PFG

Pillar 3 Disclosures

Provident Financial plc

31 December 2020

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1. Introduction

1.1 Overview

This document sets out the consolidated Provident Financial plc Pillar 3 disclosures on capital and risk management and remuneration at 31 December 2020 in accordance with the requirements of the Capital Requirements Directive and Regulation (CRD) and Capital Requirements Regulation (CRR). This document should be read in conjunction with the Provident Financial plc Annual Report and Financial Statements (Annual Report) for the year ended 31 December 2020.

At 31 December 2020 the Provident Financial Group (the Group) comprised three principal trading divisions:

- Vanquis Bank, which provides credit cards to the non-standard UK consumer credit market and accepts retail deposits;
- Moneybarn, which provides vehicle finance in the UK; and
- Consumer Credit Division (CCD), which provides home credit and online lending to the non-standard UK consumer credit market.

Vanquis 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 Vanquis Bank relating to capital and liquidity adequacy and large exposures.

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

1.2 Basis, policy and frequency of disclosures

This disclosure document has been prepared for the Group in accordance with the rules laid out in Article 13 of the CRR. The results of Provident Financial 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.

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. Any disclosures omitted on the grounds of materiality have been identified as such in the body of the document.

The Group's approved Pillar 3 disclosure policy is as follows:

Pillar 3 disclosures will be made on an annual basis using the Group's year-end date of 31 December. The disclosures will be published in line with the publication of the Group's 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.providentfinancial.com.

There are a number of required Pillar 3 disclosures which are set out separately in the Group's Annual Report. Such disclosures are referenced as appropriate in this document.

These disclosures have been subject to internal verification and have been reviewed by the Board of Provident Financial plc. 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.

1.3 Prior year restatement of the Group's financial statements

The annual report sets out details of a prior year restatement in respect of Moneybarn receivables from customers (refer to accounting policies for the detail).

For the avoidance of doubt, no restatement of prior year comparatives in respect of capital and risk weighted exposures has been made in the disclosures in this document, which are in line with those set out in the 31 December 2019 Pillar 3 disclosures and form the basis on which the regulatory capital position was calculated at that point in time. The accounting receivables disclosed in this document are restated to be consistent with the annual report.

1.4 Development in disclosures

The Group's Pillar 3 disclosures have been prepared considering new regulations and market practice.

This Pillar 3 report presents similar disclosures to those published for the financial year ended 31 December 2019.

1.5 Summary of key capital ratios

The following table sets out the key regulatory capital metrics on an IFRS 9 transitional basis and on a fully loaded basis (as if IFRS 9 transitional arrangements had not been applied), as at 31 December.

31 December	2020 £m	2019 £m
Available capital		
Common Equity Tier 1 (CET1) capital	674.8	697.2
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	471.8	513.6
Tier 1 capital	674.8	697.2
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	471.8	513.6
Total capital	674.8	697.2
Total capital as if IFRS 9 transitional arrangements had not been applied	471.8	513.6
Risk weighted exposures		
Total risk weighted exposures	1,973.5	2,244.3
Total risk weighted exposures as if IFRS 9 transitional arrangements had not been applied	1,887.6	2,182.6
Capital ratios		
Common Equity Tier 1 (CET1) ratio	34.2%	31.1%
Common Equity Tier 1 (CET1) ratio as if IFRS 9 transitional arrangements had not been applied	25.0%	23.5%
Tier 1 ratio	34.2%	31.1%
Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	25.0%	23.5%
Total capital ratio	34.2%	31.1%
Total capital ratio as if IFRS 9 transitional arrangements had not been applied	25.0%	23.5%
Leverage ratio		
Leverage ratio total exposure measure (£m)	3,236.7	3,063.3
Leverage ratio	20.8%	22.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	15.6%	17.8%

All disclosures in the remainder of the document are set out on an IFRS 9 transitional basis consistent with the position reported under the regulatory return process.

2.1 Regulatory capital framework

The BASEL regulatory framework was implemented in the European Union (EU) via the CRD and subsequently has been enshrined into UK law following the UK's exit from the EU. 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 whether additional regulatory capital over and above Pillar 1 should be held based on the risks faced by the Group and the risk management processes in place. 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.

2.2 Capital requirements

The following table provides a summary of the capital requirements of the Group and brief details of the calculation method applied by the Group.

Pillar 1			
Requirement	**Calculation method**	**Description**	**Reference**
Credit risk	Standardised approach	The Group applies the standardised method to the entire loan book. The standardised approach applies a standardised set of risk weightings to credit risk exposures. A capital requirement of 8% of risk weighted exposures (RWE) is applied.	5.3
Operational risk	Alternative standardised approach (ASA)	As the Group's activities are primarily classified as retail banking, the Group applies the ASA for operational risk capital requirements. A 0.035 multiplier is applied to the historical average gross receivables of the last three year ends. A capital requirement of 12% is applied as per Article 317 of the CRR.	5.4
Market risk	Standardised approach	Subject to a de minimis level, the Group's exposure is calculated in each currency. A capital requirement of 8% of the exposure is applied.	5.5
Counterparty credit risk	Standardised approach	The Group measures exposure value on counterparty credit risk exposures under the counterparty credit risk (CCR) mark-to-market method as permitted under CRD IV. This exposure value is derived by adding the gross positive fair value of the contract (replacement cost) to the contract's potential credit exposure, which is derived by applying a multiple based on the contract's residual maturity to the notional value of the contract.	n/a
Credit valuation adjustment (CVA)	Standardised approach	A CVA is an adjustment to the fair value of a derivative contract reflecting the counterparty credit risk inherent in the contract. Calculated in accordance with the CRR Article 384.	n/a

2.2 Capital requirements continued

Pillar 2			
Requirement	**Calculation method**	**Description**	**Reference**
Pillar 2a	Calculated by the PRA based on the ICAAP submission and expressed as a percentage of RWE.	Set as a percentage of RWE, which may also include a fixed add-on.	n/a
Pillar 2b – the capital conservation buffer (CCoB)	Expressed as a percentage of RWE.	The capital conservation buffer and countercyclical buffer are part of the CRD IV combined buffer. They are held in combination with the PRA buffer to ensure firms can withstand an adverse stress.	n/a
Pillar 2b – the countercyclical buffer (CCyB)	Expressed as a percentage of RWE.	The CRD IV combined buffer is to be fully met by CET1 capital.	n/a
Pillar 2b – the PRA buffer	Calculated by the PRA based on the ICAAP submission and expressed as a percentage of RWE.	When applicable, the PRA buffer, in combination with the CRD IV combined buffer, is held to ensure firms can withstand an adverse stress. The PRA buffer has to be fully met with CET1 capital.	n/a

Additional buffers provided for by the CRD do not apply to the Group.

2.3 Capital resources

Type of capital	Description	Further information
Common Equity Tier 1 (CET1)	Comprises ordinary share capital, share premium and allowable reserves including retained earnings, after required regulatory adjustments.	Details of the main features of the ordinary share capital of Provident Financial plc are provided in appendix 3. The template in appendix 1 sets out the composition of the Group's regulatory capital resources as at 31 December 2020. Quantitative disclosures can be found in section 4.

The Group's own funds were comprised entirely of CET1 capital in 2020 and 2019.

3. Risk management

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.providentfinancial.com.

4. Capital management and resources

4.1 Capital management and controls

The Group uses a number of key performance indicators to assess progress against each of its strategic objectives, including both financial and non-financial measures. The maintenance of a secure funding and capital structure is a key Group performance indicator.

The Group prudently manages regulatory capital to ensure that it is always maintained at a sufficient level in excess of the PRA prescribed Overall Capital Requirement (OCR).

