding claims on central banks (%)	**n/a**	n/a	n/a
14d	Average leverage ratio including claims on central banks (%)	**n/a**	n/a	n/a
14e	Countercyclical leverage ratio buffer (%)	**n/a**	n/a	n/a

2.2 UK KM1 – Key metrics template continued

		a	c	e
£m		31 Dec 24	30 Jun 24	31 Dec 23[4]
	Liquidity coverage ratio			
15	Total high-quality liquid assets (HQLA) (weighted value - average)	**802.0**	642.1	512.0
UK 16a	Cash outflows – total weighted value	**194.8**	155.4	154.9
UK 16b	Cash inflows – total weighted value	**78.3**	80.3	80.3
16	Total net cash outflows (adjusted value)	**116.4**	74.7	74.7
17	Liquidity coverage ratio (%)[2]	**1,001.2**	1,085.9	847.1
	Net stable funding ratio[3]			
18	Total available stable funding	–	–	2,611.7
19	Total required stable funding	–	–	1,828.1
20	NSFR ratio (%)	–	–	142.8

In line with the UK KM1 template instructions the disclosure of data for previous periods is not required when data is disclosed for the first time. This is a PRA fixed format template; therefore, cells not required have been left blank or indicated as not applicable.

1 In line with the UK KM1 template instructions only LREQ firms shall disclose values in rows 14a to 14e.

2 These measures are based on a 12-month rolling average of month-end positions; therefore, it cannot be directly calculated from the values given above.

3 In March 2024, the Group received confirmation that it is now a Small Domestic Deposit Taker consolidation entity. As a result, the Group is not required to report the NSFR from the 30 June 2024 reporting date onwards – no average metric is therefore provided at 30 June or 31 December 2024. Previous measures are based on a four-quarter rolling average of quarter-end positions.

4 In the current year, as part of the Group's review into Vehicle Finance Stage 3 assets, it was identified that cash flows expected to be received from contracts projected to be received from customers identified for debt sale were being included beyond the expected sale date in addition to the cash flows from the debt sale. This led to a lower ECL provision being recognised. As a result, management considered that a prior period restatement was appropriate and has retrospectively restated its results as set out in the Group's Annual Report. The 31 December 2023 comparative has been restated to show the key metrics on the same basis. There is no change to the liquidity metrics as a result of the restatement.

The Group has no Additional Tier 1 capital and as such there is no difference between the CET1 capital ratio and the Tier 1 capital ratio. A reconciliation between regulatory own funds to the balance sheet in the audited financial statements is not required by Article 433b; however, a reconciliation is set out in the financial and capital risk management section of the Annual Report.

Under Annex II to the Disclosure (CRR) part of the Rulebook, information on the result of the Group's internal capital adequacy assessment process (Article 438(a) CRR) shall only be disclosed by institutions when required by the relevant competent authority. This has not been requested from the Group.

3 Risk management

Risk management is recognised as an integral component of good management and governance. In the context of the Group, it is critical to enable the Group to minimise losses while maximising business opportunities and positive outcomes for all key stakeholders including shareholders, customers, colleagues, and regulators.

The Group Risk Management and Internal Control Framework (RMF) plays a significant role in supporting the Group in implementing an integrated business strategy as well as collaboration of activities. The framework is based around an 'enterprise' approach enabling a 'single view of all risks and managing those risks in a consistent way up, down and across the enterprise' (as defined by the Institute of Risk Management). The Group RMF allows:

- risk to play a central and value-added role in the context of business strategy;
- greater focus on critical and strategic risks;
- entity-wide risk management;
- improved identification and definition of risk responsibilities;
- monitoring, measuring and calibration of risk in the context of risk appetite; and
- trade-off between upside and downside risk as well as uncertainty.

A comprehensive overview of the Group's risk management objectives, policies and governance arrangements is set out in the Governance section of the Annual Report. Replication of this disclosure has not been included in this document. The Group's Annual Report is published on the Group's corporate website, www.vanquisbankinggroup.com. The Pillar 3 document and the Annual Report are included in the same directory of the website and thus are considered to be delivered in the same medium.

4 Remuneration policies and practices

The Group is required to prepare Remuneration Code Pillar 3 disclosures in addition to the regulatory capital disclosures. These disclosures are set out below.

Introduction

The following disclosure is made in accordance with the requirements of Article 450 of the Capital Requirements Regulation (CRR) and provides information regarding the remuneration policies and practices for staff identified in accordance with the PRA Rulebook and fifth iteration of the Capital Requirements Directive (CRD V) which collectively establishes qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on the firm's risk profile.

4.1 UK REMA – Remuneration Policy

Governance

The Board of directors of Vanquis Banking Group plc (VBG) has delegated the responsibility for oversight of VBG's Remuneration Policy and the remuneration decision making process to its Remuneration Committee (RemCo).