The key controls in achieving this objective are:

- monitoring the level of regulatory capital against the OCR on a monthly basis as part of the Group's management accounts;
- producing a monthly rolling forecast, projecting regulatory capital and the OCR for the remainder of the current financial year;
- forecasting regulatory capital for the following five years and comparing to the Group's projected OCR over the same period as part of the budget and budget update processes;
- assessing the impact that strategic projects could have upon regulatory capital;
- submitting regulatory capital reports to the PRA periodically; and
- assessing the appropriateness of the OCR as part of the Group's ICAAP (see 4.2), including stress and scenario testing, and reporting to the PRA if it is no longer considered to be appropriate.

4.2 ICAAP

In accordance with the regulations, the Group is required to conduct an ICAAP on an annual basis or more frequently if there is a material change in the nature, trading status or risk profile of the Group. The ICAAP allows the Board to assess whether the Group's risk management objective is being met.

The key output of the ICAAP is a document which:

- provides a background to the Group including the Group structure, strategy, key management and the internal control framework and risk management processes;
- sets out the minimum capital required under Pillar 1 of the regulations for the Group;
- identifies the various additional risks facing the Group not included in Pillar 1 and considers the required level of additional capital to be held against those risks (Pillar 2a);
- considers the level of additional capital to be held in the PRA buffer (Pillar 2b), if any;
- calculates the overall regulatory capital requirement of the Group as a result of Pillars 1, 2a and 2b; and
- performs stress testing on the Group's budget projections to ensure that both the Group's calculated regulatory capital requirement and the OCR is sufficient even under severe scenarios.

The ICAAP is embedded into the Group's risk management framework. Within the monthly management accounts, the Group's and Vanquis Bank's regulatory capital resources are compared to the existing OCR. Management accounts are distributed to the executive directors and senior members of the management team on a monthly basis and are distributed to the Board for each Board meeting.

All material elements of the internal assessment of capital requirements, which are summarised in the ICAAP, are revisited periodically through the year.

The key divisional risks are reviewed by the Group Risk Committee on a quarterly basis. Any material movement in any of the key risks would be highlighted in this review and would trigger a revision of the internal assessment of capital requirements and, if appropriate, the ICAAP.

The ICAAP, including the modelling and methodology, is periodically subject to review by the Group internal audit function and external advisors.

4.3 Capital resources

The template in appendix 1 sets out the composition of the Group's reported regulatory capital resources as at 31 December 2020.

The Group's shareholders' equity is adjusted in order to arrive at a Group regulatory capital figure. The adjustments include deduction of the Group's pension asset, intangible assets, goodwill and fair value of derivative financial instruments, all net of related deferred tax. In addition, any profits and gains not audited or verified by the external auditor at the balance sheet date are deducted from retained earnings and a foreseeable dividend is accrued on any audited or verified profits based on the Group's dividend policy.

IFRS 9 'Financial instruments' was mandatory from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. IFRS 9 significantly changes the recognition of impairment on amounts receivable from customers by introducing an expected loss model. Further information on IFRS 9 is set out in the Annual Report. The Group has adopted the regulatory transitional arrangements, including paragraph four within Article 473a of the CRR, published by the EU on 27 December 2017 for IFRS 9. Under the arrangements the regulatory capital impact of IFRS 9 is phased in on a transitional basis over five years as follows: 5% from the start of 2018, 15% in 2019, 30% in 2020, 50% in 2021, 75% in 2022 and 100% from the start of 2023. This applies to the initial IFRS 9 transition adjustment plus any subsequent increase in expected credit losses (ECL) in the non-credit-impaired book from transition to the end of the reporting period.

The PRA ratified additional capital mitigation proposed by the Basel Committee, in response to Covid-19, with these measures coming into force from 27 June 2020. The new measures allow for the increase in ECL in the non-credit impaired book arising after 1 January 2020, with full relief in 2020 and 2021. This relief is then phased out over the following three years on a straight line basis (2022: 75%, 2023: 50%, 2024: 25%, 2025: 0%). The impact of the transitional arrangements on own funds, capital ratios and the leverage ratio is set out in section 1.5.

The Group's retained earnings and other reserves included in the 2020 audited financial statements have been reconciled to the Group's regulatory capital at 31 December 2020 below.

31 December (£m)	Note	2020	2019
Shareholders' equity per the financial statements:			
Share capital		52.6	52.5
Share premium		273.2	273.2
Retained earnings and other reserves		321.9	414.8
Shareholders' equity per the financial statements		**647.7**	**740.5**
CET1 adjustments:			
Deduction of unaudited and unverified profits and gains	1	–	(31.4)
Deduction of foreseeable dividends on verified profits	2	–	(21.5)
Defined benefit pension assets (net of deferred tax)	3	(64.6)	(64.7)
Goodwill	4	(71.2)	(71.2)
Intangible assets (net of deferred tax)	5	(40.1)	(38.1)
IFRS 9 transitional adjustment	6	203.0	183.6
Total CET1 adjustments		**27.1**	**(43.3)**
CET1 capital (verified basis)		**674.8**	**697.2**
Total regulatory capital (verified basis)		**674.8**	**697.2**
Inclusion of unaudited and unverified profits and gains	1	–	31.4
Foreseeable dividends on unaudited and unverified profits and gains	2	–	(18.9)
Total regulatory capital (accrued basis)		**674.8**	**709.7**

Notes:

1. For the year ended 31 December 2019, in accordance with the regulations set out in the CRR, the profits and movements in other comprehensive income (OCI) of the Group for the period 1 October to 31 December 2019 were not included within regulatory capital since they were not verified or audited by the external auditor as at 31 December 2019. There were no unaudited or unverified profits and gains at 31 December 2020.
2. The Group is required to deduct accrued dividends from own funds when they are 'foreseeable' rather than when they are declared. For the year ended 31 December 2019, the foreseeable dividend was £21.5m based on the verified profits in respect of the period 1 July to 30 September 2019. For the year ended 31 December 2020, the foreseeable dividend was £nil.
3. The defined benefit pension asset, net of deferred tax, is required to be deducted from own funds in order to calculate CET1 capital.
4. Goodwill principally reflects the surplus of consideration over identifiable net assets acquired and identifiable intangible assets following the acquisition of Moneybarn on 20 August 2014 and is required to be deducted from CET1 capital.
5. Intangible assets comprise the fair value of the broker relationships arising on acquisition of Moneybarn on 20 August 2014, and capitalised software and software development costs. These are required to be deducted from CET1 capital.
6. The Group is applying the IFRS 9 transitional arrangements to the fullest extent permitted by the PRA, as detailed above.

4.4 Main features of own funds instruments

The Group's CET1 capital consists of the Group's equity share capital and reserves after adjusting for the amounts set out in section 4.3 above. The equity share capital consists of ordinary shares and the main features of the ordinary shares are set out in appendix 3.

4.5 Capital ratios

The CET1 and total capital ratios for the Group are as follows:

31 December	2020 £m	2019 £m
CET1 *(verified basis)*	674.8	697.2
Risk weighted exposures	1,973.5	2,244.3
CET1 ratio *(verified basis)*	34.2%	31.1%
Total capital ratio *(verified basis)*	34.2%	31.1%

The Group has no additional tier 1 or tier 2 capital and as such there is no difference between the CET1 capital ratio and the total capital ratio.

The capital ratios set out above are calculated on a verified basis with any profits or gains not audited or verified by the external auditor at the balance sheet date deducted from own funds. This is consistent with the disclosures included in the regulatory reporting submissions. An analysis of the CET1 capital is shown in section 4.3.

4.6 Leverage ratio

The leverage ratio is a monitoring tool which aims to facilitate an assessment of the risk of excessive leverage in an institution. The ratio is calculated as CET1 capital divided by on and off-balance sheet exposures in accordance with the provisions set out in the CRR Article 429.

PRA policy statement PS21/17 issued in October 2017 raised the minimum leverage ratio requirement from 3% to 3.25% with immediate effect.

The leverage ratio for the Group is as follows:

31 December	2020 £m	2019[3] £m
Total assets per audited financial statements	3,078.1	2,924.5
IFRS 9 transitional adjustment	203.0	183.6
Off-balance sheet items[1]	118.1	110.1
Other regulatory adjustments[2]	13.4	19.2
Items deducted from own funds	(175.9)	(174.1)
Leverage ratio exposure	3,236.7	3,063.3
Tier 1 capital	674.8	697.2
Leverage ratio *(verified basis)*	20.8%	22.8%

1. The exposure of off-balance sheet items relates to undrawn credit card lines in Vanquis Bank.
2. Other regulatory adjustments consist of other balance sheet assets that are required to be added to the exposure under CRD IV.
3. As noted in section 1.3, no restatement of the leverage ratio exposure has been made. Disclosure above is consistent with leverage ratio reported at 31 December 2019.

Excessive leverage is managed through the Group's secure funding and capital structure.

As explained in section 4.3, the capital ratios set out above are calculated on a verified basis with any profits or gains not audited or verified by the external auditor at the balance sheet date deducted from own funds. This is consistent with the disclosures included in the regulatory reporting submissions.

5. Capital requirements

5.1 Total capital requirement (TCR)

Following publication of PRA policy statement CP12/17 in December 2017, the Group is required to disclose the PRA prescribed TCR at the highest level of consolidation in the UK.

The minimum amount of regulatory capital held by the Group is 18.33% of total RWE. This sets the minimum total capital that the Group must hold under Pillar 1 and Pillar 2A requirements and is driven both by balance sheet growth and risk factors determined by the PRA. The Group comfortably meets this requirement with CET1 capital alone.

5.2 Regulatory capital buffers

The table below details the regulatory capital buffers applicable to the Group. It does not include the PRA buffer, if any, which is a firm specific buffer set by the PRA and the PRA requires that this buffer is not publicly disclosed.

	2020		2019	
31 December	£m	% of RWE	£m	% of RWE
Capital Conservation Buffer	49.3	2.50%	56.1	2.50%
Countercyclical Capital Buffer	—	0.00%	22.4	1.00%
Total combined buffer requirement	49.3	2.50%	78.5	3.50%

Additional buffers provided for by CRD do not apply to the Group.

In accordance with Commission Delegated Regulation (EU) 1152/2014, due to foreign exposures not exceeding 2% of the Group's aggregate exposures, all exposures have been allocated to the UK. As a result, the Group has not presented the template analysing its firm specific countercyclical buffer, as required by Annex I of the Commission Delegated Regulation (EU) 2015/1555, as all of its credit exposures are within the UK and therefore only the CCyB set by the FPC is relevant (0% at 31 December 2020).

5.3 Pillar 1 minimum requirement

The Pillar 1 requirements against which the Group holds capital as set out in section 4 are detailed below:

	2020		2019	
	Risk weighted exposure £m	Pillar 1 minimum £m	Risk weighted exposure £m	Pillar 1 minimum £m
Credit risk	1,793.1	143.5	2,057.6	164.6
Operational risk	159.3	12.7	170.1	13.6
Market risk	21.1	1.7	16.6	1.3
	1,973.5	157.9	2,244.3	179.5

The calculations for the following risks are included in the Pillar 1 requirements calculation but the value of the requirement rounds to zero:

- Counterparty credit risk
- CVA risk

The Group is required to include information on its exposure to market risk and interest rate risk and as such this information is set out in sections 5.6 and 5.7.

5.4 Credit risk

An analysis of the Pillar 1 minimum capital requirements and risk weighted exposures by business division is as follows:

31 December (£m)	2020 Total reported assets	2020 RWE	2020 Pillar 1 minimum	2019 Total reported assets[1]	2019 RWE	2019 Pillar 1 minimum
Amounts receivable from customers:						
Vanquis Bank	1,094.2	849.7	68.0	1,461.5	1,134.1	90.7
Moneybarn	566.6	440.6	35.2	489.1	377.4	30.2
CCD	139.0	119.3	9.5	249.0	206.9	16.5
IFRS 9 transitional adjustment	—	180.6	14.4	—	172.2	13.9
Total amounts receivable from customers	1,799.8	1,590.2	127.1	2,199.6	1,890.6	151.3
Other assets	1,278.3	202.9	16.4	708.2	167.0	13.3
Total	3,078.1	1,793.1	143.5	2,907.8	2,057.6	164.6

1. Total assets restated in line with annual report. Prudential measures not restated and are consistent with 31 December 2019 Pillar 3 disclosures as noted in section 1.3.

An analysis of the Pillar 1 minimum capital requirements and risk weighted exposures by exposure class is as follows:

31 December (£m)	2020 RWE	2020 Pillar 1 minimum	2019 RWE	2019 Pillar 1 minimum
Retail exposures – not past due	1,360.9	109.0	1,593.8	127.5
Retail exposures – past due	229.3	18.3	296.8	23.8
Institutions	17.7	1.4	5.2	0.4
Equities	9.2	0.7	16.6	1.3
Other exposures	176.0	14.1	145.2	11.6
	1,793.1	143.5	2,057.6	164.6

The retail exposures constitute the Group's amounts receivable from customers and further disclosure on the retail exposures is set out in sections 5.4.1 to 5.4.4.

External credit assessment institutions (ECAIs) are used when calculating the Pillar 1 minimum capital requirements for exposures to institutions. The Group relies principally on two ECAIs - Moody's and Fitch Ratings.

Further disclosure on the equity exposure has been set out in section 5.8.

The exposures to corporates, institutions and other exposures are not deemed material for further disclosure.

5.4.1 Amounts receivable from customers

Customer receivables are initially recognised at fair value which represents the amount advanced to the customer plus directly attributable issue costs less an impairment provision for expected losses. The impairment provision recognised is based on the probability of default (PD) within 12 months and the loss arising on default (LGD). Receivables are subsequently increased by revenue and reduced by cash collections and impairment.

On initial recognition, all accounts are recognised in IFRS 9 stage 1.

The account moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment, but has not defaulted.

An account moves to stage 3 and is deemed to have defaulted when further payments are missed or a payment arrangement is initiated.

Vanquis Bank

On inception an expected loss impairment provision is recognised using PD/LGD models which forecast customer behaviour to calculate losses.

The PD is determined by utilising a customer's application score used for underwriting the credit card. The LGD discounts the exposure at default (EAD) which adjusts the current card balance for future expected spend and interest. It does not include any future credit line increases.

Following a SICR, evident from a missed monthly payment or an increased credit score, lifetime losses are recognised.

A customer is deemed to have defaulted when they become three minimum monthly payments in arrears, they enter a temporary payment arrangement or there is evidence of a further significant increase in credit score. A customer is written off in the following cycle after becoming six minimum monthly payments in arrears.

5.4 Credit risk continued

5.4.1 Amounts receivable from customers continued

Moneybarn

Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months. This is determined with reference to historical customers' data and outcomes.

An account moves from stage 1 to stage 2 when there has been an SICR or when the customer is assessed as vulnerable. An account cannot return to stage 1 until it has remained up to date with payments for more than 24 days.