The RemCo is comprised of three wholly independent non-executive directors, including the RemCo Chair. The RemCo meets at least three times a year. The terms of reference for the RemCo have been approved by the VBG Board of directors. The RemCo's mandate is to:

1. determine the Remuneration Policy in relation to fixed and variable pay for all employees (including executive directors, senior management function holders, material risk takers and control function staff);
2. provide oversight for the design and implementation of the Group's Remuneration Policy, which is subject to annual review by the committees as well as an annual review by Internal Audit;
3. ensure that remuneration outcomes appropriately reflect long-term performance and support effective risk management;
4. determine which employees are material risk takers (Group Code Staff) for the purposes of the Remuneration Code. VBG operates criteria aligned to the PRA Rulebook and CRD V criteria:
   i. Group executive directors and non-executive directors;
   ii. members of the Group's Executive Committee;
5. heads of EBA-identified functions and identified control function senior managers; and
6. selected roles which have a significant influence on the Group's risk profile including selected control functions;
7. determine levels of fixed and variable pay for individual Group Code Staff and control functions;
8. oversee the setting of bonus pools and the application of any ex-ante or ex-post risk adjustments;
9. ensure that its decisions are consistent with an assessment of VBG's financial condition, future prospects and shareholder outcomes; and
10. monitor that VBG's remuneration policies and practices remain fully compliant with the requirements of the PRA/FCA's Remuneration Code (CRD V) and EBA remuneration requirements.

The RemCo's remit covers VBG's dual regulated banking division, Vanquis Bank Ltd (VBL).

The Directors' Remuneration Report, which can be found in the 2024 Annual Report and Accounts, provides more information about the RemCo and the pay policy for VBG Group directors.

Since June 2020, the RemCo has received advice on regulatory matters and executive remuneration from PricewaterhouseCoopers LLP (PwC), assisting in the determination of the Remuneration Policy.

Link between pay and performance

As a performance-driven organisation, VBG's Remuneration Policy ensures that the appropriate elements of fixed and variable reward are applicable to all roles across the Group. Variable remuneration for all annual bonus eligible colleagues is determined by an independently assessed balanced scorecard of financial, non-financial and risk objectives.

VBG operates a rigorous performance appraisal process that includes assessment of both delivery and behaviour objectives, ensuring positive risk culture and risk management outcomes are underpinned by remuneration outcomes. As a PRA/FCA level three firm, the Group has the ability to disapply the use of deferral and instruments in variable pay; however, subject to affordability, Group Code Staff will receive a portion of variable remuneration in long-term incentives, using deferred restricted stock (Restricted Share Plan – RSP), to ensure a value at risk and the alignment of interests with shareholders. The RSP is not subject to formal performance criteria to qualify for vesting; however, the RemCo performs a qualitative performance underpin review to ensure the vesting of awards is consistent with key performance considerations and the shareholder outcomes. The Directors' Remuneration Report, which can be found in the 2024 Annual Report and Accounts, provides more information on the deferred RSP.

VBG operates an independent variable pay risk adjustment assessments both during the review of bonus funding and at the point of vesting of any deferred awards. These assessments form part of the Group's Variable Pay Risk Adjustment Framework which maintains the integrity between effective risk management outcomes and executive pay awards. These assessments consider whether variable pay funding should be reduced, or granted awards reduced or recouped, based on the profile of risk control and risk events experienced over the performance period the variable pay relates to. The Group's malus and clawback policy, which is applicable to the Group, operates in conjunction with these assessments and ensures that the Company has a legal capability to enforce the reduction or repayment of historical awards. Control functions are managed independently from the business units

4.1 UK REMA – Remuneration Policy continued

Link between pay and performance continued

they oversee, and while the business area may provide feedback on performance as part of the normal performance management process, variable pay outcomes are weighted towards non-financial and individual performance objectives. Control functions are also responsible for the Group Code Staff identification criteria and annually reviews the Group Remuneration Policy.

Both fixed and variable remuneration for Group Code Staff across VBG are reviewed annually to ensure levels of reward are aligned with long-term business performance measures (including non-financial measures aligned to drive the right behaviours within the Group including Company values, compliance, ethics, behaviour towards customers and risk management). The review takes into account individual performance and market competitiveness.

The RemCo maintains a malus and clawback policy applicable to all Group Code Staff consistent with FCA and PRA rulebook expectations.

4.2 UK REM1 – Remuneration awarded for the financial year

The following table sets out aggregate quantitative information on remuneration of Group Code Staff. Rows 1–16 of the UK REMA table only apply to proportionality level 1 or 2 banks and therefore have not been presented.

		a	b	c	d
£m		MB1 supervisory function	MB1 management function	Other senior management	Other identified staff
17	**Total remuneration**	2.48	3.76	2.68	0.52

1 MB refers to the management body; in the Group's case, its Board of directors.

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