Lifetime losses are then recognised when a significant increase in credit risk is evident from a missed monthly payment.

A customer is deemed to have defaulted when they become three monthly payments in arrears. Customer agreements which have been terminated, either voluntarily, by the customer settling their agreement early, or through the agreement being default terminated, are also included within stage 3. Customers can cure back to stage 2 if they have not been terminated and they repay contractual missed payments to become less than three payments in arrears.

A customer's debt is written off when they are sold to debt collection agencies.

CCD

CCD has created a PD/LGD model for customers who are up to date or have missed one payment in the last 12 weeks to calculate an expected loss impairment provision against a customer receivable on recognition, in accordance with IFRS 9.

Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months utilising historical repayment data, excluding data since 2017 when the business saw operational disruption which is not deemed to be indicative of future performance.

Lifetime losses are then recognised using a discounted cash flow model when a SICR is evident from two missed weekly payments in the last 12 weeks. Customers can cure back into stage 1 when they have missed less than one payment in the previous 12 weeks.

A customer is deemed to have defaulted when the customer would no longer be eligible to be re-served with a subsequent loan. This is typically when a customer has missed five weekly payments in the last 12 weeks.

The home credit impairment policy is more conservative than the IFRS 9 rebuttable presumption of 30 days in arrears to define SICR and 90 days in arrears for default. This is supported by historical data which demonstrates recent payment history is a more accurate indicator of potential impairment than overall days past due.

Customers under forbearance

Customers are moved to IFRS 9 stage 3 and lifetime losses are recognised for all divisions where forbearance is provided to the customer or alternative payment arrangements are established. Customers under temporary payment arrangements are separately identified according to the type of arrangement. The carrying value of receivables under each type of payment arrangement is calculated using historical cash flows under that payment arrangement, discounted at the original effective interest rate.

Macroeconomic scenarios

Separate macroeconomic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred given default, in addition to the core impairment provisions, already recognised.

For Vanquis Bank, the provision reflects an adjustment for future losses based on changes in unemployment under a range of forecasts provided by a number of economists, as approved by the Group Treasury Committee.

For Moneybarn, both changes in unemployment and used car sales values to calculate a separate macroeconomic provision.

CCD customers often have unpredictable levels of disposable income as they are often not in salaried roles. They are therefore not considered to be reflective of the wider economy. They are typically less indebted and are therefore not impacted by the same macroeconomic factors or to the same degree.

Consequently there is no evidence of any meaningful correlation between the impairment charge and any macro employment statistics. A separate macroeconomic provision is therefore not held. The assumptions are reviewed at each balance sheet date, and have been reviewed following Covid-19.

5.4 Credit risk continued

5.4.2 Analysis of credit risk exposures on amounts receivable from customers

The Group's maximum exposure to credit risk on amounts receivable from customers is the carrying value of amounts receivable from customers recorded in the Group's balance sheet.

All amounts receivable from customers are classed as retail exposures. Vanquis Bank exposures are revolving retail exposures.

The following table shows the exposures analysed both by business division and the residual maturity of exposures on a contractual basis:

2020 (£m)	Due within one year	Due in more than one year	Total
Vanquis Bank	1,092.7	1.5	1,094.2
Moneybarn	174.8	391.8	566.6
CCD	126.5	12.5	139.0
Total	1,394.0	405.8	1,799.8

2019 (£m) (restated)	Due within one year	Due in more than one year	Total
Vanquis Bank	1,451.5	10.0	1,461.5
Moneybarn	139.1	350.0	489.1
CCD	225.5	23.5	249.0
Total	1,816.1	383.5	2,199.6

Exposures analysed by geographical area are as follows:

31 December (£m)	2020	2019 (restated)
United Kingdom	1,781.5	2,166.1
Republic of Ireland	18.3	33.5
Total	1,799.8	2,199.6

Republic of Ireland exposures relate to loans issued by the Consumer Credit Division.

5.4.3 Credit quality of amounts receivable from customers

Impairment provisions are recognised on inception of a loan based on the PD and the typical LGD:

- **Stage 1** – Accounts at initial recognition. The expected loss is based on a 12-month PD, based on historical experience, and revenue is recognised on the gross receivable before impairment provision.
- **Stage 2** – Accounts which have suffered a significant deterioration in credit risk but have not defaulted. The expected loss is based on a lifetime PD, based on historical experience, and revenue is recognised on the gross receivable before impairment provision.
- **Stage 3** – Accounts which have defaulted. The expected loss is based on a lifetime PD, based on historical experience. Revenue is recognised on the net receivable after impairment provision.

The impairment charge to the income statement in respect of amounts receivable from customers analysed by business division is as follows:

Impairment charge on amounts receivable from customers (£m)	2020	2019 (restated)
Vanquis Bank	239.9	198.9
Moneybarn	72.7	49.4
CCD	47.5	96.2
Total Group	360.1	344.5

5.4 Credit risk continued

5.4.3 Credit quality of amounts receivable from customers continued

Amounts receivable from customers for Vanquis Bank are reconciled as follows:

Vanquis Bank (£m)	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount								
At 1 January (restated)	1,367.9	171.6	363.6	1,903.1	1,303.3	174.7	519.8	1,997.8
New financial assets originated and new drawdowns	1,931.7	47.5	31.6	2,010.8	2,252.1	135.6	35.2	2,422.9
Net transfers and changes in credit risk:								
– From stage 1 to stage 2	(664.7)	664.7	–	–	(807.2)	807.2	–	–
– From stage 1 to stage 3	(127.5)	–	127.5	–	(30.9)	–	30.9	–
– From stage 2 to stage 1	412.9	(412.9)	–	–	512.8	(512.8)	–	–
– From stage 2 to stage 3	–	(224.9)	224.9	–	–	(252.1)	252.1	–
– From stage 3 to stage 1	46.0	–	(46.0)	–	55.4	–	(55.4)	–
– From stage 3 to stage 2	–	23.8	(23.8)	–	–	(22.2)	22.2	–
Write-offs	(12.2)	(13.4)	(253.1)	(278.7)	(12.1)	(18.0)	(348.0)	(378.1)
Recoveries	(2,334.5)	(127.0)	(115.3)	(2,576.8)	(2,417.9)	(229.7)	(111.9)	(2,759.5)
Revenue	418.3	56.4	6.7	481.4	496.8	87.1	(3.0)	580.9
Other movements	6.6	2.5	19.5	28.6	15.6	1.8	21.7	39.1
At 31 December	1,044.5	188.3	335.6	1,568.4	1,367.9	171.6	363.6	1,903.1
Allowance account								
At 1 January	146.6	85.2	209.8	441.6	187.0	58.7	257.0	502.7
Movements through income statement								
Drawdowns and net transfers and changes in credit risk:								
– From stage 1 to stage 2	(137.3)	334.5	–	197.2	(95.5)	314.0	–	218.5
– From stage 1 to stage 3	(20.7)	–	62.8	42.1	(13.3)	–	56.3	43.0
– From stage 2 to stage 1	95.5	(212.5)	–	(117.0)	84.9	(220.7)	–	(135.8)
– From stage 2 to stage 3	–	(153.2)	167.5	14.3	–	(183.1)	200.4	17.3
– From stage 3 to stage 1	3.4	–	(7.1)	(3.7)	2.1	–	(6.2)	(4.1)
– From stage 3 to stage 2	–	2.3	(1.6)	0.7	–	2.2	(2.0)	0.2
Other movements	93.6	46.1	(33.4)	106.3	(12.7)	131.5	(59.0)	59.8
Total movements through income statement	34.5	17.2	188.2	239.9	(34.5)	43.9	189.5	198.9
Other movements								
Write-offs	(12.2)	(13.4)	(253.1)	(278.7)	(12.1)	(18.0)	(348.0)	(378.1)
Amounts recovered	1.1	1.2	69.1	71.4	6.2	0.6	111.3	118.1
Allowance account at 31 December	170.0	90.2	214.0	474.2	146.6	85.2	209.8	441.6
Reported amounts receivables from customers at 31 December	874.5	98.1	121.6	1,094.2	1,221.3	86.4	153.8	1,461.5
Reported amounts receivables from customers at 1 January	1,221.3	86.4	153.8	1,461.5	1,116.3	116.0	262.8	1,495.1

5.4 Credit risk continued

5.4.3 Credit quality of amounts receivable from customers continued

Amounts receivable from customers for Moneybarn are reconciled as follows:

	2020				2019 (restated)			
Moneybarn (£m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount								
At 1 January	335.4	131.0	118.2	584.6	292.8	104.4	143.6	540.8
New financial assets originated	286.5	–	–	286.5	282.8	–	–	282.8
Transfers due to changes in credit risk:								
– From stage 1 to stage 2	(69.2)	69.2	–	–	(99.3)	99.3	–	–
– From stage 1 to stage 3	(52.5)	–	52.5	–	(91.8)	–	91.8	–
– From stage 2 to stage 1	21.0	(21.0)	–	–	11.6	(11.6)	–	–
– From stage 2 to stage 3	–	(56.0)	56.0	–	–	(70.4)	70.4	–
– From stage 3 to stage 1	1.7	–	(1.7)	–	–	–	–	–
– From stage 3 to stage 2	–	4.8	(4.8)	–	–	–	–	–
Write-offs	–	–	(1.0)	(1.0)	–	–	(99.2)	(99.2)
Recoveries	(171.4)	(47.0)	(73.1)	(291.5)	(153.3)	(49.4)	(79.9)	(282.6)
Revenue	91.6	29.2	41.9	162.7	78.8	23.5	41.0	143.3
Other changes	0.7	(10.1)	2.5	(6.9)	13.8	35.2	(49.5)	(0.5)
At 31 December	443.8	100.1	190.5	734.4	335.4	131.0	118.2	584.6
Allowance account								
At 1 January	9.5	12.4	73.6	95.5	9.2	19.9	98.5	127.6
Movements through income statement								
New financial assets originated and new drawdowns	10.0	–	–	10.0	9.6	–	–	9.6
Transfers due to changes in credit risk:								
– From stage 1 to stage 2	(1.3)	6.4	–	5.1	(1.3)	5.8	–	4.5
– From stage 1 to stage 3	(1.1)	–	13.4	12.3	(1.1)	–	10.8	9.7
– From stage 2 to stage 1	0.7	(3.1)	–	(2.4)	0.2	(2.0)	–	(1.8)
– From stage 2 to stage 3	–	(9.6)	21.5	11.9	–	(13.0)	20.7	7.7
– From stage 3 to stage 1	–	–	(0.4)	(0.4)	–	–	–	–
– From stage 3 to stage 2	–	0.6	(1.3)	(0.7)	–	–	–	–
Remeasurements within existing stage	4.0	11.2	51.4	66.6	(7.1)	1.7	48.6	43.2
Other changes	–	–	(1.0)	(1.0)	–	–	–	–
Total movements through income statement	12.3	5.5	83.6	101.4	0.3	(7.5)	80.1	72.9
Amounts netted off against revenue for stage 3 assets	–	–	(28.7)	(28.7)	–	–	(23.5)	(23.5)
Other movements:								
Write offs	–	–	–	–	–	–	(81.5)	(81.5)
Other changes	–	–	(0.4)	(0.4)	–	–	–	–
Allowance account at 31 December	21.8	17.9	128.1	167.8	9.5	12.4	73.6	95.5
Reported amounts receivables from customers at 31 December	422.0	82.2	62.4	566.6	325.9	118.6	44.6	489.1
Reported amounts receivables from customers at 1 January	325.9	118.6	44.6	489.1	283.6	84.5	45.1	413.2

5.4 Credit risk continued

5.4.3 Credit quality of amounts receivable from customers continued

Amounts receivable from customers from CCD are reconciled as follows:

	2020				2019			
CCD (£m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount								
At 1 January	155.9	36.0	402.0	593.9	183.6	48.4	493.6	725.6
New financial assets originated and new drawdowns	160.7	3.4	–	164.1	353.4	5.5	–	358.9
Transfers due to changes in credit risk:								
– From stage 1 to stage 2	(13.0)	13.0	–	–	(19.7)	19.7	–	–
– From stage 1 to stage 3	(58.2)	–	58.2	–	(108.8)	–	108.8	–
– From stage 2 to stage 1	3.5	(3.5)	–	–	5.4	(5.4)	–	–
– From stage 2 to stage 3	–	(18.9)	18.9	–	–	(13.5)	13.5	–
– From stage 3 to stage 1	3.2	–	(3.2)	–	4.4	–	(4.4)	–
– From stage 3 to stage 2	–	3.7	(3.7)	–	–	2.9	(2.9)	–
Write-offs	(0.2)	(0.3)	(80.5)	(81.0)	(1.1)	(1.4)	(181.4)	(183.9)
Recoveries	(299.3)	(41.5)	(76.9)	(417.7)	(454.1)	(61.2)	(87.8)	(603.1)
Revenue	123.4	25.7	42.2	191.3	192.8	40.9	59.7	293.4
Other movements	0.9	0.3	2.4	3.6	–	0.1	2.9	3.0
At 31 December	76.9	17.9	359.4	454.2	155.9	36.0	402.0	593.9
Allowance account								
At 1 January	10.4	10.1	324.4	344.9	12.0	12.9	408.2	433.1
Movements through income statement								
New financial assets originated	7.6	0.5	–	8.1	31.5	0.7	–	32.2
Transfers due to changes in credit risk:								
– From stage 1 to stage 2	(0.6)	0.6	–	–	(3.2)	3.2	–	–
– From stage 1 to stage 3	(2.9)	–	2.9	–	(2.8)	–	2.8	–
– From stage 2 to stage 1	0.5	(0.5)	–	–	0.9	(0.9)	–	–
– From stage 2 to stage 3	–	(5.9)	5.9	–	–	(2.0)	2.0	–
– From stage 3 to stage 1	0.9	–	(0.9)	–	1.4	–	(1.4)	–
– From stage 3 to stage 2	–	1.1	(1.1)	–	–	1.2	(1.2)	–
Remeasurements within existing stages	(11.4)	(2.2)	53.1	39.5	(28.3)	(3.6)	95.9	64.0
Other movements	–	–	(0.1)	(0.1)	–	–	–	–
Total movements through income statement	(5.9)	(6.4)	59.8	47.5	(0.5)	(1.4)	98.1	96.2
Other movements:								
Write-offs	(0.2)	(0.3)	(80.5)	(81.0)	(1.1)	(1.4)	(181.4)	(183.9)
Other movements	1.4	0.4	2.0	3.8	–	–	(0.5)	(0.5)
Allowance account at 31 December	5.7	3.8	305.7	315.2	10.4	10.1	324.4	344.9
Reported amounts receivables from customers at 31 December	71.2	14.1	53.7	139.0	145.5	25.9	77.6	249.0
Reported amounts receivables from customers at 1 January	145.5	25.9	77.6	249.0	171.6	35.5	85.4	292.5

5.5 Operational risk

Consistent with the approach adopted in previous years, the Group has elected to use the ASA for measuring operational risk. The ASA is an approach which is tailored specifically to firms whose primary business lines involve retail banking and/or commercial banking and can only be adopted provided certain criteria are met. Management is satisfied that it can adopt the ASA in accordance with the CRR Articles 319 and 320 as follows:

- the Group has a well-documented assessment and management system for operational risk with clear responsibilities assigned for this system. In addition, the Group is able to identify exposures to operational risk, has systems of reporting operational risk matters to senior management and has procedures in place for taking appropriate action. These systems of control are comprehensive and proportionate to the nature, scale and complexity of the firm's activities;
- the operations of the Group are wholly focused in retail banking as defined within the CRR; 100% of all revenue activities are derived from this activity;
- the Group issues credit to non-standard customers and there is a higher probability of default; and
- management has concluded that the ASA provides an appropriate basis for calculating the own funds requirement for operational risk.

5.6 Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The Group has operations in the Republic of Ireland and therefore has an element of foreign currency market risk. The Group's corporate policies do not permit it to undertake position taking or trading books of this type and therefore it does not do so.

The exposure at 31 December 2020, noted in section 5.3, in relation to market risk principally relates to amounts receivable from Visa Inc., details of which are noted below, together with the net asset position of CCD's branch in the Republic of Ireland.

On 21 June 2016, Visa Inc. confirmed the acquisition of Visa Europe Limited to create a single global payments business under the Visa brand. Vanquis Bank, a wholly owned subsidiary of Provident Financial plc, was a member and shareholder of Visa Europe and in exchange for its one redeemable ordinary share (previously held at par of €10), Vanquis Bank received upfront consideration in the form of cash and deferred consideration in the form of cash and preferred stock on completion of the transaction which concluded in June 2019.

The Group has applied the guidance set out in Articles 351 and 352 of the CRR. The total reported original exposure of foreign currency market risk at 31 December 2020 of £21.1m (2019: £16.6m) exceeded the threshold set out in the CRR and accordingly £1.7m Pillar 1 capital allocation was recognised at 31 December 2020 (2019: £1.3m).

5.7 Interest rate risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the Group's cost of borrowing.

The Group measures its interest rate exposure by quantifying the impact of an immediate and sustained movement of 200bp in LIBOR upon its forecast profit before taxation.

In calculating this exposure, the Group assumes that it will re-price products for new lending. It is possible for Vanquis Bank to re-price its receivables within two months and for CCD and Moneybarn loans to be issued at re-priced levels within one month. The Group would re-price its receivables to mitigate the impact upon forecast borrowing costs.

5.8 Non-trading book exposures in equities

At 31 December 2020, the Group had equity investments in the non-trading book of £9.2m (2019: £16.6m), relating to the acquisition of Visa Europe Ltd by Visa Inc.

As the proposed transaction was announced on 2 November 2015, the item was revalued at 31 December 2015. Subsequent to recognition, there has been no impairment of equity investments held at fair value through other comprehensive income.

Details of the accounting policy for equity investments held at fair value through other comprehensive income and the valuation of financial instruments can be found in the Annual Report.

6. Securitisation

The Group uses securitisation activities to raise wholesale funding directly and to create collateral which can be used to source additional funding.

The Group had no purchased securitisation positions at 31 December 2020 (2019: £nil) and therefore no further disclosure is made.

6.1 Originated securitisations

On 14 January 2020, the Group established a bilateral securitisation facility to fund Moneybarn business flows. Under the terms of the facility loans originated by Moneybarn are transferred to Moneybarn Financing Limited, a Special Purpose Vehicle (SPV) that is bankruptcy remote from the Group, which in turn is funded by the issuance of senior notes in variable funding form to a bilateral investor and junior notes to Moneybarn No.1 Limited within the Group. Only auto loans have been included within originated securitisations. The SPV is fully consolidated into the Group financial statements.

The transfers of the loans to the SPV are not treated as sales by the Group and therefore no gains or losses are recognised, as this structure is not intended to achieve significant transfer of credit risk away from the Group. The Group continues to recognise the loans on its own balance sheet after transfer because the risks relating to the underlying loan pool company, and rewards through the receipt of substantially all of the profits or losses on the securitised loans, remain with the Group. These assets are held at amortised cost and are included in the receivables from customers relating to Moneybarn set out in this document.

There are no specific capital requirements for the securitisation vehicle as there has not been a transfer of significant credit risk. The Group does not calculate risk weighted asset amounts for any positions it holds in the securitisations and these continue to be calculated in line with capital requirements applied to the underlying assets.

The SPV is subject to the risk of insufficiency of funds on any interest payment date as a result of payments being made late by the borrowers of the underlying loans after the end of the relevant collection period. This risk is addressed in respect of the notes by the provision of liquidity from a General Reserve Fund.

		31 December 2020			
Originated securitisations (£m) **Securitisation company**	Type of securitisation	Gross assets securitised	Notes issued	Retained notes	Underlying assets past due and impaired
Moneybarn Financing Limited	Auto loans	319.1	150.0	172.6	22.4
Total Group		319.1	150.0	172.6	22.4

The Group held no positions in originated securitisations at 31 December 2019.

6.2 Vanquis Bank securitisation programme

In January 2021, Vanquis Bank established a securitisation programme backed by a revolving portfolio of credit card receivables originated by Vanquis Bank, making a retained issuance on 28 January 2021. The notes are initially held internally as an additional liquidity contingency option, enhancing Vanquis Bank's ability to diversify its sources of funding. Vanquis Bank remains primarily retail deposit funded.

The retained issuance from Oban Cards 2021-1 plc on 28 January 2021 represents the first term Asset Backed Security from Vanquis Bank. The Series 2021-1 transaction issues two classes of notes. Credit enhancement on the Class A notes consists of i) subordination and ii) excess spread generated by the pool of credit card receivables. The transaction has a liquidity reserve of approximately £10m at inception and includes a minimum transferor interest of 0.75%. The Oban Cards 2021-1 transaction has been rated (AAAsf/Aaa(sf)/AAAsf) by Fitch Ratings, Kroll Bond Rating Agency and Standard & Poor's. The bonds are listed on the London Stock Exchange.

As the programme was not in place at 31 December 2020 no further disclosure in respect of the facility has been made in this document. Relevant disclosures will be set out in due course in the Pillar 3 disclosures as at 31 December 2021.

7.1 Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources to meet current and future financial commitments as they fall due.

A key objective of the Group in relation to liquidity risk is to ensure that, at all times, the Group has a minimum level of liquid funds available to fund its forecast peak borrowing requirement in the following 12-month period plus an adequate buffer.

The Group's liquidity position is managed in accordance with the Group and Vanquis Bank's treasury policies and Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP is undertaken by Vanquis Bank on an individual and consolidated basis and is reviewed by the boards of the Group and Vanquis Bank at least once annually.

Vanquis Bank maintains appropriate levels of liquidity which is held in a Bank of England Reserve Account.

The Group's treasury function is responsible for the day-to-day management of the Group's liquidity and wholesale funding outside of Vanquis Bank. Further qualitative information on the Group's management of liquidity risk is contained in the Annual Report and Financial Statements 2019.

7.2 Liquidity ratios

The Liquidity Coverage Ratio (LCR) aims to improve the resilience of banks to liquidity risks over a 30-day period. The Net Stable Funding Ratio (NSFR) aims to ensure that banks have an acceptable amount of stable funding to support their assets over a one-year period of extended stress. The Group, by virtue of Provident Financial plc being the parent company of Vanquis Bank, is subject to the PRA liquidity provisions that came into force on 1 October 2015.

7.2.1 Liquidity coverage ratio (LCR)

The Group's LCR at 31 December 2020 was 2,830% (2019: 224%). The PRA's mandated minimum requirement is 100%.

The figures presented represent the average of the 12 months preceding the quarter end stated:

2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Liquidity buffer (£m)	244	925	915	842
Net cash outflows (£m)	113	106	95	64
LCR (%)	279	1,217	979	1,756

2019	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Liquidity buffer (£m)	487	470	434	396
Net cash outflows (£m)	86	91	103	96
LCR (%)	579	560	486	578

7.2.2 Net stable funding ratio (NSFR)

A binding Pillar 1 NSFR will be implemented in the UK from 1 January 2022 on implementation of CRR2. No further disclosure on NSFR is required at 31 December 2020.

8. 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 European Banking Authority (EBA) Material Risk Taker regulatory technical standards 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.

Governance

The Board of Directors of Provident Financial Group plc (PFG) has delegated the responsibility for oversight of PFG'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 Remuneration Committee Chairman. The RemCo meets at least four times a year. The terms of reference for the RemCo have been approved by the PFG 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. Ensure that remuneration outcomes appropriately reflect long-term performance and support effective risk management;
3. Determine which employees are Material Risk Takers (Group Code Staff) for the purposes of the Remuneration Code. PFG operates criteria aligned to European Banking Authority (EBA) Material Risk Taker regulatory technical standards and CRD V criteria:
   - i. Group executive directors and non-executive directors;
   - ii. members of the Group's Executive Committee;
   - iii. heads of EBA-identified functions and identified control function senior managers; and
   - iv. selected roles which have a significant influence on the Group's risk profile including selected control functions;
4. Determine levels of fixed and variable pay for individual Group Code Staff and control functions;
5. Oversee the setting of bonus pools and the application of any ex-ante or ex-post risk adjustments;
6. Ensure that its decisions are consistent with an assessment of PFG's financial condition, future prospects and shareholder outcomes; and
7. Monitor that PFG's remuneration policies and practices remain fully compliant with the requirements of the PRA/FCA's Remuneration Code (CRD V).

PFG's dual regulated banking division, Vanquis Bank Ltd (VBL), operates a subsidiary-level remuneration committee, which, in coordination with the Group-level RemCo, is responsible for comparable areas of remuneration governance for VBL-employed Material Risk Takers.

The Directors' Remuneration Report provides more information on the RemCo and the pay policy for PFG 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 PFG'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 multi-year, financial, non-financial and risk objectives. PFG 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. Bonus pool funding and individual MRT remuneration are subject to second line control function review via a risk adjustment process overlaying all bonus funding decisions, to ensure variable remuneration is adequately risk adjusted in the event of unacceptable risk management performance across the Group. Control functions also review the MRT identification criteria and annually review the Group Remuneration Policy.

As a PRA/FCA level three firm, the Group has the ability to disapply the use of deferral and instruments in variable pay; however, Group Code Staff who have non-deferred (cash) variable remuneration above the £44,000 regulatory de minimis threshold will receive a portion of variable remuneration in long-term incentives, using deferred restricted stock, to ensure a value at risk and the alignment of interests with shareholders. The current deferred restricted stock awards are not subject to formal performance criteria to qualify for vesting; however, the RemCo performs a qualitative performance underpin review to ensure the vesting of stock awards is consistent with key performance considerations and the shareholder outcomes. The Directors' Remuneration Report, which can be found in the Annual Report and Accounts, provides more information on the deferred restricted stock awards.

Both fixed and variable remuneration for Group Code Staff across PFG 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 (our Blueprint), compliance, ethics, behaviour towards customers and risk management). The review takes into account individual performance and market competitiveness.

In 2020, the RemCo applied the CRD V provisions relating to the cap on the ratio of fixed to variable pay which are set out in Article 94(1g) of the Capital Requirements Directive (2013/36/EU) to all Group Code Staff and maintains a malus and clawback policy applicable to all Group Code Staff consistent with FCA and PRA rulebook expectations. Additionally, the Group applies the requirements of the PRA's Buy-out Regime.

The total remuneration figures below reflect that the Group did not make annual bonus payments to Group Code Staff in respect of the 2020 calendar year performance period.

Pillar 3 disclosure

The following tables set out aggregate quantitative information on remuneration of Group Code Staff who are employed by the following PFG divisions:

	Provident Financial	Vanquis Bank	Moneybarn	Consumer Credit Division	Total
Total remuneration (£m)	7.83	7.88	1.25	1.35	18.31

	Senior Management	Other Code staff	Total
Number of staff	29	53	82
Total remuneration (£m)	9.74	8.57	18.31

Glossary

ASA	Alternative standardised approach
CCD	Consumer credit division
CCoB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
C-SREP	Capital supervisory review and evaluation process
CVA	Credit valuation adjustment
ECAI	External credit assessment institutions
EBA	European Banking Authority
FCA	Financial Conduct Authority
FPC	Financial policy committee
GRC	Group risk committee
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity coverage ratio
LGD	Loss arising on default
NSFR	Net stable funding ratio
NWM	NatWest Markets
OCI	Other comprehensive income
PD	Probability of default
PRA	Prudential Regulation Authority
RWE	Risk weighted exposures
SPV	Special purpose vehicle
TCR	Total Capital Requirement

Presented in accordance with Annex IV from the Commission Implementing Regulation (EU) No 1423/2013 and based on reported own funds at 31 December 2020.

	Common Equity Tier 1 Capital: Instruments and reserves	2020 £m	2019 £m	(B) Regulation (EU) No 575/2013 Article Reference
1	Capital instruments and the related share premium accounts	325.8	325.7	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: Ordinary share capital	325.8	325.7	EBA list 26 (3)
	of which: Instrument type 2	–	–	EBA list 26 (3)
	of which: Instrument type 3	–	–	EBA list 26 (3)
2	Retained earnings	232.1	249.6	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	292.8	295.9	26 (1)
3a	Funds for general banking risk	–	–	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	–	–	486 (2)
	Public sector capital injections grandfathered until 1 January 2018	–	–	483 (2)
5	Minority interests (amount allowed in consolidated CET1)	–	–	84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	–	–	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	850.7	871.2	
7	Additional value adjustments (negative amount)	–	–	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(111.3)	(109.3)	36 (1) (b), 37
9	Empty Set in the EU	–	–	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–	–	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	–	–	33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts	–	–	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	–	–	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	33 (b)
15	Defined-benefit pension fund assets (negative amount)	(64.6)	(64.7)	36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–	36 (1) (f), 42, 472 (8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	36 (1) (g), 44, 472 (9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)

Common Equity Tier 1 Capital: Instruments and reserves		2020 £m	2019 £m	(B) Regulation (EU) No 575/2013 Article Reference
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty Set in the EU	–	–	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–	–	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative sector)	–	–	36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)	–	–	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)	–	–	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	–	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15% threshold (negative amount)	–	–	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	–	36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty Set in the EU	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Losses for the current financial year (negative amount)	–	–	36 (1) (a), 472 (3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–	–	36(1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(175.9)	(174.1)	
29	**Common Equity Tier 1 (CET1) capital**	674.8	697.2	
30	Capital instruments and the related share premium accounts	–	–	51, 51
31	of which: classified as equity under applicable accounting standards	–	–	
32	of which: classified as liabilities under applicable accounting standards	–	–	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	–	–	486 (3)
	Public sector capital injections grandfathered until 1 January 2018	–	–	483 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–	85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out	–	–	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	–	–	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–	–	52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	56 (b), 58, 475 (3)

	Common Equity Tier 1 Capital: Instruments and reserves	2020 £m	2019 £m	(B) Regulation (EU) No 575/2013 Article Reference
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	–	–	56 (c), 59, 60, 79, 475 (4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative)	–	–	56 (d), 59, 79, 475 (4)
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	–	–	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	–	–	
44	**Additional Tier 1 (AT1) capital**	–	–	
45	**Tier 1 capital (T1 = CET1 + AT1)**	674.8	697.2	
46	Capital instruments and the related share premium accounts	–	–	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–	–	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–	87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase out	–	–	486 (4)
50	Credit risk adjustments	–	–	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	–	–	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	–	63 (b) (1), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	66 (b), 68, 477 (3)
54	Direct and indirect holdings of the T2 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount about the 10% threshold and net of eligible short positions) (negative amount)	–	–	66 (c), 69, 70, 79, 477 (4)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–	66 (d), 69, 79, 477 (4)
57	**Total regulatory adjustments to Tier 2 (T2) capital**	–	–	
58	**Tier 2 (T2) capital**	–	–	
59	**Total capital (TC = T1 + T2)**	674.8	697.2	
60	Total risk weighted assets	1,973.5	2,244.3	
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	34.2%	31.1%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	34.2%	31.1%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	34.2%	31.1%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirements in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	–	–	CRD 128, 129, 130, 131, 133

	Common Equity Tier 1 Capital: Instruments and reserves	2020 £m	2019 £m	(B) Regulation (EU) No 575/2013 Article Reference
65	of which: capital conservation buffer requirement	–	–	
66	of which: countercyclical buffer requirement	–	–	
67	of which: systemic risk buffer requirement	–	–	
67a	of which: Global Systemically Important Institution (G-SII) or other Systemically Important Institution (O-SII) buffer	–	–	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	34.2%	31.1%	CRD 128
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	36 (1) (ii), 45, 48, 470, 472 (11)
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	–	–	36 (1) (c), 38, 48, 470, 472 (5)
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	–	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	–	–	62
78	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	–	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	–	–	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	–	–	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements	–	–	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	–	–	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–	484 (5), 486 (4) & (5)

Appendix 2 – Leverage ratio disclosures

Presented in accordance with Annex I of the Commission Implementing Regulation (EU) 2016/200 and based on the reported leverage ratio position at 31 December 2020.

Reference date	31 December 2020
Entity name	Provident Financial plc
Level of application	Consolidated

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount	
		2020 £m	2019 £m
1	Total assets as per published financial statements	3,078.1	2,924.5
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		–
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 'CRR')		–
4	Adjustments for derivative financial instruments		–
5	Adjustments for securities financing transactions (SFTs)		–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	118.1	110.1
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	118.1	110.1
7	Other adjustments	40.5	28.7
8	**Total leverage ratio exposure**	3,236.7	3,063.3

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		2020 £m	2019 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,294.5	3,127.3
2	(Asset amounts deducted in determining Tier 1 capital)	(175.9)	(174.1)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	3,118.6	2,953.2
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	–	–
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	–	–
EU-5a	Exposure determined under Original Exposure Method	–	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
8	(Exempted CCP leg of client-cleared trade exposures)	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivative exposures (sum of lines 4 to 10)**	–	–
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures 2020 £m	2019 £m
14	Counterparty credit risk exposure for SFT assets	–	–
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	–	–
15	Agent transaction exposures	–	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1,180.6	1,101.1
18	(Adjustments for conversion to credit equivalent amounts)	(1,062.5)	(991.0)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	118.1	110.1
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off-balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	–	–
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	–	–
Capital and total exposures			
20	**Tier 1 capital**	674.8	697.2
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	3,236.7	3,063.3
Leverage ratio			
22	**Leverage ratio**	20.8%	22.8%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	–	–

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures 2020 £m	2019 £m
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3,294.5	3,127.3
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:	3,294.5	3,127.3
EU-4	Covered bonds		
EU-5	Exposures treated as sovereigns	897.8	366.0
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns		
EU-7	Institutions	87.5	25.9
EU-8	Secured by mortgages of immovable properties		
EU-9	Retail exposures	1,776.7	2,079.1
EU-10	Corporate		
EU-11	Exposures in default	226.0	292.5
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	306.5	363.8

Appendix 3 – Main features of the ordinary shares of Provident Financial plc

Based on reported ordinary shares at 31 December 2020

1	Issuer	Provident Financial plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GB00B1Z4ST84
3	Governing law(s) of the instrument	English Law
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	£325.8m of ordinary share capital and share premium
9	Nominal amount of instrument (Currency in million)	£52.5m
9a	Issue price	n/a
9b	Redemption price	n/a
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	n/a
15	Optional call date, contingent call dates and redemption amount	n/a
16	Subsequent call dates, if applicable	n/a
17	Fixed or floating dividend/coupon	n/a
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	n/a
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Write-down features	No
31	If write-down, write-down trigger(s)	n/a
32	If write-down, full or partial	n/a
33	If write-down, permanent or temporary	n/a
34	If temporary write-down, description of write-up mechanism	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	n/a

Under Article 443 of the CRR, additional disclosure on unencumbered and encumbered assets is required.

The following disclosures are presented in line with PRA regulatory reporting requirements. Asset encumbrance occurs through the pledging of assets to secured creditors. The Group encumbers assets to attain long-term funding through secured funding transactions via the Moneybarn bilateral securitisation.

In all the tables below the values use the median of the four end of quarter period values for the previous 12 months and as such differ from the disclosures contained in the Annual Report.

Template A: Encumbered and unencumbered assets

2020		Encumbered assets Carrying amount 010 £m	Encumbered assets Fair value 040 £m	Non-encumbered assets Carrying amount 060 £m	Non-encumbered assets Fair value 090 £m
010	Assets of the reporting institution	214.2	n/a	3,124.7	n/a
120	Other assets[1]	0	n/a	373.4	n/a

2019		Encumbered assets Carrying amount 010 £m	Encumbered assets Fair value 040 £m	Non-encumbered assets Carrying amount 060 £m	Non-encumbered assets Fair value 090 £m
010	Assets of the reporting institution	—	n/a	2,967.6	n/a
120	Other assets[1]	—	n/a	410.2	n/a

1. All remaining balance sheet assets, predominantly loans and advances to customers.

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty exists regarding the outcome of future events. Details on the Group's contingent liabilities are set out in the Annual Report. No assets of the Group are encumbered as a result of any contingent liabilities described in the Annual Report.

Template B: Collateral

In Supervisory Statement SS6/17 the PRA waived the Template B requirements subject to a firm meeting certain criteria. The Group meets that criteria and therefore Template B is not disclosed.

Template C: Encumbered assets/collateral received and associated liabilities

		2020 Matching liabilities, contingent liabilities or securities lent 010 £m	2020 Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered 030 £m	2019 Matching liabilities, contingent liabilities or securities lent 010 £m	2019 Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered 030 £m
120	Carrying amount of selected financial liabilities	—	—	—	—

Template D – Information on importance of encumbrance

The Group reviews all assets against the criteria of being able finance them in a secured form (encumbrance) but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law with necessarily requiring prior notification, homogeneity, predictable and measurable cash flows and a consistent and uniform underwriting and collection process. Retail assets, including auto loans and credit card receivables, display many of these features.

The Group encumbers assets to serve as collateral to support certain wholesale funding initiatives. The principal forms of encumbrance used by the Group is own asset securitisation. At 31 December 2020, the Group holds encumbered assets in the form of loans and advances to customers secured within Moneybarn's SPV. No other assets of the Group were encumbered at that date.

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